



بنك البحرين للتنمية
BAHRAIN DEVELOPMENT BANK B.S.C. (c)

Synergy of Success

Annual Report 2025



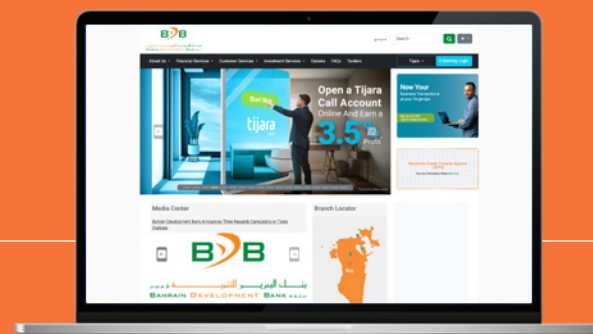
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View our Annual Report and other information about Bahrain Development Bank
www.bdb-bh.com



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

Overview

Beyond Impact: Cultivating Bahrain's Ambition

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

	2025	2024	2023	2022	2021
Income statement highlights (BD Thousands)					
Net Islamic finance and interest income	7,909	7,712	7,128	7,116	6,685
Other income	3,184	1,942	1,894	2,199	2,135
Operating expenses	9,136	8,591	7,928	8,571	7,728
Expected credit losses / provision / impairment	(1,000)	(749)	(136)	(647)	1,013
Net profit attributable to shareholders	837	719	596	525	131
Net profit	717	650	537	502	88
Dividend (%)	-	-	-	-	-
Financial statement highlights (BD Thousands)					
Total assets	208,135	217,193	240,313	229,978	246,379
Islamic financing and loans to customers	88,383	99,223	112,885	134,034	146,632
Investments (securities, properties, associates)	96,725	83,267	65,865	67,864	66,960
Total deposits	111,127	120,962	145,908	132,863	137,995
Customers' deposits	99,063	105,044	122,452	132,863	137,995
Total Equity	67,403	64,115	63,981	62,865	68,732
Profitability					
Return on average equity	1.09%	1.01%	0.85%	0.76%	0.13%
Return on average assets	0.34%	0.28%	0.23%	0.21%	0.04%
Earnings per share (fils)	13	11	9	8	2
Cost-to-income ratio	82%	89%	88%	96%	88%
Capital					
Equity/total assets	32%	30%	27%	27%	28%
Total deposits/equity (times)	1.65	1.89	2.28	2.11	2.01
Capital adequacy	78.05%	70.29%	67.40%	70.76%	65.21%
Business indicators					
Islamic financing and loans to customers/total assets	42%	46%	47%	58%	60%
Investments/total assets	46%	38%	27%	30%	27%
Islamic financing and loans to customers/customer deposits	0.89	0.94	0.92	1.01	1.06
Number of employees	141	137	140	141	154

Key Indicators

Net Islamic Financing
& Interest Income
(BD Thousands)

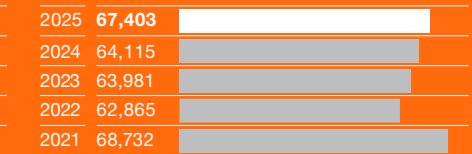
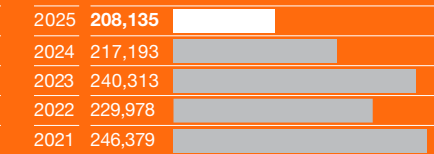
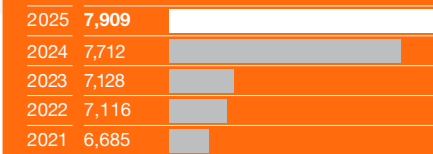
7,909

Total Assets
(BD Thousands)

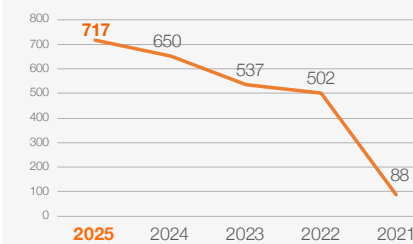
208,135

Total Equity
(BD Thousands)

67,403

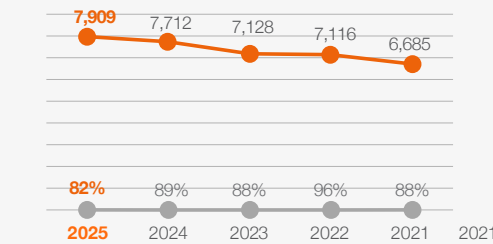


Net Profit
(BD Thousands)

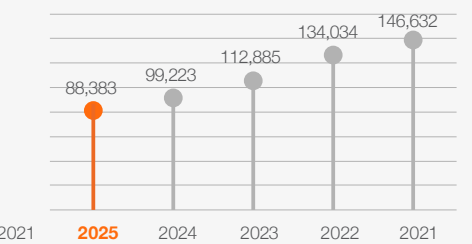


Income Statement Highlights
(BD Thousands)

— Net Islamic finance and interest income
— Cost-to-income ratio




Islamic Financing and
Loans to Customers
(BD Thousands)



Awards & Recognitions

Bahrain Development Bank receives outstanding recognition with 11 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 SME Bank
Digital Banker Middle East & Africa Retail Awards



CSR Arabia Award
Arabia CSR & Sustainability Awards



Excellence in Business Banking Solutions (Tijara) Bahrain 2025
International Business Magazine

50 / 2024
Top 50 Companies in Bahrain
AI Bilad Publishing



Bahrain Digital Content Award (BDCA) 2025
Bahrain Technology Companies Society (BTECH)



Excellence in SME Financial Inclusion Bahrain 2025
International Business Magazine




SME Digital Innovation of the Year – Bahrain (for tijara)
Asian Banking & Finance Retail Banking Awards 2025



SME Bank of the Year – Bahrain
Asian Banking & Finance Retail Banking Awards 2025



Best SME Banking Platform
Digital Banker Middle East & Africa Retail Awards



Outstanding Contribution to Startup Ecosystem in Bahrain for the year 2025
The Arab Banks Awards & Commendations of Excellence

Best CEO Award
BSCM Excellence Award

Synergy of Success

BDB aligns with national goals to empower small businesses and strengthen the local industrial landscape. Our visionary roadmap fosters a diversified economy, ensuring long-term resilience and sustainable prosperity for the entire Kingdom of Bahrain.

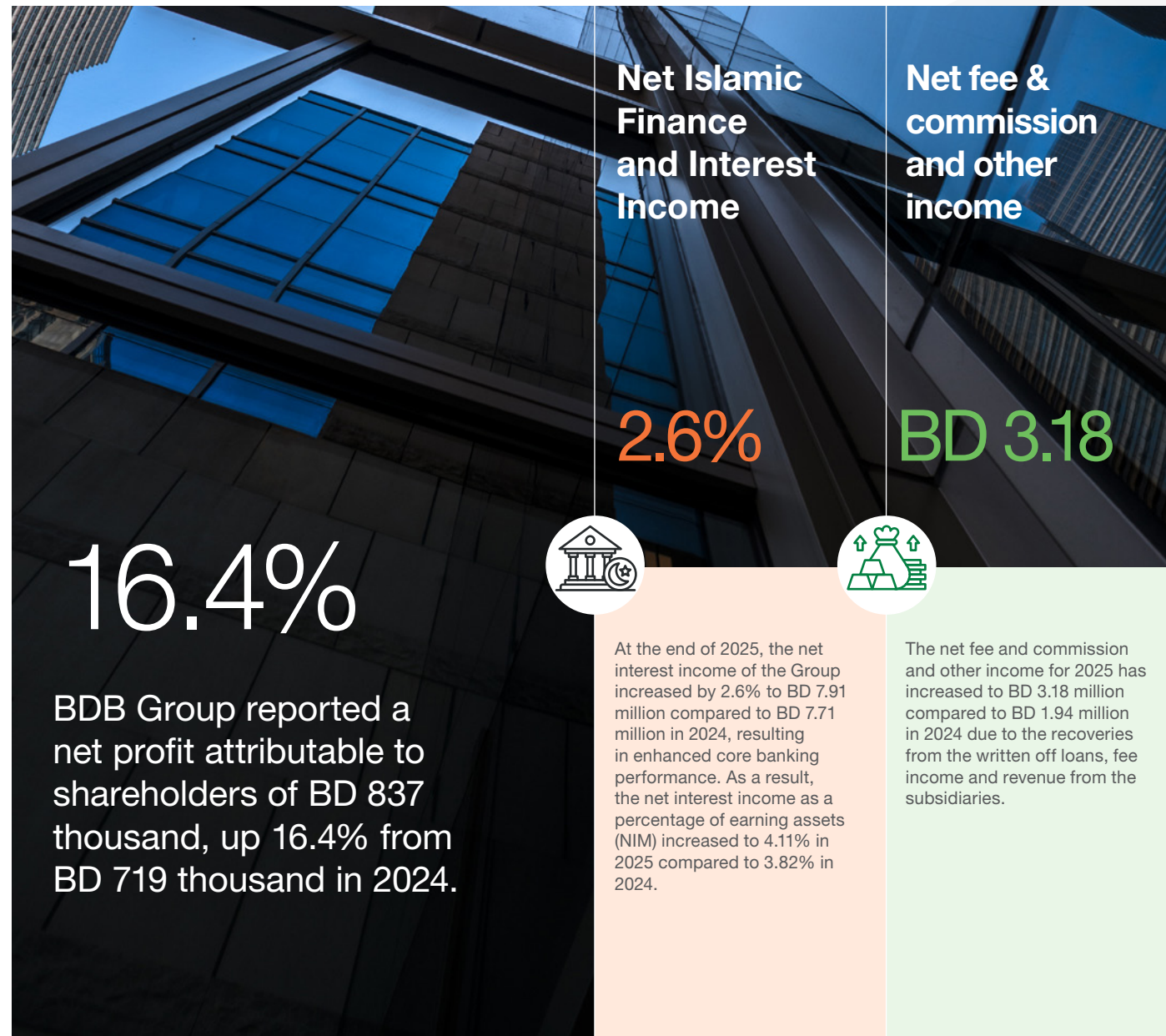
Strategic vision



Financial Review

For the full year ending 31st December 2025, BDB Group reported a net profit attributable to shareholders of BD 837 thousand, up 16.4% from BD 719 thousand in 2024.

The Group recorded 10.3% year-on-year increase in consolidated net profit to BD 717 thousand for the year ending 31st December 2025 compared to BD 650 thousand in 2024.



Board of Directors



Ghassan Ghaleb Abdulaal
Chairman

Director since: March 2016
Years of Experience: 25 years



Marwa Khaled AlSaad
Director

Director since: November 2019
Years of Experience: 18 years



Sandeep Bose
Director

Director since: December 2022
Years of Experience: 35 years



Yousif Mohamed Al Nefaei
Director

Director since: December 2022
Years of Experience: 24 years



Manal Shawqi Al Bayat
Director

Director since: December 2022
Years of Experience: 27 years



Aysha Mohamed Abdulmalek
Director

Director since: December 2022
Years of Experience: 18 years



Hani Hussain Redha
Director

Director since: December 2022
Years of Experience: 27 years



Amna Ali Alarayedh
Director

Director since: December 2022
Years of Experience: 11 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.

Ms. Al Saad is the Managing Director of Human Capital at Bahrain Mumtalakat Holding Company B.S.C (c), the sovereign wealth fund of the Kingdom of Bahrain. She currently serves as the Chairperson of the Board of Directors of Mazad Bahrain W.L.L. (appointed 2024), chairs the Board Nomination & Remuneration Committee of the Bank and is a member of the Equal Opportunities and Gender Balance Committee affiliated with the Bahrain Olympic Committee.

With over 18 years of progressive leadership in human capital strategy, Ms. Al Saad brings deep expertise in performance management, organizational development and institutional effectiveness. She previously served as Chairman of the Nomination & Remuneration Committee at AXA Gulf, overseeing governance frameworks across the insurance group's regional operations.

Her career spans Fortune 500 multinationals, government-owned enterprises and leading regional conglomerates, including General Mills Inc. (USA), Cummins Power Generation, Tatweer Petroleum and YBA Kanoo Holdings W.L.L., where she led HR functions across multiple geographies and business lines

Qualifications

Holds a Master's, Purdue University - Krannert School of Management (Human Resources concentration) and a Bachelor's degree, Purdue University- Organizational Leadership and Supervision

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 Standard Chartered Bank 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. Moreover, Mr. Bose chairs the Board Executive Committee at the Bank.

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.

The Deputy Chief Executive at the BENEFIT Company, Mr. Al Nefaei 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. Al Nefaei held a number of senior positions at Sinnad W.L.L and Bank of Bahrain and Kuwait B.S.C. (BBK). Mr. Al Nefaei is also a Board member in Sinnad W.L.L, Marshal FinTech Partners Ltd, Tanmeya Capital in KSA, Reload Security Intelligence in UAE and Bahrain Fintech Bay W.L.L. Moreover, Mr. Al Nefaei chairs the Board Audit & Governance Committee at the Bank

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.

As the Chief Operating Officer of Bahrain Real Estate Investment (Edamah) B.S.C.(c), Ms. Al Bayat oversees operational excellence and drives the execution of the company's growth strategy. 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 & Commercial Officer of Expo City Dubai, 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 and PNC Bank (USA). Ms. Al Bayat is also a Board member in the University of Wollongong in 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.

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. Abdulmalek worked at Bahrain Real Estate Investment (Edamah) B.S.C.(c) where she 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.

Ms. Abdulmalek currently serves as a member of the Board of Directors of Bahrain Bourse where she is a member of the Board Audit and Risk Committee. She previously served as a member of the Board of Directors of McLaren Group Limited where she was a member of its Board Audit and Risk Committee.

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.

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. Moreover, Mr. Redha chairs the Board Risk Committee at the Bank.

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.

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

Qualifications

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

Sharia'a Supervisory Board

Dr. Sheikh Abdulnasser Almahmood

Dr. Sheikh Abdul Naser is a well versed Islamic banking and finance with over 33 years of expertise in the sector.

He currently serves as Head of the Sharia Coordination and Implementation Department at Khaleeji Bank. Prior to joining Khaleeji Bank, he held the position of Senior Manager in the Sharia Audit Department at Ernst & Young Bahrain, and previously served as Head of the Sharia Internal Control Department at Bahrain Islamic Bank. He has also served as a member of the Sharia Supervisory Boards of several Islamic banks and financial institutions.

Over the course of his career, Dr. Sheikh Abdul Naser has worked extensively in the fields of Sharia supervision and audit and has served as Secretary to Sharia Boards for more than 30 years.

Dr. Sheikh Abdul Naser holds a Doctorate in Islamic banking, Master Degree in Business Administration, Bachelor's degree in Sharia and Islamic Studies, 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.

Born in Iraq in 1962 and obtained Bahraini nationality in 2008. He holds a Bachelor's degree in Islamic Studies (1984), a Master's degree in Comparative Islamic Economics (1993), and a PhD in Comparative Islamic Economics (1997), all from the University of Baghdad.

Dr. Al-Ani has extensive academic and professional experience spanning several decades. He began his academic career in 1993, teaching at universities in Iraq, Yemen, and Russia, before joining the University of Bahrain in 2000, as a faculty member teaching a wide range of specialized and general courses in Islamic economics and jurisprudence. He retired in 2018.

Since 2010, Dr. Al-Ani has been a member of the Shari'a Supervisory Board of Bahrain Development Bank.

Dr. Al-Ani is a distinguished scholar with a strong record of publications in Islamic economics and jurisprudence. His authored works include Supervision in Islamic Economics: A Comparative Study (1993) and International Economic Relations in Islamic Jurisprudence: A Comparative Study (1997). He also published numerous research papers and participated in international conferences across the GCC, Middle East, Europe, and Asia, addressing topics such as Islamic finance, public policy, consumer protection, and international economic relations.

His research interests include international law from an Islamic perspective, as well as cultural relations between Arab and global communities. He has also contributed to curriculum development, including the establishment of the Islamic Finance and Banking program at the University of Bahrain in collaboration with the Central Bank of Bahrain.

Dr. Al-Ani has received several awards, including the First Prize of the H.H. Sheikh Rashid bin Humaid Award in Ajman (UAE), as well as awards in Arabic poetry competitions at the University of Bahrain.

Dr. Mohammed Burhan Arbouna

Dr. Mohammed Burhan Arabuna is a Shari'a expert in Islamic banking with over two decades of experience in the field since 1997. He currently serves as Deputy Chief Executive Officer – Head of Shari'a Compliance at Al Salam Bank, Kingdom of Bahrain.

Prior to this role, Dr. Arabuna held several senior positions, including Senior Vice President and Head of Shari'a Supervision at Seera Investment Bank, where he also served as a member of the Fatwa and Shari'a Supervisory Board. He previously led the Shari'a Supervision function at Kuwait Finance House – Bahrain.

Earlier in his career, Dr. Arabuna worked at the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain, where he was actively involved in developing Shari'a and accounting standards. He served as Secretary to the Shari'a Board responsible for issuing and approving AAOIFI standards and worked closely with leading Shari'a scholars in Islamic finance.

Dr. Arabuna has contributed extensively to the Islamic finance industry through participation in regional and international conferences as a speaker and contributor. He has also published numerous articles on Islamic banking and Takaful in both Arabic and English.

He is an experienced trainer and has delivered specialized programmes in Islamic finance for several institutions, including the Bahrain Institute of Banking and Finance (BIBF), the Central Bank of Bahrain, AAOIFI, and other academic and training institutions.

Dr. Arabuna holds a PhD in Islamic financial transactions and banking, and a Master's degree in Comparative Law from the International Islamic University Malaysia. He also holds a Bachelor's degree in Shari'a from the Islamic University of Madinah. In addition, he pursued advanced studies under prominent scholars at Al-Masjid Al-Nabawi.

He currently serves on a number of Shari'a boards and advisory committees within the Islamic financial services industry.

Synergy of Success

Our advanced digital platforms revolutionize financial access, providing seamless support for ambitious entrepreneurs. By embracing innovative technology, we accelerate growth and empower diverse leaders, creating powerful momentum across the nation's evolving digital landscape.

Digital momentum





“

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

Ghassan Ghaleb Abdulaal
Chairman

Sustainable legacy for a diversified economy

2025 was a year of continued and measured progress. Across every dimension of our work, we moved forward with purpose, strengthening our financial position and deepening our contribution to Bahrain's development and small and medium enterprise ("SME") ecosystem. The progress we present today speaks to the dedication of our Board, our management team and every member of the Bank's family.

The Bank delivered strong financial results in 2025 where we reported a net profit attributable to shareholders of BD 837 thousand, up 16% from BD 719 thousand in FY 2024. Moreover, we achieved a net profit of BD 717 thousand for FY 2025 compared to BD 650 thousand in the previous year which represents a YoY growth of 10%. Total operating income grew by 15%, reaching BD 11.093 million compared to BD 9.654 million in the previous year, supported by continued cost optimisation and healthy balance sheet growth. We further diversified our income streams, reinforcing the sustainability of our earnings base. We also achieved an 18% YoY reduction in non-performing loans, the result of enhanced portfolio monitoring, focused recovery efforts, prudent provisioning and proactive remedial action across the credit portfolio.

Our commitment to the Kingdom's SME sector is, and has always been, central to our mandate. In 2025, the Bank launched and participated in the region's first dedicated SME Credit Fund, with a total size of USD 185 million, with commitments from the largest banks in the Kingdom including the National Bank of Bahrain, Al Salam Bank and Bank of Bahrain and Kuwait, with the support of Tamkeen. Additionally, the Bank committed USD 54 million to the Fund, strengthening its support for the businesses that power our national economy.

We also reached an important development in our Invoice Discounting Programme, successfully onboarding our first anchor client, Aluminium Bahrain B.S.C. which availed an invoice discounting facility of a value of USD 13 million, expanding the Bank's offering of alternative financing solutions and further contributing to the wider SME ecosystem.

We also partnered with Startup Bahrain to support the Kingdom's startup community, including through a dedicated startup pitch event, reinforcing our commitment to nurturing entrepreneurship in the Kingdom.

We invested equally in strengthening the foundations of how we operate. We undertook a comprehensive programme of process reengineering, optimising key operational workflows to enhance efficiency, control and service delivery.

We revamped and independently validated the Bank's IFRS 9 Expected Credit Loss and Credit Risk Rating Models, improving the accuracy and robustness of our credit risk assessment capabilities. We also revised a range of policies, procedures and standard documents to reinforce our governance frameworks and internal controls. In parallel, we transitioned CBB-mandated Compliance and AML training to the Lumofy digital learning platform, improving accessibility and training effectiveness across the organisation. It is worth noting that Lumofy is a medium-sized Bahraini enterprise, established in Bahrain and providing its services across the Kingdom and the GCC, and our engagement with them forms part of our commitment to supporting and developing this sector.

We further progressed our rebranding initiative, strengthening our market positioning and corporate identity to more accurately reflect the institution we have evolved into.

2025 also marked a significant milestone in our sustainability journey with the introduction of our first ESG Framework. While this represents a formal step forward, ESG principles have long been embedded in our mandate as a development bank. Our initiatives have historically supported key national priorities, including our Agriculture and Fisheries financing programmes, the Farmers' Market, the advancement

Chairman's Statement (continued)

We launched and participated in the region's first dedicated SME Credit Fund, with a total size of USD 185 million, with commitments from the largest banks in the Kingdom being the National Bank of Bahrain, Al Salam Bank and Bank of Bahrain and Kuwait, with the support of Tamkeen.

of women entrepreneurship through Riyadat and the promotion of digitalisation through our Tijara platform, which enhances efficiency while reducing our environmental footprint.

In 2025, we formalised these efforts by developing a structured ESG strategy aligned with regulatory expectations. This included conducting a comprehensive ESG maturity assessment, establishing defined KPIs and targets and integrating ESG considerations across our operations, financing activities and risk management processes.

But an institution is only as strong as the people behind it. And on that front, we have much to be proud of. In 2025, the Bank achieved a record-high employee engagement survey score, underscoring a strong organisational culture and a workforce that is committed and motivated. We also participated in the Hope Talents National Employee Recognition Programme, further embedding a culture of appreciation and excellence.

Our efforts this year were recognised through 11 awards, spanning performance, innovation and corporate responsibility. Notably, we were named SME Bank of the Year and received the SME Digital Innovation of the Year award for our Tijara platform at the ABF Awards. We were also recognised as Best SME Bank and Best SME Banking Platform at the Digital Banker Middle East and Africa Retail Awards and received the CSR Arabia Award. Lastly, we were honoured to be named among the Top 50 Companies in Bahrain by Al Bilad Publishing.

None of this would have been possible without the guidance of our Board members, the hard work of our management team and staff and the trust our shareholders and partners continue to place in us. As we navigate the difficult circumstances affecting our region, the Bank remains resolute in its role as a contributor to the Kingdom's financial stability and support to the SME sector. We stand in full support of the efforts of our leadership, our regulators and all those working on the frontlines to safeguard the wellbeing of our nation.

Ghassan Ghaleb Abdulaal
Chairman

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 ***	Bonus	Incentive plans	Others **	Total			
First: Independent Directors:												
1. Ghassan Ghaleb Abdulaal	-	1,500	-	1,500	13,120	-	-	-	13,120	-	14,620	
2. Marwa Khaled Alsaad	-	6,500	-	6,500	9,840	-	-	-	9,840	-	16,340	
3. Hani Hussain Redha	-	5,900	-	5,900	9,840	-	-	-	9,840	-	15,740	1,942
4. Sandeep Bose	-	8,400	-	8,400	9,840	-	-	-	9,840	-	18,240	1,382
5. Yousif Mohamed Alnefaiei	-	5,900	-	5,900	9,840	-	-	-	9,840	-	15,740	
6. Manal Shawqi Al Bayat	-	3,500	-	3,500	9,840	-	-	-	9,840	-	13,340	150
7. Aysha Mohamed Abdulmalek	-	3,500	-	3,500	9,840	-	-	-	9,840	-	13,340	
8. Amna Ali Alarayedh	-	4,000	-	4,000	9,840	-	-	-	9,840	-	13,840	
Total	-	39,200	-	39,200	82,000	-	-	-	82,000	-	121,200	3,474

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 2025; and paid in 2026.

Second: Executive Management Remuneration Details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	671,225	196,063	-	867,288

Note: All amounts are 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).

Executive Management



1. Dalal Ahmed Al Qais
Group Chief Executive Officer

2. Ali Yusuf Ali Ebrahim Alaradi
Chief Banking Officer

3. Yaser Ismaeel Mudhafar Ali
Chief Financial Officer

4. Siddharth Kumar
Chief Risk Officer

5. Nada Medhat Azmi
Chief Strategy & Transformation Officer

6. Said Abdelhamid Abdelaty
Chief Technology Officer

7. Siddharth Chaudhary
Head of Internal Audit

8. Nareen Ahmed Agha
Head of Legal & Board Secretary

9. Khalid Mahmood Abdulla
Head of Operations

10. Abdulla Abdullatif Al-Hazeem
Sharia Reviewer

11. Mubarak Albuflasa
Acting Head of compliance & AML

12. Ahmed Khaled Alshomeli
Head of Human Resources

Executive Management (continued)

1. Dalal Ahmed Al Qais Group Chief Executive Officer

Joined BDB: 2021

Dalal Al Qais is an accomplished banking professional with over 22 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 is a seasoned banking executive with nearly 22 years of progressive experience across retail banking, sales leadership, branch management, and relationship management within prominent regional and international financial institutions. He is recognized for driving business growth, strengthening distribution networks, and delivering sustainable performance through effective leadership and strategic execution.

He began his career with Standard Chartered Bank, where he served as Team Leader in Consumer Banking before progressing to Branch Sales Officer. He subsequently joined Ahli United Bank as a Relationship Manager, further deepening his expertise in client acquisition, portfolio growth, and relationship management.

Mr. Ali later held senior leadership roles as Branch Manager at BMI Bank for six years and Al Salam Bank for four years, where he led high-performing teams, enhanced operational excellence, and consistently delivered on business targets. In October 2018, he joined Bahrain Islamic Bank as Head of Branches and Sales – Retail Banking, and was later appointed Acting Head of Retail Banking from November 2021. In these executive roles, he played a pivotal part in shaping retail strategy, strengthening sales governance, and optimizing branch performance at a national level. Prior to joining BDB, he was instrumental in driving growth and transformation initiatives within the retail banking function.

Mr. Ali is a highly qualified Bahraini banking professional with strong academic and professional credentials. He holds an MBA from Swiss Business School, an Advanced Diploma in Islamic Banking, CMI Level 5, and CII certification. He has also completed the Oxford Fintech Program. In addition, he holds the Chartered Portfolio Manager (CPM) and Chartered Wealth Manager (CWM) designations from the American Academy of Financial Management, reflecting his strong expertise in wealth management and portfolio strategy.

3. Yaser Ismaeel Mudhafar Ali Chief Financial Officer

Joined BDB: 2022

Mr. Yaser has over 26 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. Siddharth Kumar Chief Risk Officer

Joined BDB: 2023

Mr. Siddharth has 22 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.

5. Nada Medhat Azmi Chief Strategy & Transformation Officer

Joined BDB: 2022

Nada is an accomplished strategy and transformation leader with over 23 years of experience across financial services, public sector economic development and FDI promotion, with a strong track record in driving growth, institutional transformation and value creation. She specialises in strategy formulation, corporate governance, policy development, stakeholder engagement and large-scale transformation execution.

She works closely with the Group CEO and senior leadership to shape and deliver strategies aligned with Bahrain's national economic priorities, driving sustainable growth and long-term shareholder value.

She leads the Bank's transformation agenda and ESG strategy, embedding sustainability into strategy, governance and decision-making. She played a pivotal role in establishing Bahrain's first SME private credit fund, supporting SME growth and strengthening the Kingdom's financing ecosystem.

Previously, she spent 15 years at the Bahrain Economic Development Board (EDB), where she held senior roles in economic planning, competitiveness and corporate strategy. As Board Secretary, she further developed her expertise in corporate governance and board-level advisory.

She holds a Bachelor's degree in Computer Science and Management Studies from the University of Maryland Global Campus, complemented by executive education in board governance at INSEAD and at Harvard Business School, including "Designing and Executing Corporate Revitalisation (DECR)," "Disruptive Strategy," "Changing the Game" and the "Credential of Readiness (CORE)". She has also completed the Bahrain Bourse Board Governance Programme.

6. Said Abdelhamid Abdelaty Chief Technology Officer

Joined BDB: 2025

Mr. Said is a seasoned technology leader with more than 23 years of experience in information technology within the banking and financial services sector. As Chief Technology Officer at Bahrain Development Bank, he leads the bank's enterprise technology strategy and oversees digital transformation initiatives that support innovation, operational efficiency, and enhanced customer experiences. His areas of expertise include core banking modernization, digital channels transformation, and open banking enablement, with a strong focus on building scalable and secure technology ecosystems.

Prior to joining BDB, he held senior technology leadership roles at KFH Bahrain (formerly Ahli United Bank), where he led the development

of digital platforms, implemented agile delivery frameworks, and managed large-scale transformation programs. He also brings extensive experience in vendor management, technology cost optimization, and building strategic partnerships to deliver sustainable technology solutions.

Mr. Said holds a Bachelor of Science in Computer Science and Information Systems from Ain Shams University and a Master of Science in Information Systems from Helwan University. He is a Certified Information Systems Auditor (CISA), TOGAF® Certified in Systems Architecture, and holds certifications in Digital Transformation, Blockchain, and Leadership and Data-Enabled Strategic Planning.

7. Siddharth Chaudhary Head of Internal Audit

Joined BDB: 2018

Siddharth offers more than 21 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).

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 13 years of expertise across multiple sectors, including corporate law, mergers and acquisitions, funds, 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 has also completed the Strategic Decision-Making for Leaders Programme at Cambridge Judge Business School, University of Cambridge, United Kingdom and the INSEAD Corporate Governance Programme at INSEAD Business School. Ms. Nareen currently serves as a Board Member in Hope Ventures Holding B.S.C.(c), 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 19 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 a proven ability to lead high-performing teams and implement efficient processes that ensure seamless operations across all banking functions. His role extends beyond day-to-day management to contributing to strategic planning and aligning operational frameworks with the organization's vision, mission, and business objectives.

Since 2012, Khalid has served as Head of Operations at Bahrain Development Bank (BDB), where he plays a pivotal role in driving operational efficiency and supporting the bank's growth strategy. Prior to joining BDB, he held key positions at leading financial institutions, including National Bank of Bahrain (NBB) and Capital Management House (CMH).

Mr. Khalid holds a bachelor's degree in "Accounting" from the University of Bahrain and has completed the "Executive Management Leadership Program" offered by Harvard Business Impact

10. Abdulla Abdullatif Al-Hazeem Sharia Reviewer

Joined BDB: 2011

With nearly 17 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.

11. Mubarak Albuflasa Acting Head of compliance & AML

Joined BDB: 2023

Mr. Mubarak brings over 14 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.

12. Ahmed Khaled Alshomeli Head of Human Resources

Joined BDB: 2024

Ahmed Khaled Alshomeli joined Bahrain Development Bank (BDB) in July 2024 and brings 14 years of experience across HR operations, compensation and benefits, and talent management. He has built a strong track record in designing and managing reward frameworks, payroll governance, and HR process optimization, supporting organizational performance through structured people practices and effective service delivery.

Prior to joining BDB, Ahmed served with Gulf Air Group Holding (GFG) as Payroll Manager from January 2024 to July 2024. He previously held progressive roles at Bahrain Airport Company (BAC), including Head of Compensation and Benefits (May 2022 to December 2023), HRMS & Payroll Administrator Senior Officer (April 2016 to April 2022), Compensation & Benefits Officer (January 2012 to March 2016), and Human Resources Assistant (March 2010 to December 2011). This progression reflects deep, hands-on expertise across payroll, HR systems, and total rewards, alongside broader HR operational leadership.

In addition to his responsibilities at BDB, Ahmed serves on the HR Committee of the Bahrain Association of Banks (BAB), supporting wider industry collaboration. He holds a Bachelor's degree in Accounting from the University of Bahrain and a Diploma from the Chartered Institute of Personnel and Development (CIPD).

Synergy of Success

We nurture sustainable agricultural ventures that create meaningful opportunities for the youth. By maximizing the value of every investment, BDB secures a prosperous, green legacy, ensuring a thriving future for all coming generations.

Sustainable legacy



Group CEO Statement



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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

Transforming innovation into measurable results

It is my honor to present the Annual Report for Bahrain Development Bank Group, for the year ended December 31, 2025.

The year was marked by meaningful progress across a number of strategic priorities, and for BDB it represented another important step forward in strengthening the Bank's financial position, enhancing its operating model and broadening its impact on the SME ecosystem in the Kingdom of Bahrain.

As the leading provider of financial services to Small and Medium Enterprises (SMEs) across Bahrain, BDB remained focused on enabling businesses to access finance and markets, while continuing to build the capabilities, partnerships and platforms needed to support their growth over the long term. Throughout the year, we remained disciplined in execution, responsive to market developments and committed to delivering sustainable value for our shareholders and stakeholders.

BDB's financial performance in 2025 reflected the strength of this approach. The Bank delivered strong financial results during the year, with net profit increasing from BD 650 thousand in 2024 to BD 717 thousand in 2025, representing a 10% year-on-year growth. Operating income also rose significantly from BD 9.654 million in 2024 to BD 11.093 million in 2025, reflecting a 14.9% year-on-year increase. These results were supported by continued cost optimisation initiatives, balance sheet growth and further diversification of income streams.

Notably, 2025 also represented the first year in which the Bank reported a retained earnings position, marking a significant milestone in its financial journey and underscoring the cumulative impact of our transformation efforts over recent years.

At the same time, we continued to strengthen the quality and resilience of our portfolio. Through enhanced monitoring, focused recovery efforts, prudent provisioning and proactive remedial actions, the Bank achieved a significant year-on-year reduction of 18% in non-performing loans. This outcome reflects the discipline of our risk management framework and our commitment to maintaining a healthy and sustainable balance sheet while supporting business growth.

A key highlight of the year was the launch of the region's first dedicated SME Credit Fund, with a target size of BD 100 million, in partnership with National Bank of Bahrain, Al Salam Bank, BBK and Tamkeen. This landmark initiative reinforces BDB's long-standing role as a catalyst for SME development and demonstrates the strength of collaboration across Bahrain's financial ecosystem. In addition, BDB committed BD 20 million to the Fund, reflecting our confidence in the initiative and our strong alignment of interest with fellow investors. The Fund is expected to play an important role in expanding access to finance, stimulating private sector activity and supporting economic growth in line with Bahrain's national priorities.

In 2025, the Bank also made further progress in broadening its financing solutions. A major milestone was achieved with the successful onboarding of the first anchor client under the Bank's Invoice Discounting Programme. This development marks an important step in expanding alternative financing solutions and supporting working capital needs across supply chains. It also reflects our wider commitment to introducing practical and innovative products that respond to the evolving requirements of the market.

Another important milestone during the year was the introduction of the Bank's first ESG Framework. This framework formalises BDB's commitment to sustainable practices and establishes a foundation for integrating environmental, social and governance considerations across our activities. As we continue our transformation journey, ESG will remain an important component of how we create long-term value and contribute responsibly to the development of the wider economy.

During the year, we also kickstarted the Bank's rebranding initiative, aimed at strengthening our market positioning and corporate identity. This initiative reflects the evolution of BDB as a modern, forward-looking development bank and supports our ambition to remain relevant, distinctive and impactful in an increasingly dynamic financial services landscape.

Group CEO Statement (continued)

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We look ahead to 2026 with confidence, building on our momentum as we continue our transformation journey and drive a more resilient and impactful future for the SME sector in Bahrain.

Internally, 2025 was also a year of strong progress across people, governance and operational excellence. We achieved a record-high employee engagement survey score, reflecting the strength of our organizational culture and the commitment of our employees. We also participated in the Hope Talents National Employee Recognition Programme, further reinforcing a culture of appreciation, performance and employee development across the Bank.

Operationally, the Bank undertook a number of process reengineering initiatives during the year, optimising multiple workflows to enhance efficiency, strengthen controls and improve service delivery. In parallel, several key standard documents, policies and procedures were drafted and revamped to reinforce governance frameworks, strengthen internal controls and support overall operational effectiveness.

From a risk and compliance perspective, the Bank successfully revamped and independently validated its IFRS 9 Expected Credit Loss and Credit Risk Rating Models, enhancing the accuracy, reliability and robustness of credit risk assessment. In addition, CBB-mandated Compliance and AML training was transitioned from in-person delivery to the Lumofy digital learning platform, improving accessibility, monitoring and overall training effectiveness.

These achievements were complemented by multiple awards received during the year, recognising the Bank's performance and the overall progress made across its

transformation journey. These recognitions are a reflection of the dedication of our teams and the consistency with which BDB continues to execute against its strategic priorities.

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, including the Central Bank of Bahrain, the Ministry of Industry and Commerce and Tamkeen, for their continued guidance and support.

My gratitude also goes to the Chairman, Mr. Ghassan Ghaleb Abdulaal, the members of the Board of Directors, the executive management team, our strategic partners and all BDB employees for their commitment, support and contribution throughout the year.

We look forward to building on this momentum in 2026 as we continue our transformation journey and work towards creating a stronger, more resilient and more impactful future for the SME sector across the Kingdom of Bahrain.

Dalal Al Qais
Group Chief Executive Officer

Advancing Bahrain's vision through sustainable innovation.

BD 1.315m

During 2025, BDB disbursed a total of BD 1.315 million in financing.

927 jobs

During 2025, BDB supported a total of 471 MSMEs, that are expected to contribute to the creation of approximately 927 jobs.

Business Banking

The Bahrain Development Bank (BDB) continues to play a leading role in supporting micro, small and medium enterprises (MSMEs) across the Kingdom of Bahrain, reinforcing its contribution to economic growth, entrepreneurship and job creation through targeted financing and sector-focused interventions.

During 2025, the Bank supported a total of 471 MSMEs, comprising 61 micro enterprises, 259 small enterprises and 151 medium enterprises. This support is expected to contribute to the creation of approximately 927 jobs, reflecting BDB's continued commitment to enabling business growth and strengthening the private sector's role in the national economy.

The Bank also maintained its support for entrepreneurship, with 8 startup businesses benefiting from BDB's financing solutions

during the year. This underscores its ongoing focus on nurturing emerging ventures and fostering innovation within Bahrain's business landscape.

In the fisheries and agriculture sectors, 91 projects benefited from the financing scheme, with total disbursements amounting to BD 1,315,812. Through this support, BDB continued to advance productive sectors that contribute to food security, economic resilience and the sustainability of local livelihoods.

Through its Business Banking activities, BDB remains committed to delivering responsive financing solutions that support enterprises at different stages of growth, stimulate entrepreneurship and generate tangible economic value across the Kingdom of Bahrain.

BDB investment portfolio spans several industries including healthcare, food security, manufacturing, venture capital, technology, transportation services, micro-finance and financial institutions, as well as technology-enabled start-ups.

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 these investments originated as part of the Bank's mandate to support SMEs and key sectors aligned with the Kingdom of Bahrain's development objectives. The current investment portfolio spans several industries including healthcare, food security, manufacturing, venture capital, technology, transportation services, micro-finance and financial institutions, as well as technology-enabled start-ups. The Bank also partners with several governmental entities to create value for society through these investments.

During 2025, the Bank continued the implementation of the strategies for Riyadh Mall and Sitra Mall, focusing on improving tenant mix, increasing occupancy levels and supporting Bahraini SMEs. The Bank's properties continued to provide opportunities for Bahraini farmers, productive families, women-owned businesses and other local entrepreneurs to showcase and grow their businesses.

In addition, the Farmers Market continued to provide 50 kiosk rental spaces at a minimum rent, enabling Bahraini farmers, productive families, and local businesses to showcase and grow their activities. Moreover, the Farmers Market hosted nine seasonal festivals and events throughout 2025, supporting local agricultural products and increasing visitor footfall, which in turn benefited both the farmers and the Bahraini productive families participating in the market.

Information Technology

In 2025, the Information Technology Department continued to play a central role in advancing the Bank's digital capabilities and strengthening the resilience of its technology environment. Through the delivery of key infrastructure and systems enhancement initiatives, the Department supported the Bank's operational efficiency, security, and readiness to meet evolving business and regulatory requirements.

A major achievement during the year was the successful integration of the SWIFT messaging service with ISO 20022 standards. This milestone reinforced the Bank's international payments infrastructure by aligning it with global financial messaging requirements, while also enhancing the security, standardization, and reliability of cross-border transaction processing. The implementation reflects the Bank's commitment to regulatory compliance and to maintaining robust and future-ready banking systems.

The Department also made significant progress in enhancing internal service delivery through the introduction of AI-driven capabilities within the IT Service Management (ITSM) platform. These enhancements contributed to improved operational efficiency, faster response times, and a more streamlined user experience for employees across the Bank. By leveraging intelligent automation and advanced service tools, the Department further strengthened its ability to respond proactively to business needs and provide more effective technology support.

In support of communication efficiency and workforce flexibility, the Bank's telephony infrastructure was upgraded during the year, alongside the introduction of softphone

technology. This development enabled greater mobility for employees, improved accessibility and responsiveness, and supported business continuity by allowing more flexible and reliable communication channels across the organization.

The Department also continued to strengthen the Bank's core infrastructure by increasing network bandwidth capacity to meet growing digital and operational demands. This enhancement helped ensure optimal system performance, improved connectivity, and greater stability across the Bank's technology environment, supporting both day-to-day operations and broader digital initiatives.

In addition, VPN connectivity architecture was redesigned to enhance secure remote access to the Bank's systems. This initiative improved the overall staff experience by providing more seamless and reliable connectivity, while maintaining strong security controls over remote access. The enhancement further supported flexible working arrangements and reinforced the Bank's ability to operate efficiently in an increasingly digital environment.

Collectively, these achievements underscore the Information Technology Department's commitment to strengthening the Bank's digital infrastructure and delivering secure, reliable, and efficient technology solutions that enable business continuity, support operational excellence, and align with the Bank's strategic objectives.

Empowering start-ups to foster innovation

Disaster & Business Continuity Plan

Bahrain Development Bank continued in 2025 to maintain and strengthen its Business Continuity and Disaster Recovery framework to support operational resilience and ensure alignment with the regulatory requirements of the Central Bank of Bahrain. The Bank remained focused on safeguarding the continuity of critical operations through regular review, testing, and enhancement of its continuity and recovery arrangements.

The Disaster Recovery Site at Sitra Mall remained fully equipped and operational throughout the year, providing a strong backup environment to support the continuity of critical operations. This was further reinforced by the Bank's cloud-hosted services on AWS and Microsoft Azure, which contributed to strengthening system availability, flexibility, and recovery capabilities.

Through adherence to established policies, ongoing monitoring, and continuous assessment of critical systems and processes, the Bank maintained a proactive approach to operational resilience. These efforts support BDB's ability to respond effectively to disruptions and ensure the continuity of essential services across the organisation.

Compliance

BDB remains firmly committed to ensuring that its operations consistently comply with all applicable laws, regulations, and recognized best practices, including the requirements stipulated by the Central Bank of Bahrain (CBB). This commitment is fundamental to safeguarding the Bank against regulatory, legal, and reputational risks, while reinforcing stakeholder confidence and strong governance standards.

The Compliance Department is responsible for providing independent oversight through ongoing monitoring, periodic risk assessments, and advisory support to ensure adherence to regulatory obligations and internal policies. The function operates independently within the organization and reports directly to the Board Audit and Governance Committee, supporting effective oversight and accountability at the highest level.

Human Resources Department

The Human Resources Department continues to build and support a high-performance culture at BDB, ensuring that our talent remains the foundation of the Bank's success. Building on the momentum of our organizational transformation, 2025 marked a year of unprecedented engagement and the realization of our goal to become an Employer of Choice in the Kingdom.

BDB remains fully committed to the national vision, maintaining a 92% Bahrainization rate. We are particularly proud of our gender balanced environment, where 43% of our workforce consists of women leading critical initiatives. By investing in these skilled professionals, we directly fuel the growth of Bahraini-owned businesses and the wider economy.

The "People and Culture Strategy" has evolved from a roadmap into a lived reality. Our shift toward an agile operating model has empowered employees to move beyond traditional hierarchies, fostering a spirit of innovation. This agility was instrumental in BDB emerging as a market leader for digital financial products, a success driven entirely by the specialized skills and adaptability of our people.

Our commitment to clarity, transparency, and leadership empowerment has yielded tangible rewards. The 2025 Engagement Survey results were a defining highlight, with scores that continue to exceed the high end of market norms. This exceptional outcome is a testament to creating channels where every voice is heard and respected, implementing creative appreciation programs that boost morale and sustained focus on fair treatment and professional development.

Bahrainization

92%

BDB has achieved 92% of Bahrainization workforce



Employee Diversity

43%

An impressive 43% of BDB employees being women



The implementation of the Bank's new core banking system marked a significant milestone, automating payment workflows, improving accuracy and enhancing operational efficiency, while automated bulk processing via AME file uploads further streamlined debit and credit transactions.

Anti-Money Laundering

BDB's Anti-Money Laundering (AML) framework is continuously reviewed, updated, and enhanced to reflect evolving business activities, emerging risks, and changes in applicable supervisory standards and legal requirements. From a policy and procedural perspective, the Bank maintains robust mechanisms to detect, report, and prevent money laundering activities, supported by established processes and controls to counter terrorism financing, curb proliferation financing, and combat other prohibited activities.

BDB continuously reviews and strengthens its Anti-Money Laundering (AML) framework to keep pace with evolving business activities, emerging risk trends, and updates to supervisory standards and legal requirements. This is supported by clear policies, procedures, and control measures designed to identify, report, and prevent money laundering, while also addressing terrorism financing, proliferation financing, and other prohibited activities.

Operations

The Operations Department at Bahrain Development Bank continued to play a pivotal role in supporting the Bank's operational efficiency, service delivery, and compliance framework in 2025. The Department oversees a broad range of core banking activities, including loan processing, fund transfers, treasury transactions, and trade finance operations, ensuring that these functions are executed with accuracy, efficiency, and strong control.

During the year, the successful implementation of the Bank's new core banking system marked a significant milestone in the Department's transformation journey. The system enabled the automation of payment workflows, reducing manual intervention, improving processing accuracy, and enhancing overall operational effectiveness. Further efficiency gains were achieved through the introduction of automated bulk processing for account debits and credits via AME file uploads, eliminating the need for individual transaction processing. Additional automation initiatives included the issuance of returned cheque letters for cases of insufficient funds, as well as the streamlining of commodity purchase and sale entries during disbursement.

The Department also made meaningful progress in strengthening internal efficiency and control. A transition towards a more paperless operating environment was advanced through the digitization of documents and approvals across five processes, supporting faster turnaround times and improved record management. Self-audit controls were also introduced, alongside enhanced operational risk measures, to reinforce governance and

ensure greater process discipline. In addition, Service Level Agreements (SLAs) were embedded across most operational processes, enabling closer monitoring of performance against established service standards.

The Department's strong culture and commitment to excellence were further reflected in achieving the highest engagement score in the Bank's 2025 Engagement Survey, underscoring the dedication and collaborative spirit of the team.

Compliance and operational integrity remained key priorities throughout the year. The Department updated authorized signatories, cleared pending nostro and suspense account transactions, and resolved outstanding disbursements and stakeholder requests in a timely manner. Close coordination with the Operational Risk and Compliance teams also supported the prompt identification, escalation, and resolution of operational incidents and control gaps.

Overall, the Operations Department remained focused on enhancing efficiency, strengthening controls, and driving continuous improvement, while upholding high standards of accuracy, risk management, and service excellence in support of the Bank's strategic objectives.

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.

Strategy & Transformation

The Strategy & Transformation Division serves as a key enabler of BDB's transformation and growth strategy, shaping the Bank's long-term direction through strategy development, disciplined execution and data-driven insights.

2025 marked a defining year, representing the culmination of the Bank's four-year transformation strategy and delivering a series of strategic milestones that position BDB for its next phase of sustainable growth.

Comprising three core functions: Strategy, Transformation Management Office (TMO) and Data Analytics. The Division acts as a strategic partner across the Bank. Strategy leads the development, monitoring and execution of corporate strategy to ensure alignment with priority objectives. TMO drives the delivery of key Bank-wide initiatives focused on operational efficiency, cost optimisation and revenue generation. Data Analytics enables informed decision-making through predictive insights, market intelligence and business performance tracking.

In line with the Kingdom of Bahrain's national economic priorities, BDB continues to strengthen access to finance and market opportunities for Micro, Small and Medium-sized Enterprises (MSMEs) through targeted, customer-centric and digitally enabled solutions. A key milestone in 2025 was the launch of the BD 70 million SME Fund at Gateway Gulf. A Shariah-compliant private credit vehicle designed to scale SME financing across the Kingdom.

The Fund represents a national initiative under #TeamBahrain, developed in collaboration with the Ministry of Industry and Commerce (MoIC), Tamkeen and key banks. Its structure is supported by targeted incentives, including Central Bank of Bahrain regulatory recognition of SME exposures under the Fund towards banks' SME lending targets with preferential risk-weighting and Tamkeen's standalone programme providing partial principal guarantees and profit support. These features enhance risk-sharing, improve capital efficiency, and enable sustainable credit deployment to SMEs.

BDB plays a central role as Fund Manager, operator, and investor, alongside other investors: National Bank of Bahrain (NBB), Bank of Bahrain and Kuwait (BBK) and Al Salam Bank (ASB), ensuring disciplined origination, robust governance and alignment with national development objectives.

Complementing this, BDB expanded its invoice discounting programme, including onboarding Aluminium Bahrain (Alba) as an anchor, to strengthen SME suppliers' working capital cycles and integration into strategic value chains. The Bank also continues to contribute to the broader SME and startup ecosystem through its role on the SME Development Board and co-sponsorship of Startup Bahrain, reinforcing its position as a key driver of SME growth and economic diversification.

In 2025, Strategy led the development of BDB's ESG strategy and the integration of ESG across the Bank's operations

in collaboration with TMO and relevant stakeholders. Key achievements included the establishment of an ESG framework and KPIs, the enhancement of 19 policies and procedures, the introduction of an ESG Policy, Supplier Code of Conduct and ESG Guidelines for Credit Applications, as well as the BDB's first ESG report. Strategy also initiated the development of BDB's upcoming three-year Growth Strategy, scheduled for completion in Q2 2026.

Data Analytics strengthened BDB's competitive positioning through predictive modelling, market insights and lead generation, while also supporting strategic funding initiatives, including the successful securing of a USD 20 million term loan.

TMO continued to play a critical role in delivering digitalisation and process re-engineering initiatives, supporting the Bank's transformation objectives and improving operational efficiency.

These efforts have contributed to improved financial performance, enhanced customer experience and increased digital engagement among SME clients, further strengthening BDB's market positioning. This progress was recognised through 18 awards in 2025 from local and international institutions, including "Best SME Bank" from Global Finance & Banking Review and "Most Innovative Islamic SME Finance Bank" from International Finance.

Strategy & Transformation Priorities

Looking ahead, the Strategy & Transformation Division will focus on the following priorities:

- 1 Finalising and implementing BDB's next three-year growth strategy, focused on sustainable growth, digital simplification and enhanced customer centricity
- 2 Strengthening ESG integration and positioning across the Bank
- 3 Embedding advanced data analytics to support forward-looking decision-making
- 4 Enhancing execution discipline and delivery through TMO
- 5 Continuing collaboration on national initiatives to support SME ecosystem development

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 2025, the Bank conducted an extensive exercise to ensure compliance with the CBB's newly introduced Fit and Proper Requirements Module under the CBB Rulebook's Common Volume where several policies, charters and practices were revamped to ensure compliance and alignment with the module's requirements and standards.

Following the introduction of the CBB's Environmental, Social and Governance (ESG) Requirements Module within the Common Volume of the Rulebook, the Board and Board Audit & Governance Committee Charters were further enhanced to build on existing provisions and ensure full alignment with the new requirements.

3. Shareholding

Shareholders as of 31 December 2025.

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 2025, 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 7 December 2022 and ending on 7 December 2025 (the "Expiry Date"). Following the expiry of the Board's term, the Bank sought the CBB's approval for an extension of the current Board's term for a period of six months from the Expiry Date, where the CBB provided its no objection to the request on 8 February 2026. The table below provides information regarding the current Directors.

Corporate Governance (Continued)

4. Board of Directors

Name	Experience
<p>Ghassan Ghaleb Abdulaal Chairman Independent Director*</p> <p>Director since March 2016 with 25 years of experience.</p>	<p>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.</p> <p>Qualifications</p> <p>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.</p>
<p>Marwa Khaled AlSaad Independent Director*</p> <p>Director since November 2019 with 18 years of experience.</p>	<p>Ms. Al Saad is the Managing Director of Human Capital at Bahrain Mumtalakat Holding Company B.S.C (c), the sovereign wealth fund of the Kingdom of Bahrain. She currently serves as the Chairperson of the Board of Directors of Mazad Bahrain W.L.L. (appointed 2024), chairs the Board Nomination & Remuneration Committee of the Bank and is a member of the Equal Opportunities and Gender Balance Committee affiliated with the Bahrain Olympic Committee.</p> <p>With over 18 years of progressive leadership in human capital strategy, Ms. Al Saad brings deep expertise in performance management, organizational development and institutional effectiveness. She previously served as Chairman of the Nomination & Remuneration Committee at AXA Gulf, overseeing governance frameworks across the insurance group's regional operations.</p> <p>Her career spans Fortune 500 multinationals, government-owned enterprises and leading regional conglomerates, including General Mills Inc. (USA), Cummins Power Generation, Tatweer Petroleum and YBA Kanoo Holdings W.L.L., where she led HR functions across multiple geographies and business lines.</p> <p>Qualifications</p> <p>Holds a Master's degree, Purdue University - Krannert School of Management (Human Resources concentration) and a Bachelor's degree, Purdue University-Organizational Leadership and Supervision.</p>
<p>Sandeep Bose Independent Director*</p> <p>Director since December 2022 with 35 years of experience.</p>	<p>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.</p> <p>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. Moreover, Mr. Bose chairs the Board Executive Committee at the Bank.</p> <p>Qualifications</p> <p>Holds a Bachelor's degree from the University of Delhi in commerce and a Chartered Accountancy from the Institute of Chartered Accountants of India.</p>

Corporate Governance (Continued)

4. Board of Directors (continued)

Name	Experience
<p>Hani Hussain Redha Independent Director*</p> <p>Director since December 2022 with 2 years of experience.</p>	<p>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. Moreover, Mr. Redha chairs the Board Risk Committee at the Bank.</p> <p>Qualifications</p> <p>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.</p>
<p>Manal Shawqi Al Bayat Independent Director*</p> <p>Director since December 2022 with 27 years of experience.</p>	<p>As the Chief Operating Officer of Bahrain Real Estate Investment (Edamah) B.S.C.(c), Ms. AlBayat oversees the commercial and operational success of the company's growth strategy and diverse real estate portfolio. She is an internationally experienced leader in various fields including business development, stakeholder engagement, branding, positioning and mega events. Her previous roles include Chief Commercial & Engagement Officer of Expo City Dubai, 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.</p> <p>Qualifications</p> <p>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.</p>
<p>Yusuf Mohamed Al Nefaei Independent Director*</p> <p>Director since December 2022 with 24 years of experience.</p>	<p>The Deputy Chief Executive at the BENEFIT Company, Mr. Al Nefaei 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. Al Nefaei held a number of senior positions at Sinnad W.L.L and Bank of Bahrain and Kuwait B.S.C. (BBK). Mr. Al Nefaei is also a Board member in Sinnad W.L.L, Marshal FinTech Partners Ltd, Tanmeya Capital in KSA, Reload Security Intelligence in UAE and Bahrain Fintech Bay W.L.L. Moreover, Mr. Al Nefaei chairs the Board Audit & Governance Committee at the Bank.</p> <p>Qualifications</p> <p>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.</p>
<p>Aysha Mohamed Abdulmalek Independent Director*</p> <p>Director since December 2022 with 18 years of experience.</p>	<p>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. Abdulmalek worked at Bahrain Real Estate Investment (Edamah) B.S.C.(c) where she led the legal activities of the organization. Ms. Abdulmalek also has extensive experience in private practice in areas such as commercial, corporate, mergers and acquisitions, real-estate, employment and regulatory matters.</p> <p>Ms. Abdulmalek currently serves as a member of the Board of Directors of Bahrain Bourse where she is a member of the Board Audit and Risk Committee. She previously served as a member of the Board of Directors of McLaren Group Limited where she was a member of its Board Audit and Risk Committee.</p> <p>Qualifications</p> <p>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.</p>

Corporate Governance (Continued)

4. Board of Directors (continued)

Name	Experience
Amna Ali Alarayedh Independent Director*	Assistant Undersecretary of Research and Studies at the Prime Minister's Office (PMO), Ms. Alarayedh started her career at the First Deputy Prime Minister's Office in 2015 and is presently responsible for managing the research and briefing department at the PMO, overseeing policy recommendations and studies. Ms. Alarayedh is also a Board member at DANAT Institute.
Director since December 2022 with 11 years of experience.	Qualifications Holds a Master's of Science in Environmental Economics and Climate Change 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.

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 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 BNRC. 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 and 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. The BAGC further oversees the Bank's ESG strategy and framework.

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.

Corporate Governance (Continued)

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 its 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 the year 2025 and the attendance of the Directors are as follows:

No.	Name	23 Feb	26 Feb	11 May	31 July	9 Nov
1	Ghassan Ghaleb Abdulaal (Chairman)	✓	✓	✓	✓	✓
2	Marwa Khaled Al Saad	✓	✓	✓	✓	✓
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	✓	✓	✓	✓	✓

Board Audit and Governance Committee

No.	Name	4 Feb	29 April	24 July	26 Oct
1	Yusuf Mohamed Al Nefaiei	✓	✓	✓	✓
2	Hani Hussain Redha	✓	✓	✓	✓
3	Marwa Khaled AlSaad	✓	✓	✓	✓

Board Risk Committee

No.	Name	5 Feb	30 April	23 July	23 Oct
1	Hani Hussain Redha	✓	✓	✓	✓
2	Sandeep Bose	✓	✓	✓	✓
3	Aysha Mohamed Abdulmalek	✓	✓	✓	✓

Board Executive Committee

No.	Name	2 Feb	28 April	20 July	19 Oct
1	Sandeep Bose	✓	✓	✓	✓
2	Yusuf Mohamed Al Nefaiei	✓	✓	✓	✓
3	Manal Shawqi Al Bayat	✓	✓	✓	✓

Board Nomination and Remuneration Committee (2025) *

No.	Name	13 Feb	4 May	30 June	12 Oct	18 Nov
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 2025 in the form of sitting fees amounted to BD 8,000.

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.

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 SSB is done on a self-assessment basis and submitted to the Board for its review.

Dr. Sheikh Abdul Nasser Omar Al Mahmood

Well versed in Islamic banking, finance and auditing with over 34 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 worked in the field of Shari'ah supervision and auditing and served as the secretariat of the Shari'ah Board for more than 30 years.

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 also 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, a 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 25 years of Islamic banking experience and currently serves as the Head of the Shari'a Compliance Department in Al Salam Bank B.S.C. (ASB). Prior to joining ASB, 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.

Dr. Arbouna 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	18 Feb	24 April	21 July	7 Oct	20 Oct
1	Dr. Sheikh Abdul Naser Omar Al Mahmood	✓	✓	✓	✓	✓
2	Dr. Mohammed Burhan Arbouna	✓	✓	✓	✓	✓
3	Dr. Omar Abdulaziz Alaani	✓	✓	✓	X	✓

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 and reward guidelines approved by the Board under the Bank's Delegated Authorities Matrix or otherwise.
Investment & Credit Committee	The Committee has the responsibility to grant and approve credit facilities within their delegated authority and 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 to identify, measure, monitor, mitigate and manage risks across all 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.
ESG Steering Committee	The Committee responsible for overseeing ESG compliance and driving the Bank's ESG strategy, where it works in close coordination with key stakeholders across the Bank's departments to ensure ESG and climate-related risks are embedded within existing risk management frameworks. It also oversees ESG reporting and disclosure practices, reinforcing transparency and accountability.

10. Executive Management

Name	Joining Date	Experience	Qualifications
Dalal Ahmed Al Qais Group Chief Executive Officer	December 2021	23 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	22 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 Financial Officer	October 2022	26 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	23 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	28 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	23 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.
Said Abdelhamid Abdelaty Chief Technology Officer	September 2025	21 years	BSc in Information Systems, Faculty of Computers and Information Science, Ain Shams University. Master of Science in Information Systems, Faculty of Computers and Information Science, Helwan University.
Nareen Ahmed Agha Head of Legal & Board Secretary	May 2022	13 years	Bachelor's degree (LLB) in Law (Honours), Brunel University. Professional Advanced Diploma in Islamic Finance, BIBF. Qualified Bahraini lawyer.

Corporate Governance (Continued)

10. Executive Management (continued)

Name	Joining Date	Experience	Qualifications
Siddarth Chaudhary Head of Internal Audit	July 2018	22 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	14 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	19 years	Bachelor's Degree in Accounting, University of Bahrain.
Ahmed Khaled Alshomeli Head of Human Resources	July 2024	14 years	Bachelor's degree in Accounting from the University of Bahrain. Diploma from the Chartered Institute of Personnel and Development (CIPD).

*Resigned with effect from December 2025.

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 conflicts 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's interests. All Directors and other members of the Senior Management have declared all of their interests in other entities or activities which were duly submitted and reviewed by the Chairman.

Note 26 of the Bank's audited consolidated financial statements for the year ended 31 December 2025, 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

The aggregate remuneration paid to Board members and Senior Management personnel is disclosed in detail in the Board of Directors Report which includes all required regulatory disclosures in this regard. During the Annual General Meeting held on 25 March 2025, the shareholders approved the reappointment of Ernst and Young ("EY") as external auditors for the year ending 31 December 2025 and authorized the Board of Directors to determine their remuneration. During the financial year ended 31 December 2025 an amount of BD 30,050 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 and accordingly 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 and variable compensation support achieving the Bank's objectives by balancing short-term results with long-term sustainable performance. The strategy is designed to share the success of the Bank and to align employee incentives with the risk framework and overall Bank performance, ensuring that remuneration does not encourage excessive risk-taking. The quality and long-term commitment of all 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 BNRC. The BNRC ensures that all persons must be remunerated fairly and responsibly and that remuneration outcomes are consistent with the Bank's risk appetite, financial soundness and long-term interests.

The Bank's Remuneration Policy considers the role of each employee and sets out the criteria for determining whether an employee qualifies as a material risk-taker and/or a member of Senior Management across business, control and support functions. The Remuneration Policy is reviewed annually by the BNRC and recommended to the Board for approval. In 2023, the Remuneration Policy underwent a comprehensive external review by KPMG Fakhro, resulting in a number of amendments covering the salary scale, grading structure, allowances, benefits, disclosures and reporting requirements. Such amendments were introduced to align the policy with the Bank's internal procedures, best practices and applicable laws and regulations. Such amendments were subsequently reviewed and approved by the BNRC and the Board and thereafter presented to and approved by the shareholders at the Annual General Meeting held in 2024. Following such review, the Remuneration Policy has continued to be reviewed annually by the BNRC and the Board with no changes deemed necessary.

Corporate Governance (Continued)

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

Senior Management are individuals with significant authority over the Bank's business or a substantial part of it, whose decisions may materially impact the Bank's safety, soundness or its customers. This includes individuals responsible for implementing Board-approved strategies and policies and those heading key business or control functions reporting to the Board (e.g., the CEO, Chief Financial Officer, Chief Risk Officer, Head of Internal Audit and Head of Compliance). 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. Furthermore, any variable pay will be determined based on Bank's risk-adjusted targets where the variable pay computation process is designed in a way that ensures that it does not adversely 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 policies, practices and plans. It is responsible for determining, reviewing and approving fixed and variable remuneration policies and for setting the principles and governance framework for all remuneration decisions. The Remuneration Policy is reviewed annually to reflect changes in market practices, the Bank's business plan, strategy and its risk profile.

There is no separate remuneration policy for the Bank's Senior Management. As such, the requirement to 'defer' variable remuneration does not apply to the organization and consequently, there are no 'claw-back' or 'malus' stipulations. These exceptions have been approved by the CBB. 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.

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 actual or 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 Senior Management and Director functions and who are relatives of any members of Senior Management and Directors.

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 procedures that are in place to facilitate compliance and the consequences of non-compliance. For the year 2025, the following interests were declared:

Director	Client	Transaction Value & Details	Relationship
Marwa Alsaad	Mazad B.S.C.(c)	The value of the transaction is contingent on sale proceeds, where the Company shall receive a percentage of sale proceeds equivalent to 10% for the sale of movable assets and 5% for the sale of vehicles.	Ms. Marwa is the Chairperson of the company. The Bank entered into a service agreement with the company in March 2025 for the sale of scrap items and assets. Annual General Assembly ("AGM") approval for the Bank's entry into such agreement was received during the Bank's AGM meeting held on 25 March 2025.
Ghassan Abdulaal	Payment International Enterprises B.S.C.(c)	BD 250,000 – Overdraft Facility BD 5,000 – Deposit	The spouse of Mr. Ghassan holds a 4.9% shareholding in Mohammed Ebrahim AlSaffar Co. B.S.C. (c), which owns 34% of the borrowing company and has provided a corporate guarantee securing the facility. The Director declared his conflict of interest in advance and abstained from participating in any discussions or voting in relation to this transaction.
Ghassan Abdulaal	Flooss Bahrain B.S.C.(c)	BD 1,000,000 - Overdraft Facility	The spouse of Mr. Ghassan is a minority shareholder, holding approximately 4.9% of the shares in Mohamed Ebrahim Al-Saffar Co. B.S.C. (c), which has provided a corporate guarantee securing the obligations of the company. The Director declared his conflict of interest in advance and abstained from participating in any discussions or voting in relation to this transaction.

Corporate Governance (Continued)

13. Conflicts of Interest (continued)

Director	Client	Transaction Value & Details	Relationship
Yusuf Alnefaiei	Bahrain Fintech Bay W.L.L.	BD 66,000 out of a total amount of BD 100,000 – Facility	Mr. Yusuf is a Director of the company and the Deputy Chief Executive of the BENEFIT Company B.S.C.(c), which wholly owns the company. The company availed the financing in September 2024 and is regularly servicing the same in accordance with the agreed repayment schedule. However, due to its low value, the transaction fell within the Management's delegated approval authority and was not discussed at the Board level.
Yusuf Alnefaiei	Bahrain Fintech Bay W.L.L.	Previous Lease Agreement (Nov 2023): BD 1,223.442 rent per month VAT inclusive. New Lease Agreement (Nov 2025): BD 1,223.442 rent per month VAT inclusive.	Mr. Yusuf is a Director of the company and the Deputy Chief Executive of the BENEFIT Company B.S.C. (c), which wholly owns the company. The company entered into a lease agreement with Bahrain Business Women Incubator Centre (Riyadat) W.L.L., a subsidiary of the Bank and is regularly servicing its rental payments in accordance with the agreed upon payment schedule. The lease agreements were low-value, operational in nature and fell within Management's delegated approval authority. Accordingly, the same was not discussed at the Board level.

14. Internal Control

The Bank has developed and implemented stringent internal controls to protect its clients, 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.

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

No fines and penalties were paid by the Bank to the CBB during the financial year 2025.

Corporate Governance (Continued)

18. Remuneration Report

The Bank regards its employees as a core strategic asset and is committed to maintaining a remuneration framework that attracts, retains and motivates high caliber talent while remaining aligned with prudent risk management and the Bank's long-term objectives. The Bank follows a total rewards approach encompassing both intrinsic and extrinsic benefit, with fixed and variable compensation elements designed to balance short-term performance with long-term sustainable outcomes. The strategy aligns employee incentives with the Bank's risk framework and overall performance. The quality and long-term commitment of all employees are fundamental to the success of the Bank.

The Bank aims to attract, retain and motivate employees who deliver strong results and are committed to supporting the Bank's 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 held in 2024. 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.

There is no separate policy for Senior Management and controlling staff of the Bank. As such, the requirement to 'defer' variable remuneration does not apply and consequently, there are no 'claw-back' or 'malus' stipulations. These exceptions were approved by the CBB.

The Remuneration Policy for all staff (including members of Senior Management) consists of fixed and variable remunerations in the form of cash only. The latest version of the policy was revised and enhanced with the purpose of realigning compensation and benefits with job size using the job evaluation method. The enhanced policy supports driving business growth and individual performance through variable pay comprising the Short-Term Incentive Plan (STIP) and the Front-Line Incentive Plan (FLIP). Employees are covered under either the STIP or the FLIP depending on their role. Both STIP and FLIP entitlements are aligned to the Bank's performance, overall strategy, departmental and/or individual performance, but in all cases, any such award shall be made at the Bank's sole discretion. Following shareholder approval in 2024, the Remuneration Policy has continued to be reviewed annually by the BNRC and the Board, with no changes deemed necessary.

The Remuneration Policy is designed on the basis that financial performance and the achievement of non-financial objectives are measured through a balanced scorecard approach. The STIP applies to all staff except for Front Line employees, who are covered under the FLIP. The STIP pool comprises two components. The first is a fixed pool approved as part of the Bank's annual budget, the distribution of which remains subject to overall scorecard results. The second is an additional performance driven pool, which is only triggered once a defined STIP scorecard achievement threshold is reached, pursuant to a mechanism reviewed and approved by the BNRC. This additional pool is designed to reward achievement of key strategic drivers of the Bank, ensuring that exceptional organizational performance is recognized above and beyond the baseline entitlement. In all cases, the final distribution of both pools remains at the Bank's sole discretion and subject to BNRC approval. The key performance metrics measured by the STIP scorecard include a combination of short- and long-term measures encompassing financial results, solvency, strategy execution and growth indicators. This framework applies to all individuals included in the scope of the Remuneration Policy, excluding Front Line staff who are covered under the scope of the FLIP. The FLIP payout is determined based on FLIP scorecard results and other metrics outlined in the Bank's policies and procedures. The FLIP scorecard is designed to incentivize employees to consistently demonstrate appropriate conduct, strict adherence to compliance requirements and the Bank's policies and procedures, while achieving their targets to qualify for the FLIP award.

The Risk Assessment Framework is subject to periodic review to ensure alignment with the latest trends and practices in risk assessment and the Bank's risk strategy. In years when the Bank suffers material losses, the risk adjustment framework incorporates several adjustments

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 maintains 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 2025

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	39,200	3,474	42,674	82,000	124,674	
2. Approved Persons in business lines	8	526,546	118,480	645,026	194,276	839,302	
3. Approved Persons in Risk Management, Internal Audit, Operations, Financial Control, AML, Compliance Functions	6	222,034	56,363	278,397	45,020	323,417	
4. Employees Engaged in Risk Taking Activities (Business Areas – other material risk takers)	47	729,103	136,797	865,900	140,101	1,006,001	
5. Employees other than approved persons engaged in functions under 3	54	716,932	143,551	860,483	131,507	991,990	
6. Other Employees	35	503,113	97,674	600,787	69,572	670,359	
7. Outsourced Employee/Service providers (engaged in risk-taking activities)	-	-	-	-	-	-	
Total	158	2,736,928	556,339	3,293,267	662,475	3,995,743	

*Categories included as per the requirements of PD-1.3.8C of the Public Disclosures Module under Volume 1 of the CBB Rulebook.

Details of Remuneration Paid for the Financial Year Ended 2025

- BHD 39,200 under salaries and wages of Board Members are reflective of sitting fees paid.
- 2025 Board Remuneration of BD 82,000 which is subject to shareholders approval. MOIC approval was obtained on 11 February 2026.
- The aggregate amount paid to the members of the Board Nomination and Remuneration Committee (BNRC) during the year 2025 as BNRC sitting fees amounted to BD 8,000.

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	

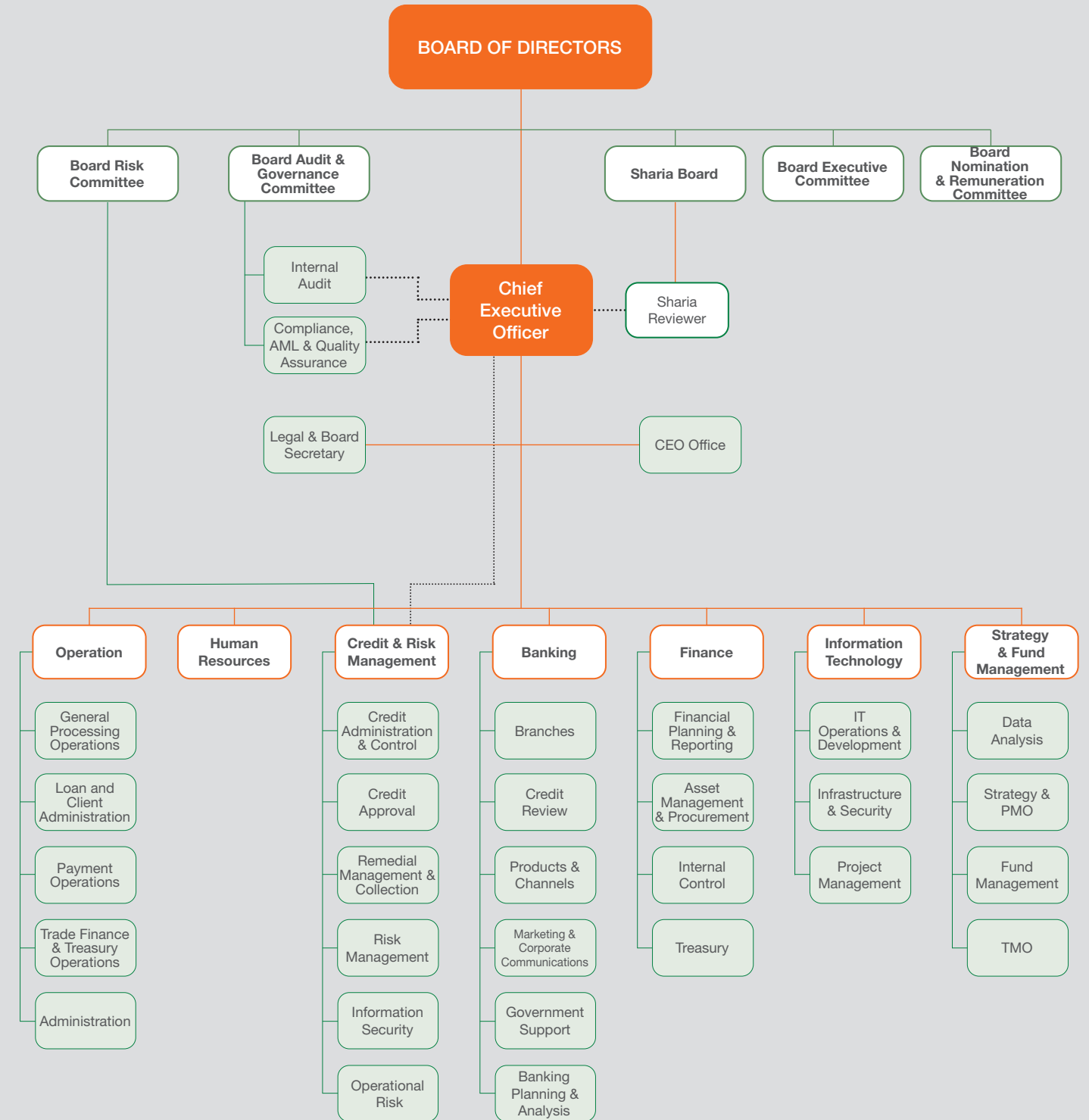
Details of Remuneration Paid for the Financial Year Ended 2024

- BHD 25,100 under salaries and wages of Board Members are reflective of sitting fees paid.
- 2024 Board Remuneration of BD 72,220 where the same was approved by the shareholders during the AGM held on 25 March 2025 and by the MOIC on 9 March 2025.
- The aggregate amount paid to the members of the Board Nomination and Remuneration Committee (BNRC) during the year 2024 as BNRC sitting fees amounted to BD 5,900.

Corporate Governance (Continued)

19. Organizational Chart

As of 31 December 2025



Financial Statements 2025

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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 AlNefaei – 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
 P.O. 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 2025.

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 15% from BD 9,654 thousand for the year ended 31 December 2024 to BD 11,093 thousand for the year ended 31 December 2025. The net profit for the year, attributable to the owners of the Bank, was BD 837 thousand as compared to a net profit of BD 719 thousand in the previous year representing a growth of 16%.

Retained earnings / (Accumulated losses)

Movements in the retained earnings / (accumulated losses) during the year were as follows:

	BD '000
Balance at 1 January 2025	(685)
Net profit for the year attributable to the Owners of the Bank	837
Transfer to statutory reserve	(84)
Balance at 31 December 2025	68

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 2026, 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 (2025) ***	Remunerations of the chairman and BOD (2024)	Bonus	Incentive plans	Others**				Total
First: Independent Directors:													
1. Ghassan Ghaleb Abdulaal	-	1,500	-	1,500	13,120	12,020	-	-	-	13,120	-	14,620	-
2. Marwa Khaled Alsaad	-	6,500	-	6,500	9,840	8,600	-	-	-	9,840	-	16,340	-
3. Hani Hussain Redha	-	5,900	-	5,900	9,840	8,600	-	-	-	9,840	-	15,740	1,942
4. Sandeep Bose	-	8,400	-	8,400	9,840	8,600	-	-	-	9,840	-	18,240	1,382
5. Yousif Mohamed Alnefaiei	-	5,900	-	5,900	9,840	8,600	-	-	-	9,840	-	15,740	-
6. Manal Shawqi Al Bayat	-	3,500	-	3,500	9,840	8,600	-	-	-	9,840	-	13,340	150
7. Aysha Mohamed Abdulmalek	-	3,500	-	3,500	9,840	8,600	-	-	-	9,840	-	13,340	-
8. Amna Ali Alarayedh	-	4,000	-	4,000	9,840	8,600	-	-	-	9,840	-	13,840	-
Total	-	39,200	-	39,200	82,000	72,220	-	-	-	82,000	-	121,200	3,474

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 2025 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 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	671,225	196,063	-	867,288

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)

Ghassan Ghaleb Abdulaal
Chairman of the Board of Directors

Yousif Alnefaiei
Board Member

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 2025, 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 2025, 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 2025 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. 115

15 February 2026

Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 BD'000	2024 BD'000
ASSETS			
Cash and balances with Central Bank of Bahrain	7	2,968	3,123
Placements with banks and other financial institutions	7	14,763	24,769
Islamic financing and loans to customers	8	88,383	99,223
Investment securities	9	86,420	72,848
Investment in associates	10	759	809
Investment properties	11	9,546	9,611
Property and equipment	12	2,579	3,338
Other assets	13	2,717	3,472
TOTAL ASSETS		208,135	217,193
LIABILITIES AND EQUITY			
Liabilities			
Term loans	14	22,198	23,644
Deposits	15	111,127	120,962
Other liabilities	16	7,407	8,472
Total liabilities		140,732	153,078
Equity			
Share capital	17	63,669	63,669
Statutory reserve	18	1,270	1,186
Fair value reserve		2,329	(242)
Retained earnings / (accumulated losses)		68	(685)
Equity attributable to owners of the Bank		67,336	63,928
Non-controlling interests		67	187
Total equity		67,403	64,115
TOTAL LIABILITIES AND EQUITY		208,135	217,193

Ghassan Ghaleb Abdulaal
Chairman

Yousif Al Nefaiei
Board Member

Dalal Al Qais
Chief Executive Officer

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

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Notes	2025 BD '000	2024 BD '000
Income			
Islamic financing and interest income	19	9,922	9,908
Islamic financing and interest expense	20	(2,013)	(2,196)
Net Islamic financing and interest income		7,909	7,712
Fee and commission income	21	483	392
Rental income		815	683
Other income		1,886	867
Total operating income		11,093	9,654
Expenses			
Staff costs		(4,664)	(4,512)
Other operating expenses		(4,472)	(4,079)
Total operating expenses before allowance for expected credit losses		(9,136)	(8,591)
Allowance for expected credit losses	22	(657)	(749)
Impairment on property and equipment	12	(343)	-
Net operating income		957	314
Share of profit from associates	10	7	412
Investment loss	23	(247)	(76)
Net profit for the year		717	650
Net profit for the year attributable to:			
Owners of the Bank		837	719
Non-controlling interest		(120)	(69)
		717	650

Ghassan Ghaleb Abdulaal
Chairman

Yousif Al Nefaiei
Board Member

Dalal Al Qais
Chief Executive Officer

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

Consolidated Statement of other Comprehensive Income

For the year ended 31 December 2025

	2025 BD '000	2024 BD '000
Net profit for the year	717	650
Other comprehensive income :		
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of investments classified as fair value through other comprehensive income / (loss) on debt instruments	2,743	(419)
Net unrealised loss in cash flow hedges	(29)	(37)
Net amount transferred to consolidated statement of profit or loss on sale of debt instruments	(143)	(60)
Total comprehensive income for the year	3,288	134
Total comprehensive income attributable to:		
Owners of the Bank	3,408	203
Non-controlling interest	(120)	(69)
	3,288	134

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Equity attributable to owners of the Bank					Non - controlling interest BD '000	Total equity BD '000
	Share capital BD '000	Statutory reserve BD '000	Other reserves BD '000	Retained earnings BD '000	Total BD '000		
As at 1 January 2025	63,669	1,186	(242)	(685)	63,928	187	64,115
Net profit / (loss) for the year	-	-	-	837	837	(120)	717
Other comprehensive income for the year	-	-	2,571	-	2,571	-	2,571
Transfer to statutory reserve	-	84	-	(84)	-	-	-
Total comprehensive income / (loss) for the year	-	84	2,571	753	3,408	(120)	3,288
As at 31 December 2025	63,669	1,270	2,329	68	67,336	67	67,403

	Equity attributable to owners of the Bank					Non - controlling interest BD '000	Total equity BD '000
	Share capital BD '000	Statutory reserve BD '000	Other reserves BD '000	Accumulated losses BD '000	Total 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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 BD '000	2024 BD '000
OPERATING ACTIVITIES			
Net profit for the year		717	650
Adjustments for:			
Depreciation		1,286	1,169
Allowance for expected credit losses	22	657	749
Impairment on property and equipment		343	-
Changes in fair value of investments classified as FVTPL	23	447	180
Lease expense		14	34
Gain on the disposal of the securities sold		(200)	(104)
Premium/discount on purchase of bonds		(346)	(110)
Changes in revaluation of free interest rate loan and deposit - net		1	(432)
Dividend income		-	-
Share of profit from associates		(7)	(20)
Reversal of impairment of investments in associates	10	-	(392)
Gain on foreign currency translation		(45)	(119)
Operating profit before changes in operating assets and liabilities		2,867	1,606
Changes in operating assets and liabilities:			
Mandatory reserve deposits with central banks		274	750
Islamic financing and loans to customers		12,908	15,823
Other assets		724	1,838
Deposits		(12,076)	(24,569)
Other liabilities		(1,339)	703
Net cash flow from / (used in) operating activities		3,358	(3,849)
INVESTING ACTIVITIES			
Net additions to property and equipment	12	(357)	(950)
Purchase of investment securities		(20,405)	(37,988)
Proceeds from sale and maturity of investment securities		9,317	22,195
Addition to investment properties	11	(313)	(1,874)
Dividend income received		57	-
Net cash flow used in investing activities		(11,701)	(18,617)
FINANCING ACTIVITIES			
Repayment of term loans	14	(6,724)	(6,239)
Addition of term loans	14	5,278	4,524
Lease payments		(98)	(143)
Cash flow used in financing activities		(1,544)	(1,858)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(9,887)	(24,324)
Cash and cash equivalents at 1 January		25,156	49,480
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	15,269	25,156
Additional information:			
Islamic financing and interest received		9,993	9,414
Islamic financing and interest paid		(1,926)	(2,268)
Discount relating to islamic financing and loan carried at free interest rate		(6,023)	(8,028)
Discount relating to deposit carried at free interest rate		7,961	10,202

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

Notes to the Consolidated Financial Statements

As at 31 December 2025

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 at Diplomatic Area, P.O Box 20501, Manama, Kingdom of Bahrain. 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"), 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 of the Bank and its subsidiaries (together the "Group") for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 15 February 2026.

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:

Name	Ownership Interest		Principal Activity
	2025	2024	
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
National SMEs Growth Fund B.S.C. (c)	99%	N/A	Providing financial facilities to small and medium enterprises.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

2. BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation (continued)

By the end of 2025, the Bank has successfully established the National SMEs Growth Fund B.S.C. (c) (the “Fund Company”) and National SMEs Growth Fund (the “Fund”) which is a Bahrain domiciled Shari’ah-compliant closed-ended exempt fund established as a collective investment undertaking in Kingdom of Bahrain pursuant to the CBB Rules; and is structured pursuant to the CIU Module as a contractual arrangement between the Fund Company and the investors. The Fund has established with the primary objective of providing financing arrangements to small and medium sized enterprises (SMEs) registered in Bahrain in sectors with high growth potential and disbursing financing sizes of up to BD 200,000 (Bahraini Dinars Two Hundred Thousand) in order to provide accessible financing to SMEs and generate returns for investors, whilst contributing to the Kingdom of Bahrain’s national economic priorities by stimulating economic development and job creation. The Bank acts as the Fund Manager and is responsible for operational oversight, deployment, and monitoring of all financing activities under this initiative. As at 31 December 2025, there were no capital contributions from investors and management expected the contributions from 2026.

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:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- 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:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- 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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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.

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:

- Management’s stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management’s evaluation of the performance of the portfolio; and
- 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:

- 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;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing segments of similar financial assets for the purposes of measuring ECL; and
- 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 2025

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 Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The management is currently assessing the impacts of these amendments on the consolidated financial statements of the Group.

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.

4.4 Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

These Amendments are effective for annual periods beginning on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. 'The Amendments are not expected to have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies 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 had no impact on the Group's consolidated financial statements for the year ended 31 December 2025.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.2 Property and equipment (Continued)

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.

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 from 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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.17 Financial assets and financial liabilities (Continued)

6.17.2 Classification (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

6. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6.17 Financial assets and financial liabilities (Continued)

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:

- Debt investments;
- Placements with banks and other financial institutions;
- Islamic financing and loans to customers;
- Letters of credit and bank guarantees; and
- 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.

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:

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

	2025 BD '000	2024 BD '000
Cash and balances with Central Bank of Bahrain	2,968	3,123
Placements with banks and other financial institutions	14,763	24,769
	17,731	27,892
Less: Reserve with Central Bank of Bahrain	(2,462)	(2,736)
Cash and cash equivalents at end of the year	15,269	25,156
Cash and balances with Central Bank of Bahrain (excluding reserves)	506	387
Placements with banks and other financial institutions having original maturity of 90 days or less*	14,763	24,769
	15,269	25,156

*No Islamic placements with banks and other financial institutions with original maturity of 90 days or less existed at 31 December 2025 and 31 December 2024.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

8. ISLAMIC FINANCING AND LOANS TO CUSTOMERS

	2025 BD '000	2024 BD '000
Project finance - Islamic	77,795	88,778
Project finance - conventional	12,447	15,343
Fisheries and agriculture	6,205	6,354
Other loans	2,623	2,337
	99,070	112,812
Less: expected credit losses*	(10,687)	(13,589)
	88,383	99,223

* This includes credit losses of BD 6,716 thousand (31 December 2024: BD 7,618 thousand) against Islamic financing to customers.

Included in Islamic financing are certain facilities at zero profit rate, which are carried at a discount of BD 6,023 thousand (31 December 2024: BD 8,028 thousand) with an undiscounted amount of BD 36,000 thousand (31 December 2024: BD 42,000 thousand).

Included in Islamic financing and loans to customers are certain guaranteed facilities, under Stage 1 BD 48,427 thousand (31 December 2024: BD 53,568 thousand), Stage 2 BD 769 thousand (31 December 2024: BD 1,027 thousand), and Stage 3 BD 14,031 thousand (31 December 2024: BD 16,654 thousand).

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

	2025			Total BD '000
	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	
Balance at 1 st January	1,891	403	11,295	13,589
Changes due to financial assets recognised in opening balances that have:				
- transferred to 12-month ECL	172	(160)	(12)	-
- transferred to Stage 2 (lifetime ECL not credit-impaired)	(9)	1,077	(1,068)	-
- transferred to Stage 3 (lifetime ECL credit-impaired)	(24)	(82)	106	-
Net re-measurement of loss allowance	(336)	(672)	1,501	493
Amounts written-off during the year	-	-	(3,395)	(3,395)
Balance at 31 December	1,694	566	8,427	10,687

	2024			Total BD '000
	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	
Balance at 1 st 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

At 31 December 2025, interest in suspense on past due loans that are credit impaired amounted to BD 767 thousand (31 December 2024: BD 1,100 thousand).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

8. ISLAMIC FINANCING AND LOANS TO CUSTOMERS (Continued)

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

	31 December 2025			
	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	32,194	-	-	32,194
Corporate	12,336	2,638	7,049	22,023
SME	22,076	1,123	15,024	38,223
Education loans	11	-	83	94
Agriculture & fisheries	2,746	241	3,218	6,205
Others	24	-	307	331
	69,387	4,002	25,681	99,070
Less: expected credit losses	(1,694)	(566)	(8,427)	(10,687)
	67,693	3,436	17,254	88,383

	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

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 2025 amounts to BD 15,378 thousand (31 December 2024: BD 15,717 thousand).

The contractual amount outstanding on financing assets written off by the Group as at 31 December 2025 and that are still subject to enforcement activity was BD 11,694 thousand (31 December 2024: BD 13,520 thousand).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025	78,118	3,268	31,426	112,812
Loan discount	2,005	-	-	2,005
New assets originated	14,130	1,401	5,743	21,274
Payments and assets derecognised	(23,485)	(980)	(8,919)	(33,384)
Transfers to Stage 1	947	(918)	(29)	-
Transfers to Stage 2	(716)	1,809	(1,093)	-
Transfers to Stage 3	(1,612)	(578)	2,190	-
Amounts written-off during the year	-	-	(3,637)	(3,637)
At 31 December 2025	69,387	4,002	25,681	99,070

	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

9. INVESTMENT SECURITIES

	2025 BD '000	2024 BD '000
At fair value through profit or loss:		
Investment in fund	3,354	3,571
Equities	3,558	3,755
	6,912	7,326
At fair value through other comprehensive income:		
Conventional debt securities	79,488	65,500
Equity instruments	20	22
	79,508	65,522
	86,420	72,848

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

10. INVESTMENT IN ASSOCIATES

	Ownership interest		Principal activity
	2025	2024	
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 at 31 December 2025, the Group carried its share in Arabian Taxi Company at cost (31 December 2024: same).

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

	2025 BD '000	2024 BD '000
Carrying amount of investment in associates		
At 1 January	809	397
Share of profit from associates	7	20
Reversal of impairment	-	392
Dividend received	(57)	-
At 31 December	759	809

11. INVESTMENT PROPERTIES

	2025 BD '000	2024 BD '000
At 1 January	9,611	8,012
Addition to investment property	313	1,874
Depreciation charge for the year	(378)	(275)
At 31 December	9,546	9,611

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

	2025		2024	
	Carrying Value BD '000	Fair Value BD '000	Carrying Value BD '000	Fair Value BD '000
Bahrain Business Incubator Centre W.L.L.	1,902	1,934	1,954	1,954
Farmers Market	117	215	148	218
Bahrain Business Incubator Centre (Sitra Mall) W.L.L.	7,527	9,000	7,509	9,152
	9,546	11,149	9,611	11,324

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 2025

12. PROPERTY AND EQUIPMENT

	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
2025						
Cost:						
At 1 January 2025	293	309	4,387	1,745	368	7,102
Additions	-	30	-	3	324	357
Modifications	-	135	-	-	-	135
Transfer	-	-	351	73	(424)	-
Impairment	-	-	(799)	-	-	(799)
At 31 December 2025	293	474	3,939	1,821	268	6,795
Depreciation:						
At 1 January 2025	-	120	1,947	1,697	-	3,764
Charge for the year	-	81	741	86	-	908
Impairment	-	-	(456)	-	-	(456)
At 31 December 2025	-	201	2,232	1,783	-	4,216
Net book values:						
At 31 December 2025	293	273	1,707	38	268	2,579

	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
2024						
Cost:						
At 1 January 2024	293	-	4,040	1,671	148	6,152
Additions	-	309	199	74	368	950
Transfer	-	-	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

As of 31 December 2025, 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 2025

13. OTHER ASSETS

	2025 BD '000	2024 BD '000
Receivable from government related entities	1,327	2,151
Rent and other accounts receivable	2,452	2,522
Interest receivable	1,337	1,171
Prepayments and other assets	490	459
Gross carrying amount	5,606	6,303
Provision for impairment	(2,889)	(2,831)
Net carrying amount	2,717	3,472

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

	2025 BD '000	2024 BD '000
At 1 January	2,831	2,826
Charge for the year, net (note 22)	58	5
At 31 December	2,889	2,831

14. TERM LOANS

	2025 BD '000	2024 BD '000
Saudi Fund for Development	5,008	5,510
Arab Fund for Economic and Social Development	17,190	18,134
	22,198	23,644

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

	2025 BD '000	2024 BD '000
At 1 January	23,644	25,359
Addition of term loan	5,278	4,524
Repayment of loans	(6,724)	(6,239)
At 31 December	22,198	23,644

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 ("AFESD")

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 fully availed, and is repayable semi-annually over 7 years (2 years grace period for principal) at an interest rate of 3.5%. During 2025, the Bank had obtained a fifth loan of USD 20 million from AFESD, and is repayable semi-annually over 7 years (2 years grace period for principal) at an interest rate of 4.0%. USD 8 million (31 December 2024: USD 12 million) has been availed during the year ended 31 December 2025.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

15. DEPOSITS

	2025 BD '000	2024 BD '000
Deposits from banks	7,540	7,540
Murabaha from banks	4,524	8,378
Deposits from non-banks	96,063	105,044
Murabaha from non-banks	3,000	-
	111,127	120,962

Non-banks deposits include BD 1,425 thousand (31 December 2024: BD 1,296 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 7,961 thousand (31 December 2024: BD 10,202 thousand) while the undiscounted amount is BD 54,000 thousand (31 December 2024: BD 60,000 thousand).

16. OTHER LIABILITIES

	2025 BD '000	2024 BD '000
Accrued expenses and payables	2,905	3,379
Interest payable	748	662
Lease liabilities*	281	200
Other liabilities	3,473	4,231
	7,407	8,472

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

	2025 BD '000	2024 BD '000
At 1 January	200	-
Additions	30	309
Modifications	135	-
Charge during the year	14	34
Payments during the year	(98)	(143)
At 31 December	281	200

17. SHARE CAPITAL

	2025 BD '000	2024 BD '000
Authorized:		
100 million (2024: 100 million) shares of BD 1 each	100,000	100,000
Issued and fully paid-up:		
63.7 million (2024: 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. During the year ended 31 December 2025, BD 84 thousand (31 December 2024: no transfers have been made as the Bank was having accumulated losses) has been transferred from retained earnings.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

19. ISLAMIC FINANCING AND INTEREST INCOME

	2025 BD '000	2024 BD '000
Profit on Islamic financing	3,522	3,716
Interest on conventional loans	877	876
Profit and interest on securities	4,901	4,034
Profit and interest on placements	622	1,282
	9,922	9,908

20. ISLAMIC FINANCING AND INTEREST EXPENSE

	2025 BD '000	2024 BD '000
Interest on term loans	605	780
Interest on deposits from non-banks	676	513
Profit on deposits from Islamic banks	427	510
Interest on deposits from conventional banks	305	393
	2,013	2,196

21. FEE AND COMMISSION INCOME

	2025 BD '000	2024 BD '000
On Islamic financing and loans to customers	433	349
On contingent liabilities	50	43
	483	392

22. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2025 BD '000	2024 BD '000
Islamic financing and loans to customers (note 8)	493	783
Other assets (note 13)	58	5
Contingent liabilities and commitments (note 24)	106	(39)
	657	749

23. INVESTMENT (LOSS) / GAIN

	2025 BD '000	2024 BD '000
Changes in fair value of investments classified as FVTPL	(447)	(180)
Gain on sale of investments classified as FVOCI	200	104
	(247)	(76)

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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:

	2025 BD '000	2024 BD '000
Contingent liabilities:		
Letters of guarantee *	696	861
Letters of credit *	227	454
	923	1,315
Commitments:		
Irrevocable commitments to extend credit *	6,911	989
Commitment to invest in equity **	817	848
	7,728	1,837

* The Bank carries an allowance of ECL of BD 171 thousand (31 December 2024: BD 65 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 to BD 37.7 million). During the year, the Bank paid BD 31 thousand (2024: BD 235 thousand) toward this commitment. As at 31 December 2025, the Bank has a remaining commitment of BD 817 thousand (2024: BD 848 thousand).

As at 31 December 2025, the Bank had no outstanding loan exposure and has been fully offset against the deposits with the same counterparty (2024: 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 2025

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 2024.

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.

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total fair value BD '000	Total carrying value BD '000
Financial assets measured at fair value:					
31 December 2025					
Investment securities - equity	-	-	6,932	6,932	6,932
Investment securities - debt	79,488	-	-	79,488	79,488
31 December 2024					
Investment securities - equity	-	-	7,348	7,348	7,348
Investment securities - debt	65,500	-	-	65,500	65,500

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 8,722 thousand (2024: BD 5,275 thousand) with tenors of one year and less.

There were no transfers between level 1 and level 2 during the years ended 31 December 2025 and 2024.

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

	2025 BD '000	2024 BD '000
At beginning of the year	7,348	7,291
Changes in fair value recognised in the consolidated statement of profit or loss	(447)	(180)
Additions during the year	123	265
Redemptions made during the year	(92)	(28)
At end of the year	6,932	7,348

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% (2024: 2% to 4%).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025 BD '000	Reasonable possible shift +/- (in any input)	Impact on profit or loss BD '000
Discounted cash flow	Discount rate	1,628	+/- 0.5%	(51) / 51
	Growth rate		+/- 0.5%	(137) / 137
Adjusted Net Assets Value	NAV	5,303	+/- 5%	(265) / 265

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

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 2025			
Islamic financing and loans to customers	1,936	33,352	35,288
Investment in associates	759	-	759
Other assets	-	242	242
Deposits	411	71,413	71,824

	Associates BD '000	Shareholders, directors and related companies BD '000	Total BD '000
31 December 2024			
Islamic financing and loans to customers	1,059	37,257	38,316
Investment in associates	809	-	809
Other assets	-	253	253
Deposits	525	96,004	96,529

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025			
Islamic financing and interest income	1	-	1
Share of profit from associated companies	7	-	7
Rental income	-	15	15

	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 from associated companies	20	-	20
Islamic financing and interest expense	1	-	1
Rental income	-	15	15

Director	Client	Transaction Value & Details	Relationship
Marwa Alsaad	Mazad B.S.C.(c)	The value of the transaction is contingent on sale proceeds, where the Company shall receive a percentage of sale proceeds equivalent to 10% for the sale of movable assets and 5% for the sale of vehicles.	'Ms. Marwa is the Chairperson of the company. The Bank entered into a service agreement with the company in March 2025 for the sale of scrap items and assets. Annual General Assembly ("AGM") approval for the Bank's entry into such agreement was received during the Bank's AGM meeting held on 25 March 2025.
Ghassan Abdulaal	Payment International Enterprises B.S.C ©	BHD 250 thousand – Overdraft Facility BHD 5 thousand - Current accounts	The spouse of Mr. Ghassan holds a 4.9% shareholding in Mohammed Ebrahim AlSaffar Co. B.S.C. (c), which owns 34% of the borrowing company and has provided a corporate guarantee securing the facility. The Director declared his conflict of interest in advance and abstained from participating in any discussions or voting in relation to this transaction.
Ghassan Abdulaal	Flooss Bahrain B.S.C.(c)	BD 1,000 thousand - Overdraft Facility	The spouse of Mr. Ghassan is a minority shareholder, holding approximately 4.9% of the shares in Mohamed Ebrahim Al-Saffar Co. B.S.C. (c), which has provided a corporate guarantee securing the obligations of the company. The Director declared his conflict of interest in advance and abstained from participating in any discussions or voting in relation to this transaction.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

26. RELATED PARTY TRANSACTIONS (Continued)

Director	Client	Transaction Value & Details	Relationship
Yusuf Alnefaiei	Bahrain Fintech Bay W.L.L.	BD 66 thousand - Facility	Mr. Yusuf is a Director of the company and the Deputy Chief Executive of the BENEFIT Company B.S.C.(c), which wholly owns the Company. The Company availed the financing in September 2024 and is regularly servicing the same in accordance with the agreed repayment schedule. However, due to its low value, the transaction fell within the Management's delegated approval authority and was not discussed at the Board level.
Yusuf Alnefaiei	Bahrain Fintech Bay W.L.L.	Previous Lease Agreement (Nov 2023): BD 1,223 rent per month VAT inclusive New Lease Agreement (Nov 2025: BD 1,223 rent per month VAT inclusive)	'Mr. Yusuf is a Director of the company and the Deputy Chief Executive of the BENEFIT Company B.S.C. (c), which wholly owns the Company. The Company entered into a lease agreement with Bahrain Business Women Incubator Centre (Riyadat) W.L.L., a wholly owned subsidiary of the Bank and regularly servicing its rental payments in accordance with the agreed upon payment schedule. The lease agreements were low-value, operational in nature and fell within Management's delegated approval authority. Accordingly, the same was not discussed at the Board level.

During the year ended 31 December 2025, the Group has not recorded ECL towards amounts owed by related parties (2024: nil).

Compensation of key management personnel is as follows:

	2025 BD '000	2024 BD '000
Salary and short-term employee benefits	1,231	1,215
Termination benefits	209	146
Board remuneration and sitting fees	121	112
	1,561	1,473

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

27. RISK MANAGEMENT (Continued)

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 (BAGC)

The BAGC reviews controls for financial audit and reporting, internal controls, audit activities, legal, regulatory compliance including antimoney 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.

d) Board Nomination & 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.

e) Board Risk Committee (BRC)

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.

f) 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.

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

27. RISK MANAGEMENT (Continued)

j) Assets & Liabilities Committee

The Assets and Liabilities Committee (“ALCO”) comprises four members of the management and is mainly responsible for defining longterm 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) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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.

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 Conversion Factor (CCF) and discount rate.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

28. CREDIT RISK (Continued)

28.3 Measurement of ECL (Continued)

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

- Probability of Default (PD);
- Loss Given Default (LGD); and
- 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.

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: inflation, end of period consumer prices (%change), gross domestic product, current prices (\$US) and gross capital formation (%GDP).

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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

28. CREDIT RISK (Continued)

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.

Maximum tenor of the facility post restructuring does not exceed 15 years from the first disbursement of the facility. As has been prescribed by the CBB, restructured accounts are transferred to Stage 2 directly for a minimum period of 12 months.

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.

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):

- significant financial difficulty of the issuer or the obligor;
- material breach of facility covenants, conditions and contract (subject to management discretion);
- 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;
- imminent bankruptcy or other financial reorganization of the borrower;
- significant downgrading in credit rating by an external credit rating agency;
- disappearance of an active market because of financial difficulties;
- presence of past due contractual payments of either principal or profit; and
- 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.

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

28. CREDIT RISK (Continued)

28.8 Incorporation of forward looking assumptions (Continued)

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.

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.

	2025 BD '000	2024 BD '000
Balances with Central Bank of Bahrain	2,870	2,921
Placements with banks and other financial institutions	14,763	24,769
Islamic financing and loans to customers	88,383	99,223
Investment securities	79,488	65,500
Other assets	2,409	3,000
	187,913	195,413
Contingent liabilities	752	1,250
Commitments	6,911	989
	7,663	2,239
Maximum credit risk exposure	195,576	197,652

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.

	2025 BD '000	2024 BD '000
Industry sector		
Banks and financial institutions	97,121	93,190
Government	32,194	36,404
Trading and manufacturing	18,379	20,476
Hospitality, media and transportation	10,726	9,528
Food processing	6,272	8,236
Fisheries, agriculture and dairy	5,295	6,015
Education and health	2,994	3,318
Others	22,595	20,485
	195,576	197,652

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

28. CREDIT RISK (Continued)

28.8 Incorporation of forward looking assumptions (Continued)

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.

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:

	2025				
	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	15,964	6,134	9,830	12,033	1,661
Project finance - conventional	5,874	1,690	4,184	-	2,925
Fisheries and agriculture	3,218	-	3,218	3,218	3,218
Other loans - overdrafts	625	603	22	127	-
Total	25,681	8,427	17,254	15,378	7,804
Letters of guarantee	6	6	-	-	-
	25,687	8,433	17,254	15,378	7,804

	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	11	11	-	-	850
	31,437	11,307	20,130	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.

	2025 BD '000	2024 BD '000
Islamic financing and loans to customers	5,938	8,337

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025			
	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	2,870	-	-	2,870
Placements with banks and other financial institutions	14,763	-	-	14,763
Investment securities	79,488	-	-	79,488
	97,121	-	-	97,121
Contingent liabilities and commitments				
Letters of credit and bank guarantees	912	-	11	923
Undrawn commitments	6,911	-	-	6,911
Less: expected credit losses	(165)	-	(6)	(171)
	7,658	-	5	7,663
Other assets	2,314	13	2,971	5,298
Less: expected credit losses	-	(3)	(2,886)	(2,889)
	2,314	10	85	2,409

	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
	93,190	-	-	93,190
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	2,914	7	2,910	5,831
Less: expected credit losses	-	(2)	(2,829)	(2,831)
	2,914	5	81	3,000

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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	
		2025 BD '000	2024 BD '000
Bahraini Dinars	+100/-100	(338) / 338	(427) / 427
Saudi Riyals	+100/-100	(50) / 50	(56) / 56
United States Dollars	+100/-100	(384) / 384	(269) / 269

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 2025 and 2024:

	Equivalent long / (short)	
	2025	2024
Kuwaiti Dinars	16	30
US Dollars	28,328	20,142
Euros	24	3
Great Britain Pounds	(5)	4
Saudi Riyals	(14)	(298)
UAE Dirhams	36	15

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 8,722 thousand (31 December 2024: BD 5,275 thousand). The positive and negative fair values on derivative contracts as at 31 December 2025 was BD Nil (31 December 2024: BD Nil thousand) and BD 42 thousand (31 December 2024: BD 13), 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 2025, 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 346 thousand (31 December 2024: BD 366 thousand).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025 and 2024 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 2025								
Assets								
Cash and balances with Central Bank of Bahrain	2,968	-	-	-	-	-	2,968	2,968
Placements with banks and other financial institutions	14,763	-	-	-	-	-	14,763	14,763
Islamic financing and loans to customers	2,281	4,143	5,539	14,795	33,973	35,284	96,015	88,383
Investment securities	754	1,462	810	-	9,452	73,942	86,420	86,420
Investment in associates	-	-	-	-	-	759	759	759
Investment properties	-	-	-	-	-	9,546	9,546	9,546
Property and equipment	-	-	-	-	-	2,579	2,579	2,579
Other assets	36	27	1,577	-	119	958	2,717	2,717
Total assets	20,802	5,632	7,926	14,795	43,544	123,068	215,767	208,135
Liabilities								
Term loans	-	1,307	1,244	2,551	7,292	9,804	22,198	22,198
Deposits	28,447	3,383	4,463	8,388	13,990	52,456	111,127	111,127
Other liabilities	11	408	6,567	126	295	-	7,407	7,407
Total liabilities	28,458	5,098	12,274	11,065	21,577	62,260	140,732	140,732
Net liquidity gap	(7,656)	534	(4,348)	3,730	21,967	60,808	75,035	
Cumulative liquidity gap	(7,656)	(7,122)	(11,470)	(7,739)	14,227	75,035		
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, plant and equipment	-	-	-	-	-	3,338	3,338	3,338
Other assets	38	24	2,519	-	149	742	3,472	3,472
Total assets	30,610	6,755	12,145	15,617	47,345	113,037	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	(125)	3,424	253	11,037	9,341	48,501	72,431	
Cumulative liquidity gap	(125)	3,299	3,553	14,590	23,931	72,431		

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 2025 and 2024 based on the contractual undiscounted repayment obligations. See note 31 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 2025								
Term loans	-	-	1,532	1,374	2,886	8,083	10,350	24,225
Deposits	15,733	13,411	3,561	4,697	8,897	13,990	52,456	112,745
Other liabilities	-	-	-	5,638	-	-	-	5,638
Total liabilities	15,733	13,411	5,093	11,709	11,783	22,073	62,806	142,608

	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

The table below summarises the maturity profile of the Bank's contingent liabilities and commitments at 31 December 2025 and 2024 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 2025					
Contingent liabilities	51	185	65	622	923
Commitments	7,728	-	-	-	7,728
Total	7,779	185	65	622	8,651

31 December 2024					
Contingent liabilities	58	456	96	705	1,315
Commitments	1,837	-	-	-	1,837
Total	1,895	456	96	705	3,152

	2025	2024
Liquidity Coverage Ratio (%)	653%	528%

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 2025

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:

	2025 BD '000	2024 BD '000
Capital base		
Tier 1 capital	65,790	62,152
Tier 2 capital	836	896
Total capital base (a)	66,626	63,048
Risk-weighted exposures (b)	85,367	89,701
Capital adequacy ratio (a/b*100)	78.05%	70.29%
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 2025

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 2025					
Assets					
Cash and balances with Central Bank of Bahrain	-	-	-	2,968	2,968
Placements with banks and other financial institutions	-	-	-	14,763	14,763
Islamic financing and loans to customers	-	-	-	88,383	88,383
Investment securities	6,912	79,488	20	-	86,420
Investment in associates	-	-	-	759	759
Investment properties	-	-	-	9,546	9,546
Property and equipment	-	-	-	2,579	2,579
Other assets	-	-	-	2,717	2,717
Total assets	6,912	79,488	20	121,715	208,135
Liabilities					
Term loans	-	-	-	22,198	22,198
Deposits	-	-	-	111,127	111,127
Other liabilities	-	-	-	7,407	7,407
Total liabilities	-	-	-	140,732	140,732

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

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 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 associates	-	-	-	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

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 2025 was 165% (31 December 2024: 158%).

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

37. NET STABLE FUNDING RATIO (Continued)

The NSFR (as a percentage) as at 31 December 2025 is calculated as follows:

Item	Unweighted Values (i.e. before applying relevant factors)				
	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	65,790	-	-	836	66,626
Wholesale funding:					
Other wholesale funding	-	39,467	11,065	83,544	102,775
Other liabilities:					
All other liabilities not included in the above categories	-	6,378	-	281	281
Total ASF	65,790	45,845	11,065	84,661	169,682
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	98,161	-	-	-	4,034
Deposits held at other financial institutions for operational purposes	-	264	-	-	132
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:	-	4,171	3,153	-	3,662
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	66,065	56,155
Other assets:					
All other assets not included in the above categories	38,582	-	-	-	38,582
Off-Balance sheet items	8,651	-	-	-	433
Total RSF	145,394	4,435	3,153	66,065	102,998
NSFR (%) - As at 31 December 2025					165%

Notes to the Consolidated Financial Statements (Continued)

As at 31 December 2025

37. NET STABLE FUNDING RATIO (Continued)

Item	Unweighted Values (i.e. before applying relevant factors)				
	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	63,048
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	179,088
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	113,677
NSFR (%) - As at 31 December 2024					158%

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 (Continued)

For the year ended 31 December 2025

(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 consolidated financial statements for the year ended 31 December 2025 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") is 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 Internal Models Approach	Basic Indicator 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 2025

(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 2025, 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
National SMEs Growth Fund B.S.C. (c)	Kingdom of Bahrain	Providing financial facilities to small and medium enterprises

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).

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(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 2025
Common Equity Tier 1 (CET1)	
Issued and full paid ordinary shares	63,669
Legal / Statutory reserve	1,270
Accumulated losses	(685)
Other reserves	(84)
Current period Profit	837
Cumulative fair value changes on FVOCI investments (Debt)	2,378
Cumulative fair value changes on FVOCI investments (Equity)	(49)
Intangibles	(1,546)
Total Common Equity Tier 1 (CET1) (A)	65,790
Additional Tier 1 (AT1)	-
Total Tier 1 (T1)	65,790
Tier 2 Capital (T2)	
Expected Credit Losses (ECL)	836
Total Tier 2 (T2) (B)	836
Total Capital Base (Tier 1 + Tier 2) (C=A+B)	66,626

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 2025					
Cash items	98	-	98	-	-
Sovereigns	98,305	-	98,305	-	-
Banks	8,985	-	8,985	3,569	446
Corporates	75,696	19,219	56,477	24,283	3,035
Past due and credit impaired exposures	17,252	14,031	3,221	3,221	403
Investment in securities	5,932	-	5,932	9,321	1,165
Holding of Real Estate	11,869	-	11,869	23,172	2,896
Others assets	3,325	-	3,325	3,325	416
Total Credit Risk Exposure	221,462	33,250	188,212	66,891	8,361
Market Risk				186	23
Operational Risk				18,289	2,286
Total Risk Weighted Assets (D)				85,366	10,670
Capital Adequacy Ratio (C)/(D)				78.05%	
CET1 Capital Adequacy Ratio (A)/(D)				77.07%	

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(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 2025

(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 exposure are zero interest (Refer note 15 of the annual audited consolidated financial statements as at 31 December 2025). 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 exposures
Sovereigns	98,305	-	89,953
Banks	263	8,722	8,540
Corporates	73,391	2,305	79,655
Past due and credit impaired exposures	17,252	-	18,056
Other assets and Cash items	3,115	-	4,265
Total credit risk	192,326	11,027	200,469

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

	31 December 2025								
	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
2025									
Assets									
Balances with Central Bank of Bahrain	17,383	-	-	-	-	-	-	-	17,383
Placements with banks and other financial institutions	-	263	-	-	-	-	-	-	263
Islamic financing and loans to customers	32,194	895	18,473	3,163	11,090	5,295	6,340	13,193	90,643
Investment securities	79,488	-	-	-	-	-	-	-	79,488
Other assets and Cash items	1,480	98	-	-	-	-	-	2,971	4,549
Total funded credit exposures	130,545	1,256	18,473	3,163	11,090	5,295	6,340	16,164	192,326
Unfunded credit exposures	-	8,743	1,925	72	23	-	4	260	11,027
Total credit risk *	130,545	9,999	20,398	3,235	11,113	5,295	6,344	16,424	203,353

*All the above exposures are located in Kingdom of Bahrain

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(Expressed in Thousands Bahrain Dinars)

8. CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

Total credit exposures in excess of 15% individual obligor limit	31 December 2025
Sovereigns	134,063

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	8,178	3,310	27	243	(2,112)
Fisheries and Agriculture	3,222	872	-	453	(8)
Construction	3,901	684	74	163	(133)
Trade	4,990	1,646	134	60	(408)
Personal / Consumer finance	83	41	-	(16)	(15)
Government	-	-	-	-	-
Technology, media and telecommunications	-	-	8	-	-
Other sectors	5,307	1,874	2,017	(410)	(719)
	25,681	8,427	2,260	493	(3,395)

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 2025:

	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
2025									
Assets									
Balances with Central Bank of Bahrain	17,383	-	-	-	-	-	-	-	17,383
Placements with banks and other financial institutions	263	-	-	-	-	-	-	-	263
Islamic financing and loans to customers	86	1,531	2,634	3,261	26,005	11,202	39,410	6,514	90,643
Investment securities	754	1,462	810	-	9,452	20,748	42,200	4,062	79,488
Other assets and Cash items	121	27	3,270	-	119	243	633	136	4,549
Total funded credit exposures	18,607	3,020	6,714	3,261	35,576	32,193	82,243	10,712	192,326
Unfunded credit exposures	7,976	157	2,210	62	59	-	-	563	11,027
Total credit risk	26,583	3,177	8,924	3,323	35,635	32,193	82,243	11,275	203,353

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(Expressed in Thousands Bahrain Dinars)

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

i) By Geographical area

	31 December 2025			Total
	Three months to one year	One to three years	Over three years	
Past due loans but not credit impaired				
Bahrain	2,349	-	-	2,349
TOTAL	2,349	-	-	2,349
Impaired Loans				
Bahrain	8,460	4,528	4,266	17,254
TOTAL	8,460	4,528	4,266	17,254

ii) Segment Wise Impaired Loans (NET)

	31 December 2025			Total
	Three months to one year	One to three years	Over three years	
Manufacturing	4,002	134	732	4,868
Fisheries and Agriculture	2,080	180	90	2,350
Construction	112	1,486	1,619	3,217
Trade	785	1,395	1,164	3,344
Personal / Consumer finance	-	-	42	42
Technology, media and telecommunications	-	-	-	-
Other sectors	1,481	1,333	619	3,433
TOTAL	8,460	4,528	4,266	17,254

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 2025
Bahrain	
Collective impairment ECL - Stage 1	1,694
Collective impairment ECL - Stage 2	566
Specific impairment provision - Stage 3	8,427
TOTAL	10,687

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(Expressed in Thousands Bahrain Dinars)

13. RECONCILIATION OF CHANGES IN EXPECTED CREDIT LOSSES

	31 December 2025		Total
	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and Stage Lifetime : 2 ECL not credit-impaired	
Balance at 1 January 2025	11,295	2,294	13,589
Amounts written off during the year	(3,395)	-	(3,395)
Transfers for the year	(974)	974	-
Net remeasurement of loss allowance	1,501	(1,008)	493
At 31 December 2025	8,427	2,260	10,687

Restructured Credit Facilities

As at 31 December 2025, the Bank has a total gross balance of BD 13,692 thousand with an ECL of BD 4,672 thousand relating to restructured credit facilities. During the year the Bank has restructured credit facilities amounting to BD 5,938 thousands with ECL of BD 1,696 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 31 December 2025			
Sovereigns	98,305	-	98,305
Banks	8,985	-	8,985
Corporates	75,696	19,219	56,477
Past due and credit impaired exposures	17,252	14,031	3,221
Investments in equities/funds	5,932	-	5,932
Holding of real estate	11,869	-	11,869
Other assets and cash items	3,423	-	3,423
	221,462	33,250	188,212

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 2025

(Expressed in Thousands Bahrain Dinars)

16. SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the year ended 31 December 2025 for the main currencies:

	2025
Bahraini Dinar	
Assets	160,055
Liabilities	(89,632)
(+) 200 basis points	1,408
(-) 200 basis points	(1,408)
US Dollar	
Assets	67,689
Liabilities	(69,432)
(+) 200 basis points	(35)
(-) 200 basis points	35
Kuwaiti Dinar	
Assets	16
Liabilities	(7)
(+) 200 basis points	-
(-) 200 basis points	-
Saudi Riyals	
Assets	5
Liabilities	(678)
(+) 200 basis points	(13)
(-) 200 basis points	13

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 2025 was as follows:

Risk Type	Capital Requirements		
	2025	Maximum	Minimum
Foreign exchange risk capital	15	15	9
			31 Decemebr 2025
Total Risk Weighted Exposure for Market Risk			186

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(Expressed in Thousands Bahrain Dinars)

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
2025								
Assets								
Balances with Central Bank of Bahrain	14,513	-	-	-	-	-	2,870	17,383
Placements with banks and other financial institutions	263	-	-	-	-	-	98	361
Islamic financing and loans to customers	86	1,531	2,634	3,261	37,207	15,947	29,977	90,643
Investment and other assets	777	1,489	821	-	30,562	47,031	3,259	83,939
Total assets	15,639	3,020	3,455	3,261	67,769	62,978	36,204	192,326
Liabilities								
Term loans	-	1,307	1,244	2,551	13,484	3,612	-	22,198
Deposits	28,441	3,383	4,463	8,388	11	-	66,441	111,127
Other liabilities	11	408	167	126	281	-	6,414	7,407
Total liabilities	28,452	5,098	5,874	11,065	13,776	3,612	72,855	140,732
Net liquidity gap	(12,813)	(2,078)	(2,419)	(7,804)	53,993	59,366	(36,651)	51,594

18. EQUITY POSITION IN THE BANKING BOOK

	31 December 2025	
	Net exposure	Capital requirement
Privately held	6,932	867
TOTAL	6,932	867

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	(42)
Notional – Banking book (Balance)	8,722

Basel III Pillar 3 Disclosures (Continued)

For the year ended 31 December 2025

(Expressed in Thousands Bahrain Dinars)

21. OPERATIONAL AND LEGAL RISKS

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. While operational risk is inherent in all the Bank's activities and cannot be fully eliminated, it is actively managed to minimize potential losses and protect stakeholders' value.

The Bank has established an operational risk management framework that enables the identification, assessment, monitoring, and mitigation of operational risks across all business and support functions. Key elements of this framework include risk and control self-assessment, Key Risk Indicators (KRIs), operational risk incident reporting and management, new product & services review processes, and ongoing monitoring of control effectiveness.

Operational risk management follows a clear governance structure. Business and support units are primarily responsible for managing operational risks within their respective areas, supported by documented policies, procedures, and internal controls. Core control principles include – but not limited to- segregation of duties, defined authorization limits, and reconciliation processes. The Operational Risk Management function provides oversight ensuring alignment with the Bank's overall risk appetite and regulatory requirements.

The Internal Audit department provides independent assurance on the adequacy and effectiveness of internal controls, risk management practices, and governance processes. It conducts regular audits across all business and support units and reports significant findings and control deficiencies to senior management and the Audit Committee.

Given the Bank's relatively focused business model and scale of operations, transaction volumes and client exposures are moderate, however, robust controls and monitoring mechanisms are maintained to manage associated risks effectively.

For regulatory capital purposes, the Bank adopts the Basic Indicator approach in measuring operational risk under the capital adequacy framework. In addition, the Bank maintains internal ICAAP limit of 16% compared to regulatory capital requirement of 12.5%, to absorb potential unexpected losses

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
2025

Penalty paid to Central Bank of Bahrain	-
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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 653% as on 31 December 2025.

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 29.2% as on 31 December 2025.

Composition of capital disclosure requirements

As at 31 December 2025

Step 1: Balance sheet under the regulatory scope of consolidation

This step is 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 2025

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2025

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
BD 000's			
Assets			
Cash and balances with central banks	2,968	2,968	
Placements with banks and other financial institutions	14,763	14,763	
Investment securities	86,420	86,420	
Investments in associates	759	759	
As at 31 December 2025	87,179	87,179	
of which:			
Significant investments in capital of financial 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	9,546	9,546	
Islamic financing and loans to customers	88,383	90,643	
of which: General loan loss provision which qualify as capital	2,260	836	A
Other assets	2,717	2,720	
Property and equipment	2,579	2,579	
Total assets	208,135	210,398	
Liabilities			
Deposits from banks and other financial institutions	12,064	12,064	
Customer accounts	99,063	99,063	
Term Loans	22,198	22,198	
Repurchase agreements and other similar secured borrowing			
Derivative financial instruments			
Other liabilities	7,407	7,237	
Total liabilities	140,732	140,562	
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	B
of which amount eligible for AT1	-	-	
Accumulated losses	68	68	C
Statutory reserve	1,270	1,270	
General reserve	-	-	
Share premium	-	-	
Donations and charity reserve	-	-	
General loan loss provision which qualify as capital		2,433	D
Available for sale revaluation reserve	2,329	2,329	
Share of Available for sale revaluation reserve relating to associates not considered for regulatory capital	-	-	
Minority interest in subsidiaries' share capital	67	67	
Total equity	67,403	69,836	
Total liabilities and equity	208,135	210,398	

Composition of capital disclosure requirements (Continued)

As at 31 December 2025

Step 3: Composition of Capital Common Template as at 31 December 2025

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	B
2	Accumulated losses	68	C
3	Accumulated other comprehensive income (and other reserves)	3,599	
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	67,336	
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)	1,546	
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 2025

	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
Composition of Capital and mapping to regulatory reports		
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	65,790	
Common Equity Tier 1 capital (CET1)		
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	65,790	
Tier 1 capital (T1 = CET1 + AT1)		
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 2025

	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
Composition of Capital and mapping to regulatory reports		
50	836	
Provisions		
51	836	
Tier 2 capital before regulatory adjustments		
Tier 2 capital: regulatory adjustments		
52	-	
Investments in own Tier 2 instruments		
53	-	
Reciprocal cross-holdings in Tier 2 instruments		
54	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
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	836	
Tier 2 capital (T2)		
59	66,626	
Total capital (TC = T1 + T2)		
RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT		
60	85,366	
Total risk weighted assets		
Capital ratios		
61	77.07%	
Common Equity Tier 1 (as a percentage of risk weighted assets)		
62	77.07%	
Tier 1 (as a percentage of risk weighted assets)		
63	78.05%	
Total capital (as a percentage of risk weighted assets)		
64	9.00%	
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)		
65	2.50%	
of which: capital conservation buffer requirement		
66	0.00%	
of which: bank specific countercyclical buffer requirement (N/A)		
67	0.00%	
of which: D-SIB buffer requirement (N/A)		
68	77.07%	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		
National minima including CCB (if different from Basel 3)		
69	9.00%	
CBB Common Equity Tier 1 minimum ratio		
70	11.00%	
CBB Tier 1 minimum ratio		
71	12.50%	
CBB total capital minimum ratio		
Amounts below the thresholds for deduction (before risk weighting)		
72	3,354	
Non-significant investments in the capital of other financials		

Composition of capital disclosure requirements (Continued)

As at 31 December 2025

	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
Composition of Capital and mapping to regulatory reports		
73 Significant investments in the common stock of financials	423	
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)	2,433	D
77 Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	836	A
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)	-	

Composition of capital disclosure requirements (Continued)

As at 31 December 2025

Disclosure template for main feature of regulatory capital instruments

1 Issuer	Bahrain Development Bank BSC ©
2 Unique identifier (Bahrain Bourse ticker)	Not Applicable
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 2025	BD 1.00
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	
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