

BAHRAIN DEVELOPMENT BANK B.S.C. (c)
Risk and Capital Management Disclosures
For the period ended 30 June 2025

These disclosures have been prepared in accordance with the Public Disclosure Module ("PD"), CBB Rule Book, Volume I for Conventional banks.

These disclosures have been reviewed by the Bank's external auditors Ernst & Young - Middle East, based on agreed-upon procedures as required under Para PD-A.2.4 of the PD Module.

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 interim condensed consolidated financial statements for the period ended 30 June 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
- Pillar 3: rules for the disclosure of risk management and capital adequacy information.

CBB CAPITAL ADEQUACY RULES:

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

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

Credit Risk	Market Risk	Operational Risk
Standardised Approach	Standardised Approach 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.

2 INTRODUCTION TO THE BASEL III FRAMEWORK (continued)**CBB CAPITAL ADEQUACY RULES: (continued)****i) Credit Risk (continued)**

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.

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 30 June 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

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.

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Basel III Pillar 3 Disclosures

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(Expressed in Thousands Bahrain Dinars)

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).

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

	As at 30 June 2025
Common Equity Tier 1 (CET1)	
Issued and full paid ordinary shares	63,669
Legal / Statutory reserve	1,186
Accumulated losses	(685)
Current period Profit	965
Cumulative fair value changes on FVOCI investments (Debt)	63
Intangibles	(1,609)
Total Common Equity Tier 1 (CET1) (A)	63,589
Additional Tier 1 (AT1)	-
Total Tier 1 (T1)	63,589
Tier 2 Capital (T2)	
Expected Credit Losses (ECL)	878
Total Tier 2 (T2) (B)	878
Total Capital Base (Tier 1 + Tier 2) (C=A+B)	64,467

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 30 June 2025					
Cash items	336	-	336	-	-
Sovereigns	88,667	-	88,667	-	-
Banks	7,031	-	7,031	4,674	584
Corporates	81,430	19,268	62,162	24,875	3,109
Past due exposures	17,951	15,314	2,637	2,637	330
Investment in securities	6,688	-	6,688	10,455	1,307
Holding of Real Estate	11,575	-	11,575	22,679	2,834
Others assets	4,945	-	4,945	4,945	618
Total Credit Risk Exposure	218,623	34,582	184,041	70,265	8,782
Market Risk				112	14
Operational Risk				17,706	2,213
Total Risk Weighted Assets (D)				88,083	11,009
Capital Adequacy Ratio (C)/(D)				73.19%	
CET1 Capital Adequacy Ratio (A)/(D)				72.19%	

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.

5 CREDIT RISK – PILLAR 3 DISCLOSURES (continued)**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.

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 quarterly reviewed condensed consolidated financial statements as at 30 June 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	88,667	-	85,511
Banks	270	6,761	9,538
Corporates	79,767	1,663	80,982
Past due exposures	17,951	-	18,738
Other assets and Cash items	5,008	-	5,032
Total credit risk	191,663	8,424	199,801

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

	30 June 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	13,394	-	-	-	-	-	-	-	13,394
Balances with banks and other financial	-	270	-	-	-	-	-	-	270
Islamic financing and loans to customers	37,286	-	18,934	3,517	9,275	5,425	7,766	15,515	97,718
Investment securities	73,944	-	-	-	-	-	-	-	73,944
Other assets and Cash items	1,329	336	-	-	-	-	-	4,672	6,337
Total funded credit exposures	125,953	606	18,934	3,517	9,275	5,425	7,766	20,187	191,663
Unfunded credit exposures	-	6,869	1,173	47	22	-	8	305	8,424
Total credit risk *	125,953	7,475	20,107	3,564	9,297	5,425	7,774	20,492	200,087

*All the above exposures are located in Kingdom of Bahrain

8 CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

Total credit exposures in excess of 15% individual obligor limit

Sovereigns

30 June 2025

130,424

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 period	Write offs
Manufacturing	8,741	3,406	60	333	(2,106)
Fisheries and Agriculture	2,988	655	20	229	(1)
Construction	4,174	691	63	165	(128)
Trade	5,264	1,666	247	46	(374)
Personal / Consumer finance	86	43	-	(14)	(15)
Government	-	-	-	-	-
Technology, media and telecommunications	-	-	5	-	-
Other sectors	4,449	1,290	2,371	(952)	(709)
	25,702	7,751	2,766	(193)	(3,333)

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10 RESIDUAL CONTRACTUAL MATURITY

Maturity analysis of assets

The table below summarises the residual contractual maturity profile of the Group's assets as at 30 June 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	13,371	-	-	-	-	-	-	-	13,371
Balances with banks and other financial institutions	270	-	-	-	-	-	-	-	270
Islamic financing and loans to customers	802	1,152	1,496	3,821	18,750	12,464	47,464	11,769	97,718
Investment securities	-	-	-	3,030	9,339	20,167	37,620	3,788	73,944
Other assets and Cash items	359	-	4,915	60	119	259	606	42	6,360
Total funded credit exposures	14,802	1,152	6,411	6,911	28,208	32,890	85,690	15,599	191,663
Unfunded credit exposures	2,040	3,409	2,314	78	28	6	-	549	8,424
Total credit risk	16,842	4,561	8,725	6,989	28,236	32,896	85,690	16,148	200,087

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

i) By Geographical area

30 June 2025				
	Three months to one year	One to three years	Over three years	Total
Past due loans but not credit impaired				
Bahrain	4,060	-	-	4,060
TOTAL	4,060	-	-	4,060
Impaired Loans				
Bahrain	9,602	2,621	5,728	17,951
	9,602	2,621	5,728	17,951

ii) Segment Wise Impaired Loans (NET)

	Three months to one year	One to three years	Over three years	Total
Manufacturing	1,216	435	3,684	5,335
Fisheries and Agriculture	60	665	1,608	2,333
Construction	3,358	115	10	3,483
Trade	2,749	533	316	3,598
Personal / Consumer finance	43	-	-	43
Technology, media and telecommunications	-	-	-	-
Other sectors	2,176	873	110	3,159
TOTAL	9,602	2,621	5,728	17,951

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.

	30 June 2025
Bahrain	
Collective impairment ECL - Stage 1	2,012
Collective impairment ECL - Stage 2	754
Specific impairment provision - Stage 3	7,751
TOTAL	10,517

13 RECONCILIATION OF CHANGES IN EXPECTED CREDIT LOSSES

	30 June 2025		
	Stage 3: Lifetime ECL credit impaired	Stage 1: 12- month ECL and Stage 2 : Lifetime ECL not credit- impaired	Total
Balance at 1 January 2025	11,295	2,294	13,589
Amounts written off during the year	(3,333)	-	(3,333)
Transfers for the year	(1,071)	1,071	-
Net remeasurement of loss allowance	860	(599)	261
At 30 June 2025	7,751	2,766	10,517

Restructured Credit Facilities

As at 30 June 2025, the Bank has a total gross balance of BD 14,495 thousand with an ECL of BD 4,488 thousand relating to restructured credit facilities. During the period ended 30 June 2025, the Bank has restructured credit facilities amounting to BD 882 thousands with ECL of BD 470 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.

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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 30 June 2025			
Sovereigns	88,667	-	88,667
Banks	7,031	-	7,031
Corporates	81,430	19,268	62,162
Past due exposures	17,951	15,314	2,637
Investments in equities/funds	6,688	-	6,688
Holding of real estate	11,575	-	11,575
Other assets and cash items	5,281	-	5,281
	218,623	34,582	184,041

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.

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16 SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the period ended 30 June 2025 for the main currencies:

	2025
Bahraini Dinar	
Assets	157,863
Liabilities	(89,057)
	<hr/>
(+) 200 basis points	1,376
(-) 200 basis points	(1,376)
US Dollar	
Assets	68,529
Liabilities	(71,725)
	<hr/>
(+) 200 basis points	(64)
(-) 200 basis points	64
Kuwaiti Dinar	
Assets	18
Liabilities	(8)
	<hr/>
(+) 200 basis points	-
(-) 200 basis points	-
Saudi Riyals	
Assets	24
Liabilities	(646)
	<hr/>
(+) 200 basis points	(12)
(-) 200 basis points	12

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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 30 June 2025 was as follows:

Risk Type	Capital requirements		
	2025	Maximum	Minimum
Foreign exchange risk capital	9	9	9
			30 June 2025
Total Risk Weighted Exposure for Market Risk			112

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	10,923	-	-	-	-	-	2,448	13,371
Placements with banks and other financial institutions	270	-	-	-	-	-	-	270
Islamic financing and loans to customers	802	1,152	1,496	3,821	31,214	59,233	-	97,718
Investment and other assets	359	-	-	3,090	29,884	42,056	4,915	80,304
Total assets	12,354	1,152	1,496	6,911	61,098	101,289	7,363	191,663
Liabilities								
Term loans	-	1,307	2,677	2,551	13,130	3,502	-	23,167
Deposits	31,573	425	257	7,930	-	-	71,498	111,683
Other liabilities	6	48	358	99	191	-	6,199	6,901
Total liabilities	31,579	1,780	3,292	10,580	13,321	3,502	77,697	141,751
Net liquidity gap	(19,225)	(628)	(1,796)	(3,669)	47,777	97,787	(70,334)	49,912

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18 EQUITY POSITION IN THE BANKING BOOK

	30 June 2025	
	Net exposure	Capital requirement
Privately held	7,282	910
TOTAL	7,282	910

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	(30)
Notional – Banking book (Balance)	6,792

21 OPERATIONAL AND LEGAL RISKS

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

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

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

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

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

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

22 FINES AND PENALTY

	Amount in BD Actual 2025
Penalty paid to Central Bank of Bahrain	-

23 LIQUIDITY COVERAGE RATIO (LCR)

According to LM-11.1.2 under the “Liquidity Risk Management Module” in the CBB Rulebook, the Bank has calculated the Liquidity Coverage Ratio, which is at 482% as on 30 June 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 29.1% as on 30 June 2025.



**Composition of capital disclosure requirements
As at 30 June 2025**

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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.

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 June 2025

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
BD 000's			
Assets			
Cash and balances with central banks	2,807	2,807	
Placements with banks and other financial institutions	11,168	11,168	
Investment securities	81,226	81,226	
Investments in associates	816	816	A
As at 30 June 2025	82,042	82,042	
of which:			
Significant investments in capital of financials institutions exceeds the 10% of CET1	-	-	
Amount in excess of 10% of CET1 to be deducted	-	-	
Amount in excess of 10% of CET1 to be deducted in year 1	-	-	
Investment properties	9,698	9,698	
Islamic financing and loans to customers	94,952	97,718	
of which: General loan loss provision which qualify as capital	2,766	878	B
Other assets	3,500	3,501	
Property and equipment	2,946	2,946	
Total assets	207,113	209,880	
Liabilities			
Deposits from banks and other financial institutions	16,562	16,562	
Customer accounts	95,121	95,121	
Term Loans	23,167	23,167	
Repurchase agreements and other similar secured borrowing			
Derivative financial instruments			
Other liabilities	6,901	6,787	
Total liabilities	141,751	141,637	
Equity			
Share capital	63,669	63,669	
Shares under employee share incentive scheme	-	-	
Total share capital	63,669	63,669	
of which amount eligible for CET1	-	63,669	C
of which amount eligible for AT1	-	-	
Accumulated losses	280	280	D
Statutory reserve	1,186	1,186	
General reserve	-	-	
Share premium	-	-	
Donations and charity reserve	-	-	
General loan loss provision which qualify as capital		2,881	B
Available for sale revaluation reserve	63	63	
Share of Available for sale revaluation reserve relating to associates not considered for regulatory capital	-		
Minority interest in subsidiaries' share capital	164	164	
Total equity	65,362	68,243	
Total liabilities and equity	207,113	209,880	

Step 3: Composition of Capital Common Template as at 30 June 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	C
2	Accumulated losses	280	D
3	Accumulated other comprehensive income (and other reserves)	1,249	
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	65,198	
	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)	1,609	
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	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	-	
29	Common Equity Tier 1 capital (CET1)	63,589	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	63,589	

Step 3: Composition of Capital Common Template as at 30 June 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
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	878	
	Tier 2 capital before regulatory adjustments	878	
	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	Tier 2 capital (T2)	878	
59	Total capital (TC = T1 + T2)	64,467	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT		
60	Total risk weighted assets	88,084	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	72.19%	
62	Tier 1 (as a percentage of risk weighted assets)	72.19%	
63	Total capital (as a percentage of risk weighted assets)	73.19%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement (N/A)	0.00%	
67	of which: D-SIB buffer requirement (N/A)	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	72.19%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9.00%	
70	CBB Tier 1 minimum ratio	11.00%	
71	CBB total capital minimum ratio	12.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	3,515	
73	Significant investments in the common stock of financials	423	A
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2,881	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	878	B
78	NA	-	
79	NA	-	
	Capital instruments subject to phase-out arrangements		
	(only applicable between 1 Jan 2020 and 1 Jan 2024)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Disclosure template for main feature of regulatory capital instruments

1	Issuer	Bahrain Development Bank BSC ©
2	Unique identifier (Bahrain Bourse ticker)	BDB
3	Governing law of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	<i>Regulatory treatment</i>	
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 30 June 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
	<i>Coupons / dividends</i>	Not Applicable
17	Fixed or floating dividend/coupon	Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Non-cumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable