

SOCIAL INSURANCE ORGANIZATION

**CONSOLIDATED FINANCIAL
STATEMENTS**

31 DECEMBER 2025

Social Insurance Organization

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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KPMG Fakhro
Audit
12th Floor, Fakhro Tower,
P.O. Box 710, Manama,
Kingdom of Bahrain

Telephone +973 17224807
Telefax +973 17227443
Website: www.kpmg.com/bh
CR No. 6220 - 2

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Independent auditors' report

To the Board of Directors of

*Social Insurance Organization
Manama
Kingdom of Bahrain*

Opinion

We have audited the accompanying consolidated financial statements of Social Insurance Organization (the "Organization") and its subsidiaries (together the "Group"), which comprise the consolidated statement of net assets as at 31 December 2025, the consolidated statements of changes in net assets, and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 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 (IFRS Accounting Standards).

Basis for Opinion

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

Emphasis of matter - Actuarial position

We draw attention to note 2 to the consolidated financial statements which describes the actuarial position at 31 December 2025 and the management's plans to reduce the unfunded actuarial deficit. Our opinion is not modified in respect of this matter.

Responsibilities of Board of Directors of 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.

Independent auditors' report (continued)
Social Insurance Organization

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.



KPMG Fakhro
Associate Partner Registration Number 217
15th October 2026

CONSOLIDATED STATEMENT OF NET ASSETS**As at 31 December 2025****BD'000**

	Note	31 December 2025	31 December 2024
ASSETS			
Bank balances and term deposits	9	182,728	244,339
Social insurance contributions receivable	10	51,491	62,367
Social insurance benefits receivables	11	166,550	185,841
Investment securities	12	1,159,066	1,259,720
Investment properties	13	156,744	163,065
Other receivables and prepayments	14	46,487	57,816
Equipment, furniture and right-of-use assets	15	4,077	4,634
TOTAL ASSETS		1,767,143	1,977,782
LIABILITIES			
Accrued expenses and other liabilities	16	51,808	61,333
TOTAL LIABILITIES		51,808	61,333
NET ASSETS		1,715,335	1,916,449
REPRESENTED BY:			
Members' funds		1,705,568	1,907,456
Non-controlling interest	26	9,767	8,993
		1,715,335	1,916,449

The consolidated financial statements were approved by the board of directors on 15th October 2026 and signed on its behalf by:



Rasheed Mohamed Al Maraj
Chairman



Sahar Rashid AlMannai
Chief Executive Officer

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**As at 31 December 2025****BD'000**

	Note	2025	2024
Social insurance contributions	17	480,413	437,448
Assumed and past service contributions	11.1	14,652	15,909
Compensation from Government	18	12,380	12,228
Total contributions		507,445	465,585
Benefits	19	(802,533)	(785,040)
Impairment charge on social insurance contributions receivable	10.1	(24,600)	(13,288)
Shortfall of contributions over benefits		(319,688)	(332,743)
Investment income, net	20	137,248	94,790
Operating expenses	24	(18,563)	(16,420)
NET CHANGE IN NET ASSETS		(201,003)	(254,373)
NET CHANGE IN NET ASSETS ATTRIBUTABLE TO:			
Members' fund		(201,888)	(255,114)
Non-controlling interest	26	885	741
		(201,003)	(254,373)
Net assets at 1 January		1,916,449	2,170,933
Net change in net assets during the year		(201,003)	(254,373)
Dividend paid by subsidiaries to non-controlling interest		(111)	(111)
NET ASSETS AT 31 DECEMBER		1,715,335	1,916,449

The consolidated financial statements were approved by the board of directors on 15th October 2026 and signed on its behalf by:



Rasheed Mohamed Al Maraj
Chairman



Sahar Rashid AlMannai
Chief Executive Officer

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2025

BD'000

	Note	2025	2024
OPERATING ACTIVITIES			
Net change in net assets		(201,003)	(254,373)
<i>Adjustments for:</i>			
Depreciation	15	1,694	1,212
Social insurance benefits written off due to death	19	670	722
Impairment charge on social insurance contributions receivable	10	24,600	13,288
Impairment charge on other receivables	14	-	5,836
Net change in fair value of investment securities	21	(42,595)	1,721
Dividend income	21	(36,850)	(36,844)
Interest income	22	(37,241)	(41,934)
Net change in fair value of investment properties	23	1,913	1,342
Net income from investment properties	23	(2,516)	(2,117)
		(291,328)	(311,147)
Net change in net assets before working capital changes			
Social insurance contributions receivable		(13,724)	(5,510)
Other receivables and prepayments		11,329	4,682
Social insurance benefits receivables		18,719	11,224
Accrued expenses and other liabilities		(9,179)	17,615
		(284,183)	(283,136)
Net cash used in operating activities			
INVESTING ACTIVITIES			
Purchase of investment securities	12	(97,141)	(190,768)
Disposal of investment securities	12	240,390	349,460
Additions to investment properties		(198)	(5,189)
Disposals of investment properties		4,858	9,921
Purchase of fixed assets	15	(1,137)	(571)
Dividends received		36,850	36,844
Net new deposits with an original maturity of more than three months	9	(8,252)	(4,817)
Interest received		37,241	41,934
Net rental income		2,166	2,354
		214,777	239,168
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Dividend paid by subsidiaries to non-controlling interest		(111)	(111)
Payment of lease liabilities		(346)	(572)
		(457)	(683)
Net cash used in financing activities			
NET CHANGE IN CASH AND CASH EQUIVALENTS		(69,863)	(44,651)
Cash and cash equivalents at 1 January		231,794	276,445
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	161,931	231,794

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

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1 REPORTING ENTITY

The Social Insurance Organization ("SIO" or the "Organization") was formed on 1 March 2008 in accordance with the Law No. 3 of 2008. The Organization was formed by the merger of the Pension Fund Commission ("PFC") and General Organization for Social Insurance ("GOSI"). The registered office of the Organization is P.O. Box 5250, Manama, Kingdom of Bahrain.

PFC was formed on 1 October 1975 in accordance with the Law No. 13 of 1975 and is responsible for the management of funds to provide retirement pension salaries and other related benefits to the civil sector employees in the Kingdom of Bahrain. This plan is a defined benefit retirement pension plan and referred to in the consolidated financial statements as Public Plan.

GOSI was formed on 1 October 1976 in accordance with the Amiri Decree No. 24 of 1976 and is responsible for the management of funds to provide retirement pension salaries and other related benefits to the private sector employees in the Kingdom of Bahrain. This plan is a defined benefit retirement pension plan and referred to in the consolidated financial statements as Private Plan.

Funds and Funding policy

The Organization is responsible for managing the operation of the retirement pension plans. Presented below is a summary of the plans and the funding arrangements:

Plan	Applicable law	Coverage
Public Sector *	Law No. 13 of 1975 *	Bahrainis: Old age, disability and death Work injury Non-Bahrainis: Work injury
Private Sector *	Decree No. 24 of 1976 *	Bahrainis: Old age, disability and death Work injury Non-Bahrainis: Work injury
Shura, parliament and municipality members (until December 2018) **	Law No. 32 of 2009 Decree No. 45 of 2018 **	Bahrainis: Old age, disability and death Bahrainis: Work injury

* On 22 April 2022, Decree No. 13 and Decree No. 14 were issued, which were amendments to Law No. 13 of 1975 and Decree No. 24 of 1976, these amendments included the gradual increase in contribution rates from employee and employer along other reforms such as Non Bahrainis indemnities collection arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025**

BD'000

1 REPORTING ENTITY (continued)

** On 25 September 2018, Decree No. 45 of 2018 was issued and replaced Law No. 32 of 2009 effective from fifth legislative term of Shura, Parliament and Municipality members. Accordingly, the Shura, Parliament and Municipality ("SPM") Fund ceased members contributions in 2019, however the Organization continues to pay retirement benefits to members and beneficiaries eligible in accordance with Decree No. 45 of 2018, funded by payment of past and assumed service contributions from the Government of the Kingdom of Bahrain (the "Government").

The Organization is also responsible for managing the following funds:

Fund	Applicable law	Coverage
Unemployment fund	Law No. 78 of 2006	Bahrainis/ Non-Bahrainis: Unemployed persons
Account for End of Service Remuneration for non-Bahrainis Working in the Private Sector	Decision No.109 of 2023	Payment of end of service remuneration for non-Bahrainis working in the private sector.

The reporting entity for the purposes of these consolidated financial statements are the Organization's post-retirement benefit plans (i.e. PSI Fund and SPM Fund) and exclude other activities that reflect the management of other social security and non-pension funds, namely the Unemployment Fund and End of service remuneration for non -Bahrainis working in private sector Fund (together the "Funds") which does not form part of these consolidated financial statements and is reported separately. The Organization is the fund manager of this fund.

The consolidated financial statements for the year ended 31 December 2025 were authorized for issue by the Board of Directors of the Organization on 15th October 2026.

Subsidiaries

The consolidated financial statements incorporate the results of the Organization (which includes PSI Fund and SPM Fund) and its operational subsidiaries (together referred to as the "Group"). The Group only consolidates operational subsidiaries whose main purpose and activities are providing services that relate to supporting the Organization's activities. All other subsidiaries are considered as investments and are carried at their fair values.

At 31 December, the Organization had the following operational subsidiary:

	Country of incorporation	Equity Ownership %	
		2025	2024
Osool Asset Management Company B.S.C. (c)	Bahrain	63.06%	63.06%

Osool Asset Management Company B.S.C (c) ("Osool") has been established to be involved in managing and dealing with financial instruments as both a principal and an agent, providing management and advisory services relating to financial instruments and directing collective investment undertakings of the Organization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025**

BD'000

1 REPORTING ENTITY (continued)

Osool operates in the Kingdom of Bahrain under an Investment Business Firm (Category 1) License issued by the Central Bank of Bahrain ("CBB").

Amlak Real Estate Company W.L.L. (formerly Amlak Social Insurance Organization Development Company W.L.L.) ("Amlak") had been established by the Organization in 2010 to provide operational support in its management of the investment properties portfolio and is principally involved in managing the properties of the Organization, the Unemployment Fund and the Military Pension Fund.

The Organization's Board of Directors in its meeting dated 28 January 2020 passed a resolution to transfer the responsibility of Amlak management and operation to the Board of Directors of Osool, which then approved the acquisition of the entire share capital of Amlak effective 1 January 2020.

2 ACTUARIAL POSITION

The Organization has appointed an independent actuary to carry out a valuation of its pension funds as at 31 December 2025 using the Projected Unit Method. The valuations for the years ended 31 December 2025 and 31 December 2024 indicated an existence of net unfunded actuarial liabilities. The Government has undertaken to meet any future unfunded actuarial liabilities as and when they fall due.

The method used to calculate the actuarial present value of promised benefits accruing under the terms and conditions of the plan at 31 December requires the actuarial liability to be calculated based on the present value of the benefits accrued at the valuation date, taking into account the final earnings of members in service. The discount rate has been taken at 6% per annum (2024: 6% per annum), consistent with the expected long-term investment returns to the Organization.

The Organization's net unfunded deficit at 31 December 2025 amounted to BD 14,495 million (2024: BD 13,863 million).

In order to reduce the net unfunded liability a number of reforms have been implemented through the issuance of Decree No. 21 of 2020 and Law No. 13 and 14 of 2022 which included, amongst others, the suspension of the 3% annual pension increment, the incremental increase of contribution rates to 27% by 2028, and the calculation of pension salaries using a 5-year average salary. The Board of Directors of the Organization continues to take the below actions to reduce the net unfunded liability:

- (i) developing and diversifying investments for reasonable return to support sources of funding; and
- (ii) recommending major reforms to the social insurance and pension schemes including increase in years of service and minimum retirement age in order to have sustainable funds.

The Organization's actuarial liability and net position as at 31 December is as follows:

2025	PSI Fund BD million	SPM Fund* BD million	Total BD million
Net assets			
	1,701	14	1,715
Actuarial liability:			
Vested	(15,219)	(72)	(15,291)
Non-vested	(919)	-	(919)
Total actuarial liability	(16,138)	(72)	(16,210)
Unfunded liability	(14,437)	(58)	(14,495)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025**

BD'000

2 ACTUARIAL POSITION (continued)

2024	PSI Fund BD million	SPM Fund* BD million	Total BD million
Net assets	1,902	14	1,916
Actuarial liability:			
Vested	(14,831)	(73)	(14,904)
Non-vested	(875)	-	(875)
Total actuarial liability	(15,706)	(73)	(15,779)
Unfunded liability	(13,804)	(59)	(13,863)

* The unfunded liability of the SPM Fund is supported by the Government who has undertaken to pay the annual benefit expenses as they fall due. Refer to note 18 for details.

The movement in the Organization's actuarial liability for the years 2025 and 2024 are as follows:

2025	Note	PSI Fund BD million	SPM Fund* BD million	Total BD million
Actuarial liability at 1 January		15,706	73	15,779
Increase in interest cost	a	918	4	922
Increase in service cost	b	349	-	349
Benefits paid	c	(800)	(5)	(805)
Actuarial gain due to experience	d	(35)	-	(35)
Actuarial loss - financial assumptions	e	-	-	-
Actuarial loss - modelling/demographic assumptions	f	-	-	-
Actuarial liability at 31 December		16,138	72	16,210

2024	Note	PSI Fund BD million	SPM Fund* BD million	Total BD million
Actuarial liability at 1 January		14,897	74	14,971
Increase in interest cost	a	871	4	875
Increase in service cost	b	316	-	316
Benefits paid	c	(780)	(5)	(785)
Actuarial loss due to experience	d	402	-	402
Actuarial loss - financial assumptions	e	-	-	-
Actuarial loss - modelling/demographic assumptions	f	-	-	-
Actuarial liability at 31 December		15,706	73	15,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2025**

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2 ACTUARIAL POSITION (continued)

The explanatory notes for the above items appearing in the movements of the actuarial liability are as follows:

a) Increase in interest cost

This cost represents the accrued interest for one year of the actuarial liability as at 31 December 2025 calculated at the rate of 6% per annum (2024: 6% per annum).

b) Increase in service cost

This cost represents the accrued additional benefits in respect of one extra year of service of the insured employees covered by the Organizations' schemes.

c) Benefits paid

This amount represents reduction in the actuarial liability due to payments made to the beneficiaries during the year.

d) Actuarial loss / (gain) due to experience

This represents an actuarial adjustment made in relation to the change in defined benefit obligations due to changes such as the law and profile of the scheme members including the average salary growth, age on retirement, number of dependents, life expectancy rate and other assumptions.

e) Actuarial loss - financial assumptions

The actuarial loss or gain that arises from changes to the financial assumptions adopted for the liability calculations. The key financial assumptions are the discount rate, salary growth rate and pension increase rate.

f) Actuarial loss - modelling / demographic assumptions

The actuarial loss or gain represents changes to the calculation approach or demographic assumptions adopted for the liability calculations. These relate to the approach and assumptions adopted for applying the various decrements that affect the scheme populations and include mortality rates, invalidity rates, retirement rates, family-related rates, survivor rates of dependents and other assumptions.

3 BASIS OF PREPARATION**3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and in conformity with the provisions of the Pension Law No. 13 of 1975, Amiri Decree No. 24 of 1976, Law No. 78 of 2006, Law No. 32 of 2009, Decree No. 45 of 2018, Decree No. 21 of 2020, Law No. 13 of 2022 and Law no. 14 of 2022. In particular, the Organization has applied IAS 26: Accounting and Reporting by Retirement Benefit Plans.

3.2 Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars ("BD") which is the functional and presentation currency of the Group, and all values are rounded to the nearest thousand (BD "000"), unless otherwise stated.