

The Board of Directors' Report

The challenges posed by the coronavirus pandemic continued in 2021, creating a difficult operating environment and constraining the broad-based economic recovery that we all seek. We continued to play an important role in Bahrain, supporting companies and individuals in challenging economic circumstances, providing the investment and finance that drives economic activity, and continuing to support the community and others in need during these difficult times.

Our commitment to responsible operations and to the sustainability of our processes, products, and services remain undimmed. We have continued to integrate environmental, social, and governance considerations into our own processes and in our lending decisions. We are increasingly mindful of the impact which our activities have on the natural environment and society at large. This report, which consolidates our financial performance, will be enhanced with the issue of a sustainability-centric annual report that seeks to capture and explain the beneficial impact that our work and our efforts have had across the Kingdom.

Resilient financial performance

Despite the challenging operating environment, the Group's financial performance remained strong. The Group's total assets increased by 4.0% to BHD 4,535.6 million (USD 12,030.8 million) compared to BHD 4,361.4 million (USD 11,568.7 million) recorded on 31 December 2020. The increase was attributable to the continued strong demand for NBB loan products.

NBB's consolidated net profit increased by 8.5% from BHD 50.7 million (USD 134.5 million) in 2020 to BHD 55.0 million (USD 145.9 million) in 2021. The increase was recorded despite the drop in the Group's non-core other income and the precautionary contingent provisions taken in 2021, highlighting the resilience of NBB's core activities in the form of net interest income and fees and commissions.

Recommended appropriations

Based on the financial results, the Board of Directors has recommended for approval by shareholders the following appropriations:

| | BHD million |
|-------------------------------|-------------|
| Cash dividend (20%) | 37.5 |
| Bonus shares (10%) | 18.7 |
| Donations and contributions | 2.7 |
| Transfer to statutory reserve | 9.4 |

A robust foundation of good corporate governance and ESG

The Board recognises that good governance is essential to the success of any organisation and is fully committed to protecting the interests of all stakeholders through robust and international standard policies.

Good governance demands proactive understanding of environmental, social and governance (ESG) risks and opportunities that can materially impact the Group's performance. The Board is committed to ensuring that oversight of ESG and sustainability is embedded in the Group's governance model. We have, this year, expanded the remit of the Board Nomination, Remuneration, Governance and Sustainability committee to take on sustainability matters, and to challenge the Group on its performance. We have continued to develop the Board's expertise through a wide-range of continuous professional development programmes.

Our robust financial performance has been built on maintaining close relationships with our customers, in line with our brand promise of 'Closer to you'. We have developed and launched new and exciting products for our retail customers, supported companies in need of low-cost liquidity during the pandemic, and have helped companies in financial distress to recover and prosper. We have done so while protecting shareholder value by retaining a close eye on costs, and continuing to drive operational efficiencies by streamlining our internal practices, including the digitalisation of numerous processes and procedures.

Strong corporate governance and responsible banking also provide a firm foundation for addressing broader business and societal needs. We have progressed actions that stem from the pillars of our sustainability framework, which aligns our non-financial priorities with the long-term goals of Bahrain, as well as wider international frameworks such as the UN Sustainable Development Goals. We continue to systematise our approach to managing our own environmental impacts, and we continue to allocate 5% of our annual net profits to donations and charitable causes, which we have done since the early 1980s.

Board of Directors and executive management remuneration

As part of NBB's obligations and ongoing efforts for increased transparency, the following tables provide remuneration disclosures in relation to the Directors and selective executive management for the year ended 31 December 2021.

Board of Directors remuneration (reported in Bahraini Dinars)

| Name | Fixed remunerations | | | | | Variable remunerations | | | | | End-of-service award | Aggregate amount (Does not include expense allowance) | Expenses Allowance |
|---|--|--|----------|---------------------|--------|-----------------------------------|-------|-----------------|---------------------|-------|----------------------|--|--------------------|
| | Remunerations of chairman and BOD ¹ | Total allowance for attending Board and committee meetings | Salaries | Others ⁶ | Total | Remunerations of chairman and BOD | Bonus | Incentive plans | Others ⁷ | Total | | | |
| First: Independent Directors: | | | | | | | | | | | | | |
| 1- Mr. Khalid Yousif Abdulrahman ² | 31,667 | 2,500 | - | - | 34,167 | - | - | - | - | - | - | 34,167 | - |
| 2- Mr. Rishi Kapoor | 40,000 | 4,500 | - | - | 44,500 | - | - | - | - | - | - | 44,500 | - |
| 3- Mr. Yusuf Abdulla Yusuf Akbar Alireza | 40,000 | 7,000 | - | - | 47,000 | - | - | - | - | - | - | 47,000 | - |
| 4- Ms. Hala Ali Hussain Yateem | 40,000 | 4,500 | - | - | 44,500 | - | - | - | - | - | - | 44,500 | - |
| 5- Mr. Zaid Khalid Abdulrahman ³ | 8,333 | 500 | - | - | 8,833 | - | - | - | - | - | - | 8,833 | - |
| Second: Non-Executive Directors: | | | | | | | | | | | | | |
| 1- Mr. Farouk Yousuf Khalil Almoayyed | 60,000 | 4,000 | - | - | 64,000 | - | - | - | - | - | - | 64,000 | - |
| 2- Dr. Esam Abdulla Yousif Fakhro ⁴ | 40,000 | 7,500 | - | - | 47,500 | - | - | - | - | - | - | 47,500 | - |
| 3- Mr. Fawzi Ahmed Ali Kanoo | 40,000 | 3,500 | - | - | 43,500 | - | - | - | - | - | - | 43,500 | - |
| 4- Mr. Hussain Sultan Sultan Al Ghanem ^{2 4} | 31,667 | 2,000 | - | - | 33,667 | - | - | - | - | - | - | 33,667 | - |

Board of Directors remuneration (continued)

| Name | Fixed remunerations | | | | | Variable remunerations | | | | | End-of-service award | Aggregate amount (Does not include expense allowance) | Expenses Allowance |
|--|--|--|----------|---------------------|----------------|-----------------------------------|----------|-----------------|---------------------|----------|----------------------|--|--------------------|
| | Remunerations of the chairman and BOD ¹ | Total allowance for attending Board and committee meetings | Salaries | Others ⁶ | Total | Remunerations of chairman and BOD | Bonus | Incentive plans | Others ⁷ | Total | | | |
| 5- Sh. Rashid Bin Salman Mohamed Al Khalifa ⁵ | 40,000 | 7,000 | - | - | 47,000 | - | - | - | - | - | - | 47,000 | - |
| 6- Mr. Mohamed Tareq Mohamed Sadeq Akbar ⁴ | 40,000 | 6,000 | - | - | 46,000 | - | - | - | - | - | - | 46,000 | - |
| 7- Mr. Amin Ahmed Alarrayed ⁴ | 40,000 | 5,000 | - | - | 45,000 | - | - | - | - | - | - | 45,000 | - |
| 8- Mr. Vincent Van Den Boogert ^{3,4} | 8,333 | 2,000 | - | - | 10,333 | - | - | - | - | - | - | 10,333 | - |
| Third: Executive Directors: | | | | | | | | | | | | | |
| - Not applicable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 460,000 | 56,000 | - | - | 516,000 | - | - | - | - | - | - | 516,000 | - |

Note: All amounts are stated in Bahraini Dinars

¹ Subject to AGM and regulatory approval

² Board directorship ended on 13 October 2021

³ Board directorship commenced on 13 October 2021

⁴ Remuneration is paid to Bahrain Mumtalakat Holding Company B.S.C. (c), represented by the above-mentioned Board members

⁵ Remuneration is paid to Social Insurance Organisation, represented by the above-mentioned Board member

Other remunerations:

⁶ Includes in-kind benefits - remuneration for technical, administrative and advisory works (if any)

⁷ Includes the board member's share of the profits - granted shares (if any)

Executive management remuneration

| Executive management | Total paid salaries and allowances | Total paid remuneration (Bonus) | Any other cash/ in kind remuneration for 2021 | Aggregate amount |
|---|------------------------------------|---------------------------------|---|------------------|
| Top 6 remunerations for executives, including the Chief Executive Officer ¹ and Chief Financial Officer ² | 1,724,643 | 817,500 | - | 2,542,143 |

Note: All amounts are stated in Bahraini Dinars

¹ The highest authority in the executive management of the Bank

² The Bank's highest financial officer

Acknowledgements

On behalf of the shareholders, the Board of Directors extend their gratitude to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister of Bahrain.

We acknowledge the excellent and ongoing support and guidance extended to NBB by the Ministry of Finance and National Economy, and by the Central Bank of Bahrain. The Directors also thank our loyal customers and business partners and our shareholders for their ongoing trust and faith in NBB.

Finally, I am extremely grateful to all the staff and executive management at NBB Group for the dedication and hard work they have shown throughout this year. The integration of our colleagues from Bahrain Islamic Bank continues apace, through shared services, combined processes and procedures, and most importantly through shared learning and experience, and by working together as one team. Our organisations, together, represent a formidable team and the continued synergies that will be delivered from ever-closer integration give me great hope for our continued and growing success.

Farouk Yousuf Khalil Almoayyed

Chairman of the Board

22 February 2022

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