National Bank of Bahrain

Enriching Experiences Driving Innovation

Annual Financial and
Sustainability Report 2024

About this Report

National Bank of Bahrain B.S.C. (henceforth NBB, the Group, or the Bank) presents its Annual Financial and Sustainability Report (the Report) for the year 2024, outlining the Group's financial performance as well as its progress on key material environmental, social, and governance (ESG) topics.

Reporting Boundary

This Report covers the period from 1 January 2024 to 31 December 2024 unless otherwise stated. The reporting boundary for financial information reflects the performance of NBB Group while sustainability data reflects the activities of NBB Parent, including operations in Bahrain as well as branches in the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE). Bahrain Islamic Bank (BisB), an NBB Group subsidiary, issues a separate Annual Financial and Sustainability Report.

Reporting Frameworks

The report has been prepared in accordance with recognised reporting standards and frameworks. These include:

- The International Financial Reporting Standards (IFRS)
- The International Financial Reporting Standards (IFRS) S1 'General Disclosures' and IFRS S2 'Climate-related Disclosures'
- The Commercial Companies Law
- The Central Bank of Bahrain (CBB) and Financial Institutions Law 2006
- The CBB ESG rulebook and requirements module 2023 and all other applicable rules and regulations issued by the CBB
- The International Integrated Reporting Framework (IIRF) and its principles of reliability, completion, consistency, and comparability
- The Global Reporting Initiative (GRI) Standards, including all Universal Standards and Material Topics Standards
- The Industry Standards issued by the Sustainability Accounting Standards Board (SASB) and disclosures related to NBB's business and industry classification: Commercial Banks
- The ESG Reporting Guide of the Bahrain Bourse and its 32 ESG metrics, wherever relevant
- The Sustainable Development Goals (SDGs) that are considered most material to the Group's activities
- The Bahrain Economic Vision 2030

Alignment with the various reporting standards and frameworks is clearly indicated in the Appendix.

Assurance

NBB is fully committed to transparency and accuracy in all its public disclosures. The Group has engaged Centre for Sustainability and Excellence, a third-party service provider, to conduct a limited assurance on a select number of ESG KPIs.

In addition, Financial Statements have been independently audited by KPMG Fakhro. The independent assurance statements and reports for both the financial and sustainability-related data are included in this report.

Forward-looking Statements

Forward-looking statements involve uncertainty given the many external factors that could impact the business environment in which the Group operates. NBB holds no obligation to publicly update or revise forward-looking statements throughout the coming fiscal year unless required to do so by applicable laws and regulations.

Feedback

NBB welcomes any feedback that may support the enhancement of our reporting. Readers can submit comments and questions via the following channels:

- Email: ir@nbbonline.com
- Phone: +973 1722 8800
- LinkedIn: https://www.linkedin.com/company/nationalbankofbahrain/
- Instagram, Twitter, Facebook, @NBBonline
- YouTube: https://www.youtube.com/cnationalbankofbahrainofficial
- P.O. Box 106, Manama, Kingdom of Bahrain

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To view the 2024 Annual Financial & Sustainability Report in PDF format, please visit www.nbbonline.com.

Licensed by CBB as a conventional retail bank

His Highness
Shaikh Isa bin Salman Al Khalifa

Late Amir

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 of the Kingdom of Bahrain

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

Contents

Financial Highlights

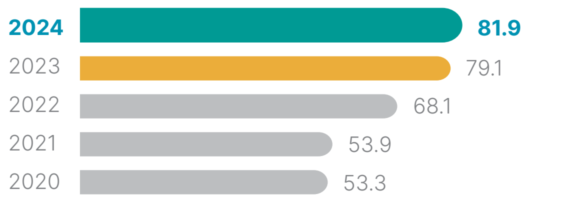
	2024	2023	2022	2021	2020
Earnings (BHD millions)					
Net interest income	**143.4**	141.4	131.8	120.5	116.0
Other income	**48.3**	42.6	41.2	30.4	31.9
Total operating income	**191.7**	184.0	173.0	150.9	147.9
Operating expenses	**101.2**	96.0	85.5	74.5	70.2
Operating profit	**90.5**	88.0	87.5	76.4	77.7
Profit attributable to the shareholders of the Bank	**81.9**	79.1	68.1	53.9	53.3
Consolidated net profit	**83.0**	81.4	70.7	55.0	50.7
Cash dividend	**79.2**	67.9	51.3	37.3	33.8
Stock dividend	**-**	-	20.6	18.7	17.0
Financial Position (BHD millions)					
Total assets	**5,522.2**	5,372.5	4,785.3	4,535.6	4,361.4
Loans and advances	**3,020.0**	2,535.1	2,494.9	2,395.8	2,173.1
Investment securities	**1,167.6**	1,155.0	1,241.4	1,258.6	1,231.4
Earning assets	**5,053.7**	4,941.4	4,381.4	4,201.7	4,013.3
Total deposits	**4,708.3**	4,636.5	4,046.9	3,923.8	3,741.7
Customer deposits	**3,743.8**	3,504.8	3,330.2	3,184.2	3,084.3
Shareholders' equity	**597.0**	577.2	575.9	535.3	526.3
Ratios (%)					
Earnings					
Return on average equity	**14.3**	14.2	12.6	10.5	10.1
Return on average assets	**1.5**	1.7	1.5	1.2	1.2
Earnings per share (fils)	**36**	35	30	24	24
Cost-to-income ratio	**52.4**	51.9	49.3	49.0	47.1
Net interest margin	**3.0**	3.3	3.2	3.1	3.0
Capital					
Shareholders' equity as % of total assets	**10.8**	10.7	12.0	11.8	12.1
Total liabilities to shareholders' equity (times)	**8.2**	8.3	7.3	7.5	7.3
Capital adequacy ratio	**21.5**	23.3	23.6	22.1	22.3

NBB's profit attributable to the shareholders increased by 4% from BHD 79.1 million (USD 209.8 million) in 2023 to BHD 81.9 million (USD 217.3 million) in 2024.

Financial Highlights continued

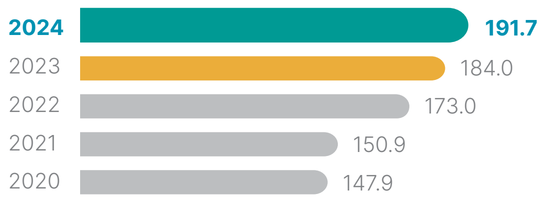
Profit attributable to the shareholders of the Bank
(BHD millions)

81.9



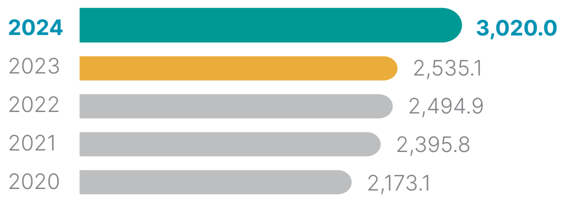
Total operating income
(BHD millions)

191.7



Loans and advances
(BHD millions)

3,020.0



Earning assets
(BHD millions)

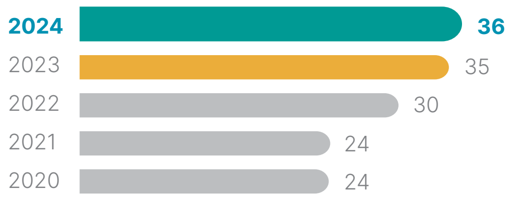
5,053.7

Customer deposits
(BHD millions)

3,743.8

Earnings per share
(Bahraini fils)

36.0



Key Highlights

- The first Bank in Bahrain to introduce and offer the Mastercard World Elite Exclusive (WEE) premium solution.
- Launched digital personal finance, enabling customers to obtain instant preapproved loans within minutes through a simplified and dynamic credit engine, accessible anytime, anywhere.
- Launched Yalla, a Digital Family Banking experince to foster financial literacy among the younger generation, making learning about finance accessible and engaging.
- Continued to expand domestically and regionally particularly in KSA and UAE.
- Increased shareholding in SICO B.S.C. from 12% to 21% to strengthen market position and leverage synergies within the financial sector.
- Launched NBB DigiCorp, a fully revamped digital corporate banking platform, in Bahrain and the UAE.
- Launched NBB DigiConnect, a Host-to-Host integration solution to help businesses seamlessly and securely connect with the Bank's digital platforms.
- Launched NBB Go, Bahrain's first SoftPos (Software Point of Sale), offering an extensive range of features designed to cater to small-ticket merchants.
- Became the first local bank in Bahrain to offer 24/7 US dollar clearing services.

- Strategically partnered with the Labour Fund Tamkeen to deliver Shariah-compliant subsidised financing solutions to SMEs.
- Launched the first Bitcoin-linked structured investment solution, designed specifically for risk-averse clients who seek exposure to digital assets with principal protection.
- Continued to position NBB as a regional FinTech enabler, offering seamless connectivity with the Bank's systems and infrastructure across Bahrain, KSA, and the UAE.
- Digitalisation of our standard terms and conditions for various accounts and customers to minimise paper waste while improving the customer experience.
- Inaugurated a LEED Platinum certified sustainable branch operating entirely on solar energy.
- Established a Sustainable Finance Framework in alignment with international standards and best market practices.

ESG Ratings

Refinitiv ranked NBB 1st across all sectors in Bahrain, 1st amongst the banking services sector in MENA, and top 3% globally on financial services sector.

Bloomberg ESG Disclosures ranked NBB 1st among the banking services sector in Bahrain, 2nd across all sectors in Bahrain, and 2nd among the banking services sector in MENA.

Key Facts and Figures

Key Facts and Figures continued

Our Banking Solutions & Services

Retail Banking, Corporate & Commercial Banking, Private Banking, Markets & Client Solutions, Regional Banking (KSA & UAE)

Customer loans up by
19%
vs Dec 2024

Customer deposits up by
7%
vs Dec 2024

Contributed
BHD3.2m
To various philanthropic activities and community initiatives

23%
Increase in number of digitally registered retail customers and

84%
Increase in number of new to bank retail customers that were onboarded digitally

84%
Total spend on local suppliers

Waste recycling ratio
18%
in 2024

94%
Nationalisation rate in the Bank

2024 Employee Engagement Index at
80%

Women make up
38%
of the workforce

100%
of employees completed sustainability e-learning programme

Total number of training hours
47,142
Number of training hours per employee
55

NBB at a Glance

The National Bank of Bahrain B.S.C (NBB) was established in 1957 as the first locally owned bank and is licensed by the Central Bank of Bahrain (CBB) as a conventional retail bank. Today, the Group's operations span across the Kingdom of Bahrain, the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE). They also include Bahrain Islamic Bank, our islamic subsidiary, which was established in Bahrain in 1979 as the first islamic bank in Bahrain established in 1979.

The National Bank of Bahrain (NBB) has been a pillar of the Kingdom of Bahrain's economic and social development. We provide essential financial services for citizens and businesses nationwide, strengthening our status as a regional financial hub. The Bank works tirelessly to deliver on its vision of "Enriching lives by contributing to economic development through seamless financial solutions and sustainable outcomes."

In 2024, NBB demonstrated remarkable growth and resilience, reflecting the trust and confidence of our customers across Bahrain, the UAE, and the Kingdom of Saudi Arabia. Our operations now span these key markets, showcasing our commitment to supporting long-term economic growth. We have continued to invest in innovative digital solutions, ensuring we meet the evolving needs of our customers. Our financial strength is evident, with a 4% increase in attributable net profit, reaching BHD 81.9 million, and a 7% rise in customer deposits, totaling BHD 3,743.8 million.

NBB Group boasts an extensive network of 33 branches which includes 21 branches in Bahrain, 3 overseas branches, and 9 branches of its islamic Subsidiary BisB, which has bolstered our capabilities, allowing us to offer a comprehensive range of Shariah-compliant products and services. This extensive presence underscores our commitment to supporting the long-term economic growth of the region.

In line with the Bahrain Economic Vision 2030, NBB has accelerated its sustainability journey in recent years, pioneering the integration of environmental, social, and governance (ESG) practices in the banking sector, both locally and regionally. Our sustainability framework and roadmap complement our longstanding commitment to responsible banking through the delivery of a wide range of products and services. Constant innovation has enabled the Group to meet the growing demand for seamless, digitally enabled banking services.

Our dedicated team of over 1,219 employees is at the heart of our success, driving our initiatives and ensuring we remain at the forefront of the banking industry. We are proud of our strong capital adequacy ratio, which stands at 21.5%, reflecting our robust financial health and stability. This financial strength allows us to continue investing in innovative solutions and expanding our services to meet the evolving needs of our customers.

As we look to the future, our strategy remains centered around serving the evolving needs of our customers while advancing our sustainability agenda and delivering long-term value for our shareholders. We remain focused on strengthening our market position and advancing initiatives that support Bahrain and the wider region's long-term economic growth. We look forward to building on our strengths, adapting to evolving market needs, and creating new opportunities for sustainable progress.

Established in

1957

Headquarters
Kingdom of Bahrain
Manama

Overseas branches
United Arab Emirates (UAE)
Abu Dhabi & Dubai

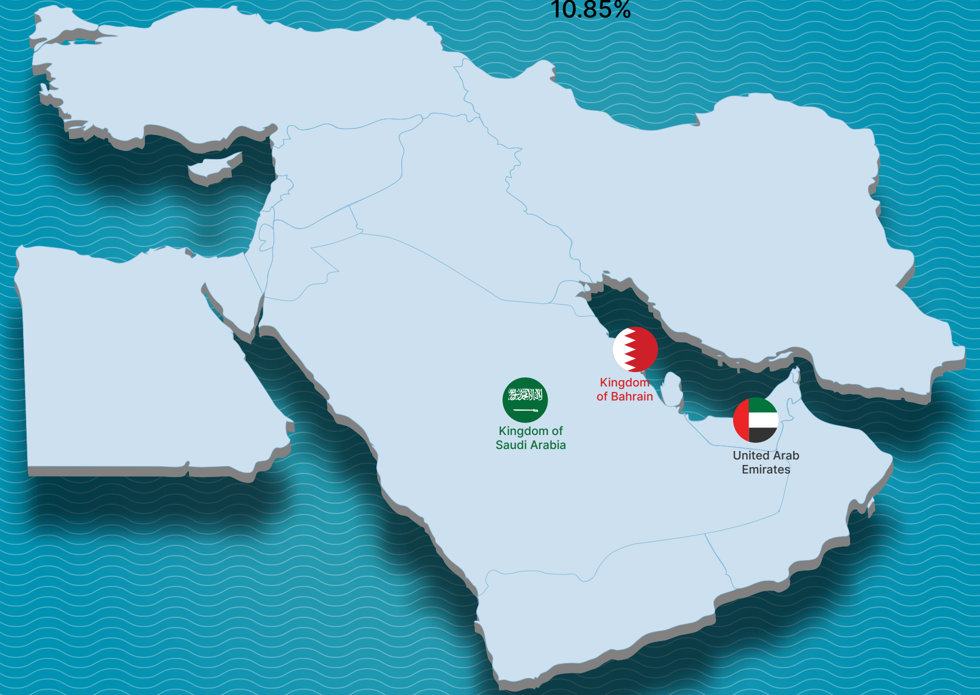
Kingdom of Saudi Arabia (KSA)
Riyadh

Stock Exchange
Bahrain Bourse

Ownership
Private and institutional shareholders: 45.09%

Bahrain Mumtalakat Holding Company: 44.06%

Social Insurance Organisation: 10.85%



Our Value Creation Model

INPUT

FINANCIAL CAPITAL

- Total Deposits: BHD 3,743.8 million
- Loans and Advances: BHD 3,020.0 million
- Equity: BHD 597.0 million

RELATIONSHIP CAPITAL

- Over 65 years of being "Closer to You" and delivering the highest standards of customer services
- Strategic expansion and diversification with key local institutions
- Diversified and comprehensive portfolio of products and services that support economic, environmental, and societal goals
- Digitalisation & Innovation at the core of the Bank's Mission with a robust IT infrastructure
- Strong partnerships with Governments and key large clients

HUMAN CAPITAL

- A highly skilled workforce of 859 employees (774 in Bahrain, 36 in KSA and 49 in UAE)
- A workplace environment that prioritises respect for individuals, diversity and inclusivity, and equal opportunities for all
- A learning culture based on progression, people development and nurturing of young talent
- Equal Opportunities is a pillar within NBB's Human Resources and Talent Management Policy.
- Sustainability embedded as part of the Human Resources Strategy

SOCIAL CAPITAL

- Donated and contributed of up to 5% of net profits to local communities
- Community focused through initiatives, contributions and employee volunteering

NATURAL CAPITAL

- Robust sustainability governance with a well-defined roadmap and key environmental and climate related goals
- Inaugurated a new sustainable branch in Madinat Khalifa which achieved LEED Platinum certification
- Initiated the calculation of Scope 3 Financed Emissions
- Established a Sustainable Finance Framework verified to be aligned with global standards

BUSINESS MODEL

NBB

OUR VISION

"Enriching lives by contributing to economic development through seamless financial solutions and sustainable outcomes"

OUR PRINCIPLES

Our Mission

- Delivering an exceptional customer experience every
- Creating real impact for communities through our sustainability-led initiatives
- Being the employer of choice by attracting, developing and retaining exceptional talent
- Consistently delivering attractive shareholder returns

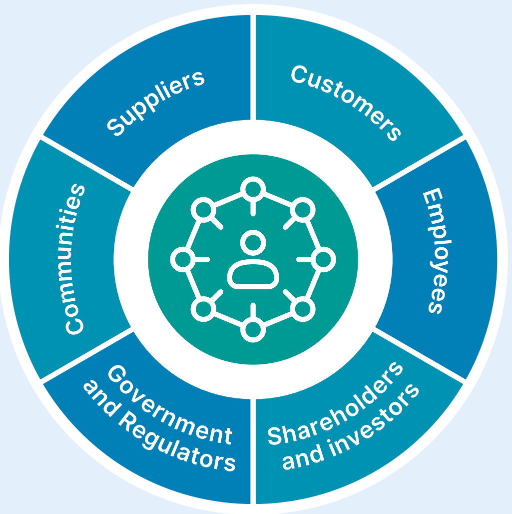
Our Values

- Integrity
- Excellence
- Adaptability
- Ownership
- Collaboration

Brand Promise

"Closer to you"

OUR STAKEHOLDERS



OUR DIVERSIFIED MODEL

Retail Banking	Corporate & Commercial Banking	Private Banking	Markets & Client Solutions	Regional Banking (KSA & UAE)

OUTPUT & OUTCOME

FINANCIAL CAPITAL

- Consolidated Profit for the Year: BHD 83.0 million
- Dividend per Share: 35 fils
- Return on Average Equity: 14.3%

RELATIONSHIP CAPITAL

- Retail banking witnessed a 23% increase in the number of digitally registered customer and 84% increase in the number of new to bank customers that were onboarded digitally.
- 58% of the retail mortgage portfolio are for Mazaya loans. 20% of the personal loans portfolio are for the retirees.
- 5 ATMS and 1 branch are in low populated and financially deprived areas
- 62% increase in number of Credit and Pre-paid cards sold digitally.
- 2024 Customer Satisfaction Index at 79%
- Zero number of identified leaks, thefts, or losses of customer data
- 84% of total procurement spent on local suppliers

HUMAN CAPITAL

- Female employee rate of 38% with 25% of middle to senior management levels filled by female employees
- 80% Employee Satisfaction Score
- 6.3% Voluntary Turnover
- Zero reported lost-time injuries or fatalities
- Nationalisation rate in Bahrain of 94%
- A total of 75 Bahraini interns in 2024 in addition to 113 participants in the Evolve program
- Total of 47,141 of training hours, averaging at 55 hours per employee, an increase of 7.4% from 2023
- 100% of employees completed sustainability awareness e-learning program

SOCIAL CAPITAL

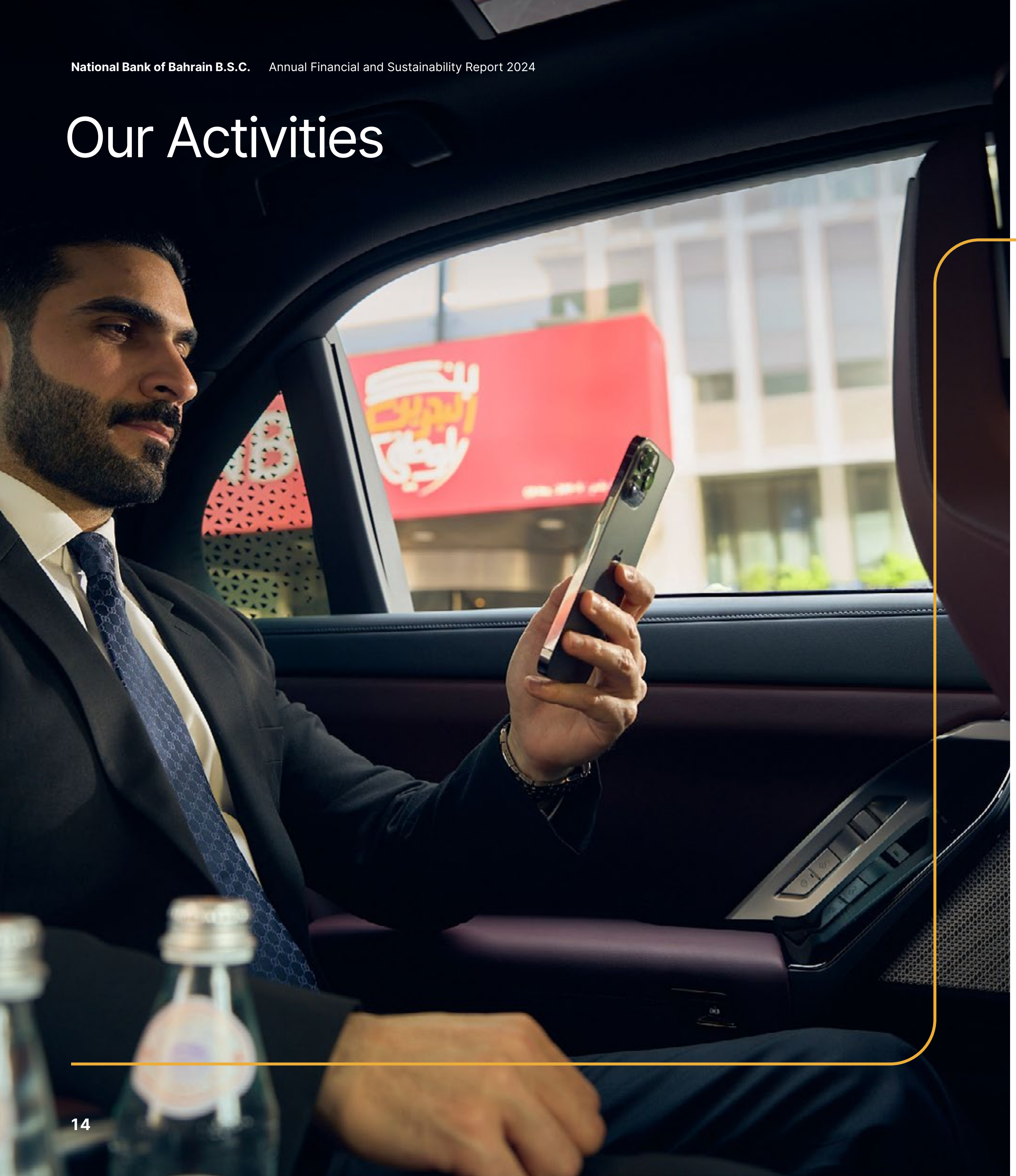
- BHD 3.2 million donated and contributed in 2024 to a range of worthy causes in Bahrain
- 1,821 hours spent in volunteering activities to engage with the community
- Partnership with esteemed local organisations such as Zakat & Sadaqat fund, Almabarrah Alkhalifia Foundation, Bahrain Fintech Bay, Fablab Bahrain, CFA Society Bahrain, Entrepreneurs Organisation (EO) and INJAZ Bahrain

NATURAL CAPITAL

- Madinat Khalifa branch operates entirely on solar energy, achieving 0 carbon emissions
- A Sustainable Finance Framework which enables NBB to finance eligible projects that qualify as green, social and/or sustainable in nature
- Waste recycling ratio of 18% in 2024
- Financed Emissions have been assessed to constitute 2 million MtCO2e

SDG ALIGNMENT

Our Activities



Our Business Units

NBB offers comprehensive, world-class banking services to institutional and retail clients across four business units:

Retail Banking

NBB provides a comprehensive suite of retail banking products and services that enable customers to save, borrow, and invest for their future. The Bank offers traditional banking services such as accounts, card services, a wide range of financing solutions, as well as digital banking services. Customers can access these services through a variety of channels including branches, a network of Automated Teller Machines (ATMs), Interactive Teller Machines (ITMs), and Cash Deposit Machines (CDM), and state-of-the-art digital and online platforms which are continuously enhanced to maximise seamless customer access to banking services.

Retail Banking offers the following products and services:

Accounts

NBB offers a range of accounts tailored to meet diverse customer financial goals and needs.

- Current Accounts
- Savings Accounts – Express Saver Account
- Al Mumayaz Accounts
- Yalla Family Banking – Yalla Account
- Thara'a Prize Accounts
- Time Deposits
- Call Accounts

Cards

NBB offers a variety of bank cards with rewards and benefits to suit the needs of all customers.

- Credit Cards
- Prepaid Cards
- Debit Cards
- Virtual Cards

Financing

NBB offers tailored financing options that enable customers to meet their ambitions and secure their financial future.

- Personal Finance including Easy Cash and FlexiCredit
- Home Finance including Mazaya Finance, Tas'heel Finance, Joint Housing Finance and Home Equity Finance
- Car Finance
- Education Finance
- Solar Finance

Digital Banking

Customers can conveniently and securely manage their finances, including opening and accessing accounts, card and payment services, and more.

- Account Opening
- Payments & Transfers
- Card Management
- Card Issuance
- Finance Management
- Customisation

In 2024, NBB took further steps to enhance its offering to small and medium enterprises (SMEs non-borrowing accounts) where a new 'off the shelf' products and services offered to the SME segment in phases to enhance the banking experience, in line with the Kingdom's directions to support the SME sector

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

General Retail Banking

% growth of retail banking customers

2022	11%
2023	5%
2024	7%

Our Business Units continued

Corporate and Commercial Banking (CCB)

The Corporate and Commercial Banking (CCB) Unit serves a diverse range of clients, supporting the growth and financial needs of businesses across various sectors. The division provides tailored financial solutions to Corporate Banking clients with annual turnovers exceeding BHD 50m, including major corporations across multiple industries. It also supports Governmental and Public Sector Entities, aiding national development through comprehensive financial services. Commercial Banking caters to businesses with annual revenues between BHD 5m and BHD 50m, including prominent family offices. Additionally, CCB supports Financial Institutions (FIs) and Non-Banking Financial Institutions (NBFIs) with specialised banking needs, facilitates cross-border banking relationships through Correspondent Banking, and caters to smaller entities and SMEs with Business Banking services for growth and development.

CCB offers the following products and services:

- Working Capital Facilities
- Funding requirements to cover capex and other requirements
- Trade finance products
- Deposit products
- Corporate Credit Cards
- Foreign Exchange
- Payment Solutions
- Merchant Acquiring, Payment Gateway
- Digital Banking

Markets and Client Solutions (MCS)

This business unit is responsible to further develop a number of business lines across geographies with a view to providing holistic and integrated client solutions that leverage the full capabilities of NBB.

Services offered cover the following areas:

- Corporate Finance
- Transaction Banking
- Treasury & Capital Markets (TCM)

Corporate Finance

The Corporate Finance Unit provides Project & Structured Finance which delivers bespoke financial structures aligned with clients' strategic goals, offering flexibility and innovation through both Conventional and Islamic financing options, including Export Credit Agency (ECA) or Insurance wraps. Their Debt Advisory Solutions leverage extensive experience in debt raising mechanisms to guide corporate and institutional clients from the start of their fundraising journey to successful closure. The Bank's Syndicated Finance Solutions boast robust expertise, serving a diverse clientele with a strong track record in leading and growing syndicated transactions across international and local currencies, as well as Islamic and Conventional financing. Additionally, their Debt Capital Markets offerings provide comprehensive financial solutions in both public issuances and private placements in the international and domestic markets.

Transaction Banking

This unit offers comprehensive cash and liquidity management solutions, including automated collection services, flexible call accounts, and direct debit services to enhance business cash flow and financial visibility. Their merchant services provide flexible, secure, and easy-to-use point-of-sale solutions, enhancing customer experience with multiple payment methods. The corporate credit cards offer customisable spending limits, global acceptance, and enhanced security features, simplifying business expense management and providing valuable travel benefits. Additionally, the Bank provides risk management tools in the form of Letters of Credit and Bank Guarantees to mitigate risks in the physical supply chain, covering both domestic and international trade businesses. A host of reliable and cost-effective financing solutions are also available to support clients in bridging the working capital gap in their day-to-day operations.

Treasury & Capital Markets (TCM)

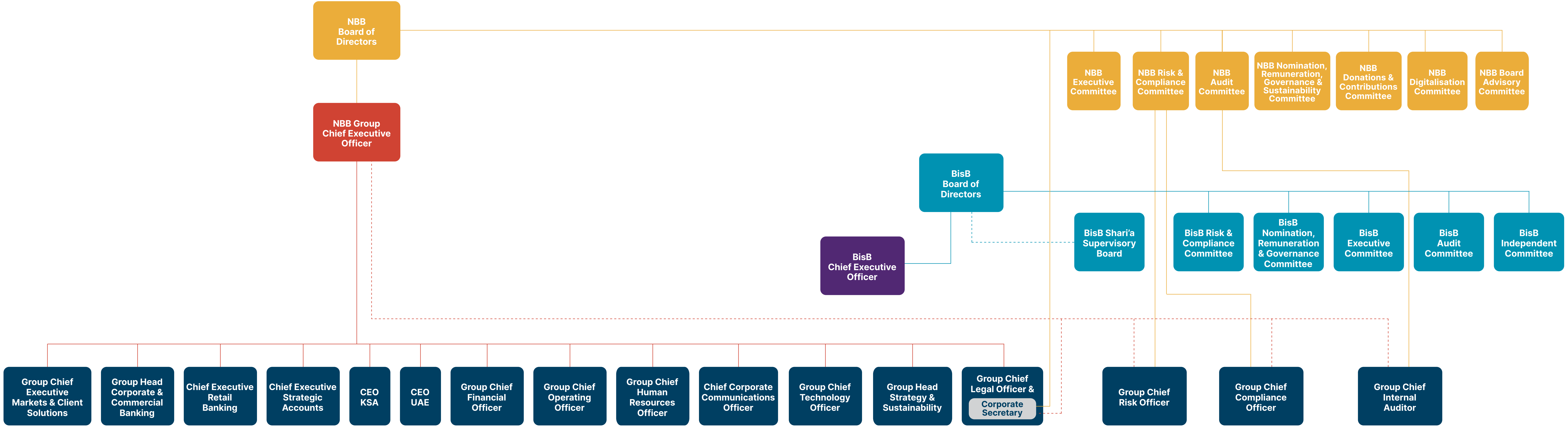
This unit integrates expertise across capital markets, portfolio management, and treasury functions to provide clients with innovative financial products and strategic portfolio management. The unit consists of four specialised divisions: Capital Market & Sales Distribution (CM Sales), which offers customised capital market solutions; Capital Markets Trading, responsible for managing market risk and ensuring efficient execution; Portfolio Management, overseeing strategic investments for optimal risk-adjusted returns; and Asset Liability Management & Treasury (ALMT), optimising liquidity and funding. In 2024, CM Sales achieved significant milestones by expanding NBB's wealth management capabilities and introducing new in-house structured investment products tailored to client needs. These accomplishments highlight TCM's commitment to innovation, client-centric solutions, and sustainable growth in capital markets and wealth management.

Private Banking

NBB offers a world-class, bespoke, and exclusive banking experience to strategic clients, including Ultra High Net Worth (UHNW) and High Net Worth (HNW) individuals. The business unit serves customers whose deposits significantly enhance the Group's liquidity position. In addition, by leveraging strong existing relationships with the public sector, which are among the top employers in the Kingdom, the department plays a significant role in ensuring that NBB remains the preferred banking partner for those entities and their staff. The unit has expanded its horizons to focus on wealth management products being developed by the Bank.

2024 NBB Group Organisation Chart

31 December 2024



Our Islamic Banking Subsidiary

Bahrain Islamic Bank (BisB)

In 2020, NBB acquired a controlling stake in BisB, the country's first Islamic bank. Following its integration into the Group, NBB now offers a broad range of products and services spanning conventional banking and Islamic finance and has a share approaching a quarter of Bahrain's retail banking market.

In 2024, BisB strengthened its relationship with NBB through the gradual integration of specific functions, resulting in efficiency synergies, cost savings, and bolstering capital adequacy and balance sheet strength for the Group.

During the year, BisB made significant progress with the implementation of its Riyadah Strategy, established in 2023 to articulate the Bank's renewed mission and vision, set a new strategic direction and goals for the 2024-2026 period, and lay the foundations for the next phase of growth and expansion. The strategy focuses on driving core profitability, improving asset portfolio quality, diversifying revenues, and enhancing productivity, while achieving long-term sustainable differentiation through capability building.

Through this strategy, BisB aims to help customers attain their aspirations and become the Islamic bank of choice by converting customer needs into fit-to-market solutions and an engaging experience.

NBB's majority ownership of BisB, and the closer integration between the two, reaffirms BisB's position as the leading Islamic bank in the Kingdom of Bahrain and positions the Group for further growth through the exploration of new market opportunities that create value for investors and other key stakeholders across both brands. Furthermore, the Group is strongly placed to be a key enabler of sustainable economic growth and prosperity for the Kingdom of Bahrain, in line with the Economic Vision 2030.

For further information, please refer to BisB's Annual Financial and Sustainability Report 2024, which is available on its website.

BisB at a Glance

Established in

1979

Headquarters
Manama, Bahrain

Stock Exchange
Bahrain Bourse

Major Shareholders
NBB:
78.81%
Kuwait Awqaf Public Foundation:
7.18%

Meet the Board

Mrs. Hala Ali Husain Yateem
Chairperson, Independent Member
Date appointed to the Board: March 2018

Mr. Yusuf Abdulla Yusuf Alireza
Vice Chairperson, Independent Member
Date appointed to the Board: March 2018

Sh. Rashed Bin Salman Mohamed Al Khalifa
Director, Non-Executive Director
Date appointed to the Board: July 2014

*Scan the QR code for Board Members bios or click here

On behalf of the National Bank of Bahrain's Shareholders, the Board of Directors express their deepest gratitude to the previous members, including the late Chairman Mr. Farouk Yousuf Khalil Almoayyed, Board members Mr. Fawzi Ahmed Kanoo, Dr. Esam Abdulla Fakhro, and Mr. Amin Ahmed Al Arrayed. Their contributions have been invaluable, significantly advancing the progress and development of NBB and the banking sector in Bahrain.

Mr. Rishi Kapoor
Director, Independent Member
Date appointed to the Board: March 2018

Mr. Vincent Van Den Boogert
Director, Non-Executive Director
Date appointed to the Board: October 2021

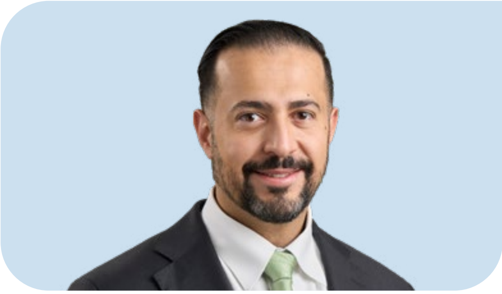
Mr. Zaid Khalid Abdulrahman
Director, Independent Director
Date appointed to the Board: October 2021

Dr. Paul David Pester
Director, Non-Executive Director
Date appointed to the Board: August 2023

Mr. Isa Hasan Maseeh
Director, Non-Executive Director
Date appointed to the Board: March 2024

Mr. Mohamed Farouk Almoayyed
Director, Non-Executive Director
Date appointed to the Board: March 2024

Mr. Ahmed Fawzi Kanoo
Director, Independent Director
Date appointed to the Board: March 2024



Mr. Alaa Abdulkhaleq Saeed
Director, Non-Executive Director
Date appointed to the Board: March 2024

Board of Directors Report

We are pleased to present the Board of Directors Report for 2024 which showcases a year marked by strong performance, strategic growth, and increased shareholder value. Our efforts towards enhancing innovation and financial resilience have strengthened NBB's position as Bahrain's leading financial institution. Meanwhile, our growing presence in Saudi Arabia and the UAE has further strengthened our regional footprint and opened doors to new revenue streams.

In an evolving market landscape, we have continued to deliver steady returns, streamline operations, and invest in initiatives that position NBB for sustained success. As we move ahead, our priorities remain to enhance profitability, drive efficiencies, and seize new opportunities to further reaffirm shareholder confidence.

Resilient financial performance

In 2024, NBB recorded a 4% increase in operating income, achieving a record net profit of BHD 81.9 million (USD 217.3 million). Total assets expanded by 3% to BHD 5.52 billion (USD 14.65 billion), driven by a robust 19% growth in loans and advances. Our capital adequacy ratio remains strong to ensure resilience against market fluctuations. These results reflect effective execution, prudent risk management, and a clear strategic vision.

To further demonstrate our focus on delivering shareholder value, we are pleased to recommend a 35% cash dividend.

Recommended appropriations

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

	BHD million
Cash dividend (35%) [1,2]	79.2
Donations and contributions	2.0

[1] Net of treasury shares.
[2] Includes interim cash dividend of BHD 22.7 million that has already been distributed to the shareholders on 29 August 2024.

> "Our efforts towards enhancing innovation and financial resilience have strengthened NBB's position as Bahrain's leading financial institution."
>
> Mrs. Hala Ali Husain Yateem
> Chairperson of the Board

BHD81.9m

NBB Group has achieved a record net profit of BHD 81.9 million (USD 217.3 million).

Enhanced Customer Experiences Through Digital Innovation

During the year, we embarked on several initiatives to enhance operational efficiency and deliver service excellence to our expansive client base. To empower small-ticket merchants, we launched NBB Go, Bahrain's first SoftPOS solution which turns NFC-ready Android mobile devices into secure payment terminals for contactless payments.

For our corporate clientele, we launched NBB DigiCorp as a revamped platform to streamline key workflows. Additionally, NBB DigiConnect's host-to-host connection capabilities allowed businesses to simplify important transactions and reconciliation processes.

Additionally, we introduced Thara'a, our revamped savings account that rewards customers with regular prize draws, incentivising financial discipline. Expanding the same concept to our young customers, we launched the Yalla Family Account, a dynamic and integrated digital banking solution aimed at nurturing financial responsibility at an early age. Our mobile banking app was enhanced to offer a more intuitive interface, advanced security features, and streamlined transactions.

Championing Sustainability and Social Responsibility

As an organisation driven by sustainability and positive social impact, NBB is committed to integrating ESG considerations across its operations while giving back to the community.

Setting a new benchmark in responsible banking practices, we inaugurated Bahrain's first sustainable branch in Madinat Khalifa. Operating entirely on solar energy with zero carbon emissions and net-zero power consumption, it is the first building in Bahrain to earn the USGBC's LEED Platinum certification.

We also commenced the second phase of our sustainability roadmap (2024-2026) with several notable efforts, including the Sustainability Academy. The programme provided employees with comprehensive training on ESG integration, focusing on critical themes such as risk assessment and integration, treasury strategies, sustainable finance, communication, and compliance.

In healthcare, we partnered with the Supreme Council of Health to establish the NBB Multiple Sclerosis (MS) Centre in Muharraq to offer comprehensive care for MS patients. This initiative forms part of our acclaimed Corporate Social Responsibility (CSR) programme, which allocates a percentage of NBB's annual attributable net profits to a range of social and environmental causes.

Board of Directors Report continued

Championing Sustainability and Social Responsibility continued

As we enter 2025, we are focused on a growth strategy that balances innovation, financial strength, and long-term sustainability to keep NBB competitive in a changing industry. Our priorities include maximising profitability while maintaining stability, expanding presence in high-growth markets, and enhancing customer experiences through digital innovation. We will continue to strengthen our ESG efforts and responsible banking practices while delivering consistent returns to our shareholders.

With a clear strategy, strong leadership, and a dedication to excellence, NBB is well-positioned for continued success.

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 2024.

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- Mrs. Hala Ali Husain Yateem	63,750	5,250	-	-	69,000	-	-	-	-	-	-	69,000	-
2- Mr. Yusuf Abdulla Yusuf Alireza	45,000	8,000	-	-	53,000	-	-	-	-	-	-	53,000	-
3- Mr. Rishi Kapoor	45,000	7,000	-	-	52,000	-	-	-	-	-	-	52,000	-
4- Mr. Zaid Khalid Abdulrahman	45,000	3,500	-	-	48,500	-	-	-	-	-	-	48,500	-
5- Mr. Ahmed Fawzi Kanoo[5]	33,750	3,000	-	-	36,750	-	-	-	-	-	-	36,750	-
Second: Non-Executive Directors:													
1- Sh. Rashed Bin Salman Mohamed Al Khalifa[3]	45,000	3,000	-	-	48,000	-	-	-	-	-	-	48,000	-
2- Mr. Vincent Van Den Boogert[2]	45,000	6,500	-	-	51,500	-	-	-	-	-	-	51,500	-
3- Dr. Paul David Pester[2]	45,000	7,500	-	-	52,500	-	-	-	-	-	-	52,500	-
4- Mr. Isa Hasan Maseeh[2 5]	33,750	2,500	-	-	36,250	-	-	-	-	-	-	36,250	-
5- Mr. Mohamed Farouk Almoayyed[5]	33,750	4,500	-	-	38,250	-	-	-	-	-	-	38,250	-
6- Mr. Alaa Abdulkhaleq Saeed[2 5]	33,750	3,500	-	-	37,250	-	-	-	-	-	-	37,250	-
7- Late Mr. Farouk Yousuf Khalil Almoayyed[4]	17,500	1,500	-	-	19,000	-	-	-	-	-	-	19,000	-
8- Dr. Esam Abdulla Yousif Fakhro[2 4]	11,250	2,000	-	-	13,250	-	-	-	-	-	-	13,250	-
9- Mr. Fawzi Ahmed Ali Kanoo[4]	11,250	1,000	-	-	12,250	-	-	-	-	-	-	12,250	-
10- Mr. Amin Ahmed Alarrayed[2 4]	11,250	1,500	-	-	12,750	-	-	-	-	-	-	12,750	-

Board of Directors Report continued

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 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			
Third: Executive Directors:													
- Not applicable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	520,000	60,250	-	-	580,250	-	-	-	-	-	-	580,250	-

Note: All amounts are stated in Bahraini Dinars

[1] Subject to AGM and regulatory approval

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

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

[4] Board directorship ended on 28 March 2024

[5] Board directorship commenced on 28 March 2024

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 2024	Aggregate Amount
Top 6 remunerations for executives, including the Chief Executive Officer[1] and Chief Financial Officer[2]	1,927,062	1,288,350	-	3,215,412

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. This includes Group CFO and Acting Group CFO during the year

Acknowledgements

The Board of Directors extends its most profound 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 for continuing to enable NBB's success with their steadfast leadership and enduring support.

We also express our sincere appreciation to the Ministry of Finance and National Economy and the Central Bank of Bahrain for their valuable guidance and collaboration, which have been instrumental in strengthening the Bank's position in the financial sector.

To our valued customers, partners, and shareholders, we remain profoundly grateful for your trust and confidence in NBB. Your loyalty continues to drive us forward as we innovate and expand to create sustainable value.

Finally, we extend our heartfelt appreciation to our dedicated employees across NBB Group. Their passion, expertise, and commitment are the foundation of our achievements, and we are confident that their contributions will propel us towards even greater milestones in the years to come.

Under the visionary leadership of our Group CEO Usman Ahmed, we look ahead with optimism and a relentless focus towards delivering continued growth and excellence.

Mrs. Hala Ali Husain Yateem
Chairperson of the Board

Mr. Yusuf Abdulla Yusuf Alireza
Vice Chairperson

25 February 2025

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

Executive Management

*Scan the QR code for Executive Management bios or click here

1. **Usman Ahmed**
   Group Chief Executive Officer
2. **Abdul Aziz Al Ahmed**
   Chief Executive – Strategic Accounts
3. **Hisham Al Kurdi**
   Group Chief Executive - Markets & Client Solutions
4. **Rana Qambar**
   Group Chief Compliance Officer
5. **Subah Abdullatif Al Zayani**
   Chief Executive- Retail Banking
6. **Fadhel Abbas Ahmed**
   Group Chief Internal Auditor
7. **Razi Amin**
   Group Chief Technology Officer
8. **Hisham Abu Alfateh**
   Chief Corporate Communications Officer
9. **Nabeel Mustafa**
   Acting Group Chief Operating Officer
10. **Gaby El Hakim**
    Group Chief Legal Officer & Corporate Secretary
11. **Sarah Abdulaziz Jamal**
    Group Chief Human Resources Officer
12. **Ali Ehsan**
    Group Chief Risk Officer
13. **Mohsin Rahim**
    Group Chief Financial Officer
14. **Yogesh Kale**
    Chief Executive Officer – UAE
15. **Mansour A. Alsaghayer**
    Chief Executive Officer – KSA
16. **Ali Abdulkarim**
    Group Head – Corporate & Commercial Banking
17. **Zaina Alzayani**
    Group Head – Strategy & Sustainability

Group CEO Report

The NBB Group delivered another year of growth and strong financial performance in 2024. Our commitment to innovation and dedication to sustainability remain central to our success as we contribute to the economic development of Bahrain and the wider region.

The Group recorded BHD 81.9 million (USD 217.3 million) in net profit attributable to shareholders. This 4% year-on-year growth was primarily driven by higher net interest income and supported by a robust balance sheet and gains from investment securities and treasury activities. Our total assets grew by 3% to a historic high of BHD 5.5 billion (USD 14.6 billion), while loans and advances increased by 19% year-on-year. Customer deposits increased by 7% year-on-year to reach BD 3.7 billion (USD 9.9 billion).

Our Retail Banking portfolio was enhanced with new products such as the Yalla Family Account, our latest offering that aims to build responsible spending habits among young customers from an early age. We also integrated the Thara'a Prize Account Opening feature on our digital platform, introduced soft-token authentication for better in-app security, and revamped our Digital Personal Loan application journey. Additionally, the introduction of virtual cards to significantly simplify banking transactions and credit card issuances against Thara'a Account pledges further demonstrated our efforts towards offering innovative and customer-centric solutions.

To better serve our growing client base, we underwent a strategic realignment of our business units, which included the introduction of the branch-based Retail Business Banking division for SMEs and the integration of the Corporate and Commercial Banking coverage teams. We also partnered with the Labour Fund Tamkeen to deliver Shariah-compliant subsidised financing solutions to eligible businesses, offering them preferential financing rates and working capital to fuel their growth.

Our digital-first approach saw the launch of several novel products for our Corporate and Commercial Banking clientele, including NBB DigiCorp, our revamped corporate banking platform, and NBB Go, Bahrain's first SoftPOS solution catering to small-ticket merchants. We also became the first Bank in Bahrain to offer 24/7 US dollar clearing services, enabling our corporate and retail clients to send and receive USD funds anytime, thereby facilitating seamless cross border payments and trade. Additionally, we launched the region's first Bitcoin-linked structured investment solution designed specifically for risk-averse clients seeking exposure to digital assets with principal protection. Notably, we also provided advisory, financing and risk management solutions for some of the largest and most complex transactions in the region.

As a regional FinTech enabler, we continued to position NBB as a leader in digital innovation, offering seamless connectivity with our systems and infrastructure across Bahrain, Saudi Arabia, and the UAE. Meanwhile, our active role as Gold Sponsor of the second edition of Fintech Forward reinforced our support for the continued advancement of the regional financial sector.

The year 2024 marked prominent advancements in our sustainability journey. We established a sustainability finance framework which was set to provide innovative sustainability-oriented financing products to retail and corporate clients. Our ESG Risk Identification and Assessment Toolkit continued to integrate ESG factors into lending and investment analysis, enhancing our capacity to assess client preparedness and project sustainability.

Aligned with Bahrain's net-zero ambitions, we initiated the calculation of Scope 3 financed emissions and engaged with clients to address climate-related risks. We also inaugurated our first branch which is powered entirely by renewable energy and is the first building in Bahrain to attain the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) Platinum certification. As Bahrain's first Bank to support the Ministry of Industry and Commerce's (MOIC) Green Factory Seal Programme, we provided preferential financing to factories adopting sustainable manufacturing practices.

Our ESG performance was recognised with Refinitiv evaluating NBB as the top institution in MENA's Banking Services Sector, and Bloomberg ranking the Bank at the first place in Bahrain. These achievements reflect our leadership in sustainable practices and responsible banking.

Our social responsibility initiatives gained further momentum through projects such as Entaliq with INJAZ, which fosters innovation and entrepreneurship acumen among Bahrain's talented youth, and Watheq, which empowers students to seamlessly transition into university life. The NBB Digital Banking Challenge and TechStride Summer Educational Programme showcased our support for digital transformation and upskilling. Meanwhile, our Donations and Contributions Fund continued to generously support impactful projects in the fields of education and youth empowerment, healthcare, social welfare, sports, environmental sustainability, governance and ethics, tourism and culture, and patriotism.

Throughout 2024, we further invested in the professional growth of our workforce, providing employees with access to over 10,000 technical and leadership training courses. Our commitment to diversity and inclusion resulted in notable advancements in women empowerment and youth employment.

As we look ahead, NBB is poised to maintain its growth trajectory with an unwavering focus on enriching customer experiences and solutions, while delivering value for all our stakeholders. With your trust and the dedication of our team, we will continue to shape the future of banking while building a resilient, inclusive, and sustainable financial ecosystem.

Usman Ahmed
Group Chief Executive Officer

> "Our commitment to innovation and dedication to sustainability remain central to our success as we contribute to the economic development of Bahrain and the wider region."
>
> **Usman Ahmed**
> Group Chief Executive Officer

BHD**3.7b**

Customer deposits increased by 7% year-on-year to reach BD 3.7 billion (USD 9.9 billion).

Our Sustainability Journey

Since 2021, NBB has been aligning its business operations with the broader needs of the economy, environment, and society through the development of a dynamic sustainability framework and roadmap while the Group has also embedded sustainability into its governance framework and overall strategy.

This section outlines the progress made by NBB to date and lays out the next steps the Group will take on its journey. The section applies the IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' framework structure and outlines the Governance, Strategy, Risk Management, and Metrics that NBB applies to its general sustainability approach. Governance, Strategy and Risk Management aspects as well as Metrics and Targets specific to Material Topics are highlighted in the respective capital sections where applicable.

Sustainability Governance

NBB's Nomination, Remuneration, Governance, and Sustainability (NRGSC) Committee is the governance body responsible for ensuring that ESG risks and opportunities are considered at Board level strategic planning and decision-making.

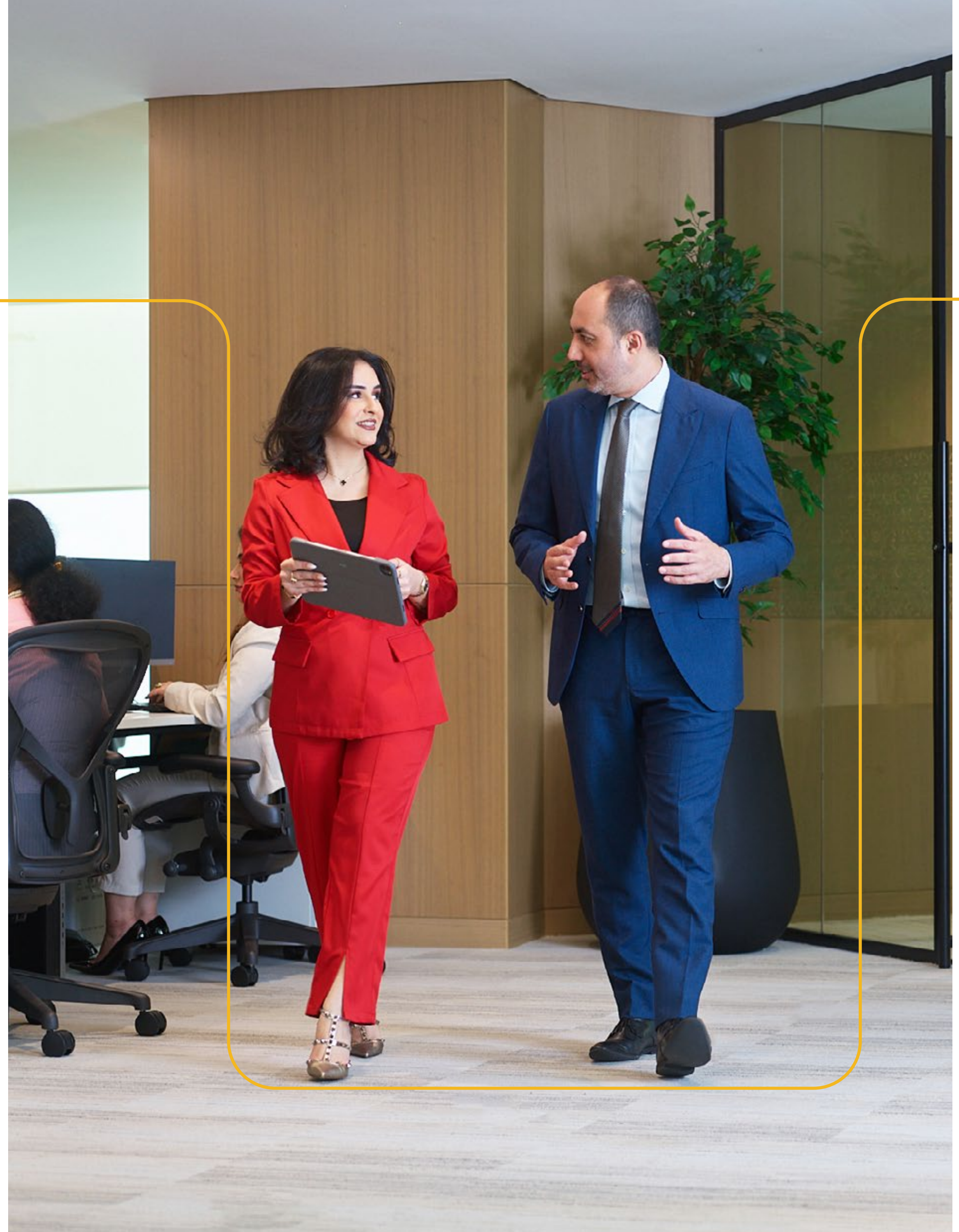
The NRGSC oversees the implementation of NBB's sustainability roadmap and holds quarterly progress meetings with the Sustainability Working Group.

An Executive Sustainability Management Committee was established in 2024, chaired by the Group CEO that advises and supports on NBB Group's sustainability strategy and recommends policies, procedures and initiatives across its operations and core activities.

The Executive Sustainability Management Committee's core responsibilities include:

- Assisting the NRGSC in integrating sustainability considerations into the Group's Business Strategy in a way that respects stakeholder impact and inclusivity.
- Overseeing NBB's sustainability performance and the value added to the Bank's stakeholders.
- Overseeing the Sustainable Finance Framework activities.
- Reviewing and recommending sustainability initiatives. For example, incorporating and updating sustainability into financial reporting, climate risks and other related disclosures and initiatives.
- Reviewing the Group's ESG reporting and ensuring alignment with international standards and the CBB's ESG rulebook.
- Oversee NBB Group's sustainability goals and objectives.
- Reviewing and proposing ESG-related policies and procedures.
- Raising awareness around ESG and sustainability at NBB Group.

Euromoney Awards for Excellence 2024:
Bahrain's Best Bank for ESG



The Sustainability Working Group (previously referred to as the Sustainability Committee in older reports) is comprised of members who act as Sustainability Officers in addition to their respective roles at the Bank ensuring broad representation and that sustainability-related responsibilities are embedded across the Bank. It comprises of members from various departments.

Additionally, all departments have ESG-related KPIs assigned to them. This starts with embedding sustainability within each Executive Management Member's business KPIs, with a weight of at least 15% allocated to ESG-related KPIs, which are then cascaded down to their employees' KPIs. By doing this, NBB align the incentives of employees and executives with the Group's sustainability goals.

NBB ensures that those responsible for sustainability governance are equipped with the appropriate level of knowledge and skills. Moreover, as part of its commitment to building a sustainability culture throughout the Bank, NBB offers an extensive range of relevant courses to employees at all levels. See the training & development section on page 77 for more details.

Furthermore, the Bank is a signatory to the United Nations Global Compact, demonstrating commitment to aligning business practices with the Ten Principles that cover human rights, labour, environment, and anti-corruption.

Sustainability Strategy, Framework and Roadmap

NBB's Sustainability Framework and Roadmap, as described below, guide the Bank's strategic direction on sustainability matters.

Sustainability Framework

NBB's sustainability framework revolves around seven core pillars.

* Refer to the website for more information about NBB's Sustainability Framework

Sustainability Roadmap

NBB concluded its Phase 1 three-year Sustainability Roadmap in 2023, achieving all strategic objectives which largely revolved around building solid foundations. These included capacity building, assigning internal responsibilities, aligning with international best practices, and integrating key ESG considerations into business operations.

In 2024, NBB embarked on a second three-year roadmap (2024-2026). Phase 2 focuses on strategic objectives designed to position the Group as a national partner of choice for clients looking to advance their sustainability journey.

Under the new roadmap, NBB will enhance its management of material ESG topics while supporting Bahrain's Economic Vision 2030 as well as its commitment to reducing greenhouse gas (GHG) emissions by 30% by 2035 and achieving net-zero by 2060.

Phase 2 - The Next 3-year Sustainability Roadmap (2024 – 2026)

New set of milestones to build on current successful achievement and take NBB Group to the next level

- Maintain Momentum — Year 1 (2024)
- Elevate Practices — Year 2 (2025)
- Distinguish NBB Group as The National Partner of Choice for Sustainability — Year 3 (2026)

Sustainability Risk Management

As a financial institution, NBB prioritises risk management as a core tenet of its governance framework and business strategy, integrating it into decision-making processes at the highest level of the organisation.

This approach applies equally to the process of identifying, assessing, and mitigating ESG risks. By doing so, NBB safeguards the interests of clients, investors, and other key stakeholders while seizing opportunities to create value and support the transition to a more sustainable economy.

NBB's commitment to ESG risk management reflects a belief that responsible banking drives positive societal and environmental impacts as well as the long-term growth of the organisation.

Materiality Assessment & Stakeholder Engagement

Managing ESG risks and opportunities begins with identifying those risks. NBB's Sustainability Strategy is underpinned by a comprehensive assessment of the Group's material ESG topics conducted in accordance with global standards and with the input of key stakeholders.

NBB regularly reviews its materiality assessment and has refined this list of material topics over the past few years. The Group is currently in the process of conducting a further review on the existing materiality topics, and is engaging with key stakeholders including Strategic Customers, Corporate Customers, Retail Customers, Suppliers and Employees in order to gain an in-depth understanding of which topics are significant to them. These new Materiality topics will be reflected in the 2025 Annual Financial and Sustainability Report.

Material Topics

NBB currently has a list of 16 topics which are ranked and prioritised as follows:

Very Material Topics

1. **Compliance and Ethical Behaviour**

   Robust compliance procedures are essential due to regulatory requirements, aligning with national and international legislation, and meeting customer demands.

2. **Data Privacy and Security**

   Protecting customer and stakeholder data is fundamental, requiring robust security procedures and systems.

3. **Governance, Transparency, and Accountability**

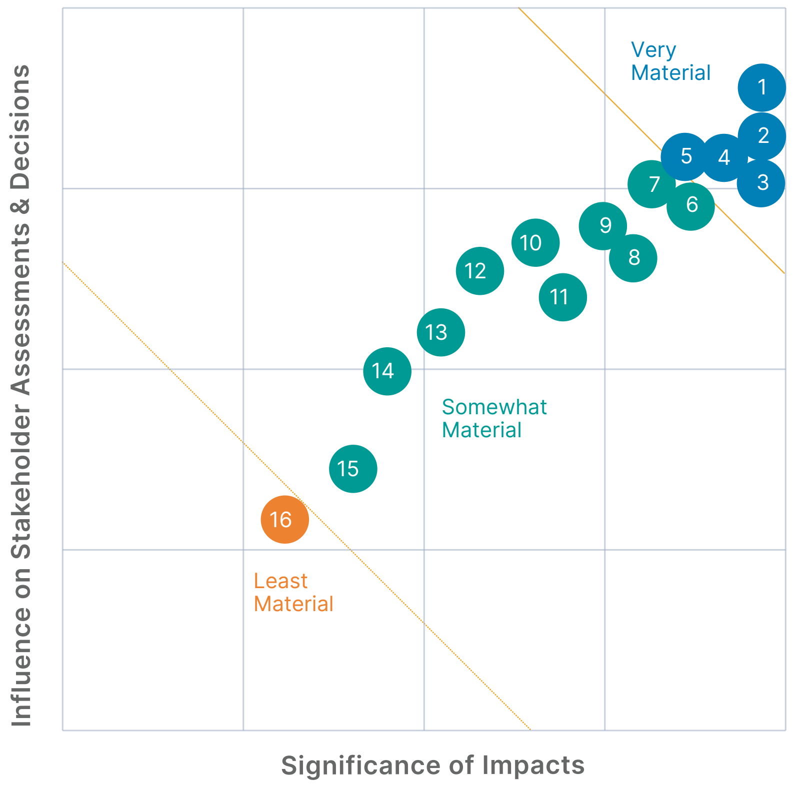
   Adhering to national and international regulations and standards is essential for the Bank's operational license and ensures transparent communication with stakeholders.

Our Sustainability Journey continued

4. **Financial and Economic Performance**
   Robust financial performance is vital for delivering economic value, pursuing opportunities, managing financial risk, and fostering national economic growth.
5. **Responsible Customer Relationships**
   Customer satisfaction is a key priority, managed through understanding their needs and responsible interaction across product delivery, call centres, and complaint management.

Somewhat Material Topics

6. **Digital Transformation**
   Digitalisation, through NBB's state-of-the-art digital services, is integral to providing innovative products and services, delivering process and resource efficiencies.
7. **Talent Attraction, Engagement, and Retention**
   Retaining and developing people drives success, underlining the importance of continuous investment in employees' skills, knowledge, and experience, fostering opportunities within an inclusive and positive culture.
8. **Workforce Wellbeing**
   Ensuring employee health and safety is essential, with an increasing focus on supporting mental and physical wellbeing.
9. **Training and Development**
   Investing in employees' capabilities enables consistent delivery of high standards of customer service and fosters a culture of innovative thinking necessary for business growth, creating value for employees, the company, the economy and the community.
10. **Climate Change**
    Managing the Bank's exposure to climate risk, which includes monitoring and measuring impacts like direct emissions, supply chain, products, services and investment portfolio, is a key priority, along with leveraging opportunities to mitigate consequences and strengthen resilience to climate change.



Very Material

1. Compliance and ethical behavior
2. Data privacy and security
3. Governance, transparency and accountability
4. Financial and economic performance
5. Responsible customer relationships

Somewhat Material

6. Digital transformation
7. Talent attraction, engagement and retention
8. Workforce Wellbeing
9. Training and Development
10. Climate Change
11. Sustainable Finance
12. Financial inclusion
13. Equal and Fair Opportunity
14. Direct environmental footprint
15. Community investment

Least Material

16. Responsible sourcing

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

Our Sustainability Journey continued

11. **Sustainable Finance**
    Developing products and services accounting for environmental and social needs through prudent product development, effective investment screening, and mindfulness of diverse customer needs.
12. **Financial Inclusion**
    Aligning with Bahrain's financial vision for 2030, NBB aims to make financial services accessible and affordable for all as sustainably as possible.
13. **Equal and Fair Opportunity**
    Encouraging a diverse workforce beyond compliance and providing equal and fair opportunities to all support improved business decision-making and help cultivate a more productive working environment.
14. **Direct Environmental Footprint**
    Minimising the environmental impact of Group activities is essential for responsible operations and complying with national regulators, customers, partners, and international efforts to tackle climate change.
15. **Community Investment**
    NBB's investments, programmes, and initiatives positively impact local communities by providing financial support, addressing local needs, and diversifying the local economy.

Least Material Topics

16. **Responsible Sourcing**
    Collaborating with partners to produce products and services responsibly, enforcing relationships and expectations through active engagement, assessments, and the Code of Conduct.

Stakeholder Engagement

NBB engages closely with all stakeholders to ensure the Group retains a clear understanding of their needs and the issues that matter to them. Insights gathered through the stakeholder engagement process provide vital input into the materiality assessment which in turn guides the Group's long-term sustainability strategy.

NBB continuously reviews and enhances its communication methods and channels with a view to optimising engagement with key stakeholders.

Our Sustainability Journey continued

The following table provides an overview of NBB's stakeholder engagement process and its findings:

Stakeholder Engagement			
Stakeholder	**Relationship**	**Engagement Method**	**Key Concerns**
Employees	Employees are vital to the business and play a crucial role in its operations and growth. A content and fulfilled workforce is essential for long-term success, and NBB supports their aspirations and career development.	• Intranet • Human Resource Management Software (HRMS) • Newsletters • CEO Communications • Management/ Townhall Meetings • Performance Reviews • Surveys • Team Building & In-house Training Events	• Employee Wellbeing • Equal and Fair Opportunity • Health & Safety • Training & Development • Sustainable Workplace • Business Ethics
Customers	Customers depend on NBB for essential wealth and business services, while the Bank relies on their trust and loyalty for long-term business growth.	• Customer Services & Interaction via Multiple Platforms (i.e. in person, phone, email, website, apps, social media, etc) • NPS Surveys & Feedback	• Customer Experience and Service • Data Protection • Customer Satisfaction
Investors	NBB's growth and development relies on attracting investors to provide capital while investors depend on the Bank to deliver consistent returns.	• Market Disclosures • General Assembly Meeting • Personal Contacts by Investor Relations • Corporate Notices	• Business Ethics • ESG Integration • Economic Performance • Data Protection • Environmental Impact • Marketing & Labelling Climate Risk
Suppliers	NBB contributes to the national economy by prioritising local suppliers and promoting their transition to sustainability. Collaborating with local entities on various initiatives creates value for stakeholders, including employees, customers, and the community.	• Training & Workshops • Events • Service Portals	• Fair Procurement Practices • Business Ethics • ESG Integration
Regulators	NBB relies on regulators for governance and oversight, ensuring a well-functioning and healthy banking system and a level playing field for all.	• Voluntary Participations • Interviews • Publications & Social Events Exchange of Ideas & Communications with Regulators • Projects & Surveys	• Economic growth • Regulatory Compliance • Alignment with national strategies • Nationalisation • Cybersecurity • Compliance • Community Wellbeing • Climate Change
Community	NBB creates value for the local community, including families and vulnerable groups, by contributing to initiatives that promote social development and opportunities for all.	• Volunteering • Events & Sponsorships • Charitable Contributions	• Financial Inclusion • Education • Healthcare • Social welfare • Environmental Conservation • Diversity & Inclusion • Sport

Our Sustainability Journey continued

Integrating ESG into Lending and Investment Analysis – The ESG Risk Identification and Assessment Toolkit

The Board of Directors approved the inclusion of an ESG Risk Identification and Assessment chapter in NBB's Global. Following the inclusion of an ESG Risk Identification and Assessment chapter in NBB's Global Credit Policy in 2022, NBB established and rolled out an ESG Risk Identification and Assessment Toolkit in 2023.

Aligned with the Equator Principles and the International Finance Corporation's (IFC) Performance Standards, the toolkit measures adverse impacts NBB activities may have on the environment and society.

The toolkit has two objectives

1. On the client side, it is embedded in credit risk management with the objective of assessing client ESG preparedness levels, including climate action, and identifying any gaps.

2. On NBB's side, it is embedded in the Group's operations risk and is addressed through the wider business continuity plan with the objective of identifying project finance risk.

Objective 1: Approach and Application

To identify portfolio ESG risk mitigation measures, NBB implemented risk-based eligibility criteria to initially assess clients that have material exposure with the Bank, have revenues above a certain threshold, and operate in sectors that qualify as medium or high ESG risks. NBB set its sector risk classification in line with the European Development and Reconstruction Bank (EBRD) to ensure a credible classification source.

NBB is introducing the criteria in phases, starting with a focus on capacity building of employees, while addressing potential ESG risks.

The toolkit covers many material ESG topics which are regularly reviewed to ensure relevance. For each topic, NBB aims to identify whether the client has implemented policies, targets, or initiatives, using information gathered from publicly available data sources and client questionnaires. NBB also engages with clients to raise awareness and advise them on appropriate action.

The client is then allocated a score between 0 and 100 on each topic, with each ESG pillar weighted equally.

This scoring system allows NBB to quantify ESG risks, identify risks in its existing portfolio, and recognise potential opportunities tied to the gaps in a clients' sustainability strategy.

Data gathered is factored into lending and investment analysis processes, including commercial and industrial lending and project finance.

Objective 2: Approach and Application

The toolkit is used to identify and assess project finance risks both before and during the project lifecycle, particularly during the infrastructure phase where risks are highest.

The Project Assessment Criteria follows the Equator Principles, and applies a matrix to classify potential risks into one of three categories:

Category A: Projects with significant potential for adverse impact and scale, and limited or no reversibility

Category B: Projects with potential adverse impact of single site scale, and low to medium reversibility

Category C: Projects with mild potential adverse impact, and high potential for reversibility

ESG Risk Management through ISO

NBB holds a number of ISO certifications which provide the basis for managing relevant operational ESG risks. For example, the Bank assesses environmental risks at least annually, in line with the ISO 14001 standard, and does the same for occupational health and safety related risks, in line with the ISO 45001 standard.

Each identified risk is assessed in terms of likelihood and impact, and is then categorised as high, medium or low risk. The Bank then assesses existing control measures to mitigate these risks and identifies further control measures.

A monthly report is submitted to the executive management summarising the environmental, health and safety performance to ensure supervision and safety.

A full list of ISOs can be found in the general business risk management section Page 47. The role of each ISO is explored in more detail under the relevant material topic.

Responsible Business Practices

Our Commitment

Sustainability Pillars	• Customer Centricity • Governance and Ethical Behaviour
Material Topics	• Compliance and Ethical Behaviour • Governance, Transparency and Accountability • Responsible Customer Relationships • Data Privacy and Security
Policies	• Data Privacy Policy • Human Rights Policy • AML Policy • Code of Conduct • Anti Bribery & Anti-Corruption Policy • Compliance Policy

Our Alignment

Bahrain Vision 2030

أهداف التنمية المستدامة البحرين
BAHRAIN SDGs 2030

- An efficient and effective government

GRI Standards

GRI 2 - General Disclosures
GRI 418- Customer Privacy
GRI 205- Anti Corruption
GRI 405 – Diversity and Equal Opportunity

SDGs

8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Please Note in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, NBB is providing the following restatement of information: Some previously reported Responsible Business Practices figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published.

Responsible Business Practices continued

NBB upholds the highest standards of corporate governance and ethical business conduct. The Group's corporate governance framework - comprised of committees, policies, and procedures – is designed in line with international best practices and standards and ensures that NBB complies with all applicable laws and regulations.

This section provides a high-level overview of NBB's approach to responsible business practices. For a more in-depth exploration, readers may refer to the Corporate Governance report.

Responsible Governance

The Board of Directors

NBB's Board of Directors enforces the corporate governance framework and is responsible for overseeing the Group's strategy and its implementation by the Executive Management team. The Board is comprised of 11 members.

Detailed profiles for each Board member can be found in the Board of Directors Profile section of this report.

Board Diversity

NBB ensures that the Board of Directors maintains a broad range of perspectives, experiences, and expertise to drive innovation, enhance decision-making, and better serve clients and other key stakeholders. NBB has one female Board member, representing 9% of the Board.

Detailed profiles, qualifications, and experience are available on page 22.

Board of Directors by Gender				
	Female	Male	Female %	Male %
2022	1	10	9%	91%
2023	1	10	9%	91%
2024	**1**	**10**	**9%**	**91%**

Board of Directors by Age Group						
	Below 30 years old	Below 30 years old %	Between 30-50 years old	Between 30-50 years old %	Over 50 years old	Over 50 years old %
2022	0	0%	2	18%	9	82%
2023	0	0%	2	18%	9	82%
2024	**0**	**0%**	**6**	**55%**	**5**	**45%**

Board of Directors by Gender

9%
2024: 9%

91%
2024: 91%

Responsible Business Practices continued

Board Committees

Seven committees advise the Board of Directors on specific governance area:

Executive Committee

- Advises on lending and investments in debt securities and other non-delegated matters.
- Approves credit and investment proposals, reviews budgets, plans major initiatives for Board approval, and monitors business plan performance related to the Group.

Audit Committee

- Oversees effective internal control system, financial accounting and reporting integrity, and internal and external audit matters.

Donations and Contributions Committee

- Manages fund distribution for corporate donations and contributions aligned with the NBB's values and community outlook.

Risk and Compliance Committee

- Identifies, measures, assesses, monitors and advises on the risk and compliance related matters which the Bank is exposed to on an ongoing basis and across all business lines, including the Bank's subsidiaries and overseas branches.

Nomination, Remuneration, Governance and Sustainability Committee

- Identifies candidates for Board and senior management.
- Reviews and recommends remuneration policies, corporate governance framework, and sustainability strategy.

Digitalisation Committee

- Oversees the implementation of the bank's digital transformation and monitors associated risks to support the Risk and Compliance Committee.

Board Advisory Committee

- Oversees activities related to the proposed merger with Bank of Bahrain and Kuwait B.S.C. and makes certain recommendations to the Board as and when necessary. Assesses the fairness of any contemplated transaction for all shareholders.

Board Training

Board members are required to complete 15 hours of continuous professional development training per year, in accordance with CBB requirements. Board training covers a variety of financial and sustainability-related topics. In 2024, Board members undertook training on a variety of topics.

Responsible Business Practices continued

Board Completed Training Hours - General Overview

	Governance and ESG-Related	Information Security	Banking Finance	Other Topics	Total Number of Training Hours
2022	144	41	57	54	296
2023	128	19	84	54	285
2024	**88**	**10.5**	**103.5**	**122**	**324**

Board Completed Training Hours - Overview Across Sustainability Pillars

	Economic Growth	Customer Centricity	Responsible Banking	Nurturing Our Workforce	Community Investment	Preserving Natural Resources	Governance and Ethical Behaviour
2022	39.5	22	24.5	20.5	13	4	172
2023	44.5	4	26.5	3	5	7	194.5
2024	**89.5**	**13**	**84.5**	**43**	**0**	**6**	**88**

Executive Management Team

NBB's Executive Management team implements the Board approved strategy, develops innovative products and solutions to drive business growth, and ensures business is conducted in accordance with all applicable laws and regulations and best practices.

Detailed profiles for each member of the team can be found in the Executive Management Profile section of the report.

Management Committees

NBB has 14 Executive Management Committees to support the implementation of the Group's strategy. These committees convene regularly to discuss strategic and operational issues within their respective areas of responsibility.

Executive Management Committees:

- Management Credit Committee
- Sustainability Management Committee
- Operational Risk Management Committee
- Group Asset Liability Committee
- Group Project Steering Committee
- Group Compliance Management Committee
- Information Security Committee
- Business Continuity Management Committee
- Product and Service Approval Committee
- Tendering and Asset Disposal Committee
- UAE Senior Management Committee
- Provisioning Committee
- Saving's Scheme Committee
- Executive Management Team

Business Ethics and Compliance

NBB is dedicated to maintaining a robust compliance framework, ensuring adherence to applicable regulations and laws in Bahrain, as well as relevant standards. Compliance areas include banking, labour, personal data protection, environmental and social governance, and taxation. The NBB team is committed to upholding these regulations and laws, embodying the core values of integrity, ethics, and transparency. The Bank actively works to establish foundations that mitigate the risk of regulatory violations, financial losses, and reputational damage.

NBB promotes a culture of compliance through comprehensive employee awareness and training sessions. These sessions are conducted by NBB's Compliance team and include professional qualifications, immersive scenarios, masterclasses, and a continuous professional development programme. The training encompasses all compliance-related areas, including Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and sanctions.

	Total number of significant instances of non-compliance with laws and regulations	
	Instances for which fines were incurred	Instances for which non-monetary sanctions were incurred
2022	0	0
2023	0	0
2024	**0**	**0**

Financial Crime Compliance (FCC)

NBB uses a risk-based approach to preventing financial crime risks, adopting a multi-pronged approach, which includes but is not limited to, Transaction Monitoring, Sanction's Screening and KYC interventions. In addition, the compliance framework has policies and procedures which provide guidance for day-to-day operations and decision-making guidance for areas such as but not limited to, AML, Sanctions, CDD. The financial crime compliance capabilities continue to be enhanced with system enhancements made towards name and payment screening as well as transaction monitoring mechanisms.

Compliance officers as well as Bank employees are routinely trained on AML/CFT and sanctions to ensure that they can effectively perform their roles and responsibilities.

To strengthen defences against financial crime, NBB consistently monitors the efficiency of its compliance systems, making sure that relevant regulations are being followed. Significant financial crime concerns are promptly escalated and discussed with the Money Laundering Reporting Officer showing our commitment to proactive risk management.

Anti-Corruption Prevention

NBB is fully committed to preventing corruption in any form, including bribery or other, as enshrined in the Group's Anti-corruption and Anti-bribery Policy which is supported by procedures for detection, prevention, and investigation.

Furthermore, the Bank ensures that its guidelines are effectively communicated to stakeholders.

Thanks to NBB's robust approach to preventing corruption in any form, no incidents of corruption have been reported over the past three years.

	Confirmed incidents of corruption		
	Total number of confirmed incidents of corruption	Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption
2022	0	0	0
2023	0	0	0
2024	**0**	**0**	**0**

	Total number of confirmed incidents in which employees were dismissed or disciplined for corruption
2022	0
2023	0
2024	**0**

Compliance Governance and Framework

The Compliance function is crucial in identifying, assessing, and mitigating compliance risks. This involves developing and implementing comprehensive compliance policies and procedures, monitoring adherence to regulations, and reporting compliance risks to the Group Compliance Management Committee and the Board Risk Compliance Committee. The Compliance Department is organised into four pillars: Regulatory Affairs, Compliance Risk Assessment & Assurance, Financial Crime Compliance, and Compliance Governance & Conduct Risk, thus ensuring a focused and effective risk management approach.

The Group Compliance Policy establishes guidelines and procedures for employees to ensure lawful and ethical operations, defining acceptable behaviours, integrity, and accountability. The Policy also details compliance processes and mechanisms for monitoring and enforcement. In 2024, the Group Compliance Policy underwent a thorough review to ensure alignment with current regulatory requirements.

NBB has a robust governance structure for overseeing compliance risks, with the Board of Directors holding overall responsibility. The Group Chief Compliance Officer implements and manages the compliance programme. The establishment of a dedicated Compliance Governance & Conduct Risk pillar has further strengthened the approach, ensuring timely remediation of regulatory findings and proactive risk management. These updates reflect NBB's ongoing commitment to maintaining a robust compliance framework that supports strategic objectives and enhances the Bank's ability to manage compliance risks effectively.

Collaborating closely with stakeholders, the Compliance team continuously reviews policies and procedures, conducts gap assessments to identify and address any discrepancies between current practices and applicable regulations, performs compliance testing to evaluate the effectiveness of the Bank's compliance status, and is involved in product and service development. The team plays a vital role with stakeholders, assessing compliance risks associated with their operations and advising on regulatory interpretation and implementation. This agility allows the Bank to promptly develop and implement strategies to address any gaps, ensuring ongoing regulatory compliance. NBB maintains a close relationship with the CBB and other regulators, staying informed about upcoming changes and seeking clarification on new requirements.

The Compliance Framework grants the Group Compliance Management Committee the authority to regularly review policies and procedures and monitor adherence

to regulatory requirements across the Group. It also empowers the Compliance Department to carry out compliance testing, identify and address gaps between current practices and regulations, participate in the development of new products and services, and assess compliance risks with bank-wide stakeholders.

The department provides training to all employees across departments on regulatory requirements, encourages employees to report concerns, and cultivates a culture of compliance and innovation. The Compliance Department is a key member of major management committees at the Bank, ensuring that compliance is integral to strategic goals and operations.

Key activities undertaken by NBB to ensure compliance include regular policy reviews, enhancing compliance culture through widespread training, and reporting the Bank's compliance performance to senior management and relevant Board committees. This approach underscores NBB's commitment to a strong and effective Compliance Governance and Framework. The Compliance and AML role serves as a focal point for all regulatory compliance and the adaptation of best practice compliance principles. The Bank is constantly striving to improve compliance across all its operations.

Training and Awareness

To help foster a culture of compliance and ethical business conduct, NBB delivers a comprehensive compliance training and awareness programme to both governance body members and employees across departments. These sessions are conducted by NBB's Compliance team and include professional qualifications, immersive scenarios, masterclasses, and a continuous professional development programme. The training encompasses all compliance-related areas, including regulatory requirements such as Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and Sanctions, to ensure compliance officers and other relevant employees can effectively fulfil their duty to detect and prevent financial crimes.

During 2024, and in compliance with CBB regulations, 100% of NBB employees completed AML and cybersecurity training, Source of Fund Declaration, Health & Safety, and ESG training and Fraud Prevention training.

	Number of Governance body members that NBB anti-corruption practices* have been communicated to
2022	7
2023	11[1]
2024	**11[1]**

* This is inclusive of all related policies and procedures

Note: 1. This represents 100% of Governance body members

	Number of employees that NBB anti-corruption practices* have been communicated to by level		
	Non-Management (Staff)	Middle	Senior
2022	519	253	19
2023	480	285	6
2024	**456**	**318**	**33**

* This is inclusive of all related policies and procedures

Case Study

New Compliance Governance & Conduct Risk pillar

In 2024, NBB integrated a new Compliance Governance & Conduct Risk pillar into the existing organisational structure which required significant coordination and communication efforts. The implementation has led to significant achievements, including the timely remediation and rectification of issues, ensuring that corrective action plans are validated and aligned with regulatory requirements. The initiative has resulted in enhanced compliance performance, as evidenced by the consistent follow-ups and monitoring that have led to the 100% on-time remediation on all CBB findings this year, including high-risk issues and the validation of corrective actions.

Comprehensive reviews were conducted, ensuring that practices align with the highest standards of regulatory compliance and customer fairness. The next steps will involve further strengthening the compliance culture through regular training and proactive assessments, ensuring that the Bank remains resilient and compliant.

Responsible Business Practices continued

Percentage of employees that NBB anti-corruption practices* have been communicated to by level (%)			
	Non-Management (Staff)	Middle	Senior
2022	97%	95%	56%
2023	95%	89%	16%
2024	**93%**	**97%**	**85%**

* This is inclusive of all related policies and procedures

Number of employees that NBB anti-corruption practices* have been communicated to by region			
	Bahrain	KSA	UAE
2022	729	27	35
2023	702	31	38
2024	**728**	**34**	**45**

* This is inclusive of all related policies and procedures

Percentage of employees that NBB anti-corruption practices* have been communicated to by region (%)			
	Bahrain	KSA	UAE
2022	94%	93%	97%
2023	89%	100%	86%
2024	**94%**	**94%**	**92%**

* This is inclusive of all related policies and procedures

	Number of governance body members that have received training on NBB anti-corruption
2022	7
2023	7
2024	**6**

	Percentage of governance body members that have received training on NBB anti-corruption (%)
2022	64%
2023	64%
2024	**55%**

Number of employees that have received anti-corruption training by level			
	Non-Management (Staff)	Middle	Senior
2022	421	239	22
2023	480	285	6
2024	**479**	**325**	**38**

Percentage of employees that have received anti-corruption training by level (%)			
	Non-Management (Staff)	Middle	Senior
2022	78%	90%	65%
2023	95%	89%	16%
2024	**97%**	**99%**	**95%**

Number of employees that have received anti-corruption training by region			
	Bahrain	KSA	UAE
2022	630	20	32
2023	702	31	38
2024	**762**	**34**	**46**

Percentage of employees that have received anti-corruption training by the region (%)			
	Bahrain	KSA	UAE
2022	82%	69%	89%
2023	89%	100%	86%
2024	**98%**	**94%**	**94%**

Responsible Business Practices continued

Risk Management

NBB maintains a robust risk management framework that safeguards the interests of all stakeholders. The Group identifies, assesses, and takes action to mitigate all relevant risks and seeks to balance between risks and returns while fostering a culture of transparency, accountability, and continuous improvement.

The Bank assesses risks associated with political, economic, market conditions, and client creditworthiness that may impact income and asset values. Furthermore, the fast-paced global financial sector, marked by digital transformation and regulatory changes, requires constant vigilance, and NBB continuously reviews and refines its risk management framework to ensure it remains up to date and in line with global standards.

NBB manages the following types of risk:

- Credit Risk
- Legal Risk
- Liquidity and Market Risk
- Operations Risk
- Fraud Risk
- Information Security Risk
- Reputation and Fiduciary Risk
- Regulatory Compliance and Financial Crime Risks

Responsibility for risk management ultimately lies with the Board of Directors, which approves policies and procedures based on Executive Management team recommendations, with oversight and input from the Board Risk and Compliance Committee (BRCC).

In addition, NBB has five management committees dedicated to overseeing specific areas of risk management:

- Operational Risk Management Committee (ORMC)
- Group Asset Liability Committee (GALCO)
- Management Credit Committee (MCC)
- Business Continuity Management Committee (BCMC)
- Information Security Committee (ISC)

NBB holds the following ISO certifications which provide the basis for managing certain risks. The role of each ISO is discussed in more detail under the relevant material topic.

Overview of ISO Certifications	
	Year of Completion
ISO27701 Privacy Information Management System	2023
ISO45001 Occupational Health and Safety	2022
ISO22301 Business Continuity Management	2022
ISO14001 Environmental Management Systems	2021
ISO27001 Information Security (has been upgraded in 2023, from version ISO27001:2013 to ISO27001:2022)	2020

Business Continuity Management (BCM)

NBB has developed and implemented a Business Continuity and Resilience programme aligned with applicable regulatory requirements as well as global financial industry best practices. The Group holds the ISO 22301:2019 Business Continuity Management System certification standard and aligns with the Business Continuity Institute (BCI) Good Practice Guidelines (GPG) 7.0.

The Business Continuity Committee oversees the implementation of the programme and verifies Group BCM readiness and resilience capabilities. This includes regular testing and simulations to assess the readiness of systems designed to cope with any unexpected event that disrupts regular business operations. A highly trained management level Crisis Management Team (CMT) oversees communication, action and coordinates activities in the event of a disaster.

In 2024, the Bank continued its BCM programme through active implementation of BCM strategic actions and enhancements and recorded the largest number of independent tests on its platforms. It maintained the BCMS through independent surveillance against ISO22301:2019 with zero non-conformities.

Continuity and resilience capabilities and processes were also assessed during the Bank's certifications and assessments against other standards and certifications detailed below under data security.

NBB will continue enhancing overall resilience capabilities through continuous testing and the adoption of the recently released BCI Resilience Framework 1.0 launched globally in November 2024.

Data Security and Customer Privacy

NBB maintains the trust of its stakeholders by upholding the highest standards of data privacy and security. The Bank has robust measures in place to ensure that sensitive information is always handled with the utmost care, utilising the latest technologies and security protocols.

NBB's comprehensive approach to privacy and personal data protection is governed by the Group's Information Security, Privacy and Personal Data Protection policies and is outlined in the Information Security Management System (ISMS) and Privacy Information Management System (PIMS) Scope Document.

The framework is overseen by the Information Security Committee and is continuously reviewed and strengthened to ensure compliance with all relevant regulations and alignment with global standards.

Privacy and Personal Data Protection

NBB has appointed the Group Chief Information Security Officer (CISO) as the Data Protection Officer (DPO) responsible for overseeing data protection strategies and ensuring regulatory compliance. The bank processes personal data fairly, respects data subjects' rights, and adheres to the Personal Data Protection Law (PDPL) of Bahrain, privacy regulations in KSA and UAE, and ISO/IEC 27701:2019.

Robust measures, including encryption, access controls, audits, breach response plans and regular training and awareness programmes are in place to address to ensure effective controls are in place to protect personal data.

NBB has set the following key objectives for security and privacy:

- Conduct regular information security and privacy risk assessments
- Conduct privacy impact assessments (PIAs) for new projects, systems, or processes.
- Monitor and analyze privacy incidents and breaches to implement corrective actions.
- Conduct periodic information security and privacy training for employees.
- Perform ongoing vulnerability assessments and penetration testing.

NBB's data security practices align with the following international certification standards, all of which were updated in 2024:

- ISO 27701:2019 (Privacy Information Management System)
- ISO/IEC 27001:2022 (Information Security, Cybersecurity and Privacy protection)
- ISO 22301:2019 (Business Continuity Management Systems)
- PCI-DSS 4.0 (Payment Card Industry Data Security Standard)
- Swift CSCF 2024 (Swift Customer Security Controls Framework)

NBB employs a range of technical and organisational measures to ensure security and privacy. These include real-time incident detection and response with Extended Detection and Response (XDR) solution, a robust incident response plan for data breaches, regular security assessments and penetration testing, continuous monitoring with automated tools, manual testing for complex vulnerabilities, risk analysis and prioritisation, and detailed reporting to stakeholders.

In 2024, NBB made significant progress in implementing its Data Security Framework. Highlights include:

- **Enhanced Security Assessments:**
  NBB conducted comprehensive security assessments, including vulnerability scans and penetration testing, to identify and mitigate potential security risks.
- **Implementation of Advanced Security Measures:**
  The Bank implemented advanced security measures such as multi-factor authentication (MFA) and encryption to enhance the protection of sensitive data.
- **Continuous Monitoring and Improvement:**
  The Bank adopted continuous monitoring practices to keep track of the security posture and make necessary improvements in real-time.
- **Enhanced Privacy Measures:**
  NBB enhanced its privacy measures by integrating advanced encryption techniques and Soft token, and multi-factor authentication (MFA) to ensure the security of customer data.
- **Privacy Impact Assessments (PIAs):**
  Conducted comprehensive Privacy Impact Assessments for new projects and systems to identify and mitigate potential privacy risks.
- **Customer Consent Management:**
  Improved processes for obtaining and managing customer consent, ensuring that data subjects' rights are respected and upheld.
- **Training and Awareness:**
  To ensure customer data is safeguarded across digital platforms and all staff members are well-versed in the latest security practices and protocols, NBB provides training to all relevant staff. In 2024, 100% of employees completed privacy and security awareness training.

Employees who have completed training in relation to data security			
	Type of training provided	Number of employees that completed the training	Number of total equivalent training hours
2022	Webinar, Physical classroom, VLS*	815	1267
2023	Webinar, Physical classroom, VLS*	846	2042
2024	**Webinar, Physical classroom, VLS***	**860**	**1965**

** VLS - Virtual Learning System*

Percentage of Employees that completed Cybersecurity Training (%)	
2022	100%
2023	100%
2024	**100%**

Performance

Since 2019, NBB has experienced no breaches, leaks, or losses of customer data.

Substantiated complaints concerning breaches of customer privacy and losses of customer data				
	Total number of identified leaks, thefts, or losses of customer data	Total number data breaches affected customers' personal information	Total % of data breaches affected customers' personal information	Total number of unique account holders who were affected by data breaches
2022	0	0	0	0
2023	0	0	0	0
2024	**0**	**0**	**0**	**0**

Our Financial Capital

Our Commitment

Sustainability Pillars
- Economic Growth

Material Topics
- Financial and Economic Performance

Policies
- Global Credit Policy
- Code of Conduct
- AML Policy

Our Alignment

Bahrain Vision 2030

- Robust economic growth that benefits the people

GRI Standards

GRI 201 - Economic Performance

SDGs

Overview

The NBB Group achieved a record-high attributable net profit in 2024 while maintaining a strong balance sheet, a testament to its sustained growth in both core business and treasury-related activities.

The bank reported a 4% increase in attributable net profit, reaching BHD 81.9 million for the year ended 31 December 2024, compared to BHD 79.1 million in 2023. This growth was primarily driven by higher net interest income, supported by a 19% growth in customer loans, as well as increased gains from investment securities and treasury activities.

Reflecting this profitability, earnings per share rose to 36 fils, up from 35 fils in 2023. Meanwhile, the Group's total assets grew by 3%, reaching BHD 5,522.2 million as of 31 December 2024, compared to BHD 5,372.5 million in the previous year. This increase underscores the Group's prudent balance sheet management and continued business expansion. Customer deposits stood at BHD 3,743.8 million at year-end, accounting for 68% of total liabilities and equity, while shareholders' funds represented 11% of total liabilities and equity.

Total comprehensive income attributable to NBB's equity shareholders surged by 22% to BHD 91.0 million in 2024, up from BHD 74.8 million in 2023, largely driven by positive mark-to-market movements in the bond and equity portfolios.

Key performance indicators remained strong, with a return on average equity of 14.3% and a return on average assets of 1.5%.

The Group continued to demonstrate financial resilience, maintaining a solid capital adequacy ratio of 21.5% as of 31 December 2024, in line with the 23.3% recorded at the end of 2023. Liquidity remained strong, with NBB acting as a net contributor of funds to the interbank market throughout the year.

Further reinforcing its stability, the consolidated net stable funding ratio (NSFR) stood at 128% as of 31 December 2024, reflecting the Group's robust long-term funding profile. Meanwhile, the average liquidity coverage ratio (LCR) for the fourth quarter reached 286%, underscoring exceptional short-term liquidity. Throughout the year, the Group consistently exceeded the minimum regulatory funding and liquidity requirements of 100%.

Net Interest Income

At the end of 2024, the Group's net interest income rose by 1% to BHD 143.4 million, up from BHD 141.4 million in 2023. This increase was driven by higher rates on loans and placements. Despite this growth, net interest income as a percentage of earning assets (NIM) remained strong at 3.0% in 2024, compared to 3.3% in the previous year.

Net Fee and Commission and Other Income

The Group's net fee and commission income for 2024 rose by 19% to BHD 15.4 million, compared to BHD 12.9 million in the previous year, while other income increased by 11% to BHD 32.9 million, up from BHD 29.7 million in 2023. This growth was driven by the Group's core activities, as detailed in Note 25 of the consolidated financial statements, with treasury-related activities contributing significantly, rising by 24% to BHD 26.5 million in 2024 from BHD 21.3 million in 2023.

The continued increase in non-interest income aligns with the Group's business diversification strategy, aimed at enhancing contributions from non-interest-related activities and reducing reliance on traditional lending income.

Operating Expenses

Operating expenses increased by 5% to BHD 101.2 million in 2024 from BHD 96.0 million in 2023, resulting mainly from our investment in infrastructure and people, in line with the Group's transformation. Details of staff and other operating expenses, with comparative figures for the previous year, are set out in notes 26 and 27 of the consolidated financial statements.

Provisions

The Group continues to maintain a prudent approach to credit risk management, ensuring adequate provisions for potential impairments. Provisions for individually impaired credit exposures are determined by discounting expected future cash flows. However, impairment charges on the broader portfolio of financial assets, which are not individually classified as impaired, are assessed using a forward-looking methodology. This approach incorporates various factors, including internal risk ratings, historical default rates adjusted for multiple macroeconomic scenarios, loss ratios in the event of default, and rating migrations.

Based on the ongoing assessment of loan and advance provisions, the Group allocated BHD 9.1 million towards impairment in 2024, compared to BHD 6.6 million in 2023. The higher charge reflects the Group's proactive stance in maintaining precautionary buffers established in previous years to mitigate potential future impairment risks that may not yet be evident.

Loans and advances are classified as part of the non-performing portfolio upon the occurrence of an impairment event and remain classified as such until the completion of a cooling-off period, in accordance with Central Bank of Bahrain (CBB) guidelines. The Group's ratio of gross non-performing loans to total gross loans (NPL ratio), excluding non-performing purchased or originated credit-impaired

(POCI) loans, stood at 3.8% as of year-end 2024, while the inclusive measure, accounting for non-performing POCI loans, was 4.5%. This reflects an improvement from 4.7% and 5.4% in 2023, respectively.

Further details on the Group's non-performing loans, collateral coverage, provision movements, and related disclosures can be found in Note 7 of the consolidated financial statements.

Assets

At the end of 2024, the Group's total assets stood at BHD 5,522.2 million, reflecting a 3% increase from BHD 5,372.5 million as of 31 December 2023. This growth was primarily driven by a 19% expansion in the loan book, underscoring the Group's strong lending momentum.

The Group maintains a well-diversified asset profile, with loans and advances accounting for 55% of total assets. At the same time, it upholds substantial liquidity reserves, comprising treasury bills, placements with banks, and cash balances, which collectively represent 18% of total assets. Investment securities, spanning various maturities and including a portfolio of high-quality liquid assets, constitute 21% of total assets.

The loan portfolio remains well-diversified, with broad participation in the domestic market alongside a continued expansion of business relationships in Bahrain and across the wider region. Meanwhile, the investment portfolio is primarily composed of debt securities, with a significant portion allocated to Government of Bahrain bonds and Islamic Sukuk.

Comprehensive details on the distribution of total assets by geographical region and industry can be found in Notes 31 and 32 of the consolidated financial statements.

Liabilities

The Group continued its successful strategy of expanding core customer deposits, recording a 7% increase in 2024 to BHD 3,743.8 million, up from BHD 3,504.8 million in 2023. This growth underscores the Group's strong market position as the country's national bank and its deep-rooted customer relationships.

Borrowings from banks and financial institutions stood at BHD 579.7 million as of 31 December 2024, compared to BHD 671.0 million in the previous year. This interbank funding remains supplementary, as the Group consistently deploys a greater share of funds back into the interbank and treasury bill markets and earning positive spread.

Customer deposits continue to serve as the Group's primary funding source, with the ratio of customer deposits to total liabilities standing at 76% at the end of 2024. These deposits provide the foundation for 89% of the Group's combined loan and investment portfolios, reinforcing its stable and sustainable funding structure.

Capital Strength

The Group's total equity attributable to shareholders increased as of 31 December 2024 at BHD 583.8 million is 3% higher than the BHD 565.0 million reported on 31 December 2023. The attributable profits earned during 2024 and the positive mark-to-market movements on the investment securities were offset by the cash dividend payout.

The Group's capital adequacy ratio as of 31 December 2024 was 21.5%, and the common equity tier 1 (CET 1) ratio was 20.4% before the proposed appropriations. The ratios have been calculated in accordance with the Basel III regulations and the CBB guidelines, incorporating credit, operational and market risks.

The Group's capital adequacy ratio is significantly above both the Basel Committee's requirement for internationally active banks and above the minimum level of 12.5% set by the CBB. Additionally, according to the CBB rulebook, banks designated as domestic systemically important banks (DSIBs) must hold designated HLA (high loss absorbency) expressed as common equity tier 1 capital at 1.5% of the total risk weighted assets, as calculated for the purposes of capital adequacy.

The main factors that contribute to the Group's strong capital adequacy ratio are the high capital base, prudent risk management practices and a low risk profile of on-balance sheet and off-balance sheet exposures. The Group's profile includes significant exposures to low-risk asset classes such as sovereigns, public sector undertakings and prime banks and financial institutions. Note 45 of the consolidated financial statements and the risk and capital management disclosures provide further details on the Group's capital strengths.

This section provides a comprehensive overview of the Bank's financial capital structure, its adequacy, and the strategies employed to maintain a robust financial position. Throughout 2024, NBB has remained steadfast in its dedication to Prudential Financial management, aligning with regulatory requirements and international best practices. The strength of the capital foundation not only ensures the Bank's ability to absorb unforeseen risks but also supports its mission to be a responsible and trusted financial partner.

Our Relationship Capital

Our Commitment

Sustainability Pillars
- Customer Centricity
- Responsible Banking

Material Topics
- Responsible Customer Relationships
- Digital Transformation
- Sustainable Finance
- Financial Inclusion
- Responsible Sourcing

Policies
- Consumer Data Protection
- Supplier Code of Conduct
- Global Credit Policy
- Supply Chain Policy
- Materials Sourcing Policy

Our Alignment

Bahrain Vision 2030

أهداف التنمية المستدامة البحرين
BAHRAIN SDGs 2030

- Robust economic growth that benefits the people
- An efficient and effective government
- A just, thriving society

GRI Standards

GRI 203: Indirect Economic Impacts
GRI 204: Procurement Practices
GRI 416: Customer Health and Safety
GRI 417: Marketing and Labelling
GRI 418: Customer Privacy

SDGs

Please Note in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, NBB is providing the following restatement of information: Some previously reported Relationship Capital figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published.

Customer centricity lies at the core of NBB's relationship capital and is one of the pillars of the Bank's Sustainability Framework. This section explores how NBB fosters its relationships through a focus on four key areas: Responsible Banking, Digitalisation, Customer Relations, and Sustainable supplier relations.

Responsible Banking

NBB's commitment to responsible banking practices supports long-term business objectives while also generating positive social, environmental and economic outcomes. In line with its brand promise of being 'Closer to You', NBB strives to achieve a more inclusive financial ecosystem, one where the needs of all groups are catered for thanks to the scope of the Bank's offering.

NBB approaches responsible banking primarily through two main avenues: 'Sustainable Finance' and 'Financial Inclusion'.

Sustainable Finance

NBB increasingly integrates ESG criteria into its lending activities and offers an ever-widening range of sustainability-oriented financial products for both retail and commercial customers. This includes industrial lending and project finance.

At NBB, Sustainable Finance refers to a combination of 'Use of Proceeds', 'Sustainability-Linked', Sustainable Finance Liabilities Products, and the provision of ESG Advisory services, which are deployed to support either environmental and/or social objectives. This includes both new finance as well as any refinancing towards the eligible transactions.

Establishing a Sustainable Finance Framework enables NBB to finance eligible projects and activities which qualify as green, social and/or sustainable in nature. The framework also governs financing catering to Pureplay corporations where at least 90% of the company's revenues are derived from the Eligible Projects and Activities. Additionally, NBB may issue Green, Social or Sustainability Bonds, Sukuk, Loans, and other debt instruments under this framework, allowing the Bank to delve further into this space.

NBB's Sustainable Finance Framework has been developed in collaboration with Standard Chartered Bank Bahrain as the Sustainability Structuring Advisor. The framework adheres to the International Capital Market Association's (ICMA) Green and Social Bond Principles and the Loan Market Association's (LMA) Green and Social Loan Principles.

Additionally, NBB appointed a Second Party Opinion (SPO) provider to certify the framework's alignment with the above mentioned standards.

For more information on our Sustainable Finance Framework please click here or visit www.nbbonline.com

A. Retail Banking

The Retail Banking business unit offers a wide array of financing and other products that meet environmental and social needs. Examples include:

Auto Financing: NBB promotes sustainable practices in auto financing through an initiative that enables customers to access discounted rates based on the fuel efficiency of their vehicles. NBB also offers auto loans with exclusive rates for customers purchasing hybrid or electric vehicles.

Solar panel financing: Retail customers can receive exclusive offers on solar energy panels obtained from any provider in Bahrain and access affordable financing.

Education Finance Programme: Enables parents and individuals to cover the cost of education at all levels, from kindergarten to university level. In 2024, NBB signed MOUs with S Eleven Educational to provide education financing for University of Strathclyde students in Bahrain and with Applied Sciences University to promote education finance solutions to ASU applicants.

In addition, during the year NBB offered an exclusive Personal Finance Campaign for new and existing clients. Designed to give customers financial flexibility and support during the summer period, the limited time offer comprised of competitive exclusive interest rates including a grace period of up to six months on personal finances.

MEED MENA Banking Excellence Awards
Best Retail Bank in Bahrain 2024 at the MEED MENA Banking Excellence Awards

Home Finance: NBB offers low minimum requirements to enable Bahraini citizens to access affordable housing loans. The Bank participates in government schemes that support families to become homeowners such as:

- Mazaya Mortgage Financing Scheme: NBB supports the government's Mazaya Mortgage Financing Scheme which enables Bahraini citizens to obtain financing from the Bank while benefiting from the Mazaya subsidy scheme. The Mazaya portfolio grew by 15% in comparison to 2023.
- Tas'heel: Tas'heel is a government scheme to expand home ownership to a larger number of citizens. Under this programme, Eskan Bank provides financing for Tas'heel, while NBB supplements the amount by offering Joint Housing Finance to customers.
- Innovative Mortgage: NBB has introduced a new mortgage option that includes solar financing, allowing customers to combine both mortgage and solar finance into one package. This offering features a quick approval process, a maximum tenor period of 30 years, a six-month grace period, and potential savings on electricity bills through solar power generation.

Retail Banking - Percentage of loan portfolio of products and services designed to deliver a specific social benefit		
	Total Social Housing as % of Total Mortgage	Personal loans catered for retirees (%)
2022	53%	25%
2023	62%	20%
2024	**62%**	**20%**

B. Corporate and Commercial Banking (CCB)

Tamkeen: NBB has strategically partnered with the Labour Fund (Tamkeen), to deliver Shariah-compliant subsidised financing solutions to the Kingdom's SMEs. Under this agreement, eligible SMEs will gain access to exclusive financing rates through Tamkeen's Financing Support programme. It will also provide them with the required funding to expand their operations. Approved applicants will benefit from lower interest rates and working capital to fuel their growth.

Tamweel Al Watani: Support for SMEs is a key consideration in NBB's approach to sustainable finance. Tamweel Al Watani is NBB's dedicated lending scheme that supports SMEs to maintain a healthy cash flow. Participants benefit from a streamlined application process, with shorter turnaround times and less stringent prerequisites, further relaxed terms and lower costs.

Sustainable Manufacturing Promotion Programme (Green Factory Label): NBB is the sole Banking Partner for this programme by the Ministry of Industry and Commerce, also known as the 'Green Factory Label' programme, which encourages factories to implement environmental measures that align with the Kingdom's Industrial Sector Strategy 2022-2026. NBB offers preferential financing rates to factories that qualify and access to funding and other services.

Liquidity Support Fund (LSF): NBB participated in the design of the LSF, in collaboration with the Ministry of Finance, an ongoing initiative in which NBB assists businesses that are struggling with liquidity issues. The LSF supports companies in the private sector, enhances entrepreneurship, and promotes cross-sector growth.

In addition, NBB continues to finance an SME specialised in providing renewable energy, energy efficiency building solutions, and industrial services.

	CCB - Numbers of loans granted qualified to programmes designed to promote small business and community development in BHD Thousands
2022	3
2023	2
2024	**5**

	CCB - Amount of loans granted qualified to programmes designed to promote small business and community development in BHD Thousands
2022	121
2023	140
2024	**250**

C. Markets and Client Solutions

Project Finance: NBB lent BHD 16.9m to St Christopher's School Bahrain to construct a new senior school campus in Al Riffa. The new project has a social impact, increasing the student capacity of the senior school from 1,200 to 1,600, meeting the needs of the local community.

Capital Markets Sales & Distribution: In 2023, NBB acted as the hedge coordinator on a sustainability-linked interest rate swap, the first of its kind in Bahrain for a strategic Government-related entity. The interest rate swap hedges part of the client's interest rate exposure and links the hedged rate to certain sustainability-based KPIs, strengthening its sustainability efforts while managing risks arising from shifts in interest rates.

Financial Inclusion

Aligning with Bahrain's financial vision for 2030, NBB aims to make financial services accessible and affordable for all citizens, including under-represented groups. The Bank does this through a combination of financial literacy initiatives and an ever-expanding range of products and services.

A. Financial Literacy Initiatives

Launched in 2021, NBB's Financial Literacy Initiatives are designed to spread financial awareness throughout the community, especially to underrepresented groups such as youth, migrants, people on lower incomes, and small business owners. The initiatives use webinars and social media to share basic financial advice and knowledge of the range of banking solutions available and how to make best use of them.

The Financial Literacy Initiatives are divided into four categories:

1. Corporates and SMEs
2. Retail Customers
3. Individuals
4. Other educational organisations

NBB has held financial literacy sessions on a wide range of topics and frequently partners with non-profit organisations, charities, societies and other organisations on financial literacy initiatives. In addition, NBB's new Yalla Family Banking forms part of the Bank's financial literacy initiatives, as it enables partners and legal guardians to teach children basic financial literacy and banking knowledge through an engaging and secure digital experience. The initiative aligns with NBB's vision of fostering financial literacy and responsibility among younger users while providing parents with tools to monitor and guide their children's financial activities and behaviour.

The Bank held the following sessions in 2024:

- Two sessions were delivered for the Evolve summer internship
- Two sessions were delivered for Ministry of Education & Ministry of Youth Affairs to educate 20 gifted students on local finance and regulations
- One session was delivered for Ithra with AlMabarrah AlKhalifia Foundation on cybersecurity, financial literacy, and introduced NBB Card for kids

B. Financial Inclusion Products and Services

NBB also fosters financial inclusion by designing products to meet the needs of specific groups, such as women, young people, or people of determination. The introduction of the new retail business banking in 2024 helped to improve the overall banking experience for non-profit organisations, sports and social clubs, and charities, which are traditionally underserviced segments.

Examples of these include:

- Yalla Family Banking, which now includes customers of all ages, enabling them to benefit from banking services in a way that is relevant to them
- AlGhalya Credit Card for female customers
- Card feature for visually impaired customers

Retail Banking Financial Inclusion		
	Number of branches in low populated and economically disadvantaged areas	Number of ATMs in low populated and economically disadvantaged areas
2022	N/A	6
2023	1	5
2024	**1**	**5**

Digitalisation

Digital transformation is critical to NBB's mission to develop superior banking solutions and deliver an unparalleled experience across all operations. In recent years, NBB has focused on upgrading its digital infrastructure to enhance operational efficiency while rolling out new customer facing portals. A clear example of NBB's commitment to continuously upgrade its digital infrastructure can be seen in the decision taken in 2024 to build a new state-of-the-art Data Centre on its own premises, which has resulted in many benefits, including cost and energy savings.

To ensure digital transformation is considered at Board level, NBB established the Digitalisation Committee in 2021 to supervise and advise on matters relating to the digital strategy and its implementation, as well as to monitor associated risks.

NBB Group's short-term plans in technology and innovation focus on enhancing customer experience and operational efficiency. This includes launching new digital products such as online loan origination, dynamic customer card issuance, and digital optimisation of in-branch experiences and back-office processes.

In the medium to longer term, NBB aims to further commercialise existing digital investments and offer enhanced digital channels for prioritised customer segments in each market. The Group plans to identify digital-native or global players for partnering in KSA and UAE based on a 'Banking-as-a-Service' model. Additionally, NBB intends to explore viable business models for digital disruptors and further modernise its internal tech infrastructure to support and protect the Bank's operations.

Overall, NBB's strategy emphasises leveraging technology and innovation to drive growth, improve customer experience, and enhance operational efficiency while maintaining a strong focus on security and compliance.

NBB Group has implemented several key initiatives to enhance technology and innovation within the organisation. These initiatives focus on improving IT systems, investing in innovative products and services, and digitalising processes to drive growth and efficiency.

While digitalisation is considered strategically at the Group level, many initiatives are implemented at the Business Unit level. The following is a list of major initiatives introduced or completed at NBB in 2024.

A. Retail Banking

Retail Banking's digitalisation strategy remains focused on being customer-centric and providing digital solutions that cater to the needs of today's customers. The unit is continuously evaluating new services related to evolving digital payment solutions, the digital lending space, and investment products that complement existing offerings.

Key Launches in 2024

In 2024, Retail Digital Banking launched several innovative services:

1. Thara'a Prize Account instant opening
2. In-App secure authentication
3. Digital Personal Loans
4. Credit Card Digital instant issuance
5. Yalla Family Banking
6. Points by NBB
7. KYC Update

Our Relationship Capital continued

Points by NBB: Points by NBB, the rewards system for NBB's digital banking customers, continues to drive engagement in the Bank's digital services. In 2024, 16% of all digital banking customers. Points by NBB continues to grow within the market by introducing new relevant loyalty personalized initiatives and merchant offers targeting new segments, such as Yalla Family Banking customers.

Campaigns and Promotions: In addition, NBB launched a summer campaign to encourage customers to spend locally and earn additional bonus points. A back-to-school campaign was also launched with partners to reward customers with additional Points by NBB and discounts from partners such as GulfAir.

KYC Update: The Bank revamped and launched a new KYC update digital experience where customers can update their KYC details upon request without the need to visit the branch. This is also integrated with the Kingdom's eKYC portal, Wathiq

Security Enhancements: In 2024, Retail Banking introduced several security enhancements to ensure an optimal customer experience. By leveraging the latest digital solutions, such as identity verification (IDV) capabilities, we have further streamlined the customer experience, making it easier and more convenient for users to manage their banking needs securely. These advancements provide a seamless and secure environment, allowing customers to conduct their banking activities with confidence and ease.

This comprehensive approach ensures that Retail Banking remains relevant and accessible to customer segment and needs and at the forefront of digital innovation, continuously providing customers with secure, convenient, and engaging banking experiences.

	Retail Banking Digitalisation		
	2022	2023	2024
Annual increase in digitally registered customers	27%	23%	**23%**
% increase in new to bank customers onboarded digitally	147%	44%	**84%**
% increase in number of credit and pre-paid cards sold digitally		38%	**62%**
% increase in registered on digital payment wallets	-	122%	**25%**
% increase in digital wallets number of transaction	-	-	**40%**
% increase in digital wallets spent	-	-	**22%**
% increase of number of retail transactions made through mobile app	106%	85%	**39%**
Retail end-to-end products and services offered digitally in %	24%	32%	**42%**

	Retail Banking Points by NBB	
	2023	2024
Percentage of digital banking users attracted by Points by NBB (%)	15%	16% of all Digital Banking customers
Percentage of prepaid and credit card users attracted by Points by NBB (%)	38%	**39%**

B. Corporate and Commercial Banking (CCB)

DigiCorp: CCB's digitalisation strategy focuses on positioning DigiCorp as an advanced digital platform that empowers businesses with state-of-the-art solutions to streamline daily operations and unlock additional capabilities. Through tailored demonstrations, the unit emphasise DigiCorp's potential to address current business challenges and drive operational efficiency.

Moreover, NBB is committed to evolving the platform in line with customer needs. The DigiCorp platform can be customised according to the needs of each corporate customer to ensure seamless digital solutions.

	Corporate Digitalisation	
	Percentage increase in digitally processed transactions (%)	Percentage increase in corporate clients on-boarded (%)
2022-2023	6.5%	20%
2023-2024	**3.2%**	11%

Our Relationship Capital continued

C. Markets and Client Solutions

DigiCorp: This new platform builds on the legacy of the Bank's previous Business Online Banking (BOB) platform, which has served customers since 2012. In 2024, the unit completed the migration of all customers from BOB to the new DigiCorp Platform. The migration has already delivered a host of benefits with many more anticipated in 2025. Designed with the future of business in mind, NBB DigiCorp offers a suite of innovative features and functionalities to allow corporate banking customers to manage their finances with greater efficiency, security, and convenience. The new platform builds on the legacy of the Bank's previous Business Online Banking (BOB) platform, which has served customers since 2012.

Non-retail customers are able to download IBAN certificates and request audit confirmation reports online using DigiCorp, without the need to visit an NBB branch or send a paper request. Additionally, the UI/UX of the platform provides a seamless and efficient way to conduct daily business financial transactions with the least number of clicks. Starting in 2025, the unit will focus on digitalising trade finance applications through DigiCorp.

DigiConnect: NBB also launched NBB DigiConnect (Host to Host solution) which can be used by customers to automate the payment and reconciliation process to improve efficiencies.

Enterprise Liquidity Management Solution (ELMS): NBB launched the Enterprise Liquidity Management Solution (ELMS) for Corporate and SME customers, enabling them to optimise their balances and pool funds from different accounts and manage daily liquidity, all in one place. This process will reduce mundane operational tasks associated with manual transfers. ELMS will give NBB a competitive edge among peers as open banking gets fully implemented.

Electronic Trading Platform The unit also successfully implemented the Electronic Trading Platform which provides clients with automatic pricing, enabling them to receive real-time quotes, transfer foreign currencies, and execute trades swiftly and efficiently. Additionally, ET ensures NBB's positions are optimally managed, reducing risks. The services were extended to NBB UAE and the Bank is in the process of extending it to KSA & BisB.

NBB GO: NBB launched NBB GO, an innovative SoftPos (Software based Point of Sale) solution, that offers an extensive range of features including geolocation and transaction limit control. NBB GO supports PIN-based transactions within the Payment Scheme Certification, making it a secure and reliable choice. The solution is targeted at SMEs to enable them to efficiently transform their Android mobile phones into a POS to accept card payments from their end-clients.

Unified Payment Solution partnership: In 2024, NBB expanded the Unified Payment Solution partnership with the Information & eGovernment Authority (IGA) to offer Government entities single checkout payment services. Using NBB's Unified Payment Solution, the IGA and Nationality Passport & Residence Affairs (NPRA) has introduced the new Bahraini Passport issuance service on NPRA Mobile Application. Currently, the Unified Payment Solution is available for Benayat Services, Al Tajir Mobile App, and Municipalities.

Virtual Account Management Solution (VAM): In 2025, the unit plans to launch Virtual Account Management Solution(VAM) as another key initiative. NBB is also exploring partnership with a Fintech to be able to issue letters of guarantee through digital means instead of traditional paper issuance, thus enabling Clients to submit their guarantee requests digitally and thereby offering a and more efficient and eco-friendly process.

Trade Supply Chain Finance: NBB has also introduced a Trade Supply Chain Finance offering, which will help boost liquidity and working capital in the Corporate supply chain.

	Markets and Client Solutions Digitalisation	
	Percentage increase in digitally processed transactions (%)	Percentage increase in corporate clients on-boarded (%)
2022-2023	9.0%	18.0%
2023-2024	**2.4%**	**10.0%**

D. Private Banking

The unit's focus in 2024 was to further promote automated transactions in line with the Bank's Digital First objectives, especially to strategic key clients in the Government sector which are among the largest employers in the Kingdom.

In 2024, the unit focused on promoting automated transactions in line with the Bank's Digital First objectives, targeting key clients. Support was provided to onboard clients under this unit onto the NBB DigiCorp platform. This initiative significantly reduced time and operational resources, enhanced customer convenience, and increased the Bank's potential to migrate other large employers to digital channels.

	Private Banking Digitalisation	
	2023	2024
Percentage of Private Banking customer base registered for digital channels (%)	39%	**42%**

Other Digitalisation Initiatives

NBB has also introduced an innovation framework to pilot emerging technologies, fostering a culture of continuous improvement and adaptation. These initiatives collectively aim to enhance customer experience, drive growth, and maintain a competitive edge in the market.

Additionally, NBB has adopted a new strategy to enable FinTechs regionally by providing them with infrastructure access to Bahrain, KSA, and the UAE with the introduction of virtual account management solutions which entails Virtual IBANs, forex services, access to domestic and international payment railways, BIN sponsorship to issue prepaid cards, and payments acceptance (in Bahrain). These solutions will enable FinTechs to launch their innovative products seamlessly to three markets through a single point of integration.

Customer Relations

NBB has established a reputation as a market leader thanks to its track record of building and maintaining strong customer relationships. The Bank strives to understand customer needs and consistently meet their expectations, delivering customer satisfaction across all interactions, whether in person or online.

NBB's Code of Conduct requires NBB employees to communicate in a fair and transparent manner with customers and ensure that the information provided is accurate. All client-facing employees undergo a Financial Advice Programme which covers, among other topics, regulations in Bahrain regarding investment advice and ethics for financial advisors. The training covers transparency about product features, information on product costs and risks, and products matching the risk appetite and situation of the customer.

NBB monitors sales practices through regular monitoring of grievances and through mystery shopping. Additionally, ethical business conduct constitutes part of the sales metrics that determine the employees' performance.

Retail banking financing products are criteria driven and any rejection in case of not meeting the criteria is immediately communicated to clients.

	Customer Data		
	2022	2023	2024
% growth of total number of Customers*	10.90%	5.08%	**6.61%**
Total number of ATMs	96	91	**85**
Total number of Retail CDMs	37	26	**25**
Total Number of Corporate CDMs	26	38	**39**
POS Terminals	2,453	2,609	**2,472**
Branches	21	21	**20**
Interactive Teller Machines	3	3	**4**

*Note: * Retail Banking*

Assessing Customer Risks

NBB assesses the risks associated with customer relationships, taking factors such as creditworthiness, transaction history, and industry trends into consideration. The Bank leverages credit scoring models, financial analysis, and other risk assessment tools to evaluate the potential impact of a customer's financial health on the Bank's overall risk profile.

NBB also manages the diversification of its customer portfolio to spread risk across different industries and sectors and closely monitors market trends and economic indicators to anticipate potential risks associated with specific industries or regions. The Bank also adapts risk management strategies in response to evolving market conditions and emerging risks.

In addition, NBB has robust processes in place to ensure compliance with local and international regulations so that all customer relationships adhere strictly with legal requirements.

	Incidents of non-compliance concerning the health and safety impacts of products and services		
	Incidents of non-compliance with regulations that resulted in a fine or penalty	Incidents of non-compliance with regulations that resulted in a warning	Incidents of non-compliance with voluntary codes
2022	0	0	0
2023	0	0	0
2024	**0**	**0**	**0**

Measuring Customer Satisfaction

NBB measures customer satisfaction in a variety of ways including conducting internal customer surveys, using third parties to conduct independent customer research, and gathering insights through the Bank's complaints handling procedure. NBB analyses the feedback gathered not only to assess customer satisfaction levels but to identify areas for improvement and enhance the overall customer experience.

In addition, the Bank launched another initiative to introduce QR codes across its branches to enable customers to provide feedback. The data gathered further enhances NBB's ability to gauge customer satisfaction levels across all branches, with the information transmitted to a live dashboard that shows the Net Promoter Score (NPS).

	Customer Satisfaction Data		
	2022	2023	2024
Customer Satisfaction Index	74%	79%	79%

Complaints Management

At NBB, we recognise the importance of our customers' right to submit complaints and view them as valuable feedback and opportunities to enhance our customer service. We are dedicated to ensuring customer satisfaction and addressing our customers' feedback in the most efficient manner possible. Our approach is structured through our Policy and Procedures on Complaints Management, which are designed to ensure that we address concerns promptly and consistently, in accordance with the Central Bank of Bahrain guidelines.

To fulfill our objectives and for our customers' ease, we have established a detailed Customer Complaints Procedures Guide that is easily accessible to all our customers through our NBB Branches Network and Website. The Customer Complaints Procedures Guide provides clear instructions on how customers can submit their complaints to us through various channels, ensuring a smooth and transparent process. During our complaint redress process, we ensure to keep customers informed about the status of their complaint investigations as we conduct thorough investigations to understand the underlying root causes and take corrective measures for any required enhancements. We ensure that our customers are well-informed about their rights. Our Customer Complaints Procedures Guide provides our customers with clear guidance on how to proceed with an appeal in case they are not satisfied with the complaints redress process and outcome:

Below is a table that illustrates our complaints management statistics:

Annual Customer Complaints Statistics	2021	2022	2023	2024
* Number of Complaints as per CBB report	8	8	16	**11**
** Customer Complaints Response Rate as per Regulatory TAT	100%	100%	100%	**100%**

** Number of Complaints: The number of complaints per year represents the figures illustrated in the CBB Quarterly Reports issued throughout the year.*

*** Regulatory Turnaround Timeframe (TAT): The TAT is 5 working days for acknowledging customer complaints and 30 calendar days for responding to these complaints, explaining the Bank's position on the redress process and/or how NBB proposes to deal with each complaint case.*

Protecting Customer Privacy

As detailed in the section on Data Security page 48, NBB is fully committed to safeguarding customer privacy and has robust systems in place to prevent any loss or leakage of confidential data.

Sustainable Supplier Relations

NBB acknowledges the important role that sustainable procurement can play in the Bank's overall commitment to sustainability. For this reason, ESG-related considerations are integrated into procurement processes, specifically pertaining to environmental as well as health and safety factors. As per its Human Rights Policy, NBB engages exclusively with third parties that respect human rights as well as applicable labour laws.

All requirements - including compliance obligations, competence expectations, and control measures - are clearly communicated to potential vendors and NBB conducts due diligence to assess the vendors' ability to meet these requirements. Furthermore, the Bank monitors performance to ensure ongoing compliance with ESG criteria.

NBB has identified risks associated with integrating ESG criteria into its procurement processes, including potential supply chain disruptions, increased procurement costs for meeting ESG standards, and challenges in measuring and verifying ESG impact. However, to mitigate these risks, the Bank conducts regular performance monitoring and reviews.

NBB's Supplier Code of Conduct Statement is accessible via its website.

Local Procurement

NBB supports the local economy and reduces operations risks by sourcing products and services locally wherever possible. The fully digitalised procurement process produces time and cost efficiencies while encouraging local suppliers to digitalise their operations. In 2024, 84% of the Bank's total procurement spend was on local suppliers.

	Bahrain Operations		
	2022	2023	2024
Total number of suppliers engaged	416	318	**382**
Total number of local suppliers engaged	321	235	**284**
Percentage of local suppliers hired	77%	74%	**74%**
Total number of SME suppliers engaged	128	155	**186**
Total number of women-owned suppliers engaged	35	51	**65**
Total procurement spending (BHDm)	40	43	**44**
Procurement spending on local suppliers (BHDm)	32	36	**37**
Percentage of spending on local suppliers (%)	80%	84%	**84%**
Number of suppliers assessed against sourcing code of conduct	272	308	**372**
Percentage of suppliers who comply with the company's code of conduct and compliance assessment mechanism (%)	65%	97%	**97%**

	Overseas Operations (Riyadh)		
	2022	2023	2024
Total number of suppliers engaged	88	88	**93**
Total number of local suppliers engaged	69	67	**69**
Percentage of local suppliers hired	78%	76%	**74%**
Total procurement spending (BHDm)	2.46	3.07	**2.81**
Procurement spending on local suppliers (BHDm)	2.23	2.85	**2.64**
Percentage of spending on local suppliers (%)	91%	93%	**94%**

Note: Currently overseas operations in Riyadh, are not assessing suppliers against sourcing code of conduct. NBB is working towards implementing this practice in its overseas operations in alignment with the existing practice in Bahrain operations. Data for overseas operations Abu Dhabi are currently not available and will be disclosed in future reports.

Our Human Capital

Our Commitment

Sustainability Pillars
- Nurturing our Workforce

Material Topics
- Workforce Wellbeing
- Equal and Fair Opportunity
- Talent Attraction, Engagement and Retention
- Training and Development

Policies
- Youth Employment Support Policy Statement
- Human Rights Policy
- Equal Opportunity Policy
- Diversity and Inclusion Policy
- Group Health and Safety Policy
- Code of Conduct
- Human Resources and Talent Management Policy
- Nationalisation Policy

Our Alignment

Bahrain Vision 2030

أهداف التنمية المستدامة البحرين
BAHRAIN SDGs 2030

- Robust economic growth that benefits the people
- A just, thriving society

GRI Standards

GRI 2 - General Disclosures
GRI 202: Market Presence
GRI 401: Employment
GRI 403: Occupational Health and Safety
GRI 404: Training and Education
GRI 405: Diversity and Equal Opportunity
GRI 406: Non-Discrimination
GRI 410: Security Practices

SDGs

1, 3, 4, 5, 8, 10, 13

Please note, in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, NBB is providing the following restatement of information: Some previously reported Human Capital figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published.

Our Human Capital

NBB has a long-established reputation as an employer of choice in the Kingdom of Bahrain. Since 2021, NBB has been awarded the 'We Invest in People' Gold accreditation from Investors in People, a UK-based, non-profit accreditation body, making NBB the first bank in the GCC and MENA region to achieve this status. The accreditation recognises NBB for its leadership, empowering approach and its creation of progress and development opportunities for its workforce.

The Group attracts the country's best and brightest talents and supports them with the training and development opportunities they need to advance their careers in the banking sector.

NBB employees get to work in a challenging, stimulating, and rewarding environment. The Bank has created a culture that celebrates diversity, prioritises the health and wellbeing of all employees, and offers a workplace where everyone can thrive professionally.

Talent Management, Engagement and Retention

Attracting and retaining the finest talent is essential to drive business growth and success and safeguard the Bank's long-term stability and continuity. As per the Human Resources and Talent Management Policy, NBB adopts a rigorous approach to recruiting the strongest candidates to fill positions at every level of the organisation.

The Group attracts candidates with highly competitive remuneration and benefits packages, which include:

- Life Insurance
- Health Care
- Disability and Invalidity Coverage
- Annual, Parental and Compassionate Leave
- Retirement Provision
- Flexible Working Hours
- Children's Education Allowance

In 2024, NBB introduced a series of additional benefits to enhance work-life balance and support employees through significant personal issues.

These include:

- Medical and High-Risk Pregnancy Support
- Paternity Leave
- Grandparent Leave
- Child Vaccination Leave

As part of NBB's commitment towards nurturing Bahraini fresh graduates and efforts towards empowering the next generation by investing in developing their employability skillset, NBB collaborates with universities and continues to actively participate in careers fairs to establish an early pipeline of talent through introducing job training opportunities through the NBB Thrive programme, a six-month on job training programme which provides interns with full-time job scope to gain real word experience. These are prerequisite trainings for students to meet their graduation requirements and complement their academic studies practical experience opportunities.

INVESTORS IN PEOPLE Gold

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

Our Human Capital continued

Total Employees (Gender)	Female	Male	Total	Female %	Male %
2022	318	519	837	37.99%	62.01%
2023	326	540	866	37.64%	62.36%
2024	**326**	**533**	**859**	**37.95%**	**62.05%**

Note: All NBB employees are full-time employees (with working hours defined according to national law or practice) representing 100% of the total workforce. Data for contractors and consultants under BGG S5 is currently not available; this employment group is not included in NBB's employee headcount therefore not representing a percentage of total the workforce.

Total Employees (Age group)	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	206	548	83	24.61%	65.47%	9.92%
2023	186	606	74	21.48%	69.98%	8.55%
2024	**153**	**629**	**77**	**17.81%**	**73.22%**	**8.96%**

Total Employees (Employment Category)	Non-Management (Staff)	Middle Management	Senior Management	Non-Management (Staff) %	Middle Management %	Senior Management %
2022	537	266	34	64.16%	31.78%	4.06%
2023	506	322	38	58.43%	37.18%	4.39%
2024	**492**	**328**	**39**	**57.28%**	**38.18%**	**4.54%**

Interns and Trainees (Gender)	Female	Male	Female %	Male %
2024	44	31	58.67	44.33

Note: Interns and Trainees are not included in employee headcount therefore not representing a percentage of the total workforce.

Our Human Capital continued

Total Employees (By Location)	Bahrain	KSA (Riyadh)	UAE (Abu Dhabi and Dubai)
2022	772	29	36
2023	791	31	44
2024	**774**	**36**	**49**

Total New Hires (Gender)	Count		New Hire Rate (%) New Hires as a % of their respective workforce group		Proportion of New Hires by Gender (%) Gender Breakdown within Total New Hires	
	Female	Male	Female%	Male%	Female%	Male%
2022	54	76	16.98%	14.64%	41.54%	58.46%
2023	40	75	12.27%	13.89%	34.78%	65.22%
2024	**20**	**35**	**6.13%**	**6.57%**	**36.36%**	**63.64%**

Note: All new hires are full-time employees.

Total New Hires (Age Group)	Count			New Hire Rate (%) New Hires as a % of their respective workforce group			Proportion of New Hires by Age Group (%) Gender Breakdown within Total New Hires		
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	67	55	8	32.52%	10.04%	9.64%	51.54%	42.31%	6.15%
2023	60	48	7	32.26%	7.92%	9.46%	52.17%	41.74%	6.09%
2024	**26**	**25**	**4**	**16.99%**	**3.97%**	**5.19%**	**47.27%**	**45.45%**	**7.27%**

Note: All new hires are full-time employees.

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

Our Human Capital continued

Total Employee Turnover (Gender)	Count		Turnover Rate (%) Employee Turnover as a % of their respective workforce group		Proportion of Employee Turnover by Gender (%) Gender Breakdown within Total Employee Turnover	
	Female	Male	Female%	Male%	Female%	Male%
2022	24	48	7.55%	9.25%	33.33%	66.67%
2023	30	56	9.20%	10.37%	34.88%	65.12%
2024	**20**	**42**	**6.13%**	**7.88%**	**32.26%**	**67.74%**

Note: Including voluntary and involuntary turnover. All turnovers are full-time employees.

Total Employee Turnover (Age Group)	Count			Turnover Rate (%) Employee Turnover as a % of their respective workforce group			Proportion of Employee Turnover by Age Group (%) Gender Breakdown within Total Employee Turnover		
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	34	31	7	16.50%	5.66%	8.43%	47.22%	43.06%	9.72%
2023	20	50	16	10.75%	8.25%	21.62%	23.26%	58.14%	18.60%
2024	**19**	**33**	**10**	**12.42%**	**5.25%**	**12.99%**	**30.65%**	**53.23%**	**16.13%**

Note: Including voluntary and involuntary turnover. All turnovers are full-time employees.

Employee Turnover and Hire Rate	Employee Turnover %	Total Hire Rate %
2022	8.60%	15.53%
2023	9.93%	13.28%
2024	**7.22%**	**6.40%**

Note: Including voluntary and involuntary turnover. All turnovers and new hires are full-time employees

Our Human Capital continued

Performance Management

Performance Management serves as a vital tool to align individual employee objectives with overall bank-wide objectives, ensuring a unified and strategic approach to achieving organisational success and plays a critical role in the Group's succession and continuity planning. NBB has a well-designed reward management approach which plays a crucial role in motivating employees to excel and sustain high performance by recognising and rewarding their achievements, resulting in fostering engagement, enhancing job satisfaction, and encouraging a culture of continuous improvement and commitment to organisational goals. To reinforce its commitment to advancing its sustainability journey, the Bank has embedded mandatory sustainability KPIs for managers and integrated these into the Bank's annual reward management system.

Total Percentage of Employees receiving regular performance reviews		
	Female %	Male %
2022	100%	100%
2023	94%	94%
2024	**95%**	**96%**

Note: Those who have joined the Bank in Quarter 4 2024 are not included in the performance cycle

Employee Engagement

NBB engages its employees through a variety of initiatives, including town hall meetings, social gatherings, sporting activities, and employee recognition awards.

The Bank launched the 'Group CEO Awards' in 2023 to recognise exceptional individual contributions to NBB's culture of excellence, creativity, commitment, quality, and leadership. Every quarter, NBB hands out the 'Group CEO Award for Living our Values' and 'Group CEO Award for Excellence'.

In addition, NBB conducts regular employee surveys to measure engagement and satisfaction levels, with feedback used to enhance various employee engagement processes. NBB's employee satisfaction and engagement levels are above 80%.

Employee Engagement		
	Employee Engagement Score (%)	Employee Satisfaction Score (%)
2022	83%	89%
2023	81%	81%
2024	**80%**	**80%**

Equal and Fair Opportunity

NBB is committed to the prohibition of child and forced labour in all its operations and supply chains. As a proud signatory of the United Nations Global Compact, the Bank upholds the pact's principles alongside the International Labour Organization (ILO) conventions, ensuring compliance with local and international laws to safeguard human rights and dignity at work.

Furthermore, NBB's Human Rights Policy ensures the Group respects and promotes human rights across all aspects of its business., aligning the Bank's practices with the UN human rights principles, ensuring fair treatment and the protection of fundamental rights for all stakeholders.

NBB's Equal Opportunities Policy is aligned with the ILO Convention No. 111 on non-discrimination in employment and occupation. In alignment with the Global Compact, the Bank is committed to fostering an inclusive workplace that ensures equality of opportunity and treatment for all employees, while maintaining a zero-tolerance approach to discrimination, harassment, and workplace misconduct, in full compliance with local legal and regulatory requirements.

NBB's commitment to the above principles is incorporated in its Group HR Policy and NBB's Code of Conduct, providing a framework for all directors, officers and employees to observe the highest standards of integrity and fairness in their dealings with customers, regulators and other stakeholders.

NBB's Human Rights Policy, Equal Opportunities policies Statement are accessible via NBB's website.

Our Human Capital continued

Total Employees by Job Category and by Gender						
	Non-Management (Staff)		Middle Management		Senior Management	
	Male	Female	Male	Female	Male	Female
2022	53.07%	46.93%	75.94%	24.06%	94.12%	5.88%
2023	53.36%	46.64%	72.98%	27.02%	92.11%	7.89%
2024	**52.24%**	**47.76%**	**72.87%**	**27.13%**	**92.31%**	**7.69%**

Total Employees by Job Category and by Age Group									
	Non-Management (Staff)			Middle Management			Senior Management		
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2022	36.69%	57.36%	5.96%	3.38%	82.33%	14.29%	0.00%	61.76%	38.24%
2023	33.99%	62.06%	3.95%	4.35%	81.99%	13.66%	0.00%	73.68%	26.32%
2024	**28.86%**	**66.46%**	**4.67%**	**3.35%**	**84.15%**	**12.50%**	**0.00%**	**66.67%**	**33.33%**

	Total number of incidents of discrimination
2022	0
2023	0
2024	**0**

	Total number of incidents of harassment
2022	0
2023	0
2024	**0**

Our Human Capital continued

Nationalisation

NBB is proud to be one of the largest employers of Bahraini nationals and to support the Bahrain 2030 Vision to reduce unemployment and build local capabilities.

The Bank is a major recruiter of fresh graduates and offers valuable work experience through its internship schemes, which may lead to offers of full-time employment.

NBB Bahrain employed a total of 730 nationals at the end of 2024 with a Bahrainisation rate of 94.32%.

The following data on Bahraini nationals pertains to NBB Bahrain only (excluding overseas branches)

Number of Bahraini employees			
	Female	Male	Total
2022	293	439	732
2023	297	454	751
2024	**293**	**437**	**730**

Percentage of Bahraini employees (%)		
	Female %	Male %
2022	99.32%	92.03%
2023	99.00%	92.46%
2024	**98.99%**	**91.42%**

Number of Bahraini employees			
	Non-Management (Staff)	Middle Management	Senior Management
2022	499	207	26
2023	469	252	30
2024	**452**	**249**	**29**

Percentage of Bahraini employees (%)			
	Non-Management (Staff) %	Middle Management %	Senior Management %
2022	99.01%	87.71%	81.25%
2023	99.15%	89.36%	83.33%
2024	**99.12%**	**88.30%**	**80.56%**

Bahrainisation Rate	
2022	94.82%
2023	94.94%
2024	**94.32%**

Bahraini Student Internships	
2022	162
2023	186
2024	**75**

Female Empowerment

Female empowerment is an important aspect for the Bank and the Group has achieved considerable success in its efforts to attract and retain female talent thanks to various initiatives.

NBB offers benefits for working mothers such as paid maternity leave, flexible working hours, and remote working opportunities. New mothers can choose from a range of flexible options including remote working, on either a full-time or a part-time basis, for up to six months from the end of their maternity leave. In addition, NBB has onsite nursing rooms for mothers that have returned to work.

Women currently represent 37.9% of all employees at NBB, in line with previous years.

Our Human Capital continued

People of Determination

NBB is a major advocate for supporting more people of determination to enter the workforce. As an example, the Group's collaboration with the Bahraini Society of Down Syndrome has resulted in a number of hires in recent years. In 2024, NBB had a total of eight employees with disabilities, split evenly by gender.

Number of Employees with Disabilities			
	Female	Male	Total
2022	3	3	6
2023	4	4	8
2024	**4**	**4**	**8**

Youth Employment

NBB has a responsibility to nurture the next generation of Bahraini finance professionals and provides plenty of opportunities for local youth through its internship and employment programmes. The Bank accommodates at least 40 graduates annually on its Evolve Internship Programme, the best of which could be eligible for permanent employment.

NBB also collaborates with universities and participates in careers fairs to establish an early pipeline of talent through the NBB Thrive programme, a six-month training programme that provides interns with real word experience. These are prerequisite trainings for students to meet their graduation requirements and complement their academic studies.

Workforce Wellbeing

NBB prioritises the health, safety and wellbeing of all employees as well as its customers, visitors, contractors and tenants. The Bank is committed to preventing work-related injuries and illnesses and lower employee absentee and turnover rates.

To ensure that workplace health & safety risks are adequately controlled, NBB has a Group Health & Safety Policy, developed in line with applicable regulations and international best practices, including guidelines issued by the World Health Organisation (WHO), and was the first bank in the GCC to become ISO 45001 (OH&S management system) certified.

Furthermore, the Bank ensures that relevant staff receive appropriate health & safety training and that all staff are made aware of processes and procedures. NBB has a dedicated health and safety team which oversees health & safety management.

A cross-section of NBB employees and contractors is trained in first aid by the Paramedics Academy in association with the American Safety & Health Institute, and there is at least one trained member of staff at every NBB branch, operational location, and floor at headquarters. In addition, at least one member of staff is trained as a Fire Marshal at every branch, operational location and every floor at headquarters.

NBB conducted the following health and safety training sessions in 2024:

E-Learning

Health & Safety Awareness 2024 (this is a mandatory training awareness session).

Virtual Webinars

Situational Awareness conducted in July and First Aid Awareness conducted in May 2024. Both trainings open for employees to voluntarily attend.

Physical Trainings

First Aid Training: conducted for three batches on 2, 3 and 5 October 2024 (Open for employees to voluntarily attend).

Fire Marshal Training: Conducted for three batches on 6, 7, and 12 October 2024 (Open for employees to voluntarily attend).

In addition, to promote health, safety and mental wellbeing across the organisation, NBB organises awareness sessions for employees. In 2024, the Bank delivered numerous sessions including, but not limited to, the following:

- *Health & Safety Awareness 2024*
- *Manage Stress Before it Manages You*
- *Stress Management*
- *First Aid Awareness*
- *Situational Awareness*
- *Emotional Intelligence*

Our Human Capital continued

Work-related injuries employees					
	Number of Fatalities	Number of lost-time injury	Number of high-consequence work-related injury	Number of recordable work-related injury	Lost Days due to Injuries
2022	0	0	2	2	0
2023	0	3	1	4	91
2024	0	0	0	0	0

Work-related ill health employee			
	Number of Fatalities as a Result of Work-Related Ill Health	Number of Cases of Recordable Work-Related Ill Health	Lost Days due to Ill-health
2022	0	0	0
2023	0	0	0
2024	0	0	0

Work-related injuries non-employees					
	Number of Fatalities	Number of lost-time injury	Number of high-consequence work-related injury	Number of recordable work-related injury	Lost Days due to Injuries
2022	0	0	0	0	0
2023	0	0	0	0	0
2024	0	0	0	0	0

Note: Workers who are not employees are those who perform work for the organisation but are not directly employed. Examples include contractors, volunteers.

Work-related ill health non-employees			
	Number of Fatalities as a Result of Work-Related Ill Health	Number of Cases of Recordable Work-Related Ill Health	Lost Days due to Ill-health
2022	0	0	0
2023	0	0	0
2024	0	0	0

Note: Workers who are not employees are those who perform work for the organisation but are not directly employed. Examples include contractors, volunteers.

Our Human Capital continued

Professional Development & Empowerment

NBB continually invests in training and development to ensure employees are equipped with the knowledge and skills to meet performance expectations and support the achievement of the Bank's strategic goals.

Through the performance management system, line managers identify learning needs for their subordinates and set training programmes and objectives accordingly.

Training and development programmes cover all employee categories, from fresh graduates to senior management, and include structured programmes as well as tailored plans. NBB's training initiatives are categorised as follows:

1. *Internal Training Programmes:* Customised in-house training sessions tailored to specific roles and skills.
2. *External Training:* Opportunities to attend industry conferences, seminars, professional certifications and courses outside the organisation.
3. *E-Learning:* Access to a comprehensive e-learning library (HR HUB, LinkedIn Learning, Lumofy) with courses on various topics.
4. *Training Academies:* Structured programmes that provide in-depth training on specific subjects or skills.
5. *Monthly Virtual Calendar:* An interactive calendar circulated on a monthly basis consisting of webinars from internal department and external vendors on various topics related to departmental updates, policies, procedures, market trends, launch of new products and initiatives and wellbeing related topics.
6. *Board & Executive Management Training:* Trainings specifically designed and catered towards NBB's & BisB's Board & Executive Management to enhance their skills and knowledge. These programmes cover essential areas like corporate governance, strategic planning, risk management, leadership, stakeholder engagement, and board diversity.

The Bank runs the following structured management training programmes designed to accelerate careers:

Training and Development Programmes		
Programme	Description	Employees completed in 2024
Rise Programme	The Rise Programme, developed in partnership with international training consultants, seeks to enhance the participants' ability to become potential leaders by offering opportunities outside the scope of their regular job. Employees are given the opportunity to participate and add value to the bank by taking part in projects that were identified as having a potentially significant impact at work	38 group employees completed their final presentations in 2024.
Leadership and Management Training	Enhancing the Leadership and Management training by targeting employees across all divisions within the bank to improve the culture and productivity through the utilization of BIBF levy offerings	194 employees completed 270 Leadership & Management Courses from BIBF levy offerings

HR Hub

In 2023, NBB launched HR Hub, a digital platform to manage all employee affairs including their KPIs, appraisals, personal information and training programmes. The platform offers almost 10,000 training programmes covering a wide variety of topics, ranging from technical courses to leadership courses. These are available and accessible to all employees within the organisation.

Additionally, all employees are mandated to complete trainings on the following topics

- Sustainability Awareness 2024
- Anti-Money Laundering
- Financial Crime
- Health and Safety
- Cyber Security

Further examples of sustainability-related courses NBB offers include:

- Impact of Sustainability on Financial Accounting & Reporting
- ESG & Sustainability (for Board Members and Executive Management)
- Green Crimes - Impact on AML/CFT
- Sustainable Digital Innovation
- NBB's Sustainability Journey
- Intro to ESG and its importance in the Banking Sector
- Climate Change Fundamentals

ESG Academy

In 2024, NBB also launched the ESG Academy which is a collaboration between the Sustainability Working Group and HR to provide sustainability and ESG specific trainings. New trainings introduced in 2024 include a full week programme of customised trainings that cater to different departments. The Academy covers the following categories and courses.

- ESG Risk Management & Integration
- ESG Treasury Strategies & Risk Evaluation
- Sustainable Business Practices & Financing
- ESG Communication & Reporting Excellence
- ESG Governance & Compliance Oversight

Further Training Programmes

NBB's Financial Literacy training is an in-house initiative designed to provide a high-level overview of Bahrain's financial services sector and the financial advisory process. The programme is conducted online by subject matter experts and mainly targets interns and entry level employees.

The Bank also organises training sessions on specialist topics. In addition to mandatory training on critical regulatory topics, NBB employees may also register for any Bahrain Institute of Banking and Finance (BIBF) course that meets their needs.

Employees may also join an external training programme, locally or overseas, if it supports their professional development or the Group's succession planning and management objectives.

In addition to training and development programmes set by their line managers, all employees are encouraged to build their skillsets and engage in continuous learning on their own initiative. NBB's learning management system provides access to an extensive array of online training modules, resources, and assessments. Employees can also choose to learn at their own pace by selecting from a wide variety of topics on the LinkedIn Learning platform.

Our Human Capital continued

Total Training Hours (Gender)			
	Female	Male	Total
2022	21,437	33,495	54,932
2023	17,380	26,502	43,882
2024	**19,171**	**27,971**	**47,142**

Average Training Hours per Employee (Gender)			
	Female	Male	Total
2022	67.41	64.54	65.63
2023	53.31	49.08	50.67
2024	**58.81**	**52.48**	**54.88**

Total Training Hours (Employment Category)			
	Non-Management (Staff)	Middle Management	Senior Management
2022	38,472	15,681	776
2023	25,293	16,701	1,888
2024	**24,883**	**19,997**	**2,261**

Average Training Hours per Employee (Employment Category)			
	Non-Management (Staff)	Middle Management	Senior Management
2022	71.64	58.95	22.82
2023	49.99	51.87	49 .68
2024	**50.58**	**60.97**	**57.97**

Average Training Hours (Employment Type)		
	Full-time	Intern
2022	65.63	Not Available
2023	50.67	Not Available
2024	**54.88**	**14.44**

Note: All NBB employees are full-time employees (with working hours defined according to national law or practice) representing 100% of the total workforce.; Interns and Trainees are not included in employee headcount therefore not representing a percentage of total workforce.

	Percentage of total security personnel that completed training in human rights policies or procedures
2022	69.00%
2023	100.00%
2024	**100.00%**

	Average Training and Development Cost per Employee (BHD)
2022	372.7
2023	361.9
2024	**391.0**

Sustainability awareness e-learning programme		
	Number of Employees	Percentage of total employees (%)
2022	830	99 .00%
2023	814	94.00%
2024	**819**	**100.00%**

Our Social Capital

Our Commitment

Sustainability Pillars
- Community Investment

Material Topics
- Community Investment

Policies
- Youth Employment Support Policy Statement
- Human Rights Policy
- Community Initiatives and Promotion of Social and Economic Development
- Code of Conduct
- Donation & Contributions Policy

Our Alignment

Bahrain Vision 2030

أهداف التنمية المستدامة البحرين
BAHRAIN SDGs 2030

- A just, thriving society

GRI Standards

GRI 413: Local Community

SDGs

1, 2, 3, 4, 5, 10, 11, 13, 17

Our Achievements

Awards & Achievements
- Euromoney Awards for Excellence 2024 "Best Bank for CSR in the Middle East"
- Euromoney Awards for Excellence 2024 "Bahrain's Best Bank for Corporate Responsibility"

Please note, in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, NBB is providing the following restatement of information: Some previously reported Social Capital figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published.

Our Resources

NBB recognises that its success is tied to the well-being and prosperity of the communities it serves. As a responsible financial institution, NBB seeks to give back to the community through its support for a variety of impactful initiatives. Corporate Social Responsibility (CSR) is integral to the Group's strategy and long-term sustainability by enhancing brand reputation, managing risks, and driving innovation and growth.

Community Support

NBB's Donations & Contributions (DCF) Policy outlines its commitment to ethical practices, community engagement, and sustainable development. It provides a framework for CSR activities and ensures consistency across all initiatives. Furthermore, the Sustainability Policy includes guidelines for reducing environmental footprint, supporting green projects, and promoting sustainable finance.

NBB engages with local communities and stakeholders through a variety of strategies to ensure CSR efforts are aligned with community priorities. The Bank conducts thorough assessments to identify the most pressing social and environmental issues within the communities it serves.

Projects are prioritised based on their alignment with NBB's strategic goals, such as promoting financial inclusion, supporting sustainable development, and enhancing community well-being. Using such criteria to evaluate potential projects ensures that social investments promote responsible business practices and contribute to long-term value creation.

NBB supports local initiatives through sponsorships, donations, and grants, focusing on areas such as education, healthcare, and social welfare. The Bank also encourages its employees to participate in volunteer activities, fostering a culture of community involvement and support.

In the short-term, NBB will strategically direct its community development efforts towards initiatives that advance the following key areas:

- Education & Youth Development
- Healthcare & Well-being
- Social Welfare

Our Social Capital continued

- National Development Initiatives (Equal Opportunities; Environmental Sustainability; Governance and Ethics; Tourism, Culture & Patriotism)
- Sports & Physical Activity

In the long term, the Bank will continue to foster partnerships with diverse entities and organisations to generate innovative ideas and implement sustainable projects. NBB believes that harnessing the power of collaboration and innovation is the most effective strategy to address environmental, social, and economic challenges.

NBB partners with more than 40 local non-profit organisations on a range of programmes. An example is the Bank's close collaboration with INJAZ Bahrain, a non-profit organisation that aims to empower young people and prepare them for business challenges. INJAZ delivers immersive learning in work readiness, financial literacy, entrepreneurship, sustainability, STEM, digital literacy, and more.

NBB's HR team coordinates the participation of NBB volunteers in a variety of INJAZ programmes. In 2024, a total of 82 NBB volunteers contributed 348 hours across seven INJAZ programmes.

Furthermore, in 2024 NBB established an exclusive initiative with INJAZ called "Job Shadowing", in collaboration with the Sumow Organization for Down Syndrome. In addition, NBB collaborates with INJAZ to deliver Innovation Camp workshops.

CSR initiatives

In 2024, CSR activities supported a wide variety of organisations and initiatives that deliver benefits to the community.

NBB inaugurates Multiple Sclerosis Centre

His Excellency Lieutenant-General Dr. Sheikh Mohamed bin Abdullah Al Khalifa, Chairman of the Supreme Council of Health, inaugurated NBB's Multiple Sclerosis (MS) Centre in Muharraq alongside Mrs. Hala Yateem, Chairperson of the Board of Directors of the National Bank of Bahrain. The Centre has extensive facilities including seven outpatient clinics, an MRI diagnostic department, a physiotherapy department, treatment rooms, a laboratory and pharmacy, a scientific research centre, and more.

NBB partners with Spire on Riffa Views International School's (RVIS) annual Innovation Day

NBB partnered with FinTech company Spire to participate in Riffa Views International School's (RVIS) annual Innovation Day. The Innovation Day brought together 25 students from Grade 6 to 8 at the school's Innovation Hub for a day of insightful learning about the growing relevance of Artificial Intelligence (AI) in today's financial sector.

Middle East Best Bank for Corporate Responsibility

Euromoney Awards for Excellence 2024

Bahrain's Best Bank for Corporate Responsibility

Euromoney Awards for Excellence 2024

Our Social Capital continued

NBB Football League U21

NBB became the official sponsor of the Under-21 Youth Football League for the 2024/2025 season, which was rebranded as the NBB Football League U21. This season features 21 participating clubs and offers substantial financial rewards, including $15,000 for the champion team and $10,000 for the runner-up. Additionally, NBB provided match kits for all teams.

Ramadan Donates to Zakat Fund and Red Crescent

As part of its Ramadan NBB made financial donations to two major philanthropic entities in Bahrain - Zakat Fund and Red Crescent Society.

Crown Prince International Scholarship Programme

As a longstanding supporter, NBB participated in the 25th anniversary edition of the Crown Prince International Scholarship Program (CPISP) as platinum sponsor. The event, graced by His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, brought together over 200 CPISP students, alumni, and professionals. NBB showcased its diverse career pathways to attract the Kingdom's most promising talent.

Isa bin Salman Education Charitable Trust

NBB continued its partnership with the Trust which provides quality opportunities for Bahraini nationals in higher Education to refine their skills, meet the needs of the local labour market, and empower them to contribute to the Kingdom's development.

Royal Fund for Fallen Servicemen

NBB supports the Royal Fund for Fallen Servicemen under a five-year commitment until 2027. The Fund provides financial support for the families of men who died in service to the Kingdom, ensuring they have a decent life and promising future.

Sign Language Workshops for NBB Employees

NBB partnered with Mada Translation to provide sign language training for some customer facing employees.

Ramadan Coupons 2024

To mark the Holy Month of Ramadan, NBB announced its support for 60 Charity Funds and Societies registered under the Ministry of Labour and Social Development. The Bank cooperated with the charitable organisations to distribute coupons to support more than 7,600 families across the local community with the aim of offering support throughout the Holy Month.

Our Social Capital continued

Abdulrahman Kanoo Social Parents Club

NBB supports this initiative dedicated to caring for elderly members of the community.

Exclusive Sponsor of IRONKIDS

IRONKIDS is a running event dedicated to providing a supportive, energetic, and empowering atmosphere for young athletes pursuing a healthy and active lifestyle. It targets kids from the ages of 4 to 17.

The unwavering support of NBB in the previous events has been key to promoting a healthy and active lifestyle. It has put the Kingdom of Bahrain on the global map. Events such as IRONKIDS have helped build character and encourage fitness and mental strength among the youth. We have always linked this race with different community societies such as the disabled society, Autism Society and Children with Cancer last year. This added a totally different flavour to the race and was well-received publicly and within important/influential circles. Should we become sponsors this year, too, we will certainly provide another organisation. In addition, we also invite our staff children to participate in the race.

NBB supports Smile Society at Bahrain Comic Con

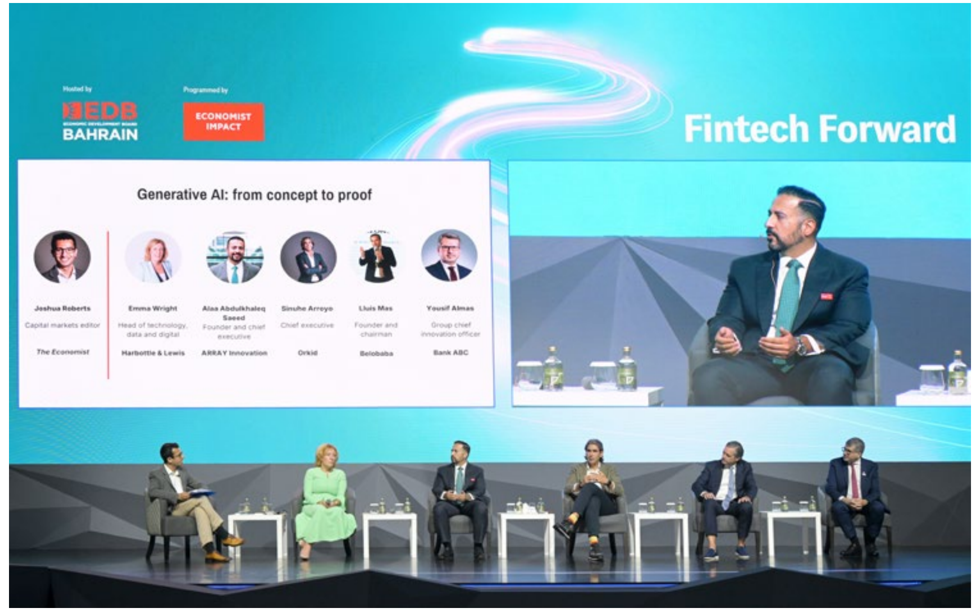
NBB sponsored the Smile Society's participation at the biggest annual pop cultural event held in Bahrain. NBB invited 20 courageous young people battling cancer and their parents or guardian to its Comic Con booth where they raised awareness about their cause.

Bahrain Polytechnic student Participation at IRONMAN 70.3

NBB sponsored the Bahrain Polytechnic female team's participation in the Ironman 70.3 Middle East Championship.

Bahrain Sports Day 2024

NBB sponsored this annual sporting event which takes place under the Patronage of H.H Sheikh Khalid bin Hamad Al Khalifa, Chairman of the General Sports Authority and President of the Bahrain Olympic Committee. The event promotes physical fitness and a healthy lifestyle among all members of society.



Our Social Capital continued

TechStride Educational Programme

NBB concluded the four-week TechStride Educational Programme in partnership with Fab Lab Bahrain. As part of the programme, TechStride trained students on vital technology skills in Robotics, Artificial Intelligence (AI), Machine Learning (ML), Computer Vision, and Game Design.

NBB Digital Banking Challenge 2024

Held in collaboration with Bahrain Fintech Bay, the Digital Banking Challenge is a six-week incubation programme tailored for youth to showcase their solutions aligned with NBB's sustainability pillars. Centered on the future of banking, the programme aims to empower young innovators.

NBB sponsors Team Bahrain at the Global Goals World Cup

NBB sponsored the Bahrain Sports for All Association's female football team, who represented the Kingdom at the Global Goals World Cup in Riyadh, Saudi Arabia. As part of their eligibility requirements for the competition, the team engaged in initiatives aimed at contributing to the SDGs.

NBB donates Insulin Pumps for Children with Diabetes

NBB, in partnership with the Good Word Society, donated insulin pumps to children suffering from Type 1 diabetes, highlights the Bank's ongoing commitment towards tackling pressing healthcare concerns in the Kingdom.

Entaliq with INJAZ – Powered by NBB

Entaliq with INJAZ – Powered by NBB assists budding entrepreneurs by providing funding, financial literacy, and mentorship from specialists in fields including marketing, strategy and product development. Entaliq is part of NBB's longstanding partnership with INJAZ Bahrain on initiatives to support local youth and contribute to achieving the Kingdom's Economic Vision 2030.

MIT Design & Sustainability Class

NBB sponsored "OFFCUT: CUTOFF" a Massachusetts Institute of Technology (MIT) and Harvard architecture workshop led by MIT lecturer, Latifa Alkhayat, and Doctoral Candidate at the Harvard University Graduate School of Design, Maryam Aljomairi. The workshop involved MIT and Bahrain students collaborating on industrial and architectural fabrication projects.

Our Social Capital continued

Watheq Programme

NBB, in partnership with the AlMabarrah AlKhalifia Foundation (MKF), successfully concluded the first season of the "Watheq" university preparatory programme. Over 60 students aged 16-18 benefited from the programme to prepare them with essential skills for a seamless transition into university life. The comprehensive curriculum featured interactive workshops, field trips, challenges, and real-life applications.

Ramadan initiative – Feeha Fkra

NBB collaborated with Bapco Energies to launch Feeha Fkra, a Ramadan initiative promoting the spirit of volunteerism and making a positive impact on the communities that both entities serve. The initiative is aligned with NBB's Donations and Contributions Fund and focuses on social, charitable and educational initiatives.

CFA Charter Award Ceremony

NBB exclusively sponsored the CFA Charter Award Ceremony event celebrating the achievements of new CFA Charter holders.

Entrepreneurs Organisation MEPA Unleashed

NBB sponsored the signature regional learning event, EO MEPA Unleashed, which welcomed over 200 key leaders, business owners, and family business members from across Saudi Arabia, Kuwait, Oman, Jordan, and regions as far-reaching as Africa and Pakistan. The event focused on AI implementation, enhancing company cultures, inspirational and business insights from the region, public speaking and mental health.

ISF Gymnasiade 2024

NBB was a platinum sponsor for ISF Gymnasiade Bahrain 2024, an international multi-sport event which brought together nearly 5,000 student-athletes from over 80 countries. In addition, the event aimed to foster cultural exchange and unity among young athletes from around the world.

Bahrain Animal Production Show (Mara'ee)

NBB sponsored Bahrain's premier livestock event which showcases advancements in animal breeding, agricultural technology, and sustainable farming practices.

Our Social Capital continued

	Value of Allocation to the Donations & Contributions Fund (in BHD m)	Donations & Contributions Spend
2022	3.4	3.5
2023	4.0	3.0
2024	**2.0***	**3.2**

1. *Each year, the annual recommended allocation for donations and contributions is up to 5% of NBB's net profit for the previous year*
2. *In 2024, NBB donated BHD 3.2 million*
3. *The donation pool is an accumulation of the previous year's allocations that is used in accordance with the year's strategic initiatives and approval authority directions to the beneficiaries.*
4. *Percentage of Community Investment of Company Revenue is 1.3%*

** Recommended by the Board of Directors for approval by shareholders*

	Total Number of Employee Volunteering Hours	Average Volunteering Hours per Employee
2022	481	0.6
2023	1,237	1.4
2024	**1,821[1]**	**2.1**

1. *Number including INJAZ Programme volunteering hours of 348h in 2024*

Evolve Internship Programme

The Evolve Internship Programme, which saw the launch of its third cohort in 2024, reinforces the Bank's commitment to the education and development of Bahrain's youth.

NBB partner with schools, universities, institutions, and social and educational organisations across the Kingdom to provide students with opportunities to gain firsthand experience and explore potential careers in the banking and finance sector.

Participants gain insights into the Bank's operations through role-specific vocational training led by NBB's Talent Development Team with the support of volunteering NBB professionals and a number of local training institutes. 113 students took part in Evolve in 2024.

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Our Social Capital continued

Local education investment	
	Number of students participating in the Evolve Program
2022	58
2023	80
2024	**113**

	Volunteering and Training on Financial Literacy Initiatives for unbanked, underbanked, or underserved customers
2022	43
2023	558
2024	**63**

Financial Literacy Initiatives

NBB launched its Financial Literacy Initiatives in 2021 with the aim of spreading financial awareness and knowledge throughout the community, especially to underrepresented groups such as youth, migrants, people on lower incomes, and small business owners. Details of the Initiatives and sessions held in 2024 can be found in the Relationship Capital section on Page 54.

Our Natural Capital

Our Commitment

Sustainability Pillars
- Preserving Natural Resources

Material Topics
- Climate Change
- Direct Environmental Footprint

Policies
- Energy Efficiency Policy
- Environmental Policy
- Waste Reduction Policy
- Water Policy
- Climate Change Policy

Our Alignment

Bahrain Vision 2030

- Robust economic growth that benefits the people
- An efficient and effective government

GRI Standards

GRI 302: Energy
GRI 303: Water and Effluents
GRI 305: Emissions
GRI 306: Waste

SDGs

NBB's commitment to the environment is enshrined in Pillar 6 of the Group's Sustainability Framework, Preserving Natural Resources. This pillar takes a dual approach to managing environmental risks and opportunities: 1) Significantly improve environmental performance, including action to mitigate climate change. And 2) Minimise NBB's direct environmental impact.

This section therefore covers two material topics: 1) Climate Change and 2) Direct Environmental Footprint. The topics are addressed individually, as is the case for all material topics covered in the report. However, the entire section has been developed in accordance with IFRS S2 (Climate-related Disclosures), and details NBB's strategic approach to managing the risks and opportunities associated with climate change.

NBB's Environmental Policy, which is approved by the Board of Directors and reviewed every two years, sets out the Group's commitment to managing its overall environmental impact.

The policy lays out the responsibilities of all the stakeholders who play a key role in its implementation including, Property, Procurement and Administration (PPA) department, Compliance department, Legal department, HR department and Internal Audit department. In addition, the policy provides a framework for setting objectives including environmental targets. Moreover, the policy states commitments that the Bank will undertake to protect the environment including but not limited to:

- The mitigation of pollution and other undesirable environmental impacts, where possible
- Assigning authorities and responsibilities for the implementation, management and improvement of environmental management processes
- Monitoring, reducing, reporting and taking action to reduce energy use, GHG emissions, paper consumption, water consumption and to minimise the waste of business activities to meet objectives and targets

Climate Change

NBB continues to identify ,assess and manage its climate-related risks and opportunities. The Bank has certified for ISO 14001 Environmental Management Systems and rolled out an ESG Risk Assessment Toolkit to assess clients' ESG risks.

The Bank recognises that the majority of its emissions is from its value chain. As such, in 2024 the Bank started calculating its Scope 3 Financed Emissions as per the PCAF methodology.

Governance

NBB's approach to sustainability governance, as discussed in detail in Section page 32 of the report, covers all material ESG topics, including climate change.

The Sustainability Working Group explores different methods to better understand and measure NBB's climate-related risks and opportunities while evaluating initiatives to address these both on the operational front as well as through the Bank's lending and investment practices.

The Sustainability Working Group is supported by the Nomination, Remuneration, Governance and Sustainability Committee (NRGSC) and Sustainability Management Committee to ensure successful implementation of said initiatives.

Furthermore, capacity and knowledge building, from the Board level down, is crucial to the delivery of NBB's climate change strategy. The Bank strives to embed a culture of climate awareness throughout the workforce to ensure that everyone is engaged and understands the Bank's mission and role as an enabler of climate action. Under its training and development programme, NBB offers a wide variety of climate-related training courses.

In 2024, Gartner conducted a virtual training session on Climate Change Fundamentals with a total of 79 NBB employees participating. In addition, three employees obtained the GARP Sustainability & Climate Risk Certification (SCR) while three employees obtained the Certificate in ESG Investing by CFA Institute.

Our Natural Capital continued

Strategy

NBB has introduced a number of initiatives to achieve the Climate Commitment objective outlined in the Group's 2024-2026 Sustainability Roadmap, which aligns with Bahrain's target of reducing GHG emissions by 30% by 2035 and reaching net zero by 2060.

The Bank has defined six broad objectives to support its climate action strategy:

1. Assignment of Responsibilities
2. Capacity and knowledge building from the Board level to the dedicated teams to address climate-related financial risks
3. GHG Accounting that extends to cover Scope 3 emissions including financed emissions
4. Create a Scope 1 and 2 decarbonisation pathway
5. Identify climate-related financial risks and assess severity of potential impact
6. Mitigating climate impact through solutions and initiatives

NBB has developed the following near- to long-term initiatives to achieve its climate objectives:

1. Near-term:

Creating a Decarbonisation Pathway

NBB is exploring consultancy options to support the development of a comprehensive decarbonisation pathway that will fully align the Bank with Bahrain's net zero targets.

Embedding Sustainable Finance

As detailed in Section page 35 of the report, one of the six objectives of NBB's Phase 2 Sustainability Roadmap is to develop and implement a dynamic Sustainable Finance Business Model, and offer a comprehensive suite of products, services, and end-to-end digital solutions.

As part of this, NBB has developed a Sustainable Finance Framework, in accordance with international standards, with the aim of providing both retail and business customers with innovative financing solutions that support environmental, social, and economic objectives. This includes offering sustainability-oriented financing products such as green or sustainability-linked loans, bonds, and sukuks, as well as financing clients' climate-related initiatives.

ESG Risk Identification and Assessment Toolkit

The Toolkit enables the Bank to integrate ESG factors more effectively into its lending and investment analysis by enabling it to assess clients' level of ESG preparedness in addition to assessing project finance risks, including the approach to managing environmental risks and opportunities. See Section page 39 of the report for more details.

The Toolkit covers a number of key environmental issues. These include:

1. Environmental Management and Eco Design
2. Atmospheric Emissions
3. Energy Use
4. Water Management
5. Waste Management
6. Pollution prevention and Biodiversity conservation

For each of these, NBB aims to identify whether the client has put in place a formal policy, set targets, or launched any initiatives to address the topic. NBB can then develop a better understanding of where its portfolio stands against each of these three climate-related topics and can also engage with clients to raise awareness and advise them on appropriate action.

The Sustainable Manufacturing Promotion Programme

NBB is collaborating with Bahrain's Ministry of Industry and Commerce (MOIC) on the Sustainable Manufacturing Promotion Programme (also referred to as Green Factory Labeling), which provides financing at subsidised rates to factories that achieve one of six green initiatives. This initiative will support industrial clients to achieve their decarbonisation efforts and will also reflect positively on NBB's financed emissions, in both the near and longer term.

2. Mid- to long-term

Addressing Financed Emissions

The bulk of NBB's environmental impact stems mainly from its value chain, particularly financed emissions through the Bank's lending and investment activities. As part of its climate action efforts, NBB started measuring and monitoring its financed emissions (scope 3 category 15 –Investments under the GHG protocol) in 2024 in line with the Partnership for Carbon Accounting Financials (PCAF) methodology.

Further details on 2024 financed emissions calculations and methodology performed can be found under Metrics and Targets.

Further Considerations

Financial Position and Potential Financial Impacts

Given NBB's target market and current regulatory requirements, the Bank has yet to face any negative financial impacts due to climate-related risks. However, as time goes on, NBB is likely to incur direct costs in relation to the following factors:

1. Adaptation and mitigation investments: Addressing its climate impact requires significant investment in mitigation and adaptation measures (e.g. installing solar panels at branches), as detailed in the section on Direct Environmental Footprint.
2. Building internal capacities: Recruiting new employees and training existing employees with the necessary skills to address climate-related financial risks.
3. Third-party consultancies: Hiring external expertise to advise on climate-related strategies and initiatives.

Clients will need to secure financing to cover the cost of their decarbonisation efforts. NBB is approaching this with a shared responsibility mindset that costs need to be absorbed by all parties involved. With this in mind, NBB has been offering subsidised financing rates to help drive demand for sustainable solutions.

Case Study

New Madinat Khalifa Branch has Net Zero Consumption

NBB completed a milestone project in 2024 when its Madinat Khalifa branch became the first sustainable building in Bahrain to achieve the prestigious USGBC LEED Platinum certification, highlighting its utilisation of eco-friendly materials and construction processes.

Furthermore, the branch operates entirely on solar energy, achieving zero carbon emissions and net-zero power consumption to set a new benchmark for sustainable banking practices in Bahrain.

LEED Platinum is the highest rating level in the LEED certification scheme and is awarded to projects that adhere to the highest green building standards. The solar panels generate enough electricity to produce solar credits which NBB is redeeming at other facilities that don't yet rely on solar energy.

The project also focuses on elements like indoor air quality, water conservation and sustainable materials, to create a space that prioritises the environment as well as the well-being of staff and customers.

Since 2021, NBB has invested BHD approximately BHD 500K in the Madinat Khalifa Branch, further reaffirming NBB's commitment to sustainability and excellence in environmental practices.

Initiatives include the following:

1. Subsidised rates for retail Auto Loans for EV and Hybrid Cars
2. Subsidised rates for ICE cars with high fuel efficiency/ low emissions vehicles
3. Arrangement of and participation in sustainability-linked transactions that involve GHG Emissions Reduction targets

Potential Financial Impacts

Across the region, there has been an acceleration in regulatory changes as governments seek to ramp up sustainability strategies and initiatives. From a financial impact perspective, this could present risks as well as opportunities.

Building Climate Resilience

NBB currently measures impact on the Capital Adequacy Ratio (CAR) in case the risk-weighted assets and capital charge becomes a regulatory requirement. This exercise is better suited to the Internal Capital Adequacy Assessment Process ("ICAAP") calculation, but in the absence of any regulatory guidelines the Bank opted to start with a CAR Impact assessment.

Over the past three years, NBB has stress tested the following three scenarios on a quarterly basis. The results showed minimal impact on CAR.

1. All oil and gas exposures are risk-weighted at 100%
2. All non-Bahraini oil and gas exposures are risk-weighted at 100%
3. All non-Bahraini oil and gas exposures are risk-weighted at 200%

To build resilience against the potential physical risks of climate change, the Bank is insured against certain damages and also has a Business Continuity Management plan in place to ensure it can continue operating in the event of an unforeseen disruption.

Risk Management

NBB is committed to enhancing the Bank's capacity to identify and integrate climate-related financial risks into the Group's risk management and broader business strategies. Indeed, this is one of the six objectives of NBB's Phase 2 Sustainability Roadmap.

This process begins with identifying the Group's climate-related risks, which is supported by the development of the Bank's ESG Risk Identification and Assessment Toolkit. Using this, NBB can assess the level of preparedness of clients and the climate risk profile of the Bank's portfolio and its sensitivity to climate related regulatory changes (see Section "Our Sustainability Journey" for more details).

In alignment with Bahrain's net zero commitments, and in accordance with regulations addressing both physical and transition risks, the Bank has taken initial steps towards integrating Climate Risk into its existing Risk Framework. The Sustainability Working Group explore different methods to better understand and measure NBB's climate-related risks and opportunities while evaluating initiatives to address these both on the operational front as well as through the Bank's lending and investment practices.

The Sustainability Working Group is supported by the Nomination, Remuneration, Governance and Sustainability Committee (NRGSC) and Sustainability Management Committee to ensure successful implementation of said initiatives.

Climate-related risks can be divided into two main categories:

1. *Transition Risks:* Related to the challenges of transitioning to a low-carbon economy.
2. *Physical Risks:* Related to the impacts of climate change, such as rising sea levels or extreme weather events.

While NBB has yet to face any disruption to its operations or decision-making processes as a result of climate change, the Bank has conducted a thorough assessment of the risks and opportunities that climate change could present in future. NBB acknowledges the impact of its operational and business footprints on the environment and continues to explore opportunities to mitigate and transition.

These risks and opportunities are considered below:

Risks

Financial Risk: The key climate-related financial risk for NBB comes through its financing activities in a region that still relies heavily on hydrocarbons as a source of energy as well as revenue.

Credit Risk: Climate change could impact a borrower's sources of income and the value of their assets, which in turn could affect their ability to meet their obligations to NBB.

Operations Risk: Climate change could have a negative impact on NBB's offices (e.g., damage, inaccessibility), employees (e.g., productivity, ability to commute) or third-party providers, resulting in disruption to business operations and a negative impact on the Bank's performance.

Compliance Risk: More stringent climate-related regulatory requirements could increase the risk of non-compliance that leads to fines and penalties.

Regulatory Risk: Banks may incur costs associated with preparing for new regulatory requirements. For example, regulations could be introduced that require companies to go beyond mere disclosure of performance and deliver tangible improvements. In the longer term, strengthening regulatory requirements, could lead to entities that are not progressing with decarbonisation to attract more scrutiny from regulators which could translate into potential financial impacts on certain clients and, by extension, on the banks that serve them. NBB aims to stay ahead of any regulatory requirements and has designed its Phase 2 Sustainability Roadmap accordingly.

Reputational Risk: Climate change could result in reputational damage if NBB is perceived as a laggard on climate action. However, NBB's commitment and progress on ESG integration positions the Bank favourably with clients, regulators, as well as the country's leadership.

Technology Risks: The rise of digital banks could present a challenge to NBB if they offer new environmentally focused customer experiences and financial inclusion solutions. In addition, technological risks would have a direct impact on NBB's corporate and institutional clients, especially those that operate in hard to abate sectors.

Opportunities

Bahrain has several national strategies in place that are aimed, at least in part, at addressing climate change and as the national bank NBB is well positioned to play a major enabling role in their implementation.

With transition to a cleaner economy and the anticipated regulatory changes, NBB is seeing rising demand for sustainable finance solutions which is why the Bank has developed a Sustainable Finance Framework.

Opportunities may arise in the form of Public-Private Partnerships to support clients to reach their targets, though pricing may not reflect the risk profiles involved. Banks would need to remodel pricing mechanisms to incorporate impact as a third element in the traditional risk vs reward proposition.

As sustainability initiatives cascade down from key strategic clients to companies in their value chain, opportunities could emerge to provide those companies with financing for their decarbonisation initiatives.

Direct Environmental Footprint

NBB strives to minimise the direct impact of its operations on the environment, in line with Pillar 6 of the Bank's sustainability framework and its Phase 2 roadmap. The Bank aims to support decarbonisation across its operations as well as at the client level while ensuring an orderly transition.

As the national bank of a country that is heavily reliant on hydrocarbons, NBB's approach to managing its direct environmental footprint takes into consideration the following three factors:

1. Energy Security
2. Energy Affordability
3. Energy Transition

To enhance its approach to environmental management, in 2021 NBB became the first bank in Bahrain to attain the ISO 14001:2015 (Environmental Management System) certification. Currently, this certification covers 72.8% of the surface area of NBB's owned facilities.

To oversee the implementation of both the Environmental Management System as well as the Occupational Health and Safety System (ISO 45001 certified), the Bank has appointed a dedicated environmental, health and safety management team comprising of representatives from key departments including: Property, Procurement & Administration (PPA); Legal; Human Resources (HR); Internal Audit; and Corporate Communications. The PPA department tracks and monitors the performance on an Environmental Dashboard and reports it monthly to the Executive Management.

In line with ISO Standards, NBB assesses the likelihood of environmental, health and safety risks as well as opportunities. These risks are assessed as per risk assessment practices whereby they are rated in terms of likelihood and impact.

NBB tracks and reports on a variety of environmental metrics and has set specific reduction targets vs the previous year's performance:

- 5% reduction in energy (fuel and electricity) and water consumption
- 5% reduction in Scope 1 & 2 GHG emissions
- 5% reduction in paper usage
- Recycle at least 25% of total waste

Environmental Initiatives

To achieve its environmental objectives, NBB has launched a number of initiatives across its owned facilities to reduce its operational environmental footprint, including:

- In 2024, NBB opened a new branch which achieved LEED Platinum certification (Page 95) and is listed on the U.S. Green Buildings Council's website.
- The Bank has extensively refurbished and retrofitted its headquarters to improve its overall environmental efficiency. This involved a raft of measures to improve water and energy efficiency, including the installation of energy meters, variable frequency drives (VFD), and motion sensors for lighting, among other technology.
- NBB has also centralised the building utility controls for all NBB premises using a Building Management System (BMS).
- The Bank has installed solar panels across a total of five branches in the Kingdom and tracks the energy generated from these panels and ensures they are well maintained and operating efficiently.
- NBB has replaced all single use plastic water bottles with reusable glass bottles, thus reducing the volume of waste sent to landfill.

Furthermore, in 2024 NBB invested approximately BHD 160K towards environmental initiatives. This included expenses such as the inauguration of Madinat Khalifa Branch, Leed Certification as well as consultancy fees, maintenance of solar panels, ISO Surveillance Audit for ISO14001 and ISO45001, and fees paid to the Supreme Council of Environment for E-waste recycling.

As a result of its rigorous approach to environmental management, NBB has received no penalties or fines related to environmental violations in the past three years.

Our Natural Capital continued

Metrics & Targets

NBB has been monitoring environmental data on monthly basis for the past four years. In line with the ISO 14001 certification, the Bank sets challenging reduction targets as part of its annual Environmental Plan.

Targets are discussed at management level and are assigned as a KPI on the department in charge of the Environmental Management System. In addition, targets are reviewed annually by an external auditor, as per ISO 14001.

Please note, in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, NBB is providing the following restatement of information: Some previously reported Natural Capital figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published. In addition, electricity figures have been revised due to changes in measurement methodologies and data management practices classifying NBB's solar energy consumption as direct energy usage retrospectively and moving forward.

		Energy Consumption (GJ)		
Direct Energy Consumption (GJ)		2022	2023	2024
Fuel Consumption	Petrol	593.2	622	557.5
	Diesel	63.9	114.4	32
Solar Energy		120.3	318.4	1,109.1
Total Direct Consumption (GJ)		777.4	1,054.7	1,698.6
Energy Intensity by Space (GJ/m2)		0.0	0.1	0.1
Energy Intensity by FTE (GJ/FTE)		0.9	1.2	2
Indirect Energy Consumption (GJ)				
Purchased Electricity - Non-Renewable		50,817.2	47,099	46,191.8
Total Indirect Consumption (GJ)		50,817.2	47,099	46,191.8
Energy Intensity by Space (GJ/m2)		2.5	2.3	2.3
Energy Intensity by FTE (GJ/FTE)		60.7	54.3	53.8
Total Energy Consumption (GJ)		51,594.6	48,153.7	47,890.4
Total Energy Intensity by Space (GJ/m2)		2.5	2.4	2.4
Total Energy Intensity by FTE (GJ/FTE)		61.6	55.6	55.8
Target		5% reduction in petrol and diesel consumption vs 2023 5% reduction in electricity consumption vs 2023		

Note: Conversion rates updated as per DEFRA 2024 conversion rate GJ per cubic meter

Intensity numbers are calculated per space and full time employees (FTE)

1. *Petrol Consumption calculations were based on money spent, then converted to consumption using the Tariffs imposed on the type of Gasoline Consumed for each vehicle i.e. Gasoline 91 or 95. The Tariffs rates are 0.140 BHD for Gasoline 91, and 0.200 BHD for Gasoline 95.*
2. *Diesel Consumption at NBB refers only to backup generators*
3. *The incorporation of DEFRA's conversion rate of 44.599GJ per cubic meter for petrol, alongside the consistent application of the net calorific value across all disclosed years, has influenced and caused inconsistencies in the data reported in previous years' reports*
4. *The incorporation of DEFRA's conversion rate of 44.627GJ per cubic meter for diesel, alongside the consistent application of the net calorific value across all disclosed years, has influenced and caused inconsistencies in the data reported in previous years' reports*

Our Natural Capital continued

	Percentage of renewable and non-renewable energy used as part of total energy consumption (GJ)					
	2022		2023		2024	
	GJ	%	GJ	%	GJ	%
Total Non-Renewable Energy	51,474.3	99.7%	47,835.3	99.3%	46,781.2	97.7%
Total Renewable Energy	120.3	0.2%	318.4	0.7%	1,109.1	2.3%
Total Energy	51,594.6	100.0%	48,153.7	100.0%	47,890.3	100.0%

	Electricity Consumption (MW)					
	2022		2023		2024	
	GJ	%	GJ	%	GJ	%
Purchased Electricity	14,116.2	99.8%	13,080.6	99.3%	12,831.1	97.7%
Solar Energy Electricity	33.4	0.2%	86.8	0.7%	308.1	2.3%
Total Electricity Consumption	14,149.7	100.0%	13,167.4	100.0%	13,139.2	100.0%

		Percentage of Energy Used by Source (GJ)					
		2022		2023		2024	
		GJ	%	GJ	%	GJ	%
Fuel Consumption	Petrol	593.2	1.2%	622.0	1.3%	557.5	1.2%
	Diesel	63.9	0.1%	114.3	0.2%	32.0	0.1%
Electricity Consumption	Electricity - Non-Renewable (Purchased Electricity)	50,817.2	98.5%	47,099.0	97.8%	46,191.8	96.5%
	Electricity – Renewable (Solar Energy)	120.3	0.2%	318.4	0.7%	1,109.1	2.3%
Total Energy Consumption		51,594.6	100.0%	48,153.7	100.0%	47,890.4	100.0%

Our Natural Capital continued

	Water Withdrawal (m³)		
	2022	2023	2024
Total Water Withdrawal in m³	16,406	14,731	19,347
Water Withdrawal Intensity (M3/Space)	0.8	0.7	0.9
Water Withdrawal Intensity (M3/FTE)	19.6	17.0	22.5
Target	Reduction of 5% vs 2023		

		Waste Management (MT)		
		2022	2023	2024
Non-Hazardous Waste MT	Paper Recycled	24.3	23.5	18.1
	Plastic Recycled	0.6	0.6	0.5
	Cans Recycled	0.2	0.1	0.1
	Glass Bottles Recycled	N/A	N/A	0.4
	General Waste	81.8	89.9	96.2
Hazardous Waste MT	E-Waste (Personal Computers/ ATM Machines) Recycled	3.7	1.6	2.3
Total Waste in MT		**110.6**	**115.7**	**117.6**
Total Waste in MT per FTE		**0.1**	**0.13**	**0.14**

Note:

1. The numbers provided for our Paper Recycled generation are approximate for 2022.

2. According to the Ministerial Decree No. 4 issued by the Supreme Council for Environment. (SCE) in the Kingdom of Bahrain, we have classified our e-waste as hazardous waste

		Waste recycling(MT)		
		2022	2023	2024
Waste Recycled MT	Non-Hazardous	25.1	24.2	19.1
	Hazardous	3.7	1.6	2.3
Total Waste Recycled in MT		**28.8**	**25.8**	**21.3**
Waste Recycling Ratio		**26%**	**22.3%**	**18.1%**
Target		25% Waste recycling ratio		

Paper Consumption (Ream)	**2022**	**2023**	**2024**
Papers Purchased	**7,436**	**7,505**	**7,525**

Our Natural Capital continued

			GHG Emissions Breakdown		
Scope	Item	Sub-Item	2022	2023	2024
Scope 1 (MtCO2e)	Fuel consumption for Power Generators	Diesel	4.8	8.6	**2.3**
	Company Fleet	Petrol	41.8	44.1	**40.6**
Total Scope 1 (MtCO2e)			**46.6**	**52.7**	**42.9**
Scope 1 GHG Emissions Intensity (MtCO2e/FTE)			**0.1**	**0.1**	**0.1**
Scope 2 (MtCO2e)	Electricity – Non-Renewable		6,918.9	6,412.6	**6,554.8**
Total Scope 2 (MtCO2e)			**6,918.9**	**6,412.6**	**6,554.8**
Scope 2 GHG Emissions Intensity (MtCO2e/FTE)			**8.2**	**7.4**	**7.6**
Scope 3 (MtCO2e)	Non-hazardous Waste: General Waste and Recycled Waste		38.7	47.3	**50.2**
	Hazardous waste: E-waste		0.1	0.0	**0.0**
	Paper Purchase		17.1	17.1	**17.3**
	Water Supply and Water Treatment		6.9	5.6	**6.6**
	Employee Commute		1,066.3	1,107.2	1,005.0
	Financed emissions		NA	NA	2,171,111
Total Scope 3 (MtCO2e)			1,129.1	1,177.2	2,172,190.1
Scope 3 GHG Emissions Intensity (MtCO2e/FTE)			1.3	1.3	2,528.7
Total GHG Emissions (MtCO2e)			**8,094.7**	**7,642.1**	**2,178,788**
Total GHG Emissions Intensity (MtCO2e/FTE)			9.7	8.8	2,536.4
Target			5% reduction in Scope 1 and Scope 2 emissions vs 2023		

	2023	2024
Emissions Avoided (MtCO2e) using Electricity generated by Solar Energy	43.9	**157.4**

	2024
Weighted Average PCAF Data Quality Score	**3.02**

	2024
Percentage of Total Exposure Covered by Financed Emissions Estimation	**68.4%**

1. 2022 Emissions have been revised as they have restated 2022 electricity figures

2. The emission factors updated referring to DEFRA 2024, Except Paper purchased refers to DEFRA 2022

3. The Scope 3 emissions related to employee commuting for the disclosed years was extracted by averaging the employee commute by regular car's Petrol consumption for the year (excluding weekends, public holidays, and annual leave) as per the DEFRA 2024 rate, has influenced and caused inconsistencies in the data reported in previous years' reports

4. The GHG Emissions were measured in accordance to the international GHG protocol that defines reporting scopes 1, 2 and 3.

5. Financial emissions data for 2022 and 2023 are not available, as we began measuring financed emissions in 2024. These calculations are conducted according to PCAF standards, which include collecting detailed emissions data from financed assets, applying sector-specific emission factors, and proportionally allocating emissions based on our financing, NBB has incorporated all on-balance-sheet financial products covered by the PCAF within the scope of this calculation. A comprehensive review of the bank's entire portfolio, including its various financial products, was conducted to ensure alignment with PCAF's methodology for financed emissions calculations. Products that do not fall within the scope of PCAF's defined methodology were excluded. The financial products of NBB included in the financed emissions calculations are as follows: Investment Securities, Loans and Advances , Commercial and SMEs banking (Syndicated Murabaha Facilities, Working Capital Facilitation and Funding for Capex and Other Requirements), Retail Banking (Only Auto Financing and Home Financing) and Financial products related to sovereign debt.

Corporate Governance and Ethical Behaviour

National Bank of Bahrain B.S.C. Annual Financial and Sustainability Report 2024

Corporate Governance and Ethical Behaviour

Corporate Governance Report

The Board of Directors is responsible for the overall governance of the National Bank of Bahrain. The Board ensures that high ethical standards are established across the bank and regularly reviews the bank's compliance with CBB regulations and applicable legislation regarding corporate governance. The Board recognises that good corporate governance is a vital ingredient in the creation of sustainable shareholder value and protecting the interests of all stakeholders.

Maintaining the best standards of corporate governance has provided the bank's clients, counterparties, shareholders, regulators, employees and rating agencies with a high degree of confidence in our institution. In maintaining these standards, the bank has achieved an appropriate balance between long-term growth and short-term objectives, created a sound portfolio of assets, a stable client base, income diversity as well as the ability and resources to face economic cycles and uncertainties. The Board has set the moral tone for the bank with a high degree of intolerance for any instances of malpractice, fraud and unethical behaviour and ensured the highest degree of adherence to laws, rules and regulations.

Board of Directors

The Board's composition is governed by the bank's Memorandum and Article of Association and comprises of eleven members. Four members of the Board are appointed by Bahrain Mumtalakat Holding Company, which holds 44.06% of the bank's share capital and one member is appointed by Social Insurance Organisation, which holds 10.85% of the bank's share capital. The remaining six members of the Board are elected by secret ballot at the ordinary general meeting of the shareholders, by a simple majority of valid votes. The members of the Board remain in office for a term not exceeding three years, which may be renewed. To be eligible for being nominated for directorship, the individuals concerned should meet the 'fit and proper' criteria established by the Central Bank of Bahrain and their appointment is subject to prior approval by the Central Bank of Bahrain. The present Board was elected at the Ordinary General Meeting in March 2024 and its term is scheduled to expire by the Ordinary General Meeting expected to be held in March 2027.

On joining the bank's Board, all Directors attend induction sessions and are provided with a "Director's Kit" which includes the Board's code of conduct, the bank's Memorandum and Articles of Association, key policies, charters of the Board and its committees, Corporate Governance Policy and the bank's financial position and strategy. Induction sessions, attended by the Group Chief Executive Officer and the senior management of the bank, focuses on strategy, business profile, opportunities, challenges and risks faced by the bank and other elements.

In accordance with the definitions stipulated by the Central Bank of Bahrain, Directors are categorised as independent, executive, and non-executive. The Board currently comprises of five independent directors and six non-executive directors. The roles of the Chairperson and the Group Chief Executive Officer are separate and exercised by different persons.

The Board's primary responsibility is to deliver sustainable value to all stakeholders by monitoring the strategic direction of the bank as well as setting the risk appetite and the overall capital structure of the bank. The Board is also responsible for monitoring management's running of the business within the agreed framework. The Board seeks to ensure that the Management strikes an appropriate balance between long-term growth and the short-term objectives. The Board is ultimately accountable and responsible for the affairs and performance of the bank. Accordingly, the main functions of the Board are to:

- Maintain an appropriate Board structure.
- Maintain an appropriate management and organisation structure in line with the bank's business requirements.
- Plan the strategic future of the bank, approve annual business plans, approve and monitor major initiatives.
- Monitor the operations framework of the bank and the integrity of internal controls.
- Ensure compliance with laws and regulations.
- Monitor the bank's performance and approve financial results, ensure transparency and integrity in stakeholders reporting including financial statements.
- Evaluate periodically the Board's own performance including that of Board committees and the performance of each Board member.
- Assure equitable treatment of all shareholders including minority shareholders.

The Chairperson is mainly responsible for the leadership of the Board, ensuring that it operates effectively and fully discharges its legal and regulatory responsibilities.

The Board meets regularly throughout the year and maintains full and effective control over strategic, financial, operational, internal control and compliance issues. As per its approved charter, the Board shall meet at least once every calendar quarter.

In its role as the primary governing body, the Board provides oversight for the bank's affairs and constantly strives to improve and build on the bank's strong corporate governance practices. The business performance of the bank is reported regularly to the Board. Performance trends as well as performance against budget and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board and are consistently applied. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets.

The Board has unlimited authority within the overall regulatory framework. The Board has delegated specific approval authorities to its committees and the Group CEO; all transactions falling outside the delegated limits are referred to the Board for approval. In addition, the Board approves on a yearly basis the annual budget and operating limits for various activities of the bank.

Corporate Governance and Ethical Behaviour continued

Committees of the Board

The Board has set up several committees which provide effective support to the full Board in carrying out its responsibilities. These are the Executive Committee, the Audit Committee, the Risk and Compliance Committee, Nomination, Remuneration, Governance and Sustainability Committee, Digitalisation Committee, the Donations and Contributions Committee and the Board Advisory Committee.

Executive Committee

The Executive Committee comprises of four Board members selected and appointed by the Board, with one member being an independent director. The Executive Committee meets at least five times a year. The role of the Executive Committee is to assist the Board in fulfilling its responsibilities regarding lending and investments in debt securities, as well as any other matters not delegated to a specific Board Committee. Accordingly, the Executive Committee is empowered to approve specific credit and investment proposals, review budgets, plans and major initiatives for eventual submission to the Board for approval, in addition to monitoring the bank's performance against business plan objectives.

Audit Committee

The Audit Committee comprises of three Board members selected and appointed by the Board, two of whom are independent directors, including the Chairperson. The Audit Committee meets at least four times a year. The primary function of the committee is to review the bank's accounting and financial practices, reinforce the internal and external audit process and assist the Board in fulfilling its responsibility in ensuring an effective system of internal control and financial statements. The Audit Committee is responsible for recommending to the Board, the appointment and compensation of the external auditors, reviewing the integrity of the bank's financial reporting, reviewing the activities and performance of the internal audit function, and reviewing compliance with relevant laws and regulations. The Audit Committee is supported by the Internal Audit Department, which regularly monitors the system of internal controls. Monitoring includes an assessment of the risks and controls in each operating unit and matters arising therefrom are reported to the Audit Committee on a regular basis.

Risk and Compliance Committee

The Risk and Compliance Committee comprises of three members selected and appointed by the Board, the Chairperson of which is an independent director. The Risk and Compliance Committee meets at least four times a year. The role of the committee is to oversee and monitor the risk management framework established by the Board including reviewing and reporting its conclusions and recommendations to the Board on the bank's current and future risk appetite and policies. The committee is additionally responsible for overseeing and assessing the bank's compliance framework.

Nomination, Remuneration, Governance and Sustainability Committee

The Nomination, Remuneration, Governance and Sustainability Committee (NRGSC) comprises of three Board members selected and appointed by the Board. Including the Chairperson, majority of the members are independent. The NRGSC meets at least three times a year. The role of the committee is to assist the Board in fulfilling its responsibilities with regard to the bank's nomination, remuneration policies, corporate governance guidelines and sustainability targets, based on regulatory requirements or industry best practices. The NRGSC has the mandate of identifying persons qualified to become members of the Board, CEO, CFO, Corporate Secretary, and any other officer positions considered appropriate by the Board. The Committee also has the responsibility of reviewing and recommending the remuneration policies for the Board and management.

Digitalisation Committee

The Digitalisation Committee is responsible, amongst other things, for supervision and advising on matters relating to the digital strategy of the bank and its implementation, guiding its innovation, and related data frameworks. The Digitalisation Committee will also discuss and monitor the associated risks, however, only to support the Risk and Compliance Committee to prevent overlap in mandates. The Digitalisation Committee shall, in its oversight of digitalisation report to the Board, including reporting its conclusions and recommendations on (i) the bank's digital transformation covering, including but not limited to, defining the adequate digital strategy, related technology adoption, digital operations, and reviewing and recommending the budget proposed by management for this purpose, and (ii) the bank's execution of its digitalisation and related technology strategies to support its digital banking and IT functions. In this regard, the Digitalisation Committee will take a forward-looking perspective, seeking to anticipate changes in business conditions.

Donations and Contributions Committee

The Donations and Contributions Committee is created to manage the distribution of funds allocated towards corporate donations and contributions ensuring that it adheres to the bank's strategic outlook and positioning reflected through its pillars. The committee comprises of four Directors. The allocated annual contribution towards the fund is equivalent to 5% of the bank's net profit.

Board Advisory Committee

The Board Advisory Committee is responsible for assisting the board in fulfilling its regulatory responsibilities in relation to the proposed merger with Bank of Bahrain and Kuwait B.S.C. These responsibilities include (i) supporting, advising, directing and overseeing the activities related to the transaction (ii) making certain recommendations to the Board as and when necessary, in relation to the transaction and (iii) assessing the fairness of any contemplated transaction for all shareholders. The committee is comprised of four directors and the tenor of the members shall be until the transaction is concluded.

Corporate Governance and Ethical Behaviour continued

Board Meetings and Attendance

The Board and the sub-committees of the Board meet regularly to effectively discharge their responsibilities. For meeting the requirements of the Corporate Governance Policy and the Central Bank of Bahrain Rulebook, the bank considers attendance of Directors at Board and sub-committee meetings. All meetings were held in the Kingdom of Bahrain except where indicated otherwise.

A summary of the Board meetings and sub-committee meetings held during the year 2024 and attendance are detailed below:

Board Meetings: Total number of meetings held: 6

	Meeting dates						Total		
Name of the Director	27/2/2024	28/3/2024 (Ad-Hoc)	14/5/2024	6/8/2024	12/11/2024	3/12/2024	Total No of meetings	Meetings attended	% of Meetings attended
Late Farouk Yousuf Khalil Almoayyed Chairperson	✓	Left the Board on 28th March 2024					1	1	100
Fawzi Ahmed Kanoo Vice Chairperson	✓						1	1	100
Dr. Esam Abdulla Fakhro Vice Chairperson	✓						1	1	100
Amin Ahmed Al Arrayed Director	✓						1	1	100
Hala Ali Husain Yateem Chairperson	✓	✓	✓	✓*	✓	✓	6	6	100
Yusuf Abdulla Yusuf Alireza Vice Chairperson	✓	✓	✓	✓*	✓	✓*	6	6	100
Sh. Rashed Bin Salman Al-Khalifa Director	✓	✓	✓*	✓*	✓	✓*	6	6	100
Rishi Kapoor Director	✓	✓*	✓*	✓*	✓	✓*	6	6	100
Vincent Van den Boogert Director	✓	✓*	✓	✓*	✓	✓*	6	6	100
Zaid Khalid Abdulrahman Director	✓	✓	✓	✓*	✓	✓	6	6	100
Dr. Paul David Pester Director	✓	✓	✓	✓*	✓	✓*	6	6	100
Isa Hasan Maseeh Director	Joined the Board on 28th March 2024	✓	✓	✓*	✓	✓*	5	5	100
Mohamed Farouk Almoayyed Director		✓	✓	✓*	✓*	✓*	5	5	100
Ahmed Fawzi Kanoo Director		✓	✓	✓*	✓	✓	5	5	100
Alaa Abdulkhaleq Saeed Director		✓*	✓	✓*	✓	✓	5	5	100

*Attended by video conference

Corporate Governance and Ethical Behaviour continued

Board Meetings and Attendance (continued)

Dates of meetings and attendance details

Executive Committee Meetings: Total number of meetings held: 6

Name	Meeting dates: 24/1/2024	17/4/2024	26/6/2024	19/09/2024 (Ad-Hoc)	11/11/2024	1/12/2024	Total No. of meetings	Meetings Attended
Dr. Esam Abdulla Fakhro Chairperson	✓	Left the Board on 28th March 2024					1	1
Fawzi Ahmed Kanoo Director	✓	Left the Board on 28th March 2024					1	1
Sh. Rashed Bin Salman Al Khalifa Director	✓	Left Executive Committee on 28th March 2024					1	1
Yusuf Abdulla Yusuf Alireza Chairperson	✓*	✓*	✓*	✓*		✓*	6	6
Amin Ahmed Al Arrayed Director	✓	Left the Board on 28th March 2024					1	1
Dr. Paul David Pester Director	Joined the Executive Committee on 28th March 2024	✓*	✓*	✓*	✓	✓*	5	5
Isa Hasan Maseeh Director	Joined the Executive Committee on 28th March 2024	✓	✓	✓*	✓	✓	5	5
Mohamed Farouk Almoayyed Director	Joined the Executive Committee on 28th March 2024	✓	✓	✓*	✓*	✓*	5	5

* Attended through video conference.

Audit Committee Meetings: Total number of meetings held: 5

Name	Meeting dates: 19/2/2024	8/5/2024	1/8/2024	7/11/2024	11/12/2024	Total No. of meetings	Meetings Attended
Hala Ali Husain Yateem Chairperson	✓	Left the Audit Committee on 28 March 2024				1	1
Zaid Khalid Abdulrahman Chairperson	✓	✓	✓*	✓	✓	5	5
Dr. Paul David Pester Director	✓*	Left the Audit Committee on 28 March 2024				1	1
Vincent Van Den Boogert Director	Joined the Audit Committee on 28th March 2024	✓*	✓*	✓*	✓*	4	4
Ahmed Fawzi Kanoo Director	Joined the Audit Committee on 28th March 2024	✓	✓*	✓	✓	4	4

* Attended through video conference.

Corporate Governance and Ethical Behaviour continued

Board Meetings and Attendance (continued)

Digitalisation Committee Meetings: Total number of meetings held: 4

Name	Meeting dates: 26/2/2024	13/5/2024	5/8/2024	11/11/2024	Total No. of Meetings	Meetings Attended
Dr. Paul David Pester Chairperson	Joined the Digitalisation Committee on 28th March 2024	✓	✓*	✓	3	3
Yusuf Abdulla Alireza Director	✓*	✓*	×	✓	4	3
Hala Ali Husain Yateem Director	✓	Left the Digitalisation Committee on 28th March 2024			1	1
Vincent Van Den Boogert Director	✓	✓	✓*	✓	4	4
Mohamed Farouk Almoayyed Director	Joined the Digitalisation Committee on 28th March 2024	✓*	×	✓*	3	2
Alaa Abdulkhaleq Saeed Director	Joined the Digitalisation Committee on 28th March 2024	✓	✓*	✓	3	3

* Attended through video conference.

Risk and Compliance Committee Meetings: Total number of meetings held: 5

Name	Meeting dates: 5/3/2024	27/6/2024	23/7/2024	4/11/2024	8/12/2024	Total No. of Meetings	Meetings Attended
Rishi Kapoor Chairperson	✓*	✓*	✓*	✓	✓*	5	5
Vincent Van Den Boogert Director	✓*	✓*	✓*	✓*	✓*	5	5
Alaa Abdulkhaleq Saeed Director	Joined the BRCC Committee on 28th March 2024	✓*	✓*	✓*	✓*	4	4
Dr. Paul David Pester Director	✓*	Left the BRCC on 28th March 2024				1	1

* Attended through video conference.

Corporate Governance and Ethical Behaviour continued

Board Meetings and Attendance (continued)

Nomination, Remuneration, Governance and Sustainability Committee Meetings: Total number of meetings held: 5

Name	Meeting dates					Total No. of Meetings	Meetings Attended
	5/2/2024	21/2/2024	4/4/2024 (Ad-Hoc)	11/6/2024	19/11/2024		
Late Farouk Yusuf Khalil Al Moayyed Chairperson	✓	✓	Left the Board on 28th March 2024			2	2
Dr. Esam Abdulla Fakhro Director	✓	✓				2	2
Hala Ali Husain Yateem Chairperson	Joined the NRGS Committee on 28th March 2024		✓*	✓	✓	3	3
Sh. Rashed Bin Salman Al Khalifa Director	✓	✓	✓*	✓*	✓	5	5
Yusuf Abdulla Yusuf Alireza Director	✓*	✓*	✓*	Left the NRGS Committee on 22nd May 2024		3	3
Amin Ahmed Alarrayed Director	✓	✓	Left the Board on 28th March 2024			2	2
Rishi Kapoor Director	✓*	✓*	✓*	✓*	✓*	5	5
Dr. Paul David Pester Director	Joined the NRGS Committee on 28th March 2024		✓*	Left the NRGS Committee on 22nd May 2024		1	1

* Attended through video conference.

Donations and Contributions Committee Meeting: Total number of meetings held: 3

Name	Meeting dates			Total No. of Meetings	Meetings Attended
	30/1/2024	2/6/2024	1/10/2024		
Late Farouk Yusuf Khalil Al Moayyed Chairperson	✓	Left the Board on 28th March 2024		1	1
Dr. Esam Abdulla Fakhro Director	✓			1	1
Fawzi Ahmed Kanoo Director	✓*			1	1
Hala Ali Husain Yateem Chairperson	✓	✓	✓	3	3
Zaid Khalid Abdulrahman Director	Joined the Donations and Contributions Committee on 28th March 2024	✓	✓	2	2
Mohamed Farouk Almoayyed Director		✓	✓	2	2
Ahmed Fawzi Kanoo Director		✓	✓	2	2

* Attended through video conference.

Corporate Governance and Ethical Behaviour continued

Board Meetings and Attendance (continued)

Board Advisory Committee Meetings: Total number of meetings held: 9

Name	Meeting dates									Total No. of Meetings	Meetings Attended
	31/1/2024	1/2/2024	7/2/2024	28/4/2024	1/8/2024	26/8/2024	12/9/2024	10/10/2024	11/11/2024		
Hala Ali Husain Yateem Chairperson	Joined the Board Advisory Committee on 22nd May 2024				✓*	✓*	✓*	✓*	✓*	5	5
Yusuf Abdulla Alireza Director	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	9	9
Rishi Kapoor Director	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	9	9
Dr. Paul David Pester Director	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	9	9

* Attended through video conference.

Management Structure

The Board has established a management structure that clearly defines roles, responsibilities and reporting lines, the details of which are annexed to this report.

Within the management structure there are separate committees responsible to meet on a regular basis to discuss and decide on the various strategic and tactical issues within their respective areas.

Committee Name	Members (as of 31 December 2024)	Objective
Executive Management Team (EMT) Frequency: weekly	1- **Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts 3- Sarah Abdulaziz Jamal - Group Chief Human Resources Officer 4- Nabeel Mustafa – Acting Group Chief Operating Officer 5- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary 6- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions 7- Ali Ehsan - Group Chief Risk Officer 8- Subah Al Zayani - Chief Executive, Retail Banking 9- Rana Qambar - Group Chief Compliance Officer 10- Hisham Abu Alfateh - Chief Corporate Communications Officer 11- Mohsin Rahim - Group Chief Financial Officer 12- Fadhel Abbas Ahmed - Group Chief Internal Auditor 13- Mansour Al Saghayer - Chief Executive, Kingdom of Saudi Arabia 14- Yogesh Kale - Chief Executive, United Arab Emirates 15- Razi Abdullatif Amin – Group Chief Technology Officer 16- Zaina Al Zayani – Group Head of Strategy and Sustainability 17- Ali Abdulkarim – Group Head of Corporate and Commercial Banking	The Executive Management Team Meeting (EMT) meets on a weekly basis and was created by the bank to provide a regular forum for the discussion of strategic matters among executive/senior management. While the EMT does not have any decision-making powers, it serves as an advisory role and provides a sounding forum for the major decisions or actions that need to be taken by the Chief Executive Officer within his delegation.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
Management Credit Committee Frequency: weekly	**1- Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Ali Ehsan - Group Chief Risk Officer 3- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions	Overseeing the effective implementation of the bank's credit risk framework. Approving credit proposals and monitoring the credit portfolio in line with the bank's defined risk appetite and policies.
Operational Risk Management Committee (ORMC) Frequency: monthly	1- Usman Ahmed - Group Chief Executive Officer **2- Ali Ehsan - Group Chief Risk Officer (Chairperson)** 3- Rana Qambar - Group Chief Compliance Officer 4- Nabeel Mustafa – Acting Group Chief Operating Officer 5- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions 6- Sarah Abdulaziz Jamal - Group Chief Human Resources Officer 7- Subah Al Zayani - Chief Executive, Retail Banking 8- Jaffar Mohammed Ahmed - Head of Enterprise Risk Management 9- Razi Amin – Group Chief Technology Officer 10- Fadhel Abbas - Group Chief Internal Auditor (Observer)	Review and assess different aspects of risk arising from the bank's business processes to ensure that material risks are captured, monitored and mitigated. Serve as a forum for senior management to discuss, evaluate and decide key Operational Risk, management and fraud risk management.
Group Asset Liability Committee (GALCO) Frequency: monthly	**1- Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Fatema Moosa Alalawi – Acting Chief Executive Officer, Bahrain Islamic Bank 3- Ali Ehsan - Group Chief Risk Officer 4- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions 5- Jaafar Husain - Head of Liquidity and Market Risk 6- Yogesh Kale - Chief Executive, United Arab Emirates 7- Mansour Alsaghayer - Chief Executive, Kingdom of Saudi Arabia 8- Mohsin Rahim - Group Chief Financial Officer 9- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts 10- Ali Abdulkarim - Group Head of Corporate and Commercial Banking 11- Subah Alzayani - Chief Executive, Retail 12- Vineet Munot – Head of Transaction Banking 13- Khalil A.Rahman AlShaikh - Liquidity and Market Risk Officer (Secretary)	Serve as a forum for senior management discussion and evaluation of key issues concerning the bank's balance sheet structure and performance, pricing of assets and liabilities, funding and capital planning, contingency planning, market risk, interest rate risk, and liquidity risk. Ensure that appropriate action consistent with market developments and the bank's policies are taken to address the above key issues.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
Group Project Steering Committee Frequency: two meetings per quarter	**1- Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Nabeel Mustafa – Acting Group Chief Operating Officer 3- Vacant - Group Chief Strategy & Sustainability Officer 4- Razi Amin - Group Chief Technology Officer 5- Mohsin Rahim - Group Chief Financial Officer 6- Konstantinos Monogios - Group Head of EPMO (Coordinator)	Group PSC is established to ensure proper governance across Group and Group related Projects' Portfolios while providing direction in taking necessary decisions to achieve projects' goals within set schedules and budgets and ensure total alignment with Group strategic objectives and Group Strategy. Group PSC main Responsibilities are: 1. Governance Act as governance body to the Group projects' portfolio. Ensure activating related working groups and control Group spending and investments. Hold Sponsors accountable to the agreed-upon project constraints. 2. Advisory Review and monitor projects' health and advise on overall portfolio and program risks, and provide recommendations on issues, scope, schedule, resources, cost, and governance concerns. 3. Go/No-Go Decision Oversee Group Capex requests and provide Go/No-Go recommendations on new and running projects. 4. Prioritization Manage prioritization of projects and ensure project's portfolio and projects roadmap are aligned with Group and Group Strategy. 5. Approval and Authorization Approve projects' Capex allocations and authorize the utilization of budget for new requests/ projects, provide decisions on additional capex requests, and authorize corrective and preventive actions required to achieve planned project objectives.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
Group Compliance Management Committee Frequency: bi-monthly	1- Usman Ahmed - Group Chief Executive Officer **2- Rana Qambar - Group Chief Compliance Officer (Chairperson)** 3- Ali Ehsan - Group Chief Risk Officer 4- Nabeel Mustafa – Acting Group Chief Operating Officer 5- Razi Amin - Group Chief Technology Officer 6- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions (non-voting) 7- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts (non-voting) 8- Sarah Abdulaziz Jamal – Group Chief Human Resources Officer (non-voting) 9- Mansour Al Saghayer - CEO KSA (non-voting) 10- Yogesh Kale - CEO UAE (non-voting) 11- Ali Abdulkarim – Group Head of Corporate & Commercial Banking (non-voting) 12- Abdul Nasir Rafique – Head of In-business, control and Governance (non-voting) 13- Fatema Al Alawi – CEO (BisB) (non-voting) 14- Subah Alzayani – Chief Executive Retail Banking (non-voting)	Approve and periodically review the Compliance Maturity Model and the annual Compliance Plan. The objective of the committee is to develop, identify, measure, document and assess Compliance Risks across the group, and; Monitor the adherence of NBBs' Group to the Central Bank of Bahrain ("CBB"), Central Bank of UAE (CBUAE) as well as the Central Bank of Saudi Arabia (SAMA) requirements with the relevant rules and regulations. In addition, promote the values of honesty, transparency, and integrity throughout the Group in line with the Banks' values.
Information Security Committee (ISC) Frequency: Every two months	**1- Ali Ehsan - Group Chief Risk Officer (Chairperson)** 2- Rana Qambar - Group Chief Compliance Officer 3- Razi Amin - Group Chief Technology Officer 4- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions 5- Ali Al Majed - Group Chief Information Security Officer 6- Fadhel Abbas - Group Chief Internal Auditor (Observer) 7- Salman Radhi - Information Security Technical Support Manager and Sustainability (Secretary) 8- Subah Al Zayani - Chief Executive, Retail Banking. 9- Ali AlSaegh - Head of Cyber Security and Access Management 10- Abdulaziz Al Ahmed – Chief Executive, Strategic Accounts	Set the direction in establishing an Information Security Management System (ISMS). Review and recommend security policies to the Board for approval. Review the periodical information security reports. Ensure that processes are created to measure the effectiveness of the security controls specified in this policy. Approve the bank's information security plan and monitor its implementation.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
Business Continuity Management Committee Frequency: quarterly	1- Nabeel Mustafa - Acting Group Chief Operating Officer (Chairperson) 2- Ali Ehsan - Group Chief Risk Officer (Vice Chair) 3- Razi Amin - Group Chief Technology Officer 4- Haitham Seyadi - Group Head of Property, Procurement and Administration 5- Mohammed Hammad - Group Head of BCM, Chief Information Security Officer 6- Abdul Nasir Rafique - Head of In-Business Risk, Control, and Governance 7- Abdulla Naqi - Business Continuity Manager (Secretary)	This Committee was established to provide the top management governance and oversight for the Business Continuity Plan (BCP) of National Bank of Bahrain (NBB) in line with the industry best practices and relevant standards. The scope of this committee encompasses all the business units and locations for both NBB and BisB business units in Bahrain, its overseas branches in KSA and UAE, and all subsidiary entities associated with the bank. This Committee's functions and responsibilities are to: • Provide strategic direction and communicate essential messages to the relevant stakeholders. • Ensure effective continuance of the Bank's operations in the event of a moderate, major or potentially catastrophic incident. • Establish, review and test Bank-wide Business Continuity and Disaster Recovery Plans • Coordinate the planning and delivery of the training on Crisis and Emergency Management and Disaster Recovery • Function as a point of liaison with the local authority and Crisis Management Team at the Bank at times of crisis. • Oversee the creation of appropriate task force groups, working groups and teams to develop and execute the BCP, whenever is required.
Product and Service Approval Committee Frequency: as and when a new product and/or service is considered for launch	**1- Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Ali Eshan - Group Chief Risk Officer 3- Mohsin Rahim - Group Chief Financial Officer 4- Nabeel Mustafa - Acting Group Chief Operating Officer 5- Rana Qambar - Group Chief Compliance Officer 6- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary 7- Abdul Nasir Rafique - Head of In-Business Risk, Control, and Governance	Approve new products and services. Approve material changes to existing products and services. Ensure that the key risks associated with the introduction of products and services are identified, thoroughly considered, and addressed in a controlled manner before the launch/ reactivation of the product or services.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
Tendering and Asset Disposal Committee Frequency: meetings convened as deemed necessary by the meeting administrator or their nominated alternate	**1- Mohsin Rahim - Group Chief Financial Officer (Chairperson)** 2- Konstantinos Monogios - Group Head of Enterprise Project Management Office 3- Rana AbdulAziz Qambar - Group Chief Compliance Officer 4- Zaid Khonji - Head of Legal and Corporate Governance	Reinforce corporate governance, integrity, and transparency in the procurement process, contract management and asset disposal. The responsibilities are: • Ensure adherence to the bank Code of Conduct, Procurement Management Framework and Tendering Policy and procedure at all time. • Reinforce the principles of probity and accountability to ensure transparency of processes, fairness, confidentiality, and effective management of conflicts of interest. • Review evaluation criteria and raise any concerns related to the proposals submitted against such criteria. • Approve the tender awarding of all NBB Group tenders. • Approve disposal of assets with NBV up to BHD 10,000. All asset disposals with NBV of BHD 10,000 and above should be referred to GCEO for approval. • Raise recommendations for any proposed award of project procurement contract that is not within the committee authority to the appropriate authority for the approval.
Provisioning Committee Frequency: quarterly	**1- Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Ali Ehsan - Group Chief Risk Officer 3- Mohsin Rahim - Group Chief Financial Officer 4- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary	Reviewing and recommending the remedial course of action for clients that are designated as non-performing loans **(NPLs)**. The Provisioning Committee is also responsible for reviewing and approving specific provisions for NPLs as well as governing expected credit loss.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
Sustainability Management Committee Frequency: quarterly	**1- Usman Ahmed - Group Chief Executive Officer (Chairperson)** 2- Zaina AlZayani – Group Head of Strategy and Sustainability 3- Ali Ehsan - Group Chief Risk Officer 4- Sarah Abdulaziz Jamal – Group Chief Human Resources Officer 5- Hisham Abu Alfateh - Chief Corporate Communications 6- Nabeel Mustafa – Acting Group Chief Operating Officer 7- Subah Al Zayani – Chief Executive, Retail Banking 8- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions 9- Ali Abdulkarim - Group Head of Corporate & Commercial Banking 10- Fatema Alalawi – BISB Acting Chief Executive Officer 11- Mohamed Kadhem Alaali – BISB Chief Strategy and Sustainability Officer	Advise and support on the NBB Group's Sustainability issues and recommend policies, procedures and initiatives across its operations and core activities. This includes setting sustainability-related direction and strategy of the NBB Group.
Saving Scheme Committee (SSC) Frequency: quarterly	**1- Hisham Al Kurdi - Group Chief Executive of Markets and Client Solutions (Chairperson)** 2- Khaled Salah AlMuharraqi – Head of Treasury Middle Office & Investment Fund Operations 3- Khaled Waleed Altamimi – Senior Prestige Relationship Manager 4- Nawaf Zubari – Head of HR Strategy & Planning (Committee Secretary)	Managing NBB Bahrain's Saving Scheme Fund in the best interest of the contributing employees and recommend investments as per policy guidelines and criteria. Monitor performance of the Saving Scheme Fund and oversight of Saving Scheme activities. Act as points of contact with employees on saving scheme issues and raise awareness and education among employees to encourage participation.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

Committee Name	Members (as of 31 December 2024)	Objective
UAE Senior Management Committee Frequency: minimum of 6 times per year with a minimum attendance requirement of 75%	**1- Yogesh Kale - Chief Executive Officer of the UAE branch (Chairperson)** 2- Mohsin Rahim - Group Chief Financial Officer 3- Yusuf Alnajmi - UAE Head of Branches and Administration 4- Ahmed Moussa - UAE Chief Operating Officer 5- Jassim AlAbbasi - Group Head of Financial Crime 6- Zaid Khonji - Head of Legal and Corporate Governance 7- Isa Budaraj - Head of Regulatory and Overseas Branches Audit 8- Ashraf Calcuttawala - UAE Head of Credit Risk 9- Abdul Nasir Rafique - Head of in-Business Risk, Control and Governance 10- Vineet Munot - Head of Transaction Banking 11- Ali Almoulani - Head of Treasury and Asset Liability Management 12- Sara Anwahi - UAE Head of Human Resource 13- Sandeep Satalkar - UAE Head of Credit Admin (Secretary)	The SMC, established in 2023, is responsible for establishing a robust control function and helping the Branch meet the corporate governance responsibilities in line with the Corporate Governance Policy and Regulation. The committee is comprised of twelve members, with a hybrid structure having representation of senior managers from the UAE and the Head Office in Bahrain. The SMC members are appointed by Group CEO and are subject annual evaluation with respect to their effectiveness and contribution. Upon their appointment, an induction is carried out whereby the members are educated as to their roles and responsibilities. The term of the current SMC members has started from 18th October 2023 and was renewed in May 2024. SMC Members report to their respective line managers while performing their routine duties and will report to Chair of SMC while performing duties in capacity of the SMC. The SMC members are subject to bank's group policies including the code of conduct, conflict of interest policy, whistle blowing policy mechanism and insider trading policy. The SMC monitors its compliance through periodical disclosure and disclosure in the annual report. The duties of the SMC include. . • To establish robust control functions in order to meet corporate governance guidelines. • Implementing the strategy approved by the GCEO, as well as implementation of business plans, policies, procedures, and budgets. • To oversee the compliance of the applicable laws and legislations of the UAE, and the implementation of the UAE Central Bank regulations. • Implementation and monitoring of various risk functions and sound risk management culture. Formalizing the risk appetite statement for UAE branch. • Monitoring and reviewing the operating and financial performance of the UAE branches. Monitoring and reporting of unresolved audit compliance, risk and legal issues. • Presentation and discussion of business budget and productivity reports. • To manage resources and develop talent strategy, staff communications and engagement. • Developing and recommending changes to the corporate governance policy framework. • Annual assessment and evaluation of the SMC. • The SMC monitors its compliance through periodical disclosure and disclosure in the annual report. • One SMC member is responsible for review and finalization of financial statement and the SMC Chair signs on the financial statements, and all related party transactions are subject to approval from the Board.

Corporate Governance and Ethical Behaviour continued

Management Structure (continued)

The Group Chief Risk Officer and the Group Chief Compliance Officer report directly to the Board Risk and Compliance Committee and administratively to the GCEO. The Group Chief Internal Auditor report directly to the Board Audit Committee and Administratively to the GCEO. The Corporate Secretary reports directly to the Board and administratively to the GCEO in accordance with Corporate Governance requirements.

With respect to the SMC, the committee meets regularly to effectively discharge their responsibilities and comply with its objectives. A summary of the SMC meetings held during the year 2024 and attendance are detailed below:

Total number of meetings held in 2024: 7

Name	Senior Management Committee							
	24/01/2024	13/03/2024	25/04/2024	12/06/2024	30/07/2024	18/09/2024	18/11/2024	Attendance Percentage
Yogesh Kale – Chief Executive Officer of the UAE branch (Chairperson)	✓	✓	✓	✓	✓	✓	✓	100%
Mohsin Rahim – Group Chief Financial Officer	x	✓	✓	✓*	x	✓*	✓*	71%
Yusuf Alnajmi – UAE Head of Branches and Administration	✓	x	✓	x	x	✓	✓	57%
Ahmed Moussa – UAE Chief Operating Officer	✓	✓	✓	✓	✓	✓	✓	100%
Jassim AlAbbasi – Group Head of Financial Crime	✓	✓*	✓	✓	✓	✓	✓	100%
Zaid Khonji – Head of Legal and Corporate Governance	✓	✓	✓	✓	✓*	✓	✓	100%
Isa Budaraj -Head of Regulatory and Overseas Branches Audit	✓	✓	✓	✓	✓	✓	✓*	100%
Ashraf Calcuttawala – UAE Head of Credit Risk	✓	✓	✓	✓	✓	✓	✓	100%
Abdul Nasir Rafique – Head of in-Business Risk, Control and Governance	✓	✓	✓	✓	✓	✓	✓	100%
Vineet Munot – Head of Transaction Banking	✓	✓	✓	✓	✓	✓	✓	100%
Ali Almoulani – Head of Treasury and Asset Liability Management	✓	✓	✓	x	✓	✓	✓	86%
Sara Anwahi – UAE Head of Human Resources	✓	x	✓	✓	x	✓*	✓*	71%
Sandeep Satalkar – UAE Head of Credit Admin (Secretary)	✓	✓	✓	✓	✓	✓	✓	100%

*Attended by proxy

Performance Evaluation of Board of Directors and Committees

NBB continues to strive to apply well-developed and balanced governance practices, ethical standards and fair dealings. As part of this continuing initiative, the bank has revamped its Board performance evaluation process and enhanced its format to identify improvement opportunities to enhance the overall performance of the Board, the Board Committees and each Board member.

The Board performance evaluation for the year 2024 was conducted electronically through a structured performance evaluation questionnaire against pre-defined criteria, as per the mandate of the Board and each of its Committees. The evaluation covers effectiveness and contribution of the overall performance of the Board, its committees and the performance of each Board member. The Group Chief Legal Officer and Corporate Secretary and the Board Secretary collated the responses, analysed them and submitted a summary report to the NRGSC. The NRGSC is responsible for overseeing the Board performance evaluation process and has presented its findings to the Board of Directors in the first quarter of 2025. The results of the evaluation findings confirms that the Board, its Committees and Board members continue to operate with a high level of excellency and effectiveness in light of the result of the evaluation being at 94.3%.

Related Party Transactions and Conflict of Interest

All directors have a duty under the Commercial Companies Law, the Central Bank of Bahrain regulations and the bank's corporate governance policy to avoid situations in which they may have conflicts of interest with those of the bank, unless they are specifically authorised by the Board. This includes potential conflicts that may arise when a director takes up a position with another company or has any material transactions with the bank. The bank has policies and procedures for handling related party transactions including loans and advances to directors, senior management and their related parties, as well as transactions and agreements in which a director or an employee has a material interest. In addition, exposures to directors and senior management are governed by the regulations of the CBB. Details of related party transactions involving the bank in 2024 are disclosed in Note (29) of the consolidated financial statements.

The independent directors play a key role in protecting minority shareholders' interests throughout their participation at a Board level and at the level of the committees which they are members of. Independent members are regularly informed and reminded of their right to conduct separate meetings comprised of only the independent members and this is exercised as and when requested by the independent members. For the year 2024 this was requested once and was held pursuant to that request.

As per the bank's policy, the Directors concerned do not participate in decisions in which they have or may have a potential conflict of interest. Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law. They are entered into following the satisfaction of the bank's tender processes and procedures to ensure that the bank receives optimal services from its counterparties at the best pricing available. Decisions relating to the approval of related party transactions, whether with connected parties of Directors, Controllers or significant shareholders of the bank, or employees are approved after appropriate disclosures have been made and the related parties and their connected persons refrain from participating in the decision-making process. The bank's shareholders are referred to Note (29) of the consolidated financial statements setting out disclosures of related party transactions in compliance with Article 189(C) of the Commercial Companies Law. The Board is satisfied with the procedures in place for the approval of related party transactions and the outcomes of related party contracts entered into in 2024.

Disclosures of Conflicts of Interest (as of 31 December 2024)

Members	Instances of abstaining from voting	Status
Dr. Esam Fakhro	8	Unanimously Approved by the Board of Directors
Mr. Amin Al Arrayed	7	Unanimously Approved by the Board of Directors
Mr. Late Farouk Almoayyed	3	Unanimously Approved by the Board of Directors
Sh. Rashed Al Khalifa	11	Unanimously Approved by the Board of Directors
Mr. Vincent Van Den Boogert	15	Unanimously Approved by the Board of Directors
Mr. Fawzi Kanoo	1	Unanimously Approved by the Board of Directors
Mr. Yusuf Alireza	1	Unanimously Approved by the Board of Directors
Dr. Paul Pester	15	Unanimously Approved by the Board of Directors
Mr. Zaid Abdulrahman	1	Unanimously Approved by the Board of Directors
Mr. Rishi Kapoor	3	Unanimously Approved by the Board of Directors
Mrs. Hala Yateem	1	Unanimously Approved by the Board of Directors
Mr. Ahmed Kanoo	1	Unanimously Approved by the Board of Directors
Mr. Mohamed Almoayyed	4	Unanimously Approved by the Board of Directors
Mr. Isa Maseeh	10	Unanimously Approved by the Board of Directors
Mr. Alaa Saeed	9	Unanimously Approved by the Board of Directors

Employment of Relatives

The bank has a Board approved policy in place on employment of relatives to prevent the potential favouritism and conflict of interest in decision-making due to factors of blood relations amongst employees and Board including Approved Persons. The Human Resources and Talent Development must be informed of any familial relationship to review reporting lines and responsibilities and mitigate any associated risks.

Code of Conduct

The Board has adopted a comprehensive Code of Conduct that provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work. All officers and employees subscribe to this Code of Conduct and are expected to observe high standards of integrity and fairness in their dealings with clients, regulators and other stakeholders.

Shareholder's Rights

The bank has a public disclosure on its website on shareholder's rights. It includes, amongst other things, the right to deal in the bank's shares, to attend the general assembly and the right to receive dividends as decided by the general assembly.

Whistle Blower Policy

In line with CBB requirements and leading practices, we have implemented a whistleblowing policy to protect our employees from any form of retaliation. If employees or other parties providing the bank with services (including agents, consultants, auditors, suppliers and other service providers under contract with the bank) observe any unethical or improper practice or behaviour, a wrongful conduct of a financial of legal nature, or any activity that violates the code of conduct, they have the opportunity to report these to the chairperson of the Audit Committee without fear of repercussion, through an automated whistleblowing channel. The Chief Internal Auditor will be delegated by the chairperson to investigate in a timely and fair manner allegations raised by the whistle-blower. The Chief Internal Auditor will keep the Audit Committee advised of the outcome of the investigation and depending on the materiality of the investigation results, the Audit Committee members may meet with the executive management to discuss the results and explore the available disciplinary actions. The full whistleblowing policy is available in the bank's official website.

Communication Strategy

The bank has a public disclosure policy approved by the Board. The bank is committed to support the timely and accurate disclosure of material information in accordance with the requirements set out in the rules and regulations of the CBB and the Bahrain Bourse as well as other applicable laws, to facilitate efficient capital market activities. The bank believes in the principle of transparency about its financial performance thus enabling all stakeholders to have access to such information on a timely basis. In addition to the annual audit, the external auditors conduct reviews on the bank's quarterly financial statements. These statements are subsequently published in the newspapers and posted on the bank's website in accordance with regulatory requirements. The annual report including the complete financial statements for the current financial year and a minimum of five preceding financial years are provided on the bank's website. The communication strategy of the UAE and KSA branches is managed by head office corporate communications.

Corporate Governance and Ethical Behaviour continued

Directors and Executive Management Interests

The number of shares held by directors and their related parties and trading during the year is as follows:

Name	Type of shares	31 December 2024	Sales during 2024	Purchases during 2024	Other[1]	31 December 2023
Late Farouk Yousuf Khalil Almoayyed – Chairperson	Ordinary		Left the Board during the year			36,580,411
Dr. Esam Abdulla Fakhro – Vice Chairperson	Ordinary		Left the Board during the year			15,997,118
Fawzi Ahmed Kanoo – Vice Chairperson	Ordinary		Left the Board during the year			144,260
Hala Ali Husain Yateem – Chairperson	Ordinary	11,278,568	-	220,140	-	11,058,428
Yusuf Abdulla Yusuf Alireza – Vice Chairperson	Ordinary	-	-	-	-	-
Sh. Rashed Bin Salman Al Khalifa – Director	Ordinary	-	-	-	-	-
Rishi Kapoor – Director	Ordinary	-	-	-	-	-
Amin Ahmed Al Arrayed – Director	Ordinary		Left the Board during the year			-
Vincent Van Den Boogert – Director	Ordinary	-	-	-	-	-
Zaid Khalid Abdulrahman – Director	Ordinary	801,380	-	-	-	801,380
Dr. Paul David Pester – Director	Ordinary	-	-	-	-	-
Isa Hasan Maseeh – Director	Ordinary	-	73,465	-	73,465	Not a member
Mohamed Farouk Almoayyed – Director	Ordinary	94,892	-	-	-	Not a member
Ahmed Fawzi Kanoo – Director	Ordinary	6,143	-	-	-	Not a member
Alaa Abdulkhaleq Saeed – Director	Ordinary	-	-	-	-	Not a member
Total shares	Ordinary	12,180,983	73,465	220,140	73,465	64,581,597
As a % of the total number of shares		0.5%	-	-	-	2.8%

Notes

1. Represents shares transferred as part of the Employee Share Incentive Scheme and shares transferred to or from other shareholders during the year.

Corporate Governance and Ethical Behaviour continued

Directors and Executive Management Interests (continued)

Name	Type of shares	31 December 2024	Sales during 2024	Purchases during 2024	Other[1]	31 December 2023
Usman Ahmed – Group Chief Executive Officer	Ordinary	-	-	-	-	-
Abdulaziz Al Ahmed – Chief Executive Strategic Accounts	Ordinary	1,928,415	-	-	137,560	1,790,855
Sarah Abdulaziz Jamal – Group Chief Human Resources Officer	Ordinary	-	-	-	-	-
Nabeel Mustafa – Acting Group Chief Operating Officer	Ordinary	69,690	6,900	-	30,066	46,524
Hisham Alkurdi – Group Chief Executive of Markets and Client Solutions	Ordinary	20,359	121,283	-	141,642	-
Fadhel Abbas – Group Chief Internal Auditor	Ordinary	397,417	-	-	42,031	355,386
Mohsin Rahim – Group Chief Financial Officer	Ordinary	-	-	-	-	-
Gaby El Hakim – Group Chief Legal Officer and Corporate Secretary	Ordinary	521,048	-	-	87,273	433,775
Ali Ehsan – Group Chief Risk Officer	Ordinary	182,383	-	-	34,833	147,550
Rana Abdulaziz Qambar – Group Chief Compliance Officer	Ordinary	46,960	-	-	28,484	18,476
Subah Al Zayani – Chief Executive, Retail Banking	Ordinary	123,024	-	-	55,865	67159
Razi Amin – Group Chief Technology Officer	Ordinary	74,445	60,000	-	56,963	77,482
Hisham Abu Alfateh – Chief Corporate Communications Officer	Ordinary	54,442	-	-	30,169	24,273
Mansour Al Saghayer - Chief Executive, Kingdom of Saudi Arabia	Ordinary	-	26,654	-	26,654	-
Yogesh Kale – Chief Executive, United Arab Emirates	Ordinary	44,233	-	-	29,453	14,780
Ali Abdulkarim – Group Head of Corporate and Commercial Banking	Ordinary	-	65,102	-	65,102	-
Zaina Al Zayani – Group Head of Strategy and Sustainability	Ordinary	5,405	-	-	5,405	-
Total shares		3,467,821	279,939	-	771,500	2,976,260

Notes

1. Represents shares transferred as part of the Employee Share Incentive Scheme and shares transferred to or from other shareholders during the year.

Approved Persons Interests

The total interest in the shares held by approved persons and their related parties is as follows:

Name	Type of shares	31 December 2024	31 December 2023
Total number of shares held	Ordinary	15,732,470	66,257,807
As a % of the total number of shares		0.7%	%2.9

Remuneration

Board of Directors Remuneration

The Board is paid an annual remuneration as approved by the shareholders at the Ordinary General Meeting in line with the provisions of Article 188 of Bahrain's Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that the total remuneration (excluding sitting fees) does not exceed 10% of the bank's net profit, after all the required deductions outlined in Article 188 of the Companies law, in any financial year. While the amount of remuneration is not directly linked to the performance of the bank, factors such as the bank's performance, industry comparison and the time and effort committed by the directors to the bank, are considered for determining the total remuneration. Remuneration of non-executive directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits. Directors' remuneration is accounted as an expense as per International Financial Reporting Standards and Central Bank of Bahrain regulations. In addition, the directors are paid sitting fees for the various committees of the Board.

Employees Remuneration Policy

The employees of the bank are critical for the bank's success and future business sustenance. Hence, it is imperative to recruit and retain talented resources from the competitive employment market. To achieve this objective, the bank's remuneration policy is developed to attract, retain and motivate the best talent. Accordingly, employee remuneration and benefits are reviewed and revised in the context of business performance, industry and local practices. In addition to fixed monthly salary and allowances, employees are provided with several other benefits like variable remuneration in the form of bonus, medical, life insurance cover, retirement benefits and employee savings scheme. While doing so, the bank gives paramount importance to the interests of the shareholders and to this end, the bank has implemented the Sound Remuneration Practices mandated by the Central Bank of Bahrain. While aligning the compensation of the employees with the risk outcomes and performance levels of the bank, the revised policies for Variable Remuneration i.e. the Bonus and Share Incentive Scheme also endeavour to align senior management's interest with shareholders' interests. The total variable remuneration paid to all employees including the Share Incentive Scheme is within the range of 7% to 9% of the net profit before the bonus and the variable remuneration of senior management is reviewed and approved by the Board Nomination, Remuneration, Governance and Sustainability Committee of the bank.

Remuneration of Board Members, Executive Management, UAE Senior Management Committee and Fees Paid to External Auditors

The aggregate remuneration paid to board members and executive management personnel are disclosed in detail in the Board Report which includes all required regulatory disclosures in this regard. The aggregate remuneration paid to the UAE Senior Management Committee in 2024 is BHD 2,047,406.

KPMG Fakhro are the bank's external auditors for the financial year ended 31 December 2024. Fees related to KPMG during the year 2024 amount to BHD 469,128 out of which BHD 232,595 is for audit services, BHD 118,413 is for CBB mandatory review requirements under the Agreed Upon Procedures and BHD 118,120 is for non-audit services. The Board assessed that the incumbent external auditor had performed their duties and responsibilities diligently throughout the year and have therefore recommended their reappointment.

Status of Compliance with CBB's Corporate Governance Guidelines (High Level Controls Module)

Banks are required to comply with the High-Level Controls (HC) Module of the CBB Rulebook. The HC Module contains both Rules and Guidance; unless specific exemptions or approvals are provided by the regulator, Rules must be complied with. Guidance may either be complied with or not, provided non-compliance is explained.

The bank has provided the following explanations related to the items below:

Guidance/Rules

- HC-3.5.1 states that the Board should establish a Risk Committee of at least three directors of which the majority should be independent. The bank has combined the responsibility of the Risk Committee with the Compliance Committee, which has three members one of whom is independent, which does not satisfy the requirements of HC-3.5.1. However, it is the Board's determination that the Risk and Compliance Committee is sufficiently independent to meet its requirements and responsibilities, and on this basis the CBB has confirmed that it has no objection to the composition of the Risk and Compliance Committee in this manner.
- HC-3.8.2 states that the Board should establish a Corporate Governance Committee and HC-3.3.3 allows combination of committees. The bank has combined the responsibility of the Corporate Governance Committee with that of the Nomination, Remuneration, Governance and Sustainability Committee. The Board is of the view that this does not compromise the high standards of corporate governance as the Nomination, Remuneration, Governance and Sustainability Committee has sufficient resources and time to discharge its duties and holds sufficient number of meetings to fulfil its responsibilities, and on this basis the CBB has confirmed that it has no objection to the combination of these committees in this manner.

Guidance/Rules (continued)

- HC-2.2.2 (e) states that Board candidates must not have more than two (2) directorships of Bahraini Banks, bearing in mind that two directorships of licensees of the same license category (e.g. 'Retail Bank') are not permitted. However, Mr. Zaid Khalid Abdulrahman is a Director of NBB and a Director of Bahrain Islamic Bank ("BisB"). Accordingly, in this instance, NBB has obtained the necessary regulatory approvals from the CBB for his appointment as a Director of BisB.

Remuneration Report

Our Philosophy

The bank has adopted a total rewards philosophy which translates its vision, strategy and values into a framework that guides its decision making when it comes to all elements of its reward. We aim through this adoption to:

- Attract and retain the best performers.
- Provide incentive variable pay based on the attainment of specific organisational performance goals as well as the attainment of individual performance goals in a manner which is completely aligned to our organisational values.
- Develop industry leaders who positively impact the performance of the bank and act as catalyst for growth within the economies in which we operate.

In its elements, our philosophy encompasses the following:

- Encourage competency building by better linking career development, performance management and rewards.
- Support a performance-driven work culture that generates organisational growth.
- Reward (in the form of fixed and variable compensation) performance, skills and competencies, development and growth, and effective visible commitment to the organisation.
- Generate opportunities for individuals' growth through career development, training, and succession planning and talent development.
- Support a work environment which is governed by our values, sound leadership, and a culture conducive to success through team-based oriented work relationships and a balanced work life mix.

This translation of this philosophy has been implemented through compliance with a strong corporate governance framework, one which is both in adherence with regulatory requirements and aligned with industry benchmarks and best practices. In terms of oversight, the NRGSC is responsible for ensuring adherence to policy and regulations.

The bank's Remuneration Policy ensures that all employees, particularly the Approved Persons and material risk takers, are remunerated fairly and responsibly. Approved Persons are employees who undertake functions that require prior approval from the CBB. These include controlled functions named by the CBB, executive positions directly reporting to the Group CEO and certain heads of function requiring specialised skill sets. Material Risk Takers are employees who are heads of significant business lines and any individuals within their control who have a material impact of the bank's risk profile.

To ensure alignment between what we pay the employees and the bank's business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarized in line with our performance management system. This assessment also considers adherence to the bank's values, risk, compliance measures and, above all, the need to act with integrity. Altogether, performance is judged not only on what is achieved over the short and long-term but also importantly on how it is achieved, as the bank believes the latter contributes to the long-term sustainability of the business.

NRGSC Role and Focus

The NRGSC has oversight of all compensation policies for the bank's employees. The NRGSC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRGSC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices and the business plan and risk profile of the bank.

The responsibilities of the NRGSC with regards to the variable compensation policy of the bank, as stated in its mandate, include, but are not limited to, the following:

- Recommend to the Board, monitor and review the remuneration system to ensure the system operates as intended.
- Recommend to the Board the remuneration policy and approve the remuneration package amounts for each Approved Person and Material Risk Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
- Ensure remuneration is adjusted for all types of risks.
- Ensure that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed including salaries, fees, expenses, bonuses and other employee benefits.

Corporate Governance and Ethical Behaviour continued

NRGSC Role and Focus (continued)

- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRGSC will question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, human resources, strategy, internal audit, operations, financial controls and compliance functions the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of Bahrain's Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The Board has established the NRGSC to address the above-mentioned objectives. Details of the committee, including its meeting dates, are included within the Corporate Governance Report. The aggregate remuneration paid to the NRGSC members during the year in the form of sitting fees amounted to BHD 11,500.

Scope of Application of the Remuneration Policy

The remuneration policy has been adopted on a NBB parent-wide basis and shall apply to its overseas branches and subsidiaries.

Variable remuneration is performance related and consists primarily of the annual performance bonus award. The variable remuneration reward is linked to individuals' contributions towards the attainment of the bank's goals and targets working within a value-based culture, in the context of a highly efficient, pragmatic and delivery-oriented environment.

The bank has a Board approved framework to develop a transparent link between performance and variable remuneration. The framework is designed on the basis that the combination of financial performance and achievement of other non-financial factors, would, all other things being equal, deliver a target bonus pool for the employees. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations). In the framework adopted in determining the variable remuneration pool, the NRGSC aims to balance the distribution of the bank's profits between shareholders and employees.

The key performance metrics at the bank level include a combination of short and long-term measures and include profitability, solvency, liquidity and growth indicators.

The NRGSC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. NRGSC demonstrates that its decisions are consistent with the assessment of the bank's financial condition and prospects.

The bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the bank's objective to pay out bonuses out of realized and sustainable profits. Based on the quality of earnings, the bonus base could be adjusted based on the discretion of the NRGSC.

For the bank to have any funding for distribution of bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable remuneration is generally considerably reduced where subdued or negative financial performance occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk adjustment and linkage framework. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

As mentioned above, the total variable remuneration paid to all employees including the Share Incentive Scheme is within the range of 7% to 9% of the net profit before the bonus.

Remuneration of Control and Support Functions

The remuneration level of staff in the control and support functions allows the bank to employ qualified and experienced personnel in these functions. The bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the individual financial performance of the business area they monitor.

The bank's performance management system plays a major role in deciding the performance of the support and control units based on the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance, and ethical considerations as well as the market and regulatory environment other than value adding tasks which are specific to each unit.

Variable Compensation for Business Units

Variable compensation for the business units is primarily decided by the key performance objectives set through the bank's performance management system. Such objectives contain financial and non-financial targets, including risk control, compliance, and ethical considerations as well as market and regulatory environment. The consideration of risk assessment in the performance evaluation of individuals ensures that any two employees who generate the same short-run profit but take different amounts of risk on behalf of the bank are treated differently by the remuneration system.

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Corporate Governance and Ethical Behaviour continued

Risk Assessment Framework

The purpose of the risk linkages is to align variable remuneration to the risk profile of the bank. In seeking to do so, the bank considers both quantitative measures and qualitative measures in the risk assessment process. Quantitative measures and human judgement play a role in determining risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy is designed to reduce employees' incentives to take excessive and undue risk is symmetrical with risk outcomes and has an appropriate mix of remuneration that is consistent with risk alignment.

The NRGSC considers whether the variable remuneration policy is in line with the bank's risk profile and ensures that through the bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments consider all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior to the distribution of the annual bonus. The bank ensures that the total variable remuneration does not limit its ability to strengthen its capital base.

The NRGSC keeps itself abreast of the bank's performance against the risk management framework. The NRGSC will use this information when considering remuneration to ensure the return, risk and remuneration are aligned.

In years where the bank suffers material losses in its financial performance, the risk adjustment framework includes several adjustments. The NRGSC carefully examines the results of stress tests and back tests conducted on the variable remuneration policy framework and makes necessary corrections to the staff bonus by reduction of bonus pool, possible changes to vesting period, additional deferrals and malus or clawback provisions.

The NRGSC, with Board's approval, can rationalize and make the following discretionary decisions:

- Increase/ decrease the ex-post adjustment.
- Consider additional deferrals or increase in the quantum of share awards.
- Recovery through malus and clawback arrangements.

Malus and Clawback Framework

The bank's malus and clawback provisions allow the Board to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable compensation could be recovered in certain situations. The intention is to allow the bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the bank during the concerned performance year.

Any decision to take back an individual's award can only be taken by the Board.

The bank's malus and clawback provisions allow the bank's Board to determine that, if appropriate, vested /unvested elements under the deferred bonus plan can be adjusted/ cancelled in certain situations. These events include (i) reasonable evidence of wilful misbehaviour, material error, negligence or incompetence of the employee causing the bank/the employee's business unit to suffer material loss in its financial performance, material misstatement of the bank's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehaviour or incompetence during the concerned performance year, and (ii) the employee deliberately misleads the market and/or shareholders in relation to the financial performance of the bank during the concerned performance year.

Clawback can be used if the malus adjustment on the unvested portion is insufficient, given the nature and magnitude of the issue.

Components of Variable Remuneration

Variable remuneration has the following main components:

Upfront cash	The portion of the variable compensation awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred cash	The portion of variable compensation awarded and paid in cash on a pro-rata basis over three years.
Upfront share awards	The portion of variable compensation awarded and issued in the form of shares on conclusion of the performance evaluation process for each year.
Deferred shares	The portion of variable compensation awarded and paid in the form of shares on a pro-rata basis over three years.
Long Term Incentive Plans	The portion of variable compensation awarded and paid in the form of shares on a cliff vesting basis after three years based on performance and retention conditions.

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to the bank's share price as per the rules of the bank's share incentive scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

Deferred Compensation

Employees in the grade of senior manager and above and those earning total annual compensation of BHD 100,000 and above shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	GMs and above	5 highest paid business emp.	SMs and AGMs	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	40%	50%	Immediate	-	-	Yes
Upfront shares	-	-	10%	Immediate	6 months	Yes	Yes
Deferred cash	10%	10%	-	3 years*	-	Yes	Yes
Deferred share awards	50%	50%	40%	3 years*	6 months	Yes	Yes

Note:

* The deferral vests on a pro-rata basis over a three-year period.

The NRGSC, based on its assessment of role profiles and risk taken by an employee, could increase the coverage of employees subject to deferral arrangements.

Details of remuneration paid

Board of Directors

BHD 000's	2024	2023
Sitting fees*	60.3	54.5
Remuneration	520.0	520.0

Note:

* Includes NRGSC sitting fees of BHD 11.5 thousand as of 31 December 2024 (31 December 2023: BHD 11.5 thousand).

Employees

1-Employee remuneration

2024											
		Fixed Remuneration		Sign on Bonuses	Guaranteed Bonuses	Variable Remuneration					
						Upfront		Deferred			
BHD 000's	Number of Staff*	Cash	Others	(Cash / shares)	(Cash / shares)	Cash	Shares	Cash	Shares	Others	Total
Approved Persons											
- Business Lines	6	1,240	185	-	-	505	-	126	631	-	**2,687**
- Control and Support	16	2,132	328	116	-	470	89	-	355	-	**3,490**
Other Material Risk Takers	4	704	73	-	-	114	20	4	98	-	**1,013**
Other Staff	751	16,871	3,504	-	-	3,886	171	-	683	-	**25,115**
Overseas Staff**	82	3,109	344	-	-	474	13	-	52	-	**3,992**
TOTAL	**859**	**24,056**	**4,434**	**116**	**-**	**5,449**	**293**	**130**	**1,819**	**-**	**36,297**

* This represents staff as of 31 December 2024. 62 staff who left during the year are not included in the number of staff however their respective remuneration has been disclosed in the relevant captions.

**One overseas staff has been included as part of the Approved Persons Support Lines category and two overseas staff have been included as part of the other material risk takers category

2023											
		Fixed Remuneration		Sign on Bonuses	Guaranteed Bonuses ***	Variable Remuneration					
						Upfront		Deferred			
BHD 000's	Number of Staff*	Cash	Others	(Cash / shares)	(Cash / shares)	Cash	Shares	Cash	Shares	Others	Total
Approved Persons											
- Business Lines	7	1,422	232	489	-	449	5	107	551	-	3,255
- Control and Support	16	2,165	334	87	-	379	73	-	294	-	3,332
Other Material Risk Takers	1	80	15	-	-	14	3	-	11	-	123
Other Staff	768	16,367	3,078	-	-	3,829	138	-	552	-	23,964
Overseas Staff**	74	3,182	363	-	-	472	22	5	111	-	4,155
Total	866	23,216	4,022	576	-	5,143	241	112	1,519	-	34,829

* This represents staff as at 31 December 2023. 86 staff who left during the year are not included in the number of staff however their respective remuneration has been disclosed in the relevant captions.

** One overseas staff has been included as part of the Approved Persons Business Lines category.

*** During the year, guaranteed bonuses to certain individuals amounted to BHD 413.6 thousands and these are included within the variable remuneration disclosures above.

Employees (continued)

2. Deferred Awards

	2024				
	Cash	Shares		Others	Total
	BHD 000's	Number	BHD 000's*	BHD 000's	BHD 000's
Opening Balance	354	4,515,227	2,681	-	3,035
Awarded during the year	112	3,171,391	1,760	-	1,872
Adjustment based on final awards for 2023	-	-	-	-	-
Cash/Stock dividend awarded during the year	205	-	-	-	205
Interest on deposits	10	-	-	-	10
Paid out/released during the year	(246)	(2,638,768)	(1,542)	-	(1,788)
Closing balance	435	5,047,850	2,899	-	3,334

* Based on the original award price for each award period.

	2023				
	Cash	Shares		Others	Total
	BHD 000's	Number	BHD 000's*	BHD 000's	BHD 000's
Opening Balance	293	4,080,471	2,524	-	2,817
Awarded during the year	91	2,628,297	1,548	-	1,639
Adjustment based on final awards for 2022	-	8,265	5	-	5
Cash/Stock dividend awarded during the year	213	670,680	394	-	607
Interest on deposits	7	-	-	-	7
Paid out/released during the year	(250)	(2,872,486)	(1,790)	-	(2,040)
Closing balance	354	4,515,227	2,681	-	3,035

* Based on the original award price for each award period.

Compliance

The Bank is committed to fostering a robust compliance culture that extend throughout every aspect of our operations. This commitment is endorsed by our Board of Directors and senior management, who set the tone for compliance from the top and plays a leading role in establishing the Groups' compliance culture and values, and adherence to all applicable regulatory requirements. By upholding the highest standards of ethical conduct, we are safeguarding our reputation, protecting our clients› interests, and conducting our business responsibly.

In 2024, we continued to refine our compliance framework, ensuring that it aligns with the evolving regulatory landscape in the kingdom of Bahrain and other jurisdictions where we operate.

Compliance Culture

We are dedicated to nurturing a compliance-oriented culture through a comprehensive training and awareness program. All employees, including the Board of Directors, participate in mandatory Anti-money laundry and combatting terrorism financing trainings sessions. Additionally, compliance various awareness sessions are conducted for all staff to reinforce the importance of compliance and its role in achieving our strategic objectives. These efforts foster a culture of ethical decision-making and ensure that we consistently deliver fair outcomes for our clients and stakeholders in accordance with the regulatory requirements.

Compliance Governance

The Group Compliance Management Committee ("GCMC"), established in 2019, oversees all compliance-related risks.

The objective of the committee is to develop, identify, measure, document and assess compliance risks across the group, and monitor the adherence of NBBs' Group to the Central Bank of Bahrain ("CBB"), Central Bank of UAE ("CBUAE") as well as the Central Bank of Saudi Arabia ("SAMA") requirements with the relevant rules and regulations.

Additionally, provides regular updates to senior management on progress towards resolving compliance related regulatory observations, compliance audit findings, and self-identified issues. The GCMC also serves as an escalation point for any compliance-related matters requiring immediate attention. The Group Chief Compliance Officer reports relevant management information from GCMC sessions to the Board Risk and Compliance Committee ("BRCC").

Both the GCMC and the BRCC operate under approved terms of reference, ensuring clear governance structures and accountability for compliance matters.

Compliance (continued)

Compliance Framework

To maintain a robust compliance framework that structures a set of guidelines and principles to aggregate, harmonize, and integrate all regulatory requirements that apply to the bank and ensure full adherence to all applicable regulatory requirements.

Financial Crime Compliance (FCC)

The Bank is committed in applying rules, principles, and the highest level of standards to manage Anti-Money Laundering ("AML"), Combating Financing of Terrorism ("CFT") and Proliferation risks in line with the financial crime laws and regulations as required by the CBB.

Additionally, the Bank adopts a risk based approach to ensure mitigation of compliance risks. Our comprehensive AML, CFT, and Sanctions Policy outlines the principles and direction to control and adhere to the relevant applicable laws and regulations.

Compliance Testing and Assurance

Compliance Testing and Assurance play a crucial role in ensuring that we effectively manage regulatory risks and prevent non-compliant activities. Compliance regularly assesses the Bank's adherence to regulatory requirements and the effectiveness of the Bank's first and second lines of defense activities. This risk-based approach compliance testing plan ensures that the business operates in compliance with all relevant regulations.

Customer Complaints

We are committed to providing exceptional customer service and promptly addressing customer complaints. Our Complaints Management Policy and Procedures align with guidelines provided by the Central Bank of Bahrain (CBB). We value customer feedback and utilize complaints as an opportunity to identify and rectify shortcomings, ultimately enhancing our services and products.

Regulatory Engagements

The Bank proactively engages with regulatory authorities to stay abreast of evolving regulatory requirements. A dedicated team monitors regulatory releases from relevant regulatory bodies, promptly identifying and assessing the potential impact of any new or updated regulations on our operations. We then implement the necessary changes to our policies, procedures, and controls to ensure ongoing compliance.

Internal Audit

The Internal Audit function is integral to the bank's risk management system and plays an important role in evaluating the independence of risk management functions as well as the adequacy and effectiveness of the bank's internal control system. A periodic review is conducted by the department to confirm that established policies, procedures, and approved terms are complied with, and areas of concern are highlighted so that corrective action can be taken in time. The department is subject to an independent external quality assurance review system.

The department adopts a risk-based approach, and part of each audit assignment involves verifying the availability of comprehensive, reliable and up-to-date policies and procedures. The department assesses the completeness and clarity of applicable policies, procedures and systems on a regular basis throughout the year, in line with the audit plan. The plan, which is formulated after an annual risk assessment exercise, includes the assessment of the effectiveness and adequacy of controls, validation of risk models and operational compliance. It forms part of a three-year strategic audit plan which ensures that all the functions and processes of the bank, including local and overseas branches, are properly covered.

The department operates in conformance with international standards for the professional practice of internal auditing. More than 70% of audit department staff are professionally qualified by well-known international associations (such as CIA, ISACA, CPA and ACCA).

Risk Management

The financial sector continues to grow in complexity and sophistication with ongoing changes in regulatory and operating environments globally. Technology advances are introducing new challenges and opportunities for banks. With this dynamic environment comes a growing need to continue to strengthen existing frameworks and bolster controls. NBB has, over the years, developed risk management into a core competence and remains well-positioned to meet these challenges. The bank evaluates risk in terms of the impact on income and asset values. The evaluation reflects the bank's assessment of the potential impact on its business on account of changes in political, economic and market conditions and in the creditworthiness of its clients. Risk management at NBB has always been prudent and proactive, with the objective of achieving the optimum balance between risk and expected returns.

Risk Management (continued)

Overall authority for risk management in the bank is vested in the Board. A Board Risk and Compliance Committee has been established to provide oversight and advice to the Board. The Board authorises appropriate credit, operational, liquidity, market and information security risk policies based on the recommendations of management. Approval authorities are delegated in a hierarchy depending on the amount, type of risk and collateral security. The bank has also established an Operational Risk Management Committee (ORMC), Group Asset Liability Committee (GALCO), Management Credit Committee (MCC), Business Continuity Management Committee (BCMC), and Information Security Committee (ISC) to address different areas of risk.

The bank's risk management process encompasses the various dimensions of risk as outlined below.

Credit Risk

We actively strive to manage risk to protect and enable the business. NBB has maintained a conservative and consistent approach to risk since its inception, helping to ensure we protect client's funds, lend responsibly, and support the local economy. The team at credit risk works carefully to ensure the alignment between our credit risk appetite and the vision in our corporate strategy.

With regulatory and market pressures driving the industry to heightened risk controls and wise use of capital, the team continues to undertake more scrutiny in detailed reviews of our portfolios. It actively assesses clients and sectors likely to come under stress, taking corrective risk management action plans when necessary.

An internal grading system and review process ensures prompt identification of any deterioration in credit risk and consequent implementation of corrective action. The bank's internal risk ratings are based on a 22-point scale that considers the financial strength of a borrower as well as qualitative aspects, to arrive at a comprehensive assessment of the risk of default associated with the borrower. Risk ratings assigned to each borrower are reviewed at least annually. Regular monitoring of the portfolio enables the bank to address accounts that evidence deterioration in risk profile.

The bank follows stringent criteria in setting credit limits for countries and financial institutions. Prudent norms have been implemented to govern the bank's investment activities. Not only are regular appraisals conducted to judge the creditworthiness of the counterparty but day-to-day monitoring of financial developments across the globe ensures timely identification of any event affecting the risk profile.

The bank has systems and procedures in place to generate alerts in case of past dues in any account. A stringent classification process is followed for all such accounts. The bank applies rigorous standards for provisioning and monitoring of non-performing loans.

The bank's Global Credit Policy integrates ESG factors into the credit process, as follows:

- Controlled Credits: One up level approval required for borrowers violating prudential norms of responsible corporate behaviour including environmental, social and governance-related norms related to human rights, working conditions, child labour, environmental impact, anti-corruption, production of banned weapon, tobacco etc.
- Credit Application templates require specific mention of risks arising from environmental, social and governance factors.
- Business Units shall not consider requests from borrowers engaged in activities considered harmful or inappropriate (without proactive mitigating actions) from an environmental, social or governance point of view.

Aiming to make a positive contribution to both internal and external stakeholders, we have sought to embed sustainability in our Global Credit Policy and credit activity since 2020. Our ambition to be recognised as a regional leader in responsible lending and sustainable finance stems from our commitment to make positive impact on the clients and communities we serve. ESG risk factors are examined across our financing activity with clients. We are working with leaders in the field to cement ESG risk assessment so that our approach is more fully entrenched in the overall credit risk management framework.

Legal Risk

The Legal Department manages and mitigates legal risks through prompt review and advice on bank-wide matters and on transactions including all related documents. The main goal is to ensure the bank's interests are protected and the bank is in a position to make informed decisions in transactional and operational matters. The team keeps abreast of latest developments in domestic and relevant international legislation that would have an impact on the bank's operations and initiates corrective action when the bank's business is likely to be affected. In-house expertise independently ensures the above objectives are properly maintained. In addition, the Legal Department manages its panel of internationally renowned firms and conducts engagements with firms where specific advice on local and foreign legal matters is required, or when the bank requires transaction or contentious representation.

Risk Management (continued)

Privacy and Personal Data Protection Law (PDPL)

At NBB, we protect client privacy and secure personal information with the highest care to retain the trust and confidence of our clients. We have implemented numerous security and privacy measures to safeguard our clients and facilitate transactions across different platforms: online, mobile, and ATMs. We adopted a data privacy policy, which is available on our website.

We implemented an electronic solution to continuously inform our clients through social media about the collection and the use of their data. As part of our information security awareness training, we provide staff with privacy awareness training.

To comply with the PDPL of Bahrain, KSA and UAE the bank performed gap analysis against the laws. The Bank has now bridged all the identified gaps.

Liquidity and Market Risk

Liquidity risk is classified as the potential inability of the bank to meet its financial obligations on account of a maturity mismatch between assets and liabilities. Liquidity risk management ensures that funds are always available to meet the funding requirements of the bank. Liquidity risk management remains a core focus, with the bank's liquidity profile displaying resilience and stability, supported by a strong client deposit base and prudent asset-liability strategies. Our Asset and Liability Management (ALM) framework enforces stringent liquidity criteria, including gap limits, a minimum level of liquid assets, and the liquid assets-to-total-assets ratio, enabling us to maintain sufficient funding capacity under both normal and stress conditions. The GALCO plays an integral role by routinely reviewing liquidity metrics and taking proactive measures to ensure a sound liquidity position.

The bank's ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its client deposit base. The strategy of the bank has ensured a balanced mix of demand and time deposits.

The bank's goal is to achieve stable earnings growth through active management of the assets and liabilities mix while selectively positioning itself to benefit from near-term changes in interest rate levels.

The bank is in the process of rolling out its ALM system which will significantly bolster our ability to manage liquidity and market risk exposures. The ALM system is capable of capturing the bank's exposures across all asset classes, ensuring a comprehensive view of potential risks. The system includes advanced analytics capabilities, which are particularly valuable for managing Interest Rate Risk in the Banking Book (IRRBB), a critical component for monitoring and managing interest rate fluctuations. Through these analytics, the bank can proactively adjust its strategies to safeguard against adverse rate changes and optimize earnings under various interest rate scenarios.

Market risk is classified as the risk to the value of the trading portfolio arising from changes in interest rates, foreign exchange, commodity, and equity prices. The bank's trading activities are governed by conservative policies, stringent adherence to controls and limits, strict segregation of front and back-office duties, regular reporting of positions, regular independent review of all controls and limits and rigorous testing of pricing, trading and risk management systems. The limits are set annually and regularly reviewed.

The bank actively manages market risk through a disciplined approach that leverages a state-of-the-art analytical system. This system allows for daily calculation of Value at Risk **(VaR)**, providing a clear picture of potential losses across key risk areas such as interest rates, foreign exchange, commodities, and equities. By conducting VaR analyses, we can quantify our exposure and set parameters that align with our risk appetite.

Beyond VaR, we also employ daily stress testing to evaluate the impact of adverse market movements on the bank's trading and investment portfolios. These stress tests simulate extreme yet plausible scenarios, allowing us to gauge resilience under unexpected conditions. This process supports proactive decision-making and enables the bank to adjust its trading and investment risk profile as needed.

To ensure robust oversight, the results of these analyses, along with detailed trading and investment activity reports, are shared daily with senior management. This continuous reporting framework not only enhances transparency but also facilitates swift responses to market fluctuations, maintaining alignment with our strategic objectives. By combining advanced analytics with rigorous reporting practices, we are well-positioned to manage market risk and safeguard the financial stability of the bank.

The bank uses the standardized method to calculate capital charge for market risk, the capital that is required to be held on account of the various risk factors affecting the trading book and currency positions. Capital requirements on account of interest rate risk, foreign exchange risk, equity risk, commodity risk and options risk are calculated separately and then summed up to arrive at the total market risk capital requirement of the bank.

The Bank supports the move to more robust and reliable benchmark rates. The Bank has completed a Group-wide initiative to identify, assess, and monitor risks associated with the discontinuation or unavailability of benchmarks, including LIBOR, and the transition to Alternative Reference Rates. We have also completed the evaluation of existing contracts across all products to determine the impact because of the discontinuation of LIBOR and other benchmarks and to address potential amendments to those contracts.

Risk Management (continued)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the Bank's failure to comply with laws, regulations, prudent ethical standards, or contractual obligations in any aspect of the Bank's business.

Operational risks could lead to a situation where we may be unable to provide our customers with critical business services due to significant disruption. Technology risks could cause unmanaged disruption to any IT system within the Bank because of malicious acts, accidental actions, poor execution, poor IT practice, or IT system failure.

Operational risk is inherent in the Bank's business activities and related support functions and can result in losses. The Bank manages operational risk in a way that is consistent with its framework, which is designed based on the CBB's requirements. The Bank's goal is to keep operational risk at appropriate levels relative to the characteristics of its businesses, the markets in which it operates, product profiles, the technological landscape, and the regulatory environment. This includes effectively managing operational risk and maintaining or reducing operational risk exposures within the Bank's operational risk appetite.

The Operational Risk Management Department (ORMD) under Enterprise Risk Management manages the operational risk across the group. ORMD continued its oversight of the Group's implementation of operational resilience capabilities that were in line with the Group's policies and CBB requirements. The ORMD reviewed and challenged the operational resilience self-assessment against the bank's procedures, group policies, and regulatory expectations and worked with the first line of defence to ensure that ownership and the delivery of resilience outcomes were embedded within the business and with function leaders.

People are central to everything the Bank does, and it is essential to manage the risk of not having the right people with the right skills and to ensure that staff always have the customer's interest at the forefront. ORMC monitors people's risk and employee conduct based on ORMD reports and dashboards. The ORMD, in collaboration with the Group's Chief Human Resources Officer, is considering people risk issues with a focus on the four 'c's: capacity, capability, culture, and conduct.

The ORMD also received reports on system incidents and outages experienced across the Group, including reports on immediate actions to enhance system continuity for and communicate with customers and measures being implemented to improve resilience-related controls to prevent reoccurrence. The ORMC regularly reviewed reports on the Group's technology risk profile and received monthly updates on the risk and control environment, the current threat landscape, and emerging risks.

The ORMD focused on automating its handling of incidents and risks and controls, such as self-assessment, along with the continuous encouragement to raise awareness across the group's staff to report and contain incidents as they arise. In 2024, ORMD spearheaded the issue management across the group. Issue management goes beyond operational risk incident reporting to proactively identify and mitigate the resilience risk in processes before they emerge as incidents. Issues across the spectrum of internal audit, compliance, and operational risk are reported and brought to the executive management at the ORMC.

Information Security

Information security addresses the risk associated with the operation and use of information systems and personal data that support the mission and business functions of the bank. It is defined as a function of the likelihood of a given threat-source exercising (accidentally triggering or intentionally exploiting) a particular potential vulnerability, and the resulting impact of that adverse event on the organisation.

The bank has aligned its security and privacy function to the ISO/IEC 27001 and ISO/IEC 27701 standards and attained the certification in 2020 and 2023 respectively. This has been done by way of implementing an Information Security and Privacy Management System (ISMS/PIMS) framework consisting of policies and procedures to support information and privacy risk management processes. It is a systematic approach to managing sensitive Bank information so that it remains secure, by including people, processes, and technology. The strategic objective is to adopt a risk-based approach by integrating information security risk management processes into the life cycle of all information systems and infrastructures, thus mitigating and minimising the risk to an acceptable level.

The bank has continued to strengthen the ISMS/PIMS systems and enhance the maturity of the associated processes. The ISMS/PIMS systems consists of administrative controls (policies, standards, and processes/procedures) and technical controls (the implementation of technical security measures). The programme is risk-based in which processes continuously evaluate the risk relevant to the use of technology in business and processing of personal data and then addresses the identified risk. The programme is monitored by management through the bank's Information Security Committee (ISC). Periodic security reports are reviewed by the Board. During 2024, the Bank had zero security and privacy breaches.

Nevertheless, to strengthen our detection and response capabilities, we have modified procedures to include stricter controls and enhanced detection services by acquiring multiple advanced systems.

Further to having attained the ISO 27001 and ISO 27701 certifications, the bank is also PCI-DSS (Payment Card Industry Data Security Standard) compliant and certified. In addition, the CBB mandates that all banks should comply with the Personal Data Privacy Law (PDPL) of Bahrain. NBB has taken early steps to comply with this law.

Risk Management (continued)

Internal audits on information security are conducted during the year, while an external audit is performed annually. In addition, we undertake external Penetration Testing (PT) twice a year, an internal PT exercise once a year and Approved Scanning Vendors (ASV scans - as required by PCI-DSS) on a quarterly basis. All PT exercises are performed by a third-party consultant. Further, an internal vulnerability test is carried out on a weekly basis for the critical systems and every month for other systems and an internal Wi-Fi detection scan is performed once a year.

NBB has acquired technical controls to strengthen its security posture. NBB is currently working to enhance its existing Security Operations Centre service and its Cyber Incident Management Plan.

The bank has continued to engage external suppliers to check for cyber compromise, forensic investigation and cyber resilience. The bank has multiple suppliers for SOC management, cyber intelligence, extended detection and response, and receives security updates and recommendations from various CERT bodies in the region.

Fraud Risk Management

Fraud risk is a deliberate act of omission or commission by any person, carried out during a banking transaction or the books of account maintained manually or under a computer system in banks, resulting in a wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank. Fraud risk could impact the bank, its customers, or vendors.

All Banks are subject to fraud risks. It is impossible to eliminate fraud risks. However, implementing the principles in robust prevention, detection, and deterrence frameworks maximizes the likelihood of prevention and detection promptly and creates a strong fraud deterrence effect. The Bank has adopted the three lines of defense model to combat fraud risks. The Bank intends to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of preventive controls, the conduct of investigations, and reporting of fraud cases to the executive management, the Board through the Board Risk & Compliance Committee of the Board, Central Bank of UAE, and others as appropriate.

The fraud risk management strategy adopted at the Bank is to make the FRM an integral part of our culture. Internal and external stakeholders must continuously be encouraged to be open to adopting new procedures and understanding the severe nature of fraud risk. The Bank's FRM's governance strategy includes a) assigning a dedicated department for fraud risk management and designating a leader of the FRMD for the entire fraud risk management. The Bank is the pioneer on this front as NBB is the only bank in the Kingdom with a dedicated department for fraud risk management resourced with experienced staff and tier I anti-fraud systems, b) a clear strategy for the executive management to educate and enforce the requirement. c) Well-written whistleblowing and reporting procedures, d) a thorough fraud investigation process and any corrective actions, and e) Fraud awareness techniques and tools.

Furthermore, the Bank has created a Fraud Transaction Monitoring Unit (FTMU), a 24-hour team dedicated to monitoring customer transactions supported by dynamic and robust anti-fraud rules analytics to protect the Bank's customers from various fraud schemes.

We have significantly reduced the fraud risk incurred by our customers through social engineering and impersonation schemes during the year to zero financial losses on account takeovers on our Digital Banking application and electronic funds transactions. Moreover, through our carefully designed anti-fraud tactics, we have significantly reduced our customers' fraud risk exposures via Fawateer and ApplePay provisioning and wallet transactions. Additionally, in e-commerce fraud, the Bank enjoys an advanced ranking of anti-fraud indicators by Visa and MasterCard vis-à-vis its regional peers.

Financial Statements

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Independent Auditors' Report

To the Shareholders of

National Bank of Bahrain B.S.C.
P.O. Box 106,
Manama,
Kingdom of Bahrain

Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances

Refer to the use of estimate and management judgment in note 2 (d), impairment policy in the note 2f(x), note 7 and disclosures of credit risk in note 3 of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
We focused on this area because: • of the significance of loans and advances representing 55% of total assets; • impairment of loans and advances involves: o complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias; o use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its ECL models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") associated with the underlying financial assets; and o complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses;	Our audit procedures, amongst others, to address significant risks associated with impairment of loans and advances included: • Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding, and industry practice. • Confirming our understanding of management's processes, systems and controls implemented, including controls over expected credit loss ("ECL") model development. **Controls testing** We performed process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant General IT and application controls over key systems used in the ECL process. Key aspects of our control testing involved the following: • Performing detailed credit risk assessment for a sample of performing and non-performing loans to test controls over credit rating and its monitoring process; • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions elements into the IFRS 9 ECL models; • Testing controls over the transfer of data between underlying source systems and the ECL models that the Group operates; • Testing controls over the modelling process, including governance over model monitoring, validation and approval; • Testing key controls relating to selection and implementation of material economic variables; and • Testing controls over the governance and assessment of model outputs and authorisation and review of post model adjustments and management overlays including selection of economic scenarios and the probability weights applied to them.

Independent Auditors' Report to the Shareholders continued

The key audit matter	How the matter was addressed in our audit
• The need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weighting applied to them; and • Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks.	**Test of details** Key aspects of our testing involved: • Sample testing over key inputs and assumptions impacting ECL calculations including economic forecasts and weights to confirm the accuracy of information used; • Re-performing key aspects of the Group's significant increase in credit risk ("SICR") determinations and selecting samples of financial instruments to determine whether a SICR was appropriately identified; • Re-performing key elements of the Group's model calculations and assessing performance results for accuracy; and • Selecting a sample of post model adjustments and management overlays in order to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data. **Use of specialists** For the relevant portfolios examined, we have involved KPMG specialists to assist us in assessing IT system controls and challenging key management assumptions used in determining expected credit losses. Key aspects of their involvement include: • We involved our information technology specialists to test controls over the IT systems and recording of data in source systems; • We involved our credit risk specialists in: o evaluating the appropriateness of the Groups' ECL methodologies (including the staging criteria used); o re-performing the calculations of certain components of the ECL model (including the staging criteria); o evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weighting applied to them; and o evaluating the overall reasonableness of the management economic forecast by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends. **Disclosures** Evaluating the adequacy of the Group's disclosure in relation to use of significant estimates and judgment and credit quality of loans and advances by reference to the requirements of relevant accounting standards.

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we have obtained prior to the date of this auditors' report, 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 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.

Independent Auditors' Report to the Shareholders continued

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 judgement and maintain professional scepticism 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) 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 board of directors' report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 1), applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Salman Manjlai.

KPMG

KPMG Fakhro
Partner Registration Number 213
25 February 2025

Consolidated Statement of Financial Position
As at 31 December

	Note	2024 BHD millions	2024 USD millions	2023 BHD millions	2023 USD millions
Assets					
Cash and balances at central banks	4	**184.8**	**490.2**	181.3	480.9
Treasury bills	5	**196.1**	**520.2**	186.1	493.6
Placements with banks and other financial institutions	6	**625.9**	**1,660.2**	1,038.9	2,755.7
Loans and advances	7	**3,020.0**	**8,010.6**	2,535.1	6,724.4
Investment securities	8	**1,167.6**	**3,097.1**	1,155.0	3,063.7
Investment in associates	9	**44.1**	**117.0**	26.3	69.8
Interest receivable and other assets	10	**158.3**	**419.9**	127.6	338.4
Property and equipment	11	**74.3**	**197.1**	70.3	186.5
Goodwill and other intangible assets	12	**51.1**	**135.5**	51.9	137.7
Total assets		**5,522.2**	**14,647.8**	5,372.5	14,250.7
Liabilities					
Due to banks and other financial institutions	13	**579.7**	**1,537.7**	671.0	1,779.8
Borrowings under repurchase agreements	14	**384.8**	**1,020.7**	460.7	1,222.0
Customer deposits	15	**3,743.8**	**9,930.5**	3,504.8	9,296.6
Interest payable and other liabilities	16	**216.9**	**575.3**	158.8	421.2
Total liabilities		**4,925.2**	**13,064.2**	4,795.3	12,719.6
Equity					
Share capital	20	**226.6**	**601.1**	226.6	601.1
Treasury shares	20	**(2.5)**	**(6.6)**	-	-
Shares unallocated under share incentive scheme	20	**(0.5)**	**(1.3)**	(0.9)	(2.4)
Share premium	21	**15.1**	**40.1**	13.6	36.1
Statutory reserve	21	**113.3**	**300.5**	113.3	300.5
General reserve	21	**32.4**	**85.9**	32.4	85.9
Other reserves and retained earnings	21	**199.4**	**528.9**	180.0	477.5
Equity attributable to the shareholders of the Bank		**583.8**	**1,548.6**	565.0	1,498.7
Non-controlling interest		**13.2**	**35.0**	12.2	32.4
Total equity		**597.0**	**1,583.6**	577.2	1,531.1
Total liabilities and equity		**5,522.2**	**14,647.8**	5,372.5	14,250.7

The consolidated financial statements were approved by the board of directors on 25 February 2025 and signed on its behalf by:

Mrs. Hala Ali Husain Yateem
Chairperson

Mr. Yusuf Abdulla Yusuf Alireza
Vice Chairperson

Mr. Usman Ahmed
Group Chief Executive Officer

The accompanying notes 1 to 49 are an integral part of these financial statements.

Consolidated Statement of Profit or Loss
For the year ended 31 December

	Note	2024 BHD millions	2024 USD millions	2023 BHD millions	2023 USD millions
Interest income	23	**308.2**	**817.5**	267.7	710.1
Interest expense	23	**(164.8)**	**(437.1)**	(126.3)	(335.0)
Net interest income		**143.4**	**380.4**	141.4	375.1
Net fee and commission income	24	**15.4**	**40.8**	12.9	34.2
Other income	25	**32.9**	**87.3**	29.7	78.8
Total operating income		**191.7**	**508.5**	184.0	488.1
Staff expenses	26	**52.3**	**138.7**	49.3	130.8
Depreciation, amortisation and equipment expenses	27	**21.7**	**57.6**	20.5	54.4
Other operating expenses	27	**27.2**	**72.1**	26.2	69.5
Total operating expenses		**101.2**	**268.4**	96.0	254.7
Profit before results of associates, impairment, other provisions and tax		**90.5**	**240.1**	88.0	233.4
Share of profits from associates, net	9	**1.4**	**3.7**	1.1	2.9
Loans, placements and securities impairment, net	17	**(9.1)**	**(24.1)**	(6.5)	(17.2)
Other impairment and provisions, net	17	**0.5**	**1.3**	(1.2)	(3.2)
Profit before tax		**83.3**	**221.0**	81.4	215.9
Tax expense		**(0.3)**	**(0.8)**	-	-
Profit for the year		**83.0**	**220.2**	81.4	215.9
Attributable to:					
Shareholders of the Bank		**81.9**	**217.3**	79.1	209.8
Non-controlling interest		**1.1**	**2.9**	2.3	6.1
Profit for the year		**83.0**	**220.2**	81.4	215.9
Basic and diluted earnings per share attributable to the shareholders of the Bank	41	**36 fils**	**10 cents**	35 fils	9 cents

Mrs. Hala Ali Husain Yateem
Chairperson

Mr. Yusuf Abdulla Yusuf Alireza
Vice Chairperson

Mr. Usman Ahmed
Group Chief Executive Officer

The accompanying notes 1 to 49 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2024		2023	
	BHD millions	USD millions	BHD millions	USD millions
Profit for the year	**83.0**	**220.2**	81.4	215.9
Other comprehensive income:				
Items that are or may be reclassified to profit or loss:				
Fair value through other comprehensive income (debt instruments)				
Net change in fair value	**13.6**	**36.0**	11.8	31.3
Net amount transferred to profit or loss	**(9.5)**	**(25.2)**	(10.5)	(27.8)
Items that will not be reclassified to profit or loss:				
Net change in fair value of equity FVOCI instruments	**5.0**	**13.3**	(5.6)	(14.9)
Total other comprehensive income / (loss) for the year	**9.1**	**24.1**	(4.3)	(11.4)
Total comprehensive income for the year	**92.1**	**244.3**	77.1	204.5
Attributable to:				
Shareholders of the Bank	**91.0**	**241.4**	74.8	198.4
Non-controlling interest	**1.1**	**2.9**	2.3	6.1
Total comprehensive income for the year	**92.1**	**244.3**	77.1	204.5

The accompanying notes 1 to 49 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

							Other reserves and retained earnings					Total equity	
For the year ended 31 December 2024	**Share capital**	**Treasury shares**	**Unallocated shares**	**Share premium**	**Statutory reserve**	**General reserve**	**Fair value reserve**	**Donation and charity reserve**	**Retained earnings**	**Total owners' equity**	**Non-controlling interest**	**BHD millions**	**USD millions**
Balance at 31 December 2023	**226.6**	**-**	**(0.9)**	**13.6**	**113.3**	**32.4**	**28.5**	**13.4**	**138.1**	**565.0**	**12.2**	**577.2**	**1,531.1**
2023 appropriations:													
Cash dividend at 20%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(45.2)**	**(45.2)**	**-**	**(45.2)**	**(119.9)**
Transfer to donations and charity reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.0**	**(4.0)**	**-**	**-**	**-**	**-**
2024 appropriations:													
Cash dividend at 10%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22.7)**	**(22.7)**	**-**	**(22.7)**	**(60.2)**
Balance after 2023 and 2024 appropriations	**226.6**	**-**	**(0.9)**	**13.6**	**113.3**	**32.4**	**28.5**	**17.4**	**66.2**	**497.1**	**12.2**	**509.3**	**1,351.0**
Employee shares assigned	**-**	**-**	**0.4**	**1.5**	**-**	**-**	**-**	**-**	**-**	**1.9**	**-**	**1.9**	**5.0**
Movement in treasury shares	**-**	**(2.5)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.5)**	**-**	**(2.5)**	**(6.6)**
Comprehensive income for the year:													
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**81.9**	**81.9**	**1.1**	**83.0**	**220.2**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**9.1**	**-**	**-**	**9.1**	**-**	**9.1**	**24.1**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**9.1**	**-**	**81.9**	**91.0**	**1.1**	**92.1**	**244.3**
Utilisation of donation and charity reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.2)**	**-**	**(3.2)**	**-**	**(3.2)**	**(8.5)**
Disposal of equity securities	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**-**	**0.1**	**-**	**-**	**-**	**-**
Reclassification of equity securities	**-**	**-**	**-**	**-**	**-**	**-**	**(2.2)**	**-**	**2.2**	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**	**(0.1)**	**(0.6)**	**(1.6)**
Balance at 31 December 2024 (notes 20-22)	**226.6**	**(2.5)**	**(0.5)**	**15.1**	**113.3**	**32.4**	**35.3**	**14.2**	**149.9**	**583.8**	**13.2**	**597.0**	**1,583.6**

The appropriations for the year 2024 will be submitted to the shareholders at the annual general meeting. These appropriations include BHD 79.2 million for cash dividend at 35% (2023: 30%) and BHD 2.0 million for donations and contributions.

							Other reserves and retained earnings					Total equity	
For the year ended 31 December 2023	Share capital	Treasury shares	Unallocated shares	Share premium	Statutory reserve	General reserve	Fair value reserve	Donation and charity reserve	Retained earnings	Total owners' equity	Non-controlling interest	BHD millions	USD millions
Balance at 31 December 2022	206.0	-	(1.1)	12.3	103.0	32.4	28.2	13.0	172.1	565.9	10.0	575.9	1,527.6
2022 appropriations:													
Cash dividend at 25%	-	-	-	-	-	-	-	-	(51.3)	(51.3)	-	(51.3)	(136.1)
Bonus shares issued at 10%	20.6	-	(0.1)	-	-	-	-	-	(20.5)	-	-	-	-
Transfer to donations and charity reserve	-	-	-	-	-	-	-	3.4	(3.4)	-	-	-	-
Transfer to statutory reserve	-	-	-	-	10.3	-	-	-	(10.3)	-	-	-	-
2023 appropriations:													
Cash dividend at 10%	-	-	-	-	-	-	-	-	(22.7)	(22.7)	-	(22.7)	(60.2)
Balance after 2022 and 2023 appropriations	226.6	-	(1.2)	12.3	113.3	32.4	28.2	16.4	63.9	491.9	10.0	501.9	1,331.3
Employee shares assigned	-	-	0.3	1.3	-	-	-	-	-	1.6	-	1.6	4.2
Comprehensive income for the year:													
Profit for the year	-	-	-	-	-	-	-	-	79.1	79.1	2.3	81.4	215.9
Other comprehensive income	-	-	-	-	-	-	(4.3)	-	-	(4.3)	-	(4.3)	(11.4)
Total comprehensive income for the year	-	-	-	-	-	-	(4.3)	-	79.1	74.8	2.3	77.1	204.5
Utilisation of donation and charity reserve	-	-	-	-	-	-	-	(3.0)	-	(3.0)	-	(3.0)	(7.9)
Disposal of equity securities	-	-	-	-	-	-	4.6	-	(4.6)	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	(0.3)	(0.3)	(0.1)	(0.4)	(1.0)
Balance at 31 December 2023 (notes 20-22)	226.6	-	(0.9)	13.6	113.3	32.4	28.5	13.4	138.1	565.0	12.2	577.2	1,531.1

Unallocated shares are shares that remain unallocated to employees under the employee share incentive scheme.

The accompanying notes 1 to 49 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2024 BHD millions	2024 USD millions	2023 BHD millions	2023 USD millions
Cash flows from operating activities					
Profit for the year		**83.0**	**220.2**	81.4	215.9
Adjustments to reconcile profit for the year to net cash from operating activities:					
Depreciation and amortisation		**10.0**	**26.5**	9.7	25.7
Amortisation of right-of-use leased property		**1.9**	**5.0**	1.9	5.0
Fair value (gain) / loss of investment property		**(0.7)**	**(1.9)**	0.5	1.3
Loans, placements and securities impairment, net	17	**9.1**	**24.1**	6.5	17.2
Other impairment and provisions, net	17	**(0.5)**	**(1.3)**	1.2	3.2
Share of profits from associates, net		**(1.4)**	**(3.7)**	(1.1)	(2.9)
Profit for the year after adjustments		**101.4**	**268.9**	100.1	265.4
Changes in operating assets and liabilities					
Balances with central banks (mandatory cash reserves)		**(12.2)**	**(32.4)**	(3.1)	(8.2)
Treasury bills		**(0.6)**	**(1.6)**	(25.9)	(68.7)
Placements with banks and other financial institutions		**(15.8)**	**(41.9)**	(1.0)	(2.6)
Loans and advances		**(497.0)**	**(1,318.3)**	(46.8)	(124.1)
Investment securities		**(5.4)**	**(14.3)**	109.6	290.7
Interest receivable and other assets		**(31.9)**	**(84.6)**	(58.8)	(155.9)
Due to banks and other financial institutions		**(91.3)**	**(242.2)**	198.7	527.1
Borrowings under repurchase agreements		**(75.9)**	**(201.3)**	216.3	573.7
Customer deposits		**239.0**	**634.0**	174.6	463.1
Interest payable and other liabilities		**52.5**	**139.3**	4.7	12.4
Net cash (used in) / from operating activities		**(337.2)**	**(894.4)**	668.4	1,772.9
Cash flows from investing activities					
Dividends received from associates		**0.1**	**0.3**	0.4	1.1
Capital reduction of associates		**0.7**	**1.9**	-	-
Net investment in associates		**(6.3)**	**(16.7)**	-	-
Purchase of property and equipment, net		**(11.3)**	**(30.0)**	(9.0)	(23.9)
Net cash used in investing activities		**(16.8)**	**(44.5)**	(8.6)	(22.8)
Cash flows from financing activities					
Dividends paid		**(68.0)**	**(180.4)**	(74.1)	(196.6)
Donations and charities paid		**(3.7)**	**(9.8)**	(3.4)	(9.0)
Payment of lease liabilities		**(2.4)**	**(6.4)**	(2.3)	(6.1)
Net cash used in financing activities		**(74.1)**	**(196.6)**	(79.8)	(211.7)
Net (decrease) / increase in cash and cash equivalents		**(428.1)**	**(1,135.5)**	580.0	1,538.4
Cash and cash equivalents at 1 January	4	**1,092.9**	**2,898.9**	512.9	1,360.5
Cash and cash equivalents at 31 December	4	**664.8**	**1,763.4**	1,092.9	2,898.9

The accompanying notes 1 to 49 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. REPORTING ENTITY

The National Bank of Bahrain B.S.C., a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri decree in January 1957. The Bank is licensed by the Central Bank of Bahrain (CBB) as a conventional retail bank.

The overseas branches in United Arab Emirates and Kingdom of Saudi Arabia operate under the laws of those respective countries.

The Bank's registered address is National Bank of Bahrain B.S.C., P.O.Box 106, NBB Tower, Government Avenue, Manama, Kingdom of Bahrain. The shares of the Bank are listed on the Bahrain Bourse, Manama, Kingdom of Bahrain.

The consolidated financial statements include the results of the Bank and its subsidiary (together the Group). The Bank holds 78.8% of the share capital of Bahrain Islamic Bank B.S.C. (BISB) which operates under an Islamic retail banking license issued by the CBB. The Group is principally engaged in providing retail and wholesale commercial banking services, treasury and investment activities, and investment advisory services.

2. MATERIAL ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law 2006.

b. Basis of preparation

The consolidated financial statements of the Group are presented in Bahraini Dinar (BHD) being the functional currency of the Group. The US Dollar (USD) amounts are presented for the convenience of the reader. The Bahraini Dinar has been translated to US Dollar at the rate of BHD 0.377 to USD 1 (2023: BHD 0.377 to USD 1).

The consolidated financial statements have been prepared on the historical cost convention except for financial instruments classified as fair value through profit or loss, fair value through other comprehensive income investments and derivative financial instruments which are measured at fair value. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the years presented except as described below:

i) Adoption of new accounting policies and amendments to standards

The new accounting standards and amendments to the standards issued and effective on 1 January 2024 did not have a significant impact on the Group's accounting policies.

Adoption of new accounting policies

A. Income tax

Income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of income tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted at the reporting date. Income tax assets and liabilities are offset only if certain criteria are met.

ii) New standards and amendments not yet effective

The following new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted. The Group has not early adopted any of these standards in preparing these consolidated financial statements.

A. Amendments to the classification and measurement of financial instruments – amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: disclosures

The new amendments are more permissive in terms of classification and measurement and apply to all contingent features, not just ESG-linked features. While the amendments may allow certain financial assets with contingent features to meet the SPPI criterion, the Group may need to perform additional work to prove this. Judgement will be required in determining whether the new test is met.

Classifying financial assets with a contingent feature

The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract. Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.

The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

- not related directly to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

Contractually linked instruments (CLIs) and non-recourse features

The amendments clarify the key characteristics of CLIs and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test).

Disclosures on investments in equity instruments

The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI).

Recognition and derecognition of financial assets and financial liabilities

The amendments address the recognition and derecognition of financial assets and financial liabilities, including an exception relating to the derecognition of financial liabilities that are settled using an electronic payment system.

B. IFRS 18 Presentation and Disclosure in Financial Statements

The standard requires a more structured income statement and greater disaggregation of information. It also makes management-defined performance measures part of the audited financial statements for the first time. This will bring more credibility to certain key performance indicators.

2. MATERIAL ACCOUNTING POLICIES (continued)

c. Foreign currencies

i) Foreign currency transactions:

Foreign currency transactions are initially recorded at rates of exchange prevailing at the value date of the transactions. Monetary assets and liabilities in foreign currencies are translated to respective functional currencies at the rates of exchange prevailing at the statement of financial position date. Realised and unrealised exchange gains or losses are recognised in the statement of profit or loss and included in other income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss, except for differences arising on the retranslation of fair value through other comprehensive income equity instruments which are recognised directly in other comperhensive income as part of fair value changes.

ii) Foreign operations:

The assets and liabilities of the overseas branches are translated into Bahraini Dinar at the spot exchange rate at the reporting date. The income and expenses of these overseas branches for the year are translated into Bahraini Dinar at average exchange rates. Differences resulting from the translation of the opening net investment in these overseas branches are recognised in other comprehensive income.

d. Use of estimates and management judgement

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the application of the standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value of the financial instruments.

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss.

The Group has an internal credit rating model that uses qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The credit grades are calibrated such that the risk of default increases at each higher risk grade. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The Group also uses external credit ratings for certain exposures.

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 includes forward-looking information.

In determining whether credit risk has increased significantly since initial recognition the following criteria are considered:

I. Downgrade in risk rating according to the approved ECL policy.

II. Facilities restructured during the previous twelve months.

III. Facilities overdue by 30 days as at the reporting date subject to rebuttal in applicable circumstances.

The Group makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets within credit risk characteristics and objective evidence of impairment similar to those in the portfolio to assess impairment.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

The Group reviews its goodwill and intangibles on an annual basis to determine whether an impairment loss should be recorded in the statement of profit or loss, where assumptions and judgements are made in computing the recoverable value. Further details on impairment of non-financial assets are included in note 2g.

e. Accounting for income and expenses

i) Interest income and expenses are recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the effective interest rate method has the effect of recognising interest income and interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, cash flows are estimated taking into consideration all contractual terms of the financial instrument but excluding future credit losses.

ii) Fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate. Other fees and commissions are recognised as the related services are performed or received, and are included in fee and commission income.

2. MATERIAL ACCOUNTING POLICIES (continued)

e. Accounting for income and expenses (continued)

iii) Dividend income is recognised when the right to receive a dividend is established.

iv) Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group has different retirement benefit schemes for its employees in Bahrain and its overseas branches, which are in accordance with the relevant labour laws of the respective countries. The retirement benefit scheme is in the nature of a 'Defined Contribution Plan' for employees who are covered by the social insurance pension schemes in Bahrain and the overseas branches. Other employees are entitled to leaving indemnities payable in accordance with the employment agreements or under the respective labour laws, based on length of service and final remuneration. This liability is unfunded and is provided for on the basis of the cost had all such employees left at the statement of financial position date. The cost of providing these retirement benefits is charged to the statement of profit or loss.

The Group has a voluntary employees saving scheme. The Group and the employees contribute monthly on a fixed percentage of salaries basis to the scheme. The scheme is managed and administered by a board of trustees who are the employees of the Group. The Group's share of contribution to this scheme is charged to the statement of profit or loss.

v) Other expenses are recognised in the period in which they are incurred on an accrual basis.

f. Financial assets and liabilities

i. Recognition and initial measurement

The Group initially recognises financial assets and liabilities on the date on which they are originated. 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.

ii. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost 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 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 (SPPI).

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 (SPPI).

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 other comprehensive income. 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.

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, maintaining practical interest rate profile, realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- 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.

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. 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- 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.

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. There reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

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

iii. 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.

iv. Customer deposits

Customer deposits are initially recognised at their fair value and subsequently measured at their amortised cost using the effective interest rate method.

v. Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the contractual terms.

Financial guarantees are initially recognised at fair value (which is the premium received on issuance). The premium received is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). The unamortised portion of the premium on these financial guarantees is included under other liabilities.

vi. Derivative financial instruments

All derivative financial instruments are initially recognised at cost, being the fair value at contract date, and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques including discounted cash flow models and option pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in same statement of profit or loss line as the underlying item. In the case of fair value hedges that meet the criteria for hedge accounting, any gain or loss arising from remeasuring the hedging instruments to fair value as well as the related changes in fair value of the item being hedged are recognised in the statement of profit or loss under other income.

The Group designated certain derivatives as hedging instruments to hedge variability in fair values associated with interest rates.

In the case of cash flow hedges that meet the criteria of hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion, if any, is recognised in the statement of profit or loss.

All derivative financial instruments are recognised in the statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

vii. Repos and reverse repos

Where securities are sold subject to a commitment to repurchase them at a specified future date (repo) and at a predetermined price, they are not derecognised and the consideration received is classified as borrowings under repurchase agreements. The difference between the sale and repurchase price is treated as an interest expense and accrued over the life of the repo agreement using the effective yield method. Conversely, securities purchased under a commitment to resell them at a specified future date (reverse repo) and at a predetermined price are not recognised on the statement of financial position and the consideration paid is recorded in placements with banks and other financial institutions. The difference between the purchase and resale price is treated as an interest income and accrued over the life of the reverse repo agreement using the effective interest rate method.

viii. Cash and cash equivalents

Cash and cash equivalents comprise cash, balances at central banks excluding mandatory cash reserves, placements with banks and other financial institutions that mature within three months of the date of placement, and short-term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value and mature within three months of the date of acquisition and are used by the Group in the management of its short term commitments.

2. MATERIAL ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

ix. Fair value measurement

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of a financial instrument using quoted market prices in an active market for that instrument. This includes listed equity and debt securities. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

For unlisted debt securities the fair value is based on brokers quotes, recent arm's length transactions between knowledgeable, willing parties (if available) and discounted cash flow analyses with accepted economic methodologies for pricing financial instruments. For unlisted equity securities, the net asset value of the underlying entities is representative of the fair value given the nature of their balance sheet.

x. Identification and measurement of impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets including loans and advances, debt instruments and placements;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group assumes that the credit risk on an exposure subject to credit risk has increased significantly if it is 30 days past due or more.

The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full without recourse by the Group such as realising security, if any is held; or
- the financial asset is 90 days past due or more.

The Group applies a three-stage approach to measuring ECL on exposures subject to credit risk. Exposures migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-month ECL

Stage 1 includes exposures subject to credit risk on initial recognition, exposures that do not have a significant increase in credit risk since initial recognition or exposures that have low credit risk. 12-month ECL is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes exposures subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL is recognised. Lifetime ECL is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount at the reporting date.

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes exposures subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

i) Measurement of ECL

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

- Exposures subject to credit risk 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 Group expects to receive);
- Exposures subject to credit risk 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;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

ii) Credit-impaired exposures

At each reporting date, the Group assesses whether exposures subject to credit risk are credit-impaired. An exposure subject to credit risk is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the exposures have occurred.

Evidence that an exposure subject to credit risk is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default;
- The restructuring of a financing facility by the Group on terms that the Group would not consider otherwise; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

iii) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from gross carrying amount of exposures subject to credit risk.

iv) Write off

Exposures subject to credit risk are written off either partially or in their entirety. 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.

Financing asset exposures are either fully or partially written off when there is no expectation for further recovery. Indicators that there is no reasonable expectation of recovery include (i) borrower insolvency or (ii) all possible recovery options have been exhausted.

xi. Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- 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 the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the terms of the financial assets are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset 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 the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of an existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

g. Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

h. Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are recognised initially at cost, which includes the transaction costs. The financial statements of the Group include its share of the income and expenses and equity movements of associates,after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. On cessation of significant influence, even if an investment in an associate becomes an investment in a joint venture, the entity does not re-measure the retained interest. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

i. Leases

At the inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined based on the lease term.

Lease liability is measured as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Group's incremental borrowing rate. Lease liability comprises the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

j. Property and equipment

Property and equipment are initially recorded at cost and subsequently stated at cost less accumulated depreciation and impairment losses. Land is not depreciated and is stated at cost at the date of acquisition. Where an item of property and equipment comprises major components having different useful lives, they are accounted for separately. The cost of an item of property and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be put to its intended use. Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the property and equipment. The estimated useful lives are as follows:

Buildings	20 to 40 years
Furniture and equipment	3 to 15 years

The residual value and the useful life of property and equipment are reviewed periodically and, if expectations differ from previous estimates, the change is recognised prospectively in the statement of profit or loss over the remaining estimated useful life of the property and equipment.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

k. Goodwill and intangibles

The Group accounts for business combinations using the acquisition method when control is transferred to the Bank. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, and the amount recognised for non-controlling interests and any previous interest held over the net identifiable tangible and intangible assets acquired and liabilities assumed.

After initial recognition, goodwill and other intangibles are measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Further details on impairment of non-financial assets is included in note 2g.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Intangibles with indefinite useful lives are subject to impairment testing at least on an annual basis, while those with definite useful lives are amortised.

l. Other 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.

m. Off-setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

n. Settlement date accounting

All "regular way" purchases and sales of financial assets except for derivatives and assets classified as fair value through profit or loss are recognised on the settlement date i.e. the date the Group receives or delivers the asset. Regular way purchases and sales are those that require delivery of assets within the time frame generally established by regulation or convention in the market place. Derivative and assets classified as fair value through profit or loss transactions are recognised on trade date, representing the date the Group contracts to purchase or sell.

o. Proposed appropriations

Dividends and other proposed appropriations are recognised as a liability in the period in which they are approved by the shareholders.

p. Remuneration policy

Board of Directors - The remuneration of the Board of Directors is approved by the shareholders. In addition, directors are paid nominal fees for attending meetings of the sub-committees of the Board.

Employees - The remuneration primarily consists of monthly salaries and allowances. The Group also has a discretionary bonus scheme based on the net income for the year and considering the employees' performance during the year.

The above is in compliance with the sound remuneration practices regulation of the Central Bank of Bahrain.

q. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the Group. All operating results of the operating segments are reviewed regularly by the Chief Executive Officer to make decisions about resource allocation and assess its performance, and for which discrete financial information is available.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

r. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

s. Income tax liability

The Group's operations in Bahrain and United Arab Emirates are not liable to income tax. The Group's Saudi Arabia branch is subject to income tax in accordance with the Saudi Income Tax Law. Income tax, if any, is charged to the statement of profit or loss.

t. Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans and advances that are in default. Repossessed properties are measured at the lower of their carrying amount and their fair value less costs to sell and are reported within other assets.

u. Investment property

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are initially recorded at cost, being the fair value of the consideration given and acquisition charge. Subsequently, investment properties are measured at fair value and movements are recorded under other income in the statement of profit or loss.

v. Assets under management

The Group acts as a trustee / manager and in other capacities that result in holding or placing of assets on behalf of a trust or other institution. These assets and income arising thereon are not included in the Group's financial statements as they are not assets of the Group.

3. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following types of risks:

- credit risk
- liquidity risk
- market risk
- operational risk

Risk management framework

The overall authority for risk management in the Group is vested with the Board of Directors. The Board authorises appropriate credit, liquidity, market, and operational risk policies based on the recommendation of the Board Risk Committee and Management of the Group. The Group has established various committees that review and assess all risk issues. Approval authorities are delegated to different functionaries in the hierarchy depending on the amount, type of risk and nature of operations or risk. The Risk division of the Group provides the necessary support to Senior Management and the business units in all areas of risk management. The Risk division functions independent of the business units and reports directly to the Board Risk Committee and administratively to the Chief Executive Officer.

The Board Risk Committee is responsible for identifying and monitoring risks within the framework of the risk appetite established by the Board of Directors including reviewing and reporting its conclusions and recommendations to the Board on the Group's current and future risk appetite, the Group's risk management framework as well as the Group's risk culture.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 Group has well laid out procedures, not only to appraise but also to regularly monitor credit risk. Credit appraisal is based on the financial position of the borrower, performance projections, market position, industry outlook, external ratings (where available), track record, account conduct, repayment sources and ability, tangible and intangible security, etc. Regular reviews are carried out for each account and risks identified are mitigated in a number of ways, which include obtention of collateral, counter-guarantees from shareholders and/or third parties.

The Credit Risk Department of the Group independently analyses risks and puts forth its recommendations prior to approval by the appropriate authorities for facilities falling outside pre-approved product criteria. In addition to rigorous credit analysis, the terms and conditions of all credit facilities are strictly implemented by the Credit Administration Department. An internal grading system and annual review process supports the identification of any deterioration in credit risk and consequent implementation of corrective action.

The Group uses an internal risk rating system that has 10 risk rating grades with "+" or "-" modifiers resulting in a 22-point scale. The system takes into account the financial strength of a borrower as well as qualitative aspects to arrive at a comprehensive snapshot of the risk of default associated with the borrower. Risk ratings assigned to each borrower are reviewed at least on an annual basis. The internal risk rating grades range from 1 (highest quality with minimal credit risk) to 10 (lowest quality, typically in default with little prospect for recovery of principal or interest). For categories from 2 to 7, the Group uses modifiers '+' or '-' to show relative standing within these major rating categories. Regular monitoring of the portfolio enables the Group to identify accounts, which witness deterioration in risk profile. Retail credit facilities which are granted based on pre-defined criteria such as salary assignment, maximum repayment obligation as a percentage of salary etc., are excluded from this rating system.

The Group also uses the ratings by established rating agencies as part of the appraisal process while considering exposures to rated entities.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

3. FINANCIAL RISK MANAGEMENT (continued)

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. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Group.

The asset and liability management policies of the Group define the proportion of liquid assets to total assets with the aim of minimising liquidity risk. The Group maintains adequate liquid assets such as inter-bank placements, treasury bills and other readily marketable securities, to support its business and operations. The Treasury Department monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group Asset Liability Committee (GALCO) chaired by the Chief Executive Officer reviews the liquidity gap profile and the liquidity scenario and addresses strategic issues concerning liquidity.

Market risk

Market risk is the risk of potential losses arising from movements in market prices of interest rate related instruments and equities in the trading portfolio and foreign exchange and commodities holdings throughout the Group. The Group's trading activities are governed by policies that are clearly documented, by adherence to comprehensive limit structures set annually and by regular reviews. Quality and rating are the main criteria in selecting a trading asset. The Group uses the standardised method under Basel III for allocating market risk capital based on the risk assessed for underlying factors of interest rate risk, equity risk, foreign exchange risk, options risk and commodity risk.

Operational risk

Operational risk is the risk of monetary loss on account of human error, fraud, system failures or the failure to record transactions. The Group has well laid out procedures and systems that set out the methodologies for carrying out specific tasks. These systems and procedures are constantly reviewed and revised to address any potential risks. Additionally, new products and services are reviewed and assessed for operational risks prior to their implementation.

Capital management

The Group's policy is to maintain sufficient capital to sustain investor, creditor and market confidence and to support future development of the business. The impact of the level of capital on the return on shareholder's equity is also recognised, and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

4. CASH AND CASH EQUIVALENTS

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Cash and balances at central banks	**184.8**	**490.2**	181.3	480.9
Less: mandatory cash reserves	**(137.7)**	**(365.2)**	(125.5)	(332.9)
	47.1	**125.0**	55.8	148.0
Treasury bills (less than 3 months)	**9.4**	**24.9**	-	-
Placements with banks and other financial institutions (less than 3 months)	**608.3**	**1,613.5**	1,037.1	2,750.9
	664.8	**1,763.4**	1,092.9	2,898.9

5. TREASURY BILLS

Treasury bills are short-term in nature and include treasury bills, Islamic Sukuk and certificate of deposits issued by the Government of Bahrain, the Government of Saudi Arabia and the United States Treasury.

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
United States Treasury	**176.9**	**469.3**	176.1	467.1
Government of Saudi Arabia	**9.8**	**26.0**	9.9	26.2
Government of Bahrain	**9.4**	**24.9**	0.1	0.3
	196.1	**520.2**	186.1	493.6

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

6. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Placements with banks and other financial institutions are part of the Group's money market activities and comprises short-term lending to banks and other financial institutions.

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Placements with banks	**621.5**	**1,648.5**	1,022.1	2,711.1
Placements with other financial institutions	**4.4**	**11.7**	16.8	44.6
	625.9	**1,660.2**	1,038.9	2,755.7

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Term placements	**489.0**	**1,297.1**	846.8	2,246.2
Current and call accounts	**108.1**	**286.7**	171.5	454.9
Reverse repos	**28.8**	**76.4**	20.6	54.6
	625.9	**1,660.2**	1,038.9	2,755.7

7. LOANS AND ADVANCES

	2024		2023	
a) As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Loans and advances to non-banks	**3,087.1**	**8,188.6**	2,622.2	6,955.5
Loans and advances to banks	**35.9**	**95.2**	10.8	28.6
Gross loans and advances	**3,123.0**	**8,283.8**	2,633.0	6,984.1
Less: provision for impairment	**(103.0)**	**(273.2)**	(97.9)	(259.7)
	3,020.0	**8,010.6**	2,535.1	6,724.4

b) As at 31 December 2024, the amount of floating rate loans for which interest was being reset by the Group on agreed dates and based on an agreed fixed margin over a benchmark interest rate amounted to BHD 1,293.7 million (USD 3,431.6 million) [31 December 2023: BHD 802.7 million (USD 2,129.2 million)].

c) In accordance with the Group's policy and the Central Bank of Bahrain guidelines, loans on which payments of interest or repayments of principal are 90 days past due are immediately defined as non-performing. Any interest accrued is reversed and future interest is only recognised on a cash basis. The ageing schedule of non-performing loans and advances based on the time period since the last repayment of principal or interest by the customer, is as follows:

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Up to 1 year	**62.8**	**166.6**	96.8	256.8
1 to 3 years	**50.6**	**134.2**	19.9	52.8
Over 3 years	**4.8**	**12.7**	6.8	18.0
	118.2	**313.5**	123.5	327.6
Fair market value of collateral	**117.1**	**310.6**	109.8	291.2
Stage 3 provisions	**66.9**	**177.5**	60.3	159.9

Loans that have been classified as non-performing should remain classified as such until the completion of a cooling off period in accordance with the Central Bank of Bahrain guidelines.

Loans that are past due below 90 days but not impaired are those for which contractual interest or principal payments are past due but the Group believes that specific impairment is not appropriate on the basis of the level of security or collateral available and / or the stage of collection of amounts owed to the Group. As at 31 December 2024, loans past due below 90 days but not impaired amounted to BHD 114.3 million (USD 303.2 million) [31 December 2023: BHD 131.2 million (USD 348.1 million)].

d) The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been substantially modified may be de-recognised and the renegotiated loan recognised as a new loan.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

7. LOANS AND ADVANCES (continued)

The Group renegotiates loans to customers as a result of financial difficulties (referred to as 'forbearance activities') or changes in anticipated cash flows to maximise collection opportunities and minimise the risk of default. During 2024, credit facilities amounting to BHD 37.0 million (USD 98.1 million) were restructured [2023: BHD 30.5 million (USD 80.9 million)]. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash flow situations or to realign the repayment with the borrower's revised cash flow projections, and amending the terms of loan covenants. Due to the minor nature of concessions, there was no significant impact on the Group's impairment charge or the future earnings. Loans that have been restructured are reported as stage 2 and should remain as such until the completion of a cooling off period in accordance with the Central Bank of Bahrain guidelines.

e) The Group holds collateral against loans and advances to customers in the form of lien over deposits, mortgage over properties and / or shares and sovereign / bank guarantees. Some of these collaterals are held through a special purpose vehicle. As at 31 December 2024, loans and advances amounting to BHD 847.6 million (USD 2,248.3 million) [31 December 2023: BHD 684.5 million (USD 1,815.6 million)] were fully collateralised and loans and advances amounting to BHD 274.6 million (USD 728.4 million) [31 December 2023: BHD 285.1 million (USD 756.2 million)] were partly collateralised with a collateral value of BHD 152.3 million (USD 404.0 million) [31 December 2023: BHD 184.9 million (USD 490.5 million)]. Therefore, fully or partially collateralised loans represented 35.9% of gross loans (31 December 2023: 36.9%).

f) Exposure to credit risk

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
1. Impaired (stage 3)				
Substandard	**36.2**	**96.0**	73.2	194.2
Doubtful	**39.7**	**105.3**	22.5	59.7
Loss	**42.3**	**112.2**	27.8	73.7
Gross amount	**118.2**	**313.5**	123.5	327.6
Stage 3 provisions	**(66.9)**	**(177.5)**	(60.3)	(159.9)
Impaired (stage 3) carrying amount	**51.3**	**136.0**	63.2	167.7
2. Past due below 90 days but not impaired				
Gross amount	**114.0**	**302.4**	128.4	340.6
Stage 1 or 2 provision	**(8.3)**	**(22.0)**	(7.8)	(20.7)
Past due but not impaired carrying amount	**105.7**	**280.4**	120.6	319.9

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
3. Neither past due nor impaired by internal rating				
Stage 1				
Rating grade 1	**332.7**	**882.5**	122.8	325.7
Rating grades 2 to 8	**227.3**	**602.9**	168.7	447.5
Rating grades 9 to 13	**801.7**	**2,126.5**	641.7	1,702.1
Rating grades 14 to 19	**114.3**	**303.2**	75.6	200.5
Unrated	**1,322.7**	**3,508.5**	1,282.3	3,401.3
Gross amount	**2,798.7**	**7,423.6**	2,291.1	6,077.1
Stage 1 provisions	**(14.0)**	**(37.1)**	(12.8)	(33.9)
Carrying amount of stage 1	**2,784.7**	**7,386.5**	2,278.3	6,043.2
Stage 2				
Rating grades 2 to 8	**0.9**	**2.4**	1.6	4.2
Rating grades 9 to 13	**3.5**	**9.3**	2.3	6.1
Rating grades 14 to 19	**48.4**	**128.4**	42.4	112.5
Unrated	**6.3**	**16.7**	6.1	16.2
Gross amount	**59.1**	**156.8**	52.4	139.0
Stage 2 provisions	**(7.7)**	**(20.4)**	(11.9)	(31.6)
Carrying amount of stage 2	**51.4**	**136.4**	40.5	107.4
Neither past due nor impaired carrying amount	**2,836.1**	**7,522.9**	2,318.8	6,150.6
Total carrying amount (excluding POCI)	**2,993.1**	**7,939.3**	2,502.6	6,638.2

Ratings 1 to 19 represent performing loans. Unrated includes mainly consumer loans and other facilities that are not assigned any ratings at inception.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

7. LOANS AND ADVANCES (continued)

By staging

As at 31 December 2024	**Stage 1 BHD millions**	**Stage 2 BHD millions**	**Stage 3 BHD millions**	**POCI BHD millions**	**Total BHD millions**	**Total USD millions**
Loans and advances	**2,867.3**	**104.5**	**118.2**	**33.0**	**3,123.0**	**8,283.8**
Less: impairment provision	**(15.7)**	**(14.3)**	**(66.9)**	**(6.1)**	**(103.0)**	**(273.2)**
Net loans and advances	**2,851.6**	**90.2**	**51.3**	**26.9**	**3,020.0**	**8,010.6**

As at 31 December 2023	Stage 1 BHD millions	Stage 2 BHD millions	Stage 3 BHD millions	POCI BHD millions	Total BHD millions	Total USD millions
Loans and advances	2,363.1	108.8	123.5	37.6	2,633.0	6,984.1
Less: impairment provision	(14.2)	(18.3)	(60.3)	(5.1)	(97.9)	(259.7)
Net loans and advances	2,348.9	90.5	63.2	32.5	2,535.1	6,724.4

As at 31 December 2024, stage 2 included BHD 1.7 million (USD 4.5 million) of loans designated as FVTPL [31 December 2023: BHD 2.1 million (USD 5.6 million)].

Purchased or originated credit impaired ("POCI") financial assets were acquired as part of the business combination at fair value and reflect the credit losses on which a lifetime ECL is already recognised. The POCI portfolio comprises performing and non-performing credit facilities and is 93.9% covered by provisions and / or high quality collateral as at 31 December 2024 (31 December 2023: 94.0%).

The non-performing loan ratio at 31 December 2024 exclusive of POCI and inclusive of non-performing POCI is 3.8% and 4.5% respectively (31 December 2023: 4.7% and 5.4%).

g) Impairment provisions on loans and advances

2024	**Stage 1 BHD millions**	**Stage 2 BHD millions**	**Stage 3 BHD millions**	**POCI BHD millions**	**Total BHD millions**	**Total USD millions**
Impairment at 1 January 2024	**14.2**	**18.3**	**60.3**	**5.1**	**97.9**	**259.7**
Net transfer between stages	**4.5**	**(4.3)**	**(0.2)**	**-**	**-**	**-**
Write off during the year	**-**	**-**	**(4.0)**	**-**	**(4.0)**	**(10.6)**
Charge for the year (net)	**(3.0)**	**0.3**	**10.8**	**1.0**	**9.1**	**24.1**
Impairment at 31 December 2024	**15.7**	**14.3**	**66.9**	**6.1**	**103.0**	**273.2**

2023	Stage 1 BHD millions	Stage 2 BHD millions	Stage 3 BHD millions	POCI BHD millions	Total BHD millions	Total USD millions
Impairment at 1 January 2023	15.5	25.0	50.4	4.3	95.2	252.5
Net transfer between stages	7.6	(7.1)	(0.5)	-	-	-
Write off during the year	-	-	(2.4)	(1.5)	(3.9)	(10.3)
Charge for the year (net)	(8.9)	0.4	12.8	2.3	6.6	17.5
Impairment at 31 December 2023	14.2	18.3	60.3	5.1	97.9	259.7

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8. INVESTMENT SECURITIES

i. Composition

Investment securities comprise the following:

As at 31 December 2024	FVTPL BHD millions	FVOCI BHD millions	Amortised cost BHD millions	Total BHD millions	Total USD millions
Quoted investments:					
Debt instruments	-	287.9	221.2	509.1	1,350.4
Equity instruments	-	55.2	-	55.2	146.4
Total quoted investments	-	343.1	221.2	564.3	1,496.8
Unquoted investments:					
Debt instruments	0.2	59.4	515.2	574.8	1,524.7
Equity instruments	4.0	24.5	-	28.5	75.6
Total unquoted investments	4.2	83.9	515.2	603.3	1,600.3
Total investment securities	4.2	427.0	736.4	1,167.6	3,097.1

As at 31 December 2023	FVTPL BHD millions	FVOCI BHD millions	Amortised cost BHD millions	Total BHD millions	Total USD millions
Quoted investments:					
Debt instruments	0.2	264.5	227.3	492.0	1,305.0
Equity instruments	-	51.5	-	51.5	136.6
Total quoted investments	0.2	316.0	227.3	543.5	1,441.6
Unquoted investments:					
Debt instruments	17.1	73.7	483.4	574.2	1,523.1
Equity instruments	3.6	33.7	-	37.3	99.0
Total unquoted investments	20.7	107.4	483.4	611.5	1,622.1
Total investment securities	20.9	423.4	710.7	1,155.0	3,063.7

ii. Breakdown between repricing nature of debt instruments

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Fixed rate debt instruments	507.9	1,347.2	291.3	772.7
Floating rate debt instruments	576.0	1,527.9	774.9	2,055.4
	1,083.9	2,875.1	1,066.2	2,828.1

iii. Breakdown of debt instruments by rating

The ratings given below are by established rating agencies.

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
AA+	65.8	174.5	65.5	173.7
BB	-	-	7.2	19.1
B+	1,012.3	2,685.2	987.5	2,619.4
Unrated	5.8	15.4	6.0	15.9
	1,083.9	2,875.1	1,066.2	2,828.1

The debt instruments rated B+ in 2024 and 2023 primarily represent instruments issued by sovereigns.

As at 31 December 2024, all debt instruments were classified as stage 1.

iv. Investments designated as fair value through profit or loss

The Group holds investments in managed funds designated as fair value through profit or loss amounting to BHD 4.0 million (USD 10.6 million) [2023: BHD 3.6 million (USD 9.5 million)].

9. INVESTMENT IN ASSOCIATES

The Group has a 39.7% (2023: 39.7%) interest in The Benefit Company B.S.C. (c) which is incorporated in the Kingdom of Bahrain. The Benefit Company has been granted a license for ancillary services by the Central Bank of Bahrain to provide payment systems, Bahrain cheque truncation and other related financial services for the benefit of commercial banks and their customers in the Kingdom of Bahrain.

The Group has a 36.8% (2023: 36.8%) interest in LS Real Estate Company W.L.L. which was incorporated in the Kingdom of Bahrain in 2019. The company focuses on real estate activities including the development and overall management of owned or leased properties.

The Group has a 30.3% interest in Seef Umm Al Hassam Real Estate W.L.L., which was incorporated in 2024 as a Special Purpose Vehicle (SPV). The company is involved in real estate activities and owns a portfolio of properties.

The Group has a 25.0% (2023: 25.0%) interest in Liquidity Management Centre B.S.C. (c) which was incorporated in 2002 as a bank, licensed and regulated by the Central Bank of Bahrain to facilitate the creation of an Islamic inter-bank market that allow Islamic financial services institutions to effectively manage their assets and liabilities.

The Group has a 23.5% (2023: 23.5%) interest in the units issued by the Bahrain Liquidity Fund (BLF). BLF was set up in 2016 as an open ended fund registered as Private Investment Undertaking "PIU" as per Central Bank of Bahrain rulebook volume 7. The main objective of BLF is to add liquidity to Bahrain Bourse, which over a period of time should result in enhancing investor confidence in the market's listed securities.

The Group has a 21.1% interest in SICO B.S.C. (c), which is a leading regional asset manager, broker, market maker, and investment bank. SICO operates under a wholesale banking license from the Central Bank of Bahrain and oversees two wholly-owned subsidiaries, an Abu Dhabi-based brokerage firm, SICO Invest, and a full-fledged capital markets services firm, SICO Capital, based in the Kingdom of Saudi Arabia.

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9. INVESTMENT IN ASSOCIATES (continued)

	2024		2023	
	BHD millions	**USD millions**	BHD millions	USD millions
Opening balance	26.3	69.8	26.5	70.3
Share of profit	1.4	3.7	1.1	2.9
Dividends received	(0.1)	(0.3)	(0.4)	(1.1)
Additions	19.0	50.4	-	-
Redemptions	(2.5)	(6.6)	-	-
Other movements	-	-	(0.9)	(2.3)
At 31 December	44.1	117.0	26.3	69.8

10. INTEREST RECEIVABLE AND OTHER ASSETS

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Positive fair value of derivatives	67.5	179.1	50.5	134.0
Interest receivable	63.2	167.6	49.3	130.7
Accounts receivable and prepayments	8.1	21.5	7.4	19.6
Others	19.5	51.7	20.4	54.1
	158.3	419.9	127.6	338.4

Others include BHD 0.2 million (USD 0.5 million) [31 December 2023: BHD 0.2 million (USD 0.5 million)] in respect of land and buildings acquired from customers and now held for disposal, and BHD 18.8 million (USD 49.9 million) [31 December 2023: BHD 18.5 (USD 49.1 million)] of investment properties. The land and buildings are stated at lower of their carrying value and fair value less costs to sell, while the investment properties are accounted for at fair value.

11. PROPERTY AND EQUIPMENT

	Leased property right-of-use BHD millions	Land BHD millions	Buildings BHD millions	Furniture and equipment BHD millions	Total BHD millions	Total USD millions
Cost	8.0	8.0	42.9	96.1	155.0	411.2
Accumulated depreciation / amortisation	(3.1)	-	(30.7)	(46.9)	(80.7)	(214.1)
Net book value at 31 December 2024	4.9	8.0	12.2	49.2	74.3	197.1
Net book value at 31 December 2023	3.0	8.0	14.3	45.0	70.3	186.5

The depreciation charge for 2024 amounted to BHD 9.2 million (USD 24.4 million) [2023: BHD 8.9 million (USD 23.6 million)]. The above includes capital work in progress at cost, amounting to BHD 23.6 million (USD 62.6 million) [2023: BHD 16.5 million (USD 43.7 million)].

The amortisaion related to the right-of-use of leased property in 2024 amounted to BHD 1.9 million (USD 5.0 million) [2023: BHD 1.9 million (USD 5.0 million)].

12. GOODWILL AND OTHER INTANGIBLE ASSETS

On 22 January 2020, the Bank's stake in BISB increased from 29.1% as reported at 31 December 2019 to 78.8%, resulting in a transition from an investment in associate to an investment in a subsidiary, with the acquisition being accounted for using the acquisition method. The acquisition enabled the Group to position itself at the forefront of the regional Shariah-compliant banking sector in addition to its current leading conventional role. The two brands will continue to operate independently but asset, revenue, cost, technology and other operational synergies will provide customers and shareholders with enhanced services and returns.

Goodwill of BHD 41.8 million (USD 110.9 million) and intangibles of BHD 12.6 million (USD 33.4 million) arose from the acquisition of BISB. The intangibles comprises the value assigned to the expected benefits arising from the Islamic banking license and BISB brand being the oldest and predominant Islamic bank in the Kingdom of Bahrain. BHD 5.0 million (USD 13.3 million) of the intangibles were assigned a useful life of six years, with a remaining unamortised balance of BHD 1.7 million (USD 4.5 million) as of 31 December 2024 [31 December 2023: BHD 2.5 million (USD 6.6 million)].

Goodwill impairment analysis

The recoverable amount of goodwill is based on value-in-use, calculated by discounting cash flow projections from Board approved financial forecasts, projected for five years to arrive at the terminal value. A growth rate of 2% (2023: 2%) and discount rate of 15% (2023: 15%) have been applied to the estimated cash flows.

The Bank assesses on an annual basis whether there is an indication, based on either internal or external sources of information, that goodwill may be impaired. As at 31 December 2024, there were no indications of impairment of the cash generating unit (CGU) associated with the goodwill (2023: nil).

A sensitivity analysis was conducted by increasing the discount rate by 0.5% and reducing earnings by 10% to assess the impact on the recoverable amount as compared to the carrying value of the CGU. The carrying value of goodwill is lower than the reduced recoverable amount in the sensitivity analysis, further confirming no indications of impairment.

13. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions consists of short-term borrowings from banks and other financial institutions.

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Term deposits	537.3	1,425.2	586.1	1,554.6
Current and call accounts	42.4	112.5	84.9	225.2
	579.7	1,537.7	671.0	1,779.8

As at 31 December 2024 and 31 December 2023, the Group was a net contributor into the treasury bill and interbank money markets.

14. BORROWINGS UNDER REPURCHASE AGREEMENTS

Borrowings under repurchase agreements amount to BHD 384.8 million (USD 1,020.7 million) [31 December 2023: BHD 460.7 million (USD 1,222.0 million)] and the fair value of the investment securities pledged as collateral amounts to BHD 418.8 million (USD 1,110.9 million) [31 December 2023: BHD 503.3 million (USD 1,335.0 million)].

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15. CUSTOMER DEPOSITS

	2024		2023	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Repayable on demand or at short notice	1,627.6	4,317.2	1,674.7	4,442.2
Term deposits and call accounts	2,116.2	5,613.3	1,830.1	4,854.4
	3,743.8	9,930.5	3,504.8	9,296.6

16. INTEREST PAYABLE AND OTHER LIABILITIES

	2024		2023	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Interest payable	80.2	212.7	64.0	169.8
Negative fair value of derivatives	54.0	143.2	48.6	128.9
Creditors and account payables	47.6	126.3	23.6	62.6
Employee benefits	11.5	30.5	10.9	28.9
Deferred income	8.3	22.0	6.6	17.5
Lease liability	4.7	12.5	2.8	7.4
Others	10.6	28.1	2.3	6.1
	216.9	575.3	158.8	421.2

Others include ECL and specific provisions against contingent liabilities amounting to BHD 3.0 million (USD 8.0 million) [31 December 2023: BHD 3.6 million (USD 9.5 million)].

Lease liabilities relate to the right-of-use of leased property. The maturity analysis of its contractual undiscounted cash flows are as follows:

	2024		2023	
	BHD millions	USD millions	BHD millions	USD millions
Less than 1 year	2.0	5.3	1.8	4.8
1 to 3 years	3.3	8.8	1.5	4.0
3 to 5 years	1.2	3.2	0.1	0.2
Total undiscounted lease liabilities	6.5	17.3	3.4	9.0
Lease liabilities included in the statement of financial position	4.7	12.5	2.8	7.4

17. NET IMPAIRMENT AND OTHER PROVISIONS

	2024		2023	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Loans and advances (note 7g)	9.1	24.1	6.6	17.5
Placements with banks and other financial institutions	-	-	-	-
Investment securities	-	-	(0.1)	(0.3)
	9.1	24.1	6.5	17.2
Associates	-	-	0.9	2.4
Loan commitments and guarantees	(0.6)	(1.6)	0.1	0.3
Other (litigation claims and other assets)	0.1	0.3	0.2	0.5
	(0.5)	(1.3)	1.2	3.2
	8.6	22.8	7.7	20.4

18. CONTINGENT LIABILITIES AND BANKING COMMITMENTS

The Group issues commitments to extend credit and guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. For these instruments, the contractual amount of the financial instrument represents the maximum potential credit risk if the counterparty does not perform according to the terms of the contract. The credit exposure for the contingent liabilities is reduced by obtaining counter guarantees and collateral from third parties. A large majority of these expire without being drawn upon, and as a result, the contractual amounts are not representative of the potential future credit exposure or liquidity requirements of the Group.

Based upon the level of fees currently charged, taking into account maturity and interest rates together with any changes in the credit worthiness of counterparties since origination, the Group has determined that the fair value excess or shortage of contingent liabilities and undrawn loan commitments is not material.

	2024		2023	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Contingent liabilities				
Liabilities on confirmed documentary credits	90.6	240.3	66.2	175.6
Guarantees:				
Counter guaranteed by banks	70.4	186.7	46.3	122.8
Others	194.3	515.4	160.6	426.0
	355.3	942.4	273.1	724.4
Banking commitments				
Undrawn loan commitments	358.7	951.5	491.2	1,302.9
Forward commitments:				
Securities purchased	26.9	71.4	37.5	99.5
	385.6	1,022.9	528.7	1,402.4
	740.9	1,965.3	801.8	2,126.8

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19. DERIVATIVE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS

The Group utilises various derivative and foreign exchange financial instruments for trading, asset / liability management and hedging risks. These instruments primarily comprise futures, forwards, swaps and options.

Futures and forward contracts are commitments to buy or sell financial instruments or currencies on a future date at a specified price or yield, and may be settled in cash or through delivery. Swap contracts are commitments to settle in cash on a future date or dates, interest rate commitments or currency amounts based upon differentials between specified financial indices, as applied to a notional principal amount. Option contracts give the acquirer, for a fee, the right but not the obligation, to buy or sell within a limited period a financial instrument or currency at a contracted price.

In respect of the derivative and foreign exchange financial instruments, the contract / notional principal amounts do not represent balances subject to credit or market risk. Contract / notional principal amounts represent the volume of outstanding transactions and are indicators of business activity. These amounts are used to measure changes in the value of derivative products and to determine the cash flows to be exchanged. The replacement cost is the cost of replacing those financial instruments with a positive market value, together with an estimate for the potential future change in the value of the contract, and reflects the maximum credit loss for the Group had all these counterparties defaulted. The fair value represents the aggregate of the positive and negative cash flows which would have occurred if the rights and obligations arising from the instrument were extinguished by the Group in an orderly market as at the reporting date. The fair values of derivative financial instruments such as interest rate swaps and forward rate agreements were calculated using discounted cash flow models based on current market yields for similar types of instruments and the maturity of each instrument. The futures contracts, foreign exchange contracts and interest rate options were revalued using market prices and option valuation models as appropriate.

a) The following table summarises for each type of derivative and foreign exchange financial instrument, the aggregate notional amounts, the replacement cost and the fair value:

In BHD millions	Notional principal amount		Replacement cost		Fair value	
As at 31 December	2024	2023	2024	2023	2024	2023
Interest rate contracts						
Interest rate swaps	6,618.2	6,354.0	53.5	32.1	26.2	16.1
Foreign exchange contracts						
Outright spot and forward contracts	322.0	248.2	0.8	0.1	0.4	-
Swap agreements	1,454.7	1,371.7	2.4	1.3	1.6	1.1
	1,776.7	1,619.9	3.2	1.4	2.0	1.1
Total	8,394.9	7,973.9	56.7	33.5	28.2	17.2
Total in USD millions	22,267.6	21,150.9	150.4	88.9	74.8	45.6

Replacement costs by industry and geographical region are presented in note 33.

b) The remaining maturity profile by each class of derivative and foreign exchange financial instrument based on contract / notional principal amounts is as follows:

In BHD millions	2024			2023		
As at 31 December	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Interest rate contracts						
Interest rate swaps	227.3	6,390.9	6,618.2	219.2	6,134.8	6,354.0
Foreign exchange contracts						
Outright spot and forward contracts	322.0	-	322.0	248.2	-	248.2
Swap agreements	1,454.7	-	1,454.7	1,312.7	59.0	1,371.7
	1,776.7	-	1,776.7	1,560.9	59.0	1,619.9
Total	2,004.0	6,390.9	8,394.9	1,780.1	6,193.8	7,973.9
Total in USD millions	5,315.6	16,952.0	22,267.6	4,721.7	16,429.2	21,150.9

20. SHARE CAPITAL

	2024		2023	
	BHD millions	USD millions	BHD millions	USD millions
Authorised share capital				
2,500,000,000 (2023: 2,500,000,000) ordinary shares of 100 fils each	250.0	663.1	250.0	663.1
Issued and fully paid share capital				
At 1 January 2024: 2,266,075,060 ordinary shares of 100 fils each (at 1 January 2023: 2,060,068,236 shares of 100 fils each)	226.6	601.1	206.0	546.4
Bonus issue (2024: nil, 2023: one for ten shares held)	-	-	20.6	54.7
At 31 December 2024 2,266,075,060 ordinary shares of 100 fils each (at 31 December 2023: 2,266,075,060 shares of 100 fils each)	226.6	601.1	226.6	601.1

20. SHARE CAPITAL (continued)

The distribution of ordinary shares, setting out the number of shares and shareholders and percentage of total outstanding shares in the following categories, is shown below:

	31 December 2024			31 December 2023		
	Number of shares	**Number of shareholders**	**% of total outstanding shares**	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	**696,026,575**	**1,929**	**30.6%**	720,620,214	1,910	31.7%
1% up to less than 5%	**325,815,428**	**8**	**14.4%**	301,221,789	7	13.3%
5% up to less than 10%	**-**	**-**	**-**	-	-	-
10% up to less than 20%	**245,870,464**	**1**	**10.9%**	245,870,464	1	10.9%
20% up to less than 50%	**998,362,593**	**1**	**44.1%**	998,362,593	1	44.1%
	2,266,075,060	**1,939**	**100.0%**	2,266,075,060	1,919	100.0%

The distribution of ordinary shares ownership based on nationality of the shareholder is shown below:

	31 December 2024			31 December 2023		
	Number of shares	**Number of shareholders**	**% of total outstanding shares**	Number of shares	Number of shareholders	% of total outstanding shares
Bahraini	**2,138,911,521**	**1,778**	**94.4%**	2,128,625,407	1,734	93.9%
Other GCC countries	**122,896,630**	**118**	**5.4%**	133,480,314	134	5.9%
Others	**4,266,909**	**43**	**0.2%**	3,969,339	51	0.2%
	2,266,075,060	**1,939**	**100.0%**	2,266,075,060	1,919	100.0%

44.1% of the Bank's share capital is held by the Bahrain Mumtalakat Holding Co, which is 100% owned by the Government of Bahrain. 10.9% of shares is owned by the Social Insurance Organisation, Kingdom of Bahrain. The rest of the share capital is widely held primarily by the citizens of, and entities incorporated in, the Kingdom of Bahrain.

20. SHARE CAPITAL (continued)

Treasury shares

Treasury shares represent the Bank's purchase of its own shares. At the end of the year, the Bank held 5,155,725 of its own shares (2023: nil).

Employee share incentive scheme

The employee share incentive scheme ("Scheme") was approved at the ordinary general meeting on 11 March 2015 in pursuant to CBB's Sound Remuneration Practices regulation. As a result, 19,104,000 ordinary shares amounting to BHD 1.9 million were issued in 2015 to an independent party to hold the beneficial interest of the shares under the scheme. Shares are allocated to the employees under the scheme. The allocated share under the scheme are entitled to cash and stock dividend and subject to malus and clawback provisions of the scheme. As at 31 December 2024, there are 5,514,116 (2023: 8,685,507) shares unallocated. These unallocated shares under the scheme are deducted from equity.

21. RESERVES

a) Statutory reserve

In accordance with the Commercial Companies Law, 10 percent of net profit is appropriated to a statutory reserve, which is not normally distributable except in accordance with Article 224 of the law. Such appropriations may cease when the reserve reaches 50 percent of paid up share capital.

b) General reserve

The reserve has been created in accordance with the Group's articles of association and underlines the shareholders' commitment to enhance the strong equity base of the Group.

c) Fair value reserve

The fair value reserve includes the cumulative net change in fair value of instruments classified as FVOCI. The fair value reserve also includes the Group's share of other comprehensive income of associates.

d) Donation and charity reserve

Based on the recommendations of the Board of Directors, upon shareholders' approval, an amount is transferred from the profit for the year to this donation and charity reserve. The reserve represents the amount of donations pending utilisation.

e) Share premium

Under the employee share incentive scheme, the Group allocated shares at market rates which resulted in increasing the share premium by BHD 1.5 million (USD 4.0 million) [2023: BHD 1.3 million (USD 3.4 million)].

22. APPROPRIATIONS

The appropriations relating to the year 2023 were approved at the annual general meeting held on 28 March 2024. The appropriations relating to the year 2024 will be approved at the annual general meeting on 27 March 2025.

23. INTEREST INCOME / INTEREST EXPENSE

a) Interest income

	2024		2023	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Loans and advances to non-banks	**169.3**	**449.1**	148.0	392.6
Loans and advances to banks	**2.3**	**6.1**	1.2	3.2
Treasury bills	**10.6**	**28.1**	8.3	22.0
Placements with banks and other financial institutions	**52.1**	**138.2**	30.7	81.4
Investment securities	**73.9**	**196.0**	79.5	210.9
	308.2	**817.5**	267.7	710.1

b) Interest expense

	2024		2023	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Customer deposits	**106.7**	**282.9**	84.5	224.1
Due to banks and other financial institutions	**33.5**	**88.9**	27.1	71.9
Borrowings under repurchase agreements	**24.6**	**65.3**	14.7	39.0
	164.8	**437.1**	126.3	335.0

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24. NET FEE AND COMMISSION INCOME

	2024		2023	
For the year ended 31 December	BHD millions	USD millions	BHD millions	USD millions
Net fees and commission on loans and advances	4.1	10.9	3.2	8.5
Net fees and commission on trade finance related activities	3.4	9.0	2.3	6.1
Net fees and commission on cards	2.6	6.9	2.4	6.4
Other fees and commission income	6.2	16.4	6.0	15.9
Less: other fees and commission expenses	(0.9)	(2.4)	(1.0)	(2.7)
	15.4	40.8	12.9	34.2

25. OTHER INCOME

	2024		2023	
For the year ended 31 December	BHD millions	USD millions	BHD millions	USD millions
Profit on trading securities, foreign exchange and derivatives	11.6	30.8	9.8	26.0
Profit on sale of debt investment securities	14.3	37.9	11.1	29.4
Gain on fair value through profit or loss investments	0.6	1.6	0.4	1.1
Other income from core activities	26.5	70.3	21.3	56.5
Dividend income	3.1	8.2	4.3	11.4
Other income	3.3	8.8	4.1	10.9
Other income from non-core activities	6.4	17.0	8.4	22.3
	32.9	87.3	29.7	78.8

26. STAFF EXPENSES

	2024		2023	
For the year ended 31 December	BHD millions	USD millions	BHD millions	USD millions
Salaries, allowances and bonuses	37.8	100.2	36.4	96.6
Social security and gratuity	4.3	11.4	3.9	10.3
Housing and other benefits	9.3	24.7	8.2	21.8
Others	0.9	2.4	0.8	2.1
	52.3	138.7	49.3	130.8

27. OTHER OPERATING EXPENSES

	2024		2023	
For the year ended 31 December	BHD millions	USD millions	BHD millions	USD millions
Equipment expenses	11.7	31.0	10.8	28.7
Depreciation and amortisation	10.0	26.6	9.7	25.7
Depreciation, amortisation and equipment expenses	21.7	57.6	20.5	54.4
Communication expenses	6.0	15.9	6.0	15.9
Regulatory licenses, deposit protection and VAT expenses	5.6	14.9	5.6	14.9
Professional fees	4.2	11.1	4.0	10.6
Premises expenses	3.8	10.1	3.9	10.3
Advertising and public relations expenses	2.6	6.9	2.1	5.6
Audit, legal, insurance and board expenses	2.2	5.8	2.2	5.8
Other expenses	2.8	7.4	2.4	6.4
Other operating expenses	27.2	72.1	26.2	69.5
	48.9	129.7	46.7	123.9

Fees relating to KPMG, the Group's external auditor, during the year 2024 amounted to BHD 0.4 million (USD 1.1 million) [2023: BHD 0.4 million (USD 1.1 million)] out of which BHD 0.2 million (USD 0.5 million) [2023: BHD 0.2 million (USD 0.5 million)] was for audit services, BHD 0.1 million (USD 0.3 million) [2023: BHD 0.1 million (USD 0.3 million)] was for CBB mandatory review requirements and BHD 0.1 million (USD 0.3 million) [2023: BHD 0.1 million (USD 0.3 million)] was for non-audit services.

28. NET OPEN FOREIGN CURRENCY POSITIONS

	2024		2023	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
US Dollar long position - unhedged	205.4	544.8	46.9	124.4
UAE Dirhams long position - unhedged	67.2	178.2	44.9	119.1
Saudi Riyal long / (short) position - unhedged	6.7	17.8	(18.4)	(48.8)

All of the above currencies have a fixed rate of exchange against the Bahraini Dinar.The Bank did not have any significant net open positions as at 31 December 2024 or 31 December 2023.

29. RELATED PARTIES

Certain related parties (major shareholders, directors of the Group and families and companies of which they are principal owners, key management personnel and associates) were customers of the Group in the ordinary course of business. The transactions with these parties were made on an arm's length basis. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Typically, key management personnel include the Chief Executive Officer and persons directly reporting to this position. Significant balances at the reporting date in regard to related parties and transactions during the year with related parties are as below.

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29. RELATED PARTIES (continued)

The Group qualifies as a government related entity under the definitions provided in IAS 24 as its significant shareholders are government owned. In addition to the government exposures reported below, in its normal course of business, the Group provides commercial lending, liquidity management and other banking services to, and also avails services from, various semi governmental organisations and government owned companies in the Kingdom of Bahrain.

In BHD millions	Major shareholder and related entities		Directors and key management personnel		Associates	
As at 31 December	2024	2023	2024	2023	2024	2023
Loans and advances	570.9	378.9	4.5	3.2	-	-
Treasury bills and investment securities	1,052.1	1,032.2	-	-	44.1	26.3
Customer deposits	217.9	157.1	34.5	52.6	1.2	0.8
Contingent liabilities for irrevocable commitments, guarantees and other contingencies	67.7	43.6	28.0	26.7	0.1	-
For the year ended 31 December						
Loans advanced	448.8	484.1	2.3	1.5	-	-
Loans repaid	251.7	326.8	2.5	2.0	-	-
Net increase / (decrease) in overdrafts	102.6	(49.6)	(3.7)	(4.7)	-	-
Treasury bills, bonds and equities purchased	361.6	495.7	-	-	-	-
Treasury bills, bonds and equities matured / sold	484.6	638.6	-	-	-	-
Capital expenditures	0.4	-	1.1	1.5	-	-
Interest income	85.8	73.4	0.2	0.4	-	-
Interest expense	6.0	4.7	1.0	2.4	-	-
Share of profit of associates	-	-	-	-	1.4	1.1
Dividend income	2.4	3.0	-	-	-	-
Directors remuneration and sitting fees	0.2	0.2	0.6	0.7	-	-
Short term employee benefits	-	-	2.9	4.9	-	-
Post employment retirement benefits	-	-	0.4	0.4	-	-
Other operating expenses	4.5	3.5	3.4	3.2	0.9	0.5

During the year, no net provision charge (2023: no net provision charge) had been recorded against outstanding balances with related parties.

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2024 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions.

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30. ASSETS UNDER MANAGEMENT

Assets administered on behalf of customers to which the Bank does not have legal title are not included in the statement of financial position. At 31 December 2024, assets under administration amounted to BHD 306.7 million (USD 813.5 million) [31 December 2023: BHD 205.2 million (USD 544.3 million)].

31. GEOGRAPHICAL DISTRIBUTION

In BHD millions	Assets		Liabilities		Off balance sheet items	
As at 31 December	**2024**	2023	**2024**	2023	**2024**	2023
GCC	**5,110.7**	5,007.0	**4,486.3**	4,397.6	**3,419.0**	3,005.9
USA	**323.4**	324.2	**21.1**	10.5	**10.8**	10.1
Europe	**47.1**	40.6	**366.8**	337.1	**5,601.6**	5,732.3
Rest of the World	**41.0**	0.7	**51.0**	50.1	**104.4**	27.4
	5,522.2	5,372.5	**4,925.2**	4,795.3	**9,135.8**	8,775.7

Off balance sheet items include contingent liabilities, banking commitments, derivatives and forward exchange contracts.

32. DISTRIBUTION BY SECTOR

In BHD millions	Assets		Liabilities		Off balance sheet items	
As at 31 December	**2024**	2023	**2024**	2023	**2024**	2023
Government / sovereign	**1,923.3**	1,727.3	**400.6**	344.1	**1,090.7**	794.2
Manufacturing / trading	**541.3**	398.7	**177.3**	148.3	**534.6**	547.8
Banks / financial institutions	**1,044.4**	1,352.5	**1,043.5**	1,153.4	**7,059.9**	7,132.2
Construction	**175.9**	195.9	**128.8**	83.0	**110.7**	108.0
Personal	**1,417.0**	1,385.9	**2,264.7**	2,181.1	**181.1**	66.1
Others	**420.3**	312.2	**910.3**	885.4	**158.8**	127.4
	5,522.2	5,372.5	**4,925.2**	4,795.3	**9,135.8**	8,775.7

Off balance sheet items include contingent liabilities, banking commitments, derivatives and forward exchange contracts.

Notes to the Consolidated Financial Statements continued
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33. CONCENTRATION OF CREDIT RISK

The following is the concentration of credit risk by industry and geographical regions:

a) By industry

In BHD millions	Government / sovereign		Manufacturing/	Banks/ financial				
As at 31 December 2024	**Bahrain**	**Other countries**	**trading**	**institutions**	**Construction**	**Personal**	**Others**	**Total**
Assets								
Balances at central banks	**-**	**-**	**-**	**139.9**	**-**	**-**	**-**	**139.9**
Treasury bills	**9.4**	**186.7**	**-**	**-**	**-**	**-**	**-**	**196.1**
Placements with banks and other financial institutions	**-**	**-**	**-**	**625.9**	**-**	**-**	**-**	**625.9**
Loans and advances	**647.3**	**-**	**498.3**	**138.0**	**152.2**	**1,363.6**	**220.6**	**3,020.0**
Investment securities - debt instruments	**999.1**	**65.8**	**-**	**19.0**	**-**	**-**	**-**	**1,083.9**
Interest receivable and other assets	**14.6**	**0.4**	**21.4**	**32.1**	**0.2**	**2.3**	**66.1**	**137.1**
Total assets	**1,670.4**	**252.9**	**519.7**	**954.9**	**152.4**	**1,365.9**	**286.7**	**5,202.9**
Contingent liabilities and banking commitments	**138.1**	**-**	**140.4**	**99.7**	**110.7**	**98.3**	**153.7**	**740.9**
Derivatives (replacement cost)	**0.4**	**-**	**3.1**	**53.2**	**-**	**-**	**-**	**56.7**

In BHD millions	Government / sovereign		Manufacturing/	Banks/ financial				
As at 31 December 2023	Bahrain	Other countries	trading	institutions	Construction	Personal	Others	Total
Assets								
Balances at central banks	-	-	-	132.4	-	-	-	132.4
Treasury bills	-	186.1	-	-	-	-	-	186.1
Placements with banks and other financial institutions	-	-	-	1,038.9	-	-	-	1,038.9
Loans and advances	404.0	59.0	378.3	50.1	174.3	1,331.6	137.8	2,535.1
Investment securities - debt instruments	993.5	72.7	-	-	-	-	-	1,066.2
Interest receivable and other assets	11.7	0.3	1.1	40.1	0.2	2.3	51.0	106.7
Total assets	1,409.2	318.1	379.4	1,261.5	174.5	1,333.9	188.8	5,065.4
Contingent liabilities and banking commitments	219.2	9.5	154.5	124.6	108.0	66.1	119.9	801.8
Derivatives (replacement cost)	-	-	0.1	33.4	-	-	-	33.5

The balances at the end of the year are representative of the position during the year and hence average balances have not been separately disclosed.

The above includes certain exposures to customers / counterparties which are in excess of 15% of the Group's capital base. These have the approval of the Central Bank of Bahrain or are exempt exposures under the large exposures policy of the Central Bank of Bahrain. The table below gives details of these exposures as at 31 December 2024.

In BHD millions

Counterparty	Counterparty type	Total exposure
Counterparty A	Sovereign	**1,388.9**
Counterparty B	Central Bank	**407.6**
Counterparty C	Government related entity	**326.7**
Counterparty D	Sovereign	**242.7**
Counterparty E	Government related entity	**167.7**
Counterparty F	Central Bank	**147.6**
Counterparty G	Government related entity	**121.5**
Counterparty H	Corporate	**118.5**

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33. CONCENTRATION OF CREDIT RISK (continued)

(b) By geographical regions

In BHD millions **As at 31 December 2024**	**GCC**	**USA**	**Europe**	**Rest of the World**	**Total**
Assets					
Balances at central banks	**139.9**	**-**	**-**	**-**	**139.9**
Treasury bills	**19.2**	**176.9**	**-**	**-**	**196.1**
Placements with banks and other financial institutions	**539.4**	**80.2**	**5.7**	**0.6**	**625.9**
Loans and advances	**2,979.9**	**-**	**-**	**40.1**	**3,020.0**
Investment securities	**1,018.1**	**65.8**	**-**	**-**	**1,083.9**
Interest receivable and other assets	**94.9**	**0.5**	**41.4**	**0.3**	**137.1**
Total assets	**4,791.4**	**323.4**	**47.1**	**41.0**	**5,202.9**
Contingent liabilities and banking commitments	**669.7**	**10.8**	**23.5**	**36.9**	**740.9**
Derivatives (replacement cost)	**6.2**	**-**	**50.5**	**-**	**56.7**

In BHD millions As at 31 December 2023	GCC	USA	Europe	Rest of the World	Total
Assets					
Balances at central banks	132.4	-	-	-	132.4
Treasury bills	10.0	176.1	-	-	186.1
Placements with banks and other financial institutions	949.9	82.2	6.5	0.3	1,038.9
Loans and advances	2,533.2	-	1.6	0.3	2,535.1
Investment securities	1,000.7	65.5	-	-	1,066.2
Interest receivable and other assets	73.8	0.3	32.5	0.1	106.7
Total assets	4,700.0	324.1	40.6	0.7	5,065.4
Contingent liabilities and banking commitments	763.9	10.0	19.4	8.5	801.8
Derivatives (replacement cost)	1.2	-	32.3	-	33.5

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34. INTEREST RATE RISK

Interest rate risk is measured by the extent to which changes in the market interest rates impact margins, net interest income and the economic value of the Group's equity. Net interest income will be affected as a result of volatility in interest rates to the extent that the re-pricing structure of interest bearing assets differs from that of liabilities. The Group's goal is to achieve stable earnings growth through active management of the assets and liabilities mix while, selectively, positioning itself to benefit from near-term changes in interest rate levels. The Treasurer is primarily responsible for managing the interest rate risk. Reports on overall position and risks are submitted to senior management for review and positions are adjusted if deemed necessary. In addition, GALCO regularly reviews the interest rate sensitivity profile and its impact on earnings.

The Group's asset and liability management process is utilised to manage interest rate risk through the structuring of on-balance sheet and off-balance sheet portfolios. The Group uses various techniques for measuring and managing its exposure to interest rate risk. Duration analysis is used to measure the interest rate sensitivity of the fixed income portfolio. Duration of the portfolio is governed by economic forecasts, expected direction of interest rates and spreads. Modified duration gives the percentage change in value of the portfolio following a 1% change in yield. Interest rate swaps and forward rate agreements are used to manage the interest rate risk. The Group uses interest rate gap analysis to measure the interest rate sensitivity of its annual earnings due to re-pricing mismatches between rate sensitive assets, liabilities and derivative positions.

Assets and liabilities are placed in maturity buckets based on the remaining period to the contractual repricing or maturity dates, whichever is earlier. Customer deposits for which no specific contractual maturity or repricing date exists are placed in ladders based on the Group's judgement concerning their most likely repricing behaviour.

The repricing profile and effective interest rate of the various asset and liability categories are as follows:

In BHD millions **As at 31 December 2024**	**Effective interest rate %**	**Up to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**	**Rate insensitive**	**Total**
Assets								
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**-**	**184.8**	**184.8**
Treasury bills	**5.1%**	**69.4**	**126.7**	**-**	**-**	**-**	**-**	**196.1**
Placements with banks and other financial institutions	**6.2%**	**570.7**	**16.0**	**4.4**	**-**	**-**	**34.8**	**625.9**
Loans and advances	**6.4%**	**835.3**	**371.3**	**206.6**	**944.0**	**662.8**	**-**	**3,020.0**
Investment securities	**6.6%**	**737.1**	**-**	**61.6**	**280.3**	**4.9**	**83.7**	**1,167.6**
Investment in associates, interest receivable and other assets	**-**	**-**	**-**	**-**	**-**	**-**	**202.4**	**202.4**
Property and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**74.3**	**74.3**
Goodwill and other intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**51.1**	**51.1**
Total assets		**2,212.5**	**514.0**	**272.6**	**1,224.3**	**667.7**	**631.1**	**5,522.2**
Liabilities and equity								
Due to banks and other financial institutions	**5.6%**	**503.4**	**35.1**	**-**	**-**	**-**	**41.2**	**579.7**
Borrowings under repurchase agreements	**5.5%**	**178.1**	**38.6**	**168.1**	**-**	**-**	**-**	**384.8**
Customer deposits	**5.1%**	**1,201.1**	**505.7**	**391.3**	**18.1**	**-**	**1,627.6**	**3,743.8**
Interest payable and other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**216.9**	**216.9**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**597.0**	**597.0**
Total liabilities and equity		**1,882.6**	**579.4**	**559.4**	**18.1**	**-**	**2,482.7**	**5,522.2**
On-balance sheet interest rate sensitivity gap		**329.9**	**(65.4)**	**(286.8)**	**1,206.2**	**667.7**	**(1,851.6)**	**-**
Off-balance sheet interest rate gap		**569.0**	**-**	**14.4**	**(269.8)**	**(313.6)**	**-**	**-**
Cumulative interest rate sensitivity gap		**898.9**	**833.5**	**561.1**	**1,497.5**	**1,851.6**	**-**	**-**

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34. INTEREST RATE RISK (continued)

In BHD millions As at 31 December 2023	Effective interest rate %	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Rate insensitive	Total
Assets								
Cash and balances at central banks	-	-	-	-	-	-	181.3	181.3
Treasury bills	4.5%	126.1	-	60.0	-	-	-	186.1
Placements with banks and other financial institutions	6.0%	941.6	-	-	-	-	97.3	1,038.9
Loans and advances	6.2%	522.2	272.0	130.1	930.0	680.8	-	2,535.1
Investment securities	6.4%	855.7	44.4	15.8	109.3	41.0	88.8	1,155.0
Investment in associates, interest receivable and other assets	-	-	-	-	-	-	153.9	153.9
Property and equipment	-	-	-	-	-	-	70.3	70.3
Goodwill and other intangible assets	-	-	-	-	-	-	51.9	51.9
Total assets		2,445.6	316.4	205.9	1,039.3	721.8	643.5	5,372.5
Liabilities and equity								
Due to banks and other financial institutions	5.3%	512.3	20.0	52.0	9.0	-	77.7	671.0
Borrowings under repurchase agreements	5.2%	394.9	27.6	38.2	-	-	-	460.7
Customer deposits	4.8%	1,203.1	289.7	322.1	15.2	-	1,674.7	3,504.8
Interest payable and other liabilities	-	-	-	-	-	-	158.8	158.8
Equity	-	-	-	-	-	-	577.2	577.2
Total liabilities and equity		2,110.3	337.3	412.3	24.2	-	2,488.4	5,372.5
On-balance sheet interest rate sensitivity gap		335.3	(20.9)	(206.4)	1,015.1	721.8	(1,844.9)	-
Off-balance sheet interest rate gap		1,851.7	(52.4)	(53.3)	(465.1)	(1,280.9)	-	-
Cumulative interest rate sensitivity gap		2,187.0	2,113.7	1,854.0	2,404.0	1,844.9	-	-

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35. MARKET RISK

a) The Group uses the standardised method for allocating market risk capital.

The following table shows the capital charges as at 31 December:

Risk type **In BHD millions**	**2024**	2023
Interest rate risk	**2.0**	1.3
Foreign exchange risk	**5.1**	0.4
Total minimum capital required for market risk	**7.1**	1.7
Multiplier	**12.5**	12.5
Market risk weighted exposure under the standardised method	**88.8**	21.3

b) The principal risk to which the Group portfolio is exposed is the risk of loss from fluctuations in future cash flows of financial instruments because of changes in the market interest rates. The interest rate risk management process is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to an interest rate shock of 200bps increase / decrease. An analysis of the Group's sensitivity to an increase or decrease in market interest rates on the Group's balance sheet (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	2024		2023	
In BHD millions	**200 bps parallel increase**	**200 bps parallel decrease**	200 bps parallel increase	200 bps parallel decrease
At 31 December	**2.5**	**(2.5)**	3.7	(3.7)
Average for the year	**5.8**	**(5.8)**	3.7	(3.7)
Minimum for the year	**2.5**	**(2.5)**	1.2	(1.2)
Maximum for the year	**8.6**	**(8.6)**	5.2	(5.2)

c) The Group holds investments in quoted equities as part of investment securities. Equity risk is the potential adverse impact due to movements in individual equity prices or general market movements in stock markets. The Group manages this risk through diversification of investments in terms of geographical distribution and industrial concentration.

Overall non-trading interest rate risk positions are managed by the Treasury division, which uses investment securities, placements with banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities. The use of derivatives to manage interest rate risk is described in note 19.

36. SEGMENT INFORMATION

For management purposes, the Group is organised into the following main strategic business units (SBUs) - Retail Banking, Corporate & Commercial Banking, Overseas Branches and Market & Client Solutions. These SBUs are the basis on which the Group reports its operating segment information.

The consumer banking and business banking related SBUs in Bahrain provide various banking products and services to the Group's customers. The SBUs are differentiated based on their respective customer segments. Retail Banking caters to individuals and non-borrowing SMEs, while Corporate & Commercial Banking caters to governments, corporates, commercial enterprises and borrowing SMEs.

Market & Client Solutions SBU has the overall responsibility of managing the Group's liquidity, interest rate, foreign exchange, market risk and investments and also offers structured and trade products. The Overseas Branches SBU provide various banking products and services to the Group's customers outside Bahrain.

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36. SEGMENT INFORMATION (continued)

Financial information about the operating segments is presented in the following table:

In BHD millions	Retail Banking		Corporate & Commercial Banking		Overseas Branches		Market & Client Solutions		Total	
For the year ended 31 December	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Interest income	**70.6**	66.5	**58.0**	49.6	**25.9**	15.1	**153.7**	136.5	**308.2**	267.7
Interest expense	**(57.2)**	(54.5)	**(38.0)**	(32.3)	**(12.9)**	(3.8)	**(56.7)**	(35.7)	**(164.8)**	(126.3)
Inter-segment interest income / (expense)	**81.1**	68.2	**14.7**	14.8	**-**	-	**(95.8)**	(83.0)	**-**	-
Net interest income	**94.5**	80.2	**34.7**	32.1	**13.0**	11.3	**1.2**	17.8	**143.4**	141.4
Net fee and commission and other income	**5.5**	5.2	**2.5**	2.8	**2.5**	1.4	**37.8**	33.2	**48.3**	42.6
Operating income	**100.0**	85.4	**37.2**	34.9	**15.5**	12.7	**39.0**	51.0	**191.7**	184.0
Result	**53.8**	42.2	**13.4**	11.5	**(1.0)**	(2.5)	**30.2**	44.7	**96.4**	95.9
Unallocated corporate expenses									**(13.4)**	(14.5)
Profit for the year									**83.0**	81.4
Other information										
As at 31 December										
Segment assets	**1,574.8**	1,539.0	**1,101.2**	816.7	**485.7**	369.5	**2,360.5**	2,647.3	**5,522.2**	5,372.5
Segment liabilities and Equity	**2,685.8**	2,726.1	**1,349.1**	1,036.0	**343.0**	222.6	**1,144.3**	1,387.8	**5,522.2**	5,372.5
For the year ended 31 December										
Depreciation and amortisation for the year	**(5.4)**	(5.7)	**(1.4)**	(1.3)	**(1.4)**	(1.6)	**(1.8)**	(1.1)	**(10.0)**	(9.7)
Provision for impaired assets	**(2.4)**	(0.8)	**(4.7)**	(4.2)	**(0.8)**	(2.3)	**(0.7)**	(0.4)	**(8.6)**	(7.7)

Segment revenues and expenses are directly attributable to the business segments. The benefit of the Group's capital has been distributed across the segments in proportion to their total assets employed. Expenses of departments whose services are jointly utilised by more than one segment have been allocated to the relevant segments on an appropriate basis.

Inter-segment interest income and expense represent the interest cost on the excess funds which are transferred by all the other business segments to Market & Client Solutions.

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37. MATURITY PROFILE AND LIQUIDITY RISK

a) Maturity profile

The table below shows the maturity profile of total assets and liabilities based on contractual terms.

In BHD millions As at 31 December 2024	**Up 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**	**Over 20 years**	**Total**
Assets									
Cash and balances at central banks	**184.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**184.8**
Treasury bills	**69.4**	**126.7**	**-**	**-**	**-**	**-**	**-**	**-**	**196.1**
Placements with banks and other financial institutions	**605.5**	**16.0**	**4.4**	**-**	**-**	**-**	**-**	**-**	**625.9**
Loans and advances	**474.9**	**141.0**	**216.8**	**590.7**	**666.4**	**573.4**	**269.4**	**87.4**	**3,020.0**
Investment securities	**191.4**	**-**	**31.2**	**494.8**	**76.5**	**198.6**	**91.4**	**83.7**	**1,167.6**
Investment in associates and other assets	**139.7**	**4.6**	**0.3**	**0.6**	**0.4**	**-**	**-**	**182.2**	**327.8**
Total assets	**1,665.7**	**288.3**	**252.7**	**1,086.1**	**743.3**	**772.0**	**360.8**	**353.3**	**5,522.2**
Liabilities and equity									
Due to banks and other financial institutions	**416.4**	**35.1**	**-**	**128.2**	**-**	**-**	**-**	**-**	**579.7**
Borrowings under repurchase agreements	**178.1**	**38.6**	**168.1**	**-**	**-**	**-**	**-**	**-**	**384.8**
Customer deposits	**2,828.7**	**505.7**	**391.3**	**18.0**	**0.1**	**-**	**-**	**-**	**3,743.8**
Interest payable & other liabilities	**216.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**216.9**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**597.0**	**597.0**
Total liabilities and equity	**3,640.1**	**579.4**	**559.4**	**146.2**	**0.1**	**-**	**-**	**597.0**	**5,522.2**

In BHD millions As at 31 December 2023	Up 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	Over 20 years	Total
Assets									
Cash and balances at central banks	181.3	-	-	-	-	-	-	-	181.3
Treasury bills	126.1	-	60.0	-	-	-	-	-	186.1
Placements with banks and other financial institutions	1,038.9	-	-	-	-	-	-	-	1,038.9
Loans and advances	379.2	134.6	140.1	573.2	473.8	533.2	242.1	58.9	2,535.1
Investment securities	87.4	89.7	69.1	388.9	182.4	147.4	73.1	117.0	1,155.0
Investment in associates and other assets	110.3	3.5	0.2	0.3	0.3	0.2	0.1	161.2	276.1
Total assets	1,923.2	227.8	269.4	962.4	656.5	680.8	315.3	337.1	5,372.5
Liabilities and equity									
Due to banks and other financial institutions	590.0	20.0	52.0	9.0	-	-	-	-	671.0
Borrowings under repurchase agreements	394.9	27.6	38.2	-	-	-	-	-	460.7
Customer deposits	2,877.8	289.7	322.1	15.2	-	-	-	-	3,504.8
Interest payable & other liabilities	158.8	-	-	-	-	-	-	-	158.8
Equity	-	-	-	-	-	-	-	577.2	577.2
Total liabilities and equity	4,021.5	337.3	412.3	24.2	-	-	-	577.2	5,372.5

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37. MATURITY PROFILE AND LIQUIDITY RISK (continued)

b) Liquidity risk

The table below shows the undiscounted cash flows of the Group's financial liabilities and undrawn loan commitments on the basis of their earliest contractual liability. The Group's expected cash flows on these instruments vary significantly from this analysis; for example customers are expected to maintain stable or increased balances in demand deposits and not all undrawn loan commitments are expected to be drawn down immediately. For derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) the gross nominal undiscounted cash inflow/(outflow) are considered while in the case of derivatives that are net settled the net amounts have been considered.

In BHD millions As 31 December 2024	Carrying amount	Gross nominal inflow / (outflow)	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non derivative liabilities							
Due to banks and other financial institutions	**579.7**	**585.7**	**417.8**	**35.8**	**-**	**132.1**	**-**
Borrowings under repurchase agreements	**384.8**	**394.7**	**179.8**	**40.3**	**174.6**	**-**	**-**
Customer deposits	**3,743.8**	**3,972.8**	**2,971.2**	**549.6**	**433.3**	**18.6**	**0.1**
Total non derivative liabilities	**4,708.3**	**4,953.2**	**3,568.8**	**625.7**	**607.9**	**150.7**	**0.1**
Derivative liabilities							
Trading: outflow	**-**	**1,776.7**	**1,101.0**	**357.8**	**317.9**	**-**	**-**
Trading: inflow	**2.0**	**1,775.9**	**1,101.0**	**357.1**	**317.8**	**-**	**-**
Total derivative liabilities	**2.0**	**3,552.6**	**2,202.0**	**714.9**	**635.7**	**-**	**-**
Banking commitments	**-**	**-**	**(324.8)**	**1.6**	**0.5**	**42.3**	**280.4**
Financial guarantees	**-**	**(70.4)**	**(10.0)**	**(6.9)**	**(13.8)**	**(39.6)**	**(0.1)**

The Group's consolidated net stable funding ratio (NSFR) as at 31 December 2024 was 128% (31 December 2023: 137%), while the average LCR for the fourth quarter of the year stood at 286% (31 December 2023: 288%). The Group continues to meet minimum required regulatory liquidity ratios and is also in compliance with the minimum required capital adequacy ratio ("CAR"). Further details on NSFR are disclosed in note 38.

In BHD millions As 31 December 2023	Carrying amount	Gross nominal inflow / (outflow)	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non derivative liabilities							
Due to banks and other financial institutions	671.0	677.1	593.6	20.2	54.3	9.0	-
Borrowings under repurchase agreements	460.7	469.9	401.7	27.6	40.6	-	-
Customer deposits	3,504.8	3,744.3	3,023.9	329.6	375.1	15.7	-
Total non derivative liabilities	4,636.5	4,891.3	4,019.2	377.4	470.0	24.7	-
Derivative liabilities							
Trading: outflow	-	1,619.9	1,176.6	190.0	194.3	59.0	-
Trading: inflow	1.1	1,617.8	1,175.1	189.8	194.1	58.8	-
Total derivative liabilities	1.1	3,237.7	2,351.7	379.8	388.4	117.8	-
Banking commitments	-	-	(506.7)	1.8	1.5	36.6	466.8
Financial guarantees	-	(46.2)	(12.2)	(5.8)	(8.7)	(19.5)	-

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38. NET STABLE FUNDING RATIO

The main objective of the NSFR is to promote resilience in the banking system by improving the funding profile of banks by ensuring sufficient level of stable funding in relation to assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position. Banks are required to meet a minimum NSFR of 100% on a continuous basis.

The main drivers behind the Group's strong available stable funding (ASF) are the healthy capital base (18% of the Group's ASF), large deposits portfolio with strong contributions from the retail and small business sectors (56% of the Group's ASF) and the sizable corporate and sovereign deposits (26% of the Group's ASF).

The majority of the Group's investment security portfolio is classified as high-quality liquid assets (HQLA). The Group's HQLA securities accounted for 23% of the Group's required stable funding (RSF) before applying the relevant weights. Lending provided to financial institutions in the form of loans or placements was predominantly short-term in nature, which required a lower level of required funding, with 75% of total lending provided to financial institutions being in the less than 6 months maturity bucket.

The NSFR ratio of 128% at 31 December 2024 is 9% lower when compared with the 31 December 2023 ratio at 137%. Total RSF increased by 16% predominantly due to higher loans with financial institutions. As for ASF, total ASF witnessed a 8% increase mainly due to an increase in wholesale funding.

Further details on the calculation of the NSFR is presented in the following tables.

In BHD millions As at 31 December 2024 Item	Unweighted values (before applying factors) No specified maturity	 Less than 6 months	 More than 6 months and less than one year	 Over one year	Total weighted value
Available stable funding (ASF):					
Capital:					
Regulatory Capital	**601.7**	**-**	**-**	**28.7**	**630.4**
Retail Deposits and deposits from small business customers:					
Stable deposits	**-**	**285.9**	**5.0**	**-**	**276.3**
Less stable deposits	**-**	**1,677.8**	**226.2**	**11.6**	**1,725.3**
Wholesale funding:					
Operational deposits	**-**	**-**	**-**	**-**	**-**
Other wholesale funding	**-**	**2,015.6**	**338.2**	**129.0**	**923.3**
Other liabilities:					
All other liabilities not included in the above categories	**-**	**181.0**	**-**	**13.3**	**13.3**
Total ASF					**3,568.6**

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38. NET STABLE FUNDING RATIO (continued)

In BHD millions
As at 31 December 2024

Item	Unweighted values (before applying factors)				
	No specified maturity	**Less than 6 months**	**More than 6 months and less than one year**	**Over one year**	**Total weighted value**
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	76.6
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	247.4	21.0	62.9	110.5
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs:	-	470.0	198.3	1,455.5	1,571.3
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	619.4	402.6
Performing residential mortgages, of which:					
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	121.2	78.8
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	188.0	13.1	105.5
Other assets:					
NSFR derivative assets	-	13.6	-	-	13.6
NSFR derivative liabilities before deduction of variation margin posted	-	10.8	-	-	10.8
All other assets not included in the above categories	342.2	-	-	-	342.2
OBS items	-	-	-	-	74.1
Total RSF					2,786.0
NSFR %					128%

In BHD millions
As at 31 December 2023

Item	Unweighted Values (before applying factors)				
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	592.1	-	-	26.4	618.5
Retail Deposits and deposits from small business customers:					
Stable deposits	-	280.2	7.2	0.1	273.2
Less stable deposits	-	1,769.8	164.0	17.0	1,757.4
Wholesale funding:					
Other wholesale funding	-	2,168.3	218.9	0.4	635.5
Other liabilities:					
All other liabilities not included in the above categories	-	118.9	-	12.3	12.3
Total ASF					3,296.9

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38. NET STABLE FUNDING RATIO (continued)

In BHD millions
As at 31 December 2023

Item	Unweighted values (before applying factors)				
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	80.2
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	185.9	0.7	32.8	61.1
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs:	-	436.8	140.1	1,535.3	1,593.5
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	228.2	148.3
Performing residential mortgages, of which:					
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	106.0	68.9
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	73.0	10.5	45.6
Other assets:					
NSFR derivative assets	-	1.7	-	-	1.7
NSFR derivative liabilities before deduction of variation margin posted	-	9.7	-	-	9.7
All other assets not included in the above categories	329.7	-	-	-	329.7
OBS items	-	-	-	-	62.4
Total RSF					2,401.1
NSFR %					137%

39. RETIREMENT BENEFIT COSTS

The Group's obligations to defined contribution pension plans for employees who are covered by the social insurance pension scheme in Bahrain and its overseas branches are recognised as an expense in the statement of profit or loss. The Group's contribution for 2024 amounted to BHD 3.7 million (USD 9.8 million) [2023: BHD 3.2 million (USD 8.5 million)].

Other employees are entitled to leaving indemnities payable in accordance with the employment agreements or under the respective labour laws. The movement in the provision for leaving indemnities during the year was as follows:

Provision for leaving indemnities	**2024**		2023	
Movements during the year	**BHD millions**	**USD millions**	BHD millions	USD millions
At 1 January	**2.8**	**7.4**	3.0	7.9
Charge for the year	**0.9**	**2.4**	0.7	1.9
Paid during the year	**(0.6)**	**(1.6)**	(0.9)	(2.4)
At 31 December	**3.1**	**8.2**	2.8	7.4

40. LEGAL CLAIMS

As at 31 December 2024, legal suits pending against the Group aggregated to BHD nil (USD nil) [31 December 2023: BHD 0.1 million (USD 0.3 million)]. Based on the opinion of the Group's legal advisors and pending any final judgement on these suits, adequate provisions were maintained where required.

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41. EARNINGS AND DIVIDEND PER SHARE

	2024		2023	
	BHD millions	**USD millions**	BHD millions	USD millions
Profit attributable to the shareholders of the Bank	**81.9**	**217.2**	79.1	209.8
Dividend proposed at 35% (2023: 30%)	**79.2**	**210.1**	68.0	180.4
Weighted average number of shares issued (millions)				
Ordinary shares as at 1 January 2024	**2,266.1**	**2,266.1**	2,266.1	2,266.1
Less treasury shares	**(5.2)**	**(5.2)**	-	-
Less unallocated employee shares	**(5.5)**	**(5.5)**	(8.7)	(8.7)
Weighted average number of ordinary shares (millions) as at 31 December	**2,255.4**	**2,255.4**	2,257.4	2,257.4
Earnings per share	**36 fils**	**10 cents**	35 fils	9 cents
Dividend per share	**35 fils**	**9 cents**	30 fils	8 cents
Bonus / stock dividend per share	**Nil**	**Nil**	Nil	Nil

Diluted earnings per share is the same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

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42. ACCOUNTING CLASSIFICATION

a) The following table provides disclosure of the accounting classification for assets and liabilities:

In BHD millions **As at 31 December 2024**	**Fair value through profit or loss**	**Amortised cost**	**Fair value through other comprehensive income**	**Total carrying amount**
Cash and balances at central banks	**-**	**184.8**	**-**	**184.8**
Treasury bills	**-**	**196.1**	**-**	**196.1**
Placements with banks and other financial institutions	**-**	**625.9**	**-**	**625.9**
Loans and advances	**1.7**	**3,018.3**	**-**	**3,020.0**
Investment securities	**4.2**	**736.4**	**427.0**	**1,167.6**
Interest receivable & other assets	**18.8**	**309.0**	**-**	**327.8**
Total assets	**24.7**	**5,070.5**	**427.0**	**5,522.2**
Due to banks and other financial institutions	**-**	**579.7**	**-**	**579.7**
Borrowings under repurchase agreements	**-**	**384.8**	**-**	**384.8**
Customer deposits	**-**	**3,743.8**	**-**	**3,743.8**
Interest payable & other liabilities	**-**	**216.9**	**-**	**216.9**
Total liabilities	**-**	**4,925.2**	**-**	**4,925.2**

In BHD millions As at 31 December 2023				
Cash and balances at central banks	-	181.3	-	181.3
Treasury bills	-	186.1	-	186.1
Placements with banks and other financial institutions	-	1,038.9	-	1,038.9
Loans and advances	2.1	2,533.0	-	2,535.1
Investment securities	20.9	710.7	423.4	1,155.0
Interest receivable & other assets	18.5	257.6	-	276.1
Total assets	41.5	4,907.6	423.4	5,372.5
Due to banks and other financial institutions	-	671.0	-	671.0
Borrowings under repurchase agreements	-	460.7	-	460.7
Customer deposits	-	3,504.8	-	3,504.8
Interest payable & other liabilities	-	158.8	-	158.8
Total liabilities	-	4,795.3	-	4,795.3

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42. ACCOUNTING CLASSIFICATION (continued)

b) Fair value hierarchy

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 all instruments where the valuation technique includes input not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

All financial instruments other than those disclosed in the table below are classified as level 2.

(i) Loans and advances: The fair value of floating rate loans which have been disbursed at market rates approximate carrying value. The fair value of fixed rate loans, estimated by discounting future cash flows expected to be received and taking into account expected credit losses based on historical trends, also approximated the carrying value.

(ii) Customer deposits: The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is deemed to equal the amount repayable on demand, which is represented by the carrying value of the deposits. For interest bearing fixed maturity deposits, the Group estimates that fair value will approximate their book value as the majority of deposits are of short term nature and all deposits are at market rates.

(iii) Other financial assets and liabilities: The fair value is considered to approximate their book values due to their short term nature and negligible probability of credit losses.

The table below analyses financial assets and liabilities carried at fair value, by valuation method.

In BHD millions	2024				2023			
At 31 December	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Fair value through profit or loss:								
Equity instruments / managed funds	**-**	**4.0**	**-**	**4.0**	-	3.6	-	3.6
Debt instruments	**-**	**0.2**	**-**	**0.2**	0.2	17.1	-	17.3
Loans and advances	**-**	**-**	**1.7**	**1.7**	-	-	2.1	2.1
Other assets - investment properties	**-**	**18.8**	**-**	**18.8**	-	18.5	-	18.5
Fair value through other comprehensive income:								
Debt instruments	**287.9**	**59.4**	**-**	**347.3**	264.5	73.7	-	338.2
Equity instruments	**55.2**	**-**	**24.5**	**79.7**	51.5	-	33.7	85.2
Derivative financial assets	**-**	**56.7**	**-**	**56.7**	-	33.5	-	33.5
Total	**343.1**	**139.1**	**26.2**	**508.4**	316.2	146.4	35.8	498.4
Derivative financial liabilities	**-**	**28.5**	**-**	**28.5**	-	16.3	-	16.3

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42. ACCOUNTING CLASSIFICATION (continued)

b) Fair value hierarchy (continued)

The following table analyses the movement in level 3 financial assets during the year. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy.

	Investment securities		Loans and advances	
In BHD millions	**2024**	2023	**2024**	2023
At 1 January	**33.7**	36.6	**2.1**	2.5
Total gains / losses in other comprehensive income	**0.5**	(2.9)	**-**	-
Transfer to investment in associates	**(9.7)**	-	**-**	-
Total gains in profit or loss	**-**	-	**0.1**	0.1
Principal reduction	**-**	-	**(0.5)**	(0.5)
At 31 December	**24.5**	33.7	**1.7**	2.1

Total gain for the year included in the statement of profit or loss for assets / liabilities classified as level 3 at 31 December 2024 is BHD 0.1 million (USD 0.3 million) [2023: BHD 0.1 million (USD 0.3 million)].

Level 3 comprises unquoted equity investments classified as fair value through other comprehensive income and loans and advances classified as fair value through profit or loss which are measured at their estimated fair value based on the latest financial information by the investee. Sensitivity analysis of the movement in fair value of the financial instruments in the level 3 category financial assets is assessed as not significant to the other comprehensive income and total equity.

The fair values of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair values of the Group's investment property portfolio every 12 months.

43. AVERAGE BALANCES

The following are average daily balances for the year:

	2024		2023	
	BHD millions	**USD millions**	BHD millions	USD millions
Total assets	**5,427.4**	**14,396.3**	4,897.4	12,990.5
Total liabilities	**4,863.8**	**12,901.3**	4,354.6	11,550.7
Total equity	**563.6**	**1,495.0**	542.8	1,439.8
Contingent liabilities and undrawn loan commitments	**814.8**	**2,161.3**	826.6	2,192.6

44. SHARIAH-COMPLIANT FACILITIES

The Group offers various shariah-compliant facilities through approved products at the Bank or through BISB, the Islamic retail banking subsidiary. The activities of each bank are supervised by their respective Shariah Supervisory Board.

The Group does not commingle funds raised from shariah-compliant products and does not use shariah-compliant sources of funding to finance its non shariah-compliant assets.

The Group's shariah-compliant assets and liabilities are as follows:

	2024		2023	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Assets				
Cash and balances at central banks	**55.2**	**146.4**	55.6	147.5
Placements with banks and other financial institutions	**177.8**	**471.6**	41.7	110.6
Loans and advances	**1,524.5**	**4,043.8**	1,113.9	2,954.6
Investment securities	**271.4**	**719.9**	319.7	848.0
Investment in associates	**12.7**	**33.7**	9.5	25.2
Interest receivable and other assets	**15.1**	**40.1**	16.4	43.5
Property and equipment	**17.0**	**45.1**	15.9	42.2
Goodwill and other intangible assets	**51.1**	**135.5**	51.9	137.7
	2,124.8	**5,636.1**	1,624.6	4,309.3
Liabilities				
Due to banks and other financial institutions	**313.0**	**830.2**	295.6	784.1
Borrowings under repurchase agreements	**41.4**	**109.8**	76.6	203.2
Customer deposits	**1,006.3**	**2,669.2**	1,025.8	2,720.9
Interest payable and other liabilities	**49.9**	**132.4**	29.7	78.8
	1,410.6	**3,741.6**	1,427.7	3,787.0

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44. SHARIAH-COMPLIANT FACILITIES (continued)

The Group's statement of profit and loss limited to shariah-compliant activities is presented below:

	2024		2023	
For the year ended 31 December	BHD millions	USD millions	BHD millions	USD millions
Profit income	101.5	269.2	74.7	198.1
Profit expense	(53.7)	(142.4)	(39.1)	(103.7)
Net profit income	47.8	126.8	35.6	94.4
Net fee and commission income	3.5	9.3	3.4	9.0
Other income	2.6	6.9	4.6	12.2
Total operating income	53.9	143.0	43.6	115.6
Staff expenses	14.0	37.1	13.0	34.5
Depreciation, amortisation and equipment expenses	3.9	10.3	4.8	12.7
Other operating expenses	9.2	24.4	8.0	21.2
Total operating expenses	27.1	71.8	25.8	68.4
Profit before results of associates, impairment, and other provisions	26.8	71.2	17.8	47.2
Share of profits from associates, net	0.2	0.5	0.4	1.1
Loans, placements and securities impairment, net	(7.3)	(19.4)	(5.6)	(14.8)
Other impairment and provisions, net	0.5	1.3	(1.0)	(2.7)
Profit for the year	20.2	53.6	11.6	30.8

The Group follows IFRS for accounting and measurement of all its financial assets and liabilities and for any resulting income and expenses. Note 2 of the consolidated financial statements outlines the details of the Group's accounting policies.

Revenue recognition and measurement for shariah-compliant financing assets

Shariah-compliant financing assets are classified under loans and advances in the consolidated financial statements and are carried at amortised cost less impairment allowances. Profit from shariah-compliant financing contracts are recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

Unrestricted investment accounts

Unrestricted investment accounts are classified under deposits from customers in the consolidated financial statements and are carried at amortised cost. Finance expense on such accounts are recognised in the income statement as it accrues, taking into account the effective yield of the liability or an applicable floating rate.

The Group charges management fee (mudarib fees) to unrestricted investment account holders. The income attributable to customers from the total unrestricted investment accounts income is allocated to the investment accounts after setting aside provisions and deducting the Group's share of income. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the Group and are not charged separately to investment accounts.

Conflicts with the requirements of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)

The Group's accounting and measurement policies differ from the requirements of AAOIFI in the following areas:

- In respect of income recognition from mudaraba and musharaka contracts, AAOIFI allows for recognition of income only on the basis of declaration and distribution of profits from the underlying contracts. However, as per the Group's current policies, income is recognised on an accrual basis taking into account the effective yield of the asset.
- In respect of finance lease contracts (ijarah muntahia bittamleek), AAOIFI standards require the Group to recognise the asset under lease on its books and depreciate it over the lease term. However, as per the Group's current policies, the amount financed is recognised as a loan and the income is recognised over the lease term on an accrual basis taking into account the effective yield of the asset. This accounting policy variation has no impact on the Group's consolidated statement of profit or loss.
- In respect of murabaha receivables (fixed profit products), AAOIFI requires recognition of receivables assets at its face value (i.e. the gross amount) and requires deferred profits to be netted against the receivable balance for the purpose of presentation in the consolidated financial statements. As per the Group's current policies, the amount receivable is recognised at its amortised cost (i.e. profits are recognised only on an accrual basis). However, the net amount of murabaha receivables for the purposes of the financial statements remains to be the same under both IFRS and AAOIFI.
- Funds raised from unrestricted investment account holders are required to be shown as a separate category between equity and liabilities. However, as the Group complies with IFRS, the funds raised from unrestricted investment account holders are disclosed under liabilities.
- In respect of investment properties, AAOIFI standards require the Group to recognise the changes in fair value (only gains) in the fair value reserve and losses to be adjusted against the fair value reserve to the extent of the available balance, with the remaining losses recognised in the consolidated statement of profit or loss. However, as per the Group's current policies, changes in the fair value of the investment properties subsequent to initial recognition are recorded in the consolidated statement of profit or loss. This has not resulted in any impact on the Group's consolidated statement of profit or loss during the year.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2024

45. CAPITAL ADEQUACY

The Group operates as an independent banking institution with headquarters in Bahrain, subsidiary and branches in Bahrain, United Arab Emirates and Saudi Arabia.

The capital adequacy ratio has been calculated in accordance with Basel III and Central Bank of Bahrain guidelines incorporating credit risk, operational risk and market risk. The Group uses the standardised approach for computing credit risk. Operational risk is computed using the basic indicator approach. Market risk is computed using the standardised method.

The details of the Group's capital adequacy calculations are shown below:

	2024		2023	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Common equity (CET1)	550.6	1,460.5	540.1	1,432.6
Additional tier 1	-	-	-	-
Total common equity tier 1 (CET)	550.6	1,460.5	540.1	1,432.6
Tier 2	28.7	76.1	26.4	70.0
Total capital base	579.3	1,536.6	566.5	1,502.6
Risk weighted exposure:				
Credit risk	2,292.8	6,081.7	2,114.9	5,609.8
Market risk	88.8	235.5	21.3	56.5
Operational risk	311.5	826.3	295.3	783.3
Total risk weighted exposure	2,693.1	7,143.5	2,431.5	6,449.6
CET 1 ratio	20.4%		22.2%	
Total capital adequacy ratio	21.5%		23.3%	

Conventional banks are required to maintain a minimum total capital adequacy ratio of 12.5%. Additionally, according to Central Bank of Bahrain rulebook, banks designated as domestic systemically important banks (DSIBs) must hold designated HLA (high loss absorbency) expressed as common equity tier 1 capital at 1.5% of the total risk weighted assets, as calculated for the purposes of capital adequacy.

46. DEPOSIT PROTECTION SCHEME

Deposits held with the Group's Bahrain operations are covered by the regulation protecting deposits and unrestricted investment accounts issued by the Central Bank of Bahrain in accordance with Resolution No (34) of 2010. The scheme applies to all eligible accounts held with Bahrain offices of the Group subject to specific exclusions, maximum total amount entitled and other regulations concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board.

47. TAXATION

Domestic minimum top-up tax (DMTT)

NBB is subject to the Organization for Economic Cooperation and Development (OECD) Global Anti-Base Erosion Pillar Two Model Rules (GloBE rules) that apply to multinational enterprise (MNE) groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

The Group is domiciled and operates in the Kingdom of Bahrain which has issued and enacted Decree Law No. (11) of 2024 (Bahrain DMTT law) on 1 September 2024 introducing a DMTT of up to 15% on the taxable income of the Bahrain resident entities of the MNE group for fiscal years commencing on or after 1 January 2025.

NBB is expected to be subject to the relief provided to MNE groups under Article 15 of the Bahrain DMTT Law. This relief reduces tax liability to zero for the near term subject to meeting certain conditions and therefore no impact on the financials is expected.

48. SUBSEQUENT EVENT

Potential merger with Bank of Bahrain and Kuwait B.S.C. (BBK)

The Group has initiated discussions with BBK about a potential merger. The discussions are at an initial stage and an estimate of the financial effect of the potential transaction cannot be made reliably.

49. COMPARATIVES

Certain comparatives have been restated where necessary to conform to the current year's presentation. The restatement did not affect previously reported profit or total equity of the Group.

Risk and Capital Management Disclosures

Risk and Capital Management Disclosures
For the year ended 31 December 2024

INTRODUCTION

This document presents the Pillar 3 disclosures on a consolidated basis as at 31 December 2024. The purpose of Pillar 3 disclosures is to allow market participants to assess key pieces of information on the Group's capital, risk exposures and risk assessment process. The Group is regulated by the Central Bank of Bahrain (CBB) and follows the Pillar 3 disclosure requirements as stated under the CBB guidelines.

The Group views these disclosures as an important means of increased transparency and accordingly has provided extensive disclosures in this report that is appropriate and relevant to the Group's stakeholders and market participants. The Pillar 3 disclosures are to be read in conjunction with the audited consolidated financial statements as of 31 December 2024.

REGULATORY FRAMEWORK

The Group assesses its capital adequacy based on the rules published by the CBB. The framework is structured around the following three Pillars:

Pillar 1 on minimum capital requirements for credit, market and operational risk.

Pillar 2 on the supervisory review process and the internal capital adequacy assessment process (ICAAP).

Pillar 3 on market discipline including terms for disclosure of risk management and capital adequacy.

Pillar 1 – Minimum Capital Requirements

Pillar 1 defines the total minimum capital requirements for credit, market and operational risk. NBB currently employs the standardised approach for the assessment of credit and market risk weighted assets (RWAs), whilst using the basic indicator approach for assessment of operational RWAs.

The CBB capital adequacy rules provide guidance on the risk measurements for the calculation of capital adequacy requirements (CAR). Conventional bank licensees are required to meet the following minimum CAR requirements:

	Components of consolidated CARs			
	Limit	**Minimum ratio required**	**Capital conservation buffer (CCB)**	**CAR including CCB**
Common equity tier 1 (CET1)		**6.5%**	2.5 % comprising of CET1	**9.0%**
Additional tier 1 (AT1)	1.5 %			
Tier 1		**8.0%**		**10.5%**
Tier 2	2.0 %			
Total capital		**10.0%**		**12.5%**

The regulatory adjustments (i.e. deductions), including goodwill and intangibles, amounts above the aggregate 15% limit for significant investments in financial institutions, mortgage service rights, and deferred tax assets from temporary differences, are fully deducted from CET1.

Banks are required to maintain a capital conservation buffer (CCB) of 2.5%, comprising of CET1 above the regulatory minimum total capital ratio of 10.0%. Furthermore, banks designated by the CBB as DSIBs (domestic systematically important banks) are required to maintain an additional 1.5% buffer compromising of CET1 above the minimum capital plus CCB. Capital distribution constraints will be imposed when the CCB falls below 2.5%. The constraints imposed only relate to distribution, and not the operations of the licensed banks.

As at 31 December 2024, the Group's total risk weighted assets amounted to BHD 2,693.1 million; common equity tier 1 (CET1) and total capital base amounted to BHD 550.6 million and BHD 579.3 million respectively. Accordingly, the CET1 capital adequacy ratio and the total capital adequacy ratio were 20.4% and 21.5% respectively. Meanwhile, NBB's subsidiary Bahrain Islamic Bank B.S.C. reported a CET1 capital adequacy ratio and a total capital adequacy ratio of 16.0% and 20.4% respectively. These ratios exceed the minimum capital requirements under the CBB's Basel III framework.

RISK AND CAPITAL MANAGEMENT

The Group is exposed to the following types of risks:

- credit risk
- liquidity risk
- market risk
- operational risk

Risk management framework

The overall authority for risk management in the Group is vested in the board of directors. The board authorises appropriate credit, liquidity, market, and operational risk policies that form part of its risk management framework, based on the recommendation of management. The Group has established various committees that review and assess all risk issues. Approval authorities are delegated to different functionaries in the hierarchy depending on the amount, type of risk and nature of operations or risk. The risk division of the Group provides the necessary support to senior management and the business units in all areas of risk management. The risk division functions independent of the business units and reports directly to the board risk committee and administratively to the Chief Executive Officer. The risk division comprises of a credit risk department (responsible for independent pre-approval analysis of credit / investment proposals as well as risk policy and procedures management), credit administration department (responsible for post approval implementation and follow up), liquidity and market risk management department, operational risk management department, and information security risk department.

The board risk committee is responsible for identifying, optimising and ensuring appropriate mitigation of risks within the framework of the risk appetite established by the Group's board of directors. This includes reviewing and reporting its conclusions and recommendations to the board on:

- The Group's current and future risk appetite (i.e. in relation to the extent and categories of risk which the board regards as acceptable for the Group to bear);
- The Group's risk management framework (embracing principles, policies, methodologies, systems, processes, procedures and people); and
- The Group's risk culture to ensure that it supports the Group's risk appetite. In this regard, the committee will take a forward-looking perspective, seeking to anticipate changes in business conditions.

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

RISK AND CAPITAL MANAGEMENT (continued)

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 Group acknowledges that credit risk is an inherent and substantial cost that needs to be set against income. Risk is just one aspect of the triangle for any economic capital system and must be seen in conjunction with capital requirements and returns. The Group evaluates risk in terms of the impact on income and asset values, and the evaluation reflects the Group's assessment of the potential impact on its business on account of changes in political, economic and market conditions and in the credit worthiness of its clients. Risk management at the Group has always been conservative and proactive with the objective of achieving a balanced relation between risk appetite and expected returns.

The Group monitors and manages concentration risk by setting limits on exposures to countries, sectors and counterparty groups. Stringent criteria are used by the credit risk department in setting such limits and these have ensured that the impact of any adverse developments on the Group's income generation and capital strength is limited. Similarly, prudent norms have been implemented to govern the Group's investment activities, which specify to the Group's treasury department the acceptable levels of exposure to various products, based on its nature, tenor, rating, type, features, etc.

The Group has well laid out procedures, to not only appraise, but also regularly monitor credit risk. Credit appraisal is based on the financial information of the borrower, performance projections, market position, industry outlook, internal risk ratings, external ratings (where available), track record, product type, facility tenor, account conduct, repayment sources and ability and tangible and intangible security, etc. Regular reviews are carried out for each account and risks identified are mitigated in several ways, which include obtaining collateral, assignments, counter-guarantees from shareholders and/or third parties. In addition to regular appraisals conducted to judge the credit worthiness of the counterparty, day-to-day monitoring of financial developments across the globe by the business units and the credit risk department ensure timely identification of any event/(s) affecting the risk profile.

The business units of the Group are responsible for business generation and initial vetting of proposals in accordance with the stipulated policy requirements. Credit facilities in excess of certain levels or falling outside pre-approved product criteria are independently reviewed by the credit risk department, which analyses the proposal and puts forth its recommendations prior to approval by the appropriate authorities. The terms and conditions of all credit facilities are strictly implemented by the credit administration department.

An internal grading system and review process ensures identification of any deterioration in credit risk and consequent implementation of corrective action. The Group uses internal risk rating systems to assess its retail and non-retail exposures. These systems are mapped to 10 risk rating grades with some grades attributed with "+" or "-" modifiers, to show relative standing within these grades, resulting in a total of 22-point rating scale. The systems consider the financial strength of a borrower as well as qualitative aspects to arrive at a comprehensive snapshot of the risk of default associated with the borrower. Ratings are further sub-divided into categories, which reflect estimates of the potential maximum loss in an event of default. Risk ratings assigned to each borrower are reviewed on at least an annual basis. The internal risk rating grades range from 1 (highest quality with minimal credit risk) to 10 (lowest quality, typically in default with little prospect for recovery of principal or interest). Regular monitoring of the portfolio enables the Group to identify accounts, which witness deterioration in risk profile.

Each major External Credit Assessment Institution's (ECAI) external rating is matched to a corresponding internal risk rating. For purposes of comparison, the table below depicts the Group's internal ratings approximate mapping to Moody's alphanumeric external ratings:

Internal Ratings Scale	Moody's Rating	Rating Description
1 to 4-	Aaa to Baa3	High Standard
5+ to 7-	Ba1 to Caa3	Standard
8 to 10	C	Default

Liquidity risk

Liquidity risk is the potential inability of a bank to meet its financial obligations on account of a maturity mismatch between assets and liabilities. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Group.

The asset / liability management policies of the Group define the proportion of liquid assets to total assets with the aim of minimising liquidity risk. The Group maintains adequate liquid assets such as inter-bank placements, treasury bills and other readily marketable securities, to support its business and operations. The treasury department monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times.

The Group's ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposit base. The marketing strategy of the Group has ensured a balanced mix of demand and time deposits. Stability of the deposit base thus minimises the Group's dependence on volatile short-term borrowings. Further, investment securities with contractual maturities of more than three months can also be readily liquidated or repoed. Considering the effective maturities of deposits based on retention history and in view of the availability of liquid investments, the Group is able to ensure that sufficient liquidity is always available. The Group Asset Liability Committee (GALCO) chaired by the Group Chief Executive Officer reviews the liquidity gap profile and the liquidity scenario and addresses strategic issues concerning liquidity.

Market risk

Market risk is the risk of potential losses arising from movements in market prices of foreign exchange rates, interest rates, commodity prices, credit spreads, and equities in the trading and investment portfolios of the Group. The Group's trading and investment activities are governed by conservative policies that are clearly documented, by adherence to comprehensive limit structures set annually by the Board, and by regular reviews. Quality and price stability are the main criteria in selecting a trading and investment asset. The Group uses the standardised method for allocating market risk capital based on the risk assessed for underlying factors of interest rate risk, equity risk, foreign exchange risk, options risk and commodity risk. Daily reports in this regard are submitted to senior management for review and decision-making purposes. The Group utilises value-at-risk as the primary measure of market risk in line with regulatory recommendations.

Interest rate risk is measured by the extent to which changes in the market interest rates impact margins, net interest income and the economic value of equity. The Group's interest rate risk is primarily driven by repricing risk, yield-curve risk, optionality risk and basis risk. The Group's goal is to achieve stable earnings growth through active management of the assets and liabilities mix while, selectively positioning itself to benefit from near-term changes in interest rate levels. The treasurer is primarily responsible for managing the interest rate risk. Reports on overall position and risks are submitted to senior management for review and positions are adjusted if deemed necessary. In addition, GALCO regularly reviews the interest rate sensitivity profile and its impact on earnings.

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

RISK AND CAPITAL MANAGEMENT (continued)

Market risk (continued)

The Group's asset and liability management process is utilised to manage interest rate risk through the structuring of on-balance sheet and off-balance sheet portfolios. The Group uses various techniques for measuring and managing its exposure to interest rate risk including: earnings-at-risk, economic value of equity, gap analysis, and stress testing. Duration analysis is used to measure the interest rate sensitivity of the fixed income portfolio. Duration of the portfolio is governed by economic forecasts, expected direction of interest rates and spreads. Modified duration gives the percentage change in value of the portfolio following a 1% change in yield. Interest rate swaps and forward rate agreements are used to manage the interest rate risk. The Group uses interest rate gap analysis to measure the interest rate sensitivity of its annual earnings due to re-pricing mismatches between rate sensitive assets, liabilities and derivatives positions.

Operational risk

Operational risk is the risk to achieving our strategy or objectives because of inadequate or failed internal processes, people, and systems or from external events. Operational risk arises from day-to-day operations or external events and is relevant to every aspect of our business.

Operational risk is:

- Measured using the risk and control self-assessment process which assesses the level of risk and the effectiveness of controls and measured for capital management using risk event losses.
- Monitored using key risk indicators and other internal control activities; and
- Managed primarily by business and functional managers who identify and assess risks, implement controls to manage them and monitor the effectiveness of these controls using the operational risk management framework.

The objective of the operational risk management framework (ORMF) is to manage and control operational risk in a cost-effective manner within targeted levels of operational risk consistent with our risk appetite. The ORMF defines minimum standards and processes, and the governance structure for the management of operational risk and internal control in Bahrain and at our overseas branches. The ORMF has been codified in a high-level operational risk management policy, supplemented with the detailed procedure, which describes our approach to identifying, assessing, monitoring, and controlling operational risk and provides guidance on mitigating action to be taken when weaknesses are identified.

A dedicated operational risk management department (ORMD) has been established within the risk division. It is responsible for leading the execution of the ORMF and enforcing adherence to associated policies and processes across the first and second lines of defence. The ORMD supports the Group Chief Risk Officer and the Operational Risk Management Committee (ORMC), in addressing key operational risk issues and the implementation of the ORMF.

Chief executives, heads of departments and functions throughout the Group are responsible for maintaining an acceptable level of internal control commensurate with the scale and nature of operations, and for identifying and assessing risks, designing controls and monitoring the effectiveness of these controls. The ORMF helps managers to fulfill these responsibilities by defining a standard risk assessment methodology and providing a tool for the systematic reporting of operational loss data.

Risk monitoring and reporting

Systems and processes are in place to regularly monitor and report risk exposures to the senior management and the board of directors to effectively monitor and manage the risk profile of the Group.

Senior management is provided with a daily report on market risk and monthly reports on other risks. Reports on capital adequacy and internal capital adequacy assessment are provided to senior management on a monthly basis. The board of directors are provided with quarterly risk reports covering credit, market, liquidity, operational, concentration and other risks. In addition, stress testing on capital adequacy is undertaken twice a year or more frequently in times of need and communicated to the senior management and the board of directors for appropriate decisions.

The Group utilises the Bloomberg Front, Middle, and Back-Office systems to monitor treasury activities, generate market risk reports, manage collateralised transactions, and test hedge effectiveness. In addition, the Group utilises Quantitative Risk Management (QRM) system to monitor Group exposures, cash flow projections and interest rate risk in the banking book.

Capital management

The Group's policy is to maintain sufficient capital to sustain investor, creditor and market confidence and to support future development of the business. The impact of the level of capital on return on shareholders' equity is also considered and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Group's business activities and to maintain a well-capitalised status under regulatory requirements. The Group has a comprehensive internal capital adequacy assessment process (ICAAP) that includes board and senior management oversight, monitoring, reporting and internal control reviews, to identify and measure the various risks that are not covered under Pillar 1 risks and to regularly assess the overall capital adequacy considering the risks and the Group's planned business strategies. The non-Pillar 1 risks covered under the ICAAP process include concentration risk, liquidity risk, interest rate risk in the banking book and other miscellaneous risks. The ICAAP also keeps in perspective the Group's strategic plans, credit growth expectations, future sources and uses of funds, dividend policy and the impact of all these on maintaining adequate capital levels. In addition, the ICAAP process also includes stress testing on the Group's capital adequacy to determine the capital requirement and planning to ensure that the Group is adequately capitalised in line with the overall risk profile.

The Group ensures that the capital adequacy requirements are met on a consolidated basis and also with local regulator's requirements, if any, in countries in which the Group has branches. The Group has complied with regulatory capital requirements throughout the year.

Prior approval of the Central Bank of Bahrain is obtained by the Group before submitting any proposal for distribution of profits for shareholders' approval.

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Capital structure, minimum capital and capital adequacy

The Group's paid up capital consists only of ordinary shares, which have proportionate voting rights. The Group does not have any other type of capital instruments.

All amounts are presented at 31 December 2024 unless specified otherwise.

	BHD millions
Common equity tier 1 (CET1)	
Share capital	226.6
Treasury shares	(2.5)
Shares unallocated under share incentive scheme	(0.5)
Share premium	15.1
Statutory reserve	113.3
General reserves	32.4
Other reserves and retained earnings	206.2
Total equity	**590.6**
Addition: unrealised loss in cash flow hedge reserve not eligible for regulatory capital	-
Total CET1 capital before minority interest	**590.6**
Total minority interest in banking subsidiaries given recognition in CET1 capital	11.1
Total regulatory capital	**601.7**
Deduction from CET 1 (Goodwill and other intangible assets)	(51.1)
Total common equity tier 1 (CET1)	**550.6**
Additional tier 1	-
Total tier 1	**550.6**
Tier 2 capital	
Expected credit loss subject to 1.25% of credit risk weighted assets	28.7
Total tier 2	**28.7**
Total capital base (tier 1 + tier 2)	**579.3**

CREDIT RISK

The Group has a diversified on and off-balance sheet credit portfolio, which is divided into counterparty exposure classes in accordance with the CBB's Basel III capital adequacy framework. A high-level description of the counterparty exposure classes and the risk weights used to derive the risk weighted assets are as follows:

Sovereign portfolio

The sovereign portfolio comprises exposures to governments and their respective central banks. The risk weights are 0% for exposures in the relevant domestic currency of the sovereign, or for any exposures to GCC governments. Foreign currency claims on other sovereigns are risk weighted based on their external credit ratings.

Certain multilateral development banks as determined by the CBB may be included in the sovereign portfolio and treated as exposures with a 0% risk weighting.

Public sector entities (PSEs) portfolio

PSEs are risk weighted according to their external ratings except for Bahrain PSEs and domestic currency claims on other PSEs that are assigned a 0% risk weight by their respective country regulator, which are risk weighted at 0%.

Banks portfolio

Claims on banks are risk weighted based on their external credit ratings. A preferential risk weight treatment is available for qualifying short-term exposures to foreign banks licensed in Bahrain. Short-term exposures are defined as exposures with an original tenor of three months or less and denominated and funded in the respective domestic currency. The preferential risk weight for short-term claims is applied on exposures in Bahraini Dinar and US Dollar in the case of Bahraini incorporated banks.

Corporates portfolio

Claims on corporates are risk weighted based on their external credit ratings. A 100% risk weight is assigned to exposures to unrated corporates. A preferential risk weight treatment is available for certain corporates owned by the Government of Bahrain, as determined by the CBB, which are assigned a 0% risk weight.

Regulatory retail portfolio

Claims on individuals or to a small business with an annual turnover below BHD 2.0 million and where the maximum aggregated retail exposure to one counterpart is below BHD 250.0 thousand are risk weighted at 75%.

Residential mortgages

Lending fully secured by first mortgages on residential property that is, or will be, occupied by the borrower or that is leased are risk weighted at 75%. Social housing or Mazaya loans, however, are risk weighted at 25%.

Equities / funds portfolio

The equities portfolio comprises equity investments in the banking book, i.e. categorised as fair value through other comprehensive income. The credit (specific) risk for equities in the trading book is included in market risk for regulatory capital adequacy calculation purposes.

A 100% risk weight is assigned to listed equities and funds. Unlisted equities and funds are risk weighted at 150%. Investments in rated funds are risk weighted according to the external credit rating. Significant investments in listed and unlisted equities of financial entities are aggregated and the excess above the 10% of CET1 is deducted from equity; the amount not deducted is risk weighted at 250%.

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

CREDIT RISK (continued)

Investments in real estate and also in bonds, funds and equities of companies engaged primarily in real estate are risk weighted at 200%.

In addition to the above portfolios, other exposures are risk weighted as under:

Past due exposures

All past due loan exposures, irrespective of the categorisation of the exposure are classified separately under the past due exposures asset class. A risk weighting of either 100% or 150% is applied depending on the level of specific provision maintained against the exposure.

Other assets

Other assets are risk weighted at 100%. A credit valuation adjustment (CVA) is applied to applicable derivative exposures and included under other assets.

External credit assessment institutions (ECAI)

The Group uses ratings issued by external rating agencies to derive the risk weightings under the CBB's Basel III capital adequacy framework. As required by the CBB, where there are two assessments by eligible ECAIs which map into different risk weights, the higher risk weight is applied. If there are three or more assessments by eligible ECAIs which map into different risk weights, the assessments corresponding to the two lowest risk weights must be referred to and the higher of those two risk weights must be applied.

In BHD millions	Credit exposure before CRM	Eligible CRM	Credit exposure after CRM	Average risk weight percentage	Risk weighted exposure	Capital requirement at 14%
Sovereign portfolio	2,190.7	-	2,190.7	0%	-	-
PSEs portfolio	25.0	-	25.0	16%	4.0	0.6
Banks portfolio	704.1	344.8	359.3	52%	186.5	26.1
Corporates portfolio	1,484.6	116.1	1,368.5	49%	676.8	94.7
Regulatory retail portfolio	1,000.4	2.4	998.0	75%	748.4	104.8
Residential mortgages portfolio	465.2	-	465.2	47%	220.4	30.8
Equities / funds portfolio	85.8	-	85.8	177%	152.0	21.3
Past due exposures portfolio	67.3	3.0	64.3	110%	70.5	9.9
Others assets	234.4	-	234.4	100%	234.2	32.8
Total credit risk exposure	**6,257.5**	**466.3**	**5,791.2**		**2,292.8**	**321.0**
Market risk					**88.8**	**12.4**
Operational risk					**311.5**	**43.6**
Total risk weighted assets					**2,693.1**	**377.0**
CET1 capital adequacy ratio					**20.4%**	
Capital adequacy ratio					**21.5%**	

CRM is credit risk mitigants such as lien over deposits, mortgage over properties and / or shares and financial instruments. However, for purposes of capital adequacy computation, only eligible collateral recognised under Basel III is taken into consideration.

According to Central Bank of Bahrain rulebook, banks designated as domestic systemically important banks (DSIBs) must hold designated HLA (high loss absorbency) expressed as common equity tier 1 capital at 1.5% of the total risk weighted assets, as calculated for the purposes of capital adequacy. As at 31 December 2024, the Group's common equity tier 1 capital ratio was 20.4%, exceeding the minimum common capital tier 1 ratio and DSIB buffer requirement of 9.0% and 1.5% respectively.

Credit risk exposures

The following are gross credit exposures, presented before the application of any credit risk mitigation techniques:

In BHD millions	As at 31 December 2024	2024 Daily average
Balances at central banks	139.9	136.1
Treasury bills	196.1	204.0
Placements with banks and other financial institutions	625.9	856.2
Loans and advances	3,020.0	2,679.7
Investment securities	1,083.9	1,090.9
Interest receivable and other assets	137.1	144.6
Total assets	**5,202.9**	**5,111.5**
Non-derivative banking commitments and contingent liabilities	740.9	814.8
Derivatives (replacement cost)	56.7	56.9
	6,000.5	**5,983.2**

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

CREDIT RISK (continued)

Industry or sector exposure

	Government / sovereigns							
In BHD millions	**Bahrain**	**Other countries**	**Manufacturing / trading**	**Banks / financial institutions**	**Construction**	**Personal**	**Others**	**Total**
Assets								
Balances at central banks	-	-	-	139.9	-	-	-	139.9
Treasury bills	9.4	186.7	-	-	-	-	-	196.1
Placements with banks and other financial institutions	-	-	-	625.9	-	-	-	625.9
Loans and advances	647.3	-	498.3	138.0	152.2	1,363.6	220.6	3,020.0
Investment securities - debt instruments	999.1	65.8	-	19.0	-	-	-	1,083.9
Interest receivable and other assets	14.6	0.4	21.4	32.1	0.2	2.3	66.1	137.1
Total assets	**1,670.4**	**252.9**	**519.7**	**954.9**	**152.4**	**1,365.9**	**286.7**	**5,202.9**
Contingent liabilities and banking commitments	138.1	-	140.4	99.7	110.7	98.3	153.7	740.9
Derivatives (replacement cost)	0.4	-	3.1	53.2	-	-	-	56.7
	1,808.9	**252.9**	**663.2**	**1,107.8**	**263.1**	**1,464.2**	**440.4**	**6,000.5**

The above includes certain exposures to customers / counterparties, which are in excess of 15% of the Group's capital base. These exposures have the approval of the Central Bank of Bahrain or are exempt exposures under the large exposures policy of the Central Bank of Bahrain. The table below gives details of these exposures:

Counterparty	**Counterparty type**	**Total exposure (In BHD millions)**
Counterparty A	Sovereign	1,388.9
Counterparty B	Central Bank	407.6
Counterparty C	Government related entity	326.7
Counterparty D	Sovereign	242.7
Counterparty E	Government related entity	167.7
Counterparty F	Central Bank	147.6
Counterparty G	Government related entity	121.5
Counterparty H	Corporate	118.5

Geographic distribution of exposure

In BHD millions	**GCC**	**USA**	**Europe**	**Rest of the world**	**Total**
Assets					
Balances at central banks	139.9	-	-	-	139.9
Treasury bills	19.2	176.9	-	-	196.1
Placements with banks and other financial institutions	539.4	80.2	5.7	0.6	625.9
Loans and advances	2,979.9	-	-	40.1	3,020.0
Investment securities	1,018.1	65.8	-	-	1,083.9
Interest receivable and other assets	94.9	0.5	41.4	0.3	137.1
Total assets	**4,791.4**	**323.4**	**47.1**	**41.0**	**5,202.9**
Contingent liabilities and banking commitments	669.7	10.8	23.5	36.9	740.9
Derivatives (replacement cost)	6.2	-	50.5	-	56.7
	5,467.3	**334.2**	**121.1**	**77.9**	**6,000.5**

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

CREDIT RISK (continued)

Residual contractual maturity

In BHD millions	**Up 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**	**Over 20 years**	**Total**
Assets									
Balances at central banks	139.9	-	-	-	-	-	-	-	139.9
Treasury bills	69.4	126.7	-	-	-	-	-	-	196.1
Placements with banks and other financial institutions	605.5	16.0	4.4	-	-	-	-	-	625.9
Loans and advances	474.9	141.0	216.8	590.7	666.4	573.4	269.4	87.4	3,020.0
Investment securities	191.4	-	31.2	494.8	76.5	198.6	91.4	-	1,083.9
Interest receivable and other assets	131.7	4.5	0.1	0.4	0.4	-	-	-	137.1
Total assets	**1,612.8**	**288.2**	**252.5**	**1,085.9**	**743.3**	**772.0**	**360.8**	**87.4**	**5,202.9**
Contingent liabilities and banking commitments	206.5	44.4	46.3	109.6	53.1	1.5	-	279.5	740.9
Derivative (replacement cost)	6.3	0.5	0.6	1.2	25.9	22.2	-	-	56.7
	1,825.6	**333.1**	**299.4**	**1,196.7**	**822.3**	**795.7**	**360.8**	**366.9**	**6,000.5**

Shariah compliant credit facilities

As at 31 December 2024, the Group held Shariah compliant assets amounting to BHD 2,124.8 million, Shariah compliant liabilities amounting to BHD 1,410.6 million, and profit for the year ended 31 December 2024 from Shairah compliant activities amounting to BHD 20.2 million.

Past due exposures

In accordance with the Group's policy and Central Bank of Bahrain guidelines, loans on which payment of interest or repayment of principal are over 90 days past due, are defined as non-performing.

Days past due represent the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group has systems and procedures in place to identify past dues in any account. A stringent classification process is followed for all accounts with past dues of over 90 days. The Group applies rigorous standards for provisioning and monitoring of non-performing loans. The level of provisions required is determined based on the security position, repayment source, discounted values of cash flows, etc. and adequate provisions are carried to guard against inherent risks in the portfolio.

All non-performing loans and advances are assessed for impairment as stage 3. Under stage 3, lifetime ECL is recognised using discounted cash flow methods based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

Impairment charges on the wider portfolio of financial assets which are not individually identified as impaired is a forward-looking calculation and is established based on various factors. These factors include internal risk ratings, historical default rates adjusted considering multiple scenarios of the future macroeconomic outlook, loss ratios given an event of default, and rating migrations.

Impaired and past due loans and advances

The analysis below includes non-performing purchased or originated credit impaired ("POCI") financial assets which were acquired as part of the business combination at fair value and reflect the credit losses on which a lifetime ECL is already recognised.

Ageing analysis of impaired and past due loans and advances

In BHD millions	**Total**
Up to 1 year	67.3
1 to 3 years	64.6
Over 3 years	7.3
	139.2
Fair market value of collateral	**156.3**
Stage 3 and non-performing POCI impairment provision	**72.9**

Ageing of impaired and past due loans by industry

In BHD millions	**Government / sovereigns**	**Manufacturing / trading**	**Banks / financial institutions**	**Construction**	**Personal**	**Others**	**Total**
Up to 1 year	-	5.5	-	39.5	17.5	4.8	67.3
1 to 3 years	-	27.9	-	23.3	13.2	0.2	64.6
Over 3 years	-	3.2	-	-	3.4	0.7	7.3
	-	**36.6**	**-**	**62.8**	**34.1**	**5.7**	**139.2**

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

CREDIT RISK (continued)

Geographical location of impaired and past due loans and advances

In BHD millions	Impaired loans	Stage 3 and non-performing POCI provisions	Collateral market value	ECL stage 1 and stage 2	ECL performing POCI
Bahrain	138.7	72.5	155.9	25.5	-
Other GCC countries	0.5	0.4	0.4	4.2	-
Rest of the world	-	-	-	0.3	-
	139.2	**72.9**	**156.3**	**30.0**	**-**

Industry breakdown of impaired and past due loans and advances

In BHD millions	Impaired loans	Stage 3 and non-performing POCI provisions	Collateral market value	ECL stage 1 and stage 2	ECL performing POCI
Manufacturing / trading	36.6	13.6	56.5	8.4	-
Construction	62.8	30.6	71.5	1.8	-
Personal	34.1	25.7	25.1	15.7	-
Banks / financial institutions	-	-	-	0.6	-
Government	-	-	-	0.5	-
Others	5.7	3.0	3.2	3.0	-
	139.2	**72.9**	**156.3**	**30.0**	**-**

Collateral market value is applicable to the impaired loans only.

Movement in impairment provision for loans and advances

In BHD millions	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment at 1 January 2024	14.2	18.3	60.3	5.1	97.9
Net transfer between stages	4.5	(4.3)	(0.2)	-	-
Write off during the year	-	-	(4.0)	-	(4.0)
Net charge for the year	(3.0)	0.3	10.8	1.0	9.1
Impairment at 31 December 2024	**15.7**	**14.3**	**66.9**	**6.1**	**103.0**

Restructuring

During 2024, credit facilities amounting to BHD 37.0 million were restructured. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash flow situations or to realign the repayment with the borrower's revised cash flow projections, and amending the terms of loan covenants. Loans that have been restructured are reported as stage 2 and should remain as such until the completion of a cooling off period in accordance with the Central Bank of Bahrain guidelines.

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, as under:

- Adjusted exposure amount: the Group uses the comprehensive method for eligible financial collateral such as cash and equities listed on a recognised stock exchange. The exposure amount and financial collateral, where applicable, are adjusted for market volatility through the use of supervisory haircuts (for currency mis-matches, price volatility and maturity-mismatches).
- Substitution of counterparty: the substitution method is used for eligible guarantees (sovereigns, banks or corporate entities with ECAI ratings higher than that of the counterparty; guarantees issued by corporate entities may only be taken into account if their rating corresponds to A- or better) whereby the rating of the counterparty is substituted with the rating of the guarantor.

COLLATERAL AND VALUATION PRINCIPLES

Collaterals taken for risk mitigation on credit exposures include: deposits held by customers, pledge of quoted shares, residential / commercial property mortgages, investment securities, counter-guarantees from other banks, etc. Other risk mitigants considered include salary and end of service benefits assignment for personal loans, personal guarantees of promoters, etc. However, for purposes of capital adequacy computation, only eligible collateral recognised under Basel III is taken into consideration.

The Group's credit policy defines the types of acceptable collateral and the applicable haircuts or loan-to-value ratio. The Group has a policy of independent valuation of collateral. In the case of real estate, valuation is done by independent valuers on a periodic basis in line with the Group's credit policy. The market value of the collateral is actively monitored on a periodic basis and requests are made for additional collateral as required in accordance with the terms of the underlying agreements. In general, lending is based on the customer's repayment capacity and not the collateral value. However, collateral is considered as a secondary alternative to fall back on in the event of default.

Eligible financial collateral presented by portfolio is as follows:

In BHD millions	Gross credit exposure	Financial collateral	Credit exposure after risk mitigation
Sovereign portfolio	2,190.7	-	2,190.7
PSEs portfolio	25.0	-	25.0
Banks portfolio	704.1	344.8	359.3
Corporates portfolio	1,484.6	116.1	1,368.5
Regulatory retail portfolio	1,000.4	2.4	998.0
Residential mortgages portfolio	465.2	-	465.2
Equities / funds portfolio	85.8	-	85.8
Past due exposures portfolio	67.3	3.0	64.3
Others assets	234.4	-	234.4
	6,257.5	**466.3**	**5,791.2**

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

CREDIT RISK (continued)

On and off-balance sheet netting

The Group enters into netting agreements during the normal course of business, the agreements provide the Group with the legal rights to set off balances from specific counterparties, for both on and off-balance sheet exposure.

The amount of financial assets and financial liabilities set off under netting agreements amounted to BHD 121.3 million at 31 December 2024.

MARKET RISK

The Group applies the standardised method for allocating market risk capital. The Group has clearly documented policies and procedures for the management and valuation of the trading portfolio. The treasury operations department, which is independent of the treasury front office, is responsible for valuation. Valuation is performed on a daily basis, based on quoted market prices from stock exchanges, independent third parties or amounts derived from cash flow models, as appropriate.

In BHD millions	Capital Charge			
Risk type	**Amount**	**Maximum**	**Minimum**	**Average**
Interest rate risk	2.0	3.9	1.8	2.6
Foreign exchange risk	5.1	5.8	0.1	4.7
Total minimum capital required for market risk	**7.1**			
Multiplier	12.5			
Market risk weighted exposure under the standardised method	**88.8**			

OPERATIONAL RISK

Whilst the Group recognises that operational risks cannot be eliminated in its entirety, it constantly strives to minimise operational risks (inherent in the Group's activities, processes and systems) by ensuring that a strong control infrastructure is in place throughout the organisation and enhanced where necessary. The various procedures and processes used to manage operational risks are regularly reviewed, updated and implemented through regular staff training, close monitoring of risk limits, segregation of duties, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, and financial management and reporting. In addition, regular internal audit and reviews, business continuity planning and arrangements for insurance cover are in place to complement the processes and procedures.

The Group applies the Basic Indicator Approach for assessing the capital requirement for operational risk. The capital requirement of BHD 311.5 million is based on the gross operating income (excluding profit / loss on debt instruments classified as fair value through other comprehensive income (FVOCI), amortised cost categories and any exceptional items of income) for the last 3 years. The average of the figures for these 3 years is then multiplied by 12.5 to arrive at the operational risk-weighted exposure.

EQUITY POSITION IN THE BANKING BOOK

The Group holds certain investments in equity securities as part of its strategic holdings (including investment in associates) and others are held with the objective of capital appreciation and realising gains on sale thereof. The accounting policies for FVOCI and investment in associates are described in detail in the financial statements under the significant accounting policies note.

Details of equity investments

In BHD millions	Amount	Amount subject to risk weight	Minimum capital requirement at 14%
Non-significant investment in the common shares			
Listed equities	29.8	29.8	4.2
Unlisted equities	7.4	7.4	1.0
Significant investment in the common shares of financial entities >10%	38.1	38.1	5.3
	75.3	**75.3**	**10.5**
Unrealised gains from equities fair value	(5.0)		
Deduction from CET 1 (significant investments in common stock of financial entities)	-		

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk positions are managed by the treasury department. Reports on overall position and risks are submitted to senior management for review and positions are adjusted if deemed necessary. In addition, GALCO regularly reviews (at least on a monthly basis) the interest rate sensitivity profile and its impact on earnings. Strategic decisions are made with the objective of producing a strong and stable interest income stream over time.

Duration analysis is used to measure the interest rate sensitivity of the fixed income portfolio. Duration of the portfolio is governed by economic forecasts, expected direction of interest rates and spreads. Modified duration gives the percentage change in value of the portfolio following a 1% change in yield. Modified duration of the Group's unhedged fixed income portfolio was 0.3% on 31 December 2024 implying that a 1% parallel upward shift in the yield curve could result in a drop in the value of the portfolio by BHD 1.0 million.

Deposits without a fixed maturity are considered as repayable on demand and are accordingly included in the overnight maturity bucket. The Group usually levies a pre-payment charge for any loan or deposit, which is repaid / withdrawn before the maturity date, unless it is specifically waived. This prepayment charge is to take care of any interest rate risk that the Group faces on account of such prepayments and accordingly, no assumptions regarding such pre-payments are factored for computation of interest rate risk in the banking book.

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

INTEREST RATE RISK IN THE BANKING BOOK (continued)

The Group uses interest rate gap analysis to measure the interest rate sensitivity of its annual earnings due to re-pricing mismatches between rate sensitive assets, liabilities and derivatives positions. The asset and liability re-pricing profile of various asset and liability categories is set out below:

In BHD million As at 31 December 2024	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Rate insensitive	Total
Assets							
Cash and balances at central banks	-	-	-	-	-	184.8	184.8
Treasury bills	69.4	126.7	-	-	-	-	196.1
Placements with banks and other financial institutions	570.7	16.0	4.4	-	-	34.8	625.9
Loans and advances	835.3	371.3	206.6	944.0	662.8	-	3,020.0
Investment securities	737.1	-	61.6	280.3	4.9	83.7	1,167.6
Investment in associates, interest receivable and other assets	-	-	-	-	-	202.4	202.4
Property and equipment	-	-	-	-	-	74.3	74.3
Goodwill and other intangible assets	-	-	-	-	-	51.1	51.1
Total assets	**2,212.5**	**514.0**	**272.6**	**1,224.3**	**667.7**	**631.1**	**5,522.2**
Liabilities and equity							
Due to banks and other financial institutions	503.4	35.1	-	-	-	41.2	579.7
Borrowings under repurchase agreements	178.1	38.6	168.1	-	-	-	384.8
Customer deposits	1,201.1	505.7	391.3	18.1	-	1,627.6	3,743.8
Interest payable and other liabilities	-	-	-	-	-	216.9	216.9
Equity	-	-	-	-	-	597.0	597.0
Total liabilities and equity	**1,882.6**	**579.4**	**559.4**	**18.1**	**-**	**2,482.7**	**5,522.2**
On-balance sheet interest rate sensitivity gap	329.9	(65.4)	(286.8)	1,206.2	667.7	(1,851.6)	-
Off-balance sheet interest rate gap	569.0	-	14.4	(269.8)	(313.6)	-	-
Cumulative interest rate sensitivity gap	**898.9**	**833.5**	**561.1**	**1,497.5**	**1,851.6**	**-**	**-**

The interest rate risk management process is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to an interest rate shock of 200 bps increase / decrease on the balance sheet. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

In BHD millions	200 bps parallel increase	200 bps parallel decrease
As at 31 December 2024	2.5	(2.5)
Average for the year	5.8	(5.8)
Minimum for the year	2.5	(2.5)
Maximum for the year	8.6	(8.6)

Risk and Capital Management Disclosures continued
For the year ended 31 December 2024

RELATED PARTIES

Certain related parties (major shareholders, directors of the Group and families and companies of which they are principal owners, key management personnel and associates) were customers of the Group in the ordinary course of business. The transactions with these parties were made on an arm's length basis. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Typically, key management personnel include the Group Chief Executive Officer and persons directly reporting to this position. Significant balances at the reporting date in regard to related parties and transactions during the year with related parties are as below:

The Group qualifies as a government related entity under the definitions provided in IAS 24 as its significant shareholder is government owned. In addition to the government exposures reported below, in its normal course of business, the Group provides commercial lending, liquidity management and other banking services to, and also avails services from, various semi-governmental organisations and government owned companies in the Kingdom of Bahrain.

In BHD millions As at 31 December 2024	Major shareholder and related entities	Directors and key management personnel	Associates
Loans and advances	570.9	4.5	-
Treasury bills and investment securities	1,052.1	-	44.1
Customer deposits	217.9	34.5	1.2
Contingent liabilities for irrevocable commitments, guarantees and other contingencies	67.7	28.0	0.1
For the year ended 31 December 2024			
Loans advanced	448.8	2.3	-
Loans repaid	251.7	2.5	-
Net increase / (decrease) in overdrafts	102.6	(3.7)	-
Treasury bills, bonds and equities purchased	361.6	-	-
Treasury bills, bonds and equities matured / sold	484.6	-	-
Capital expenditures	0.4	1.1	-
Interest income	85.8	0.2	-
Interest expense	6.0	1.0	-
Share of profit of associates	-	-	1.4
Dividend income	2.4	-	-
Directors remuneration and sitting fees	0.2	0.6	-
Short term employee benefits	-	2.9	-
Post employment retirement benefits	-	0.4	-
Other operating expenses	4.5	3.4	0.9

During the year, no provision charge has been recorded against outstanding balances with related parties.

NET OPEN FOREIGN CURRENCY POSITIONS

In BHD millions	
US Dollar (long position) – unhedged	**205.4**
UAE Dirhams (long position) – unhedged	**67.2**
Saudi Riyal (long position) – unhedged	**6.7**

All of the above currencies have a fixed rate of exchange against the Bahraini Dinar. The Group did not have any significant net open positions as at 31 December 2024.

DERIVATIVE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS

The following table summarises the aggregate notional amounts, replacement cost and fair value of each type of derivative and foreign exchange financial instrument.

In BHD millions	Contract / nominal amount	Replacement cost	Fair value
Interest rate contracts			
Interest rate swaps	6,618.2	53.5	26.2
	6,618.2	**53.5**	**26.2**
Foreign exchange contracts			
Outright spot and forward contracts	322.0	0.8	0.4
Swap agreements	1,454.7	2.4	1.6
	1,776.7	**3.2**	**2.0**
	8,394.9	**56.7**	**28.2**

The remaining maturity profile by each class of derivative and foreign exchange financial instrument based on contract/notional principal amounts is as follows:

In BHD millions	Up to 1 year	More than 1 year	Total
Interest rate contracts			
Interest rate swaps	227.3	6,390.9	6,618.2
	227.3	**6,390.9**	**6,618.2**
Foreign exchange contracts			
Outright spot and forward contracts	322.0	-	322.0
Swap agreements	1,454.7	-	1,454.7
	1,776.7	**-**	**1,776.7**
	2,004.0	**6,390.9**	**8,394.9**

LEGAL CLAIMS

As at 31 December 2024, legal suits pending against the Group aggregated to BHD nil. Based on the opinion of the Group's legal advisors and pending any final judgement on these suits, adequate provisions were maintained where required.

Appendix & Indexes

For detailed information about this section, please scan the QR code or click here to access the content.

CSE Independent Assurance Statement

Center for Sustainability and Excellence (CSE) has been engaged by National Bank of Bahrain (NBB) to provide independent assurance over the Annual Sustainability Report 2024. The aim of this process is to provide reassurance to NBB's stakeholders over the accuracy, reliability and objectivity of the reported information and the coverage of the material issues regarding the business and the stakeholders.

NBB's 2024 Sustainability Report is in compliance with the requirements of the GRI STANDARDS Guidelines at 'In Accordance level' as well as the SASB Standards for the Commercial Banks Sector.

Scope of Work

The scope of work included a review of the NBB 2024 Sustainability Report activities and performance data related to the 2024 year that ended December 31, 2024.

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard v3 and applied a Type 2 'moderate' level of assurance. Type 2 requires assessment of organization's adherence to the AA1000AS Principles and shall additionally assess and evidence the reliability and quality of specified sustainability performance and disclosed information. The principles that the assurance process is focused on are:

- **Inclusivity, Materiality, Responsiveness, and Impact.**

The scope of work included a review of the 2024 ESG Report activities and performance data.

Specifically, this included:

- Statements, information and performance data contained within the Sustainability Report.
- NBB's process for determining material aspects for reporting and the management approach to material issues.
- NBB's reported data and information as per the requirements of the Global Reporting Initiative (GRI) STANDARDS Sustainability Reporting Guidelines, and SASB standards for Commercial Banks Services as indicated in the Report index.

Methodology

To verify the content of the 2024 Sustainability Report, we undertook the following activities to inform our independent assurance engagement:

- Conducted document reviews, data sampling and associated reporting systems as they relate to selected content and performance data.
- Reviewed the outcomes of NBB's stakeholder engagement activities in 2024.
- Reviewed the materiality analysis and its outputs.
- Evaluated NBB's public disclosures against the GRI and SASB standards.

More details on the specific information and data that were verified are presented in the following sections of the present independent assurance report.

General Conclusions

With respect to the scope of work, we conclude that:

- The account of NBB's activities and performance during 2024 and the way they are presented in the 2024 Sustainability Report is accurate.
- NBB adheres to the principles of inclusivity, materiality, responsiveness, and impact as per the AA1000 Accountability Principles Standard.

Key Observations and Recommendations

NBB achieved significant improvements in the management and performance in corporate responsibility and sustainability during the period covered by the Sustainability Report:

- Creation of a decarbonization pathway for GHG Scope 1 and Scope 2 to align the Bank with Bahrain's net zero ambition and began assessing Scope 3 financed emissions.
- Significant reduction in petrol and diesel consumption vs 2023 by 20%, overachieving the target of 5% reduction.
- Establishment of an Executive Sustainability Management Committee, while ESG-related KPIs were assigned to all departments.
- Full roll out of an ESG Risk Identification and Assessment Toolkit to assess client ESG preparedness levels.
- Enhanced customer satisfaction measures by introducing NBB branch QR codes for feedback to track and assess communication with this important stakeholder group.
- Continuous improvement on Relationship and Human Capital KPIs: Percentage of local suppliers complying with the company's code of conduct and compliance assessment mechanism, reaching 97.38% and increase of Average Training and Development Cost per Employee by 8% vs. 2023.

Based on the observations and concluding remarks derived from the assurance engagement, our key findings, and recommendations for improvement are:

- With respect to the principle of inclusivity, NBB maintains a comprehensive communication process with its key stakeholders. Also, NBB has implemented the appropriate principles in the development of its approach towards sustainable development.
- With respect to the principle of materiality, it is suggested that NBB considers a materiality assessment at least every two years and sets a more detailed ESG goals. NBB could consider expanding the scope of the materiality assessment process to 'Double Materiality' and include Financial Impacts to its process. In this respect, NBB verified that the Bank is in the finalization of reassessing its materiality topics by Q1 2025.
- With respect to the principle of responsiveness NBB has taken significant steps to incorporate the concerns and preferences of its key stakeholder groups.
- With respect to the principle of impact, NBB shows adequate monitoring, measuring, and accountability for its actions and how they affect its broader natural and human ecosystems.
- With respect to performance indicators, it is recommended to continue showing performance from previous years in most indicators, and to be able to show the progress made in managing all material issues.

CSE Independent Assurance Statement continued

Findings and conclusions concerning adherence to the AA1000AS principles of Inclusivity, Materiality, Responsiveness and Specific Performance Information

Inclusivity – how the key stakeholder groups were identified and engaged regarding sustainability issues. All the key stakeholder groups were engaged. NBB applied widely accepted principles in developing its approach to stakeholder engagement and sustainability.

Materiality – how the assessment of the importance of each sustainability topic took place. The process for determining the material issues by NBB provides a balanced representation of the material issues regarding its sustainability performance and impact.

Responsiveness – how the company responded to the issues that were pointed out by each stakeholder group, and how this response is described in the 2024 Sustainability Report. NBB has responded in a sufficient manner to the issues that were of high concern to the stakeholders. This response is presented in an appropriate and sufficient manner in the 2024 Sustainability Report.

Impact – how the company monitors, measures, and is accountable for how its actions affect their broader ecosystems. NBB provides adequate information in its 2024 Sustainability Report on how it monitors its impact on the natural and human ecosystems. The performance indicators used are based on commonly accepted standards and the best local/global practices.

Specific Performance Information – The Specific Performance Information (quantitative data related to GRI and SASB metrics and indicators) has been collected and presented in a commonly acceptable manner in the 2024 Sustainability Report and the 'general and specific disclosures' have been reviewed during the assurance process. Specifically, during the independent assurance process, CSE examined evidence and documentation regarding:

- A description of other means, besides the materiality assessment, of identifying and verifying important sustainability topics for the 2024 fiscal year.
- A description (along with any supporting evidence and documentation) of the stakeholder engagement process, including the materiality assessment process.
- Evidence and documentation about NBB's Sustainability Strategy and KPIs.
- Evidence and documentation regarding material ESG topics, included in the report:
  - GHG Emissions
  - Waste management
  - Petrol consumption
  - Energy consumption
  - Water management
  - Workforce
  - Training and education
  - Community investment program
  - Business digital transactions
  - Local suppliers
  - Bloomberg and Refinitiv ESG scores
  - Euromoney awards
  - Charter of the Board Committee
  - Social Housing Loans
  - Investors in People accreditation
  - Volunteering hours
  - Nationalization rates in Bahrain
  - Sustainability Management charter
  - ISO 27001, ISO 27701, ISO 22301, ISO 45001, and ISO 14001 certifications.
  - Verification that there were no legal actions against NBB for anticompetitive behavior, anti-trust, or monopoly practices.
  - Verification that no allegations were made against NBB regarding corruption, as well as that no confirmed incidents under any applicable corruption laws were reported during the reporting period.

Overall, the report is in accordance with the GRI STANDARDS and follows the SASB STANDARDS for the Commercial Banks Sector.

Exclusions and Limitations

Excluded from the scope of our work is information relating to:

- Activities outside the defined reporting period or scope.
- Financial data taken from NBB's 2024 Sustainability Report
- Content of external websites or documents.
- Any other issue or policy was not referred in the documentation

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the 2024 Sustainability Report. The scope of our work was defined and agreed in consultation with NBB.

Statement of CSE Independence, Impartiality and Competence

This is the first year that CSE has provided independent assurance services in relation to the NBB Sustainability Report. Our assurance team completing the work for NBB has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in Sustainability Reporting and assurance.

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CENTER for SUSTAINABILITY and EXCELLENCE
ESG Net-Zero Climate Resilience

On behalf of the Assurance Team

Marina Alonistioti

Head of Assurance Services

Centre For Sustainability and Excellence (CSE)