National Bank of Bahrain

NBB

65 years and continuing to enrich the lives of generations

Annual Financial and Sustainability Report 2022

#TeamBahrain

About this report

National Bank of Bahrain B.S.C. (NBB) is proud to present its Annual Financial and Sustainability Report for the year 2022. In addition to providing details of our financial performance, since 2019 we have disclosed material sustainability information about our operations in accordance with international standards and best practices.

The report identifies our material environmental, social, and governance (ESG) topics and provides comprehensive data on each, offering full transparency to meet the needs and support the decision-making of our key stakeholders and potential investors. The report complies with the GRI reporting principles.

This report covers the second year of our three-year sustainability roadmap (2021 – 2023) and highlights progress made during the year as well as details of new initiatives designed to enhance and accelerate our sustainability journey.

Reporting boundary

This Annual Financial and Sustainability Report provides information on the Group covering the period from 1 January 2022 to 31 December 2022 (unless otherwise stated). Similar to our previous reports, the reporting boundary for financial information reflects the performance of NBB Group while the sustainability information disclosed reflects the activities of NBB Parent, which includes operations in Bahrain in addition to the overseas branches in UAE and KSA. Information on the sustainability-related performance and activities of our subsidiary Bahrain Islamic Bank (BisB) can be found in its 2022 Annual Financial and Sustainability Report.

Reporting frameworks

The report has been prepared in accordance with a number of internationally recognised reporting standards and frameworks.

These include:

- The International Financial Reporting Standards (IFRS)
- The Commercial Companies Law
- The Central Bank of Bahrain and Financial Institutions Law 2006
- All applicable rules and regulations issued by the Central Bank of Bahrain (CBB)
- The International Integrated Reporting Framework (IIRF) and its principles of reliability, completion, consistency, and comparability
- The Global Reporting Initiative (GRI) Standards 2021 Update, which is effective for reports or other materials published on or after 1 January 2023. We have reported against all Universal Standards and material Topics Standards
- The Industry Standards issued by the Sustainability Accounting Standards Board (SASB) and disclosures related to our business and industry classification: Commercial Banks
- Our environmental section is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework and provides a progress update across each of the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets
- 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 Vision 2030

Alignment with the relevant reporting standards and frameworks is clearly indicated under each segment. In addition, the reader may refer to the Appendix section where we have included the indexes indicating our alignment with the various standards and frameworks. These include the GRI Content Index where we have also included our alignment with Bahrain Bourse's ESG metrics and the SASB Index. We have also included the TCFD Index which reflects our alignment with the recommendations of the Task Force on Climate-related Financial Disclosures.

External assurance

As part of our commitment to transparency and accuracy, we have engaged Sustainability Knowledge Group, an international provider of sustainability, ESG and CSR advisory and training solutions to conduct a limited assurance on a select number of ESG KPIs. In addition, our enclosed Financial Statements have been independently audited by KPMG Fakhro. The independent assurance statements and reports for both the financial and sustainability-related figures have been included as part of the report.

Board responsibility

The Board of Directors acknowledges its responsibility for ensuring the integrity of this report and confirms that the disclosed information fairly represents NBB's status and performance, and that the report accurately references the standards and frameworks used.

Forward-looking statements

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

Feedback

We always value feedback and strive to improve our reporting. Hence, we welcome your comments and suggestions on the content of this report as well as our performance. Please feel free to contact us through any of 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/c/nationalbankofbahrainofficial

To view the 2022 Annual Financial & Sustainability Report in PDF format, please visit **www.nbbonline.com.**

Licensed by CBB as a conventional retail bank

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The Bridge Partnership

Annual Financial and
Sustainability Report 2022

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Late Amir
His Highness
Shaikh Isa bin Salman Al Khalifa

His Majesty
King Hamad bin Isa
Al Khalifa

The King of
the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad
Al Khalifa

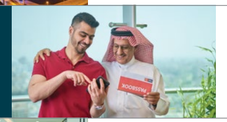
The Crown Prince and Prime Minister
of the Kingdom of Bahrain

Your national partner for 65 years

For more information please visit
www.nbbonline.com

Our Financial Capital — Page 63 — Performance

Our Relationship Capital — Page 69 — Customers



Our Human Capital — Page 81 — People

Our Social Capital — Page 95 — Community

Our Natural Capital — Page 103 — Environment

Total Revenue
BHD173.0m

Consolidated Net Profit
BHD70.7m

Return on Equity
12.6%

Dividend per Share
25 Fils

Our Banking Services:

Retail Banking, Digital Banking, Strategic Accounts Management, Commercial and SME Banking, Corporate and Institutional Investment Banking, Treasury, Capital Markets and Wealth Management, and Financial Restructuring

33%
Increase in number of digitally registered retail customers

80%
Total procurement spent on local suppliers

Zero identified leaks, thefts, or losses of customer data

Ranked first
across the banking sector in the Arab World by Refinitiv as of December 2022

Investors In People – Gold accreditation status till end of 2024

38%
Female Employee Rate

89%
Employee Satisfaction Score

95%
Nationalisation Rate

80
Hours of Training per Employee

ISO 45001 Certified Occupational Health and Safety (OHS)

13%
Reduction in Energy Consumption

13%
Decrease in Scope 1 and Scope 2 GHG emissions from 2021

13%
Reduction in our water usage

BHD 3.369m
of Community Investment spent in 2022

Who we are

Established in 1957 as the first locally owned bank, National Bank of Bahrain B.S.C (NBB) is licensed by the Central Bank of Bahrain (CBB) as a conventional retail bank.

We have operations across three countries – Bahrain, Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE) – and are focused on capturing business opportunities locally, regionally and internationally.

In 2022, NBB celebrated 65 years as a pillar of the Kingdom's economic and social development, providing essential financial services that enable individuals and businesses across the country to achieve their goals.

In that time, we have worked tirelessly to build the trust of all stakeholders and deliver on our vision of "enriching the lives of generations". Constant innovation and adaptation to change has been at the heart of our evolution and allowed us to meet our customers' needs for seamless, digitally enabled banking services.

NBB believes we have a duty to be a national enabler and this ethos has seen the Group become a key contributor to Bahrain's economy, strengthening its position as a regional financial hub, while also becoming deeply rooted in the local community.

In line with the Bahrain Economic Vision 2030, NBB is pioneering environmental, social and governance (ESG) practices in the local banking sector as well as regionally. We are committed to embedding ESG into our core business and operations and have made substantial progress with our sustainability journey.

Our sustainability framework and roadmap support our longstanding commitment to responsible banking by enabling us to deliver a wide range of products and services that create value for all stakeholders while supporting economic growth and community investment.

Our Vision

Enriching the lives of generations

Our Mission

To always connect with you, to understand you and help give you what you need, when you need it, in a way that works for you

Our Promise

Closer to you

Our Values

- **Pride**
- **Respect**
- **Teamwork**
- **Responsibility**
- **Ethics**
- **Transparency**

NBB At a Glance

Established in
1957

Headquarters
Manama, Bahrain

Overseas branches
- **Abu Dhabi & Dubai -** United Arab Emirates
- **Riyadh -** Kingdom of Saudi Arabia

Stock Exchange
Bahrain Bourse

Ownership:
Private and institutional shareholders: 45.09%
Bahrain Mumtalakat Holding Company: 44.06%
Social Insurance Organisation: 10.85%

Operating Branches
23

Automated Teller Machines (ATMs)
96

Cash Deposit Machines (CDMs)
27

Interactive Teller Machines (ITMs)
3

NBB offers world-class banking services to clients across six business units:

- Retail Banking
- Commercial, Small and Medium-Sized Enterprises (SME) Banking
- Corporate and Institutional Investment Banking
- Financial Restructuring
- Treasury, Capital Markets and Wealth Management
- Strategic Accounts Management

Retail Banking

NBB provides a comprehensive suite of retail banking products and services for customers at our many branches, online platforms and through our network of Automated Teller Machines (ATMs), Interactive Teller Machines (ITMs), and Bulk Cash Deposit Machines (CDM). We offer traditional banking services such as personal current and savings accounts, card services, and a wide range of financing solutions, as well as digital banking solutions available via our online banking platform. We also provide digital loyalty programmes that reward our customers for their continued business.

Commercial and SMEs

NBB recognises the vital role that commercial, small and medium-sized enterprises (SMEs), including start-ups, play in the economic and social development of the Kingdom of Bahrain. For this reason, we provide specialised banking solutions tailored to meet their needs and support them to grow their businesses. NBB supported many commercial and SME clients to navigate a difficult period during the height of the COVID-19 pandemic.

Corporate and Institutional Investment Banking

NBB supports corporate and institutional clients including financial institutions, banks, government, and government-related entities. Many of our clients operate in vital economic sectors in Bahrain and overseas such as infrastructure, oil and gas, utilities, construction and real estate, manufacturing, healthcare, and telecommunications. We provide financial advice and diverse funding solutions, ranging from short to longer term financings.

Financial Restructuring Services

NBB supports companies in need of specialised financial restructuring advice, with a primary focus on corporate clients in addition to selected commercial banking clients. The Financial Restructuring team acts as an independent adviser to companies facing financial challenges, as well as the companies where NBB is a creditor. The team works closely with group Boards and executive management teams to enable them to protect, maintain, and unlock business value.

Treasury, Capital Markets and Wealth Management

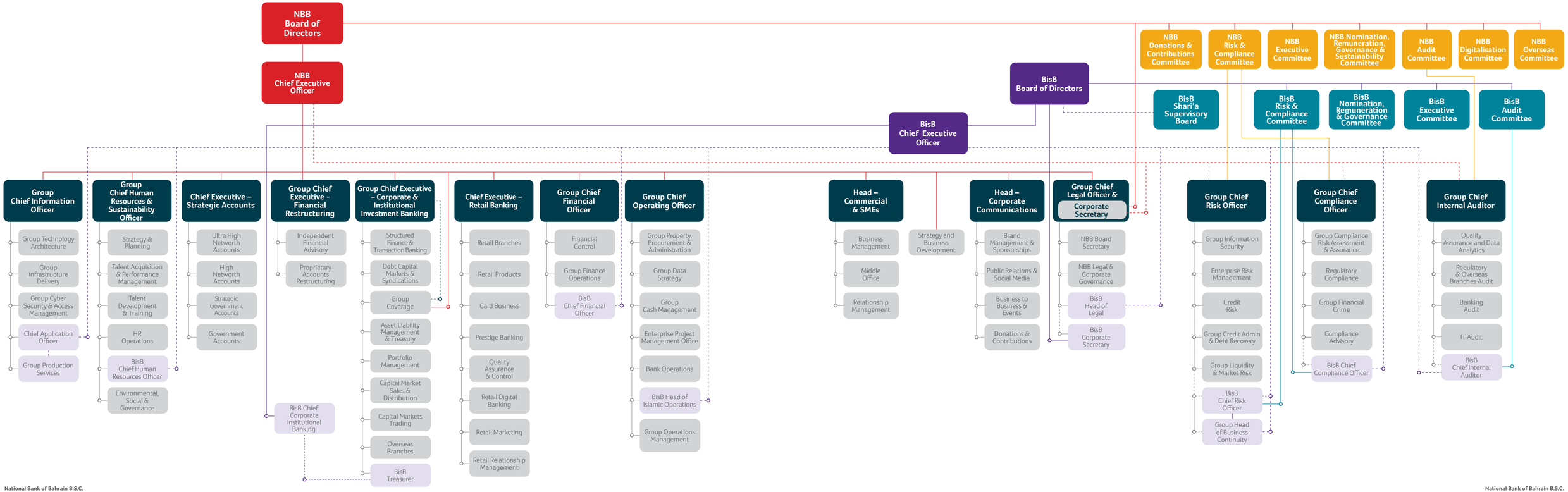
NBB's trading desk provides capital market access to clients through different asset classes with competitive rates. We support clients with risk mitigation, providing solutions on hedging policy and working with customers on their foreign exchange and commodity hedging requirements. We have been appointed as a hedge coordinator in strategic transactions for key clients in the Kingdom. NBB is also the bond house for the Kingdom and plays a significant role in primary market mandates.

Strategic Accounts

NBB offers world-class, bespoke banking services and an exclusive experience to strategically important clients. The unit portfolio includes the highest decision-making authorities in the Kingdom, the country's leading business personalities and entities that are strategically key not only for the Group but for the country as a whole, as well as prominent influencers and opinion leaders. The unit serves a segment of customers whose deposits significantly contribute to the Group's liquidity position. Additionally, by leveraging strong existing relationships with Government entities, which are among the top employers in the Kingdom, the department plays a significant role in ensuring that NBB remains the preferred long-term partner not only for those entities but also for their staff.

Organisational Chart

31 December 2022



Organisational Chart

31 December 2022

Our Subsidiary Bahrain Islamic Bank (BisB)

In 2022, NBB began to see the fruits of its 2020 acquisition of a 78.8% controlling stake in Bahrain Islamic Bank (BisB), the country's first Islamic bank and the fourth in the GCC.

In 2022, NBB began to see the fruits of its 2020 acquisition of a 78.8% controlling stake in Bahrain Islamic Bank (BisB), the country's first Islamic bank and the fourth in the GCC.

This strategic move has created a national champion with a combined 25% approximate share of Bahrain's retail banking market and an expanded portfolio of products and services spanning conventional banking as well as the fast-growing Islamic finance sector.

While they continue to operate as two independent entities in local and regional markets, the integration of BisB into NBB Group has delivered multiple positive synergies by leveraging the respective strengths and capitalising on the distinct value proposition of each bank while preserving their unique brand identities and equity structures.

بنك البحرين الإسلامي BisB

We are positioning the Group for further growth, building on the solid foundations each entity has established over several decades of operations in Bahrain. Following the integration, we have established an organisational structure with robust governance frameworks.

> We now have group level responsibilities such as treasury, finance, IT, operations, legal & compliance, risk management, and human resources, and have consolidated our financial reporting and budgeting.

NBB Group through its subsidiary BisB offers a diversified portfolio and a full spectrum of Sharia compliant services that complement NBB's conventional banking offering, enabling the capture of wider local and regional opportunities to grow our combined market share. The integration has allowed the Group to enhance the overall customer experience while maximising profitability and shareholder returns.

Following the integration, NBB Group has access to a deeper pool of shared talent, expertise, resources and technologies. Both NBB and BisB's activities are underpinned by state-of-the-art digital technology and a culture of innovation that enables us to provide a bespoke approach to meeting our customers' needs.

> Digitalisation is a key driver of operational efficiency for both companies and has been at the core of delivering product innovation and service excellence across the Group. Since the integration, we have enhanced operational efficiency by optimising our network of branches and ATMs to deliver shared services for customers.

The integration has allowed us to leverage the strengths of our respective cultures and values and we have successfully managed to combine the two to create a common vision for the future. This approach has opened up new opportunities for employees to grow and achieve their career ambitions within the expanded Group and for many departments to strengthen their capabilities.

NBB and BisB also share a common vision for responsible banking, placing similar emphasis on the importance of serving the community, prioritising opportunities for Bahraini workers, and integrating environmental, social, and governance (ESG) best practices into our business models and decision-making. BisB has aligned its approach to sustainability with NBB by introducing a similar framework based around six pillars, designing a three-year roadmap for its delivery and introducing the governance mechanisms needed to oversee implementation.

Both banks are determined to promote the principles of sustainability in financial markets as we share the belief that the banking sector has a key role to play in driving positive environmental and societal outcomes. We are working together as responsible environmental citizens to embed initiatives that minimise our environmental footprint by tackling emissions, reducing energy and water consumption, and cutting waste.

With the integration now complete, NBB Group is a leading responsible banking Group and a national and regional powerhouse that is strongly positioned to explore new market opportunities that create value for all our stakeholders while driving robust sustainable economic growth and prosperity for the Kingdom of Bahrain, in line with the Economic Vision 2030.

NBB's work was recognised in 2022 with a plethora of awards and achievements bestowed by regional and international bodies.

MENA Banking Excellence Awards 2022
Best Retail Bank Award awarded by MEED

Global Finance's Sustainable Finance Awards 2022:
- Best Bank for Sustainability Finance in Bahrain
- Outstanding Leadership in Sustainability Transparency on a regional level

Middle East Investors Association's Awards for
Best Printed 2021 Annual Report – Small Cap Companies

Euromoney Middle East Awards for Excellence 2022:
- Middle East's Best Bank for Corporate Responsibility
- Best Bank for ESG in Bahrain
- Best Bank for SME Banking in Bahrain
- Best Bank for CSR in Bahrain

BCI Middle East Awards 2022
"Continuity & Resilience Team"

BCI Global Awards 2022
"Continuity & Resilience Team for NBB Group" (NBB & BisB)

1. **Farouk Yousuf Khalil Almoayyed -** Chairman
2. **Dr. Esam Abdulla Yousif Fakhro -** Deputy Chairman
3. **Fawzi Ahmed Ali Kanoo -** Deputy Chairman
4. **Sh. Rashed Bin Salman Mohamed Al Khalifa -** Director
5. **Hala Ali Hussain Yateem -** Director

6. **Rishi Kapoor -** Director
7. **Yusuf Abdulla Yusuf Akbar Alireza -** Director
8. **Mohamed Tareq Mohamed Sadeq Akbar -** Director
9. **Amin Ahmed Alarrayed -** Director
10. **Vincent Van Den Boogert -** Director
11. **Zaid Khalid Abdulrahman -** Director

1. Mr. Farouk Yousuf Khalil Almoayyed
Chairman, Non-executive

- Date appointed to the Board: 1997
- **Committee membership:** Chairman of Nomination, Remuneration, Governance and Sustainability Committee; and Donations and Contributions Committee.
- **Career summary:** Mr. Al Moayyed has more than 46 years of experience in Business Management, Banking, Investments and retail industries.
- **Relevant skills and experience:** Mr. Almoayyed has been a Board member for NBB for over 26 years and brings a variety of leadership experiences from his expansive career, which includes banking, business management, retail, hospitality and academic industries. Mr. Almoayyed holds a BSc in Engineering from the United Kingdom.
- **External engagements:** Mr. Almoayyed is the Chairman of Yousif Khalil Al Moayyed and Sons Co. B.S.C.(c), Al Moayyed International Group B.S.C.(c), Ashraf Holding W.L.L., Bahrain Duty Free Shop Complex W.L.L., Gulf Hotels Group B.S.C., Arab Academy for Research & Studies (Ahlia University) B.S.C.(c), and Bahrain National Holding Company B.S.C. He is also a Director on the Economic Development Board (EDB) and the honorary Chairman of Bahrain Development for Small & Medium Enterprises.

2. Dr. Esam Abdulla Yousif Fakhro
Deputy Chairman, Non-executive

- Date appointed to the Board: 2008
- **Committee membership:** Chairman of the Executive Committee; Member of Nomination, Remuneration, Governance and Sustainability Committee and Donations and Contributions Committee.
- **Career summary:** Dr. Fakhro has more than 46 years of experience in business management, banking and investments. He was previously the Chairman of Aluminum Bahrain Company (ALBA), Chairman of Bahrain Chamber of Commerce & Industry and Chairman of Federation of GCC Chambers of Commerce. He also served as a Board member at Bahrain Economic Development Board, Bahrain Mumtalakat Holding Company B.S.C. (c), Supreme Council for Education Development and AMA International University.
- **Relevant skills and experience:** Dr. Fakhro was awarded the Bahrain Medal – First Class and has been a Board member of NBB for over 15 years and has held leadership positions in a variety of industries including the financial services, transport, electronics as well as foods industries. Dr. Fakhro holds a Ph.D. degree in Mechanical Engineering from the University of London.
- **External engagements:** Dr. Fakhro is the Chairman of Bahrain Islamic Bank B.S.C., Bahrain Cinema Company B.S.C., Abdulla Yousif Fakhro & Sons B.S.C. (c) and Vox Cineco Cinema. He assumes the post of the Deputy Chairman of the Qatar Bahrain Cinema Company. He is also a member of the Board of Directors of Trafco Group B.S.C. and Bahrain Livestock Company.

3. Mr. Fawzi Ahmed Ali Kanoo
Deputy Chairman, Non-executive

- Date appointed to the Board: 2010
- **Committee membership:** Chairman of the Overseas branches Committee; Member of Executive Committee and Donations and Contributions Committee.
- **Career summary:** Mr. Kanoo has more than 46 years of experience in Business Management, shipping, travel, energy, banking and Investment.
- **Relevant skills and experience:** Mr. Kanoo has been a Board member for NBB for over 13 years and has held leadership positions in a variety of industries, including ship building, container port operations, hospitality and trading. Mr. Kanoo has a Bachelor's degree in Business Administration from South West Texas State University in the USA.
- **External engagements:** Mr. Kanoo is the Chairman of Abdulrahman Jassim Kanoo Co. W.L.L., Bahrain Ship Repairing and Engineering Co. B.S.C. and Bahrain Philanthropic Society (Bait Al Khair). He is the Deputy Chairman of Yusuf Bin Ahmed Kanoo (Holdings) Co. W.L.L., APM Terminals B.S.C. and Gulf Hotels Group B.S.C.

4. Sh. Rashed Bin Salman Mohamed Al Khalifa
Director, Non-executive

- Date appointed to the Board: 2014
- **Committee membership:** Executive Committee; Nomination, Remuneration, Governance and Sustainability Committee and Overseas branches Committee.
- **Career summary:** Shaikh Al Khalifa is a retired banker and an independent consultant for investment and banking services. He is a former Board member at Bank ABC Jordan, Bank ABC Tunisia, ABC Islamic Bank, Capinnova Islamic Bank and CrediMax. Shaikh Al Khalifa has held various senior credit and marketing positions at Gulf International Bank, Arab Banking Corporation and Bank of Bahrain and Kuwait.
- **Relevant skills and experience:** Shaikh Al Khalifa has over 36 years of local and regional banking experience and maintains an extensive knowledge of the Gulf's financial markets. He holds a Bachelor's degree in chemical engineering from Leeds University in the United Kingdom, with experience in oil refining, and also holds an MBA with an emphasis in International Finance from Arizona State University at Tempe, Arizona in the U.S.A.

5. Ms. Hala Ali Husain Yateem
Director, Independent

- Date appointed to the Board: 2018
- **Committee membership:** Chairwoman of Audit Committee; Member of Donations and Contributions Committee; and Digitalization Committee.
- **Career summary:** Ms. Yateem has more than 21 years of experience in business management, banking and investment and has held different positions in a number of companies in the Kingdom of Bahrain. She was a Board member at Bahrain Family Business Association, Yateem Oxygen and Bahrain Tourism Company. She was also a Member of the Board of Trustees of the Supreme Council for Women and the Royal Lifesaving Bahrain.
- **Relevant skills and experience:** Ms. Yateem has extensive experience in Business Management, banking, real estate, entrepreneurship and Investments. She holds a Bachelor's Degree in Entrepreneurship and Investments from Babson College, in Wellesley, Massachusetts, USA. She also has a Certificate in Blockchain for Business from Columbia Business School.
- **External engagements:** Ms. Yateem is a Director at A.M. Yateem Brothers, Bahrain Real Estate Investment Company (Edamah), Ali Hussain Yateem Holding Co. W.L.L., The Hope Fund W.L.L. and is a Non- Executive Director at Yateem Real Estate company. She is also a member of the Board of Trustees of the American University of Bahrain and the Vice Chairman of Al Rahma Society.

6. Mr. Rishi Kapoor
Director, Independent

- Date appointed to the Board: 2018
- **Committee membership:** Chairman of Risk and Compliance Committee; Member of Nomination, Remuneration, Governance and Sustainability Committee.
- **Career summary:** Mr. Rishi Kapoor is Investcorp' s Co-Chief Executive Officer. He oversees the Firm's Private Equity businesses in North America and India, as well as the Real Estate, Credit Management, Absolute Returns, Strategic Capital and Insurance Solutions businesses globally. Prior to his appointment as Co-CEO, Mr. Rishi held several senior management positions within Investcorp including as Chief Financial Officer between 2003 and 2015. He joined Investcorp from Citigroup in 1992.
- **Relevant skills and experience:** Mr. Kapoor holds a Bachelor's degree in Electrical and Computer Engineering from the Indian Institute of Technology (IIT), and an MBA from Duke University's Fuqua School of Business. Mr. Kapoor has been recognized by Forbes Middle East as one of the top 10 Indian executives making an impact in the Middle East 2019, and Top CEO Middle East recognized him as one of the top CEOs in the GCC financial services and investment sector.
- **External engagements:** Mr. Kapoor is an Executive Director at Investcorp S.A. and a member of Duke University's Middle East regional advisory board.

7. Mr. Yusuf Abdulla Yusuf Akbar Alireza
Director, Independent

- Date appointed to the Board: 2018
- **Committee membership:** Executive Committee; Nomination, Remuneration and Governance Committee, Digitalization Committee and Overseas branches Committee.
- **Career summary:** Mr. Alireza is the Founder of ARP Global Capital Limited (DIFC), an alternative asset management firm. He was the CEO of Noble Group Holdings Limited, the largest Asian commodity firm and a Fortune 100 company from 2012 to 2016. Mr. Alireza worked for Goldman Sachs Group Inc. from 1992 to 2012 where his last role was Co-President of Asia and a member of the Global Management Committee.
- **Relevant skills and experience:** Mr. Alireza has extensive experience working in the financial services industry around the main financial centers of the world and has held a variety of leadership positions. He holds a Joint master's degree (in Arab Studies and International relations and affairs) and bachelor's degree (in International Economics and Econometrics) from Georgetown University in the U.S.A.
- **External engagements:** Mr. Alireza is a Director at the Bahrain Economic Development Board (EDB), Bahrain Ship Repairing and Engineering Company B.S.C., the Global Board of Room to Read (Charity) and the Center for Contemporary Arab Studies Georgetown University.

8. Mr. Mohamed Tareq Mohamed Sadeq Akbar
Director, Non-executive

- Date appointed to the Board: 2018
- **Committee membership:** Audit Committee; and Risk and Compliance Committee.
- **Career summary:** Mr. Sadeq has over 35 years of experience with Ernst & Young Middle East and North Africa; a significant portion of which was in various leadership roles in the fields of accounting, business development, advisory and financial services.
- **Relevant skills and experience:** Mr. Sadeq has several years of experience working in the Financial Services industry, both regionally and internationally. He is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW). He has successfully completed an exclusive programme designed on Corporate Governance for Directors by INSEAD Business School. Additionally, he was awarded Certificate of Director Education by the Pakistan Institute of Corporate Governance in recognition of having fulfilled the requirements of Corporate Governance Leadership Skills (CGLS) – Director Education Programme after participating in all parts of the programme and passing all assessment tests. Mr Sadeq is a Member of the GCC Board Directors Institute.
- **External engagements:** Mr. Sadeq is a director and the chairman of the Audit and Compliance Committee and Corporate Governance Committee at Ahli United Bank Kuwait K.S.C.P. He is also a Director and the Chairman of Board Audit Committee and Board Compliance Committee at Al Baraka Bank Pakistan Limited. Additionally, he is a member of the Board of Directors of Al Zayani Investments B.S.C., First Motors W.L.L., A.M. Yateem Bros W.L.L. and Yateem Air Conditioning Company W.L.L. He is the Managing Director at Keystone Consulting Inc. W.L.L.

9. Mr. Amin Ahmed Alarrayed
Director, Non-executive

- Date appointed to the Board: 2020
- **Committee membership:** Executive Committee; and Nomination, Remuneration, Governance and Sustainability Committee.
- **Career summary:** Mr. Alarrayed had previously held the position of Chief Executive Officer of First Bahrain Real Estate Development Co. for 12 years and was the Head of Retail and Placement at Reef Real Estate Finance Company. He has also held senior roles in the retail banking division at Bank of Bahrain & Kuwait B.S.C. Mr. Alarrayed is currently the Chief Executive Officer of Bahrain Real Estate Investment Company (Edamah).
- **Relevant skills and experience:** Mr. Alarrayed has held multiple leadership positions over a number of years in a variety of companies, particularly in the real estate development industry. He received an MBA from Kellstadt Graduate School of Business in Chicago, U.S.A. and an undergraduate degree of Art in Economics and International Relations from the University of Redlands, California, U.S.A.
- **External engagements:** Mr. Alarrayed is the Chairman of Bahrain Car Parks Company B.S.C., Edamah Property Management Company S.P.C., Edamah Hawar Real Estate Development S.P.C. He is a Director at Bilaj Al Jazayer Real Estate Development S.P.C., Sa'ada Real Estate Development S.P.C., South City W.L.L., Durrat Khaleej Al Bahrain B.S.C. and Al Sahel Resort B.S.C.

10. Mr. Vincent Van Den Boogert
Director, Non-executive

- Date appointed to the Board: 2021
- **Committee membership:** Chairman of the Digitalization Committee; Member of the Risk and Compliance Committee.
- **Career summary:** Mr. Van den Boogert has more than 26 years of experience in financial services industry and digital transformation. He has held international leadership roles at one of Europe's largest financial institutions, ING. His last role was Chief Executive Officer and Chairman of the Board of ING Netherlands from 2017 to 2020.
- **Relevant skills and experience:** Mr. Van den Boogert has extensive knowledge in the financial services industry, with broad banking, retail, digital transformation and risk management experience. He holds a MSc degree in Econometrics from Erasmus University in the Netherlands and an MBA from Rotterdam School of Management. He also received a degree in Advanced Corporate Governance from Erasmus University.
- **External engagements:** Mr. Van den Boogert is a member of the Supervisory Board of Dutch Alzheimer Association. He is the Chairman of Supervisory Board Currence and is a Senior Advisor to Boston Consulting Group and a member of the Advisory Board of Baker McKenzie Netherlands.

11. Mr. Zaid Khalid Abdulrahman
Director, Independent

- Date appointed to the Board: 2021
- **Committee membership:** Audit Committee.
- **Career summary:** Mr. Abdulrahman has more than 19 years of experience in engineering, business management, financial investments specializing in the industrial, transport, logistics and manufacturing industries. Mr. Abdulrahman was the Manager of Operations at the National Transport Company and was the Manager of Maintenance and Sales at the National Establishment of Technical and Trade Services.
- **Relevant skills and experience:** Mr. Abdulrahman currently manages a diverse portfolio of financial investments, transport and logistics operations, real estate and food manufacturing. He maintains extensive knowledge of hardware manufacturing processes and sustainable energy projects. Mr. Abdulrahman holds a Bachelor's Degree in Mechanical Engineering from the University of Leicester in the UK.
- **External engagements:** Mr. Abdulrahman is an Executive Director at the Food Supply Company and is a Board Member at the Bahrain Ship Repairing and Engineering Company. He is currently the Director of Operations and Investment at Yousif Abdulrahman Engineer Holding Co.

Sustainable growth over 65 years

Consolidated net profit

BHD 70.7m

"We have continued to integrate environmental, social, and governance considerations into our own processes and in our lending decisions. We are increasingly mindful of the impact which our activities have on the natural environment and society at large."

Farouk Yousuf Khalil Almoayyed
Chairman

Commemorating its 65th anniversary, 2022 marked a transformative year for the Bank, in light of more stable market conditions and post-pandemic national economic recovery efforts. NBB maintained its solid industry positioning, supported by its evolutionary journey and strong appetite for growth and expansion. We developed new partnerships, elevated our offerings, and integrated long-term sustainability strategies that will accelerate NBB's organisational and internal development for many years to come.

Our commitment to digital transformation, our environmental, social, and governance pillars, and our focus on building a solid platform for innovation have been key drivers in enhancing our business operations and further elevating our value proposition. We have continued to implement investments in sustainability practices, community initiatives, and long-term collaborations which have propelled our organisation on a local and regional front. This year's financial and sustainability report aims to capture our consolidated financial performance and highlight the positive impact our operations have had on the local economy and community, as we continue to strengthen the foundation that will carry us into the future.

Resilient financial performance

The Group's total assets increased by 6% to BHD 4,785.3 million (USD 12,693.1 million) compared to BHD 4,535.6 million (USD 12,030.8 million) recorded on 31 December 2021. The increase was predominantly related to loan growth across both the retail and non-retail portfolios as well as growth in liquidity reserves.

NBB's consolidated net profit increased by 29% from BHD 55.0 million (USD 145.9 million) in 2021 to BHD 70.7 million (USD 187.5 million) in 2022. The increase in net profit is mainly due to strong business fundamentals reflected through higher net interest income attributable to a larger volume of loans and investment securities, at increasing rates. Treasury and capital markets activities and lower provision requirements compared to the prior year also significantly contributed to the increase in profitability.

Recommended appropriations

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

	BHD million
Cash dividend (25%)	51.5
Bonus shares (10%)	20.6
Donations and contributions	3.4
Transfer to statutory reserve	10.3

A robust foundation of good corporate governance and ESG

The Board is fully committed to protecting the interests of all stakeholders and prioritises the implementation of robust governance policies of international standards to ensure the success of the organisation.

Good governance warrants an in-depth consideration and assessment of the environmental, social and governance (ESG) risks and opportunities that can potentially impact the Group's performance, and we have continued to develop the Board's expertise in this regard through continuous professional learning and development programmes.

Our commitment to enacting ESG practices on an organisational level earned NBB a first-place ranking across the banking sector in the Arab World as per Refinitiv's ESG Scoring. Our ongoing strides in the sustainable banking realm are a culmination of the efforts exhibited by the organisation as it pursues its three-year sustainability roadmap.

The Group's sound financial performance has been fuelled by our commitment to living up to our overarching promise of staying close to our customers' needs, as well as our broader

vision of enriching the lives of generations. Backed by our team of innovators, and equipped with cutting-edge technologies, we developed and launched our loyalty rewards programme, Points by NBB, delivered tailored financing schemes, and transitioned to more eco-friendly daily operations, all while not losing sight of shareholder value, boosting operational efficiencies and streamlining our internal processes.

Adherence to a modus operandi firmly grounded on responsible banking and solid corporate governance practices, continue to motivate our business and societal endeavours. We have extended our support to multiple segments within our community, including SMEs, startups and talented youth, while capturing opportunities for growth locally and regionally. As part of our sustainability framework, we continue to expand our activities beyond our financial remit, aligning our priorities to the Kingdom's national economic vision and carbon neutrality ambitions, as well as to global movements and wider international networks such as the UN Sustainable Development Goals, while marshalling our approach to reducing our environmental impact. Donations and contributions have formed a core pillar of our social responsibility commitment since the 1980s, and we continue to allocate 5% of our annual net profits to local charities.

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 2022.

Board of Directors remuneration (reported in Bahraini Dinars)

	Fixed remunerations					Variable remunerations							
Name	Remunerations of chairman and BOD[1]	Total allowance for attending Board and committee meetings	Salaries	Others[4]	Total	Remunerations of chairman and BOD	Bonus	Incentive plans	Others[5]	Total	**End-of-service award**	**Aggregate amount** (Does not include expense allowance)	**Expenses Allowance**
First: Independent Directors:													
1- Mr. Rishi Kapoor	45,000	8,500	-	-	53,500	-	-	-	-	-	-	53,500	-
2- Mr. Yusuf Abdulla Yusuf Akbar Alireza	45,000	12,000	-	-	57,000	-	-	-	-	-	-	57,000	-
3- Ms. Hala Ali Hussain Yateem	45,000	6,500	-	-	51,500	-	-	-	-	-	-	51,500	-
4- Mr. Zaid Khalid Abdulrahman	45,000	3,000	-	-	48,000	-	-	-	-	-	-	48,000	-
Second: Non-Executive Directors:													
1- Mr. Farouk Yousuf Khalil Almoayyed	70,000	6,000	-	-	76,000	-	-	-	-	-	-	76,000	-
2- Dr. Esam Abdulla Yousif Fakhro[2]	45,000	8,500	-	-	53,500	-	-	-	-	-	-	53,500	-
3- Mr. Fawzi Ahmed Ali Kanoo	45,000	6,000	-	-	51,000	-	-	-	-	-	-	51,000	-
4- Sh. Rashed Bin Salman Mohamed Al Khalifa[3]	45,000	10,000	-	-	55,000	-	-	-	-	-	-	55,000	-

Board of Directors remuneration (continued)

	Fixed remunerations					Variable remunerations							
Name	Remunerations of chairman and BOD[1]	Total allowance for attending Board and committee meetings	Salaries	Others[4]	Total	Remunerations of chairman and BOD	Bonus	Incentive plans	Others[5]	Total	**End-of-service award**	**Aggregate amount** (Does not include expense allowance)	**Expenses Allowance**
5- Mr. Mohamed Tareq Mohamed Sadeq Akbar[2]	45,000	6,500	-	-	51,500	-	-	-	-	-	-	51,500	-
6- Mr. Amin Ahmed Alarrayed[2]	45,000	7,500	-	-	52,500	-	-	-	-	-	-	52,500	-
7- Mr. Vincent Van Den Boogert[2]	45,000	6,000	-	-	51,000	-	-	-	-	-	-	51,000	-
Third: Executive Directors:													
- Not applicable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	520,000	80,500	-	-	600,500	-	-	-	-	-	-	600,500	-

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

Other remunerations:

[4] Includes in-kind benefits - remuneration for technical, administrative and advisory works (if any)
[5] 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 2022**	**Aggregate amount**
Top 6 remunerations for executives, including the Chief Executive Officer[1] and Chief Financial Officer[2]	1,760,542	913,808	-	2,674,350

Note: All amounts are stated in Bahraini Dinars

[1] The highest authority in the executive management of the Bank
[2] The Bank's highest financial officer

Acknowledgements

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

We acknowledge the exceptional support and guidance extended to NBB by the Ministry of Finance and National Economy, the Ministry of industry and commerce, and by the Central Bank of Bahrain. The Directors also extend their appreciation to our devoted customers and business partners and our shareholders for their loyalty and for instilling their trust in NBB.

We would also like to extend our gratitude to Jean-Christophe Durand for his years of dedicated service to the Bank. He has been instrumental in paving the way for NBB's growth journey and has moulded a team of hard-working talents that will take the organisation to new heights. As we welcome our new Group CEO, Usman Ahmed, we believe the year ahead will be a fruitful one, enabling us to create a formidable team that delivers continued and growing success.

Finally, we want to pay tribute to all the employees and executive management at NBB Group, for the dedication, determination and diligence which they have demonstrated during this past year. Their synergy, drive and shared passion for success underpins the Group's growth aspirations and we are confident that we will continue to witness many more notable achievements in the years to come.

Farouk Yousuf Khalil Almoayyed
Chairman of the Board

Dr. Esam Abdulla Yousif Fakhro
Deputy Chairman

28 February 2023

Usman Ahmed
Group Chief Executive Officer

Abdul Aziz Al Ahmed
Chief Executive – Strategic Accounts

Hisham Al Kurdi
Group Chief Executive - Corporate and Institutional Investment Banking

Subah Abdullatif Al Zayani
Chief Executive- Retail Banking

Arif Janahi
Head of Commercial & SMEs

Rana Qambar
Group Chief Compliance Officer

Isa Maseeh
Group Chief Risk Officer

Russell Bennett
Group Chief Financial Officer

Nabeel Mahmood Kazim
Group Chief Operating Officer

Gaby El Hakim
Group Chief Legal Officer and Corporate Secretary

Hisham Abu Alfateh
Head of Corporate Communications

Razi Amin
Group Chief Information Officer

Dana Buheji
Group Chief Human Resources and Sustainability Officer

Bruce Wade
Group Chief Executive – Financial Restructuring

Fadhel Abbas Ahmed
Group Chief Internal Auditor

Mansour A. Alsaghayer
Chief Executive Officer – KSA

Yogesh Kale
Chief Executive Officer – UAE

Usman Ahmed
Group Chief Executive Officer
Date of joining: 2023

Mr. Ahmed joined as the Group CEO of the National Bank of Bahrain (NBB) on 1 January 2023. He is concurrently also serving as the Vice Chairman of Bahrain Islamic Bank.

Career Summary: Usman has over 28 years of diverse international banking experience in emerging markets across the EMEA and Asia Pacific regions, of which for the last 14 years he has held various senior leadership roles as CEO, Managing Director, Board Member and Executive Chairman covering Corporate & Investment Banking, Capital Markets, Commercial, Consumer and Islamic Banking in London, Hong Kong, UAE, Philippines, Pakistan, Bahrain and Malaysia.

Prior to joining NBB, Usman was the CEO and an Executive Board Director of Citi Malaysia and Executive Chairman of Citigroup Global Markets Malaysia, leading over 5,200 employees. He was also responsible for the Citi Solutions Centres, covering over 50 countries.

He has also been the CEO and Managing Director of Citi Bahrain, Kuwait & Qatar, while also being the Global Head of Citi's Islamic Banking business.

As the Chief Operating Officer & Managing Director for Citi's Asia Pacific Corporate Bank in Hong Kong and the Corporate and Investment Banking Head for Citi in Philippines, Usman was extensively involved in leading strategy and client coverage in Asia after the global financial crisis.

While at Barclays Bank, Usman was the Managing Director and Head of Corporate Banking for Emerging Markets, leading 14 countries in the MENA, Sub-Saharan Africa and South Asia regions.

As a Director of Capital Markets Origination in Citi London, Usman has executed some of the largest and most innovative conventional and Islamic financing transactions for the Middle East. He was also designated as a Senior Credit Officer of Citi for over 9 years.

Other Engagements: Usman is also currently serving on the Boards of the GCC Board of Directors Institute (BDI) and the Bahrain Association of Banks.

Abdul Aziz Al Ahmed
Chief Executive – Strategic Accounts
Date of joining: 1974

Key Responsibilities: Mr. Al Ahmed oversees the management of NBB's strategic accounts and relationships with a client base that includes key personalities among the Kingdom's ultimate decision makers, top businessmen, ultra-high net worth individuals and strategic Government entities. His mandate encompasses nurturing these key relationships to ensure that they continue to receive bespoke relationship management and world-class service delivery and continue to patronise the bank's services. As a seasoned banker with rich experience of over four decades across several functional areas of the bank, Mr. Al Ahmed brings to the role his vast experience and adds Executive Management Profiles tremendously to the depth of the bank's management, as a key member of the bank's management team.

Career Summary: He has over 49 years of experience working with NBB. Prior to his current position, he held senior leadership roles across NBB including Chief Executive of Retail, Commercial and SMEs and Corporate Businesses and General Manager of Retail Banking, Commercial Banking and Corporate Banking segments. He holds an Executive Diploma from University of Virginia, USA.

Other Engagements: Mr. Al Ahmed is a member of the Board of Directors for Bahrain Commercial Facilities Co. (BCFC), Chairman of the Remunerations Committee and Member of the Executive Committee at BCFC. He is the Vice Chairman for National Motor Company (NMC), Tas'heelat Automotive Co S.P.C., Tas'heelat Car Leasing Co W.L.L. Mr. Al Ahmed is also a Member of the Board of Directors of Infonas W.L.L.

Community Investments: Mr. Al Ahmed is a Board Member of the Trustees of Primary Healthcare of Supreme Council of Health.

Hisham Al Kurdi
Group Chief Executive - Corporate and Institutional Investment Banking
Date of joining: 2018

Key Responsibilities: Mr. Al Kurdi oversees NBB's Corporate and Institutional Investment Banking activities, as well as managing Treasury and Capital Market activities. He is also involved in defining and implementing business strategies to ensure revenue and profitability targets are met.

Career Summary: He has over 23 years of local and international experience working in global markets and institutional coverage. Prior to joining NBB, he was the Head of Global Markets for the MEA region at BNP Paribas, a Member of the CIB Regional Board and Executive Committee and worked at the Bank of Bahrain and Kuwait. He holds a Bachelor's degree in Engineering in Systems Control from the University of Huddersfield, in the UK.

Other Engagements: Mr. Al Kurdi serves as a Deputy Chairman of Sico's Board of Directors.

Community Investments: Mr. Al Kurdi is also a Board member in The Conventional and Islamic Banks Fund Board and a BAB Treasurer Committee Member.

Subah Abdullatif Al Zayani
Chief Executive- Retail Banking
Date of joining: 2019

Key Responsibilities: Mr. Al Zayani leads NBB's efforts to innovate its retail and digital propositions by leading the retail transformation strategy with the aim to increase the Bank's market share by modernizing the customer experience and introducing customer-centric products and services, which work to further elevate the customer journey across NBB's various retail touch points and channels.

Career Summary: He has over 15 years of experience in the banking industry. Prior to joining NBB, he was the Deputy Head of Retail Banking at Kuwait Finance House – Bahrain and has held senior positions at some of Bahrain's largest local and regional banks. He holds a B.S. in Business Administration from the Citadel, USA, an M.S. in Computer Information Systems from the American University in Washington D.C., USA, and an Executive Fintech accreditation from Georgetown University, USA.

Community Investments: Mr. Al Zayani is a member of Mastercard's MENA Executive Council and BAB's Retail & Investment Committee.

Arif Janahi
Head of Commercial & SMEs
Date of joining: 2018

Key Responsibilities: Mr. Janahi oversees the commercial and SME segments. He is involved in defining, leading, and implementing business strategies. He is also responsible for defining and implementing in-business risks and controls as a first line of defence to ensure having a balanced risks and rewards.

Career Summary: He has over 25 years of experience in the conventional and Sharia compliant banking. Prior to joining NBB, Mr. Janahi was the head of Corporate Banking at Alsalam Bank, Bahrain. Mr. Janahi was part of the on-ground working groups for two different commercial bank acquisitions between 2009 and 2014. He holds a Master in Business Administration (MBA) from the University of Hull, United Kingdom.

Rana Qambar
Group Chief Compliance Officer
Date of joining: 2021
Key Responsibilities: Ms. Qambar oversees all compliance activities and ensures NBB group effectively and efficiently complies with all applicable laws, regulatory requirements, policies and procedures.

Career Summary: She has over 20 years of experience in the banking and regulatory industry. Prior to joining NBB, she was the Director of Licensing and Head of Retail Banking Supervision at the Central Bank of Bahrain (CBB). She holds a Master's Degree in Accounting and a Bachelor in Accounting from University of Bahrain.

Isa Maseeh
Group Chief Risk Officer
Date of joining: 2017

Key Responsibilities: Mr. Maseeh is responsible for leading the development and execution of the risk management framework in support of NBB's business strategy. This role extends across the organisational activities encompassing credit, market, liquidity, operational as well as information security risks.

Career Summary: He has over 24 years of commercial and investment banking experience covering Islamic and conventional institutions. Prior to joining NBB, Mr. Maseeh was the Group Chief Risk Officer of Al Salam Bank Bahrain. He holds an MBA (Hons) from DePaul University, USA, and a Bachelor of Commerce from Concordia University, Canada. He is also a Chartered Financial Analyst (CFA) and a Professional Risk Manager (PRM).

Other Engagements: Mr. Maseeh is a Board Member of Bahrain Islamic Bank and RE Property W.L.L. representing NBB.

Russell Bennett
Group Chief Financial Officer
Date of joining: 2018

Key Responsibilities: Mr. Bennett joined NBB as the Chief Financial Officer and was appointed as the Group Chief in 2020, where he oversees all strategies, planning and management of NBB's financial-related activities. His responsibilities include introducing enhanced data analytics and ensuring the adoption of the latest technologies to provide business insight.

Career Summary: He has over 21 years of varied banking and finance experience. Prior to joining NBB, he held senior roles in Gulf International Bank, the National Bank of Kuwait and Ernst & Young. He is a UK qualified Chartered Accountant and holds a BSc (Hons) in Mathematics and Economics from the University of Essex, in the UK.

Other Engagements: Mr. Bennett is a founding member of the Bahrain Chapter of the Middle East Investor Relations Association and a former vice chairman of the Bahrain Association of Banks' International Standards Committee. He is a member of the ICAEW data analytics community and has authored and published business intelligence and data analytics software, which is currently operational in various banks in UK, USA, Saudi Arabia, United Arab Emirates and Bahrain.

Nabeel Mahmood Kazim
Group Chief Operating Officer
Date of joining: 2022

Key Responsibilities: Mr. Kazim is the Group Chief Operating Officer, responsible for planning, directing, and controlling the end-to-end operational services and related business transformation initiatives to best serve the Group and meet the needs of both internal and external customers. In addition, strengthen NBB's competitive advantage by recognizing the bank's efficiencies and Develop Group Operational Strategy aimed at Streamlining Support capabilities aligned with international best practices.

Career Summary: Mr. Kazim is a seasoned banker, with over 27 years of progressive experience in regional banking operations, treasury and finance. Prior to joining NBB, he held various leadership roles with Citibank, Barclays Bank, ADCB, and recently at AUB managing Group Operations across Middle East, North Africa & Europe. He holds a successful track record of accomplishing major change initiative implementations including centralization of functions, process reengineering, adopting digitalized solutions and delivering Operational Centre of Excellence. Mr. Kazim holds MBA in Finance from Webster University in London, UK and a Bachelor of Business Administration & Economics from Richmond University in London, UK.

Other Engagements: Mr. Kazim also served as a Board Member in BENEFIT Company and Commercial Bank of Iraq.

Gaby El Hakim
Group Chief Legal Officer and Corporate Secretary
Date of joining: 2017

Key Responsibilities: Mr. El Hakim oversees all NBB legal matters and advises NBB's Board and management with respect to all legal aspects of the business. He was appointed the Group Chief Legal Officer and Corporate Secretary in 2020.

Career Summary: He has over 21 years of experience in practicing law across a range of areas relevant to NBB such as investment banking and Islamic finance. Before joining NBB, Mr. El Hakim worked with GFH Financial Group and BNP Paribas. He holds an LLM in Banking and Finance from Osgood Hall Law School, York University, Canada and an LLB (Licence en Droit Libanais) from Sagesse University School of Law, Beirut, Lebanon and several postgraduate qualifications.

Other Engagements: He serves as a Board Member of Esterad Investment Company B.S.C., and as a Board Member of Bahrain Islamic Bank B.S.C.

Community Investments: Mr. El Hakim serves as a Board Member of ICC Bahrain. He is a member of the Lawyer's Committee of ICC Bahrain, Chamber of Industry and Commerce and the ICC Paris Commission on Arbitration and ADR. He is a regular contributor to articles in newspapers and law journals. His achievements include receiving the 'MEA General Counsel Power List 2016' award from the Legal 500.

Hisham Abu Alfateh
Head of Corporate Communications
Date of joining: 2017

Key Responsibilities: Mr. Abu Alfateh oversees the development and execution of innovative communications campaigns, shaping strong positioning for NBB, and fostering strong relationships among key stakeholders.

Responsibilities include corporate communications (external and internal communications), brand guardianship and social media content development and management, and management of media relations, sponsorships and events.

Career Summary: Prior to joining NBB, he held roles with Peacock Concierge Group – Bahrain, Kuwait & KSA, Bahrain Institute of Banking & Finance (BIBF), ZAIN Bahrain, Venture Capital Bank, Gulf Air – Bahrain and London, Promoseven Group, Bank of Bahrain & Kuwait and Ahli United Bank. He holds a Masters in Business Administration (MBA) from University of Sunderland, United Kingdom and a Diploma in Airline Studies from International Air & Travel Association (IATA), Singapore.

Other Engagements: He is also a professional Presenter and Moderator on Bahrain Television & Radio Corporation.

Community Investments: Mr. Abu Alfateh serves as Chairman of the Public Relations Committee at the Bahrain Association of Banks (BAB) and is a member of the Masters Programme Advisory Board of the Communications & Media Technologies College at the Gulf University.

Razi Amin
Group Chief Information Officer
Date of joining: 2017

Key Responsibilities: Mr. Amin joined NBB in 2017 as a Senior IT Manager, and is currently the Group Chief Information Officer, leading the bank's Digital Transformation and overseeing the efficiency and performance of the bank's IT Department.

Career Summary: With 23 years of experience in the banking sector, Mr. Amin's expertise includes an Executive Director role in First Energy Bank, leading a team to establish the bank's digital infrastructure, as well as several managerial positions in the Bank of Bahrain and Kuwait, where he played an integral part in the bank's transformation from 2005 to 2006.

Other Engagements: Mr. Amin is a member of the Digital and Cyber Security Committee of the Bahrain Association of Banks (BAB), and holds a Bachelor's Degree in Computer Science from the United Arab Emirates University.

Dana Buheji
Group Chief Human Resources & Sustainability Officer
Date of joining: 2017

Key Responsibilities: Ms. Buheji oversees the integration and provision of human resources and talent management services to both NBB and BisB. Responsibilities include Professionalising NBB's people services, empowering NBB employees to reach their full potential, creating practices that support the transformation of the Group, and representing NBB at the Board level for the Bahrain Islamic Bank. In addition, Ms. Buheji Chairs NBB's Sustainability Committee, leading on NBB's efforts towards incorporating sustainability considerations across the organization.

Career Summary: Prior to joining NBB, she held roles with the Bahrain Economic Development Board (EDB), Bahrain Mumtalakat Holding Company, the Ministry of Finance and National Economy and Ahli United Bank. She holds a B.A. in Commerce from Concordia University, Canada and a professional certification in human resources (CPP) from London, UK.

Other Engagements: She is representing NBB at the Board level for the Bahrain Islamic Bank.

Community Investments: Ms. Buheji serves as a Board Member for INJAZ Bahrain, the Chairperson for Hope Talents and is the Chair of the Human Resources and Remuneration Committee and a member of the Sustainability Committee of the Bahrain Association of Banks (BAB).

Bruce Wade
Group Chief Executive – Financial Restructuring
Date of joining: 2014

Key Responsibilities: Mr. Wade established the Financial Restructuring division in NBB in 2019 to support local and regional markets by acting as an independent advisor to companies facing challenges. His role includes serving as Chair on coordinating credit committees as well as providing advisory services to organisations in need of financial restructuring.

Career Summary: Mr. Wade brings over 37 years of banking experience with regional and international banks such as Saudi Hollandi Bank, Riyad Bank, Citibank and Bank of Tokyo Group. He holds an MBA and a Bachelor of Applied Science from Queensland University of Technology, Australia, holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is also a Senior Certified Treasury Professional.

Other Engagements: He is a Director of RE Property W.L.L. representing NBB.

Community Investments: Mr. Wade is a Fellow at the Australian Institute of Company Directors and the Financial Services Institute of Australasia, respectively. He is also a Member of the Australian Corporate Treasury Association, the peak professional body in Australia for corporate treasurers and senior financial risk managers.

Fadhel Abbas Ahmed
Group Chief Internal Auditor
Date of joining: 2000

Key Responsibilities: Mr. Abbas is responsible for establishing the Internal Audit vision and plan that support the accomplishment of the Group's strategic objectives and help to ensure that established financial, operational and compliance practices, and the related controls, are designed and operating effectively. He oversees the Group's compliance with applicable regulations and that all audit work conforms to the "Standards for the Professional Practice of Internal Auditing." To maintain Internal Audit function independence from the Group's management, Mr. Abbas reports functionally to the Board Audit Committee and administratively to the Group CEO.

Career Summary: Mr. Abbas has more than two decades of auditing and banking experience in NBB. Prior to joining NBB, he held roles with Ernst and Young (EY) – Bahrain, a leading multinational firm. During his time with EY, Mr. Abbas was responsible for the audit of a number of clients from different sectors. Mr. Abbas holds an MBA from DePaul University, USA. He is a Chartered Certified Accountant (ACCA-UK) and a Certified Internal Auditor (CIA).

Other Engagements: Mr. Abbas serves as NBB's Audit Committee Secretary and attends as an observer in BisB's Audit Committee meetings.

Mansour A. Alsaghayer
Chief Executive Officer – KSA
Date of joining: 2018

Key Responsibilities: Mr. Mansour oversees all NBB-KSA operations, and is focused on developing medium-term strategies, positioning NBB-KSA as a regional financial player within KSA.

Career Summary: Mr. Mansour has over 28 years of experience in the banking industry. Prior to joining NBB, he was the Regional Head of Corporate Banking in SABB, and had previously held the position of Chief Corporate Banker in NCB (SNB). Mr. Mansour earned his EMBA from the London Business School, graduating in 2010.

Other Engagements: Mr. Mansour holds several Board positions in both publicly listed and private companies in Saudi Arabia, including the board of United Cooperative Assurance, Saudi Fisheries, and Southern Province Cement. He serves as the Chairperson of the Audit Committee in Lightweight Construction Co. 'SIPOREX', and was the Chairman of the Foreign Banks Branches Committee (FBBC) for the year 2021.

Community Investments: Mr. Mansour is a member of Riyadh Angel Investors (RAI) and is an active angel investor in several startup companies.

Yogesh Kale
Chief Executive Officer – UAE
Date of joining: 2021

Key Responsibilities: Mr. Kale oversees all NBB-UAE operations, and is focused on reinforcing and expanding the Bank's role as a conduit for the Bahrain-UAE-KSA business corridor, as well as diversifying NBB's portfolio and enhancing the Bank's franchise in UAE.

Career Summary: Mr. Kale has over 26 years of experience, both regionally and internationally, working for leading global banking institutions. Prior to joining NBB, he worked with SCB, HSBC and ADCB in various leadership roles. Mr. Kale holds an MBA from the renowned JBIMS, University of Mumbai India along with graduate degree in Economics and Accounting from Sydenham College, India.

Other Engagements: Mr. Kale represents NBB in various forums as a thought leadership speaker on Entrepreneurship and Banking at various industry events in the UAE.

Community Investments: Mr. Kale is an honorary guest lecturer on Banking and Entrepreneurship with leading Universities.

Strong growth and continued *investment*

Total operating income

BHD 173.0m

Highlights the resilience of NBB's core activities.

"Our success is predicated on our commitment to offer innovative, digital and customer-centric solutions to our clients."

Usman Ahmed
Group Chief Executive Officer

2022 was a year of transition and opportunity for NBB, during which the Bank celebrated its 65th anniversary. NBB's financial results for 2022 reflect the investments we have made in recent years in order to transform our business. The solid growth seen in our operating profit is indicative of our widening customer base and the appeal of NBB's unique and unparalleled services offered to retail and institutional banking clients. The 2022 Annual Financial and Sustainability Report is a testament to the NBB family's hard work and dedication over the past six years which saw NBB consolidate its place as the Kingdom of Bahrain's leading bank. NBB is now in a position to pursue further regional expansion and, through the advancement of its ESG roadmap, is securing a sustainable future.

The acquisition of a controlling stake in BisB has led to synergy developing between both banks and created a productive team that capitalises on the strengths of both NBB and BisB. As a result of the acquisition, we have been able to diversify our portfolio of products, ensuring that we are well positioned for growth in both the conventional and Islamic banking markets.

The assessment and management of risks was a significant area of focus over the course of 2022, enabling us to grow and become a stronger, more resilient organisation which is primed to capitalise on opportunities in Bahrain and beyond.

Our success is predicated on our commitment to offer innovative, digital and customer-centric solutions to our clients. Our digital transformation strategy has also enabled us to anticipate expected growth patterns for years to come. NBB is endeavouring to meet the evolving needs of its customers through simplified, tailor-made banking services, which utilise the latest technologies. This year, the Bank launched its most recent digital innovation; Points by NBB, a lifestyle management programme designed to reward our customers for every transaction.

We also continue to make significant investments in training and we are developing our workforce while embedding sustainability across all our operations. Our achievements would not have been possible without the ambitious mindset and team spirit we have cultivated throughout the NBB family. We have assembled a top leadership team that is confidently guiding the strategic direction of the Group. We have been able to retain the country's most promising talent, while also investing heavily in employee training across all departments and levels within the organisation.

We are committed to investing in the well-being of our community, and have developed several new initiatives including; financial literacy awareness sessions, charitable donations, volunteering programmes and national community events. We are proud to have a long standing CSR programme and, a 'donations and contributions' fund, that ensures that the community can engage with a variety of programmes.

In 2022, we successfully completed the second year of our three-year sustainability roadmap, which has significantly progressed since the start of our ESG journey. Over the past two years, NBB has been able to integrate its ESG strategy into the core of its business model, enabling the organisation to accelerate its sustainability drive. Our sustainability engagement has underscored the vital role the sector plays in driving environmental consciousness and positive climate action. Moreover, our commitment to the development of a sustainable, eco-friendly industry is gaining traction regionally and internationally. The organisation is on track to be a sustainability leader in the banking sector, with our efforts being rewarded through our first-place regional ranking in Refinitiv's ESG scoring.

On a personal note, it is an honour and a privilege to be embarking on this journey as the new Group Chief Executive Officer of NBB Group. I am incredibly proud to have been entrusted with the task of leading the next phase of the Group's development.

I would like to extend my gratitude to Mr. Farouk Yousuf Almoayyed, Chairman of NBB, and to the Board of Directors for placing their trust in me. I would also like to take this opportunity to thank Mr. Jean-Christophe Durand for his support during this transitory period and for his visionary leadership of the Bank in recent years.

I look forward to upholding NBB's long held vision of enriching the lives of people for generations to come, supporting the community, investing in human capital and achieving our brand promise of being closer to our customers.

Maintaining our leading position will require the backing of all stakeholders and I am confident that I can count on the support of our team members to help build upon the success of the Group as we embark on a new era of growth.

Usman Ahmed

Usman Ahmed
Group Chief Executive Officer

In 2022, we successfully completed the second year of our three-year sustainability roadmap, which has significantly progressed since the start of our ESG journey.

NBB Transformation

Over the past five years, NBB has transformed its operations and consolidated its position as Bahrain's leading private sector financial institution, both at home and overseas. Under the leadership of Jean-Christophe Durand, who joined the bank as CEO in 2016, NBB has evolved from being a local player to a regional banking powerhouse thanks to our ability to continuously innovate and capitalise on new opportunities. Despite the challenges that have disrupted the global economy in recent years, NBB has successfully explored new growth avenues, formed strategic partnerships, launched long-term initiatives, and re-engineered our operational framework.

Closer to You

In 2018, NBB unveiled a new brand identity and stakeholder promise, 'Closer to You' inspired by a strong sense of duty to reposition the bank as a modern and dynamic organisation deeply rooted at the heart of the community. Today, NBB has proudly lived up to its 'Closer to You' promise, and is regarded as the nation's bank, helping to deliver prosperity for all citizens.

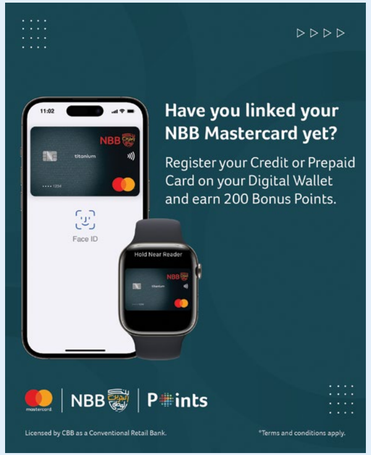
Expansion and Diversification

NBB's acquisition in 2020 of a majority stake in Bahrain Islamic Bank resulted in the formation of the 'NBB Group'. This strategic integration was envisioned to ensure sustainable growth and diversification by facilitating NBB's expansion into high-prospect Sharia-compliant businesses and geographies across the GCC and wider region. The union of these two institutions has strengthened the local banking sector and supported NBB's mission to be the banking partner of choice.

Digital Transformation

Digitalisation has been at the heart of NBB's transformation and key to our mission of enhancing the customer experience and delivering service excellence. The Bank has heavily invested in state-of-the-art technology to improve product and service accessibility and delivery. The operational challenges posed by the COVID-19 pandemic only served to accelerate NBB's digital transformation journey.

Among other initiatives, NBB re-engineered its branch network based on a visionary blueprint for the 'branch of the future', and invested heavily in upgrading its ATM Network, our Business Online Banking (BOB) service, and launch an award-winning mobile banking app that consolidates its digital offering into a single service point for customers.



NBB has evolved from being a local player to a regional banking powerhouse thanks to our ability to continuously innovate and capitalise on new opportunities.

NBB was the first Bank in the MENA region to roll out Open Banking, developing systems and solutions to meet and exceed regulatory requirements. Another notable industry first was the launch of the nation-wide 'Tap & Go' contactless payment service across the ATM network. In the second quarter of 2022, NBB launched a new digital loyalty rewards programme, 'Points by NBB' - the latest in a line-up of customer-centric initiatives.

In line with our continuous commitment to accelerate the delivery of digital products and services, NBB signed a strategic agreement with Bring Global in 2022, extending an existing partnership to enhance the Bank's data, integration, digital banking and customer experience. With the support of NBB and the Bahrain Economic Development Board (Bahrain EDB), Bring Global is establishing their regional headquarters in Bahrain with the objective to jointly foster employment opportunities for Bahraini talent in line with the Kingdom's economic recovery plan.

A National Enabler

Over the years, NBB has consistently supported government efforts to diversify the national economy and deliver sustainable growth and prosperity. NBB was the first conventional bank to introduce the Mazaya 2.0 and 'Tas'heel Loan Programme following the signing of agreements with the Ministry of Housing and its subsidiary, Eskan Bank. NBB participated in the design of the Liquidity Support Fund scheme to enable companies in the private sector, enhance entrepreneurship, and promote cross-sector growth. Recognising the vital role they play in the economy, NBB has also been a staunch supporter of start-ups and SMEs and helped to shield many of them from the worst effects of the pandemic.

Transforming our Workforce

Investing in the development of our human capital is a priority for the Group, where a team of talented professionals has been assembled to drive the organisation forward, and provide leadership and mentorship that enable all internal stakeholders to thrive in a diverse and inclusive environment.

NBB's consistent efforts to innovate and break new ground have allowed the Bank to consolidate our position as Bahrain's banking partner of choice and a national powerhouse operating in accordance with international standards.

Over the years, NBB has launched a series of training and development initiatives to empower our people and equip them with the skills needed to thrive within the fast-paced banking environment. Among the most noteworthy of these are the RISE leadership training programme designed to groom high-performing talents within NBB, and the INSPIRE mentorship programme which fosters a knowledge sharing culture by leveraging the expertise and skills of experienced employees.

Driving Sustainability

A key pillar of NBB's transformation, and a major focus for our evolution as an organisation, has been the development of a new sustainability agenda. In line with national and global sustainability initiatives as well as our commitment to become the number one responsible banking group in the region, NBB developed a three-year sustainability roadmap accompanied by a major shift in business model and operational framework. NBB's sustainability framework is centred around seven pillars: Economic Growth, Serving our Customers, Responsible Banking, Nurturing our Workforce, Community Investment, Preserving Natural Resources, and Governance and Ethical Behaviour.

In 2019, NBB began integrating Environmental, Social and Governance (ESG) practices into its corporate strategy and business operations. The following year, NBB was the first group in Bahrain to publish a consolidated Annual Financial and Sustainability Report detailing its ESG strategy and progress. As a testament to our rapid progress, NBB now ranks first in ESG performance in the Banking sector in the Arab World, as per Refinitiv ESG Scoring.

Towards the Future

NBB's consistent efforts to innovate and break new ground have allowed the Group to consolidate its position as Bahrain's banking partner of choice and a national powerhouse operating in accordance with international standards. With innovation and sustainability as core drivers, NBB is well placed to deliver on its ambition of further diversifying and developing its capabilities to tap new opportunities in the GCC and beyond.

Alignment with Bahrain's 2030 Vision and our commitment to the Kingdom's economic, social, and environmental development remain at the heart of NBB's strategic vision. We are proud to play a vital role in maintaining the country's standing as a regional financial hub, raising industry standards and supporting the Government's efforts to drive sustainable economic growth.

Strategic Direction & Business Outlook

Our Strategy

NBB designed an ambitious 2021-2023 strategy in coordination with the Group's business lines and functions. Following on seamlessly from the previous three-year plan, the strategic priorities outline the Group's vision and ambitions in terms of growth, technology, and sustainability. In keeping with our sustainability framework, the strategy is fully aligned with Bahrain's economic, social and environmental priorities and the needs of the wider community.

Ambition

To become The National Champion with a dominant position in Bahrain and an expanded regional footprint, we will leverage digital technology, our strong financial base, and our existing relationships with key stakeholders to drive sustainable growth and create top-tier shareholder value.

Our Strategy continued

Key focus areas:

- To maintain our leadership position in Bahrain:
  - Through solid organic growth across all segments.
  - By identifying further Merger and Acquisition opportunities locally and regionally and exploring the potential to increase current ownership in subsidiaries.
  - By capitalising on BisB integration to provide a more comprehensive value proposition combining Islamic and conventional offerings and expanding market access.
  - By prioritizing the integrating of ESG practices into our business and operational conduct and emerging as the national leader in the space.
- To be regionally relevant:
  - By scaling profitability in current overseas markets and becoming the partner of choice for Bahrain capital flows.
  - By leveraging our central team to drive international business with regional trade partners.
  - By considering select expansion in new geographies and under-served markets.

NBB designed an ambitious 2021-2023 strategy in coordination with the Group's business lines and functions. Following on seamlessly from the previous three-year plan, the strategic priorities outline the Group's vision and ambitions in terms of growth, technology, and sustainability.

Our Strategy continued

- To be a digital first data driven Bank:
  - By driving innovation and leading digital propositions with new technology, solutions and streamlined processes.
  - By enhancing customer centricity through a data-driven strategy and business model.
- To be the partner of choice:
  - By having an open, innovation-first operational model where people, technology, and ways of working become an ecosystem platform.
  - To other Bahrain National Champions across sectors to support their growth in Bahrain and beyond.
  - By being an employer of choice for talents of the future and empowering women.
- To maintain robust financials:
  - By having an efficient and lean operating model that delivers cost savings and BisB integration synergies and creates additional capacity for growth.
  - By driving topline growth through monetising recent investments in human capital and technology and delivering best-in-class financial and prudential ratios.

Digitalisation

The ongoing digitalisation of our operations plays an essential role in our mission to deliver best-in-class products and services to our customers. NBB has invested substantially in recent years to introduce state-of-the-art digital technology at both the front and back end to optimise all business processes, reduce costs, and deliver a faster, better value and more convenient service for all our customers, whether in person at our branches or online through our various digital portals.

NBB has fully revamped its branch network and enhanced its online services, including the Business Online Banking (BOB) service and developed an award-winning mobile banking app that consolidates all digital services into a single platform for customers.

To support our digital transformation journey and to ensure we always deliver the level of services our customers expect, NBB launched a Data Literacy Academy in 2021 to equip employees with the latest digital skills (see P93 for more details).

In line with our continuous commitment to accelerate the delivery of digital products and services, NBB signed a strategic agreement with Bring Global in April 2022, extending an existing partnership to enhance the bank's data, integration, digital banking and customer experience. With the support of NBB and the Bahrain Economic Development Board (Bahrain EDB), Bring Global is establishing their regional headquarters in Bahrain with the objective to jointly foster employment opportunities for Bahraini talent in line with the Kingdom's economic recovery plan.

Points by NBB

In line with NBB's strategy to enhance digital services and deliver a superior customer experience, the Bank launched 'Points by NBB' in 2022, the banking industry's first lifestyle digital customer rewards and Loyalty scheme.

Customers can earn points through a variety of financial and non-financial activities, such as by using their credit, prepaid and virtual cards, updating their profiles, or completing surveys, while they also receive points on their birthdays and other personalised occasions.

NBB's consistent efforts to innovate and break new ground have allowed us to consolidate our position as Bahrain's banking partner of choice and a national powerhouse operating in accordance with international standards.

Digitalisation continued

Points can be redeemed in various ways, including by converting to instant cashback on their cards, to air miles, raffles or by taking advantage of promotional offers with NBB's partners. Additionally, customers can use the platform for philanthropy by donating to various charitable organisations.

Corporate and SME clients can also use the platform to promote their products and offer NBB customers incentives.

Customers can register for the scheme using their NBB Digital Banking credentials and enable fingerprint and facial recognition for faster and more secure login. Business partners can register through a dedicated portal, where they can provide NBB customers with different rewards and offers.

Business Outlook & External Environment

NBB's consistent efforts to innovate and break new ground have allowed us to consolidate our position as Bahrain's banking partner of choice and a national powerhouse operating in accordance with international standards. With innovation and sustainability as core drivers, NBB is well placed to deliver on our ambition of further diversifying and developing our capabilities to tap new opportunities in the GCC and beyond.

Alignment with Bahrain's 2030 Vision and our commitment to the Kingdom's economic, social, and environmental development remain at the heart of NBB's strategic vision. We are proud to play a vital role in maintaining the country's standing as a regional financial hub, raising industry standards and supporting the Government's efforts to drive sustainable economic growth.

NBB constantly reviews market trends and assesses emerging risks to predict the direction of the banking sector and makes adjustments where necessary to keep the business moving in the right direction.

Particular attention is paid to major and emerging risks affecting the banking sector in Bahrain and the region that may have a material impact on the Group's financial results, reputation or sustainability.

Such risks include:

- Macro-economic environment:
  (1) As a reflection of its smaller population versus other GCC countries, Bahrain's banking assets represent less than 8% of total GCC assets, which constrains growth opportunities.
  (2) Interest rates are rising globally, including GCC, and this will potentially lower borrowers' ability to service and repay their debt.
- Regulation: Changes to laws and regulations applicable to financial institutions could potentially increase compliance risk as well as the cost of doing business.
- Competition: The nature of competition in the local market is changing due to further consolidation. NBB could maintain its competitive edge by continuing to make bold moves, such as by creating innovative new products or entering new markets. However, the Bank's strategic move to expand overseas in search of new growth opportunities in the GCC brings about new risks related to the high level of banking competition in most of the region.
- Digital: With the acceleration of technological change and the rise of new tech-savvy customers, NBB needs to ensure we adopt the latest technologies to stay ahead of the competition and deliver the level of service that customers expect. However, new digital technology comes with new cybersecurity risks. Finally, the rise of digital banks is disrupting the banking landscape and presents an additional risk.

Business Outlook & External Environment continued

- Retaining Talent:
  (1) Recruiting and retaining talent has become both a challenge and a risk for companies across geographies and industries.
  (2) NBB continues to invest significantly in training and developing employees, however, it must do so while ensuring it retains talent for the long-term.
- Climate Risk: This is mostly transitional due to policy changes and uncertainties relating to the shift towards a low-carbon economy.

Despite facing a series of challenges, NBB is confident that we can maintain and grow our market leading position due to the following action:

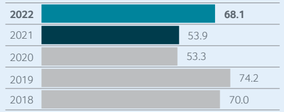
- NBB follows a prudent approach by ensuring we are more liquid than regulations require, which also puts us in a strong position to withstand any micro-economic shocks.
- As a 'National Champion', we have solid financials, a leading market position and strong ties with key national institutions and these fundamentals provide opportunities to capitalise on our scale.
- We have invested in building a technology foundation that will enable us to accelerate our digital transformation and support our growth and efficiency.
- We are unlocking efficiency gains and synergies from the integration of BisB to drive operational excellence. The fact that we were the first in the market to make this move gives us a competitive edge.
- We are heavily investing in new and existing talent to ensure we are educating and training the new generation, which helps to mitigate the risk of finding talent in the market.
- We have strong ties with key Bahrain institutions and are the partner of choice for many of them. This supports our regional business with a focus on the mid-corporate segment and scaling local funding and penetrating retail through a cost-effective digital attacker model.
- We are one of the few local banks to have a clear sustainability strategy and roadmap in place, including sustainability responsibilities assigned at Board level and a functional sustainability committee that acts as a catalyst to help set the direction of ESG-practices integration across the various workstreams of the Bank's functions. This enables us to manage rising ESG and climate risks and benefit from potential transition opportunities. We also have an extremely high level of ESG awareness amongst our workforce, at all levels achieved through a continuously evolving training platform available to all.

The National Bank of Bahrain delivered sustained growth in revenue and net profit

	2022	2021	2020	2019	2018
Earnings (BHD millions)					
Net interest income	**131.8**	120.5	116.0	93.3	87.2
Other income	**41.2**	30.4	31.9	28.4	24.8
Total operating income	**173.0**	150.9	147.9	121.7	112.0
Operating expenses	**85.5**	74.5	70.2	45.2	41.8
Operating profit	**87.5**	76.4	77.7	76.5	70.2
Profit attributable to the shareholders of the Bank	**68.1**	53.9	53.3	74.2	70.0
Consolidated net profit	**70.7**	55.0	50.7	74.2	70.0
Cash dividend	**51.5**	37.3	33.8	38.4	34.8
Stock dividend	**20.6**	18.7	17.0	15.5	14.0
Financial Position (BHD millions)					
Total assets	**4,785.3**	4,535.6	4,361.4	3,194.5	3,195.5
Loans and advances	**2,494.9**	2,395.8	2,173.1	1,213.7	1,190.1
Investment securities	**1,241.4**	1,258.6	1,231.4	1,070.7	1,132.2
Earning assets	**4,381.4**	4,201.7	4,013.3	2,992.1	3,020.7
Total deposits	**4,046.9**	3,923.8	3,741.7	2,599.0	2,675.9
Customer deposits	**3,330.2**	3,184.2	3,084.3	2,094.0	2,190.6
Shareholders' equity	**575.9**	535.3	526.3	532.3	475.8
Ratios (%)					
Earnings					
Return on average equity	**12.6**	10.5	10.1	14.7	15.2
Return on average assets	**1.5**	1.2	1.2	2.3	2.2
Earnings per share (fils)	**33**	26	26	36	34
Cost-to-income ratio	**49.3**	49.0	47.1	35.9	35.6
Net interest margin	**3.2**	3.1	3.0	3.3	3.2
Capital					
Shareholders' equity as % of total assets	**12.0**	11.8	12.1	16.7	14.9
Total liabilities to shareholders' equity (times)	**7.3**	7.5	7.3	5.0	5.7
Capital adequacy ratio	**23.6**	22.1	22.3	37.3	33.8

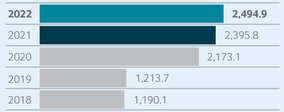
Profit attributable to the shareholders of the Bank
(BHD millions)

BHD68.1m



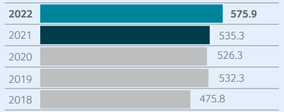
Loans and advances
(BHD millions)

BHD2,494.9m



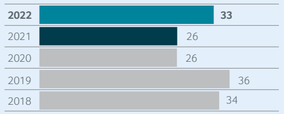
Equity
(BHD millions)

BHD575.9m



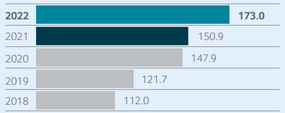
Earnings per share
(Bahraini fils)

33 Bahraini Fils



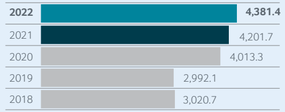
Total operating income
(BHD millions)

BHD173.0m



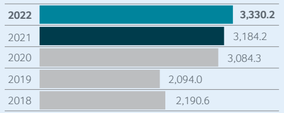
Earning assets
(BHD millions)

BHD4,381.4m



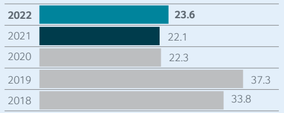
Customer deposits
(BHD millions)

BHD3,330.2m



Capital adequacy
(%)

23.6%



Our Sustainability Journey

From our earliest days, NBB has played a central role in the development of the Kingdom of Bahrain's economy by supporting individuals and businesses with access to essential financial services that support their growth and contribute to the national economy.

Beyond being a pillar of the economy, we have always considered it our duty to contribute to the fabric of society, in line with the vision and values of the country's leadership.

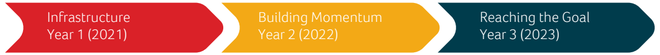
For this reason, in 1980 we officially enshrined within our organisation a culture of giving back to the community by establishing the Donations and Contributions Fund, Recommending 5% of our annual net income to a variety of charitable causes, a practice that we are proud to say continues to this day.

Our commitment to sustainability represents a natural step in our evolution as a forward-thinking organisation that looks beyond economic considerations. We recognise that there has been a decisive shift within global society and financial markets towards sustainability and that this requires us to ensure that we cater to the needs of all our stakeholders and to effectively manage all associated risks and opportunities.

Developed in 2020, our three-year Sustainability Roadmap reflects NBB's commitment to fully integrate environmental and social as well as economic considerations into our operational and business models and to contribute to the Kingdom's Economic Vision 2030 and a net-zero economy by 2060. NBB is determined to be a leading driver of sustainability in Bahrain and the regional banking sector.

Sustainability strategy and governance

NBB's Sustainability Roadmap



NBB's three-year Sustainability Roadmap sets out an ambitious agenda to systematically embed sustainability throughout our business operations.

Year 1 (2021) Infrastructure

The first year – 2021 – was focused on building the infrastructure required to ensure that we deliver on our promises. It began with the development of our Sustainability Framework based around seven pillars.

SUSTAINABILITY FRAMEWORK

NBB's Sustainability Framework has seven pillars:

Economic Growth

To be committed to providing unwavering support by capitalising on our strengths to build a solid foundation for the economy and its continuous growth.

Pillar Objectives

- Capture net impact i.e., the overall contribution of NBB to society and Bahrain's Economic Vision 2030
- Gain strategic advantage, preference, and recognition as the impact-maximising banking partner of choice
- Drive growth, via focus on increasing financing and investments in high growth and high positive impact sectors
- Achieve solid financial performance, on an ongoing basis

Serving Our Customers

To always connect with you, to understand you and help give you what you need, when you need it, in a way that works for you.

Pillar Objectives

- Offer the best sustainability-oriented products and services
- Highlight sustainability and focus on impact in customer messaging
- Be transparent and fair in all aspects of customer relations
- Contribute to the well-being of customers.
- Ensure the safeguarding of customer data and privacy

Responsible Banking

To demonstrate discipline through abiding by a responsible approach in the way we conduct our business as well as our operations.

Pillar Objectives

- Improve performance and help drive a shift in markets towards sustainable finance by:
  - o Enhancing ESG criteria in lending and investment activities, and
  - o Offering sustainability-oriented products and services
- Raise financial literacy and accessibility and practice responsible lending
- Expand SME clientele in line with Bahrain's Economic Vision 2030 ambitions

Nurturing Our Workforce

To continuously develop our people's knowledge, skills and mindset to better serve the economy and the community.

Pillar Objectives

Empower employees and reinforce development, effectiveness and satisfaction by:

- Integrating sustainability-related values into policies, procedures, training, products and services
- Empowerment of Bahraini and female employees
- Linking rewards and promotions to sustainability performance
- Contributing to the well-being of employees

Community Investment

To uphold the promise of giving back to the community through financial and non-financial contributions to the key pillars of the community.

Pillar Objectives

- Effectively enhance our community investments through leveraging NBB's full resources and capabilities

Preserving Natural Resources

To be conscious of our environmental footprint and integrate responsible conduct within our operations.

Pillar Objectives

- Significantly improve our environmental performance, including taking action to mitigate climate change and minimise our environmental impact

Governance and Ethical Behaviour

To abide by all regulations and to adhere to an ethical mindset that follows the corporate values and principles.

Pillar Objectives

- Achieve leading practice in good governance and integrity
- Embed sustainability directly into the core of our business, reinforced by world-class governance of sustainability

Sustainability governance

Board Oversight

In 2021, NBB's Nomination, Remuneration, and Governance (NRG) Committee's scope of responsibility was expanded to include the oversight of the ESG practices' integration within NBB's business and operations. As a result, the Committee was renamed to The Nomination, Remuneration, Governance, and Sustainability Committee.

This move has ensured that sustainability is embedded within the bank's governance structure and that environmental, social and governance (ESG) risks and opportunities are considered at Board level and aligned with the group's overall business strategy and operations. It also ensures that the needs of all stakeholders are considered at the highest level of the organisation and that there is transparency and accountability.

The Committee oversees different areas within NBB's sustainability roadmap, and functions as the highest governing body that ensures implementation and periodic reporting of performance against targets and KPIs.

Sustainability Committee

The Sustainability Committee was created in 2021 and is responsible for shaping NBB's sustainability roadmap and strategy in line with NBB's purpose, mission, promise and values. It functions as a catalyst that enables various functions in the bank to integrate relevant ESG matters into their business and operations by cascading down the overall strategy into specific objectives that are driven by KPIs and targets. The committee is also responsible of monitoring progress against agreed upon KPIs and providing periodic updates of the area to the Board.

Chaired by the Group Chief Human Resources & Sustainability Officer, the Committee is comprised of six experienced young talented Bahraini employees drawn from different departments of NBB to ensure broad representation. The Committee has a 50-50 gender split, reflecting our commitment to gender diversity, and a 50-50 representation diversity to cover business and operational backgrounds.

In 2022, the committee was further expanded to include four additional members whom are dedicated in supporting the committee achieve its objectives.

Workforce Awareness

In 2021 NBB began routinely conducting awareness sessions for our employees on a range of ESG-related topics. In 2022, we went a step further by creating the ESG Academy in partnership with the Supreme Council for Environment (SCE), to spread awareness about sustainability among employees. The academy will train NBB Group's employees and members of NBB's Sustainability Committee on various areas of ESG practices (see P93 for further details). Since introducing sustainability awareness sessions, more than 90% of the workforce has received training.

Year 2 (2022) Building Momentum

In 2022, NBB continued to integrate ESG considerations across all departments and our full range of services, including our lending criteria.

We have expanded our range of ESG-related products and services that enable customers to improve their own environmental footprint. These include retail financing for solar power projects and electric and hybrid vehicles as well as financing solutions for commercial scale projects.

We have also continued to ensure financial inclusion through our Financial Literacy Programme and have expanded our range of innovative products tailored to underserved groups within society.

This year's report also highlights how we have continued to review and enhance how we measure and report the impact of our sustainability-related activities, in line with internationally recognised standards.

Key achievements for the year will be discussed in more detail in the relevant section of the report. However, select KPI's that were achieved in 2022 include:

- Meet the requirements for ISO 14001 Certification (Environmental Management Systems) annual audit
- Achieve certification for the ISO45001 Occupational Health and Safety
- Maintain female representation in the workforce at minimum of 37%
- Maintain Bahrainisation in the workforce at minimum of 90%
- Record at least 10% increase in training hours delivered
- Successfully conduct Evolve Internship Programme
- Establish an ESG Risk Identification and Assessment Toolkit

United Nations Global Compact

In 2022, NBB joined the United Nations Global Compact, the world's largest corporate sustainability initiative, further strengthening our commitment to business practices that contribute to a more inclusive global market and help build prosperous and thriving societies.

The UN Global Compact calls for companies to align their strategies and operations with Ten Principles regarding human rights, labour, environment and anti-corruption, as well as taking action to advance societal goals. More than 14,000 companies and 4,000 non-business participants across the globe have already embraced the initiative's commitments. By joining the UNGC, NBB commits to assess, define, implement, measure and communicate its sustainability strategy while considering all stakeholders and in line with the UN SDGs.

Making rapid progress

Although we are in the second year of our three-year sustainability roadmap, we have already accomplished the objectives we had set for the third year. This is evident from the steady enhancement in our ESG rating by Refinitiv, which evaluates and ranks over 9,500 companies worldwide based on company-reported data, as well as our Bloomberg ESG Disclosure Scores and CSR Hub Scores.

We are proud to say that NBB now ranks first for ESG performance in the Banking sector in the Arab World as per Refinitiv ESG Scoring. In Q3 2022, the bank's score rose from 72 to 76 points thanks to the many initiatives the bank has launched to enhance its sustainable business practices.

The latest score cemented NBB's position within the top 10% of global banking services companies in the region by Refinitiv's ESG rating.

In addition, we have received high ESG ratings from other agencies:

ESG Invest (2020 cycle)	REFINITIV (31 Dec 2022)	Bloomberg (31 Dec 2022)	CSRHUB (31 Dec 2022)
1st Ranked in the banking sector in Bahrain	1st Ranked in the banking sector in the Arab World	1st Ranked in the banking Sector in Bahrain	1st Ranked in the Banking sector in Arab world
2 Consecutive years holding the first position	2nd Maintained our rank in the Banking sector in the Arab World	2nd Ranked in the Banking sector in the Arab World	2nd Ranked across sectors in the Arab World
2st Ranked in the Banking Sector in GCC	Top 10% One of the top 100 banks on ESG	4th Ranked across sectors in the Arab World	1th Ranked across sectors in Bahrain

NBB's progress in the ESG sphere was further recognised by the Euromoney Middle East Awards for Excellence 2022, winning awards for:

- 'Middle East's Best Bank for Corporate Responsibility'
- 'Best Bank for ESG in Bahrain'
- 'Best Bank for SME Banking in Bahrain'
- 'Best Bank for CSR in Bahrain'

Euromoney cited the number of new ESG initiatives NBB launched in 2021 including finance schemes for sustainable products, financial support for initiatives and projects, as well as initiatives aimed at reducing the environmental impact of the Bank's own operations.

Year 3 (2023) Reaching the Goal

A major initiative that NBB will roll out in January 2023 is an ESG Risk Identification and Assessment Policy and Toolkit that will allow us to systematically manage ESG risks and assess the ESG preparedness of our clients. We provide them with a questionnaire, in line with international standards, that will help assess a group's ESG readiness in terms of whether they have the necessary policies, initiatives, and targets in place. Questions are weighted depending on the industry the group operates in. This initiative will support our efforts to integrate ESG into our products and lending decisions as well as to assess our own ESG-related risks (for more details, please refer to P106).

NBB has a number of ongoing ESG-related initiatives, many of which are highlighted in this report. We are proud of our achievements since launching our sustainability roadmap in 2020 and are fully committed to continuing our journey. NBB is pioneering ESG nationally and leading the way in the Middle East banking sector. We will constantly review and enhance our performance as we seek new opportunities to create more sustainable value for our business and all our stakeholders. In 2023, we look forward to delivering on this promise while we expect to reap operational benefits from the actions we have taken to date.

Our stakeholders and materiality assessment

(GRI 2-29, GRI 2-30, GRI 3-1, GRI 3-2)

Stakeholder Engagement

In order to ensure we create sustainable long-term value for all key stakeholders as well as our business, we regularly engage with each stakeholder group to ensure we have a clear understanding of their needs and the issues that matter most to them. This is also an essential step towards ascertaining the key material ESG topics that we report on and that guide our sustainability strategy.

NBB maintains close contact with each stakeholder group through a variety of appropriate channels. The table below lists our key stakeholders and describes how they affect our business and how our business affects them. It also lists our methods of engagement with each stakeholder and the topics that matter most to them.

Stakeholder	Relationship	Engagement Method	Key Concerns
Employees	Our employees are the lifeblood of our business and critical to maintaining our operations and growing the business. Having a happy and satisfied workforce is key to the long-term success of our group and we do everything we can to help them achieve their goals and develop long and successful careers.	• Intranet • Human Resource Management Software (HRMS) • Newsletters • CEO Communications • Management/Townhall Meetings • Performance Reviews • Surveys • Team Building & In-house Training Events	• Employee Wellbeing • Diversity, Inclusion & Equal Opportunity • Health & Safety • Training & Development • Sustainable Workplace • Business Ethics
Customers	Our customers rely on us to deliver the services they need to safeguard and grow their personal wealth and their businesses. We depend on their continued trust and loyalty to grow our business.	• 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
Shareholders & Investors	The long-term growth of our business depends on our ability to attract investors and they depend on us to create value and maximise returns for them over time.	• 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 & Partners	We support the national economy by using locally based suppliers wherever possible and encouraging them to make the shift towards sustainability. We partner with local entities on many initiatives that create value for other stakeholders such as employees, customers, and the community.	• Training & Workshops • Events • Service Portals	• Fair Procurement Practices • Business Ethics • ESG Integration

Stakeholder Engagement continued

Stakeholder	Relationship	Engagement Method	Key Concerns
Government & Regulators	We depend on government and regulators to provide the governance and oversight that create the conditions for 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
Communities	NBB looks beyond its own operations to create value for the whole of society, including families and the most vulnerable groups, by contributing to wider community initiatives that support social development and provide opportunities for all.	• Volunteering • Events & Sponsorships • Charitable Contributions	• Financial Inclusion • Education • Healthcare • Social welfare • Environmental Conservation • Diversity & Inclusion • Sport

Our Material Topics

NBB takes a dual approach to materiality assessment by considering how our business operations impact the economy, the environment, and society as well as how these factors impact our business.

By actively listening to the needs and concerns of our key stakeholders, we are able to identify the most critical issues and align our strategic and operational decision-making with their priorities.

The list of material topics and their relative importance informs, guides, and helps to determine our sustainability strategy - comprising of our sustainability framework and roadmap - and the choice of appropriate reporting standards and metrics used in this report, including the IIRF framework, the GRI Standards, SASB, TCFD, Bahrain Bourse ESG metrics, Bahrain Vision 2030, the UN SDGs, and ESG analyst priorities.

As part of our ongoing efforts, we reviewed our material topics for the year 2021 and due to the advancement of our sustainability roadmap, we conducted a review of our material topics for 2021 and decided to include two new areas for 2022: Climate Change and Training & Development. We also replaced Responsible Finance with Sustainable Finance to reflect our more focused approach and longer-term impact.

In order to rank our material topics in terms of importance to our business, we plotted each of them as points on a graph that combines business impact versus stakeholder importance. In 2022, the ranking for Digital Transformation and Workforce Wellbeing also changed due to their increased importance and influence of stakeholders.

As a result, our 2022 materiality analysis includes 16 topics:

VERY MATERIAL

1. Compliance and Ethical Behaviour

   Regulatory requirements, as defined by national and international legislation, as well as customer demands, make it essential for us to establish and apply robust compliance procedures.

2. Data Privacy and Security

   Protecting customer and stakeholder data is a fundamental requirement, particularly with the growth of digital banking, requiring robust security procedures and systems.

3. Governance, Transparency and Accountability

   Operating in accordance with national and international regulations, policies, standards and codes of conduct underpins our license to operate and ensures that we can be transparent in our communications with all stakeholders.

4. Financial and Economic Performance

   Strong financial and economic performance is required for us to deliver economic value, pursue new business opportunities, manage financial risk, and support the wider growth of our country's economy.

5. Responsible Customer Relationships

   Levels of customer satisfaction with our products and services is very important to us, requiring detailed understanding of their needs, and behaving responsibly in our interaction with all customers – through the delivery of our products and services, our call centers, how we manage complaints, and how we respond to new customer demands.

MATERIAL

6. Digital Transformation

   Digitalisation, through our state-of-the-art digital services and portals, has become a way of life for us and our customers. Digital innovation involves providing groundbreaking products and services for our clients and delivers significant process and resource efficiencies in our internal operations.

7. Talent Attraction, Engagement and Retention

   Retaining and developing our people is a key component of our success, driving the need for the continuous growth of our employees' skills, knowledge, and experience. We fully

recognise the need to engage with our workforce and to foster an inclusive and positive working culture where people have every opportunity to thrive. By doing so, we create an organisational culture which is attractive to potential recruits.

8. Workforce Wellbeing

   Our employees are the lifeblood of our business, and they face diverse challenges in their professional and personal lives. We have always taken steps to ensure employee health and safety, and we are increasingly active in supporting their mental and physical wellbeing.

9. Training and Development

   Investing in the development of our employees' capabilities enables us to consistently deliver the highest standards of customer service while also nurturing a culture of innovative thinking required to grow the business. By supporting employees to grow and develop their skills, we create value for our employees, for the group, as well as for the economy and the community.

10. Climate Change

    Climate Change is the biggest threat facing humanity and considered a material topic by all stakeholders. As a bank we have a responsibility to manage our exposure to climate risk by monitoring and measuring our impact, from the point of view of our direct emissions as well as through our supply chain, all our products and services, and our investment portfolio. As a disruptive force, climate change also creates opportunities for companies willing to innovate and take early action. As a bank, NBB can lead on climate action by investing in initiatives that help to mitigate climate change as well as those designed to build resilience though adaptation.

11. Sustainable Finance

    Sustainable finance involves the development of products and services in a way that takes account of environmental and social needs, through prudent product development. It also requires effective screening of investments, adopting processes that take account of environmental, social and governance (ESG) factors and being mindful of the needs of all types of customer.

12. Financial Inclusion

    One of the guiding principles of Bahrain's financial vision for 2030 is fairness. We aim to align with that by making financial services accessible and affordable to all people, regardless of their background, in the most sustainable way possible.

13. Equal Opportunities

    We encourage a diverse workforce which mirrors the make-up of our society. We believe that, over and above legal requirements, diversity provides for better business decision making. An inclusive work environment results in a more productive working environment and by offering equal opportunities to our employees, we can help to build a sense of belonging.

14. Direct Environmental Footprint

    Minimising the environmental impact of our own activities is a pre-requisite of responsible operations, required by national regulators, customers, partners, and civil society. International efforts and pressure to tackle climate change is a key strategic issue for every business, and drives our efforts to minimise our resource use and take a systematic approach to the management of all our environmental impacts.

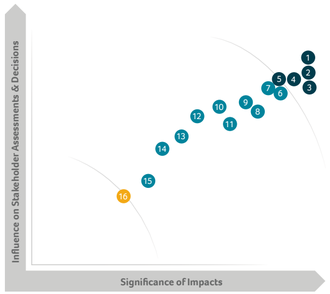
15. Community Investment

    We are proud of our heritage and commitment to Bahrain and recognise the need to support local communities and invest in their wellbeing. Our investment, programmes and initiatives aim to have a positive impact by providing financial support, addressing local needs, and diversifying the local economy.

16. Responsible Sourcing

    We work in partnership with a range of suppliers and partners to produce products and services in a responsible manner, as well as enforcing our relationship and expectations from our suppliers through active engagement, assessments and implementing our Code of Conduct.

    The material topics are listed and illustrated in the materiality matrix below, which sets out our understanding of the influence of each topic on stakeholders' decisions and the impacts on NBB's business.



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	Diversity, inclusion and equal opportunity
Least Material	14	Direct environmental footprint
	15	Community investment
	16	Responsible sourcing

SDG in focus

(GRI 203-2, G9)

The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted in 2015 by 193 United Nations member states as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

The SDGs are integrated and interconnected and recognise that development must balance social, economic and environmental needs. They also emphasise the importance of harnessing science & technology, mobilising financial resources, and building capacities to achieve the SDGs.

The Kingdom of Bahrain has embraced the SDGs and taken steps towards achieving them by aligning its national development agenda including the Bahrain Economic Vision 2030. Sustainability is one of the three guiding principles of the Economic Vision 2030 along with Competitiveness and Fairness.

The Role of Banking

Achieving the SDGs will require estimated annual global investment of $5-7 trillion, according to the UN. The banking sector therefore has a vital role to play by channelling resources towards initiatives that contribute to the implementation of the SDGs. NBB has integrated the SDGs into its business model as part of its sustainability framework and roadmap.

NBB contributes to achieving many of the SDGs in a variety of ways. For this year's report, we have specifically chosen to focus on how NBB impacts several SDGs through our financial inclusion practices. In addition, we have taken an in-depth look at how we make a major contribution to one SDG in particular, SDG 8.

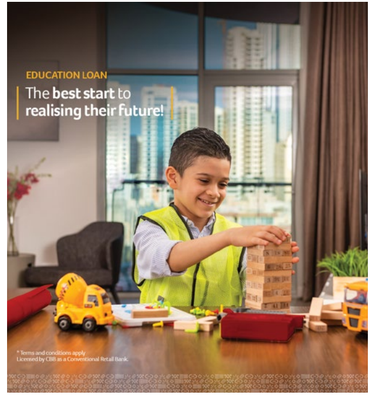
Financial inclusion is an important enabler of almost all SDGs and is addressed through various targets in several goals.

These include:

NBB promotes Financial Inclusion through:

1 NO POVERTY	No Poverty
2 ZERO HUNGER	Zero Hunger
3 GOOD HEALTH AND WELL-BEING	Good Health and Well-being
4 QUALITY EDUCATION	Quality Education
5 GENDER EQUALITY	Gender Equality
8 DECENT WORK AND ECONOMIC GROWTH	Decent Work and Economic Growth
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, Innovation, and Infrastructure
10 REDUCED INEQUALITIES	Reduced Inequalities
17 PARTNERSHIPS FOR THE GOALS	Additionally, SDG 17 – Partnerships for the goals, highlights the importance of mobilising finance and promoting greater financial inclusion as a way of strengthening the means of implementation for all SDGs.

1. Financial Literacy Programme: Aimed at spreading awareness of the benefits of various financial products and how to make effective use of them to existing and potential customers including groups that are underserved.
2. Community Initiatives: We support various community initiatives that help to promote financial literacy, particularly our education related initiatives.
3. Financing: NBB offers a wide range of financing solutions to meet the needs of different stakeholders. We have dedicated products for solar power and electric/hybrid vehicles; social housing; education finance; support for SMEs; and women led businesses.
4. Digitalisation: NBB has invested heavily in developing its digital platforms which promote greater access to banking services.



Spotlight on SDG 8 - Decent Work and Economic Growth

While NBB contributes to most of the SDGs in various of ways, as the leading financial institution in Bahrain we believe our biggest contribution is to SDG 8, which aims to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

The below lists the ways in which we support Bahrain's efforts to achieve several targets of SDG 8.

Target

8.1 - Sustainable Economic Growth

Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7% gross domestic product growth per annum in the least developed countries.

NBB Contribution

- Since its inception in 1957, NBB has been a key enabler of economic development in the Kingdom of Bahrain. Our growth has mirrored that of the country.
- Our banking services support the ambitions of individuals, businesses of all sizes, and strategic clients including government agencies.
- NBB supports many large clients locally and regionally that operate in key strategic sectors that underpin economic development, such as energy, infrastructure, real estate, manufacturing, healthcare, and more.
- Our financial restructuring services provide large businesses facing challenges with advisory and support services that help to unlock their potential, thereby preserving jobs and supporting economic growth.
- We support the local economy by prioritising local suppliers when procuring third-party services.

8.2 - Diversify, Innovate and Upgrade for Economic Productivity

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

NBB Contribution

- Diversification and innovation of our product portfolio and activities, including acquisition of a majority stake in BisB, has been key both for the growth of our group as well as that of Bahrain.
- The ongoing digital transformation of all our services, especially for retail and business accounts, is key for the evolution of our business, our clients, and the wider economy.

8.3 - Promote Policies to Support Job Creation and Growing Enterprises

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

NBB Contribution

- We are constantly growing the business both at home and overseas, creating fresh opportunities for existing employees and opening the door to many new ones through ongoing recruitment.
- NBB helps to stimulate economic growth and job creation by offering extensive support for businesses of all sizes.
- NBB supports start-ups and SMEs and helped to shield many of them from the worst effects of the pandemic. Examples include the Tamweel Al Watani financing scheme for SMEs which has since been upgraded.
- We participated in the design of the Liquidity Support Fund scheme to enable companies in the private sector, enhance entrepreneurship, and promote cross-sector growth.

8.4 - Improve Resource Efficiency in Production and Consumption

Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.

NBB Contribution

- We are taking action to address our direct environmental footprint by reducing energy and water consumption, waste production, and have begun installing solar power at select branches.
- We are extending and deepening ESG integration into all business practices and evolving our understanding of ESG risk within our client portfolio. This will allow us to support clients with their own sustainability transformations while allowing us to address our Scope 3 emissions.

8.5 - Full Employment and Decent Work with Equal Pay

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

NBB Contribution

- Through direct employment we provide high-quality, well-paid jobs for 834 employees and by extension support their families.
- NBB prioritises work for Bahraini nationals who make up over 90% of our workforce.
- We have one of the highest rates of female employment in Bahrain with women making up close to 38% of our workforce.
- We have various initiatives and support systems in place to help working mothers.
- NBB supports the inclusion of people of determination in our workforce. We are involved with the Bahraini Society of Down Syndrome on a project to recruit and integrate people of determination within the work environment. In 2022, we recruited three employees with special needs.

8.6 - Promote Youth Employment, Education and Training

By 2020, substantially reduce the proportion of youth not in employment, education or training.

NBB Contribution

- NBB places great emphasis on Bahraini youth development through our Thrive internship scheme, many of which go on to become employees at the group.
- We have an extensive suite of internal training & development programmes for junior employees with a view to nurturing the next generation of leaders.
- We support youth development and education through a wide variety of community initiatives and partnerships.

8.7 - End Modern Slavery, Trafficking and Child Labour

Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

NBB Contribution

- Our Human Rights policy prohibits discrimination of any kind and a zero tolerance for human trafficking and forced or child labour.
- Our Global Credit Policy prohibits dealing with counterparties that are engaged in human trafficking and forced or child labour.

8.8 - Protect Labour Rights and Promote Safe Working Environment

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

NBB Contribution

- Our code of conduct and related human resources policies ensure fair and equal treatment for all workers regardless of race, religion, gender, physical ability, or other features.
- We continue to pursue alignment with the various commitments of the Kingdom of Bahrain related to the support and respect of human rights, including the International Labour Organization Declaration on Fundamental Principles and Rights at Work. We are committed to actively ensuring that we are not complicit in any abuses of human rights by having in place specific policies and other internal requirements catered to the prevention of human rights abuses.
- We have successfully obtained the ISO45001 certification as a testament to having created an occupational health and safety management system to ensure we provide to our employees safe and healthy workplaces and prevent work-related injury and ill health.

8.9 - Universal Access to Banking, Insurance, and Financial Services

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

NBB Contribution

- As mentioned above, NBB has a variety of initiatives designed to promote financial inclusion for all individuals and businesses.

Our Value Creation Model

INPUT

FINANCIAL CAPITAL
- Total Deposits: BHDm 3,330.2
- Loans and Advances: BHDm 2,494.9
- Equity: BHDm 575.9

RELATIONSHIP CAPITAL
- 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 and Innovation at the core of the Bank's Mission with a robust IT infrastructure
- Financial awareness and knowledge sharing through NBB's Financial Literacy Programme
- Strong partnerships with Governments and key large clients

HUMAN CAPITAL
- A highly skilled workforce of 837 employees (772 in Bahrain, 29 in Riyadh and 36 in Abu Dhabi)
- A workplace environment that prioritizes respect for individuals, diversity and inclusivity, and equal opportunities for all
- Largest employers of Bahraini nationals in the country
- A learning culture based on progression, people development and nurturing of young talent
- Health and Safety of our employees at the top of the agenda: the first bank in the GCC to achieve ISO 45001 certification
- Sustainability embedded as part of the Human Resources Strategy

SOCIAL CAPITAL
- Integral part of Team Bahrain and Supporter of the Bahrain Vision 2030
- Community focused through initiatives , contributions and employee volunteering
- Regular donation of 5% of net profits to local communities
- Key partner in launching and administering the Liquidity Support Fund

NATURAL CAPITAL
- Robust sustainability governance with a well-defined roadmap and key environmental and climate-related goals
- Enterprise-wide climate-related training programme
- 72% of sites are ISO-14001 Environmental Management System certified
- Increased monitoring of energy and water use in our towers and branches and implementation of resource efficiency initiatives including the introduction of renewable energy solutions
- Enhanced management of climate-related risks & opportunities and increased engagement with clients to manage the Bank's financed emissions

BUSINESS MODEL

NBB

OUR AMBITION
To become The National Champion with a dominant position in Bahrain and an expanded regional footprint, we will leverage digital technology, our strong financial base, and our existing relationships with key stakeholders to drive sustainable growth and create top-tier shareholder value.

OUR PRINCIPLES

Our Vision
"Enriching the lives of generations"

Our Mission
"To always connect with you, to understand you and help give you what you need, when you need it, in a way that works for you"

Our Promise
"Closer to you"

Our Values
- Pride
- Respect
- Teamwork
- Responsibility
- Ethics
- Transparency

OUR STAKEHOLDERS

OUR DIVERSIFIED MODEL

RETAIL BANKING	COMMERCIAL & SMEs	CORPORATE & INSTITUTIONAL INVESTMENT BANKING	FINANCIAL RESTRUCTURING SERVICES	TREASURY, CAPITAL MARKETS & WEALTH MANAGEMENT	STRATEGIC ACCOUNTS

OUR SUBSIDIARY
بنك البحرين الإسلامي BisB

OUTPUT & OUTCOME

FINANCIAL CAPITAL
- Consolidated Profit for the Year: BHDm 70.7
- Dividend per Share: Fils 25
- Return on Equity: 12.6%

RELATIONSHIP CAPITAL
- 33.4% increase in number of digitally registered customers and 14.48% increase in number of retail transactions made through mobile app
- 22.6% of our retail loan portfolio towards the Mazaya programme and 21.06% towards personal loans catered for retirees
- 5 ATMS in low populated and economically disadvantaged areas
- 3.08% increase in number of transactions executed on corporate online banking
- 2022 Customer Satisfaction Index at 74.3% and Mystery Shopping overall score at 89% across all branches
- Zero number of identified leaks, thefts, or losses of customer data
- 80% of total procurement spent on local suppliers

HUMAN CAPITAL
- First bank in the Middle East to be accredited 'Gold' by Investors in People (IIP)
- Female employee rate of 38% with 6% of senior-to-executive levels filled by women employees
- 89% Employee Satisfaction Score
- 8.90% Voluntary Turnover and 0.84% Involuntary Turnover Rates
- Zero reported lost-time injuries or fatalities
- Nationalisation rate of 95%
- A total of 104 Bahraini interns in 2022 in addition to 58 participants in the Evolve programme
- Total of 66,531 of training hours, or 80 hours per employee, an increase of 72% from 2021
- 99% of employees completed sustainability awareness e-learning programme

SOCIAL CAPITAL
- BHD 3.369 million donated in 2022 to a range of worthy causes in Bahrain
- Partnership with esteemed local organisations such as Injaz Bahrain, Al Mabarrah Al Khalifa Foundation and the Ministry of Labour and Social Development, amongst others
- Key 2022 community events include support of His Highness Shaikh Khalid Bin Hamad Al Khalifa's 'Smile for Children with Cancer' initiative, the Annual Charity Fund Raising 6-A-Side Football Tournament and Diamond sponsorship of the International Conference and Exhibition for the "People of Determination"

NATURAL CAPITAL
- Awarded the Sustainability Coordination role on ALBA's $1.3bn sustainability-linked loan, a role shared with a renowned international bank and leader in the ESG space
- Reduction of 12.8% in overall energy consumption and 13.2% in our GHG emissions (Scope 1 and 2) from 2021
- 2022 electricity target achieved with a reduction of 13.3% in our Scope 2 emissions
- Decreased in water usage from 24.25 m3/employee in 2021 to 19.61 m3/employee in 2022, a reduction of 19.1%
- Waste recycling ratio increased by 42.13% in 2022 as compared to previous year
- Installation of solar panels across two branches yielding a reduction of 15.6MT CO2e in five months
- 2023 target to launch the Bank's ESG Risk Identification and Assessment Toolkit to understand the impact of client portfolio

SDG ALIGNMENT

Responsible Business Practices

Our Commitment		Our Alignment		Our Achievements
Sustainability Pillars	• Serving our Customers • Responsible Banking • Governance and Ethical Behaviour	**Bahrain Vision 2030**	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 Upholding the values of the state & society Supporting an Enabling Environment for Sustainable Development	**Awards & Achievements**
Material Topics	• Serving our Customers • Responsible Banking • Governance and Ethical Behaviour	**GRI Standards**	GRI 205: Anti-Corruption GRI 410: Security Practices GRI 418: Customer Privacy	• Global Finance's Sustainable Finance Awards 2022 "Outstanding Leadership in Sustainability Transparency on a regional level" • Euromoney Middle East Awards for Excellence 2022 "Best Bank for ESG in Bahrain" • Middle East Investors Association's (MEIRA) Award for Best Printed 2021 Annual Report – Small Cap Companies • Ranked first for ESG performance in the Banking sector in the Arab World as per Refinitiv ESG Scoring. • Ranked first since 2020 in the Bahrain's Banking Sector for ESG ratings by ESG Invest
Policies	• Anti-Bribery Ethics Policy • Human Rights Policy • Anti-Corruption Policy • Business Ethics Policy • Policy Freedom of Association • Whistle Blower Policy • Code of Conduct • Data Privacy Policy • AML Policy • Compliance Policy • Environmental Policy • Health and Safety Policy • Global Credit Policy (inclusive of ESG Risk Identification and Assessment) • AML Transaction Monitoring Procedures • Sanctions Policy	**SDGs**	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS	

Governance

(GRI 2-9, GRI 405-1, GRI 2-23, GRI 2-24, GRI 410-1, G1, G2, G3, S9, S10)

This section provides a high-level overview of NBB's corporate governance structure, committees, and policies which are designed to ensure the bank always adheres to best business practices and the highest standards of ethical conduct. For more in depth information please refer to the Corporate Governance Report on 115-138.

Board of Directors

The Board of Directors oversees NBB's strategic direction in line with the group's core values and supervises the management team in delivering and implementing the strategy. The Board is accountable to shareholders and stakeholders and has ultimate responsibility for ensuring that the highest standards of corporate governance are embedded within the organisation.

The Board is comprised of 11 members combining many decades of experience in the banking sector and other major business sectors. For a comprehensive overview of qualifications and experience, please refer to the Board of Directors profiles on P20 to P21.

Board Diversity

Board of Directors by Gender				
	Female		Male	
	Number	*Rate*	*Number*	*Rate*
2018	1	9.1%	10	90.9%
2019	1	9.1%	10	90.9%
2020	1	9.1%	10	90.9%
2021	1	9.1%	10	90.9%
2022	**1**	**9.1%**	**10**	**90.9%**

Board of Directors by age group						
	Below 30 years old	Age group %	Between 30-50 years old	Age group %	Over 50 years old	Age group %
2018	0	0.0%	3	27.3%	8	72.7%
2019	0	0.0%	3	27.3%	8	72.7%
2020	0	0.0%	3	27.3%	8	72.7%
2021	0	0.0%	2	18.2%	9	81.8%
2022	**0**	**0.0%**	**2**	**18.2%**	**9**	**81.8%**

Board Training

Each board member is required to complete 15 hours of continuous professional development training per year, as per CBB rules. Board training covers a range of financial and sustainability topics.

NBB's Board Completed Training Hours					
	Governance and ESG related	Information Security	Banking Finance	Others	Total Number of Training Hours
2019	35	0	203	96	334
2020	91.5	11.5	95.8	47.5	246.3
2021	65	19	77	75	236
2022	**143.5**	**41**	**57**	**54**	**295.5**

Board Training continued

Training Overview across our Sustainability Pillars (Board Completed Hours)							
	Economic growth	Serving Our Customers	Responsible Banking	Nurturing Our Workforce	Community Investment	Preserving Natural Resources	Governance and Ethical Behavior
2021	16	38.5	91.5	32.5	12	0	45.5
2022	**39.5**	**22**	**24.5**	**20.5**	**13**	**4**	**172**

Executive Management Team

The Executive Management team is responsible for implementing the strategy approved by the Board and developing products and solutions in line with strategic objectives and in compliance with all relevant regulations and best business practices.

The 17-member team combines many years of experience in the financial sector in Bahrain and around the world. For a comprehensive overview of their qualifications and experience, please refer to Executive Management profiles on P28 to P29

Management Committees

To ensure that the bank's strategy is efficiently executed, NBB has 11 executive management committees which meet on a regular basis to discuss strategic and operational issues with their respective business areas.

These include:

- Weekly Executive Committee Meeting
- Management Credit Committee
- Operational Risk Management Committee
- Group Asset Liability Committee
- Project Steering Committee
- Group Compliance Management Committee
- Digital Advisory Committee
- Information Security Committee
- Business Continuity Management Committee
- Product and Service Approval Committee
- Tender And Asset Disposal Committee

Committees of the Board of Directors

The Board of Directors has created several sub-committees to support the execution of its responsibilities.

Executive Committee

- Assists the Board of Directors with matters related to lending and investments in debt securities, and any other matters not delegated to a specific Board Committee.
- Approves specific credit and investment proposals, reviews budgets, plans and major initiatives for eventual submission to the Board for approval, and monitors the bank's performance against business plan objectives.

Audit Committee

- Reviews accounting and financial practices, reinforces the internal and external audit process and assists the Board of Directors with ensuring an effective system of internal control.
- Recommends the appointment and compensation of external auditors. Reviews the integrity of the bank's financial reporting, the activities and performance of the internal audit function, and compliance with relevant laws and regulations.

Donation and Contributions Committee

- Manages the distribution of funds allocated towards corporate donations and contributions in line with the bank's strategic outlook and community strategy.

Risk and Compliance Committee

- Oversees and monitors the risk management and compliance frameworks and makes recommendations to the Board on the bank's current and future risk appetite and policies.

Nomination, Remuneration, Governance and Sustainability Committee

- Identifies candidates for Board membership and senior officers and reviews and recommends the remuneration policies for the Board and management.
- Reviews and recommends corporate governance framework and sustainability strategy, in line with regulatory requirements and industry best practices.

Digitalisation Committee

- Advises on the bank's digital transformation strategy and supervises its implementation.
- Discusses and monitors associated risks to support the Risk and Compliance Committee.

Overseas Committee

- Advises on matters related to the overseas branches of the bank, including their strategic direction and monitoring of associated risks.

Compliance and ethics

(GRI 2-25, GRI 2-26, GRI 2-27, GRI 205-1, GRI 205-2, GRI 205-3, G6)

NBB has the necessary policies, processes and mechanisms in place to ensure that we comply fully with all applicable laws and regulations in Bahrain and the overseas jurisdictions that we operate in. This is an essential component of risk management and ensures that we protect our customers and preserve our good reputation in the market.

Nurturing a Compliance Culture

NBB strives to nurture a culture of compliance at all levels of the organisation, predominantly through conducting regular training and awareness programmes for staff that need it.

To ensure that we deliver this training in a systematic way, NBB established the Compliance Centre of Excellence. Training is delivered in the form of role-specific training, professional qualifications, immersive scenarios, masterclasses and a continuous professional development programme.

Training covers all areas related to compliance including Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT).

Number Employees that Received Training in Anti-corruption									
	Bahrain			KSA			UAE		
	Non-Management (Staff) I & below	Middle E - H	Senior D & above	Non-Management (Staff)	Middle	Senior	Non-Management (Staff)	Middle	Senior
2019	350	154	29	0	0	0	0	0	0
2020	408	179	27	8	16	1	13	3	2
2021	372	169	20	8	12	0	6	3	1
2022	**506**	**241**	**20**	**13**	**15**	**1**	**19**	**16**	**0**

Number Governance Body Members that Received Training on Anti-Corruption	
2018	7
2019	12
2020	16
2021	19
2022	**7**

During 2022 and in compliance with the CBB requirements, 100% of our employees completed a total of Anti-Money Laundry Training 4,288 Hours in the form of online self-paced, E-learning and physical workshops.

Compliance Governance and Framework

Established in 2019, our Group Compliance Management Committee (GCMC) oversees all compliance related risks and notifies senior management of issues requiring their attention. The Group Chief Compliance Officer reports relevant information from GCMC sessions to the Board Risk and Compliance Committee (BRCC).

NBB regularly reviews and updates compliance policies and procedures to ensure alignment with all applicable regulations. Any changes are discussed and agreed at GCMC level, submitted for discussion and recommendation to the BRCC and approved by the Board of Directors.

Financial Crime Compliance (FCC)

NBB adopts a risk-based approach to guard against financial crime, including 'Know Your Client' (KYC) requirements, sanctions screening, and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT).

We have in place an AML Policy, Compliance Policy, Sanctions Policy and AML Transaction Monitoring Procedures defining the framework for payment and name screening.

The bank has automated processes in place to screen transactions and ensure that compliance officers are alerted to any suspicious activity and can promptly investigate. Major concerns are escalated and discussed with the Money Laundering Reporting Officer and other relevant stakeholders.

Compliance officers routinely undertake specialised AML/CFT and sanctions training to ensure they can discharge their responsibilities effectively and efficiently.

Compliance Testing and Monitoring

NBB continuously monitors and stress tests our compliance systems to ensure they provide adequate protection against financial crime and reasonable assurance that the business abides by all relevant regulations.

Risk management

NBB takes a prudent approach to risk management, always striving to achieve the optimal balance between risk and returns. The bank evaluates risk in terms of the potential impact that changes in political, economic and market conditions as well as the creditworthiness of its clients can have on income and asset values.

The global financial sector is growing in complexity due to the rapid evolution of digital technology and changes in regulatory and operating environments. This presents additional risk management challenges for banks and means there is a need to constantly review and revise existing risk management frameworks.

NBB manages risk in various dimensions:

I. Credit Risk
II. Legal Risk
III. Liquidity and Market Risk
IV. Operational Risk
V. Information Security Risk
VI. Reputation and Fiduciary Risk
VII. Regulatory Compliance and Financial Crime Risks

The Board of Directors has overall responsibility for risk management and authorises appropriate policies based on the recommendations of the executive management team, supported by oversight and advice from the Risk and Compliance Committee.

NBB has five committees dedicated to managing different areas of risk:

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

Data security

(GRI 410-1, GRI 418-1, G6)

NBB takes all necessary precautions to manage risks associated with the use of information systems that support the bank's business operations. We have robust security systems in place to protect customer privacy and secure their personal data with the utmost care to retain their trust and confidence.

With more and more banking activity being processed through digital platforms, we have implemented numerous security and privacy initiatives to safeguard our customers across different platforms including conducting, to all staff, information security and privacy awareness training.

Our Information Security Management System (ISMS) framework consists of policies and procedures that allow us to systematically manage and secure sensitive Bank information in line with the ISO/IEC 27001 standard for which NBB attained certification in 2020. NBB is also PCI-DSS (Payment Card Industry Data Security Standard) compliant and certified.

The ISMS and associated processes are continuously reviewed and strengthened under the oversight of the Information Security Committee.

During 2022, for the fifth consecutive year, we had zero data security breaches.

	2020	2021	2022
Total number of data security breaches	0	0	0
Total number of data security breaches involving customers' personally identifiable information	0	0	0
Percentage of data security breaches involving customers' personally identifiable information	0	0	0

Data Privacy

NBB complies with the Personal Data Privacy Law (PDPL) of Bahrain introduced in 2019.

We also have a Data Privacy Policy which clearly explains:

- How and why we gather customer data
- How personal data is processed and used
- Disclosure of data to third parties
- International transfer of data
- Our approach to data security
- How long we keep personal data
- Customer's legal rights

We conduct internal audits on information security throughout the year, while an external audit is performed annually. We also ensure that all employees are provided with information security and with privacy awareness training.

NBB will complete the following activities in 2023 to strengthen data protection:

- Update records of processing activities
- Update current policies and procedures to include privacy elements
- Alignment with ISO 27701 – Privacy management systems
- Review and update existing or legacy contracts
- Develop procedures and processes for data subject access requests (Rectification, erasure, and portability)

	2021	2022
Percentage of Employees that completed Cybersecurity Training	100%	100%

Business Continuity Management (BCM)

The Business Continuity Management Committee is responsible for overseeing the implementation of effective mechanisms to ensure that NBB can withstand disruptive incidents and minimise their impact on customers and other stakeholders.

NBB has undertaken a range of initiatives to enhance Business Continuity Management, including training and certifying the BCM team on best practices and strengthening the recovery capabilities of its infrastructure with leading cloud-based solutions.

NBB achieved the Business Continuity Management System Certification ISO22301:2019 in June 2022 after successfully completing all the necessary requirements.

The BCM team designed a framework in line with international best practices and guidelines, including the ISO 22301:2019 and the Business Continuity Institute (BCI) Good Practice Guideline (GPG) 2018.

In 2022, the team conducted extensive reviews of business activities in coordination with cross-functional departmental BCM Champions to understand the full impact of core activities and services and develop Business Impact Analysis and Departmental Recovery Plans. During the year, we conducted simulation exercises, BCM tests, evacuation drills and emergency mass notification tests to further enhance our readiness capabilities.

The Group's efforts in this area were recognized by winning the Continuity and Resilience Team Award by the Business Continuity Institute (BCI), during the Middle East Award 2022 programme. The submission was also shortlisted for the Global awards, **where the Group won the same award on a Global level,** making it the first Bahraini organization to achieve this award and making this the fourth award in succession in the BCI regional and global awards since 2020.

Our Financial Capital

65 years of sustainable performance

The Group's operating result was the strongest on record and this was achieved whilst also creating a very liquid and safe balance sheet to prepare the Group for 2023. The balance sheet at the end of 2022 was exceptionally well placed with a growing portfolio of high-quality liquid assets and a high-level of precautionary provision protection.

Read more on pages no. 64-67 >

OUR FINANCIAL CAPITAL

(GRI 201-1, GRI 201-3, GRI 201-4)

Our Commitment		Our Alignment		Our Achievements	
Sustainability Pillars	• Responsible Banking • Economic Growth	**Bahrain Vision 2030**	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 Upholding the values of the state & society Financial sustainability & Economic Development	**Awards & Achievements**	• BCI Middle East Awards 2022 "Continuity & Resilience Team" • BCI Middle East Global Awards 2022 "Continuity & Resilience Team for NBB Group" (NBB & BisB) • Global Finance's Sustainable Finance Awards 2022 "Best Bank for Sustainability Finance in Bahrain"
Material Topics	• Governance, Transparency and Accountability • Financial and Economic Relationships • Sustainable Finance	**GRI Standards**	GRI 201: Economic Performance		
Policies	• Global Credit Policy • Business Ethics Policy • Code of Conduct • AML Policy	**SDGs**	8 DECENT WORK AND ECONOMIC GROWTH		

Financial Performance

Overview

The Group's operating result was the strongest on record and this was achieved whilst also creating a very liquid and safe balance sheet to prepare the Group for 2023. The balance sheet at the end of 2022 was exceptionally well placed with a growing portfolio of high-quality liquid assets and a high-level of precautionary provision protection.

NBB recorded a 29% year-on-year increase in consolidated net profit to BHD 70.7 million for the year ending 31 December 2022 compared to BHD 55.0 million in 2021. This translates into a growth of 26% in profit attributable to shareholders of the Bank to BHD 68.1 million from BHD 53.9 million. The increase in net profit is mainly due to strong business fundamentals reflected through higher net interest income attributable to a larger volume of loans and investment securities, at increasing rates. Treasury and capital markets activities and lower non-loan provision requirements also contributed to the increase in profitability.

As a result of the rise in profitability, the Group reported an earnings per share of 33 fils for the year compared to 26 fils in 2021.

At the end of 2022, total assets increased by 6% to reach BHD 4,785.3 million compared to BHD 4,535.6 million recorded on 31 December 2021, reflecting the growth in liquidity reserves as well as the loan book across both the retail and non-retail portfolios.

Customer deposits stood at BHD 3,330.2 million at the end of 2022, representing 70% of total liabilities and equity, while shareholders' funds represent 12% of total liabilities and equity.

Key performance indicators continue to remain strong in relation to our regional peers and international benchmarks, with a return on average equity at 12.6% compared to 10.5% in 2021 and a return on average assets of 1.5% compared to 1.2% a year earlier.

Total comprehensive income attributable to NBB's equity shareholders for the year increased by 73% to BHD 78.1 million in 2022 compared to BHD 45.1 million in 2021. Other comprehensive income includes the mark-to-market movements during the year on the investment portfolio, coupled with higher profitability reported in 2022 compared to 2021.

The Group presented a strong capital adequacy ratio of 23.6% versus 22.1% in 2021. Liquidity continues to be comfortable with the Group being a net contributor of funds into the interbank markets throughout the year.

The consolidated net stable funding ratio (NSFR) as at 31 December 2022 was 139%, the ratio demonstrating strength in the long-term funding profile of the Group. The average liquidity coverage ratio (LCR) for the fourth quarter of the year stood at 398%, the ratio provides insight into the exceptionally robust short-term liquidity of the Group. The Group continuously exceeded the minimum regulatory required funding and liquidity ratios of 100% throughout the year.

Net interest income

At the end of 2022, the net interest income of the Group increased by 9% to BHD 131.8 million compared to BHD 120.5 million for 2021, attributable to a larger volume of loans and investment securities, at increasing rates. Consequently, the net interest income as a percentage of earning assets (NIM) increased to 3.2% in 2022 compared to 3.1% in 2021.

Net fee and commission and other income

The net fee and commission income for 2022 at BHD 13.0 million was in line with the BHD 13.8 million recorded in the previous year, while other income at BHD 28.2 million was up by 70% compared to BHD 16.6 million in 2021. The increase was recorded under both core and non-core activities as presented in note 25 of the consolidated financial statements. Core activities predominantly relate to Treasury-related activities which saw an increase of 59% to BHD 20.5 million in 2022 from BHD 12.9 million in 2021.

The continued increase is in line with the Group's business diversification strategy to enhance the contribution from non-interest related activities.

Operating expenses

Operating expenses increased by 15% to BHD 85.5 million in 2022 from BHD 74.5 million recorded in 2021, resulting mainly from our investment in infrastructure and people, in line with the Group's transformation. Consequently, staff expenses and depreciation, amortisation and equipment expenses increased by 17% and 20%, respectively.

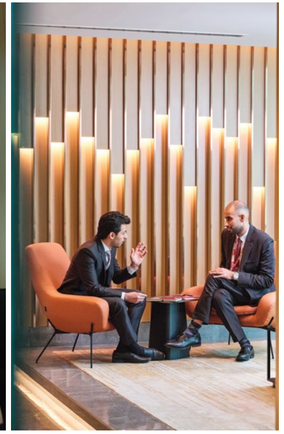
The Group's revenues increased in parallel with the planned increase in expenses which resulted in the Group's cost to income ratio holding steady at 49.3%, in line with the 49.0% reported in 2021.

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

Provisions for individually impaired credit exposures are determined by discounting expected future cash flows. However, 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 in event of default, and rating migrations. Based on the ongoing assessment of the provision requirement on loans and advances, an amount of BHD 16.3 million was provided towards impairment during the year compared to BHD 12.1 million in 2021. The increased charge providing significant comfort to cover any potential future impairment issues that have not yet been identified.

Loans and advances are classified as part of the non-performing portfolio upon an impairment event. In accordance with the Central Bank of Bahrain (CBB) guidelines, loans that have been classified as non-performing are classified as such for a cooling-off period of not less than six months from the date of becoming performing. Despite this and the cessation of the loan deferrals offered by the CBB as part of the COVID-19 concessions, NBB Group has maintained the non-performing loan portfolio at BHD 99.6 million, the same level as 2021. The Group's ratio of gross non-performing loans to total gross loans (NPL ratio) exclusive



and inclusive of purchased or originated credit impaired (POCI) financial assets was comfortable at 3.8% and 4.0% respectively at the end of 2022, compared to 4.0% and 4.1% in 2021.

Details of the Group's non-performing loans, collateral details, provision coverage and movements therein during the year are detailed in note 7 of the consolidated financial statements.

Assets

At the end of 2022, the Group's total assets were BHD 4,785.3 million compared to BHD 4,535.6 million at 31 December 2021, an increase of 6%, predominantly due to growth in liquidity reserves as well as growth in the loan book across both the retail and non-retail portfolios.

The Group has a well-diversified asset profile with loans and advances representing 52% of total assets, whilst maintaining significant liquid reserves, made up of treasury bills, placements with banks and cash balances representing 17% of total assets. Investment securities of various maturities, and including a portfolio of high-quality liquid assets, represent 26% of total assets.

The loan portfolio is diversified with widespread participation in the domestic market and includes a constant broadening of business relationships in Bahrain and the wider region. At the year-end, the Group's investment portfolio consisted mainly of debt securities, with a major part relating to Government of Bahrain bonds and Islamic Sukuk. Notes 31 and 32 of the consolidated financial statements provide details of the distribution of total assets by geographical region and industry.

Liabilities

The Group continues to successfully increase core customer deposits, with an increase of 5% recorded in 2022 to BHD 3,330.2 million from BHD 3,184.2 million in 2021. The rise reflects the Group's standing as the country's national bank, and one that continues to be closer to its customers.

Borrowings from banks and financial institutions stood at BHD 472.3 million at the end of 2022 compared to BHD 518.0 million as at 31 December 2021. Such interbank funding is considered supplementary funding, and the Group places a greater amount back into the interbank and treasury bill markets than it receives. Customer deposits continue to be the major source of funding with the ratio of customer deposits to total liabilities standing at 79% at the end of 2022 and representing the funding source for 89% of the combined loan and investment portfolios.

Capital Strength

The Group's total equity attributable to shareholders increased by 7% to BHD 565.9 million in 2022 compared to BHD 527.8 million at the end of 2021. The increase was due to the profits earned during 2022 and the mark-to-market gains on the investment securities classified as fair value through other comprehensive income, partially offset by the 2021 cash dividend payout.

The Group's capital adequacy ratio as at 31 December 2022 was 23.6%, and the common equity tier 1 (CET 1) ratio was 22.5% before the proposed appropriations. The ratios have been calculated in accordance with the Basel III regulations and the Central Bank of Bahrain 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 Central Bank of Bahrain. Additionally, according to the 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.

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.

Our Relationship Capital

65 years of trust and relationships

In line with our brand promise of being 'Closer to You', NBB is committed to delivering the highest standards of customer services, positioning the bank amongst the industry's regional leaders, and supporting Bahrain's Economic Vision 2030.

Read more on pages no. 70-79 >

OUR RELATIONSHIP CAPITAL

(GRI 203-2, GRI 204-1, GRI 418-1, G5)

Our Commitment		Our Alignment		Our Achievements	
Sustainability Pillars	• Serving our Customers • Responsible Banking	**Bahrain Vision 2030**	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 Upholding the values of the state & society Financial sustainability & Economic Development	**Awards & Achievements**	• Euromoney Middle East Awards for Excellence 2022 "Best Bank for SME Banking in Bahrain • Global Finance's Sustainable Finance Awards 2022 "Best Bank for Sustainability Finance in Bahrain" • Best Retail Bank Award at the MENA Banking Excellence Awards 2022 awarded by MEED (Middle East Economic Digest)
Material Topics	• Responsible Customer Relationships • Digital Transformation • Sustainable Finance • Financial Inclusion • Responsible Sourcing	**GRI Standards**	GRI 203: Indirect Economic Impacts GRI 204: Procurement Practices GRI 418: Customer Privacy		
Policies	• Consumer Data Protection • Supplier Code of Conduct	**SDGs**	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS		

Serving our Customers

In line with our brand promise of being 'Closer to You', NBB is committed to delivering the highest standards of customer services, positioning the bank amongst the industry's regional leaders, and supporting Bahrain's Economic Vision 2030.

This means constantly innovating to deliver a comprehensive portfolio of products and services that meet the needs of all customers in a fast, efficient and cost-effective way.

Partnering with other esteemed organisations has become a feature of our approach to enhancing our product offering and providing added value to our customers and the community. In 2022, NBB partnered with LinkedIn to increase its reach and engagement opportunities and better connect with its customers.

Responsible Banking

NBB seeks to abide by a responsible approach to banking by integrating ESG throughout our business and operations, in line with our sustainability roadmap.

Responsible banking means ensuring that we offer products and services that support the economic, environmental, and societal goals of Bahrain and wherever else we operate.

It also means catering to the full range of stakeholders within society, including those that tend to be underserved. As such, financial inclusion is an essential feature of our responsible banking ethos.

Through our approach to responsible banking, we aim to improve our performance and help drive an economic and societal shift towards sustainability through specific business practices.

These are:

- Integrating ESG criteria into lending activities
- Offering sustainability-oriented products and services, including sustainable finance
- Fostering financial inclusion through improved financial literacy and accessibility
- Expanding SME clientele in line with Bahrain's Economic Vision 2030

Sustainable Finance

In line with our commitment to integrate ESG into our lending practices, NBB offers innovative finance products tailored to meet the needs of key stakeholders within the Bahrain economy.

A key component of our responsible banking promise, sustainable finance products foster financial inclusion and help meet environmental and societal as well as economic objectives. Our business units currently offer sustainable finance products covering the following areas:

- Environmental
- Transition
- Social Housing
- Education
- SMEs
- Sustainability-linked financing which is designed to incentivise corporate borrowers to enhance their ESG performance by committing to reach specific ESG KPIs

Details of specific sustainable finance products are covered in the relevant business unit section. We regularly revise and update our offering to ensure it reflects the current realities of the market, the needs of all our customers, and is aligned with the environmental and societal needs of the Kingdom of Bahrain.

Financial Literacy Programme

Launched in 2021, the Financial Literacy Programme is a key part of NBB's financial inclusion and responsible banking commitment to spread financial awareness throughout the community and make banking more accessible to all members of society, including youth, migrants, people on lower incomes, and small business owners.

Through a blend of webinars and social media content, the programme aims to connect with both existing NBB customers and the wider public to share basic financial advice as well as knowledge of the range of banking solutions available and how to make best use of them. To expand our reach, we frequently partner with external organizations to provide specialized programmes for our customers. Some recent examples of these collaborations include:

- We worked with BENEFIT to conduct a virtual awareness session on the Wage Protection System (WPS) as part of their Financial Literacy programme. During the session, experts from both Benefit and our bank's CSME and Compliance Department explained the mechanism and regulations of WPS, as well as its benefits and what employers and employees can expect when using the system.
- The Youth Committee of the Supreme Council for Women (SCW Shabab) and our bank partnered to launch a Financial Literacy Programme for Bahraini youth. Through the Committee's platform and our Instagram page, we covered various topics related to the financing industry and the specialized skills needed in the banking sector, helping young people to better manage their finances and expenses. Our experts from different areas of the bank provided advice and tips during sessions like "Introduction to banking," "Compliance in Banking," "Retail Banking," "Cybersecurity," "Internal Audit," "Banking Operations," and "Sustainability in the Financial Sector". These gained major traction with over 6,000 followers engaging during the first three sessions.
- We collaborated with BENEFIT to host a series of e-Cheque awareness sessions aimed at our Commercial and Small & Medium-sized Enterprise (SME) customers. This initiative supports our ongoing efforts to promote the digitization of business practices and enhance financial literacy across the Kingdom.

The first session was held in August 2021 in collaboration with the Ministry of Industry, Commerce and Tourism (MOICT) and focused on financial budgeting for Commercial and Small & Medium Enterprises (SMEs).

Since then, NBB has conducted various financial literacy sessions catered to retail and business clients covering a wide range of topics including financial budgeting, SME certification, Wage-protection system, Data privacy, amongst others. Full details of financial literacy sessions held in 2022 are listed under the relevant business unit section below.

2022 Business Unit Update

The following sections provide a detailed overview of each of our six business units and their core activities. For each business unit, we have highlighted progress related to digitalisation as well as initiatives related to responsible banking, including sustainable finance, environmental and social initiatives, and financial inclusion.

Retail Banking

NBB provides a comprehensive suite of retail banking products and services for customers at our many branches, online platforms and through our network of Automated Teller Machines (ATMs), Interactive Teller Machines (ITMs), and Bulk Cash Deposit Machines (CDM). We offer traditional banking services such as personal current and savings accounts, prepaid and credit cards, and a wide range of loans and financing solutions.

NBB received the Best Retail Bank Award at the MENA Banking Excellence Awards 2022 by MEED (Middle East Economic Digest) in recognition of our commitment to providing best-in-class products and services to its customers in line with our brand promise of being 'Closer to You.'

Retail banking operations are divided into the following categories:

- **Retail Products**
  Creation and innovation of products suitable for customer requirements
- **Retail Projects**
  Manage Retail Banking ad-hoc based projects in alignment with existing requirements
- **Prestige Banking**
  Serves mass affluent customers to provide required services and products
- **Retail Marketing**
  Supports in marketing products and services to customers
- **Digital Banking**
  Supports and generates business from all digital platforms
- **Branch Network**
  Manages the branch network operations and business
- **Relationship Management**
  Frontliners in charge of selling products to retail customers
- **Quality Assurance**
  Ensures that all products and services are adherent to the regulatory guidelines and best practices
- **Card Business**
  Card operations and business pertaining to customers

Loan portfolio of products and services designed to deliver a specific social benefit	2018	2019	2020	2021	2022
Mazaya programme (% of Total Mortgage Portfolio)	N/A	N/A	21.2	43.9	50.6
Personal loans catered for retirees (% of Total Personal Portfolio)	34	22.86	23.13	21.06	21.06
Education loans (% of Total Personal Portfolio)	N/A	N/A	N/A	N/A	0.01
Joint housing (% of Total Mortgage Portfolio)	N/A	N/A	N/A	0.9	1.5

Digitalisation

NBB offers a wide range of digital banking solutions for retail customers including online banking, mobile banking, and ATMs to elevate the customer experience and to help us improve internal efficiency and collaboration. Digital platforms account for an ever-growing portion of NBB's service delivery to retail customers.

Retail digital services and customers

	2019	2020	2021	2022
Digitally registered customers	58,066	77,096	107,200	143,004
New to Bank customers onboarded digitally	N/A	N/A	9,860	28,221
Credit and pre-paid cards sold digitally	N/A	N/A	3,232	9,762
Retail end-to-end products and services offered digitally (%)	19	19	22	23
Number of logins to the NBB mobile app (monthly)	N/A	N/A	291,248	344,190
Number of retail transactions made through mobile app	673,724	791,532	891,343	1,020,383

In 2022, we continued to enhance our digital capabilities, integrating new initiatives to improve convenience for our customers including new product development, improving IT infrastructure and systems, and optimising data analytics solutions. In line with our digital strategy, 2022 witnessed the launch of a new digital customer rewards scheme, 'Points by NBB'.

Points by NBB

In line with NBB's strategy to enhance digital services and deliver a superior customer experience, in 2022 the bank launched 'Points by NBB', the banking industry's first lifestyle digital customer rewards scheme.

Customers can earn points through a variety of financial and non-financial activities, such as by using their Credit, Prepaid and Virtual cards, updating their profiles, or completing surveys, while they also receive points on their birthdays and other personalised occasions.

Points can be redeemed in various ways, including by converting to instant cashback on their cards, to air miles, or by taking advantage of promotional offers with NBB's partners. Additionally, customers can use the platform for philanthropy by converting their points into a donation to various charitable organisations. Corporate and SME clients can also use the platform to promote their products and offer NBB customers incentives.

Customers can register for the scheme using their NBB Digital Banking credentials and enable fingerprint and facial recognition for faster and more secure login. Business partners can register through a dedicated portal, where they can provide NBB customers with different rewards and offers.

Responsible Retail Banking

Sustainable Finance

Environmental

NBB has introduced innovative financing solutions aimed at supporting retail customers who want to improve their environmental footprint. The objective is to enable the bank's clients to adopt sustainable solutions and contribute to the decarbonization of the economy. Examples include:

- Solar panel financing: NBB retail customers can receive exclusive offers on solar energy panels obtained from any provider in Bahrain and access financing with fast approval times, competitive interest rates, zero processing fees and a 50% discount on insurance fees with a tenor of up to seven years.
- Electric/hybrid vehicles: NBB offers auto loan financing with exclusive rates for customers to purchase hybrid or electric vehicles with no processing fees. Customers availing of this offer can also access auto insurance at preferential rates, thanks to a partnership NBB signed in 2022 with Bahrain National Insurance (BNI).

Social

Home ownership

Providing Bahraini citizens with affordable access to housing is vital for the long-term well-being of society. NBB continues to strive to be inclusive with its product offerings catering to a wide array of customers. For instance, we have continued to offer low minimum requirements when it comes to applying for a personal loan, to ensure we are able to cater to financially disadvantaged segments as well. Moreover, partnering with government stakeholders on financing schemes that enable families to purchase their own home, this allows us to furthermore diversify our product offerings and are key contributors to our sustainable financing portfolio .

Mazaya

NBB supports the Ministry of Housing and Urban Planning's Mazaya Mortgage Financing Scheme which enables Bahraini nationals to get on the property ladder by obtaining financing from the bank while benefiting from the Mazaya subsidy scheme.

The Mazaya mortgage is one of NBB's leading retail banking products and in 2022 we provided more than 442 of these loans, an increase of 50% compared to 2021. The Mazaya programme accounted for 50% of NBB's mortgage portfolio in 2022.

Under the new Mazaya 2.0 scheme, the age limit for beneficiaries has been increased to 40 years old. In addition, the previous property cap of BHD 120,000 has been removed, and the programme is no longer limited to ready-to-move-in homes. Beneficiaries can now also use the financing to purchase land.

Tas'heel

In October, Eskan Bank signed an agreement with NBB to offer eligible citizens financing for new housing schemes, including the Tas'heel programme and a new category of Mazaya.

Tas'heel, a new scheme by the Ministry of Housing, aims at expanding home ownership to a larger number of beneficiaries throughout the Kingdom.

Under this programme, Eskan Bank provides financing for Tas'heel, while we supplement the amount by offering Joint Housing Finance to customers.

As part of the initiative, the minimum financing amount has been increased from BHD 19,000 to BHD 40,000, with a cap of BHD 70,000, up from BHD 60,000.

Education

NBB provides solutions that encourage education and self-development. By offering tailored financing schemes to nurture potential future leaders, NBB contributes to the Kingdom's Economic Vision 2030 of upscaling the number of educated individuals in the country.

Education Finance Programme

Launched in February 2022 on Education Day, the Education Finance Programme is an affordable financing solution that enables parents and individuals to invest in their own future by covering the cost of education at all levels, from kindergarten to higher education.

Financing covers education expenses up to a total of BHD 40,000. Costs are covered by mini financial contracts against the cost of each year, depending on the customer's financial eligibility when applying. The Programme offers a seamless and quick approval process with preferential interest rates and a tenor of up to seven years with no processing fees and no insurance fees. The programme can also open the door to high-performing students for internship roles at NBB.

NBB signed an agreement with the Royal College of Surgeons in Ireland – Medical University of Bahrain (RCSI Bahrain), AUBH, BUB, UCB, and Kingdom University in 2022 to extend its education financing solutions to existing and prospective students.

Environmental Initiatives

Virtual Cards

Cards stored on the customer's phone allows them to issue an active card within minuets. The virtual card can be used for contactless payment in stores or online.

Reduction of paper waste

- Converted TD advise slips to SMS messages to reduce paper usage
- Converted physical account statements to digital e-statements

Social initiatives

- Participated in the training of high school and university students as part of NBB's internship programme, Evolve and E-evolve.
- Conducted a virtual interview through Instagram on Retail Banking and its future, in collaboration with SCW Shabab.
- Hosted an introductory session on the importance of Retail Banking for youth in collaboration with Rotary Club Bahrain.
- Converted forms into Braille to enable visually impaired customers to read.
- Customers can now make charitable donations using rewards accumulated through the 'Points by NBB' scheme.
- Hosted an 'Introduction to Retail Banking' session for orphans in collaboration with Bahrain Institute of Banking & Finance (BIBF) and the Royal Humanitarian Foundation.

Financial Inclusion	2018	2019	2020	2021	2022
Number of branches in low populated and economically disadvantaged areas	N/A	2	3	1	1
Number of ATMs in low populated and economically disadvantaged areas	N/A	4	3	5	5

Commercial and SMEs Banking

NBB recognises the vital role that commercial and small and medium-sized enterprises (SMEs), including start-ups, play in the economic and social development of the Kingdom of Bahrain. For this reason, we provide specialised banking solutions tailored to their needs and support them to grow their businesses. Our support for SMEs came to the fore during the pandemic when we helped to keep many of them on their feet and shielded them from the worst effects of the downturn.

NBB's support for SMEs was recognised in June 2022 by the Euromoney Middle East Awards for Excellence 2022 with the award for 'Best Bank for SME Banking in Bahrain'.

In 2022, NBB collaborated with a leading management consultancy to develop the "Transformation Pulse" Report – to shed light on recent and planned transformation efforts, with a particular focus on SMEs and firms based in the Kingdom. The study identifies SMEs as a key area for growth for NBB and, moving forward, we will continue to expand our offering of tailor-made products for the sector.

In October 2022, NBB & Bahrain Development Bank (BDB) signed a Memorandum of Understanding to develop products and solutions for SMEs ranging from lending to payment and trade finance solutions. NBB and BDB share a common purpose to identify products and services to fill the gaps in the market and further enable the growth and development of the SME sector in Bahrain.

The business unit's operations fall into the following categories:

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

Digitalisation

In 2022, the Commercial and SME business unit continued to encourage clients to move away from over-the-counter services towards digital and online alternatives, with products such as e-cheque, e-statements, online banking, and others. Online service applications were piloted successfully on a national level and an implementation plan for 2023 is underway.

In 2022, NBB partnered with Cork Information Technology W.L.L. to introduce a Supply Chain Finance solution for Corporate and SME clients and their suppliers. The digital product offering aims to bridge gaps between buyers and suppliers by providing a range of financing and risk mitigation solutions designed to optimise working capital.

Operating through Cork Information Technology's Corklinc platform, suppliers can prepay their invoices upon acceptance of invoices by the buyer, and benefit from quick access to cash as well as an additional source of funding without consuming their credit limits. Buyers can aid their suppliers with access to financing and can also help in securing better payment terms and discounts.

Responsible Banking

Sustainable Finance

Environmental

NBB provides innovative financing solutions on a project basis aimed at supporting business customers to improve their environmental footprint.

Examples include:

- We financed an SME specialised in providing renewable energy, energy efficiency, building solutions & industrial services.
- We financed construction and installation of solar panels at the first eco-friendly hospital in Bahrain, the new King Hamad American Mission Hospital. The aim of this specific transaction is to allow the hospital to cover up to 50% of its electricity requirements from photovoltaic energy.
- We financed a hydroponic food farm project by the Ministry of Works, Municipalities Affairs & Urban Planning, which aims to reduce water consumption and carbon emissions.

Tailored products for SMEs

Tamweel Al Watani

In 2021, NBB launched the Tamweel Al Watani lending scheme to provide additional support to SMEs to improve cash flow following the pandemic and help them achieve their sustainability goals. The scope of the initiative was widened in August 2022 to allow a larger number of SMEs to benefit from the programme.

Tamweel 2.0 is a direct result of client feedback, market development, and NBB's assessment of current economic needs in line with the Kingdom's economic recovery plan. Through the revised initiative, local SMEs can benefit from a streamlined application process, with shorter turnaround times and less stringent prerequisites. Tamweel 2.0 includes further relaxed terms and tailored lower costs specifically for female-owned businesses.

Social initiatives

- Volunteered to participate in INJAZ Bahrain programmes and provide necessary support such as judging and evaluating candidates, as well as participating in the launch of 'Entaliq.' Additionally, one of our CSME team members is acting as a mentor for a team under the programme's flagship, working closely with them until they obtain their commercial registration as a company.
- Contributed to NBB's Evolve and E-evolve internship programmes through several initiatives aimed at providing students with the skills and knowledge needed to succeed in the world of banking and finance. First, we provided on-the-job training to two students for a total of 40 hours, covering basic training in customer service, relationship management, KYC, and credit risk across all units within CSME. In addition, we conducted a two-hour presentation for Evolve school and university students, as well as a two-hour webinar for E-evolve participants, to educate them about SMEs and the products and services provided by banks in this segment.
- Conducted a customer satisfaction survey with the goal of targeting 100% of the borrowing population. We received responses from 52% of the borrowing population, with an overall satisfaction rate of 88.2%. This result reflects our dedication to meeting the needs of our clients and ensuring their satisfaction with our services. Moving forward, we aim to achieve a target satisfaction rate of 90% in 2023.

Case Study: Credit line for a scrap metal recycling business

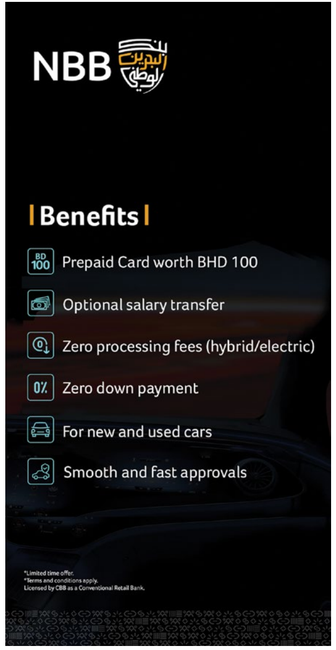
Crown Industries B.S.C. is a pioneer in recycling in the Kingdom of Bahrain where they are the only company fully capable of recycling plastics, ferrous and non-ferrous scrap metal, obsolete machinery, electrical and telecommunications cable and equipment. All products are recycled, processed and exported to different parts of the world.

In 2022, the company won a contract with BAPCO to buy their steel scrap for 10 years. The key objectives of the project include the diversion of waste from landfill and safeguarding the long-term future for waste treatment and disposal in Bahrain.

NBB provided a general working capital line to enable Crown Industries to participate in the bidding and acquisition process for the purchase of scrap material from BAPCO.

"As an environmentally friendly company, Crown Industries B.S.C. is committed to providing value-added goods and services to its customers and becoming the best recycling company in the Kingdom of Bahrain that consistently and reliably makes a difference."

- Gopalkrishnan Rajan, CEO of Crown Industries



Financial Literacy Programme

In 2022 the CSME department held five financial literacy sessions that covered four main areas: Taxation in Bahrain, Project Finance, Transaction banking & cash management, and the use and benefits of the E-Cheque product.

Presented by top talents from NBB group, sessions were specifically tailored for SMEs and open to NBB clients as well as the wider SME ecosystem. The sessions attracted a total of 420 participants from multiple sectors including services, construction, F&B, & FMCG.

Corporate and Institutional Investment Banking

NBB supports corporate and institutional investment clients including government and government-related entities. Many of our clients operate in vital economic sectors in Bahrain and overseas such as infrastructure, oil & gas, utilities, construction and real estate, manufacturing, healthcare, telecommunications, and more.

We provide financial advice and diverse funding solutions, ranging from short- to longer term financings. We lead and coordinate large scale funding exercises for local and regional clients, delivered by our debt capital markets and syndications team, including project finance and refinancing services.

Digitalisation

We implemented a digital archiving process for paper requests received from customers. We also launched a new Financial Settlement Service to facilitate settlement of client funds and support companies that provide card-based services.

The number of transactions executed on corporate online banking increased by 3.08% and the transaction value by 27.45% in 2022 compared to the previous year.

Digitally processed transactions	2018-19	2019-20	2020-21	2021-22
Percentage increase in digitally processed transactions (%)	720	658	64	3.08

Responsible Banking

Sustainable Finance

- NBB signed a Memorandum of Understanding (MoU) in September 2022 with Honeywell to provide customers with access to solutions that help decrease operational costs and track carbon emissions. The agreement provides a framework for NBB to offer more sustainability-focused financing plans to a larger number of customers, while supporting its existing client base with advice and financing. In turn, this will allow customers to achieve their sustainability goals and substantial energy savings.

Environmental and Social initiatives

- Invoice Prepayment to provide liquidity to SMEs
- Interest rate preference for projects achieving ESG Milestones (i.e., sustainability-linked loans)
- Originating a Sustainability-linked Loan transaction for a client where the applicable pricing is linked to performance against predefined ESG-related targets. The product allows the customer to benefit from pricing concessions if it achieves the set targets. This delivers economic, environmental, and social impact.
- NBB also participated in two strategic transactions that were Sustainability-linked, allowing the borrowers the flexibility of the use of proceeds while promoting performance improvement in select ESG-related areas.

Treasury, Capital Markets and Wealth Management

This business unit manages NBB's liquidity, interest rate, foreign exchange, market risk and investments. The business unit includes four main areas:

- **The Trading desk** acts as a major market maker in regional currencies providing comitative rates, ensuring best execution and value addition. Trading covers a wide range of capital market products including FX, Rates, Credit and derivatives.
- **Capital Markets Sales and Wealth Management** provides foreign exchange cash management solutions, financing & hedging solutions to a wide range of clients including retail, corporates, SMEs, strategic clients.
- **Treasury & Asset Liability Management** maintains the bank's Liquidity and manages the funding and financing needs of the business and ensures a proper holding in HQLA.
- Our **Portfolio Management desk** manages the bank's fixed income portfolio ensuring proper risk diversification and optimal return to the bank.

Digitalisation

The business unit contributes positively towards environmental goals by adopting electronic transaction processing which has drastically reduced the amount of paper used. Adopting digitalisation and automation has contributed towards a social gain for employees by reducing their workload and improving productivity levels.

Responsible Banking

- Delivered a webinar on the department's mandate, scope of work and offerings for 40 university and school students involved in NBB's Evolve internship scheme
- Volunteered to provide mentorship and guidance for students on the TradeQuest programme by Bahrain Bourse

Strategic Accounts Management

Strategic Accounts is tasked with ensuring that our strategically important clients are offered world-class, bespoke banking services and an exclusive experience that encourages them to make NBB their long-term preferred banking partner.

Customers serviced by the unit include some of the highest decision-making authorities in the Kingdom, the country's leading business personalities and entities that are strategically key not only for the bank but for the country as a whole, as well as prominent social influencers and opinion leaders. The unit serves a segment of customers whose deposits significantly contribute to the bank's liquidity position. By leveraging strong relationships with Government sector entities, which are among the top employers in the Kingdom, the department plays a significant role in ensuring that NBB remains the preferred partner not only for those entities but also for their staff. As such, their business significantly strengthens the bank's liquidity position as well as all other business lines.

During the year, the department continued to offer bespoke, round the clock personalised service to the bank's prime customers which include ultra-high net worth (UHNW) and high-net worth (HNW) individuals as well as strategic Government entities, along with a range of value additions and benefits, with a view to enhancing customer trust and loyalty.

We on-boarded new government entities and individuals and deepened relationships with strategic and highly sensitive clients, which demonstrates the confidence these entities have in us and their appreciation for the exceptional level of service and confidentiality we provide.

We established new relationships with clients in the energy & logistics sector and opened an account with an entity which serves the community and is also responsible for examining athletes in Bahrain as well as those visiting from overseas when Bahrain hosts international sports competition.

Digitalisation

Strategic Accounts has fully aligned its operations with the digital transformation strategy of the bank. Traditional clients like government ministries, especially security agencies, are resistant to digital channels due to concerns about data security and confidentiality. The department had continuous follow-ups and meetings with these and other entities and as a result, were able to convert some key clients to our digital channels.

Registrations to digital channels increased by 8.3%, digital transactions grew by well over the target and almost 40% of the

customer base are already enrolled for digital channels, including Business Online Banking and Digital Banking. Strategic Accounts will continue to promote new digital products to our clients as and when they are introduced by the product teams.

Responsible Banking

- The Unit participated in NBB's Evolve internship scheme by providing interns with mentoring sessions, on the job training, an overview of the banking sector, and future career advice

Financial Restructuring

NBB supports companies in need of specialised financial restructuring advice, with a primary focus on corporate clients in addition to select commercial banking clients. We act as an independent adviser to companies facing challenges, as well as the companies where NBB is a creditor. We work closely with group Boards and executive management teams to enable them to protect, maintain, and unlock business value.

Responsible Banking

- The team had successfully restructured a locally established Bahraini manufacturing company that had been in financial distress for various reasons including the global pandemic. The restructuring enabled the entity to continue its activities, which also includes manufacturing 'green' products, saved many jobs, and preserved economic value.
- The team had supported completion of a longstanding real estate development which includes a portion of affordable housing units. By supporting the project, we ensured the continuation of work for contractors and their workers, preserved value for buyers, and averted a negative impact on the wider economy.

Customer Relations

In line with our brand promise of being 'Closer to you', NBB is committed to protecting the interests of all our customers while consistently delivering exceptional service across all business lines.

We take great care to ensure all our staff are trained to the highest standards to enable them to provide clients with first-class service, whether in person or online.

Protecting Customer Privacy

Protecting customer privacy and securing their personal data is essential for maintaining customer confidence. As detailed in our governance section, NBB has all necessary systems and mechanisms in place to ensure that we safeguard their assets as well as their confidentiality.

	2018	2019	2020	2021	2022
Total number of identified leaks, thefts, or losses of customer data	N/A	0	0	0	0

Measuring Customer Satisfaction

To better understand customer needs and gather their feedback, NBB periodically hires third party firms to carry out independent customer research.

NBB systematically monitors the customer experience under a five-year plan we set out in 2017.

In 2022, we launched two initiatives to improve our customers' experience. We conducted an annual survey to gauge customer satisfaction with our products and services among our retail customers. Our customer satisfaction index for 2022 is 74.3%, which is within the industry benchmark. Since this is the first time we have conducted the survey, we do not have any comparison to previous years, but we plan to continue measuring customer satisfaction going forward and set targets for 2023. Additionally, we carried out a Mystery Shopping exercise across all our branches in Bahrain, evaluating the customer journey in terms of the branch environment, customer service, and teller performance. The overall score for this exercise in 2022 was 89% across all branches.

We have made significant progress towards achieving our goals. As of 2022, our strategic Net Promoter Score (NPS) has increased to 60, a remarkable improvement of 13.2% compared to our 2021 result of 53. We remain committed to implementing measures that will continue to improve our NPS and deliver exceptional service to our customers.

Responding to Customer Complaints

Excellence in customer service is one of the essential tools to sustain business growth, attract new business and retain Consumer Protection. At NBB customer satisfaction is a prime concern. The Bank does not only believe that providing prompt and efficient service is essential but also recognizes the right of its customers to complain and indeed acknowledge their Complaints as a valuable form of feedback to improve its services and products.

Hence, the Bank's has an approved Policy and Procedures on Customer Complaints Management, which is recognized as a tool to address shortcomings arising from Bank's end and adhere to the CBB guidelines on complaints management process and improve the overall quality of customer experience with NBB.

The Bank's customer complaints procedures are free and accessible to all customers via our branches and website.

In 2022, all complaints received were acknowledged in writing within five working days from the date of its receipt and a complaint reference number was provided to complainants. In addition, all those complaints received their final responses in writing explaining the position and bank's decision within 30 calendar days from the date of its receipt.

For the fourth consecutive year, we maintained a response rate of one hundred percent when acknowledging complaints and responding to them in accordance with CBB guidelines. Our average response time to complaints was 14 days.

Customer Complaints	2019	2020	2021	2022
Number of complaints received	53	75	195	214
Number of complaints closed	53	75	195	214
Response rate to customer queries (%)	100	100	100	100

To ensure adherence to our complaints management framework and consistency in handling customer complaints, we continue to train our staff on our policy and procedures for customer complaints management on an annual basis.

Sustainable Supplier Relations

In line with the Bahrain Vision 2030 and our sustainability framework, NBB strives to integrate environmental and social as well as economic considerations into our procurement process.

First and foremost, we look to support the national economy and preserve the environment by sourcing third-party products and services locally whenever possible. This approach helps to strengthen our supply chains while also reducing operational costs.

In addition, we have fully digitised our procurement process, which has not only resulted in time and costs savings for NBB but has also encouraged more local suppliers to make a similar shift.

In 2022, 80% of our total procurement was spent on local suppliers, a testament to our support for the local economy and efforts in reducing the environmental impact of our supply chain.

When selecting which suppliers to work with, we measure service quality, vendor capability and cost. As per our Human Rights Policy, NBB only engages with contractors or service providers that observe and respect human and labour rights in all their undertakings.

Bahrain Operations	2019	2020	2021	2022
Total number of suppliers engaged	336	228	411	416
Total number of local suppliers engaged	309	187	334	321
Total number of SME suppliers engaged	131	57	40	128
Total number of women-owned suppliers engaged	43	16	8	35
Total procurement spending (BHDm)	30	46	38	40
Procurement spending on local suppliers (BHDm)	23	34	30	32
Percentage of spending on local suppliers (%)	78%	78%	79%	80%
Number of suppliers assessed against sourcing code of conduct	336	228	189	272

Notes: Local suppliers are defined as any company having a commercial registration (CR) in the Kingdom of Bahrain (as per Sijilat). While the bank's code of conduct does not cover vendors, all our vendors go through the onboarding process and 'Know Your Supplier' practice which covers confidentiality and transparency.

Our Human Capital

65 years of keeping culture and values

NBB's employees are our greatest asset and a key driver of organisational success and value creation. We make it a priority to attract the finest talent available and focus on ensuring employees are happy to come to work and deliver their best effort for the group every single day.

Read more on pages no. 82-93 >

OUR HUMAN CAPITAL

(GRI 2-7, GRI 2-8, GRI 202-2, GRI 401-1, GRI 401-2, GRI 401-3, GRI 403-8, GRI 403-9, GRI 403-10, GRI 404 1, GRI 404-2, GRI 404-3, GRI 405-1, GRI 406-1, S2, S4, S5, S6, S3, S7, S8, G5)

Our Commitment		Our Alignment		Our Achievements	
Sustainability Pillars	• Nurturing our Workforce	Bahrain Vision 2030	أهداف التنمية المستدامة للبحرين BAHRAIN SDGs 2030 Upholding the values of the state & society Financial sustainability & Economic Development Supporting an Enabling Environment for Sustainable Development	Awards & Achievements	• Investors In People – Gold accreditation status till end of 2024
Material Topics	• Talent Attraction, Engagement and Retention • Workforce Wellbeing • Diversity, Inclusion and Equal Opportunity • Training and Development	GRI Standards	GRI 202: Market Presence GRI 401: Employment GRI 403: Occupational Health & Safety GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity GRI 406: Non-Discrimination		
Policies	• Anti-Discrimination Policy • Youth Employment Support Policy Statement • Human Rights Policy • Equal Opportunity Policy • Diversity and Inclusion Policy • Group Health and Safety Policy • Employee Training and Development Policy • Policy Career Development • Code of Conduct • Human Resources and Talent Management Policy • Nationalisation Policy	SDGs	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 13 CLIMATE ACTION		

Investors in People

– Gold Accreditation Status Until End of 2024

Underlining our long-term commitment to our employees, NBB is the first bank in the Middle East to be accredited 'Gold' by Investors in People (IIP), a world-renowned standard for people management. Based in the UK, it offers accreditation to organisations that adhere to the Investors in People standard which reflects the latest workplace trends, practices and employee conditions required to create high performance teams.

INVESTORS IN PEOPLE

At National Bank of Bahrain

NBB

We invest in people Gold

A part of our community since 2021

By analysing quantitative and qualitative data, organisations are assessed on how they lead, support and develop people at work through their employee engagement, communication, organisational culture and work practices.

There are four levels of accreditation: Accredited, Silver, Gold and Platinum.

NBB's scored 748 out of 900 which is equivalent to 83%, rated against nine key indicators:

- Leading and inspiring people
- Living the organisation's values and behaviours
- Empowering and involving people
- Managing performance
- Recognising and rewarding high performance
- Structuring work
- Building capability
- Delivering continuous improvement
- Creating sustainable success

WHAT THIS MEANS

- NBB is in the top 17% of organisations globally when it comes to Investing in People
- Wea are the first bank in the Middle East to be accredited by Investors i People - Gold
- Our effective work practices and employee engagement produce positive outcomes
- We trust, empower and deligate authority to our people
- We inspire our people to always be at their best
- We demostrate the true meaning of being a "great place to work"

OUR KEY STRENGTHS

- We have a vivid transformation agenda
- We have embeded a learning culture
- Progression is a key feature of our people development
- We focus on ESG beyond the conventional
- We prioritise the wellbeing of our people and stakeholders
- We advance strategic partnerships and support the community

Our Workplace Culture and Values

OUR MISSION

"To continuously develop our people's knowledge, skills and mindset to better serve the economy and the community".

Total Workforce	
2018	702
2019	763
2020	761
2021	779
2022	**837**

NOTE: all employees are on a full-time basis. Numbers above exclude trainees, students and outsourced staff.

Employee Breakdown by Gender				
	Female		**Male**	
	Number	Rate	Number	Rate
2018	237	34%	465	66%
2019	272	36%	491	64%
2020	275	36%	486	64%
2021	288	37%	491	63%
2022	**318**	**38%**	**519**	**62%**

Employee Breakdown by Age Group						
	Below 30 years old	**Age group %**	**Between 30-50 years old**	**Age group %**	**Over 50 years old**	**Age group %**
2018	300	42.74%	319	45.44%	83	11.82%
2019	311	40.76%	375	49.15%	77	10.09%
2020	309	40.60%	385	50.59%	67	8.80%
2021	280	35.94%	435	55.84%	64	8.22%
2022	**206**	**24.61%**	**548**	**65.47%**	**83**	**9.92%**

NBB's employees are our greatest asset and a key driver of organisational success and value creation. We make it a priority to attract the finest talent available and focus on ensuring employees are happy to come to work and deliver their best effort for the group every single day.

We firmly believe that the key to being 'An Employer of Choice' is to empower all employees with the skills and tools they need to do their jobs to the highest possible level while ensuring they are given opportunities to progress their career at NBB and achieve their full potential. This approach to human capital development not only creates sustainable value for NBB but also for the economy and the communities in which we operate.

Employee Breakdown by Employment Category						
	Entry-Level	**Entry-Level %**	**Mid-Level**	**Mid-Level %**	**Senior-to-Executive Level**	**Senior-to-Executive Level %**
2018	527	75.07%	146	20.80%	29	4.13%
2019	563	73.79%	169	22.15%	31	4.06%
2020	541	71.09%	189	24.84%	31	4.07%
2021	533	68.42%	214	27.47%	32	4.11%
2022	**537**	**64.16%**	**266**	**31.78%**	**34**	**4.06%**

Employees by Location			
	Bahrain	**KSA (Riyadh)**	**UAE (Abu Dhabi)**
2022	772	29	36

Attracting the Finest Talent

Recruitment is the first step towards building a highly skilled workforce capable of consistently delivering excellent service for our customers. NBB looks to recruit the finest candidates at every level of the business, from graduates to experienced senior hires. We have a rigorous multi-stage recruitment process in place to screen, select, and hire the best candidates.

NBB attracts new employees by offering:

- Competitive remuneration packages and attractive benefits
- A track record of developing talent and offering opportunities for progression
- An inclusive and positive working environment
- Flexible hours, work/life balance and an emphasis on employee engagement and wellbeing

Remuneration and Benefits

NBB's attractive remuneration and benefits packages are among the best in the market and are regularly revised and updated to ensure they remain competitive. In addition to fixed monthly salaries, we have an incentivised pay scheme to reward high levels of performance.

Additional benefits and allowances include:

1. Healthcare
2. Life insurance
3. Retirement benefits
4. Employee savings scheme
5. Parental leave
6. Flexible hours for some employees

Nationalisation

While NBB is fully committed to fostering a diverse and inclusive workplace offering equal opportunities, as a local Bank we also have a responsibility to ensure strong representation from Bahraini nationals, in line with Bahrain's 2030 vision to reduce unemployment and build local capacities.

NBB is proud to be one of the largest employers of Bahraini nationals in the country. With a total of 732 Bahraini nationals in 2022, our nationalisation rate reached 95%.

Number of Bahraini Nationals*		
	Female	**Male**
2022	293	439

Number of Bahraini Nationals			
	Entry-Level	**Mid-Level**	**Senior-to-Executive Level**
2022	499	207	26

Bahrainisation Rate	
2020	95%
2021	95%
2022	95%

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

Our Commitment to Local Youth

NBB places particular emphasis on hiring and developing the best young talent in Bahrain. In addition to the obvious benefits this brings for our Bank, this approach also plays a crucial role in the community and contributes to the local economy.

Evolve and e-Evolve Internship Schemes

Underscoring NBB's commitment to Bahraini youth development, in June 2022 we launched Evolve, a summer internship programme offering valuable work experience to high school and university students. Evolve is aimed at 15 to 24-year-olds who can demonstrate strong academic performance and an interest in pursuing a career in financial services.

As part of this community-focused initiative, NBB has partnered with a number of local schools to nominate candidates for participation in the programme. Evolve is also open to students from a select number of local and overseas universities. Operating during the summer academic break, participants can gain insight into industry practices through simulated training sessions and receive a broad view of business operations as well as specific functions within the bank. A total of 58 students participated in the internship scheme during summer 2022.

Evolve was followed in July by the launch of e-Evolve, a virtual offering that expands the internship experience to a wider segment of the community. The 5-week programme can accommodate up to 750 students per session.

Bahraini Student Internships	
2018	107
2019	98
2020	30
2021	60
2022	104

Note: the 58 students that participated in the Evolve programme are not included in the internship count

NBB also partnered with a number of top training institutes to support both the Evolve and e-Evolve programmes. These include Bahrain Institute of Banking & Finance (BIBF), INJAZ Bahrain, Bahrain FinTech Bay, EMIC Training Institute, Mada Translation and the Paramedics Academy.

In 2022, 76% of interns were retained as employees, demonstrating the value of our internship programme as an effective way to identify young talent and help kickstart their careers.

Total External New Hires				
	Female	Male	Female	Male
2018	18	59	7.59%	12.69%
2019	48	59	17.65%	12.02%
2020	14	29	5.09%	5.97%
2021	28	49	9.72%	9.98%
2022	54	76	16.98%	14.64%

Total External 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**
2019	74	32	1	23.79%	6.21%	1.20%
2020	21	21	1	6.80%	5.60%	1.30%
2021	47	28	2	16.79%	7.27%	2.99%
2022	67	55	8	32.52%	12.64%	12.50%

Engagement and Retention

Whether they are fresh graduates or senior hires, all new recruits are made to feel immediately welcome and part of the NBB family. We have numerous initiatives in place to engage and retain our employees by nurturing them on their career path and providing the support they need to maximise their potential.

This approach is supported by a comprehensive suite of training and development programmes covering all employee categories. These programmes are designed to equip them with the skills needed to progress at the Bank. NBB places great emphasis on succession planning and always strives to promote from within the Bank ranks whenever possible.

Our strong track record of internal promotion continued in 2022:

- We promoted 95 individuals during the year, a 32% increase in the previous year, of which 34 were women, an increase of 62% from the previous year.
- 21 employees moved to middle management tier from non-managerial roles, a 9% decrease, of which 8 women were promoted to middle management roles, a 33% increase from previous years.

Promotions are awarded strictly on merit and are based on continuous performance assessments and feedback from managers and mentors throughout the year as well as the outcome of our structured training programmes (as detailed on the section on Training and Development).

Performance reviews not only assess employee performance over the previous period but also help to identify any skills gaps and determine specific training and development needs.

100% of our employees receive regular performance and career development reviews.

Number of Employees that Receive Performance Reviews				
	Female	Male	Female	Male
2018	237	465	100%	100%
2019	272	491	100%	100%
2020	275	486	100%	100%
2021	288	491	100%	100%
2022	318	519	100%	100%

Employee Satisfaction

NBB conducts surveys to measure the engagement and satisfaction levels of employees. Ratings are consistently positive at above 80%. This is a valuable exercise that enables NBB to gather feedback that we use to enhance our own engagement practices.

	Employee Engagement (%)	Employee Satisfaction Score (%)
2018	N/A	N/A
2019	85	80
2020	82	84
2021	83	83
2022	**89**	**89**

In addition, our employee turnover rate remains consistently below 10%, a strong indication of employee satisfaction and our strength in retaining workers.

	Employee Turnover by Gender			
	Female		**Male**	
	Number	*Rate*	*Number*	*Rate*
2018	14	5.90%	31	6.66%
2019	12	4.41%	34	6.92%
2020	11	4.00%	34	6.99%
2021	15	5.20%	44	8.96%
2022	**24**	**7.55%**	**48**	**9.25%**

	Employee Turnover by Age Group					
	Below 30 Year old		**Between 30-50 Year old**		**Over 50 Year old**	
	Number	*Rate*	*Number*	*Rate*	*Number*	*Rate*
2019	14	5%	15	4%	17	22%
2020	11	4%	18	5%	16	24%
2021	23	8%	26	6%	10	16%
2022	**34**	**17%**	**31**	**6%**	**7**	**8%**

Type	Description	2022	2021	2020
Employee Voluntary Turnover %	Number of employees that left the company voluntarily within the past year expressed as a percentage of the average total number of employees.	**5.90%**	5.46%	8.90%
Employee Involuntary Turnover %	Number of employees that left the company involuntarily within the past year expressed as a percentage of the average total number of employees. May include layoffs, involuntary redundancies, dismissals, and terminations of contract.	**0.13%**	0.8%	0.84%

NBB offers maternity leave of up to 120 paid days and paternity leave of up to three days. Almost all employees return to work after taking parental leave and are still with the company 12 months later.

	2018	2019	2020	2021	2022
Number of employees entitled to parental leave	237	272	275	288	318
Number of employees that took parental leave	17	18	11	15	7
Number of employees that returned to work after parental leave ended	17	18	11	14	8
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	16	17	11	14	5
Return to Work Rate (%)	100	100	100	93.3	100
Retention Rate (%)	94.1	94.4	100	93.3	62.5

Note: Numbers are for NBB Bahrain only

Other Employee Engagement Methods

NBB has a variety of initiatives to stimulate and engage our employees. These help to remind our workforce that they are part of a bigger team and prevent a mentality of working in silos.

Some of these initiatives include:

- NBB hosted its **Annual Ramadan Ghabga** (get together) for employees in 2022 after a two-year break due to the pandemic.
- NBB holds quarterly **townhall meetings** which allow senior management to engage directly with employees and communicate important updates on company milestones, performance, and future initiatives.
- '**Appreciation Programme'** recognises employees for their performance, loyalty and commitment.
- **Social and sporting** activities for employees including staff bowling, Padel and Futsal tournaments.
- **Celebrating** important dates such as birthdays and national days.

Diversity & Inclusion

NBB is committed to providing equal opportunities to all members of society - regardless of gender, age, religion, disabilities, personality, ethnicity, or other factors - and supporting them to thrive and succeed in their various career paths. The bank has long been an advocate of embedding diversity and inclusion across all operations and initiatives in the workplace. NBB's Equal Opportunity Committee has responsibility for developing these policies to meet the needs of all employees.

Our Code of Conduct ensures that there is no discrimination against employees in relation to recruitment, remuneration, development opportunities or promotion. NBB believes that diversity leads to better decision making and outcomes and we endeavour to ensure that a variety of voices and viewpoints are represented on our committees and projects.

TOTAL EMPLOYEES BY JOB CATEGORY AND BY GENDER						
	Entry-Level		Mid-Level		Senior-to-Executive Level	
	Female	Male	Female	Male	Female	Male
2018	40.23%	59.77%	16.44%	83.56%	3.45%	96.55%
2019	43.34%	56.66%	15.98%	84.02%	3.23%	96.77%
2020	43.99%	56.01%	19.05%	80.95%	3.23%	96.77%
2021	45.59%	54.41%	20.09%	79.91%	6.25%	93.75%
2022	46.93%	53.07%	24.06%	75.94%	5.88%	94.12%

TOTAL EMPLOYEES BY JOB CATEGORY AND BY AGE GROUP									
	Entry-Level			Mid-Level			Senior-to-Executive Level		
	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%

Female Empowerment

Attracting and retaining female talent is a priority for NBB and a key objective of our sustainability roadmap. To support this objective, we provide paid maternity leave, flexible working hours, and remote working opportunities so that working mothers can balance their career ambitions with family commitments.

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. NBB also provides a dedicated nursing room for mothers who have returned to work.

NBB is a leading employer of women in the Kingdom of Bahrain. In 2022, women represented 38% of our total workforce and held 24.06% of middle management positions. Two female employees held executive management positions, corresponding to 6% of our total executive team, and we have one female member on the Board of Directors.

People of Determination

NBB empowers people of determination by integrating them into the organisation as employees. We are involved with the Bahraini Society of Down Syndrome on a project to recruit and integrate people of determination within the work environment.

Type	Description	2020	2021	2022
Percentage of Employees with Disabilities	The number of employees with disabilities at the company as a percentage of the total number of company employees.	0.79	0.8	0.56

Our first employee with a hearing disability joined the Finance department at NBB, where she was able to integrate naturally due to her ability to communicate by reading lips and respond with words. She was also the first female student with a hearing disability to graduate high school with distinction and receive a scholarship from the Ministry of Education to complete her bachelor's degree.

	Total Number of Incidents of discrimination
2018	0
2019	0
2020	0
2021	0
2022	0

Protecting our Workforce

NBB is committed to providing all employees with a safe and healthy working environment in accordance with international best practices.

The bank established a health and safety policy, procedures, and framework, and has worked towards preventing any work-related injuries and illnesses. NBB is committed to creating a healthier and happier workplace with lower employee absentee and turnover rates.

NBB keeps its staff up to date with the latest safety and well-being guidelines with frequent health and safety webinars and monthly suggestions to increase productivity and boost morale. To further promote awareness across the organisation, the company marks annual health & well-being dates in the international calendar, such as World Health Day, World Mental Health Day and World Day for Health & Safety at Work.

HSE Certification and Training

In 2022, NBB officially achieved its ISO 45001 certification, becoming the first bank in the GCC to hold this distinction. This standard helps mitigate risks and reduce work-related injuries and illnesses and gives businesses the guidance they need to ensure their workplace is protected. NBB's attainment of ISO 45001:2018 aligns with our commitment to promote a safe and secure working environment as outlined in SDG 8 'Decent Work and Economic Growth'.

NBB partners with the Paramedics Academy in association with the American Safety & Health Institute to provide our employees with first aid training, thus ensuring the presence of a trained member of staff at every branch and operational location.

In addition, the bank has a dedicated health and safety team consisting of members from various departments overseeing the various aspects of our health & safety management system. The team includes representatives from the following departments:

- Property, Procurement & Administration (PPA)
- Legal
- Human Resources
- Internal Audit
- Corporate Communications

In 2022, we achieved a record of zero reported lost-time injuries or fatalities.

	Employee fatalities	Contractor fatalities	Employee lost-time injuries	Contractor lost-time injuries
2020	0	0	1	0
2021	0	0	2	0
2022	**0**	**0**	**0**	**0**

Training & Education

Training & Development forms the central pillar of NBB's long-term strategic investment in our employees. It plays an essential role in engaging our people and preparing them for the next step in their careers at NBB. By supporting them to grow and develop their skills, we create value for our employees, for the company, as well as for the economy and the community.

Retaining our brightest talent is one of our highest priorities and we want them to feel equally invested in the company so that they stay and enjoy long, successful careers at NBB. To do that we must support them to build their capabilities and provide them with opportunities to progress and realise their full potential. This is particularly important for succession planning for managerial positions, a process that is vital to ensure long-term stability and continuity at NBB.

By fostering a culture of continuous learning, we ensure our employees are always equipped with the skills they need to deliver best-in-class service to our customers and keep us a step ahead of our competitors. Training and development also plays a critical role in managing risk and ensuring we always comply with all relevant regulations in the markets in which we operate.

In 2022, NBB recorded an increase of 72% in total training hours delivered, reaching 66,531 hours, resulting in average training hours of 80 per employee.

	Training Hours	
	Total	**Average per Employee**
2018	25,272	36
2019	27,468	36
2020	32,723	43
2021	38,620	50
2022	**66,531**	**80**

	Average Hours of Training by Gender/Employee Category	
	Female	**Male**
2018	8,532	16,740
2019	9,792	17,676
2020	11,825	20,898
2021	13,830	24,790
2022	**25,846**	**40,684**

	Total Training Hours		
	Entry-Level	**Mid-Level**	**Senior-to-Executive Level**
2018	18,972	5,256	1,044
2019	20,268	6,084	1,116
2020	23,263	8,127	1,333
2021	25,825	12,421	374
2022	**45,998**	**19,572**	**959**

Our Training Programmes

NBB has a rigorous and highly structured approach to training and development. We have a number of programmes aimed at different tiers of employees, from fresh graduates to executive level. These range from programmes aimed at teaching the skills needed to progress to the next level to those aimed at teaching the essential skills that employees need to carry out their duties according to best industry practices.

Creating Future Leaders

In recent years, NBB has launched leadership programmes aimed at accelerating the development of our most talented employees. Due to the success of these programmes, we have expanded them since.

RISE and Group RISE

RISE is a managerial training programme designed to prepare NBB's best and brightest talents for future leadership roles. Developed in partnership with international training consultants EMIC Training, the initiative is an essential part of our succession planning strategy and our efforts to nurture the next generation of NBB leaders.

RISE focuses on developing the soft and hard skills of young Bahraini employees who have demonstrated the potential to become future leaders. Candidates are selected following a highly rigorous process involving assessments, personality and aptitude tests and interviews conducted by executive management. During the one-year programme, selected candidates take modules focusing on developing a variety of skills and must complete special assignments, in addition to carrying out their regular duties.

The first cohort of the RISE programme (RISE 1) was successfully completed in 2021 with 20 candidates drawn from across the company. The second expanded cohort (RISE 2) launched in 2022 with 20 candidates. NBB also introduced the Group RISE Programme which includes NBB and BisB Future **Leaders.**

INSPIRE 2.0

NBB's group mentorship programme, INSPIRE is focused on accelerating human capital development by providing junior employees with the opportunity to learn from more experienced colleagues. INSPIRE was launched in 2019 with 65 mentees drawn exclusively from RISE programme candidates and 27 mentors from the executive management team.

INSPIRE's initial success led to the programme being upgraded and expanded with the launch of INSPIRE 2.0. There are now three different mentoring approaches:

Inspire General allows NBB Group employees to mentor other employees, that have been matched through an algorithm conducted to find the most suitable pair.
Inspire Rise allows graduates from NBB's Rise programme to provide one-on-one mentoring to nominated Rise candidates
Inspire Professional Qualifications provides employees with relevant guidance on the various certifications
In 2022, INSPIRE 2.0 included 115 mentees and 52 mentors

Employee Literacy Programme

NBB runs a series of training programmes and awareness sessions that are open to all employees. The Employee Literacy Programme targets the development of specific knowledge and skills that our employees need to execute their duties to the highest standards.

As part of our Employee Literacy Programme, NBB hosted an awareness session to educate our employees on how Bahrain's Virtual Wage Protection System (WPS) works and how it benefits workers.

Sustainability

Awareness Sessions

As part of our three-year sustainability roadmap to become a sustainability leader in the financial sector and to support the sustainable economic growth of the Kingdom of Bahrain, we conduct regular sustainability awareness sessions which are open to all employees. The sessions are a valuable tool for embedding a culture of sustainability across the organisation, which is crucial to realising our ambitions in this area.

Sessions explore a variety of general and specific sustainability and Environmental, Social and Governance (ESG) related topics. We give employees a broad overview of ESG and its various constituent topics and explain how these considerations are increasingly influencing the actions of various stakeholders. Of particular relevance to our employees is how institutional investors and banks are considering sustainability issues when making investment decisions.

In 2022, 830 employees representing 99% of the workforce attended sustainability-related awareness sessions covering a range of topics.

	Number of employees who completed sustainability awareness e-learning programme
2020	294
2021	489
2022	830

Some of the trainings offered include:

- Sustainable Finance
- ESG Risk Assessment (2 sessions)
- Equators Principles (3 sessions)
- A 5 full-day course titled the "Chief Sustainability Officer Training Course" for the Sustainability Committee members

ESG Academy

In Q3 2022, NBB Group launched the ESG Academy in partnership with the Supreme Council for Environment (SCE), to spread awareness about sustainability among employees. The academy will train NBB Group's employees and members of NBB's Sustainability Committee on various areas of ESG practices, in line with its ambitious sustainability roadmap.

NBB is partnering with several entities such as the Bahrain Institute for Banking and Finance (BIBF), the Sustainability Knowledge Group, and Bahrain Bourse to develop a set of programmes for the platform.

NBB will leverage the Supreme Council's knowledge and expertise in the ESG field through a series of awareness and knowledge-building seminars touching on Adaptation Action in Bahrain, Climate Change and Biodiversity Loss, Bahrain's Road to Net-Zero by 2060, and the Paris Agreement.

ESG Auditing course

Internal Audit employees attended this course conducted by UK-based Business Risk Management Ltd. The course ensures our audit team are up to date with the latest ESG practices and that we are delivering data that provides stakeholders with an accurate picture of our ESG performance.

Data Literacy Academy

NBB has embarked on a journey of continuous digital transformation to ensure we always deliver efficient and convenient services that our customers demand. To achieve this, it is essential that our employees are equipped with the latest digital skills. Given the rapid evolution of technology, we launched the Data Literacy Academy in 2021 to ensure our workforce stays up to date with best practices.

The first cohort included 80 employees chosen from 700 applicants. Participants began with a Fundamentals Module which was followed by a more advanced Data Literacy Module. The second phase began in 2022 and focused on teaching more advanced skills in data analytics and visualization concepts. In 2022, 185 employees completed the second phase training.

Empowering Our People

In addition to structured training programmes, NBB encourages all employees to embrace continuous learning and development opportunities throughout their careers. In 2020, NBB unveiled a revamped internal training model designed to meet the future needs of our group in a rapidly changing world. The model empowers employees to take ownership of their professional and personal development, providing online access to a wide range of training courses and resources covering both soft and hard skills.

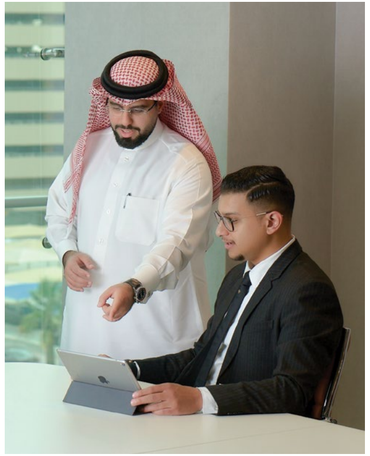
Topics include:

- Fintech Reshaping Customer Experience
- Banking & Future Technology
- Digital to the Core
- Managing & Leading a Remote Workforce
- The Power of Diversity & Inclusion
- Managing & Adapting to Change
- Mental Health & Wellbeing
- Cyber Security

Introduced during the height of the pandemic when remote working and learning became essential, the training model leverages digital technology to provide all employees with access to content whenever they need and from wherever they are. Despite the recent return to office-based working practices, NBB will continue to harness the benefits of online learning to create value for employees and the group.

The below table indicates the average training cost NBB incurred per employee.

Year	Average Training and Development Cost per Employee (BHD)
2019	BHD 542.82
2020	BHD 399.37
2021	BHD 512.28
2022	BHD 544.40



Our Social Capital

65 years of building a stronger community

As the leading bank in Bahrain and in line with our role as a national enabler, giving back to the community has always been integral to NBB's core values.

Over the years, we have launched many initiatives that support the Kingdom and its people through the fields of education, healthcare, social welfare and development, environmental conservation, diversity & inclusion, sport and many more.

Read more on pages no. 96-101 >

OUR SOCIAL CAPITAL
(GRI 203-2, GRI 413-1, S12)

Our Commitment		Our Alignment		Our Achievements
Sustainability Pillars	• Community Investment	**Bahrain Vision 2030**	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 Upholding the values of the state & society Supporting an Enabling Environment for Sustainable Development	**Awards & Achievements** • Euromoney Middle East Awards for Excellence 2022 "Middle East's Best Bank for Corporate Responsibility" • Euromoney Middle East Awards for Excellence 2022 "Best Bank for CSR in Bahrain"
Material Topics	• Compliance and Ethical Behaviour • Financial Inclusion • Community Investment	**GRI Standards**	GRI 203: Indirect Economic Impacts GRI 413: Local Community	
Policies	• Youth Employment Support Policy Statement • Human Rights Policy • Community Initiatives and Promotion of Social and Economic Development • Code of Conduct	**SDGs**	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS	

Supporting the Community

As the leading bank in Bahrain and in line with our role as a national enabler, giving back to the community has always been integral to NBB's core values.

Over the years, we have launched many initiatives that support the Kingdom and its people through the fields of education, healthcare, social welfare and development, environmental conservation, equal opportunities, sports and many more.

Partnering with similar initiatives by other local stakeholders including government agencies, NGOs and private sector companies, is a major feature of our community investment work.

NBB's culture of giving back to the community was recognised by the Euromoney Middle East Awards for Excellence 2022 as the 'Best Bank for CSR in Bahrain'.

The Spirit of Giving

In 1980, NBB created the Donations and Contributions Fund, which recommends that 5% of the annual net profit is dedicated to supporting charitable endeavours within the community. In 2022, NBB has donated over BHD 3.369 million.

Community investment Allocation	2019	2020	2021	2022
Value of allocation to the Donations and Contributions Fund (BHDm)	3.5	3.7	2.7	3.4

Note:

1. Each year, the annual recommended allocation for donations and sponsorships is 5% of NBBs' net profit for the previous year.
2. The recommended amount to be allocated to the Donations and Contributions Fund is BHD 3.403 million. The actual amount spent in 2022 was BHD 3.369 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.

Volunteering

NBB has instilled a culture of volunteerism among our employees who over the years have participated in a wide variety of community initiatives designed to have a positive impact on the lives of others. This includes our Evolve internship scheme.

We are proud to have partnered with esteemed local organisations including INJAZ Bahrain, AlMabarrah Al Khalifia Foundation, The Ministry of Labour and Social Development, the University of Bahrain, Bahrain FinTech Bay, Clean Up Bahrain, AIESEC, and many more.

Events and Sponsorships

NBB aims to deliver value to the community and support the development of Bahraini society and the economy by participating in key events in partnership with renowned organisations in the Kingdom.

In 2022, NBB launched or partnered with a wide variety of community initiatives.

January

- NBB announced a four-year strategic partnership to sponsor the Bahrain Series to enhance horseracing in the Kingdom and contribute to the sports development pillar of the Economic Vision 2030. Formed by the Bahrain Turf Club under the vision of His Highness Shaikh Isa Bin Salman Bin Hamad Al Khalifa, Chairman of the Rashid Equestrian and Horseracing Club, the Bahrain Series is a first-of-its-kind initiative that puts the Kingdom on the international horseracing map by inviting participants from around the world to compete against Bahraini horses.
- NBB is a strategic partner of the Ministry of Youth and Sports Affair's (MOYA) Lamea programme, in cooperation with the Bahrain Institute of Public Administration, which concluded its first edition at an awards ceremony in January 2022. Lamea was created to identify and equip Bahraini talent with the skills and guidance needed to become future leaders and contribute to the Kingdom's economic prosperity. The first cohort welcomed 75 private and public sector entities and 131 nominated entrees, of which 30 candidates qualified for the final stage. Following a series of challenging tests and international training programmes, three winners were selected to play an active role in contributing to the planning and proposal of important projects across the Kingdom.

February

- NBB contributed to the development of a new generation of financially literate innovators and inventors through the sponsorship of the Al Hekma International School's (AHIS) Economics and Career Education initiative which educates students across all academic levels on how to manage, invest and save money and gain a more in-depth understanding of economics and various career paths. Activities encompassed an Economic and Career Fair for Elementary School Students, a Shark Tank Programme for Middle Schoolers, and a Bahrain Young Entrepreneurs Competition and Virtual Career Fair for High Schoolers, which took place under the guidance of NBB representatives.
- NBB supported His Highness Shaikh Khalid Bin Hamad Al Khalifa's 'Smile for Children with Cancer' initiative which provides support, hope and boosts morale for children with cancer in their time of need. Upon receiving a letter from each child expressing their dreams, a video call was initiated in coordination with the child's parents and His Highness Shaikh Khalid, informing the child that their wish has come true.
- As part of NBB's mission to promote health and wellbeing within the Kingdom, NBB sponsored a two-day campaign led by the Arabian Gulf University (AGU) to spread awareness amongst the general population on heart diseases, as part of Heart Disease Awareness Month. Throughout the weekend, senior medical students screened shoppers at The Avenues mall for common cardiovascular risk factors.
- For the second year running, NBB supported and sponsored the General Directorate of Traffic's annual Traffic Week awareness campaign. In 2022, the campaign expanded into a national initiative and ran across the full year, introducing various programmes and community services across the country. Awareness sessions organised by the General Directorate of Traffic were attended by students of all ages and employees from both private and public sectors.

April

- NBB hosted its Annual Ramadan Ghabga (get together) for employees after a two-year break. The gathering was attended by over 750 guests who enjoyed an evening filled with the Ramadan spirit, accompanied by interactive entertainment, including quizzes, prizes and a raffle draw. This initiative reflects NBB's commitment to investing in its employees' welfare, promoting the well-being of the Bank's partners in success through catering to their needs and requirements.
- NBB launched the second edition of the 'Neqsatna' Ramadan Programme to embrace the spirit of giving during the Holy Month of Ramadan. The programme comprised of an online competition for NBB customers on the bank's Instagram account, featuring over 20 NBB employees from across different departments who volunteered to take part. Every other day, an NBB employee asked account followers a question related to Bahrain's culture, traditions, food, history and more, giving five lucky participants the chance to win prizes amounting to a total of BHD 1,000. NBB concluded the 'Neqsatna' Programme in time for Eid Al Fitr, awarding customers with prizes, with the final episode rewarding 15 winners.

May

- NBB sponsored the Annual Charity Fund Raising 6-A-Side Football Tournament organised by the Rotary Club of Manama. Twenty teams took part in the competition representing various organisations in the Kingdom. The funds raised from the event are dedicated to supporting children with learning, health and development opportunities and organising events for children with special needs.

June

- NBB sponsored the "Excellence in Environmental Social Governance Award" at the INJAZ Bahrain 14th Young Entrepreneurs Competition Signature Awards. The two-day event was attended by over 200 students from 15 high schools and 10 universities across the Kingdom of Bahrain. The awards are designed to celebrate the efforts of the INJAZ Bahrain students while stimulating the entrepreneurial spirit of local youth. NBB shared details of our sustainability journey with the next generation of industry professionals and encouraged them to embrace ESG practices in their future ventures.

July

- NBB took part in the Bahrain Institute of Banking and Finance (BIBF)'s University two-day Kick-Off programme. As part of its commitment to nurture future leaders in the industry, representatives of the bank provided motivational support and advice to newly enrolled students. NBB representatives also assisted candidates in setting up personal bank accounts and showcased the bank's digitalisation initiatives.
- NBB were the official sponsors of the 17th Asian Men's Junior Handball Championship, which was hosted by the Kingdom of Bahrain, and qualifies for the 2023 World Cup finals.

September

- NBB and Bahrain Islamic Bank (BisB) were the Diamond sponsors of the International Conference and Exhibition for the "People of Determination" held in Bahrain. The conference aimed to raise awareness among all groups of society, including parents and guardians, academic and scientific bodies, researchers and specialists, people with special needs, and various individuals and organisations in Bahrain.
- NBB contributed financially to help with the renovation of Tafaol Centre for Special Education, which is a charitable, non-profitable center. Tafaol centre provides a range of special educational services for children of determination with the aim of developing their capabilities to the maximum extent possible.
- As part of its role to support the Lamea Programme, established under the Ministry of Youth and Sports Affairs (MYS), NBB held 3 sessions for programme participants, featuring NBB Chairman, Mr. Farouk Yousuf Khalil Almoayyed where he shared valuable life experiences with the programme's participants, highlighting professional and personal experiences that helped him throughout his illustrious career, and one held by Mr. Hisham Abu Alfateh, Head of Corporate Communications, on the importance of communications, and a session by Mr. Mohamed Matar, Senior Human Resources Manager, on the role of Human Resources.

October

- NBB sponsored the American Mission Hospital (AMH)'s 23rd Classic Charity Golf Tournament as part of the bank's longstanding support for the healthcare sector. The event aimed to raise funds to upgrade the hospital's infrastructure and invest in its community outreach programmes.
- NBB financially supported and contributed in the launch of Ayadi Relief Project for Friendship Society to the nursery and playground for blind children. NBB's contribution and partnership aims to enhance the capabilities of children with visual impairments and empower them with tools to aid in the challenges they will face growing. The continuous success of the project will create an inclusive, safe, and functional spaces, along with meeting the needs of our Bahraini children of determination for generations to come.
- NBB supported the Secondary Schools Football Tournament as platinum sponsors, which was initiated by His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty's Representative for Humanitarian Works and Youth Affairs. The tournament brought together secondary school-level students from both private and government schools, and will serve to train and discover local talents and players qualified to join independent clubs and sports federations on a local and regional level.

November

- NBB partnered with INJAZ Bahrain to launch 'Entaliq with INJAZ – Powered by NBB', a start-up programme that aims to contribute to the social and economic development of the MENA region and empower talented youth with the tools to strengthen their business ideas. The programme is designed to support, mentor and develop select teams who have completed INJAZ Bahrain's Flagship Programme, The Company. University students and graduates taking part in the programme will be offered seed funding, an array of mentorship opportunities and subject matter expertise to aid in the launch of their businesses.
- NBB took part as a Silver Sponsor in the Bahrain International Airshow (BIAS) 2022, representing the local financial sector and aligning with the bank's efforts to expand its reach and capitalise on regional and international networking opportunities. Celebrating its 10th anniversary, the BIAS 2022 provided exhibitors with the opportunity to network with high level VIP decision-makers and hosted daily flying displays featuring the latest in both military and commercial aircraft.
- NBB extended its support to the Al Hekma Society for the Retired to assist in the development of its digital platform which aims to enhance the capabilities of the Society's digital transformation initiatives through issuing a Membership Card as well as a Testahel Discount Card.

- NBB sponsored a group of 8 students from Bahrain Polytechnic in the completion of their Smart Aquaculture System project known as "Medaar". The Bank's support will further assist the students in their research and development, allowing them to finalise their environmental initiatives. The smart aquaculture system aims to solve the current issues arising from the fish hatchery in Bahrain, which include a high mortality rate of fingerlings, high costs and an increased amount of required labour
- NBB participated in the 3rd Annual Mentorship Forum Middle East (MFME) 2022, held under the patronage of Her Royal Highness Princess Sabeeka bint Ibrahim Al Khalifa, wife of His Majesty the King and President of the Supreme Council for Women (SCW). The event adopted "Embedding Mentorship into Organisational Culture" as a theme, and as the primary sponsor, NBB saw a number of its team members participate in the forum alongside over 300 regional and international business leaders and mentorship experts.

December

- NBB sponsored the Arab International Cybersecurity Conference and Exhibition as a Gold sponsor. The event, held at Exhibition World Bahrain for three days under the patronage of His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, was the largest gathering of cybersecurity professionals in Bahrain.
- NBB staff participated in the conference, where they spoke on various topics related to cybersecurity such as Vendor Risk Management and Cyber Crime amongst other. The conference served as a platform for knowledge sharing and brought together global experts and thousands of C-level and cybersecurity professionals. NBB remains committed to fighting potential cybersecurity threats through systematic upgrades and strategic partnerships with international cybersecurity institutes.
- As part of its community service, and in full coordination with BTV and Royal Fund for Fallen Servicemen, NBB sponsored the quiz show 'Ana Al Bahrain' that was dedicated to families of the fallen servicemen. The 1 hour show featured questions and riddles that revolves around National Day, brought joy to the families and rewarded more than 40 of them with cash prizes.
- NBB participated as a Gold sponsor of IRONKIDS, a running competition which took place alongside the highly anticipated IRONMAN Championship, aimed at young athletes pursuing an active and healthy lifestyle in a supportive, motivational, and empowering environment. The bank also sponsored participating children from the Smile Society, who took part in a special race designed solely for their benefit, as part of its community outreach initiatives.

Our Natural Capital

65 years of preserving natural resources

In 2021, NBB expanded the scope of its Nomination, Remuneration, and Governance Committee's responsibility to include sustainability integration within NBB's business model and operations. As a result, the Committee was renamed the Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC).

Read more on pages no. 104-113 >

OUR NATURAL CAPITAL

(CLIMATE CHANGE REPORTING IN LINE WITH THE TCFD FRAMEWORK)

(GRI 302-1, GRI 302-2, GRI 302-4, GRI 303-5, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 306-4, E1, E2, E3, E4, E5, E6,E10)

Our Commitment		Our Alignment		Our Achievements	
Sustainability Pillars	• Preserving Natural Resources • Governance and Ethical Behaviour	**Bahrain Vision 2030**	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 Upholding the values of the state & society Supporting an Enabling Environment for Sustainable Development	**Awards & Achievements**	• Euromoney Middle East Awards for Excellence 2022 "Best Bank for ESG in Bahrain" • Ranked first for ESG performance in the Banking sector in the Arab World as per Refinitiv ESG Scoring. • Ranked first since 2020 in the Bahrain's Banking Sector for ESG ratings by ESG Invest.
Material Topics	• Climate Change • Direct Environmental Footprint	**GRI Standards**	GRI 302: Energy GRI 303: Water and Effluents GRI 305: Emissions GRI 306: Waste		
Policies	• Energy Efficiency Policy • Environmental Policy • Waste Reduction Policy • Water Policy • Climate Change Policy	**SDGs**	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND		

Preserving Natural Resources

This section reflects NBB's efforts to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for the first time. The section outlines the various initiatives we have introduced to integrate climate change into our risk management framework and overall business strategy. We will gradually fine tune our TCFD reporting as we develop our understanding of how climate change impacts our business and how our operations impact the environment.

The information contained in this section is based on current or historic objectives, targets, commitments, estimates, assumptions or other variables which will be continually adjusted as we expand our work around climate change. Certain sections contains 'forward-looking' statements that are subject to change and therefore are not guarantees of future results or performance.

Introduction

Climate change is the greatest challenge facing humanity and requires urgent action on the part of all stakeholders, including governments, the private sector, academia, and civil society. Decarbonising the global economy can only happen at the speed required if investment is available in sufficient volumes. For this reason, the United Nations Environment Programme Finance Initiative (UNEP-FI), has long advocated that the financial sector must play a crucial role in enabling climate mitigation and adaptation.

More and more Financial Institutions are aligning their lending and investment portfolios with climate objectives and are expected to set intermediate and longer-term decarbonisation targets. As per the UN-convened Net-Zero Banking Alliance, the targets are expected to:

- Prioritise sectors based on GHG emissions, GHG intensities, and/or financial exposure in the bank's portfolio.
- Align with no/low-overshoot 1.5 degrees Celsius transition pathways, as specified by credible science-based climate scenarios.

Banks must proactively engage with clients to develop a better understanding of their climate-related risks and assist with decarbonising their operations. They must also support a fair and equitable transition to a low-carbon global economy. Developed countries are making greater progress while many emerging economies are lagging due to lack of resources. SMEs also face particular challenges when it comes to addressing climate change. The financial sector must work in partnership with other stakeholders including policy makers and regulators to address these gaps so that decarbonisation can be accelerated more evenly across the world.

NBB has the additional responsibility of aligning with Bahrain's pledge to achieve net-zero by 2060. We understand that this is a long-term commitment and that we must continue to learn and lead as society enters the next critical stage of climate action. Over the past few years, NBB has progressively developed a better understanding of environmental impact and climate-related risks, updated our ESG governance structure and set increasingly ambitious goals.

Disclosing our performance in line with the TCFD recommendations offers a mechanism to continuously monitor, measure and manage our climate-related financial risks. As such, this section represents NBB's efforts to take the next step towards being a leader on climate action and disclosure. As we continue to advance our environmental and climate-specific plans, one thing will remain constant: we will be transparent and accountable.

Governance

At Board level

In 2021, NBB expanded the scope of its Nomination, Remuneration, and Governance Committee's responsibility to include sustainability integration within NBB's business model and operations. As a result, the Committee was renamed the Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC).

This move has ensured that sustainability is embedded within the bank's governance structure and that environmental, social and governance (ESG) risks (including climate-specific risks) and opportunities are considered and managed at Board level and aligned with the group's overall business strategy and operations. It also ensures that the needs of all stakeholders are considered at the highest level of the organisation and that there is transparency and accountability.

The Committee oversees different areas within NBB's sustainability roadmap, and functions as the highest governing body to ensure implementation and periodic reporting of performance against targets and KPIs. It holds quarterly meetings with the Sustainability Committee chaired by the Chief Sustainability Officer. Attendees discuss and assess the progress of the three-year sustainability roadmap and key material topics, including climate change.

The NRGSC has been gradually turning its attention to climate change by exploring ways to better understand NBB's emissions. In addition, it has conducted viability assessments to diversify the sources of energy NBB uses and recommended the approval of utilising a new ESG Risk Identification and Assessment Toolkit to review the bank's exposure to ESG and climate risk through its portfolio.

At Senior Management Level

In 2021, NBB appointed a Chief Sustainability Officer (CSO) which chairs NBB's Sustainability Committee and leads ESG integration efforts across the organisation. The CSO is also a board member of BisB which ensures the two entities are aligned on their approach to integrating sustainability. Moreover, the Head of Property, Procurement and Administration (PPA) department is responsible for NBB's environmental footprint goals.

Functional Teams

The bank has grown its dedicated ESG team to coordinate efforts across departments and at all levels of the group and to ensure we hit all related targets. We have added expertise to build our understanding of climate-change and climate-related risk management in areas such as credit risk, scenario analysis, and regulatory engagement.

The ESG team includes 10 members and covers the following functions:

1. Debt Capital Markets and Syndications
2. Commercial and SMEs
3. Corporate Coverage
4. Information Security
5. Property, Procurement and Administration
6. Marketing

Strategy

Group-wide awareness to create a solid foundation

NBB places great emphasis on embedding a culture of climate awareness among the entire workforce. This is vital to ensuring that everyone is engaged and understands the bank's mission and role as a major enabler of climate action.

NBB rolled-out an enterprise-wide training programme on sustainability/ESG with various sessions specifically focused on climate change. The company aims to deliver a minimum of four yearly ESG training sessions/webinars for the Group. Some topics included:

- Circular economy introductory training
- Tackling climate change
- Green Finance
- Climate Action in Bahrain
- Climate Change and Biodiversity in Bahrain

Other department-specific trainings included:

Property, Procurement, and Administration (PPA)

- At least 1 training related to GHG emissions (completed)

Corporate and Institutional Investment Banking
- ESG Risk Identification and Assessment
- Sustainable Finance
- Equators Principles

Commercial and SMEs
- ESG Risk Identification and Assessment
- Sustainable Finance
- Equators Principles

Risk Management
- ESG Risk Identification and Assessment
- Equators Principles

Moreover, to promote sustainability and active participation from all employees, we have incorporated ESG factors into employee performance evaluations and set specific targets for each department. This aligns the incentives of employees and executives with our sustainability goals.

Climate-change a key strategic pillar for the bank

Under the 'Preserving Natural Resources' pillar of our sustainability framework, developed in 2020, we have included 'Direct Environmental Footprint' as a material topic that focuses on the emissions produced by our own facilities.

Since then, our approach to addressing climate change has evolved and in 2022 we expanded our list of material topics to include 'Climate Change'. This was a way of aligning our sustainability strategy with the Paris Agreement as well as Bahrain's commitment to reduce GHG emissions by 30% by 2035 and achieve net zero by 2060.

NBB is committed to enabling other key market players to reduce their emissions footprints. We have developed an ESG Risk Assessment toolkit to better understand where our clients stand with their climate action plans.

Our approach to climate change therefore has two main strands. The first is to reduce our own operational footprint and to further strengthen environmental awareness within our organisation. The second involves assessing the impact of our client portfolio, thereby allowing us to identify and manage those risks accordingly.

Direct Environmental Footprint	**Reduce the environmental footprint of our operations and strengthen environmental awareness** *Reduce the environmental impact of operations by instilling strict KPIs and encouraging sustainability practices across the group*
Climate Change	**Manage climate-related risks and understand impact of our client portfolio** *Enhance TCFD reporting, client engagement and portfolio analysis*

Direct Environmental Footprint

In 2021, NBB was the first bank in Bahrain to successfully attain the ISO 14001:2015 Environmental Management System (EMS) certification which helps organisations to reduce their environmental impact. Currently, 72% of our sites are ISO14001 certified, assessed based on the square meter basis of our headquarters.

We closely monitor a variety of factors that impact the environment, including our consumption of electricity and water, paper usage, disposal of hazardous and non-hazardous materials, and proper management and recycling of waste, including E-waste. In fact, as part of our ISO 14001 EMS goals, we have established specific targets for electricity and paper consumption, as well as recycling targets. Please refer to the "Metrics and Targets" section of our TCFD report for an overview of our environmental-related data.

As a result of our diligent efforts, we have avoided any penalties or fines related to environmental violations in the past three years.

In order to ensure the effective implementation of our Environmental Management System including all related initiatives, we have in place a dedicated environmental management team consisting of representatives from the following departments:

- Property, Procurement & Administration (PPA)
- Legal
- Human Resources
- Internal Audit
- Corporate Communications

We are also exploring the potential to introduce alternative energy sources. NBB Group completed the installation in August 2022 of solar panels across four branches in the Kingdom. The panels will generate a sustainable source of energy for NBB's Istiqlal and Riffa Souq branches and BisB's Arad and Hamad Town financial malls. The solar panel system produces more than 350 kWp across the four branches, reducing their annual carbon emissions by 50%, and optimising both energy consumption and costs.

NBB has extensively refurbished and retrofitted our headquarters to improve its environmental efficiency and have engaged Honeywell Middle East to identify further opportunities to enhance efficiency and optimise energy consumption.

In 2022, NBB has invested more than BHD 20,000 towards environmental initiatives. This includes expenses such as the fees paid to the Supreme Council of Environment for e-waste recycling, the cost of conducting an ISO Surveillance Audit for ISO 14001 and 45001, and the expenses related to the installation of solar panels. It is important to note that the cost associated with energy meters we have installed, and the continuation of the Building Management System were not captured in this year's report.

CASE STUDY: Optimizing the Environmental Performance of our Buildings

As part of our efforts to reduce the environmental footprint of our own operations, NBB launched a project to explore ways to improve the energy efficiency of our headquarters in Manama. The project involved five phases beginning in 2018.

2018 – Consultancy Phase

- Appointed a consultant to study head offices MEP system
- Recommendations shared with Senior Management
- Tender award – project execution

2019 – Project Execution

- Commenced replacing chillers, pumps, pipping system, and CCU in OT
- Installation of capacitor bank in NT

2020 – Further Enhancement

- Continued our efforts to improve MEP system in both buildings
- Replacement of A/C in lowers floors of OT
- Installation of smoke ventilation in basement car park

2021 – Project Completion and Continuous Improvement

- BMS head offices
- Replacement of Fresh Air Handling Unit (FAHU)
- Replacement of pressurisation fan

2022 – Continuous Improvement

- Installation of Energy Meters on individual floors
- Installation of VFD for secondary pumps

As a follow up step, NBB engaged Honeywell Middle East to identify opportunities that will further improve building efficiency and optimise energy consumption.

Energy Audit- Head Offices

- NBB engaged Honeywell Middle East to identify opportunities that will further improve building efficiency and optimize energy consumption in head offices.
- Honeywell have assessed NBB Tower's assets and systems and conducted a desktop and on-site analysis.
- Honeywell have identified the following:
  - **NBB's energy consumption is efficient** given major CAPEX investments and systems replacement during past 5 years
  - Given recent and ongoing revamps of NBB's mechanical and electrical systems, Honeywell sees no value in conducting energy audit as NBB's systems operating with high efficiency
  - **Further potential annual savings of BHD [9,000]** could be achieved by installing Variable Frequency Drive (VFD) on the chillers primary pumps
  - This equates to a **saving of approx. [3.8%] of total electricity bill**

- Further Potential Savings

Honeywell have assessed NBB Tower's assets and systems and have identified the following:

o NBB's energy consumption is efficient given major CAPEX investments and systems replacement
o Further potential annual savings could be achieved by installing Variable Frequency Drive (VFD) on the chillers primary pumps
o This equates to a saving of approx. 3.8% of total electricity bill

- Energy Audit

Given recent and ongoing revamps of NBB's mechanical and electrical systems, Honeywell sees no value in conducting an energy audit as NBB's systems are operating at high efficiency.

In 2021, NBB also started tracking its Scope 1 and Scope 2 CO2 equivalent emissions and set reduction targets related to the sources of these emissions. In 2022, NBB began the process of assessing our Scope 3 emissions by including various elements such as waste, water, paper consumption, and employee commute.

Climate Change

The bulk of NBB's environmental impact lies mainly within our value chain, i.e. the direct emissions of our clients, particularly financed emissions through our lending process. The next step for NBB will therefore involve engaging with clients to understand their environmental impact and their plans for addressing climate risks. We understand that climate considerations will be new for a relatively large portion of our credit portfolio.

NBB's near-term strategy is to understand where our clients stand with their readiness and/or progress with integrating environmental considerations in their operations. To do that, we have developed an ESG risk identification and assessment policy and a toolkit that contains climate related elements.

These include:

1. Environmental Management and Eco Design
2. Atmospheric Emissions
3. Energy Use

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 Finance Opportunity

While climate change poses multiple challenges for the financial sector and the world at large, climate action can also create value and NBB has identified a number of opportunities to play an important role, including the following:

Debt Advisory

NBB's Capital Markets and Syndication team specialises in supporting clients to tap debt capital markets and syndicated loan markets to raise funds. The advisory role of the team has been extended to cover ESG and climate related deals, enabling clients to access new sustainability-oriented financing products which could be in the form of green or sustainability-linked loans, bonds and sukuks.

Lending Activity

As a bank that understands the risks posed by climate change, NBB has an opportunity to support clients by financing their decarbonisation initiatives.

Diversification of the Bank's capital

Should the opportunity arise, NBB is prepared to issue a dedicated green instrument to address future transition related sustainable finance opportunities (in alignment with the LMA and ICMA principles).

Other ways NBB's climate-change dynamism is creating value

Capacity building: A global shift towards ESG integration in general and climate action specifically is currently underway, though this is still at an early stage regionally and locally. Select NBB employees will have the opportunity to venture into this emerging space and help lead the bank's evolution. This will not only create value for our existing workforce but will also enable us to attract and retain talent.

Being at the forefront of sustainability in the local and regional banking sector also makes NBB the obvious partner of choice to co-lead various sustainability related initiatives.

As an example, NBB was awarded the Sustainability Coordination role on ALBA's $1.3bn sustainability-linked loan, a role shared with a renowned international bank and leader in the ESG space.

Metrics & Targets

NBB approved the ESG Risk Identification and Assessment Policy as part of our Credit Policy and will roll it out in January 2023.

Risk Management

Climate-related risks are divided into two primary categories: (i) transition risks, or those related to the challenges of transitioning to a low-carbon economy, and (ii) physical risks, or those related to the impacts of climate change, such as rising sea levels or extreme weather events. These risks overlap with existing risk categories but are amplified by the complexity of climate change concerns.

Examples of Transition Risk		Examples of Physical Risk	
Policy and Legal Risk	Policy changes (e.g., carbon taxes, permit restrictions, etc.) and legal risks (e.g., lawsuits).	**Acute Physical Risk**	Event-driven impacts, such as from extreme weather events and the increased frequency of such events, (including wildfires, droughts and hurricanes, among others).
Technology Risk	Disruptive technologies reducing demand for clients' products or services.		
Market Risk	Shifts in supply chain and consumer demand for products.	**Chronic Physical Risk**	Overall shifts in climatic behavior, such as temperature and precipitation patterns, sea level rise, etc.
Reputational Risk	Changing public perceptions of products or companies.		

Gathering and analysing climate-related data is essential for supporting informed risk management which in turn provides the basis for formulating a comprehensive and effective climate strategy. As mentioned, NBB now has an ESG Risk Assessment tool to analyse the climate related preparedness of its clients and allows us to better understand the climate risk profile of our portfolio and its sensitivity to climate related regulatory changes.

The next step would be for NBB to identify how climate change affects other risks included in the company's risk profile. Key focus areas would be:

- 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 honour their financial or contractual obligations to the bank.
- Operational Risk: Climate change could affect the bank's physical locations (e.g., damage, inaccessibility), employees (e.g., productivity, ability to commute) or third-party providers resulting in disruption to normal business operations and thus affecting the bank's performance.
- Compliance Risk: Climate change may result in increased regulatory requirements, increasing the potential for non-compliance which could lead to fines and penalties.
- Reputation Risk: Climate change may lead to negative public opinion from key stakeholders if NBB is perceived as a laggard in its climate-related commitments.

NBB is committed to improving our ability to identify climate risks and integrate them into our risk management and broader business strategies. We recognise that the pace of integration will likely need to accelerate to achieve our climate risk management and net zero goals.

NBB's Participation at COP27

As part of our mission to develop our understanding of climate risks, challenges and opportunities, NBB participates in high-level conversations around climate change at the national, regional and global level. An NBB representative joined the Bahrain delegation at the COP 27 climate conference in Sharm El-Sheikh, Egypt, in November and participated in panel discussions.

Metrics & targets

Our Impact on the Environment*

**Note: Environmental data below reflects NBB Bahrain only*

Restatement of information

We have made changes to our measurement and reporting methodology and revised our previously reported information as follows:

1. We have updated our emissions factors to ensure compliance with the best practices and the globally recognized standard, the GHG protocol. We have given priority to national availability for Scope 2 emissions and global DEFRA emissions for the other scopes in accordance with international standards. The updated emissions factors may result in minor changes to the reported GHG emissions from the previous year
2. We have classified our e-waste as hazardous in 2022, following the Ministerial Decree No. 4 issued by the Supreme Council for Environment (SCE) in the Kingdom of Bahrain.
3. In 2022, we have started to calculate our Scope 3 emissions, which include paper consumption, waste, water and wastewater, and employee commute. We have also included them in the total emissions for all previous years.

ENERGY DATA

Energy Consumption: Fuel (GJ)		2020	2021	2022
Fuel Consumption	**Petrol**	480.48	542.54	643.72
	Diesel	38.98	32.82	73.36
	Total Consumption (GJ)	519.46	575.36	717.08
	Total Intensity (GJ/Employee)	0.68	0.74	0.86

Note:

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. *Petrol was converted from m^3 to GJ, and the conversion rate is 36.006 as per DataQualityApps e. K. website*
4. *Diesel was converted from m^3 to GJ, and the conversion rate is 41.030 as per DataQualityApps e. K. website*
5. *While in 2021, several branch closures resulted in reduced activities, the increase in our petrol consumption in 2022 was due to both the resumption of use for vehicles that were idle during the COVID-19 pandemic, as well as an increase in the number of projects undertaken.*

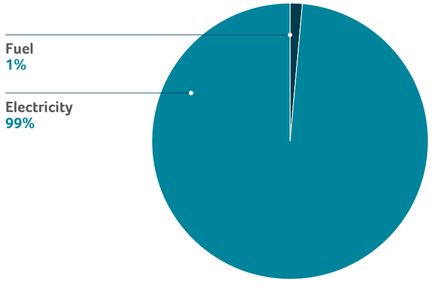
Energy Consumption: Electricity (GJ)		2020	2021		2022	
		(Only Tower)	NBB Towers	NBB Branches	NBB Towers	NBB Branches
Electricity Consumption	**Non-Renewable**	47,606.69	43,867.44	11,215.04	38,696.76	9,026.22
	Renewable	*0*	*0*	*0*	*0*	120.29

Energy Consumption Intensity: Electricity		2020	2021		2022	
		(Only Tower)	NBB Towers	NBB Branches	NBB Towers	NBB Branches
Electricity Consumption	**Energy Intensity by Space (GJ/m²)**	1.77	1.63	1.26	2.70	1.60
	Energy Intensity by Employee (GJ/Employee)	94.27	79.18	49.84	63.33	40.47

Note:

1. *The conversion factor to convert Electricity Consumption from Kwh to GJ is 0.0036 as per DataQualityApps e. K. website.*
2. *We started reporting the power consumption of our branches in 2021. Three branches that did not report electricity consumption were excluded from the calculations as the landlord pays for the electricity consumption. The number of branches that reported electricity consumption in 2021 and in 2022 is 20.*
3. *In 2022, we converted two of our branches to solar power (Riffa Souq and Istiqlal). Consumption from these branches is reported from August 2022 onwards. The readings are obtained from the solar panel monitoring systems located at each branch.*

Energy Mix 2022



Total Energy Consumption (GJ)	2020	2021	2022
Total Fuel Consumption	519.46	575.36	717.08
Total Electricity Consumption (Towers)	47,606.69	43,867.44	38,696.76
Total Electricity Consumption (Branches)	N/A	11,215.04	9,146.50
Total Energy Consumption	48,126.15	55,657.84	48,560.34
Total Energy Intensity (GJ/Employee)	**2020**	**2021**	**2022**
Direct Energy Intensity (Fuel)	0.68	0.74	0.86
Indirect Energy Intensity (Electricity)	62.56	70.71	57.16
Total Energy Intensity	**63.24**	**71.45**	**58.02**

**In 2020, only consumption from NBB towers has been disclosed.*

EMISSIONS DATA

GHG Emissions (MT CO2e)	2020	2021	2022
Scope 1: Direct Emissions (Fuel Consumption)	31.35	35.06	43.19
Scope 2: Indirect Emissions (Electricity: NBB Towers)	6,479.18	5,970.27	5,266.56
Scope 2: Indirect Emissions (Electricity: NBB Branches)	N/A	1,526.35	1,229.19
Scope 3: Indirect Emissions (Paper Consumption)	20.47	14.56	16.49
Scope 3: Indirect Emissions (Non-Hazardous Waste)	N/A	16.56	47.86
Scope 3: Indirect Emissions (Hazardous Waste: E-Waste)	N/A	0.15	0.08
Scope 3: Indirect Emissions (Water and Wastewater)	116.90	149.26	129.70
Scope 3: Indirect Emissions (Employee Commute)	N/A	N/A	1,111.25
Total Emissions	6,647.92	7,712.20	7,844.30

GHG Emissions (MT CO2 e)	2020	2021	2022
Scope 1: Direct Emissions (Fuel Consumption)	31.35	35.06	43.19
Scope 2: Indirect Emissions (Electricity)	6,479.18	7,496.62	6,495.74
Scope 3: Indirect Emissions (Paper Consumption, Waste, Water and Wastewater, Employee Commute)	137.37	180.52	1,305.37
Total Emissions	6,647.92	7,712.20	7,844.30

GHG Emissions Intensity (MT CO2e per Employee)	2020	2021	2022
Scope 1: Direct Emissions (Fuel Consumption)	0.04	0.05	0.05
Scope 2: Indirect Emissions (Electricity)	8.51	9.62	7.76
Scope 3: Indirect Emissions (Paper Consumption, Waste, Water and Wastewater, Employee Commute)	0.18	0.23	1.56
Total Emissions Intensity	8.74	9.90	9.37

Note:

1. *We started reporting the scope 2 emissions of our branches in 2021. Three branches that did not report electricity consumption were excluded from the calculations as the landlord pays for the electricity consumption. The number of branches that are part of our 2021 calculations is 20.*
2. *Our 2022 Scope 2 emissions also include the emissions from two of our branches that were converted to solar power (Riffa Souq and Istiqlal). Emissions from these branches are reported from August 2022 onwards.*
3. *NBB began recording general waste from August 2021, which means that the full-year data for general waste in 2021 is not available. It is also important to note that the general waste from branches was not recorded until January 2022. Therefore, this figure does not include waste from branches.*
4. *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.*
5. *The emission factor for e-waste provided by DEFRA and used for years 2020, 2021, and 2022 takes into account the hazardous nature of e-waste.*
6. *Starting in 2022, we began reporting our Scope 3 emissions related to employee commuting for the first time. We extracted this data by conducting a survey on a representative sample of our workforce. While this initial data serves as a foundation, we are committed to enhancing the quality and accuracy of our reporting in the coming years.*
7. *The GHG Emissions were measured in accordance to the international GHG protocol that defines reporting scopes 1, 2 and 3. The emission factors used are 0.489953 kgCO2/kWh and 0.022 kgCO2/RE kWh (Sources: Institute for Global Environmental Strategies (2020). List of Grid Emission Factors version 10.9. Available at: https://pub.iges.or.jp/pub/iges-list-grid-emission-factors and IPCC, 2014: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Edenhofer, O., R. Pichs-Madruga, Y. Sokona, E. Farahani, S. Kadner, K., Seyboth, A. Adler, I. Baum, S. Brunner, P. Eickemeier, B. Kriemann, J. Savolainen, S. Schlömer, C. von Stechow, T. Zwickel and J.C. Minx (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, respectively)*

A Reduction in our Electricity Consumption

In 2022, we achieved our electricity target while also experiencing a decrease in overall consumption compared to the previous year. This led to a reduction of 13.35% in our Scope 2 emissions, and resulted in savings of 33,417 BHD.

	2020 (Only Towers)	2021		2022		Target (Towers Only)
		NBB Towers	NBB Branches	NBB Towers	NBB Branches	
Energy Consumption (kWh)	13,224,080.00	12,185,400.00	3,115,289.00	10,749,100.00	2,507,282.00	11,576,130.00

WASTE MANAGEMENT

		2021	2022
Non-Hazardous Waste (MT)	*Paper Recycled*	23.87	24.3
	Plastic Recycled	0.34	0.55
	Cans Recycled	0.11	0.15
	General Waste	27.7	81.75
	Paper Consumed	15.12	17.87
Hazardous Waste (MT)	*E-Waste (Personal Computers/ ATM Machines) Recycled*	6.90	3.73
Total Waste in MT		**74.04**	**128.35**
Total Waste in MT per Employee		**0.08**	**0.15**

1. *NBB began recording general waste from August 2021, which means that the full-year data for general waste in 2021 is not available. It is also important to note that the general waste from branches was not recorded until January 2022. Therefore, this figure does not include waste from branches. This explains the increase in our waste consumption in 2022.*
2. *The numbers provided for our Paper Recycled generation are approximate.*
3. *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.*

		2021	2022	Target
Waste Recycled (MT)	**Non-Hazardous**	24.32	25.00	26 by Q1-2023
	Hazardous (E-Waste)	6.90	3.73	N/A
Total Waste Recycled in MT		31.22	28.73	N/A
Waste Recycling Ratio		42.16%	22.38%	N/A

1. *NBB began recording general waste from August 2021, which means that the full-year data for general waste in 2021 is not available. It is also important to note that the general waste from branches was not recorded until January 2022. Therefore, this figure does not include waste from branches. This explains the decrease in our waste recycling ratio in 2022.*

WATER CONSUMPTION

Water Consumption	2020	2021	2022	Target
Total Water Consumption in m³	14,792.00	18,887.00	16,411.00	12,350.00 in towers
Total Water Consumption per Employee in m³/Employee	19.44	24.25	19.61	N/A

In August 2022, we completed the installation of solar panels across two branches in the Kingdom: Istiqlal and Riffa Souq branches. These panels will generate a sustainable source of energy for NBB and have so far successfully reduced our emissions by 15.63MT CO2e. Our objective is to reach an annual carbon emissions by 50%, while optimising both energy consumption and costs.

Our water and electricity targets are 5% reduction of utility usage

PAPER CONSUMPTION

Paper Consumption	2020	2021	2022	Target
Total Number of Paper Consumed	4,311,040	3,065,355	3,506,672	3,123,419.5

Corporate Governance and Ethical Behaviour

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 October 2021 and its term is scheduled to expire by the Ordinary General Meeting to be held in March 2024.

On joining the bank's Board, all Directors are provided with a "Directors 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 guidelines and the bank's financial position and strategy. Induction sessions, attended by the Chief Executive Officer and the senior management of the bank are also held with the Directors which focuses on business profile, opportunities, challenges and risks faced by the bank.

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 four independent directors and seven non-executive directors. The roles of the Chairman and the 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:

- 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 Chairman 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 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.

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, Digitalization Committee, Overseas branches Committee and the Donations and Contributions Committee.

Executive Committee

The Executive Committee is comprised of five Board members selected and appointed by the Board, with one member being an independent director. The Executive Committee meets at least six 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 five members selected and appointed by the Board. It includes three directors and two independent advisors. 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 six Board members selected and appointed by the Board. Two Directors are independent and attend every meeting. 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.

Digitalization Committee

The Digitalization Committee, established in 2021, 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 Digitalization Committee will also discuss and monitor the associated risks, however, only to support the Risk and Compliance Committee to prevent overlap in mandates. The Digitalization Committee shall, in its oversight of digitalization 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 digitalization and related technology strategies to support its digital banking and IT functions. In this regard, the Digitalization Committee will take a forward-looking perspective, seeking to anticipate changes in business conditions.

Overseas Branches Committee

The Overseas branches Committee, established in 2021, is responsible, amongst other things, for oversight and advising on matters relating to the business plan of the overseas branches as well as the development and the monitoring of the risks associated therewith. It provides an essential role in supporting the strategic direction of the overseas branches. The Overseas branches committee in its oversight reports to the Board with its conclusions and recommendations.

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 is comprised of four Directors. The allocated annual contribution towards the fund is equivalent to 5% of the bank's net profit.

Board Meetings and Attendance

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

A summary of the Board meetings and committee meetings held during the year 2022 and attendance are detailed below:

	Board		Executive Committee		Audit Committee		Risk and Compliance Committee		Nomination, Remuneration, Governance and Sustainability Committee		Donations & Contributions Committee		Digitalization Committee		Overseas branches Committee		Total		
Name of the Director	Total No of meetings	Meetings attended	Total No of meetings	Meetings attended	Total No of meeting	Meetings attended	Total No of meetings	Meetings attended	Total No of meetings	Meetings attended	Total No of meetings	Meetings attended	Total No of meetings	Meetings attended	Total No of Meetings	Meetings attended	Total No of meetings	Meetings attended	% of Meetings attended
Farouk Yousuf Khalil Almoayyed Chairman	6	6							10	10	2	2					18	18	100
Dr. Esam Abdulla Fakhro Deputy Chairman	6	6	5	5					10	10	2	2					23	23	100
Fawzi Ahmed Kanoo Deputy Chairman	6	6	5	5							2	2			5	5	18	18	100
Sh. Rashed Bin Salman Al-Khalifa Director	6	6	5	5					10	10					5	5	26	26	100
Hala Ali Hussain Yateem Director	6	6			6	6					2	2	5	5			19	19	100
Rishi Kapoor Director	6	6					7	7	10	10							23	23	100
Mohamed Tareq Mohamed Sadeq Mohamed Akbar Director	6	6			6	6	7	7									19	19	100
Yusuf Abdulla Yusuf Akbar Alireza Director	6	6	5	5					10	10			5	5	5	4	31	30	96
Amin Ahmed Alarrayed Director	6	6	5	5					10	10							21	21	100
Vincent Van den Boogert Director	6	6					7	7					5	5			18	18	100
Zaid Khalid Abdulrahman Director	6	6			6	6											12	12	100

Board Meetings and Attendance (continued)

Dates of meetings and attendance details

Board meetings: Total number of meetings held: 6

Name	Meeting dates					
	22/2/2022	10/5/2022	22/6/2022 (Ad-Hoc)	2/8/2022	1/11/2022	15/12/2022
Farouk Yousuf Khalil Almoayyed Chairman	✓	✓	✓*	✓*	✓	✓
Dr. Esam Abdulla Fakhro Deputy Chairman	✓	✓	✓	✓*	✓	✓
Fawzi Ahmed Kanoo Deputy Chairman	✓	✓	✓	✓*	✓	✓
Sh. Rashed Bin Salman Al Khalifa Director	✓	✓	✓	✓*	✓	✓*
Hala Ali Hussain Yateem Director	✓	✓	✓	✓*	✓	✓
Rishi Kapoor Director	✓	✓	✓	✓*	✓*	✓
Mohamed Tareq Mohamed Sadeq Mohamed Akbar Director	✓	✓*	✓	✓*	✓	✓
Yusuf Abdulla Yusuf Akbar Alireza Director	✓*	✓*	✓	✓*	✓	✓*
Amin Ahmed Alarrayed Director	✓	✓	✓	✓*	✓	✓
Vincent Van den Boogert Director	✓	✓	✓*	✓*	✓	✓*
Zaid Khalid Abdulrahman Director	✓	✓	✓	✓*	✓	✓

* Attended through video conference.

Executive Committee Meetings: Total number of meetings held: 5

Name	Meeting dates				
	26/1/2022	31/3/2022	3/7/2022	27/9/2022	6/12/2022
Dr. Esam Abdulla Fakhro Chairman	✓	✓	✓	✓	✓
Fawzi Ahmed Kanoo Director	✓	✓	✓	✓	✓
Sh. Rashed Bin Salman Al Khalifa Director	✓	✓	✓	✓	✓
Yusuf Abdulla Yusuf Akbar Alireza Director	✓*	✓*	✓*	✓*	✓*
Amin Ahmed Alarrayed Director	✓	✓*	✓	✓	✓

* Attended through video conference.

Audit Committee Meetings: Total number of meetings held: 6

Name	Meeting dates					
	2/2/2022	16/2/2022	26/4/2022	1/8/2022	30/10/2022	7/12/2022 (Ad-Hoc)
Hala Ali Hussain Yateem Chairwoman	✓	✓*	✓	✓	✓	✓
Mohamed Tareq Mohamed Sadeq Mohamed Akbar Director	✓	✓*	✓	✓	✓	✓
Zaid Khalid Abdulrahman Director	✓	✓*	✓	✓*	✓	✓

*Attended through video conference.

Board Meetings and Attendance (continued)

Risk and Compliance Committee Meetings: Total number of meetings held: 7

Name	Meeting dates						
	21/2/2022	31/5/2022	4/8/ 2022	11/9/2022 (Ad-Hoc)	26/10/2022	14/11/2022 (Ad-Hoc)	14/12/2022
Rishi Kapoor Chairman	✓	✓*	✓*	✓*	✓*	✓*	✓
Mohamed Tareq Mohamed Sadeq Mohamed Akbar Director	✓	✓	✓	✓*	✓*	✓*	✓
Vincent Van den Boogert Director	✓	✓*	✓*	✓*	✓*	✓*	✓*
Sabah Al Moayyed Non-Director Advisor to the Board	✓	✓	✓*	✓*	✓*	✓*	✓
Metthew Deakin Non-Director Advisor to the Board	✓	✓	✓	✓	✓	✓*	✓*

*Attended through video conference.

Nomination, Remuneration, Governance and Sustainability Committee Meetings: Total number of meetings held: 10

Name	Meeting dates									
	17/1/2022 (Ad-Hoc)	26/1/2022 (Ad-Hoc)	8/2/2022	13/2/2022	26/4/2022 (Ad-Hoc)	7/6/2022 (Ad-Hoc)	21/6/2022	5/9/2022 (Ad-Hoc)	22/11/2022	12/12/2022 (Ad-Hoc)
Farouk Yousuf Khalil Almoayyed Chairman	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Dr. Esam Abdulla Fakhro Director	✓*	✓	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Sh. Rashed Bin Salman Al Khalifa Director	✓*	✓	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Yusuf Abdulla Yusuf Akbar Alireza Director	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Amin Ahmed Alarrayed Director	✓*	✓	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
Rishi Kapoor Director	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*

*Attended through video conference.

Board Meetings and Attendance (continued)

Digitalization Committee Meetings: Total number of meetings held: 5

Name	Meeting dates				
	23/2/2022	9/5/2022	3/8/2022	2/11/2022 NBB Riyadh Branch	13/12/2022
Vincent Van den Boogert Chairman	✓	✓	✓*	✓	✓*
Yusuf Abdulla Yusuf Akbar Alireza Director	✓*	✓*	✓*	✓	✓*
Hala Ali Hussain Yateem Director	✓	✓	✓*	✓*	✓

*Attended through video conference.

Donation and Contributions Committee Meeting: Total number of meetings held: 2

Name	Meeting dates	
	11/1/2022	23/10/2022
Farouk Yousuf Khalil Almoayyed Chairman	✓*	✓
Dr. Esam Abdulla Fakhro Director	✓*	✓*
Fawzi Ahmed Kanoo Director	✓*	✓
Hala Ali Hussain Yateem Director	✓*	✓

*Attended through video conference.

Overseas Branches Committee Meetings: Total number of meetings held: 5

Name	Meeting dates				
	17/2/2022	17/4/2022	20/7/2022	19/10/2022	11/12/2022
Fawzi Ahmed Kanoo Chairman	✓	✓	✓	✓	✓
Sh. Rashed Bin Salman Al Khalifa Director	✓	✓	✓*	✓*	✓*
Yusuf Abdulla Yusuf Akbar Alireza Director	✓*	✓*	x	✓*	✓*

*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	Objective
Weekly Executive Committee Meeting (WEM)	**1- Jean Christophe Durand - Chief Executive Officer (Chairman)** 2- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts 3- Bruce Wade - Group Chief Executive, Financial Restructuring 4- Dana Buheji - Group Chief Human Resources Officer 5- Razi Amin - Group Chief Information Officer 6- Hisham Abu Alfateh - Head of Corporate Communications 7- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary 8- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 9- Isa Maseeh - Group Chief Risk Officer 10- Russell Bennett - Group Chief Financial Officer 11- Subah Al Zayani - Chief Executive, Retail Banking 12- Rana Qambar - Group Chief Compliance Officer 13- Nabeel Kazim - Group Chief Operating Officer	The Weekly Executive Committee Meeting (WEM) 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 WEM 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.
Management Credit Committee Frequency: weekly	Permanent Members: **1- Jean Christophe Durand - Chief Executive Officer (Chairman)** 2- Isa Maseeh - Group Chief Risk Officer 3- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 4- Ali Ehsan - Chief Credit Officer 5- Bruce Wade - Group Chief Executive, Financial Restructuring Temporary Members: 1- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts	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.

Management Structure (continued)

Committee Name	Members	Objective
Operational Risk Management Committee (ORMC) Frequency: monthly	1- Jean Christophe Durand - Chief Executive Officer **2- Isa Maseeh - Group Chief Risk Officer (Chairman)** 3- Rana Qambar - Group Chief Compliance Officer 4- Nabeel Kazim - Group Chief Operating Officer 5- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 6- Dana Buheji - Group Chief Human Resources and Sustainability Officer 7- Subah Al Zayani - Chief Executive, Retail Banking 8- Jaffar Mohammed - Head of Operational Risk & Permanent Controls 9- Razi Amin - Group Chief Information Officer 10- Fadhel Abbas - Group Chief Internal Auditor (Observer)	Review and assess different aspects of risk arising from the bank's business processes (i.e. Operational Risks, Technology Risk, BCP, DR, Legal Risk, Compliance Risks and Compliance with internal controls) 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 issues concerning all divisions of the bank.
Group Asset Liability Committee (GALCO) Frequency: monthly	**1-Jean Christophe Durand - Chief Executive Officer (Chairman)** 2- Yaser Al Sharifi - Chief Executive Officer, Bahrain Islamic Bank 3- Isa Maseeh - Group Chief Risk Officer 4- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 5- Russell Bennett - Group Chief Financial Officer 6- Ameer Shabaan - Chief Financial Officer, Bahrain Islamic Bank 7- Jaafar Husain - Head of Liquidity and Market Risk 8- Yogesh Kale - Chief Executive, United Arab Emirates 9- Mansour Alseghayer - Chief Executive, Kingdom of Saudi Arabia	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.
Project Steering Committee Frequency: monthly	**1- Jean Christophe Durand - Chief Executive Officer (Chairman)** 2- Nabeel Kazim - Group Chief Operating Officer 3- Isa Maseeh - Group Chief Risk Officer 4- Russell Bennett - Group Chief Financial Officer 5- Razi Amin - Group Chief Information Officer 6- Abdulla Buali - Head of Project Management Office 7- Muneera Mahmood - Strategy Manager 8- Fadhel Abbas - Group Chief Internal Auditor (Observer)	Ensure that the strategic programmes and major projects as approved by the management are successfully implemented. Monitor issues raised through the PMO, project sponsors, and other programme committees are resolved, and that progress is made according to the approved plans and approved financial budgets.

Management Structure (continued)

Committee Name	Members	Objective
Group Compliance Management Committee Frequency: monthly	1- Jean Christophe Durand - Chief Executive Officer **2- Rana Qambar - Group Chief Compliance Officer (Chairperson)** 3- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts 4- Isa Maseeh - Group Chief Risk Officer 5- Dana Buheji - Group Chief Human Resources and Sustainability Officer 6- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 7- Subah Al Zayani - Chief Executive, Retail Banking 8- Razi Amin - Group Chief Information Officer 9- Nabeel Kazim - Group Chief Operating Officer 10- Naeema Taheri - Chief Compliance Officer, Bahrain Islamic Bank 11- Arif Janahi - Head of Commercial and SMEs 12- Nabeel Mustafa - Head of Bank Operations 13- Fadhel Abbas - Group Chief Internal Auditor (Observer) 14- Mariam Turki - Head of Compliance Advisory (Secretary)	Review and approve group-wide processes, policies and procedures related to the bank's financial crime and regulatory compliance framework Approve and periodically review the Compliance Maturity Model and the annual Compliance Plan. Discuss the compliance management dashboards, KRIs, KPIs residual risks, compensating controls and mitigating controls for RCSAs. Monitor the adherence of the bank to the Central Bank of Bahrain (CBB) requirements in the relevant rule book volumes and modules. Review and monitor compliance risk management status on the bank's branches and overseas operations Review and consider for approval the bank's compliance risk framework at least annually.
Digital Strategy Group (DSG) Frequency: every two weeks	**1-Yaser Alsharifi - Chief Executive Officer, Bahrain Islamic Bank (Chairman)** 2-Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 3-Subah Al Zayani - Chief Executive, Retail Banking 4-Razi Amin - Group Chief Information Officer 5-Muneera Mahmood - Strategy Manager	The mandate of the Group is to define the digital direction of the bank, oversee the digital initiatives and advise on products and projects through supporting business transformation via: • Defining and aligning different stakeholders on the digital priorities of the Group • Review of the Group's progress in digitization initiatives against strategy and market • Evaluating solution alternatives and technology choices • Aligning IT to the Group's direction and priorities in a planned manner to ensure effective and efficient utilization of technology • Advise on the digital products and services roadmap for the Group
Information Security Committee (ISC) Frequency: monthly	**1- Isa Maseeh - Group Chief Risk Officer (Chairman)** 2- Nabeel Kazim - Group Chief Operating Officer 3- Rana Qambar - Group Chief Compliance Officer 4- Razi Amin - Group Chief Information Officer 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	Set the direction in establishing an Information Security Management System (ISMS). Review and recommend security policies to the Board of Directors 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.

Management Structure (continued)

Committee Name	Members	Objective
Business Continuity Management Committee Frequency: monthly	**1- Nabeel Kazim - Group Chief Operating Officer (Chairman)** 2- Isa Maseeh - Group Chief Risk Officer 3- Razi Amin - Group Chief Information Officer 4- Haitham Seyadi - Group Head of Property, Procurement and Administration 5- Nabeel Mustafa - Head of Bank Operations 6- Ali Al Majed - Group Chief Information Security Officer	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 crises 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. Oversea the creation of appropriate task force groups, working groups and teams to develop and execute the business continuity plan, whenever is required.
Product and Service Approval Committee Frequency: as and when a new product and/or service is considered for launch.	**1- Jean Christophe Durand - Chief Executive Officer (Chairman)** 2- Isa Maseeh - Group Chief Risk Officer 3- Russell Bennett - Group Chief Financial Officer 4- Nabeel Kazim - Group Chief Operating Officer 5- Rana Qambar - Group Chief Compliance Officer 6- Jaffar Mohamed - Head of Enterprise Risk Management	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.
Tender And Asset Disposal Committee: Frequency: Meetings convened as deemed necessary by the meeting administrator or their nominated alternate.	**1- Haitham Seyadi - Group Head of Property, Procurement and Administration (Chairman)** 2- Russell Bennett - Group Chief Financial Officer 3- Rana AbdulAziz Qambar - Group Chief Compliance Officer 4- Abdullah Abdulrahman Buali - Head of Project Management	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 CEO 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.

Committee Name	Members	Objective
Doubtful Debt Committee Frequency: monthly	**1- Jean Christophe Durand - Chief Executive Officer (Chairman)** 2- Bruce Wade - Group Chief Executive, Financial Restructuring 3- Isa Maseeh - Group Chief Risk Officer 4- Ali Ehsan - Chief Credit Officer 5- Russell Bennet - Group Chief Financial Officer 6- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary	The Doubtful Debts Committee is responsible amongst other things for reviewing and approving the course of action for organizations that are in distress and watch list clients, primarily those Corporate, Institutional and Investment Banking Clients distressed clients where the bank's exposure is in excess of BHD 3.5 Million and also selected CIIB and Small and Medium Enterprises depending upon the particular circumstances.

The Group Chief Risk Officer and the Group Chief Compliance Officer report directly to the Board Risk and Compliance Committee and administratively to the CEO. The Corporate Secretary reports directly to the Board and administratively to the CEO in accordance with Corporate Governance requirements.

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 2022 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 evaluation process also covers the Board external advisors serving on the Board Risk and Compliance committee. 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 2023. The evaluation confirms that the Board, its Committees and Board members continue to operate with a high level of effectiveness. The Board considers this a beneficial exercise that can enhance governance and therefore deliver and unlock value to the bank and its shareholders.

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 2022 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 2022 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 2022.

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 & 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 violation. 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 chairwoman of the Audit Committee without fear of repercussion. The Chief Internal Auditor will be delegated by the chairwoman 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 Bank is exploring the possibility of automating the whistleblowing process. 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.

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 2022[1]	Sales during 2022	Purchases during 2022	31 December 2021
Farouk Yousuf Khalil Almoayyed - Chairman	Ordinary	33,171,837	-	-	30,156,216
Dr. Esam Abdulla Fakhro - Deputy Chairman	Ordinary	14,496,711	-	49,450	13,133,875
Fawzi Ahmed Kanoo - Deputy Chairman	Ordinary	131,146	-	-	118,868
Sh. Rashed Bin Salman Al Khalifa - Director	Ordinary	-	-	-	-
Hala Ali Hussain Yateem - Director	Ordinary	6,444,312	-	-	5,858,467
Rishi Kapoor - Director	Ordinary	-	-	-	-
Mohamed Tareq Mohamed Sadeq Mohamed Akbar- Director	Ordinary	-	-	-	-
Yusuf Abdulla Yusuf Akbar Alireza - Director	Ordinary	-	-	-	-
Amin Ahmed Alarrayed - Director	Ordinary	-	-	-	-
Zaid Khalid Abdulrahman - Director	Ordinary	292,912	-	15,000	252,648
Vincent Van Den Boogert - Director	Ordinary	-	-	-	-
Total shares		**54,536,918**	**-**	**64,450**	**49,520,074**
As a % of the total number of shares		**2.65%**			**2.64%**

[1] Shares as at 31 December 2022 includes bonus shares issued during the year (where applicable) at the rate of one additional share for every ten shares held and share transfers between shareholders.

Directors and executive management interests (continued)

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

Name	Type of shares	31 December 2022[1]	Sales during 2022	Purchases during 2022[2]	31 December 2021
Jean Christophe Durand - Chief Executive Officer	Ordinary	1,737,283	-	507,790	1,117,721
Abdulaziz Al Ahmed - Chief Executive Strategic Accounts	Ordinary	69,054	-	207,695	1,146,690
Bruce Wade - Group Chief Executive of Financial Restructuring	Ordinary	83,121	100,000	99,087	76,395
Dana Buheji - Group Chief Human Resources & Sustainability Officer	Ordinary	221,113	30,000	136,556	104,143
Iain Blacklaw - Group Chief Operating Office	Ordinary	Left the bank during the year			184,897
Yasser Alsharifi - Group Chief Strategy Officer	Ordinary	Left the bank during the year			40,000
Nabeel Kazim - Group Chief Operating Officer	Ordinary	-	-	-	-
Hisham Alkurdi - Group Chief Executive - Corporate, Institutions and Investment Banking	Ordinary	-	128,643	128,643	-
Fadhel Abbas - Group Chief Internal Auditor	Ordinary	284,637	-	41,960	220,616
Russell Bennett - Group Chief Financial Officer	Ordinary	116,740	-	51,722	59,108
Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary	Ordinary	306,725	-	101,548	186,525
Isa Maseeh - Group Chief Risk Officer	Ordinary	-	112,412	84,754	25,144
Rana Abdulaziz Qambar - Group Chief Compliance Officer	Ordinary	-	-	-	-
Subah Al Zayani - Chief Executive, Retail Banking	Ordinary	41,190	-	19,864	19,388
Razi Amin- Group Chief Information Officer	Ordinary	33,002	75,000	-	-
Total shares		**2,892,865**	**446,055**	**1,594,683**	**3,180,627**

Notes

1. Shares as at 31 December 2022 includes bonus shares issued during the year (where applicable) at the rate of one additional share for every ten shares held, as well as any share transfers between shareholders.

2. Represents shares transferred during the year as part of the Employee Share Incentive Scheme.

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 2022	31 December 2021
Total number of shares held	Ordinary	57,701,251	52,949,255
As a % of the total number of shares		2.80%	2.83%

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, the payment of which is subject to approval by the shareholders at the Ordinary General Meeting. 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 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.

KPMG are the bank's external auditors for the financial year ended 31 December 2022. Fees paid to KPMG during the year 2022 amount to BHD 302,961 out of which BHD 119,990 is for audit services, BHD 69,790 is for CBB mandatory review requirements under the Agreed Upon Procedures and BHD 113,181 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; Rules must be complied with, but Guidance may either be complied with or non-compliance explained by way of an annual report to the shareholders and to the CBB.

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

Guidance

- HC 1.3.13 states that no director of a bank should hold more than three directorships in public companies in the Kingdom of Bahrain, with the provision that no conflict of interest may exist, and the Board should not propose the election or re-election of any director who does. Three of the bank's directors, Mr. Farouk Almoayyed, Dr. Esam Fakhro and Mr. Fawzi Kanoo hold more than three directorships in public companies in Bahrain. However, the Board is of the opinion that this does not impact the effectiveness and efficiency of the Board, as the directors provide adequate attention to their responsibilities and there is no conflict of interests between their other directorships and that of the bank.

- HC 1.4.6 states that the Chairman of the Board should be an independent director. The bank's Chairman, Mr. Farouk Almoayyed is not treated as an independent director taking into account the business transactions that the bank has with the Almoayyed Group which is controlled by Mr. Farouk Almoayyed. The Board is of the view that this does not compromise the high standards of corporate governance that the bank maintains as (i) the business transactions are entered into on 'arm's length' basis following transparent tendering and approval processes (ii) the bank follows strict policies to manage conflicts of interest in Board decisions (iii) Directors who are interested parties in business proposals considered by the bank do not participate in decisions related to such proposals.

Guidance (continued)

- HC-1.8.2 states that the Board should establish a Corporate Governance Committee of at least three independent members and HC-1.8.5 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, which has six members two of whom are independent. 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. As a result of this combination, the Nomination, Remuneration, Governance and Sustainability Committee does not satisfy the requirements of HC-1.8.2, however, it is the Board's determination that the Nomination, Remuneration, Governance and Sustainability 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 combination of these committees in this manner.

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 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:

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Approve the remuneration policy and 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.

Remuneration Report (continued)

NRGSC role and focus (continued)

- 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.
- 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 16,000.

Scope of application of the remuneration policy

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

Variable remuneration for staff

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.

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.

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	2022	2021
Sitting fees*	**80.5**	70.0
Remuneration	**520.0**	460.0

Note: * Includes NRGSC sitting fees of BHD 30.0 thousand as of 31 December 2022 (31 December 2021: BHD 16.0 thousand).

Employees

1-Employee remuneration

2022											
		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**	**1,433**	**268**	**-**	**-**	**376**	**13**	**78**	**441**	**-**	**2,608**
- Control and Support	**18**	**2,315**	**353**	**-**	**-**	**463**	**91**	**-**	**363**	**-**	**3,586**
Other Material Risk Takers	**1**	**78**	**15**	**-**	**-**	**11**	**2**	**-**	**9**	**-**	**115**
Other Staff	**746**	**14,232**	**2,770**	**-**	**-**	**2,963**	**103**	**9**	**456**	**-**	**20,533**
Overseas Staff	**65**	**2,491**	**270**	**-**	**-**	**295**	**11**	**4**	**60**	**-**	**3,130**
Total	**837**	**20,549**	**3,676**	**-**	**-**	**4,108**	**219**	**91**	**1,329**	**-**	**29,972**

* * This represents staff as at 31 December 2022. 72 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.

2021											
		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	1,358	148	-	-	217	-	54	271	-	2,048
- Control and support	19	2,179	179	-	-	373	75	-	298	-	3,104
Other material risk takers	1	78	16	-	-	9	2	-	7	-	112
Other staff	702	12,850	3,932	-	-	2,267	75	8	337	-	19,470
Overseas staff	51	2,053	262	-	-	113	5	3	34	-	2,470
Total	779	18,519	4,537	-	-	2,979	157	65	947	-	27,204

* This represents staff as at 31 December 2021. 51 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.

2. Deferred Awards

	2022				
	Cash	Shares		Others	Total
	BHD 000's	Number	BHD 000's*	BHD 000's	BHD 000's
Opening balance	359	4,682,461	2,931	-	3,290
Awarded during the year	65	1,786,942	1,104	-	1,169
Cash/Stock dividend awarded during the year	129	646,724	403	-	532
Interest on deposits	14	-	-	-	14
Paid out/released during the year	(274)	(3,035,656)	(1,914)	-	(2,188)
Closing balance	293	4,080,471	2,524	-	2,817

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

	2021				
	Cash	Shares		Others	Total
	BHD 000's	Number	BHD 000's*	BHD 000's	BHD 000's
Opening balance	431	4,970,217	2,806	-	3,237
Awarded during the year	73	1,971,305	1,120	-	1,193
Cash/Stock dividend awarded during the year*	139	694,189	439	-	578
Interest on deposits	2	-	-	-	2
Paid out/released during the year *	(286)	(2,953,250)	(1,434)	-	(1,720)
Closing balance	359	4,682,461	2,931	-	3,290

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

Compliance

Promotion of a healthy compliance culture lies at the heart of the bank's strategy with a vital role from the Board and senior management, who continue to set the tone of compliance from the top while ensuring full adherence to the applicable regulatory requirements and regulations in order to conduct the bank's operations responsibly, while maintaining good reputation, and protecting clients' interests.

During 2022, the bank continued to reinforce its efforts in further developing the Compliance framework, which oversees adherence to Bahrain's laws and regulations, as well as those in other countries where NBB has operations.

Compliance Culture

We continue to strengthen our compliance culture through providing various trainings and awareness programmes, for all relevant employees as well as our board of directors, including mandatory Anti-money laundry and combating terrorism financing trainings.

Moreover, quarterly compliance awareness sessions are being delivered to all employees to promote a compliance-oriented culture and help achieve the bank's strategic objectives, as well as support the business in delivering fair outcomes for their clients and stakeholders in line with the regulatory requirements.

Compliance Governance

A Group Compliance Management Committee (GCMC) was established in 2019 and continuously governs all compliance related risks and provide updates on progress towards closing audit and self-identified issues, and as an escalation point to bring any issues requiring attention to senior management. The Group Chief Compliance Officer reports relevant management information from GCMC sessions to the Board Risk and Compliance Committee (BRCC).

The Group Compliance Management Committee as well as the Board Risk and Compliance Committee are governed with an approved terms of reference by the senior management and the Board, respectively.

Compliance Framework

In order to strengthen the compliance framework, the Bank continues updating and crafting Compliance policies and procedures to ensure full adherence to all applicable regulatory developments. Any changes made to policies and procedures are submitted for discussion and recommendation to the BRCC and approved by the Board.

Financial Crime Compliance (FCC)

The bank is dedicated to applying and refining its risk-based approach to address 'Know Your Client' requirements, sanctions screening, transaction monitoring, and other concerns from a broader Financial Crime Compliance perspective as part of its efforts to combat Anti-money laundering ("AML"), and Countering the Financing of Terrorism ("CFT").

Therefore, the bank has in place an Anti-Money Laundering, Combating Financing of Terrorism and Sanctions Policy defining the framework for managing AML/CFT risk.

Compliance Testing and Monitoring

Compliance testing and assurance has a key role in ensuring that the bank manages its regulatory risks by detecting and preventing behaviours activities that create those risks. The bank will continue assessing its adherence to the regulatory requirements as well as the effectiveness of the associated first and second lines of defence activities to provide reasonable assurance that the business is operating in line with relevant regulations by following a risk based approach compliance testing plan.

Customer Complaints

Excellence in customer service is one of the essential tools to sustain business growth attract new business and retain Consumer Protection. At the bank, customer satisfaction is a prime concern. The Bank does not only believe that providing prompt and efficient service is essential but also recognises the right of its customers to complain and indeed welcomes their Complaints as a valuable form of feedback to improve its services and products. The bank has a Complaints Management Policy and Procedures recognised as a tool to identify, summarize, communicate Customer Complaints Management framework requirements and guidelines provided by the CBB in order to address customer complaints shortcomings.

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. We assess 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 ratings are based on a 16-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.

The bank has performed a review of its privacy related controls to better align with the personal data protection legislation and regulations applicable in the Kingdom of Bahrain, Kingdom of Saudi Arabia and the United Arab Emirates. The bank is also taking steps to comply with the ISO-27701 standard for management, governance and implementation of the privacy related controls.

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. The asset/liabilities management of the bank covers various liquidity criteria that need to be complied with, such as minimum level of liquid assets, gap limits, ratio of liquid assets to total assets, and others.

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 Head of Asset Liability Management is primarily responsible for managing interest rate risk. Reports on overall positions and risks are submitted to senior management for review and positions are adjusted if necessary. In addition, the Group Asset Liability Committee regularly reviews 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 over time.

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. Quality and rating are the main criteria in selecting a trading asset.

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.

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.

Throughout 2022, the Crisis Management team (CMT) continued to remain active. The focus has been on business continuity as well as the safety and security of employees and clients by applying social distancing measures, implementing work from home processes, and segregating its critical-function employees on various areas within the workplace.

Operational risk is:

- Measured using the risk and control 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 our 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. We have a dedicated Operational Risk Management Department (ORMD) that is responsible for leading the embedding of the ORMF and assuring adherence to associated policies and processes across the first and second lines of defence. It further supports the Group Chief Risk Officer and the Operational Risk Management Committee (ORMC), which meets on a periodic basis to discuss key risk issues and review the implementation of the ORMF.

Risk Management (continued)

Operational risk (continued)

Heads of departments and functions throughout the bank 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. We continue our ongoing work to strengthen the controls that manage our most material risks. Among other measures, we are:

- Further developing controls to help ensure that we know our client, ask the right questions, monitor transactions and escalate concerns to detect, prevent and deter fraud risk.
- Improving controls and security to protect clients when using digital channels.
- Increasing monitoring and enhancing detective controls to manage those fraud risks which arise from new technologies and new ways of banking.

Information Security

Information security addresses the risk associated with the operation and use of information systems 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 function to the ISO/IEC 27001 standard and attained the certification in 2020. This has been done by way of implementing an Information Security Management System (ISMS) framework consisting of policies and procedures to support information risk management processes. It is a systematic approach to managing sensitive company 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 system and enhance the maturity of the associated processes. The ISMS system 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 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 2022, we had zero data security 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 certification, 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.

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 every month 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 (SOC) 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.

Reputation and fiduciary risk

Reputation risk is defined as the current and prospective impact on earnings and capital arising from negative public opinion that would impact the ability to establish new relationships or services or to continue servicing existing relationships.

Management of reputation risk is an inherent feature of the bank's corporate culture and is embedded as an integral part of the internal control systems. Besides identification and management of risks, the internal control system incorporates as an ethos the maintenance of business practices of the highest quality for clients, shareholders, regulators, and general public and fiduciary / non-fiduciary clients. Through its policies and practices, NBB ensures that proper screening of clients' risk profiles and performance expectations are conducted prior to making investment products or services available to them.

All aspects of risk mentioned above are reviewed regularly at meetings of the Board Risk and Compliance Committee, based on a comprehensive risk report. This integrated approach to risk management also serves the bank in achieving its objective of protecting the interests of shareholders and clients.

Regulatory compliance and financial crime risks

The Operation Risk Management Department (ORMD) has implemented a Fraud Risk Management Policy which covers bribery, corruption, and asset misappropriation. The bank has also put in place a fraud response plan that guides employees on the protocol that should be followed in each possible category of fraud.

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Independent Auditors' Report

To the Shareholders of

National Bank of Bahrain BSC
P.O. Box 106
Manama,
Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of National Bank of Bahrain B.S.C. (the "Bank") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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 2 f (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 52% 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 (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-preforming 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 Chairman 's 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 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 (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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 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 Chairman's report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law, 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 on 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 use by management in response to all out requests

The engagement partner on the audit resulting in this independent auditors' report is Salman Manjlai.

KPMG

KPMG Fakhro
Partner Registration Number 213
28 February 2023

Consolidated Statement of Financial Position

As at 31 December

	Note	2022 BHD millions	2022 USD millions	2021 BHD millions	2021 USD millions
Assets					
Cash and balances at central banks	4	**177.7**	**471.4**	123.0	326.2
Treasury bills	5	**343.5**	**911.1**	225.7	598.7
Placements with banks and other financial institutions	6	**275.1**	**729.7**	294.4	780.9
Loans and advances	7	**2,494.9**	**6,617.8**	2,395.8	6,354.9
Investment securities	8	**1,241.4**	**3,292.8**	1,258.6	3,338.5
Investment in associates	9	**26.5**	**70.3**	27.2	72.1
Interest receivable and other assets	10	**103.3**	**274.0**	93.3	247.5
Property and equipment	11	**70.1**	**185.9**	64.0	169.8
Goodwill and other intangible assets	12	**52.8**	**140.1**	53.6	142.2
Total assets		**4,785.3**	**12,693.1**	4,535.6	12,030.8
Liabilities					
Due to banks and other financial institutions	13	**472.3**	**1,252.8**	518.0	1,374.0
Borrowings under repurchase agreements	14	**244.4**	**648.3**	221.6	587.8
Customer deposits	15	**3,330.2**	**8,833.4**	3,184.2	8,446.2
Interest payable and other liabilities	16	**162.5**	**431.0**	76.5	202.9
Total liabilities		**4,209.4**	**11,165.5**	4,000.3	10,610.9
Equity					
Share capital	20	**206.0**	**546.4**	187.3	496.8
Shares unallocated under share incentive scheme	20	**(1.1)**	**(2.9)**	(1.2)	(3.2)
Share premium	21	**12.3**	**32.6**	11.4	30.2
Statutory reserve	21	**103.0**	**273.2**	93.6	248.3
General reserve	21	**32.4**	**86.0**	32.4	86.0
Other reserves and retained earnings	21	**213.3**	**565.8**	204.3	541.9
Equity attributable to the shareholders of the Bank		**565.9**	**1,501.1**	527.8	1,400.0
Non-controlling interest		**10.0**	**26.5**	7.5	19.9
Total equity		**575.9**	**1,527.6**	535.3	1,419.9
Total liabilities and equity		**4,785.3**	**12,693.1**	4,535.6	12,030.8

The consolidated financial statements were approved by the board of directors on 28 February 2023 and signed on its behalf by:

Farouk Yousuf Khalil Almoayyed
Chairman

Dr. Esam Abdulla Fakhro
Deputy Chairman

Usman Ahmed
Group Chief Executive Officer

The accompanying notes 1 to 46 are an integral part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December

	Note	2022 BHD millions	2022 USD millions	2021 BHD millions	2021 USD millions
Interest income	23	**188.6**	**500.3**	153.3	406.6
Interest expense	23	**(56.8)**	**(150.7)**	(32.8)	(87.0)
Net interest income		**131.8**	**349.6**	120.5	319.6
Net fee and commission income	24	**13.0**	**34.4**	13.8	36.6
Other income	25	**28.2**	**74.8**	16.6	44.1
Total operating income		**173.0**	**458.8**	150.9	400.3
Staff expenses	26	**45.0**	**119.4**	38.5	102.1
Depreciation, amortisation and equipment expenses	27	**15.3**	**40.6**	12.7	33.7
Other operating expenses	27	**25.2**	**66.8**	23.3	61.8
Total operating expenses		**85.5**	**226.8**	74.5	197.6
Operating profit before results of associates, impairment, and other provisions		**87.5**	**232.0**	76.4	202.7
Share of profits from associates, net	9	**0.6**	**1.6**	1.1	2.9
Loans, placements and securities impairment, net	17	**(16.3)**	**(43.2)**	(15.5)	(41.1)
Other impairment and provisions, net	17	**(1.1)**	**(2.9)**	(7.0)	(18.6)
Profit for the year		**70.7**	**187.5**	55.0	145.9
Attributable to:					
Shareholders of the Bank		**68.1**	**180.6**	53.9	143.0
Non-controlling interest		**2.6**	**6.9**	1.1	2.9
Profit for the year		**70.7**	**187.5**	55.0	145.9
Basic and diluted earnings per share attributable to the shareholders of the Bank	41	**33 fils**	**9 cents**	26 fils	7 cents

Farouk Yousuf Khalil Almoayyed
Chairman

Dr. Esam Abdulla Fakhro
Deputy Chairman

Usman Ahmed
Group Chief Executive Officer

The accompanying notes 1 to 46 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2022 BHD millions	2022 USD millions	2021 BHD millions	2021 USD millions
Profit for the year	**70.7**	**187.5**	55.0	145.9
Other comprehensive income:				
Items that are, or may be, reclassified to profit or loss:				
Fair value through other comprehensive income (debt investments)				
Net change in fair value	**23.6**	**62.6**	(2.3)	(6.1)
Net amount transferred to profit or loss	**(9.5)**	**(25.2)**	(3.2)	(8.5)
Items that will not be reclassified to profit or loss:				
Net change in fair value of equity FVOCI investments	**(4.1)**	**(10.8)**	(3.3)	(8.8)
Total other comprehensive income / (loss) for the year	**10.0**	**26.6**	(8.8)	(23.4)
Total comprehensive income for the year	**80.7**	**214.1**	46.2	122.5
Attributable to:				
Shareholders of the bank	**78.1**	**207.2**	45.1	119.6
Non-controlling interest	**2.6**	**6.9**	1.1	2.9
Total comprehensive income for the year	**80.7**	**214.1**	46.2	122.5

The accompanying notes 1 to 46 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022	Share capital	Unallocated shares	Share premium	Statutory reserve	General reserve	Other reserves and retained earnings: Fair value reserve	Donation and charity reserve	Retained earnings	Total owners' equity	Non-controlling interest	Total equity: BHD millions	Total equity: USD millions
Balance at 31 December 2021	**187.3**	**(1.2)**	**11.4**	**93.6**	**32.4**	**18.2**	**13.8**	**172.3**	**527.8**	**7.5**	**535.3**	**1,419.9**
2021 appropriations:												
Cash dividend at 20%	-	-	-	-	-	-	-	**(37.3)**	**(37.3)**	-	**(37.3)**	**(98.9)**
Bonus shares issued at 10%	**18.7**	**(0.1)**	-	-	-	-	-	**(18.6)**	-	-	-	-
Transfer to donations and charity reserve	-	-	-	-	-	-	**2.7**	**(2.7)**	-	-	-	-
Transfer to statutory reserve	-	-	-	**9.4**	-	-	-	**(9.4)**	-	-	-	-
Balance after 2021 appropriations	**206.0**	**(1.3)**	**11.4**	**103.0**	**32.4**	**18.2**	**16.5**	**104.3**	**490.5**	**7.5**	**498.0**	**1,321.0**
Employee shares allocated	-	**0.2**	**0.9**	-	-	-	-	-	**1.1**	-	**1.1**	**2.9**
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	**68.1**	**68.1**	**2.6**	**70.7**	**187.5**
Other comprehensive income	-	-	-	-	-	**10.0**	-	-	**10.0**	-	**10.0**	**26.6**
Total comprehensive income for the year	-	-	-	-	-	**10.0**	-	**68.1**	**78.1**	**2.6**	**80.7**	**214.1**
Utilisation of donation and charity reserve	-	-	-	-	-	-	**(3.5)**	-	**(3.5)**	-	**(3.5)**	**(9.3)**
Other movements	-	-	-	-	-	-	-	**(0.3)**	**(0.3)**	**(0.1)**	**(0.4)**	**(1.1)**
Balance at 31 December 2022 (notes 20-22)	**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**

The appropriations for the year 2022 will be submitted to the shareholders at the annual general meeting. These appropriations include BHD 51.5 million for cash dividend at 25% (2021: 20%) and BHD 3.4 million for donations and contributions. The Board of Directors has also proposed a one for ten bonus issue through utilisation of BHD 20.6 million from retained earnings and the transfer of BHD 10.3 million from retained earnings to the statutory reserve.

For the year ended 31 December 2021	Share capital	Unallocated shares	Share premium	Statutory reserve	General reserve	Other reserves and retained earnings: Fair value reserve	Donation and charity reserve	Retained earnings	Total owners' equity	Non-controlling interest	Total equity: BHD millions	Total equity: USD millions
Balance at 31 December 2020	170.3	(1.3)	10.5	85.1	32.4	24.1	15.2	183.4	519.7	6.6	526.3	1,396.0
2020 appropriations:												
Cash dividend at 20%	-	-	-	-	-	-	-	(33.8)	(33.8)	-	(33.8)	(89.6)
Bonus shares issued at 10%	17.0	(0.1)	-	-	-	-	-	(16.9)	-	-	-	-
Transfer to donations and charity reserve	-	-	-	-	-	-	2.7	(2.7)	-	-	-	-
Transfer to statutory reserve	-	-	-	8.5	-	-	-	(8.5)	-	-	-	-
Balance after 2020 appropriations	187.3	(1.4)	10.5	93.6	32.4	24.1	17.9	121.5	485.9	6.6	492.5	1,306.4
Employee shares allocated	-	0.2	0.9	-	-	-	-	-	1.1	-	1.1	2.9
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	53.9	53.9	1.1	55.0	145.9
Other comprehensive income	-	-	-	-	-	(8.8)	-	-	(8.8)	-	(8.8)	(23.4)
Total comprehensive income for the year	-	-	-	-	-	(8.8)	-	53.9	45.1	1.1	46.2	122.5
Utilisation of donation and charity reserve	-	-	-	-	-	-	(4.1)	-	(4.1)	-	(4.1)	(10.9)
Disposal of equity securities	-	-	-	-	-	2.9	-	(2.9)	-	-	-	-
Other movements	-	-	-	-	-	-	-	(0.2)	(0.2)	(0.2)	(0.4)	(1.0)
Balance at 31 December 2021 (notes 20-22)	187.3	(1.2)	11.4	93.6	32.4	18.2	13.8	172.3	527.8	7.5	535.3	1,419.9

Unallocated shares are shares that remain unallocated to employees under the employee share incentive scheme.

The accompanying notes 1 to 46 are an integral part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December

	Note	2022: BHD millions	2022: USD millions	2021: BHD millions	2021: USD millions
Cash flows from operating activities					
Profit for the year		**70.7**	**187.5**	55.0	145.9
Adjustments to reconcile profit for the year to net cash from operating activities:					
Depreciation and amortisation		**7.9**	**21.0**	6.7	17.8
Amortisation of right-of-use leased property		**2.1**	**5.6**	2.2	5.8
Loans, placements and securities impairment, net		**16.3**	**43.2**	15.5	41.1
Other impairment and provisions, net	17	**1.1**	**2.9**	7.0	18.6
Share of profits from associates, net	17	**(0.6)**	**(1.6)**	(1.1)	(2.9)
Profit for the year after adjustments		**97.5**	**258.6**	85.3	226.3
Changes in operating assets and liabilities					
Balances with central banks (mandatory cash reserves)		**(43.8)**	**(116.2)**	(4.9)	(13.0)
Treasury bills		**62.8**	**166.6**	(26.7)	(70.8)
Placements with banks and other financial institutions		**20.2**	**53.6**	29.7	78.7
Loans and advances		**(115.7)**	**(306.9)**	(234.8)	(622.8)
Investment securities		**(32.3)**	**(85.7)**	(50.7)	(134.5)
Interest receivable and other assets		**44.1**	**117.0**	17.0	45.1
Due to banks and other financial institutions		**(45.7)**	**(121.2)**	(26.5)	(70.3)
Borrowings under repurchase agreements		**22.8**	**60.5**	108.7	288.3
Customer deposits		**146.0**	**387.2**	99.9	265.0
Interest payable and other liabilities		**93.0**	**246.7**	(6.1)	(16.2)
Net cash from / (used in) operating activities		**248.9**	**660.2**	(9.1)	(24.2)
Cash flows from investing activities					
Dividend received from associates		**0.8**	**2.1**	1.1	2.9
Disposal of associate		**-**	**-**	9.3	24.7
Purchase of property and equipment, net		**(13.5)**	**(35.8)**	(13.3)	(35.3)
Net cash used in investing activities		**(12.7)**	**(33.7)**	(2.9)	(7.7)
Cash flows from financing activities					
Dividends paid		**(37.3)**	**(98.9)**	(34.0)	(90.2)
Donations and charities paid		**(3.9)**	**(10.3)**	(4.5)	(11.9)
Payment of lease liabilities		**(2.6)**	**(6.9)**	(2.2)	(5.8)
Net cash used in financing activities		**(43.8)**	**(116.1)**	(40.7)	(107.9)
Net increase / (decrease) in cash and cash equivalents		**192.4**	**510.4**	(52.7)	(139.8)
Cash and cash equivalents at 1 January	4	**320.5**	**850.1**	373.2	989.9
Cash and cash equivalents at 31 December	4	**512.9**	**1,360.5**	320.5	850.1

The accompanying notes 1 to 46 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December

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. SIGNIFICANT 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 (2021: 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 amendmends to standards

There are no new standards or amendments to standards which became effective as of 1 January 2022 that were relevant and had a material impact on the consolidated financial statements.

ii) New standards and amendments not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

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 financal 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Use of estimates and management judgement (continued)

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.

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).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

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.

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets and liabilities (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Leases (continued)

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.

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

3. FINANCIAL RISK MANAGEMENT (continued)

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 above a specified threshold. 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's internal ratings are based on a 16-point scale, which 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. Regular monitoring of the portfolio enables the Group to identify accounts, which witness deterioration in risk profile. Consumer 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.

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 Asset Liability Committee (ALCO) 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.

The Group has initiated a cross-functional IBOR committee to manage its transition from LIBORs to alternative risk-free rates. The new contracts entered by the Group on or after 1 January 2022 are based on Secured Overnight Financing Rate (SOFR).

Non-derivative financial assets and liabilities
As at 31 December 2022, BHD 48.8 million (USD 129.4 million) of financial assets transitioned from LIBOR to SOFR, while BHD 36.6 million (USD 97.1 million) of exposures maturing after 30 June 2023 continue to be linked to LIBOR. As at 31 December 2022, no financial liabilities transitioned from LIBOR to SOFR, while BHD 18.9 million (USD 50.0 million) of liabilities maturing after 30 June 2023 continue to be linked to LIBOR. The Group is in discussion with the counterparties to effect an orderly transition of USD exposures to the relevant benchmark.

Derivatives
As at 31 December 2022, no derivatives transitioned from LIBOR to SOFR, while a notional value of BHD 2,504.0 million (USD 6,641.9 million) of derivatives maturing after 30 June 2023 continue to be linked to LIBOR. An orderly transition of USD exposures to the relevant benchmark is planned on 30 June 2023 at transition rates communicated by the International Swaps and Derivatives Association (ISDA).

Hedge accounting
The Group has applied the hedging relief available under the amendments to IFRS 9 Financial Instruments relating to interest rate benchmark reforms and assessment of economic relationship between hedged items and hedging instruments.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

4. CASH AND CASH EQUIVALENTS

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Cash and balances at central banks	**177.7**	**471.4**	123.0	326.3
Less: mandatory cash reserves	**(122.4)**	**(324.7)**	(78.6)	(208.5)
	55.3	**146.7**	44.4	117.8
Treasury bills (less than 3 months)	**183.3**	**486.2**	2.7	7.1
Placements with banks (less than 3 months)	**274.3**	**727.6**	273.4	725.2
	512.9	**1,360.5**	320.5	850.1

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.

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
United States Treasury	**234.1**	**620.9**	-	-
Government of Bahrain	**99.4**	**263.7**	215.7	572.2
Government of Saudi Arabia	**10.0**	**26.5**	10.0	26.5
	343.5	**911.1**	225.7	598.7

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.

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Placements with banks	**268.0**	**710.9**	251.0	665.8
Placements with other financial institutions	**7.1**	**18.8**	43.4	115.1
	275.1	**729.7**	294.4	780.9

	2022		2022	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Term placements	**160.5**	**425.7**	141.7	375.9
Current and call accounts	**111.2**	**295.0**	91.1	241.6
Reverse repos	**3.4**	**9.0**	61.6	163.4
	275.1	**729.7**	294.4	780.9

7. LOANS AND ADVANCES

a)

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Loans and advances to non-banks	**2,558.3**	**6,785.9**	2,426.7	6,436.9
Loans and advances to banks	**31.8**	**84.4**	50.3	133.4
Gross loans and advances	**2,590.1**	**6,870.3**	2,477.0	6,570.3
Less: provision for impairment	**(95.2)**	**(252.5)**	(81.2)	(215.4)
	2,494.9	**6,617.8**	2,395.8	6,354.9

b) As at 31 December 2022, 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 718.9 million (USD 1,906.9 million) [31 December 2021: BHD 734.8 million (USD 1,949.1 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:

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Up to 1 year	**79.3**	**210.3**	62.1	164.7
1 to 3 years	**11.6**	**30.8**	8.8	23.4
Over 3 years	**8.7**	**23.1**	28.7	76.1
Total	**99.6**	**264.2**	99.6	264.2
Fair market value of collateral	**82.8**	**219.6**	94.5	250.7
Stage 3 provisions	**50.4**	**133.7**	53.1	140.8

In accordance with the Central Bank of Bahrain guidelines, loans that have been classified as non-performing should remain classified as non-performing for a cooling off period of not less than 6 months from the date of becoming performing.

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 2022, loans past due below 90 days but not impaired amounted to BHD 81.0 million (USD 214.9 million) [31 December 2021: BHD 42.9 million (USD 113.8 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 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

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 2022, credit facilities amounting to BHD 87.6 million (USD 232.4 million) were restructured [2021: BHD 33.9 million (USD 89.9 million)], of which BHD 11.1 million (USD 29.4 million) related to the fair value of new assets booked following substantial modification in the original terms and derecognition of the previous exposures. 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. In accordance with the Central Bank of Bahrain guidelines, loans that have been restructured are reported as stage 2 for not less than 6 months from the date of regular payments.

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 2022, loans and advances amounting to BHD 638.3 million (USD 1,693.1 million) [31 December 2021: BHD 631.9 million (USD 1,676.1 million)] were fully collateralised and loans and advances amounting to BHD 289.5 million (USD 767.9 million) [31 December 2021: BHD 211.3 million (USD 560.5 million)] were partly collateralised with a collateral value of BHD 194.6 million (USD 516.2 million) [31 December 2021: BHD 138.4 million (USD 367.1 million)]. Therefore, fully or partially collateralised loans represented 35.8% of gross loans (31 December 2021: 34.0%). The majority of the remaining loans which are not collateralised are provided against salary deposits into the Group by their respective employers.

f) Exposure to credit risk

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
1. Impaired (stage 3)				
Substandard	**73.1**	**193.9**	82.6	219.1
Doubtful	**7.3**	**19.4**	5.0	13.3
Loss	**19.2**	**50.9**	12.0	31.8
Gross amount	**99.6**	**264.2**	99.6	264.2
Stage 3 provisions	**(50.4)**	**(133.7)**	(53.1)	(140.8)
Impaired (stage 3) carrying amount	**49.2**	**130.5**	46.5	123.4
2. Past due below 90 days but not impaired				
Gross amount	**81.0**	**214.9**	42.9	113.8
Stage 1 or 2 provision	**(7.2)**	**(19.1)**	(2.0)	(5.3)
Past due but not impaired carrying amount	**73.8**	**195.8**	40.9	108.5

3. Neither past due nor impaired by internal rating

Stage 1

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Rating grades 1 to 3	**125.8**	**333.7**	64.5	171.1
Rating grades 4 to 6	**245.3**	**650.7**	269.0	713.5
Rating grades 7 to 10	**316.2**	**838.7**	438.5	1,163.1
Rating grades 11 to 13	**277.3**	**735.5**	174.1	461.8
Unrated	**1,261.3**	**3,345.6**	1,205.8	3,198.4
Gross amount	**2,225.9**	**5,904.2**	2,151.9	5,707.9
Stage 1 provisions	**(15.0)**	**(39.8)**	(12.7)	(33.7)
Carrying amount of stage 1	**2,210.9**	**5,864.4**	2,139.2	5,674.2
Stage 2				
Rating grades 1 to 3	**1.2**	**3.2**	-	-
Rating grades 4 to 6	**12.2**	**32.4**	9.5	25.2
Rating grades 7 to 10	**44.5**	**118.0**	18.6	49.3
Rating grades 11 to 13	**72.1**	**191.2**	105.9	280.9
Unrated	**13.6**	**36.1**	9.0	23.9
Gross amount	**143.6**	**380.9**	143.0	379.3
Stage 2 provisions	**(18.3)**	**(48.5)**	(12.6)	(33.4)
Carrying amount of stage 2	**125.3**	**332.4**	130.4	345.9
Neither past due nor impaired carrying amount	**2,336.2**	**6,196.8**	2,269.6	6,020.1
Total carrying amount (excluding POCI)	**2,459.2**	**6,523.1**	2,357.0	6,252.0

Ratings 1 to 13 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

7. LOANS AND ADVANCES (continued)

f) Exposure to credit risk (continued)

By staging

As at 31 December 2022	Stage 1 BHD millions	Stage 2 BHD millions	Stage 3 BHD millions	POCI BHD millions	Total BHD millions	Total USD millions
Loans and advances	2,259.1	191.4	99.6	40.0	2,590.1	6,870.3
Less: impairment provision	(15.5)	(25.0)	(50.4)	(4.3)	(95.2)	(252.5)
Net loans and advances	**2,243.6**	**166.4**	**49.2**	**35.7**	**2,494.9**	**6,617.8**

Stage 2 includes BHD 2.5 million (USD 6.6 million) of loans designated as FVTPL.

As at 31 December 2021	Stage 1 BHD millions	Stage 2 BHD millions	Stage 3 BHD millions	POCI BHD millions	Total BHD millions	Total USD millions
Loans and advances	2,181.1	156.7	99.6	39.6	2,477.0	6,570.3
Less: impairment provision	(13.3)	(14.0)	(53.1)	(0.8)	(81.2)	(215.4)
Net loans and advances	2,167.8	142.7	46.5	38.8	2,395.8	6,354.9

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 93.0% covered by provisions and / or high quality collateral as at 31 December 2022 (31 December 2021: 83.6%).

The non-performing loan ratio at 31 December 2022 exclusive and inclusive of non-performing POCI is 3.8% and 4.0% respectively (31 December 2021: 4.0% and 4.1%).

g) Impairment provisions on loans and advances

2022	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 2022	13.3	14.0	53.1	0.8	81.2	215.4
Net transfer between stages	1.8	5.9	(7.7)	-	-	-
Write off during the year	-	-	(2.2)	(0.1)	(2.3)	(6.1)
Charge for the year (net)	0.4	5.1	7.2	3.6	16.3	43.2
Impairment at 31 December 2022	**15.5**	**25.0**	**50.4**	**4.3**	**95.2**	**252.5**

2021	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 2021	10.0	9.9	61.9	0.2	82.0	217.5
Net transfer between stages	3.0	(3.4)	0.4	-	-	-
Write off during the year	-	-	(13.6)	-	(13.6)	(36.1)
Charge for the year (net)	0.3	6.9	4.3	0.6	12.1	32.1
Other movement	-	0.6	0.1	-	0.7	1.9
Impairment at 31 December 2021	13.3	14.0	53.1	0.8	81.2	215.4

Other movements relate to the recognition of provisions that have been initially netted off against gross volumes at the subsidiary acquisition date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

8. INVESTMENT SECURITIES

i. Composition

Investment securities comprise the following:

As at 31 December 2022	FVTPL BHD millions	FVOCI BHD millions	Amortised cost BHD millions	Total BHD millions	Total USD millions
Quoted investments:					
Debt instruments	-	269.2	208.1	477.3	1,266.0
Equity instruments	-	55.8	-	55.8	148.0
Total quoted investments	-	325.0	208.1	533.1	1,414.0
Unquoted investments:					
Debt instruments	13.3	60.6	593.9	667.8	1,771.4
Equity instruments	3.9	36.6	-	40.5	107.4
Total unquoted investments	17.2	97.2	593.9	708.3	1,878.8
Total investment securities	17.2	422.2	802.0	1,241.4	3,292.8

As at 31 December 2021	FVTPL BHD millions	FVOCI BHD millions	Amortised cost BHD millions	Total BHD millions	Total USD millions
Quoted investments:					
Debt instruments	-	244.1	217.4	461.5	1,224.1
Equity instruments	-	59.4	-	59.4	157.6
Total quoted investments	-	303.5	217.4	520.9	1,381.7
Unquoted investments:					
Debt instruments	23.5	63.4	616.8	703.7	1,866.6
Equity instruments	3.0	31.0	-	34.0	90.2
Total unquoted investments	26.5	94.4	616.8	737.7	1,956.8
Total investment securities	26.5	397.9	834.2	1,258.6	3,338.5

ii. Breakdown between repricing nature of debt instruments

As at 31 December	2022 BHD millions	2022 USD millions	2021 BHD millions	2021 USD millions
Fixed rate debt instruments	538.5	1,428.4	592.8	1,572.4
Floating rate debt instruments	606.6	1,609.0	572.4	1,518.3
	1,145.1	3,037.4	1,165.2	3,090.7

iii. Breakdown of debt instruments by rating

The ratings given below are by established rating agencies.

As at 31 December	2022 BHD millions	2022 USD millions	2021 BHD millions	2021 USD millions
AA+	63.8	169.2	1.9	5.0
A	9.4	24.9	3.9	10.3
BBB	-	-	11.6	30.8
BB	24.3	64.5	7.2	19.1
B+	1,020.7	2,707.4	-	-
B	17.3	45.9	1,116.3	2,961.0
Unrated	9.6	25.5	24.3	64.5
	1,145.1	3,037.4	1,165.2	3,090.7

The debt instruments rated B+ in 2022 and B in 2021 primarily represent instruments issued by sovereigns.

As at 31 December 2022, all debt instruments were classified as stage 1.

iv. Investments designated as fair value through profit or loss

The Group holds investment in managed funds designated as fair value through profit or loss amounting to BHD 3.9 million (USD 10.3 million) [2021: BHD 3.0 million (USD 8.0 million)].

9. INVESTMENT IN ASSOCIATES

The Group has a 39.7% (2021: 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% (2021: 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 25.0% (2021: 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 24.3% (2021: 24.3%) 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

9. INVESTMENT IN ASSOCIATES (continued)

	2022		2021	
	BHD millions	USD millions	BHD millions	USD millions
Opening balance	27.2	72.1	36.7	97.3
Share of profit	0.6	1.6	1.1	2.9
Dividends received	(0.8)	(2.1)	(1.1)	(2.9)
Disposal of associate	-	-	(9.3)	(24.7)
Other movements	(0.5)	(1.3)	(0.2)	(0.5)
At 31 December	26.5	70.3	27.2	72.1

10. INTEREST RECEIVABLE AND OTHER ASSETS

	2022		2021	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Interest receivable	40.5	107.4	36.9	97.9
Positive fair value of derivatives	22.0	58.4	11.7	31.0
Accounts receivable and prepayments	8.3	22.0	13.4	35.6
Others	32.5	86.2	31.3	83.0
	103.3	274.0	93.3	247.5

Others include BHD 6.9 million (USD 18.3 million) [31 December 2021: BHD 7.2 million (USD 19.1million)] in respect of land and buildings acquired from customers and now held for disposal, and BHD 13.7 million (USD 36.3 million) [31 December 2021: BHD 14.7 million (USD 39.0 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

In BHD millions	Leased property right-of-use	Land	Buildings	Furniture and equipment	Total BHD millions	Total USD millions
Cost	6.5	8.0	39.8	80.0	134.3	356.2
Accumulated depreciation / amortisation	(3.6)	-	(26.2)	(34.4)	(64.2)	(170.3)
Net book value at 31 December 2022	2.9	8.0	13.6	45.6	70.1	185.9
Net book value at 31 December 2021	3.2	8.0	13.1	39.7	64.0	169.8

The depreciation charge for 2022 amounted to BHD 7.1 million (USD 18.8 million) [2021: BHD 5.9 million (USD 15.6 million)]. The above includes capital work in progress at cost, amounting to BHD 23.5 million (USD 62.3 million) [2021: BHD 20.1 million (USD 53.3 million)].

The amortisaion related to the right-of-use of leased property in 2022 amounted to BHD 2.1 million (USD 5.6 million) [2021: BHD 2.2 million (USD 5.8 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 will enable 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 3.4 million (USD 9.0 million) as of 31 December 2022 [31 December 2021: BHD 4.2 million (USD 11.1 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% (2021: 2%) and discount rate of 15% (2021: 13%) 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 2022, there were no indications of impairment of the cash generating unit (CGU) associated with the goodwill (2021: 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.

	2022		2021	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Term deposits	392.6	1,041.4	453.2	1,202.1
Current and call accounts	79.7	211.4	64.8	171.9
	472.3	1,252.8	518.0	1,374.0

As at 31 December 2022 and 31 December 2021, 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 244.4 million (USD 648.2 million) [31 December 2021: BHD 221.6 million (USD 587.8 million)] and the fair value of the investment securities pledged as collateral amounts to BHD 278.1 million (USD 737.7 million) [31 December 2021: BHD 274.6 million (USD 728.4 million)].

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

15. CUSTOMER DEPOSITS

	2022		2021	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Repayable on demand or at short notice	1,730.8	4,591.0	1,885.0	5,000.0
Term deposits and call accounts	1,599.4	4,242.4	1,299.2	3,446.2
	3,330.2	8,833.4	3,184.2	8,446.2

16. INTEREST PAYABLE AND OTHER LIABILITIES

	2022		2021	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Negative fair value of derivatives	60.6	160.7	8.4	22.3
Interest payable	42.6	113.0	19.2	50.9
Creditors and account payables	30.3	80.4	22.8	60.5
Employee benefits	10.4	27.6	6.9	18.3
Deferred income	6.5	17.2	5.8	15.4
Lease liability	2.8	7.4	3.1	8.2
Others	9.3	24.7	10.3	27.3
	162.5	431.0	76.5	202.9

Others include provisions against contingent liabilities.

Lease liabilities relate to the right-of-use of leased property. The maturity analysis of its contractual undiscounted cash flows are as follows:

	2022		2021	
	BHD millions	USD millions	BHD millions	USD millions
Less than 1 year	1.4	3.7	1.7	4.5
1 to 3 years	1.6	4.2	1.8	4.8
3 to 5 years	0.1	0.3	0.2	0.5
Total undiscounted lease liabilities	3.1	8.2	3.7	9.8
Lease liabilities included in the statement of financial position	2.8	7.4	3.1	8.2

17. NET IMPAIRMENT AND OTHER PROVISIONS

	2022		2021	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Loans and advances (note 7g)	16.3	43.2	12.1	32.1
Placements with banks and other financial institutions	-	-	3.7	9.8
Investment securities	-	-	(0.3)	(0.8)
	16.3	43.2	15.5	41.1
Contingent liabilities	1.9	5.0	3.2	8.5
Associates	0.5	1.3	0.2	0.5
Loan commitments and guarantees	(1.3)	(3.4)	3.6	9.6
	1.1	2.9	7.0	18.6
	17.4	46.1	22.5	59.7

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.

	2022		2021	
As at 31 December	BHD millions	USD millions	BHD millions	USD millions
Contingent liabilities				
Liabilities on confirmed documentary credits	103.4	274.3	101.9	270.3
Guarantees:				
Counter guaranteed by banks	50.1	132.9	36.4	96.5
Others	131.0	347.5	163.8	434.5
	284.5	754.7	302.1	801.3
Banking commitments				
Undrawn loan commitments	259.4	688.0	244.1	647.5
Forward commitments:				
Securities purchased	-	-	10.1	26.8
	259.4	688.0	254.2	674.3
	543.9	1,442.7	556.3	1,475.6

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For the year ended 31 December

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. For written options, there is no credit risk, as they represent obligations of the Group. 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	2022	2021	2022	2021	2022	2021
Interest rate contracts						
Interest rate swaps	4,114.3	3,038.2	12.0	31.7	51.1	31.7
Foreign exchange contracts						
Outright spot and forward contracts	264.0	141.9	2.8	0.5	2.1	0.3
Swap agreements	1,236.9	1,042.6	2.6	1.9	-	1.5
	1,500.9	1,184.5	5.4	2.4	2.1	1.8
Total	5,615.2	4,222.7	17.4	34.1	53.2	33.5
Total in USD millions	14,894.4	11,200.8	46.2	90.5	141.1	88.9

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	2022			2021		
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	9.4	4,104.9	4,114.3	215.9	2,822.3	3,038.2
Foreign exchange contracts						
Outright spot and forward contracts	259.1	4.9	264.0	141.9	-	141.9
Swap agreements	1,232.3	4.6	1,236.9	963.0	79.6	1,042.6
	1,491.4	9.5	1,500.9	1,104.9	79.6	1,184.5
Total	1,500.8	4,114.4	5,615.2	1,320.8	2,901.9	4,222.7
Total in USD millions	3,980.9	10,913.5	14,894.4	3,503.5	7,697.3	11,200.8

20. SHARE CAPITAL

	2022		2021	
	BHD millions	USD millions	BHD millions	USD millions
Authorised share capital				
2,500,000,000 (2021: 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 2022: 1,872,789,305 ordinary shares of 100 fils each (at 1 January 2021: 1,702,535,732 shares of 100 fils each)	187.3	496.8	170.3	451.7
Bonus issue (one for ten shares held)	18.7	49.6	17.0	45.1
At 31 December 2022 2,060,068,236 ordinary shares of 100 fils each (at 31 December 2021: 1,872,789,305 shares of 100 fils each)	206.0	546.4	187.3	496.8

The shareholders annual general ordinary and extra ordinary meetings for the year 2021 held on 24 March 2022 approved the increase of issued and fully paid capital by the issue of bonus shares at the rate of one additional share for every ten shares held and amounted to BHD 18.7 million.

The Board of Directors have proposed to increase the issued and fully paid capital of the Group to BD 226.6 million by the issue of bonus shares at the rate of one additional share for every ten shares held. These shares will rank pari passu with all other shares for future dividends and distribution. The bonus issue amounting to BD 20.6 million is proposed to be made through utilisation from retained earnings.

Notes to the Consolidated Financial Statements (continued)

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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 2022			31 December 2021		
	Number of shares	Number of shareholders	% of total outstanding shares	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	653,742,126	1,808	31.7%	594,649,426	1,696	31.7%
1% up to less than 5%	275,205,147	7	13.3%	249,848,093	7	13.3%
5% up to less than 10%	-	-	-	-	-	-
10% up to less than 20%	223,518,605	1	10.9%	203,198,733	1	10.9%
20% up to less than 50%	907,602,358	1	44.1%	825,093,053	1	44.1%
	2,060,068,236	1,817	100.0%	1,872,789,305	1,705	100.0%

The distribution of ordinary shares ownership based on nationality of the shareholder is shown below:

	31 December 2022			31 December 2021		
	Number of shares	Number of shareholders	% of total outstanding shares	Number of shares	Number of shareholders	% of total outstanding shares
Bahraini	1,939,370,927	1,658	94.1%	1,754,051,428	1,546	93.6%
Other GCC countries	117,207,181	109	5.7%	115,475,261	105	6.2%
Others	3,490,128	50	0.2%	3,262,616	54	0.2%
	2,060,068,236	1,817	100.0%	1,872,789,305	1,705	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.

Notes to the Consolidated Financial Statements (continued)

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20. SHARE CAPITAL (continued)

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 eligible employees under the scheme and the shares are entitled to cash and stock dividend and subject to malus and clawback provisions of the scheme. As at 31 December 2022, there are 10,532,535 (2021: 11,361,961) 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. The Board of Directors has proposed to the shareholders to appropriate BHD 10.3 million from retained earnings to the statutory reserve to achieve the 50 percent threshold.

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 0.9 million (USD 2.4 million) [2021: BHD 0.9 million (USD 2.4 million)]

22. APPROPRIATIONS

The appropriations relating to the year 2021 were approved at the annual general meeting held on 24 March 2022.

23. INTEREST INCOME / INTEREST EXPENSE

a) Interest income

	2022		2021	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Loans and advances to non-banks	**118.9**	**315.4**	98.7	261.8
Loans and advances to banks	**2.0**	**5.3**	1.2	3.2
Treasury bills	**6.2**	**16.5**	5.0	13.3
Placements with banks and other financial institutions	**5.7**	**15.1**	3.9	10.3
Investment securities	**55.8**	**148.0**	44.5	118.0
	188.6	**500.3**	153.3	406.6

b) Interest expense

	2022		2021	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Customer deposits	**40.1**	**106.4**	26.7	70.8
Due to banks and other financial institutions	**12.6**	**33.4**	5.1	13.5
Borrowings under repurchase agreements	**4.1**	**10.9**	1.0	2.7
	56.8	**150.7**	32.8	87.0

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

24. NET FEE AND COMMISSION INCOME

	2022		2021	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Net fees and commission on loans and advances	**4.2**	**11.1**	6.3	16.7
Net fees and commission on trade finance related activities	**2.3**	**6.1**	2.5	6.6
Net fees and commission on cards	**2.6**	**6.9**	1.3	3.5
Other fees and commission income	**4.7**	**12.4**	4.6	12.2
Less: other fees and commission expenses	**(0.8)**	**(2.1)**	(0.9)	(2.4)
	13.0	**34.4**	13.8	36.6

25. OTHER INCOME

	2022		2021	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Profit on trading securities, foreign exchange and derivatives	**9.6**	**25.5**	7.6	20.2
Profit on sale of debt investment securities	**10.3**	**27.3**	4.2	11.1
Gain on fair value through profit or loss investments	**0.6**	**1.6**	1.1	2.9
Other income from core activities	**20.5**	**54.4**	12.9	34.2
Dividend income	**4.0**	**10.6**	2.4	6.4
Other income	**3.7**	**9.8**	1.3	3.5
Other income from non-core activities	**7.7**	**20.4**	3.7	9.9
	28.2	**74.8**	16.6	44.1

26. STAFF EXPENSES

	2022		2021	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Salaries, allowances and bonuses	**33.0**	**87.5**	28.6	75.9
Social security and gratuity	**3.4**	**9.0**	2.8	7.4
Housing and other benefits	**7.8**	**20.7**	6.3	16.7
Others	**0.8**	**2.2**	0.8	2.1
	45.0	**119.4**	38.5	102.1

27. OTHER OPERATING EXPENSES

	2022		2021	
For the year ended 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Depreciation and amortisation	**7.9**	**21.0**	6.7	17.8
Equipment expenses	**7.4**	**19.6**	6.0	15.9
Depreciation, amortisation and equipment expenses	**15.3**	**40.6**	12.7	33.7
Communication expenses	**4.9**	**13.0**	4.4	11.7
Premises expenses	**4.3**	**11.4**	4.2	11.1
Professional fees	**4.1**	**10.9**	4.4	11.7
Regulatory licenses, deposit protection and VAT expenses	**4.0**	**10.6**	3.8	10.1
Audit, legal, insurance and board expenses	**2.7**	**7.2**	1.7	4.5
Advertising and public relations expenses	**2.3**	**6.1**	2.0	5.3
Other expenses	**2.9**	**7.6**	2.8	7.4
Other operating expenses	**25.2**	**66.8**	23.3	61.8
	40.5	**107.4**	36.0	95.5

28. NET OPEN FOREIGN CURRENCY POSITIONS

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
US Dollar (long position) - unhedged	**126.1**	**334.5**	91.3	242.2
UAE Dirhams (long position) - unhedged	**31.2**	**82.8**	30.3	80.4
Saudi Riyal (long position) - unhedged	**17.6**	**46.7**	15.5	41.1

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 2022 or 31 December 2021.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

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	**2022**	2021	**2022**	2021	**2022**	2021
Loans and advances	**271.2**	236.3	**8.4**	4.3	**-**	-
Treasury bills and investment securities	**1,175.1**	1,370.4	**-**	-	**26.5**	27.2
Customer deposits	**168.3**	187.9	**63.9**	22.5	**2.9**	5.7
Contingent liabilities for irrevocable commitments, guarantees and other contingencies	**71.0**	46.0	**20.4**	26.0	**-**	-
For the year ended 31 December	**2022**	2021	**2022**	2021	**2022**	2021
Loans advanced	**412.1**	113.3	**3.7**	3.4	**-**	-
Loans repaid	**405.8**	114.8	**2.2**	1.3	**-**	-
Net increase / (decrease) in overdrafts	**28.6**	5.8	**2.6**	(3.5)	**-**	-
Treasury bills, bonds and equities purchased	**958.4**	870.4	**-**	-	**-**	-
Treasury bills, bonds and equities matured / sold	**1,153.7**	839.0	**-**	-	**-**	-
Capital expenditures	**-**	-	**0.8**	1.0	**-**	-
Interest income	**70.1**	62.1	**0.3**	0.3	**-**	-
Interest expense	**2.0**	0.9	**1.0**	0.2	**-**	-
Share of profit of associates	**-**	-	**-**	-	**0.6**	1.1
Dividend income	**2.7**	1.9	**-**	-	**-**	-
Directors remuneration and sitting fees	**0.2**	0.2	**0.5**	0.4	**-**	-
Short term employee benefits	**-**	-	**3.9**	3.5	**-**	-
Post employment retirement benefits	**-**	-	**0.5**	0.3	**-**	-
Other operating expenses	**2.5**	2.2	**3.5**	2.3	**0.7**	0.6

During the year, a net provision release of BHD 4.7 million (USD 12.5 million) [2021: NIL provision release] 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 2022 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions.

Notes to the Consolidated Financial Statements (continued)

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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 2022, assets under administration amounted to BHD 254.1 million (USD 674.0 million) [31 December 2021 : BHD 134.2 million (USD 356.0 million)].

31. GEOGRAPHICAL DISTRIBUTION

In BHD millions	Assets		Liabilities		Off balance sheet items	
As at 31 December	**2022**	2021	**2022**	2021	**2022**	2021
GCC	**4,324.5**	4,367.7	**4,072.2**	3,905.9	**2,830.7**	2,841.5
USA	**393.0**	133.5	**35.3**	24.2	**42.1**	58.9
Europe	**27.8**	7.9	**84.2**	43.7	**3,276.5**	1,874.3
Rest of the World	**40.0**	26.5	**17.7**	26.5	**9.8**	4.3
	4,785.3	4,535.6	**4,209.4**	4,000.3	**6,159.1**	4,779.0

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	**2022**	2021	**2022**	2021	**2022**	2021
Government / sovereign	**1,938.6**	1,667.8	**325.4**	339.8	**687.9**	366.2
Manufacturing / trading	**401.8**	376.6	**214.6**	211.8	**633.4**	188.8
Banks / financial institutions	**544.9**	579.2	**731.0**	728.5	**4,559.2**	3,965.0
Construction	**219.5**	220.7	**156.6**	107.6	**90.0**	86.6
Personal	**1,372.5**	1,316.6	**2,183.8**	2,157.3	**105.7**	97.7
Others	**308.0**	374.7	**598.0**	455.3	**82.9**	74.7
	4,785.3	4,535.6	**4,209.4**	4,000.3	**6,159.1**	4,779.0

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							
As at 31 December 2022	**Bahrain**	**Other countries**	**Manufacturing/ trading**	**Banks/ financial institutions**	**Construction**	**Personal**	**Others**	**Total**
Assets								
Balances at central banks	-	-	-	125.8	-	-	-	125.8
Treasury bills	99.4	244.1	-	-	-	-	-	343.5
Placements with banks and other financial institutions	-	71.8	-	203.3	-	-	-	275.1
Loans and advances	254.0	112.4	377.9	91.6	196.9	1,313.2	148.9	2,494.9
Investment securities - debt instruments	1,043.6	97.5	-	4.0	-	-	-	1,145.1
Interest receivable and other assets	14.1	1.7	2.5	20.0	0.4	8.1	41.6	88.4
Total assets	1,411.1	527.5	380.4	444.7	197.3	1,321.3	190.5	4,472.8
Contingent liabilities and banking commitments	84.6	-	168.8	85.6	90.0	41.7	73.2	543.9
Derivatives (replacement cost)	0.6	-	2.1	14.6	-	0.1	-	17.4

In BHD millions	Government / sovereign		Manufacturing/	Banks/ financial				
As at 31 December 2021	Bahrain	Other countries	trading	institutions	Construction	Personal	Others	Total
Assets								
Balances at central banks	-	-	-	79.3	-	-	-	79.3
Treasury bills	215.7	10.0	-	-	-	-	-	225.7
Placements with banks and other financial institutions	-	12.3	-	282.1	-	-	-	294.4
Loans and advances	229.1	50.2	363.3	97.8	197.2	1,245.0	213.2	2,395.8
Investment securities - debt instruments	1,114.6	23.5	-	17.0	-	-	10.1	1,165.2
Interest receivable and other assets	12.0	0.4	1.9	4.2	0.3	19.6	38.5	76.9
Total assets	1,571.4	96.4	365.2	480.4	197.5	1,264.6	261.8	4,237.3
Contingent liabilities and banking commitments	107.6	-	175.3	72.1	86.6	40.0	74.7	556.3
Derivatives (replacement cost)	0.7	-	-	33.4	-	-	-	34.1

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 2022.

In BHD millions

Counterparty	**Counterparty type**	**Total exposure**
Counterparty A	Sovereign	1,314.3
Counterparty B	Sovereign	298.0
Counterparty C	Central Bank	211.3
Counterparty D	Government related entity	186.1
Counterparty E	Government related entity	134.0

Notes to the Consolidated Financial Statements (continued)

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33. CONCENTRATION OF CREDIT RISK (continued)

(b) By geographical regions

In BHD millions					
As at 31 December 2022	**GCC**	**USA**	**Europe**	**Rest of the World**	**Total**
Assets					
Balances at central banks	125.8	-	-	-	125.8
Treasury bills	109.4	234.1	-	-	343.5
Placements with banks and other financial institutions	172.6	86.8	15.3	0.4	275.1
Loans and advances	2,454.7	-	1.3	38.9	2,494.9
Investment securities	1,081.3	63.8	-	-	1,145.1
Interest receivable and other assets	68.2	8.3	11.2	0.7	88.4
Total assets	4,012.0	393.0	27.8	40.0	4,472.8
Contingent liabilities and banking commitments	522.7	0.7	10.7	9.8	543.9
Derivatives (replacement cost)	2.8	-	14.6	-	17.4

In BHD millions				Rest of	
As at 31 December 2021	GCC	USA	Europe	the World	Total
Assets					
Balances at central banks	79.3	-	-	-	79.3
Treasury bills	225.7	-	-	-	225.7
Placements with banks and other financial institutions	224.1	65.8	4.2	0.3	294.4
Loans and advances	2,311.8	57.5	0.7	25.8	2,395.8
Investment securities	1,163.3	1.9	-	-	1,165.2
Interest receivable and other assets	65.5	8.3	2.8	0.3	76.9
Total assets	4,069.7	133.5	7.7	26.4	4,237.3
Contingent liabilities and banking commitments	543.3	-	8.7	4.3	556.3
Derivatives (replacement cost)	2.4	-	31.7	-	34.1

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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, ALCO 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 2022**	**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	-	-	-	-	-	-	177.7	177.7
Treasury bills	2.7%	248.7	76.8	18.0	-	-	-	343.5
Placements with banks and other financial institutions	2.0%	174.4	-	-	-	-	100.7	275.1
Loans and advances	4.9%	658.0	174.8	162.2	909.2	590.7	-	2,494.9
Investment securities	4.7%	727.6	129.9	89.2	158.6	39.8	96.3	1,241.4
Investment in associates, interest receivable and other assets	-	-	-	-	-	-	129.8	129.8
Property and equipment	-	-	-	-	-	-	70.1	70.1
Goodwill and other intangible assets	-	-	-	-	-	-	52.8	52.8
Total assets		1,808.7	381.5	269.4	1,067.8	630.5	627.4	4,785.3
Liabilities and equity								
Due to banks and other financial institutions	2.7%	191.2	53.8	137.6	31.5	-	58.2	472.3
Borrowings under repurchase agreements	1.6%	149.3	95.1	-	-	-	-	244.4
Customer deposits	1.5%	848.2	287.0	447.1	32.8	-	1,715.1	3,330.2
Interest payable and other liabilities	-	-	-	-	-	-	162.5	162.5
Equity	-	-	-	-	-	-	575.9	575.9
Total liabilities and equity		1,188.7	435.9	584.7	64.3	-	2,511.7	4,785.3
On-balance sheet interest rate sensitivity gap		620.0	(54.4)	(315.3)	1,003.5	630.5	(1,884.3)	-
Off-balance sheet interest rate gap		632.0	-	(7.5)	(429.5)	(195.0)	-	-
Cumulative interest rate sensitivity gap		1,252.0	1,197.6	874.8	1,448.8	1,884.3	-	-

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34. INTEREST RATE RISK (continued)

In BHD millions As at 31 December 2021	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	-	-	-	-	-	-	123.0	123.0
Treasury bills	2.0%	67.1	59.5	99.1	-	-	-	225.7
Placements with banks and other financial institutions	0.8%	215.6	-	-	-	-	78.8	294.4
Loans and advances	4.6%	633.7	220.3	134.4	847.0	560.4	-	2,395.8
Investment securities	4.1%	597.7	3.9	123.6	348.8	91.2	93.4	1,258.6
Investment in associates, interest receivable and other assets	-	-	-	-	-	-	120.5	120.5
Property and equipment	-	-	-	-	-	-	64.0	64.0
Goodwill and other intangible assets	-	-	-	-	-	-	53.6	53.6
Total assets		1,514.1	283.7	357.1	1,195.8	651.6	533.3	4,535.6
Liabilities and equity								
Due to banks and other financial institutions	1.2%	400.5	12.4	10.9	33.7	-	60.5	518.0
Borrowings under repurchase agreements	0.7%	64.2	27.7	129.7	-	-	-	221.6
Customer deposits	1.0%	776.9	304.0	206.9	29.3	-	1,867.1	3,184.2
Interest payable and other liabilities	-	-	-	-	-	-	76.5	76.5
Equity	-	-	-	-	-	-	535.3	535.3
Total liabilities and equity		1,241.6	344.1	347.5	63.0	-	2,539.4	4,535.6
On-balance sheet interest rate sensitivity gap		272.5	(60.4)	9.6	1,132.8	651.6	(2,006.1)	-
Off-balance sheet interest rate gap		1,206.0	(184.7)	62.3	(698.1)	(385.5)	-	-
Cumulative interest rate sensitivity gap		1,478.5	1,233.4	1,305.3	1,740.0	2,006.1	-	-

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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	2022	2021
Interest rate risk	1.8	2.1
Foreign exchange risk	-	0.1
Total minimum capital required for market risk	1.8	2.2
Multiplier	12.5	12.5
Market risk weighted exposure under the standardised method	22.5	27.5

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:

	2022		2021	
In BHD millions	200 bps parallel increase	200 bps parallel decrease	200 bps parallel increase	200 bps parallel decrease
At 31 December	6.7	(6.7)	6.7	(6.7)
Average for the year	6.9	(6.9)	5.0	(5.0)
Minimum for the year	4.7	(4.7)	0.3	(0.3)
Maximum for the year	9.8	(9.8)	8.9	(8.9)

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 Commercial and SMEs, Corporate Institutional and Investment Banking, Overseas Branches and Treasury Capital Markets and Wealth Management. 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 Commercial and SMEs caters to individuals and commercial enterprises, Corporate Institutional and Investment Banking caters to governments and corporates.

The Treasury, Capital Markets, Wealth Management and Investments SBU has the overall responsibility of managing the Group's liquidity, interest rate, foreign exchange, market risk and investments and 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, Commercial, and SMEs		Corporate, Institutional, and Investment Banking		Overseas Branches		Treasury, Capital Markets, Wealth Management and Investments		Total	
For the year ended 31 December	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Interest income	81.5	75.0	35.8	22.9	4.6	1.7	66.7	53.7	188.6	153.3
Interest expense	(32.5)	(21.5)	(11.4)	(6.7)	(1.4)	(0.6)	(11.5)	(4.0)	(56.8)	(32.8)
Inter-segment interest income / (expense)	56.2	17.3	3.7	3.2	0.2	0.2	(60.1)	(20.7)	-	-
Net interest income	105.2	70.8	28.1	19.4	3.4	1.3	(4.9)	29.0	131.8	120.5
Net fee and commission and other income	6.4	6.1	9.4	9.0	2.1	1.7	23.3	13.6	41.2	30.4
Operating income	111.6	76.9	37.5	28.4	5.5	3.0	18.4	42.6	173.0	150.9
Result	51.0	22.5	25.5	15.0	(3.3)	(5.7)	12.4	38.0	85.6	69.8
Unallocated corporate expenses									(14.9)	(14.8)
Profit for the year									70.7	55.0
Other information										
As at 31 December										
Segment assets	1,891.7	1,800.7	929.7	937.9	227.0	132.7	1,736.9	1,664.3	4,785.3	4,535.6
Segment liabilities and equity	3,168.7	2,970.9	876.4	862.7	88.9	102.9	651.3	599.1	4,785.3	4,535.6
For the year ended 31 December										
Depreciation and amortisation for the year	4.9	4.3	0.8	0.8	0.9	0.7	1.3	0.9	7.9	6.7
Provision for impaired assets	16.0	7.0	0.5	6.0	0.9	2.8	-	6.7	17.4	22.5

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 Treasury, Capital Markets & Wealth Management.

Notes to the Consolidated Financial Statements (continued)

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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 2022	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	177.7	-	-	-	-	-	-	-	177.7
Treasury bills	248.7	76.8	18.0	-	-	-	-	-	343.5
Placements with banks and other financial institutions	275.1	-	-	-	-	-	-	-	275.1
Loans and advances	566.9	152.5	163.7	499.6	443.7	392.3	224.5	51.7	2,494.9
Investment securities	22.6	129.9	98.6	391.9	272.0	143.6	59.3	123.5	1,241.4
Investment in associates and other assets	74.1	5.4	0.5	0.5	0.7	-	-	171.5	252.7
Total assets	1,365.1	364.6	280.8	892.0	716.4	535.9	283.8	346.7	4,785.3
Liabilities and equity									
Due to banks and other financial institutions	249.4	53.8	137.6	31.5	-	-	-	-	472.3
Borrowings under repurchase agreements	149.3	95.1	-	-	-	-	-	-	244.4
Customer deposits	2,563.3	287.0	447.1	32.8	-	-	-	-	3,330.2
Interest payable & other liabilities	162.5	-	-	-	-	-	-	-	162.5
Equity	-	-	-	-	-	-	-	575.9	575.9
Total liabilities and equity	3,124.5	435.9	584.7	64.3	-	-	-	575.9	4,785.3

In BHD millions As at 31 December 2021	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	123.0	-	-	-	-	-	-	-	123.0
Treasury bills	67.1	59.5	99.1	-	-	-	-	-	225.7
Placements with banks and other financial institutions	294.4	-	-	-	-	-	-	-	294.4
Loans and advances	511.3	230.3	154.9	538.7	370.3	344.4	202.9	43.0	2,395.8
Investment securities	27.4	5.8	123.6	475.6	284.1	177.2	39.0	125.9	1,258.6
Investment in associates and other assets	67.3	1.4	0.2	0.5	0.6	-	-	168.1	238.1
Total assets	1,090.5	297.0	377.8	1,014.8	655.0	521.6	241.9	337.0	4,535.6
Liabilities and equity									
Due to banks and other financial institutions	461.0	12.4	10.9	33.7	-	-	-	-	518.0
Borrowings under repurchase agreements	64.2	27.7	129.7	-	-	-	-	-	221.6
Customer deposits	2,644.0	304.0	206.9	29.3	-	-	-	-	3,184.2
Interest payable & other liabilities	76.5	-	-	-	-	-	-	-	76.5
Equity	-	-	-	-	-	-	-	535.3	535.3
Total liabilities and equity	3,245.7	344.1	347.5	63.0	-	-	-	535.3	4,535.6

Notes to the Consolidated Financial Statements (continued)

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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 2022	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	472.3	476.3	250.4	54.6	139.8	31.5	-
Borrowings under repurchase agreements	244.4	249.8	152.2	97.6	-	-	-
Customer deposits	3,330.2	3,398.6	2,592.1	297.8	475.7	33.0	-
Total non derivative liabilities	4,046.9	4,124.7	2,994.7	450.0	615.5	64.5	-
Derivative liabilities							
Trading: outflow	-	1,500.9	1,024.1	184.4	282.8	9.6	-
Trading: inflow	2.1	1,498.9	1,022.5	184.4	282.5	9.5	-
Total derivative liabilities	2.1	2,999.8	2,046.6	368.8	565.3	19.1	-
Banking commitments	-	-	(230.5)	(1.0)	(22.6)	22.2	231.9
Financial guarantees	-	(50.1)	(18.1)	(1.0)	(11.8)	(19.1)	(0.1)

The Group's consolidated net stable funding ratio (NSFR) as at 31 December 2022 was 139% (31 December 2021: 136%), while the average LCR for the fourth quarter of the year stood at 398% (31 December 2021: 308%). 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 2021	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	518.0	537.7	479.7	12.4	10.9	34.7	-
Borrowings under repurchase agreements	221.6	241.6	83.5	27.8	130.3	-	-
Customer deposits	3,184.2	3,186.4	2,658.8	290.2	208.0	29.4	-
Total non derivative liabilities	3,923.8	3,965.7	3,222.0	330.4	349.2	64.1	-
Derivative liabilities							
Trading: outflow	-	1,140.2	841.0	89.8	129.8	79.6	-
Trading: inflow	1.8	1,136.6	838.7	89.6	129.3	79.0	-
Total derivative liabilities	1.8	2,276.8	1,679.7	179.4	259.1	158.6	-
Banking commitments	-	-	(185.6)	(4.5)	(6.1)	(27.0)	223.2
Financial guarantees	-	(36.4)	(21.1)	(1.9)	(7.2)	(6.2)	-

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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 (19% of the Group's ASF), large deposits portfolio with strong contributions from the retail and small business sectors (65% of the Group's ASF) and the sizable corporate and sovereign deposits (16% 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 33% 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 89% of total lending provided to financial institutions being in the 0-6 months maturity bucket.

The NSFR ratio of 139% at 31 December 2022 is 3% higher than the 31 December 2021 ratio. The increase was due to a 3% increase in ASF resulting from a 10% increase in wholesale funding, was partially offset by a 1% increase in RSF following a 12% increase in lending to corporates, SMEs, retails, and sovereigns.

Further details on the calculation of the NSFR is presented in the following tables.

In BHD millions As at 31 December 2022 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	596.9	-	-	26.5	623.4
Retail deposits and deposits from small business customers:					
Stable deposits	-	568.5	9.1	1.7	550.4
Less stable deposits	-	1,488.5	252.9	25.8	1,593.0
Wholesale funding:					
Other wholesale funding	-	1,331.9	327.4	25.8	521.0
Other liabilities:					
NSFR derivative liabilities	-	36.9	-	-	-
All other liabilities not included in the above categories	-	115.2	-	10.0	10.0
Total ASF					3,297.8

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38. NET STABLE FUNDING RATIO (continued)

In BHD millions As at 31 December 2022 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)	-	-	-	-	92.7
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	240.0	4.7	25.5	63.9
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs:	-	469.7	107.7	1,677.7	1,714.8
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	64.0	41.6
Performing residential mortgages, of which:					
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	76.8	49.9
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	43.3	27.2	46.6
Other assets:					
NSFR derivative liabilities before deduction of variation margin posted	1.4	-	-	-	1.4
All other assets not included in the above categories	309.6	-	-	-	309.6
OBS items	-	-	-	-	52.1
Total RSF					2,372.6
NSFR %					139%

In BHD millions As at 31 December 2021 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	563.4	-	-	26.3	589.7
Retail deposits and deposits from small business customers:					
Stable deposits	-	588.8	8.1	1.7	568.8
Less stable deposits	-	1,603.7	113.9	22.2	1,568.0
Wholesale funding:					
Other wholesale funding	-	1,305.7	228.8	29.2	473.0
Other liabilities:					
All other liabilities not included in the above categories	-	96.8	-	7.5	7.5
Total ASF					3,207.0

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38. NET STABLE FUNDING RATIO (continued)

In BHD millions As at 31 December 2021 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)	-	-	-	-	76.2
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	287.5	4.8	41.8	87.3
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs:	-	428.3	94.0	1,493.3	1,530.6
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	220.3	143.2
Performing residential mortgages, of which:					
-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	51.0	33.1
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	6.8	146.4	37.6	110.1
Other assets:					
NSFR derivative assets	-	2.2	-	-	2.2
All other assets not included in the above categories	319.1	-	-	-	319.1
OBS items	-	-	-	-	51.5
Total RSF					2,353.3
NSFR %					136%

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 2022 amounted to BHD 2.5 million (USD 6.6 million) [2021: BHD 2.2 million (USD 5.8 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	**2022**		2021	
Movements during the year	**BHD millions**	**USD millions**	BHD millions	USD millions
At 1 January	**2.7**	**7.2**	2.6	6.9
Charge for the year	**1.0**	**2.7**	0.7	1.9
Paid during the year	**(0.7)**	**(1.9)**	(0.6)	(1.6)
At 31 December	**3.0**	**8.0**	2.7	7.2

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40. LEGAL CLAIMS

As at 31 December 2022, legal suits pending against the Group aggregated to BHD 8.6 million (USD 22.8 million) [31 December 2021: BHD 20.4 million (USD 54.1 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.

41. EARNINGS AND DIVIDEND PER SHARE

	2022		2021	
	BHD millions	**USD millions**	BHD millions	USD millions
Profit attributable to the shareholders of the Bank	**68.1**	**180.6**	53.9	143.0
Dividend proposed at 25% (2021: 20%)	**51.5**	**136.6**	37.5	99.5
Weighted average number of shares issued (millions)				
Ordinary shares as at 1 January 2022	**1,872.8**	**1,872.8**	1,872.8	1,872.8
Effect of bonus shares issued during 2022 for 2021	**187.3**	**187.3**	187.3	187.3
Less unallocated employee shares	**(10.5)**	**(10.5)**	(11.4)	(11.4)
Weighted average number of ordinary shares (millions) as at 31 December	**2,049.6**	**2,049.6**	2,048.7	2,048.7
Earnings per share	**33 fils**	**9 cents**	26 fils	7 cents
Dividend per share	**25 fils**	**6 cents**	20 fils	5 cents
Bonus / stock dividend per share	**10 fils**	**3 cents**	10 fils	3 cents

Diluted earnings per share is the same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

42. ACCOUNTING CLASSIFICATION

a) The following table provides disclosure of the accounting classification for assets and liabilities:

In BHD millions As at 31 December 2022	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount
Cash and balances at central banks	-	177.7	-	177.7
Treasury bills	-	343.5	-	343.5
Placements with banks and other financial institutions	-	275.1	-	275.1
Loans and advances	2.5	2,492.4	-	2,494.9
Investment securities	17.2	802.0	422.2	1,241.4
Interest receivable & other assets	13.7	239.0	-	252.7
Total assets	33.4	4,329.7	422.2	4,785.3
Due to banks and other financial institutions	-	472.3	-	472.3
Borrowings under repurchase agreements	-	244.4	-	244.4
Customer deposits	-	3,330.2	-	3,330.2
Interest payable & other liabilities	-	162.5	-	162.5
Total liabilities	-	4,209.4	-	4,209.4
In BHD millions As at 31 December 2021				
Cash and balances at central banks	-	123.0	-	123.0
Treasury bills	-	225.7	-	225.7
Placements with banks and other financial institutions	-	294.4	-	294.4
Loans and advances	-	2,395.8	-	2,395.8
Investment securities	26.5	834.2	397.9	1,258.6
Interest receivable & other assets	14.7	223.4	-	238.1
Total assets	41.2	4,096.5	397.9	4,535.6
Due to banks and other financial institutions	-	518.0	-	518.0
Borrowings under repurchase agreements	-	221.6	-	221.6
Customer deposits	-	3,184.2	-	3,184.2
Interest payable & other liabilities	-	76.5	-	76.5
Total liabilities	-	4,000.3	-	4,000.3

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

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	2022				2021			
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	-	3.9	-	3.9	-	3.0	-	3.0
Debt instruments	-	13.3	-	13.3	-	23.5	-	23.5
Loans and advances	-	-	2.5	2.5	-	-	-	-
Other assets - investment properties	-	13.7	-	13.7	-	14.7	-	14.7
Fair value through other comprehensive income:								-
Debt instruments	269.2	60.6	-	329.8	244.1	63.4	-	307.5
Equity instruments	55.8	-	36.6	92.4	59.4	-	31.0	90.4
Derivative financial assets	-	56.6	-	56.6	-	34.1	-	34.1
Total	325.0	148.1	39.1	512.2	303.5	138.7	31.0	473.2
Derivative financial liabilities	-	-	-	-	-	0.6	-	0.6

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

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	**2022**	2021	**2022**	2021
At 1 January	**31.0**	34.5	**-**	-
Acquisition of assets	**6.1**	-	**2.5**	-
Total losses in other comprehensive income	**(0.5)**	(3.5)	**-**	-
At 31 December	**36.6**	31.0	**2.5**	-

Total gain for the year included in the statement of profit or loss for assets / liabilities classified as level 3 at 31 December 2022 is nil (2021: nil).

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.

43. AVERAGE BALANCES

The following are average daily balances for the year:

	2022		2021	
	BHD millions	**USD millions**	BHD millions	USD millions
Total assets	**4,717.4**	**12,513.0**	4,472.5	11,863.4
Total liabilities	**4,193.6**	**11,123.6**	3,957.8	10,498.1
Total equity	**523.8**	**1,389.4**	514.7	1,365.3
Contingent liabilities and undrawn loan commitments	**576.2**	**1,528.4**	589.5	1,563.7

44. SHARIAH-COMPLIANT ASSETS AND LIABILITIES

The Group's interests in Shariah-compliant financial instruments are aggregated and included in the consolidated balance sheet of the Group:

	2022		2021	
	BHD millions	**USD millions**	BHD millions	USD millions
Assets				
Placement with banks and other financial institutions	**62.6**	**166.1**	77.6	205.8
Loans and advances, net	**1,131.4**	**3,001.0**	1,092.6	2,898.1
Investment securities	**300.6**	**797.3**	318.2	844.0
Liabilities				
Due to banks and other financial institutions	**221.4**	**587.4**	245.7	651.7
Customer deposits	**963.9**	**2,556.7**	965.4	2,560.7

Liabilities are inclusive of equity of investment accountholders.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December

45. CAPITAL ADEQUACY (continued)

The details of the Group's capital adequacy calculations are shown below:

	2022		2021	
As at 31 December	**BHD millions**	**USD millions**	BHD millions	USD millions
Common equity (CET1)	**544.2**	**1,443.5**	509.8	1,352.3
Additional tier 1	**-**	**-**	-	-
Total common equity tier 1 (CET)	**544.2**	**1,443.5**	509.8	1,352.3
Tier 2	**26.5**	**70.3**	26.3	69.8
Total capital base	**570.7**	**1,513.8**	536.1	1,422.1
Risk weighted exposure:				
Credit risk	**2,122.8**	**5,630.8**	2,103.5	5,579.6
Market risk	**22.5**	**59.7**	27.5	72.9
Operational risk	**276.4**	**733.1**	293.2	777.7
Total risk weighted exposure	**2,421.7**	**6,423.6**	2,424.2	6,430.2
CET 1 ratio	**22.5%**		21.0%	
Total capital adequacy ratio	**23.6%**		22.1%	

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..

Risk and Capital Management Disclosures

Risk and Capital Management Disclosures

For the year ended 31 December 2022

INTRODUCTION

This document presents the Pillar 3 disclosures on a consolidated basis as at 31 December 2022. 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 2022.

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 2022, the Group's total risk weighted assets amounted to BHD 2,421.7 million; common equity tier 1 (CET1) and total capital base amounted to BHD 544.2 million and BHD 570.7 million respectively. Accordingly, the CET1 capital adequacy ratio and the total capital adequacy ratio were 22.5 percent and 23.6 percent respectively. Meanwhile, NBB's subsidiary Bahrain Islamic Bank B.S.C. reported a CET1 capital adequacy ratio and a total capital adequacy ratio of 15.3 percent and 19.5 percent 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 2022

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, 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 a number of ways, which include obtaining collateral, counter-guarantees from shareholders and/or third parties. Adequate margins are maintained on the collateral to provide a cushion against adverse movement in the market price of collateral. Not only are regular appraisals conducted to judge the credit worthiness of the counterparty, but day-to-day monitoring of financial developments across the globe by the business units and the credit risk department ensures timely identification of any events 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. 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 review process ensures identification of any deterioration in credit risk and consequent implementation of corrective action.

The Group's internal ratings are based on a 16-point scale, which 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. 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. Regular monitoring of the portfolio enables the Group to identify accounts, which witness deterioration in risk profile. Consumer 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.

For purposes of comparison, the Group's internal ratings are mapped to Fitch, Moody's and Standard & Poor's (S&P) ratings as under:

Internal ratings scale	Fitch rating	S&P rating	Moody's rating
1	AAA	AAA	Aaa
2	AA+	AA+	Aa1
3	AA	AA	Aa2
4	AA-	AA-	Aa3
5	A+	A+	A1
6	A	A	A2
7	A-	A-	A3
8	BBB+	BBB+	Baa1
9	BBB	BBB	Baa2
10	BBB-	BBB-	Baa3
11	BB+	BB+	Ba1
12	BB to BB-	BB to BB-	Ba2 to Ba3
13	B+ to B-	B+ to B-	B1 to B3
14-16	CCC+ to D	CCC+ to D	Caa1 to C

However, the above mapping is not intended to reflect a direct relationship between the Group's internal ratings and the corresponding rating of the external agencies, since the basis and methodology differ.

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 Chief Executive Officer reviews the liquidity gap profile and the liquidity scenario and addresses strategic issues concerning liquidity.

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

RISK AND CAPITAL MANAGEMENT (continued)

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 conservative policies that are clearly documented, by adherence to comprehensive limit structures set annually, and by regular reviews. Quality and price stability are the main criteria in selecting a trading 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.

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 percent 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 as a result 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), which meets on a monthly basis to discuss key risk issues and review 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. Operational risk and control self-assessments, along with issues and action plans are facilitated, guided and monitored by ORMD and maintained by business units. To help ensure that operational risk losses are consistently reported and monitored, all business units are required to report individual losses or near-misses to ORMD.

In 2022, ongoing work to strengthen controls that manage the most material risks has continued. Among other measures, the Group is:

- Further developing controls to help ensure that it knows its customers, ask the right questions, monitor transactions and escalate concerns to detect, prevent and deter fraud risk;
- Continuing improvement of controls and security to protect customers when using digital channels;
- Increasing monitoring and enhancing detective controls to manage fraud risks which arise from new technologies and new ways of banking.

Risk monitoring and reporting

Systems and processes are in place to regularly monitor and report risk exposures to the board of directors and senior management to effectively monitor and manage the risk profile of the Group.

The board of directors are provided with quarterly risk reports covering credit, market, liquidity, operational, concentration and other risks. 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. In addition, stress testing on capital adequacy is undertaken twice a year or more frequently in times of need and communicated to the board of directors and senior management for appropriate decisions.

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

RISK AND CAPITAL MANAGEMENT (continued)

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.

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 2022 unless specified otherwise.

	In BHD millions
Common equity tier 1 (CET1)	
Share capital	206.0
Shares unallocated under share incentive scheme	(1.1)
Share premium	12.3
Statutory reserve	103.0
General reserves	32.4
Other reserves and retained earnings	234.0
Total equity	**586.6**
Addition: unrealised loss in cash flow hedge reserve not eligible for regulatory capital	-
Total CET1 capital before minority interest	**586.6**
Total minority interest in banking subsidiaries given recognition in CET1 capital	10.4
Total regulatory capital	**597.0**
Deduction from CET 1 (Goodwill and other intangible assets)	(52.8)
Total common equity tier 1 (CET1)	**544.2**
Additional tier 1	-
Total tier 1	**544.2**
Tier 2 capital	
Expected credit loss subject to 1.25% of credit risk weighted assets	26.5
Total tier 2	**26.5**
Total capital base (tier 1 + tier 2)	**570.7**

Based on recent circulars issued by the CBB on regulatory concessionary measures in response to the coronavirus disease ("COVID-19"), the Group has excluded the modification loss resulting from loan deferrals from the regulatory capital. The losses were reduced by any COVID-19 related government grants. The CBB has also instructed banks to exclude any losses resulting from COVID-19 related provisions from the regulatory capital for the purpose of capital adequacy calculations. Retained earnings in the above table has been adjusted to reflect these regulatory concessions.

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

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 zero percent 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 zero percent 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 zero percent risk weight by their respective country regulator, which are risk weighted at zero percent.

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 percent 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 percent 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 thousand are risk weighted at 75 percent.

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 percent. Social housing or Mazaya loans, however, are risk weighted at 35 percent.

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 percent risk weight is assigned to listed equities and funds. Unlisted equities and funds are risk weighted at 150 percent. 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 percent of CET1 is deducted from equity; the amount not deducted is risk weighted at 250 percent.

Investments in real estate and also in bonds, funds and equities of companies engaged primarily in real estate are risk weighted at 200 percent.

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 percent or 150 percent is applied depending on the level of specific provision maintained against the exposure.

Other assets
Other assets are risk weighted at 100 percent. A credit valuation adjustment (CVA) is applied to applicable derivative exposures and included under other assets.

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

CREDIT RISK (continued)

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 12.5%
Sovereign portfolio	1,905.1	-	1,905.1	1%	21.3	2.7
PSEs portfolio	0.2	-	0.2	0%	-	-
Banks portfolio	232.8	5.0	227.8	50%	114.8	14.4
Corporates portfolio	1,172.8	67.9	1,104.9	63%	701.1	87.6
Regulatory retail portfolio	889.4	2.7	886.7	75%	665.1	83.1
Residential mortgages portfolio	320.5	-	320.5	58%	186.7	23.3
Equities / funds portfolio	100.6	-	100.6	159%	159.5	19.9
Past due exposures portfolio	50.5	1.3	49.2	113%	55.4	6.9
Others assets	227.7	-	227.7	96%	218.9	27.4
Total credit risk exposure	**4,899.6**	**76.9**	**4,822.7**		**2,122.8**	**265.3**
Market risk					**22.5**	**2.8**
Operational risk					**276.4**	**34.6**
Total risk weighted assets					**2,421.7**	**302.7**
CET1 capital adequacy ratio					**22.5%**	
Capital adequacy ratio					**23.6%**	

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 percent of the total risk weighted assets, as calculated for the purposes of capital adequacy. As at 31 December 2022, the Group's common equity tier 1 capital ratio was 22.5% 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 2022	2022 Daily average
Balances at central banks	125.8	101.0
Treasury bills	343.5	228.2
Placements with banks and other financial institutions	275.1	344.2
Loans and advances	2,494.9	2,427.2
Investment securities	1,145.1	1,156.7
Interest receivable and other assets	88.4	111.9
Total assets	**4,472.8**	**4,369.2**
Non-derivative banking commitments and contingent liabilities	543.9	576.2
Derivatives (replacement cost)	17.4	13.6
	5,034.1	**4,959.0**

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

CREDIT RISK (continued)

Industry or sector exposure

In BHD millions	Government / sovereigns: Bahrain	Government / sovereigns: Other countries	Manufacturing / trading	Banks / financial institutions	Construction	Personal	Others	Total
Assets								
Balances at central banks	-	-	-	125.8	-	-	-	125.8
Treasury bills	99.4	244.1	-	-	-	-	-	343.5
Placements with banks and other financial institutions	-	71.8	-	203.3	-	-	-	275.1
Loans and advances	254.0	112.4	377.9	91.6	196.9	1,313.2	148.9	2,494.9
Investment securities - debt instruments	1,043.6	97.5	-	4.0	-	-	-	1,145.1
Interest receivable and other assets	14.1	1.7	2.5	20.0	0.4	8.1	41.6	88.4
Total assets	**1,411.1**	**527.5**	**380.4**	**444.7**	**197.3**	**1,321.3**	**190.5**	**4,472.8**
Contingent liabilities and banking commitments	84.6	-	168.8	85.6	90.0	41.7	73.2	543.9
Derivatives (replacement cost)	0.6	-	2.1	14.6	-	0.1	-	17.4
	1,496.3	**527.5**	**551.3**	**544.9**	**287.3**	**1,363.1**	**263.7**	**5,034.1**

The above includes certain exposures to customers / counterparties, which are in excess of 15 percent 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	1,314.3
Counterparty B	Sovereign	298.0
Counterparty C	Central Bank	211.3
Counterparty D	Government related entity	186.1
Counterparty E	Government related entity	134.0

Geographic distribution of exposure

In BHD millions	GCC	USA	Europe	Rest of the world	Total
Assets					
Balances at central banks	125.8	-	-	-	125.8
Treasury bills	109.4	234.1	-	-	343.5
Placements with banks and other financial institutions	172.6	86.8	15.3	0.4	275.1
Loans and advances	2,454.7	-	1.3	38.9	2,494.9
Investment securities	1,081.3	63.8	-	-	1,145.1
Interest receivable and other assets	68.2	8.3	11.2	0.7	88.4
Total assets	**4,012.0**	**393.0**	**27.8**	**40.0**	**4,472.8**
Contingent liabilities and banking commitments	522.7	0.7	10.7	9.8	543.9
Derivatives (replacement cost)	2.8	-	14.6	-	17.4
	4,537.5	**393.7**	**53.1**	**49.8**	**5,034.1**

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

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	125.8	-	-	-	-	-	-	-	125.8
Treasury bills	248.7	76.8	18.0	-	-	-	-	-	343.5
Placements with banks and other financial institutions	275.1	-	-	-	-	-	-	-	275.1
Loans and advances	566.9	152.5	163.7	499.6	443.7	392.3	224.5	51.7	2,494.9
Investment securities	22.6	129.9	98.6	391.9	272.0	143.6	59.3	27.2	1,145.1
Interest receivable and other assets	72.8	5.3	0.4	0.5	0.7	-	-	8.7	88.4
Total assets	**1,311.9**	**364.5**	**280.7**	**892.0**	**716.4**	**535.9**	**283.8**	**87.6**	**4,472.8**
Contingent liabilities and banking commitments	189.2	38.6	73.0	58.2	23.8	1.0	8.1	152.0	543.9
Derivative (replacement cost)	2.6	1.3	1.2	4.6	5.2	2.5	-	-	17.4
	1,503.7	**404.4**	**354.9**	**954.8**	**745.4**	**539.4**	**291.9**	**239.6**	**5,034.1**

Shariah compliant credit facilities

As at 31 December 2022, the Group held Shariah compliant facilities amounting to BHD 1,494.6 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 excludes 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	79.3
1 to 3 years	11.6
Over 3 years	8.7
	99.6
Fair market value of collateral	**82.8**
Stage 3 impairment provision	**50.4**

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

CREDIT RISK (continued)

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	-	10.5	-	47.5	18.7	2.6	79.3
1 to 3 years	-	2.8	-	1.9	5.7	1.2	11.6
Over 3 years	-	3.3	-	0.1	4.7	0.6	8.7
	-	**16.6**	**-**	**49.5**	**29.1**	**4.4**	**99.6**

Geographical location of impaired and past due loans and advances

In BHD millions	Impaired loans	Stage 3 provisions	Collateral market value	ECL stage 1 and stage 2
Bahrain	99.4	50.3	82.7	37.4
Other GCC countries	0.2	0.1	0.1	2.4
Other countries	-	-	-	0.7
	99.6	**50.4**	**82.8**	**40.5**

Industry breakdown of impaired and past due loans and advances

In BHD millions	Impaired loans	Stage 3 provisions	Collateral market value	ECL stage 1 and stage 2
Manufacturing / trading	16.6	8.3	7.9	15.2
Construction	49.5	20.9	43.8	3.2
Personal	29.1	20.2	27.7	15.7
Banks / financial institutions	-	-	-	0.5
Government	-	-	-	2.1
Others	4.4	1.0	3.4	3.8
	99.6	**50.4**	**82.8**	**40.5**

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 2022	13.3	14.0	53.1	0.8	81.2
Net transfer between stages	1.8	5.9	(7.7)	-	-
Write off during the year	-	-	(2.2)	(0.1)	(2.3)
Net charge for the year	0.4	5.1	7.2	3.6	16.3
Impairment at 31 December 2022	**15.5**	**25.0**	**50.4**	**4.3**	**95.2**

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

CREDIT RISK (continued)

Restructuring

During 2022, credit facilities amounting to BHD 87.6 million were restructured, of which BHD 11.1 million related to the fair value of new assets booked following substantial modification in the original terms and derecognition of the previous exposures. 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. In accordance with the Central Bank of Bahrain guidelines, loans that have been restructured are reported as stage 2 for not less than 6 months from the date of regular payments.

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 annually at the time of reviews as stipulated in the Group's credit policy. In respect of quoted shares and other securities, the valuation is done based on the closing price on the stock exchange. The market value of the collateral is actively monitored on a regular 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	1,905.1	-	1,905.1
PSEs portfolio	0.2	-	0.2
Banks portfolio	232.8	5.0	227.8
Corporates portfolio	1,172.8	67.9	1,104.9
Regulatory retail portfolio	889.4	2.7	886.7
Residential mortgages portfolio	320.5	-	320.5
Equities / funds portfolio	100.6	-	100.6
Past due exposures portfolio	50.5	1.3	49.2
Others assets	227.7	-	227.7
	4,899.6	**76.9**	**4,822.7**

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 84.0 million at 31 December 2022.

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	1.8	3.2	1.3	2.2
Foreign exchange risk	-	0.9	-	0.4
Total minimum capital required for market risk	**1.8**			
Multiplier	12.5			
Market risk weighted exposure under the standardised method	**22.5**			

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

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 276.4 million is based on the NBB standalone 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 12.5%
Non-significant investment in the common shares			
Listed equities	46.0	46.0	5.7
Unlisted equities	10.2	10.2	1.3
Significant investment in the common shares of financial entities >10%	31.6	31.6	4.0
	87.8	**87.8**	**11.0**
Unrealised gains from equities fair value	(4.1)		
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 percent change in yield. Modified duration of the Group's unhedged fixed income portfolio was 1.1 percent on 31 December 2022 implying that a 1 percent parallel upward shift in the yield curve could result in a drop in the value of the portfolio by BHD 1.1 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 2022

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 2022	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	-	-	-	-	-	177.7	177.7
Treasury bills	248.7	76.8	18.0	-	-	-	343.5
Placements with banks and other financial institutions	174.4	-	-	-	-	100.7	275.1
Loans and advances	658.0	174.8	162.2	909.2	590.7	-	2,494.9
Investment securities	727.6	129.9	89.2	158.6	39.8	96.3	1,241.4
Investment in associates, interest receivable and other assets	-	-	-	-	-	129.8	129.8
Property and equipment	-	-	-	-	-	70.1	70.1
Goodwill and other intangible assets	-	-	-	-	-	52.8	52.8
Total assets	**1,808.7**	**381.5**	**269.4**	**1,067.8**	**630.5**	**627.4**	**4,785.3**
Liabilities and equity							
Due to banks and other financial institutions	191.2	53.8	137.6	31.5	-	58.2	472.3
Borrowings under repurchase agreements	149.3	95.1	-	-	-	-	244.4
Customer deposits	848.2	287.0	447.1	32.8	-	1,715.1	3,330.2
Interest payable and other liabilities	-	-	-	-	-	162.5	162.5
Equity	-	-	-	-	-	575.9	575.9
Total liabilities and equity	**1,188.7**	**435.9**	**584.7**	**64.3**	**-**	**2,511.7**	**4,785.3**
On-balance sheet interest rate sensitivity gap	620.0	(54.4)	(315.3)	1,003.5	630.5	(1,884.3)	-
Off-balance sheet interest rate gap	632.0	-	(7.5)	(429.5)	(195.0)	-	-
Cumulative interest rate sensitivity gap	**1,252.0**	**1,197.6**	**874.8**	**1,448.8**	**1,884.3**	**-**	**-**

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 2022	6.7	(6.7)
Average for the year	6.9	(6.9)
Minimum for the year	4.7	(4.7)
Maximum for the year	9.8	(9.8)

Impact of the interest rate benchmark reform on risk measurement

The transition from Libor to the risk-free rate has been a significant change to the financial industry. The Group has prepared for this transition through strategic planning and identification and update of impacted contracts, system infrastructures and functions.

The risk-free rate (RFR) is transaction-based and excludes credit spread. Therefore, a credit spread adjustment is added to the risk-free rate to equate to its predecessor benchmark rate.

As Libor transition continues to take place globally, existing contracts should no longer reference a Libor fixing for coupon payments, barriers, and other related contract parameters. The International Swaps and Derivatives Association (ISDA) has defined a fall-back logic (ISDA protocol) to replace the Libor fixings following the transition. These fall-back rates – RFR and spread – are published by Bloomberg Index Securities Limited for use in legacy derivatives contracts. The existing contracts can be transitioned to these alternatives.

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

Impact of the interest rate benchmark reform on risk measurement (continued)

- All GBP, JPY, EUR and CHF Libor indexes and selected USD Libor indexes (1 week and 2 months) already ceased on 31 December 2021.
- Other USD Libor indexes (overnight, 1 month, 3 months, 6 months and 1 year) will cease on 30 June 2023.
- Some Libor indexes may be continued on a synthetic basis; however, the United Kingdom's Financial Conduct Authority (FCA) announced that these fixings would not be representative of the underlying market effective 31 December 2021.

The Group has established all the necessary infrastructure to fully accommodate the on-going transition of legacy contracts.

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:

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 2022	Major shareholder and related entities	Directors and key management personnel	Associates
Loans and advances	271.2	8.4	-
Treasury bills and investment securities	1,175.1	-	26.5
Customer deposits	168.3	63.9	2.9
Contingent liabilities for irrevocable commitments, guarantees and other contingencies	71.0	20.4	-
For the year ended 31 December 2022			
Loans advanced	412.1	3.7	-
Loans repaid	405.8	2.2	-
Net increase in overdrafts	28.6	2.6	-
Treasury bills, bonds and equities purchased	958.4	-	-
Treasury bills, bonds and equities matured / sold	1,153.7	-	-
Capital expenditures	-	0.8	-
Interest income	70.1	0.3	-
Interest expense	2.0	1.0	
Share of profit of associates	-	-	0.6
Dividend income	2.7	-	-
Directors remuneration and sitting fees	0.2	0.5	-
Short term employee benefits	-	3.9	-
Post employment retirement benefits	-	0.5	-
Other operating expenses	2.5	3.5	0.7

During the year, a net provision release of BHD 4.7 million had been recorded against outstanding balances with related parties.

Risk and Capital Management Disclosures (continued)

For the year ended 31 December 2022

NET OPEN FOREIGN CURRENCY POSITIONS

In BHD millions	
US Dollar (long position) – unhedged	126.1
UAE Dirhams (long position) – unhedged	31.2
Saudi Riyal (long position) – unhedged	17.6

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 2022.

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	4,114.3	12.0	51.1
Foreign exchange contracts			
Outright spot and forward contracts	264.0	2.8	2.1
Swap agreements	1,236.9	2.6	-
	1,500.9	**5.4**	**2.1**
	5,615.2	**17.4**	**53.2**

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	9.4	4,104.9	4,114.3
	9.4	**4,104.9**	**4,114.3**
Foreign exchange contracts			
Outright spot and forward contracts	259.1	4.9	264.0
Swap agreements	1,232.3	4.6	1,236.9
	1,491.4	**9.5**	**1,500.9**
	1,500.8	**4,114.4**	**5,615.2**

LEGAL CLAIMS

As at 31 December 2022, legal suits pending against the Group aggregated to BHD 8.6 million. Based on the opinion of the Group's legal advisors and pending final judgement on these suits, adequate provision as assessed by management is maintained.

GRI STANDARDS				
GRI 1: FOUNDATION 2021				
Statement of Use	National Bank of Bahrain has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022			
GRI 2: GENERAL DISCLOSURES				
GRI DISCLOSURE	**CONTENT**	**Bahrain Bourse Disclosures**	**REFERENCE SECTION**	**NOTES**
The Organization and its Reporting Practice				
2-1	Organizational details		About this Report	
2-2	Entities included in the organization's sustainability reporting	G8: Sustainability reporting G9: Disclosure Practices G10: External Assurance	About this Report	
2-3	Reporting period, frequency and contact point	G8: Sustainability reporting G9: Disclosure Practices	About this Report	
2-4	Restatements of information		About this Report	
2-5	External assurance	G10: External Assurance	Independent Assurance Statement	
Activities and Workers				
2-6	Activities, value chain and other business relationships		Strategic Direction and Business Outlook	
2-7	Employees	S3: Employee Turnover S4: Gender Diversity	2022 Highlights, Our Human Capital	
2-8	Workers who are not employees	S5: Temporary Worker ratio S9: Child & Forced Labour	Our Human Capital	
Governance				
2-9	Governance structure and composition	G1: Board Diversity	Governance, Board of Directors & Executive management	
2-10	Nomination and selection of the highest governance body	G2: Board Independence	Governance	
2-11	Chair of the highest governance body		Governance, Board of Directors & Executive management	
2-12	Role of the highest governance body in overseeing the management of impacts		Governance, Board of Directors & Executive management	
2-13	Delegation of responsibility for managing impacts		Responsible Business Practices	
2-14	Role of the highest governance body in sustainability reporting	G3: Incentivized Pay	Governance, Board of Directors & Executive management	

GRI 2: GENERAL DISCLOSURES (continued)				
Governance (continued)				
2-15	Conflicts of interest	G6: Ethics & Anti-Corruption	Compliance and Ethics	
2-16	Communication of critical concerns		Compliance and Ethics	
2-17	Collective knowledge of the highest governance body		Governance, Board of Directors & Executive management	
2-18	Evaluation of the performance of the highest governance body		Governance	
2-19	Remuneration policies	G3: Incentivized Pay S1: CEO Pay Ratio S2: Gender Pay Ratio	Business Policies	
2-20	Process to determine remuneration	S2: Gender Pay Ratio	Governance, Our Human Capital	
2-21	Annual total compensation ratio	G3: Incentivized Pay S1: CEO Pay Ratio S2: Gender Pay Ratio	Governance, Our Human Capital	
Strategy, Policies, and Practices				
2-22	Statement on sustainable development strategy	G8: Sustainability reporting G9: Disclosure Practices E8 & E9: Environmental Oversight	A Note from the New GCEO, BOD Report	
2-23	Policy commitments		Business Policies	
2-24	Embedding policy commitments		Governance, Compliance and ethics	
2-25	Processes to remediate negative impacts		Governance, Compliance and ethics	
2-26	Mechanisms for seeking advice and raising concerns		Governance, Compliance and ethics	
2-27	Compliance with laws and regulations	G6: Ethics & Anti-Corruption	Governance, Compliance and ethics	
2-28	Membership associations		Strategic Direction and Business Outlook	
Stakeholder Engagement				
2-29	Approach to stakeholder engagement		Our Stakeholder and Materiality Assessment	
2-30	Collective bargaining agreements	G3: Collective Bargaining	Strategic Direction and Business Outlook	

GRI 3: MATERIAL TOPICS				
GRI DISCLOSURE	**CONTENT**	**Bahrain Bourse Disclosures**	**REFERENCE SECTION**	**NOTES**
3-1	Process to determine material topics		Our Stakeholder and Materiality Assessment	
3-2	List of material topics		Our Stakeholder and Materiality Assessment	
3-3	Management of material topics		Our Stakeholder and Materiality Assessment	
GRI 200: Economic Standard Series				
GRI 201: Economic Performance 2016				
GRI 201 Topic Specific				
3-3	Management Approach		Our financial Capital	
201-1	Direct economic value generated and distributed		Our financial Capital	
201-3	Defined benefit plan obligations and other retirement plans		Our financial Capital	
201-4	Financial assistance received from government		Our financial Capital	
GRI 202: Market Presence 2016				
GRI 202 Topic Specific				
3-3	Management Approach		Our Human Capital	
202-2	Proportion of senior management hired from the local community	S11: Nationalization	Our Human Capital	
GRI 203: Indirect Economic Impacts 2016				
GRI 203 Topic Specific				
3-3	Management Approach	E10: Climate Risk Mitigation	Sustainability Strategy and Governance	
203-2	Significant indirect economic impacts		Sustainability Strategy and Governance	
GRI 204: Procurement Practices 2016				
GRI 204 Topic Specific				
3-3	Management Approach		Sustainable Supplier Relations	
204-1	Proportion of spending on local suppliers	G5: Supplier Code of Conduct	Sustainable Supplier Relations	

GRI 205: Anti-Corruption 2016				
GRI 205 Topic Specific				
3-3	Management Approach		Compliance and Ethics	
205-1	Operations assessed for risks related to corruption	G6: Ethics & Anti-Corruption	Compliance and Ethics	
205-2	Communication and training about anti-corruption policies and procedures	G6: Ethics & Anti-Corruption	Compliance and Ethics	
205-3	Confirmed incidents of corruption and actions taken	G6: Ethics & Anti-Corruption	Compliance and Ethics	
GRI 300: Environmental Standard Series				
GRI 302: Energy 2016				
GRI 302 Topic Specific				
3-3	Management Approach	E10: Climate Risk Mitigation	Our Natural Capital, Metrics and Targets	
302-1	Energy consumption within the organization	E3: Energy Usage	Our Natural Capital, Metrics and Targets	
302-2	Energy consumption outside of the organization	E4: Energy Intensity E5: Energy Mix	Our Natural Capital, Metrics and Targets	
302-4	Reduction of energy consumption	E4: Energy Intensity E5: Energy Mix	Our Natural Capital, Metrics and Targets	
GRI 303: Water and Effluents 2018				
GRI 303 Topic Specific				
3-3	Management Approach		Our Natural Capital, Metrics and Targets	
303-5	Water Consumption	E6: Water Usage	Our Natural Capital, Metrics and Targets	

GRI 305: Emissions 2016				
GRI 305 Topic Specific				
3-3	Management Approach	E8 & E9: Environmental Oversight	Our Natural Capital, Metrics and Targets	
305-1	Direct (Scope 1) GHG emissions	E1: GHG Emissions	Our Natural Capital, Metrics and Targets	
305-2	Energy indirect (Scope 2) GHG emissions	E1: GHG Emissions	Our Natural Capital, Metrics and Targets	
305-3	Other indirect (Scope 3) GHG emissions	E1: GHG Emissions	Our Natural Capital, Metrics and Targets	
305-4	GHG emissions intensity	E1: GHG Emissions E2: Emissions Intensity	Our Natural Capital, Metrics and Targets	
305-5	Reduction of GHG emissions	E1: GHG Emissions	Our Natural Capital, Metrics and Targets	
GRI 306: Waste 2020				
GRI 306 Topic Specific				
3-3	Management Approach		Our Natural Capital, Metrics and Targets	
306-1	Waste generation and significant waste-related impacts	E7: Environmental Operations	Our Natural Capital, Metrics and Targets	
306-2	Management of significant waste-related impacts	E7: Environmental Operations	Our Natural Capital, Metrics and Targets	
306-3	Waste generated diverted from disposal	E7: Environmental Operations	Our Natural Capital, Metrics and Targets	
GRI 400: Social Standard Series				
GRI 401: Employment 2016				
GRI 401 Topic Specific				
3-3	Management Approach		Our Human Capital	
401-1	New employee hires and employee turnover	S3: Employee Turnover	Our Human Capital	
401-2	Benefits provided to full-time employees that are not provided to part-time employees		Our Human Capital	
401-3	Parental Leave		Our Human Capital	

GRI 403: Occupational Health & Safety 2018				
GRI 403 Topic Management Disclosures				
3-3	Management Approach		Protecting our Workforce	
403-1	Occupational health and safety management system	S8: Global Health and Safety	Protecting our Workforce	
403-2	Hazard identification, risk assessment, and incident investigation	S7: Injury Rate S8: Global Health and Safety	Protecting our Workforce	
403-3	Occupational health services	S8: Global Health and Safety	Protecting our Workforce	
403-4	Worker participation, consultation, and communication on Occupational health and safety	S8: Global Health and Safety	Protecting our Workforce	
403-5	Worker training on occupational health and safety	S8: Global Health and Safety	Protecting our Workforce	
403-6	Promotion of worker health	S8: Global Health and Safety	Protecting our Workforce	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	S8: Global Health and Safety	Protecting our Workforce	
GRI 403 Topic Specific				
403-8	Workers covered by an occupational health and safety management system	S7: Injury Rate	Protecting our Workforce	
403-9	Work-related injuries	S7: Injury Rate	Protecting our Workforce	
403-10	Work-related ill health	S7: Injury Rate	Protecting our Workforce	
GRI 404: Training and Education 2016				
GRI 404 Topic Specific				
3-3	Management Approach		Training and Education	
404-1	Average hours of training per year per employee		Training and Education	
404-2	Programmes for upgrading employee skills and transition assistance programmes		Training and Education	
404-3	Percentage of employees receiving regular performance and career development reviews		Training and Education	

GRI 405: Diversity and Equal Opportunity 2016				
GRI 405 Topic Specific				
3-3	Management Approach		Diversity & Inclusion	
405-1	Diversity of governance bodies and employees	G1: Board Diversity S4: Gender Diversity	Diversity & Inclusion	
GRI 406: Non-Discrimination 2016				
GRI 406 Topic Specific				
3-3	Management Approach		Diversity & Inclusion	
406-1	Incidents of discrimination and corrective actions taken	S6: Non-discrimination	Diversity & Inclusion	
GRI 410: Security Practices				
GRI 406 Topic Specific				
3-3	Management Approach		Our Human Capital	
410-1	Security personnel trained in human rights policies or procedures	S10: Human rights	Our Human Capital	
GRI 413: Local Community 2016				
GRI 413 Topic Specific				
3-3	Management Approach		Our Social Capital	
413-1	Operations with local community engagement, impact assessments, and development programmes	S12: Community Investment	Our Social Capital	
GRI 418: Customer Privacy				
GRI 418 Topic Specific				
3-3	Management Approach	Data Security		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	G7: Data Privacy	Data Security	

In an effort to improve and increase reporting of climate-related financial information, the international Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD).

Beginning in 2022, we have incorporated the TCFD's guidelines into our annual financial and sustainability reporting. While we have not yet fully disclosed all recommended metrics, we intend to gradually expand our reporting on climate-related topics as we further integrate the TCFD's recommendations into our businesses.

GOVERNANCE: Disclose the organisation's governance around climate-related risks and opportunities.	
Disclosure	**Reference Section**
a) Describe the board's oversight of climate-related risks and opportunities.	Our Natural Capital > Governance > At Board Level
b) Describe the management's role in assessing and managing climate-related risks.	Our Natural Capital > Governance > At Senior Management Level
STRATEGY: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
Disclosure	**Reference Section**
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Our Natural Capital > Strategy
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Our Natural Capital > Strategy
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our Natural Capital > Strategy > Climate-Change
RISK MANAGEMENT: Disclose how the organization identifies, assesses, and manages climate-related risks.	
Disclosure	**Reference Section**
a) Describe the organization's processes for identifying and assessing climate-related risks.	Our Natural Capital > Risk Management
b) Describe the organization's processes for managing climate-related risks.	Our Natural Capital > Strategy Our Natural Capital > Risk Management
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Our Natural Capital > Risk Management
METRICS AND TARGETS: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
Disclosure	**Reference Section**
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our Natural Capital > Metrics & Targets
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our Natural Capital > Metrics & Targets > Emissions Data
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Our Natural Capital > Metrics & Targets

The below index is prepared in accordance with Industry Standard | Version 2018-10 issued by the Sustainability Accounting Standards Board (SASB). The topics listed below are associated to the sector aligned to our business: Commercial Banks.

We do not yet disclose all metrics associated with our sector standard but aim to continuously increase the number of metrics disclosed in future reports.

Sustainability Industry Classification System System® (SICS®): Commercial Banks				
TOPIC	**ACCOUNTING METRIC**	**CATEGORY**	**CODE**	**REFERENCE PAGE OR SECTION**
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Quantitative	FN-CB-230a.1	Responsible Business Practices
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	FN-CB-230a.2	Responsible Business Practices
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programmes designed to promote small business and community development	Quantitative	FN-CB-240a.1	Refer to the Financial Statements
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programmes designed to promote small business and community development	Quantitative	FN-CB-240a.2	Refer to the Financial Statements
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	FN-CB-240a.3	This information hasn't been disclosed
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Quantitative	FN-CB-240a.4	Our Relationship Capital
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	Quantitative	FN-CB-410a.1	Refer to the Financial Statements
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis	FN-CB-410a.2	Natural Capital, TCFD & Our Sustainability Journey
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	FN-CB-510a.1	Corporate Governance Report, Responsible Business Practices
	Description of whistle-blower policies and procedures	Discussion and Analysis	FN-CB-510a.2	Corporate Governance Report, Responsible Business Practices, Business Policies
Systematic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	FN-CB-550a.1	Not applicable
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	FN-CB-550a.2	Refer to the Financial Statements
Activity Metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Quantitative	FN-CB-000.A	Refer to the Financial Statements
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Quantitative	FN-CB-000.B	Refer to the Financial Statements

NBB has developed a comprehensive suite of policies designed to bring consistency, clarity, accountability, and efficiency to day-to-day operations across the business.

Environmental, Social, Governance Policies		
Policy	**Description**	**Link**
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 customers, regulators and other stakeholders.	Code of Conduct | National Bank of Bahrain (nbbonline.com)
Whistle Blower Policy	The Whistle Blower Policy provides employees, agents, consultants, auditors, suppliers and other service providers under contract with the bank, the opportunity to report, without fear of repercussion, any cases of unethical or improper conduct they may have witnessed within the bank. Violations are reported to the chairwoman of the Audit Committee and investigated by the Chief Internal Auditor.	Whistle Blower Policy | National Bank of Bahrain (nbbonline.com)
AML Policy	Our AML policy details the procedures, systems, and controls NBB has in place including Know Your Customer (KYC) and Customer Due Diligence (CDD) to ensure we are always in compliance with all aspects of legislation and regulations related to anti-money laundering and combating terrorist financing (AML/CFT).	Anti-Money Laundering | National Bank of Bahrain (nbbonline.com)
Key Persons' Dealing Policy	Our Key Persons' Dealing Policy outlines a set of rules and procedures that govern the trading of the Bank's shares by the Bank's Board of Directors, senior management, and other individuals who have access to insider information. The policy aims to prevent insider trading and ensure that individuals with access to confidential information about the company do not use that information to gain an unfair advantage when buying or selling the company's securities.	Key Persons' Dealing Policy | National Bank of Bahrain (nbbonline.com)
Compliance Policy	Our Compliance Policy outlines a framework of rules and guidelines aimed at ensuring the Bank's adherence to legal and regulatory requirements. It establishes standards that all employees and other stakeholders are expected to comply with to foster a culture of transparency, integrity, and accountability within the organization.	N / A
Sanctions Policy	Our Sanctions Policy outlines how NBB complies with national and international sanctions that may be issued against individuals, entities, groups or nations and details the controls we have in place to identify such parties.	N / A
Data Privacy Policy	NBB's Data Privacy Policy provides customers with a comprehensive understanding of how and why we gather customer data; how personal data is processed and used; disclosure of data to third parties; international transfer of data; our approach to data security; how long we keep personal data; and customer's legal rights.	Privacy Policy | National Bank of Bahrain (nbbonline.com)
Employee Training and Development	NBB is committed to providing an environment that is a conducive to effective performance and promotes training and development opportunities for all employees. This approach ensures they have the required competencies to meet the performance and quality standards their role demands. Line managers are responsible for proposing learning objectives and plans for their subordinates to develop their skills through appropriate training courses.	ESG Policy Statements | National Bank of Bahrain (nbbonline.com)
Equal Opportunities	NBB believes in equality and fairness when it comes to recruitment and does not discriminate against the employment of persons for any job towards a certain gender, age, disability, marital status or any other elements falling outside the scope of the bank's business and operational needs or requirements of the law. In addition, NBB fully supports the employment of qualified persons with disabilities as required by law.	ESG Policy Statements | National Bank of Bahrain (nbbonline.com)

Policy	Description	Link
Diversity & Inclusion	Diversity and Inclusion is a pillar within NBB's Human Resources and Talent Management Policy. It embraces the differences between people in various forms including gender, age, religion, disabilities, personality, ethnicity, skill set, experience, knowledge base, and background.	ESG Policy Statements | National Bank of Bahrain (nbbonline.com)
Community Initiatives and Promotion of Social and Economic Development	NBB's commitment to its social responsibility is evident through an established Donations Policy that covers education, healthcare and social welfare. NBB is committed to allocate 5% of its annual net profits to support various programmes and initiatives that fall under the seven Donations and Contributions pillars.	ESG Policy Statements | National Bank of Bahrain (nbbonline.com)
Nationalisation	In line with Bahrain's 2030 Vision to reduce the unemployment rate in the country, NBB's recruitment policy is to prioritise Bahraini nationals for employment opportunities if a suitable candidate can be found to meet the bank's business and operational needs.	ESG Policy Statements | National Bank of Bahrain (nbbonline.com)
Group Health & Safety	NBB is committed to ensuring the health & safety and wellbeing of its employees as well as customers, visitors, contractors and tenants. The Group Health & Safety Policy describes appropriate standards to ensure health & safety risks are controlled across the workplace in line with local regulations and international best practices, including guidelines issued by World Health Organisation (WHO). NBB periodically provides appropriate health & safety training and awareness programmes for all staff.	Group Health & Safety Policy Disclosure | National Bank of Bahrain (nbbonline.com)
Environmental Policy Disclosure	NBB is committed to minimising our direct impact on the environmental as well as working with our suppliers to positively influence their environmental performance. The Environmental Policy sets the foundation of Environmental Management framework and governs the environmental activities that are appropriate to the Bank. NBB was the first bank in Bahrain to successfully attain the ISO 14001:2015 Environmental Management System (EMS) certification which helps organisations to reduce their environmental impact.	https://www.nbbonline.com/personal/policy-statements
Human Rights Policy	NBB respects human rights and complies with all related national and international laws. Our Human Rights policy ensures fair employment practices and a supportive organisational culture that encourages freedom of expression. We have a zero tolerance policy towards forced or child labour.	Human-Rights-Policy.pdf (nbbonline.com)
Global Credit Policy	Since 2020, Credit Risk Management has embedded sustainability within its Global Credit Policy. Our ambition to be recognised as a regional leader in responsible lending and sustainable finance stems from our commitment to make a positive impact on the clients and communities we serve. ESG risk factors are examined across our financing activity and we are working to entrench ESG risk assessment within our overall credit risk management framework.	https://www.nbbonline.com/personal/policy-statements
Youth Employment Support Policy Statement	NBB is committed to developing, training and providing employment opportunities for youth. We accommodate at least 40 graduates annually on our internship programme, which offers both on the job and formal training, helping to equip interns with the experience and skills they need to advance their careers.	https://www.nbbonline.com/personal/policy-statements
Group Treasury and Investment Policy	The National Bank of Bahrain recognizes the important role which treasury and capital markets play in today's financial system. The Bank also recognizes the importance of regulatory compliance and risk controls which must accompany the activities of a treasury and capital markets function. The Treasury and Capital Markets Policy defines the Group's integrated view of enterprise-wide trading, investment, compliance, and risk controls which must be adhered to by the Group Treasury and Capital Markets Unit. The Policy also highlights the essential details of corporate governance, corporate behavior, and ESG-compliant investment considerations.	https://www.nbbonline.com/personal/policy-statements

Engagement agreement

National Bank of Bahrain B.S.C. ("NBB" or "the Bank") engaged SK Sustainability Knowledge Group Ltd ("Sustainability Knowledge Group") to conduct an independent third-party assurance over selected sustainability content within the 2022 Annual Financial and Sustainability Report (the "Report"), covering the activities that occurred in the 2022 financial year which ended on December 31st, 2022 (01.01.2022-31.12.2022).

Sustainability Knowledge Group Competencies, Independence, and Impartiality

Sustainability Knowledge Group is an international provider of sustainability, ESG and CSR advisory and training solutions. Sustainability Knowledge Group complies and abides by the ISSP Code of Ethical Practice and Values, a set of standards that are a fundamental part of sustainability and for making sustainability a standard practice.

Sustainability Knowledge Group has not been responsible for the preparation of any part of the Report, nor has undertaken any commissions that would conflict with our independence. Sustainability Knowledge Group was not involved in the preparation of any internal reports, information, or data included in the Report, except for this assurance statement.

Responsibilities

NBB

The Report has been prepared by NBB in partnership with an external consultant. NBB is responsible for the completeness and accuracy of the selected data and for maintaining records and adequate internal controls that are designed to support the reporting process.

Sustainability Knowledge Group

Our main responsibilities were to:

- Plan and conduct the External Assurance process based on the AccountAbility standards
- Check the Bank's adherence to the AccountAbility Principles
- Provide moderate level assurance over the accuracy, reliability, and objectivity of the selected information contained within the Report
- Form an independent conclusion based on the assurance procedures performed and evidence obtained
- Report our conclusions and recommendations in an internal letter to the management.

Sustainability Knowledge Group is, and remains, an independent assurer over the content and processes pertaining to the Report.

Assurance Scope, Type and Level

We performed our engagement in accordance with the AA1000 Assurance Standard (AA1000 AS v3[1]) and the AA1000 Principles Standard (AA1000AP, 2018[2]). The scope of our assurance engagement and level of assurance was agreed with NBB.

We were engaged to provide Type 2 moderate level assurance. The procedures we carried out were designed to provide moderate level assurance, as specified in the AA1000 Assurance Standard (AA1000 AS v3), based on which we shaped our conclusions. The process conducted and the evidence obtained should reduce the risk of possible errors. These processes are not as extensive as those required for providing reasonable assurance; consequently, a lower level of assurance is obtained.

We planned and performed our work in order to obtain the evidence we considered necessary to provide a basis for our assurance valuation and provide recommendations for improvement, regarding:

- NBB's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact.

A sample of 16 disclosures was selected for evaluation, in order to cover different material topics, relevant to all pillars of the Report and therefore provide balanced conclusions on the disclosed information.

Methodology of work performed

Sustainability Knowledge Group performed its work in accordance with the AA1000 Assurance Standard (AA1000 AS v3), Type 2 requirements. As part of a Type 2 assurance engagement, we assessed the adherence to all four AA1000 AccountAbility Principles.

We assessed and evidenced the reliability and quality of specified sustainability performance and disclosed information underlying systems, processes, and data, and provided relevant findings and conclusions.

The following assessment criteria were used when undertaking the work:

- AA1000 Assurance Standard (AA1000 AS v3),

All communications between Sustainability Knowledge Group and NBB were conducted via e-mail and conference calls. For the scope of the Assurance process, we performed the following:

1. Interviews with NBB representatives to understand the reporting process, the methodologies, approach, and procedures followed for data collection, monitoring, and calculations.

[1] The AA1000 Assurance Standard (AA1000AS v3) is the leading methodology used by sustainability professionals worldwide for sustainability-related assurance engagements, to assess the nature and extent to which an organization adheres to the AccountAbility Principles. The document can be consulted here: https://www.accountability.org/standards/

[2] AA1000 Accountability Principles (AccountAbility, 2018) describes a framework for applying the four Principles of accountability when measuring sustainability performance. The four Principles are detailed below.

2. Interviews with NBB representatives to review the steps followed for extracting and collecting data.
3. Email exchanges with the Sustainability Committee representatives to understand the processes behind the Materiality Assessment and Stakeholder Engagement process conducted for the purpose of this Report.
4. Review the Bank's approach on the materiality process, stakeholder engagement, and subsequent results.
5. Recalculation of a sample of disclosures, based on the evidence reports and documents received, to check for consistency and accuracy of the calculations performed.
6. Feedback and review of the final content of the selected 16 disclosures included in the Report, as per the scope of the Assurance process.
7. Examination of internal systems, in order to validate the integrity of the statements made in the Report.
8. Collection and review of the evidence for each disclosure, in order to check for accuracy and consistency with the information disclosed in the Report.
9. Assessment of the sustainability reporting procedures, to check consistency with the Global Reporting Initiative (GRI) Standards reporting requirements.
10. Assessment of documentation and evidence that supported and substantiated claims made in the Report, including internal policies, procedures, guidance documents, guidelines, reference documents, announcements, and calculations.

Considering the Bank's sector of activity, the following disclosures were selected for review as part of the sampling:

Quantitative disclosures

- Percentage of annual increase of business digital transactions
- Proportion of spending on local suppliers
- Value of community investments
- Paper consumption and recycling
- GHG emissions
- Waste management
- Female and male workforce
- Regulatory mandatory training hours
- CSME financial literacy programme
- Mazaya programme: Percentage of total mortgage portfolio

Qualitative disclosures

- Investors in People accreditation
- Bloomberg ESG scores
- Refinitiv ESG scores
- Euromoney awards
- ISO 45001 certificate
- ISO 14001 certificate

Intended users

The intended users of this assurance statement are the stakeholders of NBB.

Limitations

The reliability of the reported sustainability information and data is subject to inherent uncertainty, given the available methods for determining, calculating, or estimating the underlying information. It is important to understand our assurance conclusions in this context.

- Our assurance does not include assurance over claims made by NBB that are statements of opinion, belief, aspiration, or future intent.
- Any information, statements, assumptions, or data covering previous reporting cycles included in the Report, were not the subject of this Assurance process.
- With the exception of selected interviews with targeted NBB employees, including the Sustainability Committee, our process did not involve other stakeholders.
- Our review included interviews, online communication, and the review of selected documentation. We did not perform any visit to NBB headquarters, local offices, or premises.
- We relied exclusively on the information provided to us by NBB, which we accepted in good faith as being complete, accurate, real, and not misleading. Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Report and which arise from our mutually agreed methodology.
- The sampling, testing, and review of the evidence documents provided by the Bank were conducted remotely, via e-mail, conference, and telephone calls.
- No other topics and disclosures have been taken into consideration, except for those described in the Assurance Scope, Type and Level section and the Methodology of work performed section of this Statement.
- We did not review any activities and performance of third parties, entities, or stakeholders mentioned in the Report.
- Our engagement was limited to the English version of the Report. Therefore, in the event of any inconsistency regarding the translation between the Arabic and English versions, as far as our conclusions are concerned, the English version of the Report prevails.

Adherence to the AA1000 AccountAbility Principles: findings and conclusions

- In relation to the **Inclusivity Principle**[3]:

The Report presents six key categories of stakeholders. These include: Employees, Customers, Shareholders & Investors, Suppliers & Partners, Government & Regulators and Communities.

The Report includes a table that presents the relationships with each identified stakeholder group, the engagement methods applied with every stakeholder group, as well as the topics that matter most to them. The engagement methods listed vary from emails, to surveys, personal contacts and workshops to name a few. The engagement methods do not explicitly reference high level engagement tools such as consultations or focus groups exclusively for the identification of material topics. Discussion took place with NBB's appointed consultant at that point in time, NBB's Board of Directors Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC) Committee, NBB's Executive Management team, the Sustainability Committee.

- In relation to the **Materiality Principle**[4]:

The materiality matrix presented in the Report is the result of an extensive materiality assessment conducted with the support of an external party in 2020. The results of the materiality were aligned with NBB's values, mission and vision and strategy and took into consideration potential business and operational continuity impact and relevance to the identified key stakeholders. In 2022, the list of material topics was updated to include two additional ones (Climate Change and Training & Development) and have replaced the materiality topic Responsible Finance with Sustainable Finance, taking the number of topics from 14 to 16. The material topics are ranked in terms of importance (very material, somewhat material, least material) to NBB business and to stakeholder in the materiality matrix. The topics are presented in detail throughout the Report. The Bank has not provided in depth reference of actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on the human rights, across the Bank activities and business relationships. The Report does not make an explicit reference of the materiality assessment process and the contribution of each stakeholder in the process.

- In relation to the **Responsiveness Principle**[5]:

NBB describes the material topics in detail throughout the Report. It presents how it responds to all material topics. It also presents how the material topics relate to stakeholder concerns, how they align with international initiatives like the SDGs, its vision and its seven-pillar sustainability framework. Where possible, the Report presents performance information from previous years, enabling interested stakeholders to compare data and thus make informed decisions based on the results presented in the Report. NBB has set specific objectives for all seven pillars of its sustainability framework.

- In relation to the **Impact Principle**[6]:

The 2022 Annual Financial and Sustainability Report identifies material environmental, social and governance (ESG) topics and discloses relevant impacts across NBB operations. In the Report, NBB presents how it addresses its material topics, provides evidence and results of actions and initiatives implemented to achieve its objectives per sustainability pillar. The Report does not present impact boundaries per material topic and the impact of the topics across the value chain of the Bank.

Given the assessment and evaluation of internal processes, policies, and procedures, as per the Assurance Engagement, it can be stated that NBB reasonably meets the required adherence criteria of the AccountAbility Principles.

Key observations

Based on our review of the Report, and related processes employed to collect and collate the information and data reported, we conclude:

- NBB is investing in the Sustainability Committee which has an important role in formulating and driving the Strategic Direction of NBB. During 2022, the Bank invested further in the capacity building of the Committee members.
- The Report follows international standards and for the 2022 Report it has adopted and references additional frameworks, standards and initiatives: GRI Standards, United Nations Sustainable Development Goals (SDGs), Bahrain Vision 2030, IIR framework, SASB, TCFD, Bahrain Bourse ESG metrics.
- The 2022 Report includes a distinct section dedicated to sustainability strategy, performance, and future direction. The disclose of sustainability topics and performance is straight forward, and enables readers to gain a holistic understanding of the performance, goals, areas of focus and impact of the Bank.

[3] Inclusivity is actively identifying stakeholders and enabling their participation in establishing an organisation's material sustainability topics and developing a strategic response to them.
[4] Materiality relates to identifying and prioritising the most relevant sustainability topics, taking into account the effect each topic has on the organisation and its stakeholders.
[5] Responsiveness is an organisation's timely and relevant reaction to material sustainability topics and their related impacts.
[6] Impact is the effect of behaviour, performance and/or outcomes, on the part of individuals or an organisation, on the economy, the environment, society, stakeholders or the organisation itself. For further information on the AccountAbility Principles, access: https://www.accountability.org/standards/

- The Report includes a visual presentation of the value creation process of the Bank, linked to the SDGs.
- NBB improved its target setting for environmental impacts.
- NBB improved internal systems for data collection, including definitions, data management, reporting and monitoring.
- NBB has developed and plans to roll out an ESG Risk Identification and Assessment Policy and Toolkit that will allow the Bank to systematically manage ESG risks and assess the ESG preparedness of its clients.
- NBB has expanded the scope of its indirect GHG audit process.
- The Report presents the sustainability framework of NBB. The framework has seven distinct pillars: Economic Growth, Responsible Banking; Serving our Customers; Nurturing our Workforce; Community Investment; Preserving Natural Resources; and Governance and Ethical Behaviour.
- The Report includes an updated materiality matrix, covering 16 topics. 2 new topics were included and one 1 replaced in 2022. The topics are prioritized according to their level of impact.
- As part of the reporting process, the Report was reviewed and approved by the Board of Directors.

Recommendations

The following recommendations have been issued to improve future sustainability reporting:

1. NBB to reach out to all its stakeholder groups as part of a new materiality assessment. NBB needs to ensure that all key stakeholders are included in the process.
2. NBB to integrate principles of double materiality in its materiality process, and address financial and impact materiality.
3. NBB to continue to invest in target setting across all pillars and to clearly present its progress towards achieving them.
4. NBB to continue to invest in the development of its responsible financing practices, and measure the impact of products, and services to clients and the economy.
5. NBB to continue to take into account international and regional developments in the financial sector regarding reporting of non-financial information.
6. NBB to continue to invest in the development of solid systems and procedures in order to better record, manage and disclose its direct and indirect impacts.
7. NBB to further engage with vendors to achieve alignment between vendor reporting and sustainability information consolidation requirements.
8. NBB to further align and update the communication of sustainability commitments, frameworks, approach, impacts, goals, and targets through its website.
9. NBB to continue strengthening its corporate governance systems for sustainability.

A comprehensive feedback report with specific findings and recommendations addressing sustainability reporting process improvements and adherence to AA1000 principles and the GRI Standards was developed by Sustainability Knowledge Group and has been submitted to NBB management.

Based on the review of the 2022 NBB Annual Financial and Sustainability Report, it can be concluded that a fair representation of data and information has been included in the Report. The selected sustainability performance and data statements are accurate, reliable, and materially correct.

Aglaia Ntili
SK Sustainability Knowledge Group Ltd
Limassol, Cyprus
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sustainability knowledge group

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