

# 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. As a result of the updates to the HC Module of the CBB rulebook, the Corporate Governance Policy and certain Board and Board sub-committee charters were subject to a general revision in the year 2023. 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.

## Corporate Governance and Ethical Behaviour continued

### Committees of the Board

The Board has set up several committees which provide effective support to the full Board in carrying out its responsibilities. These are the Executive Committee, the Audit Committee, the Risk and Compliance Committee, Nomination, Remuneration, Governance and Sustainability Committee, 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 five times a year. The role of the Executive Committee is to assist the Board in fulfilling its responsibilities regarding lending and investments in debt securities, as well as any other matters not delegated to a specific Board Committee. Accordingly, the Executive Committee is empowered to approve specific credit and investment proposals, review budgets, plans and major initiatives for eventual submission to the Board for approval, in addition to monitoring the bank's performance against business plan objectives.

### Audit Committee

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

### Risk and Compliance Committee

The Risk and Compliance Committee comprises of 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.

## Corporate Governance and Ethical Behaviour continued

### Board Meetings and Attendance

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

A summary of the Board meetings and sub-committee meetings held during the year 2023 and attendance are detailed below:

#### Board meetings: Total number of meetings held: 6

Name of the Director	Meeting dates						Total		
	28/2/2023	8/5/2023	8/8/2023	20/9/2023 (Ad-Hoc)	5/11/2023	12/12/2023	Total No of meetings	Meetings attended	% of Meetings attended
<b>Farouk Yousuf Khalil Almoayyed</b> Chairman	✓	✓	✓*	✓	✓	✓	6	6	100
<b>Dr. Esam Abdulla Fakhro</b> Deputy Chairman	✓	✓	✓*	✓	✓	✓	6	6	100
<b>Fawzi Ahmed Kanoo</b> Deputy Chairman	✓	✓	✓*	✓	✓	✓	6	6	100
<b>Sh. Rashed Bin Salman Al-Khalifa</b> Director	✓	✓*	✓*	✓	✓	✓	6	6	100
<b>Hala Ali Hussain Yateem</b> Director	✓	✓	✓*	✓	x	✓	6	5	83
<b>Rishi Kapoor</b> Director	✓	✓	✓*	✓*	✓*	✓*	6	6	100
<b>Mohamed Tareq Mohamed Sadeq Mohamed Akbar**</b> Director	✓	✓	✓*	Left the Board on 20 <sup>th</sup> August 2023			3	3	100
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> Director	✓*	✓*	✓*	✓*	✓*	✓*	6	6	100
<b>Amin Ahmed Alarrayed</b> Director	✓	✓	✓*	✓	✓	✓	6	6	100
<b>Vincent Van den Boogert</b> Director	✓*	✓	✓*	✓*	✓	✓*	6	6	100
<b>Zaid Khalid Abdulrahman</b> Director	✓	✓	✓*	✓	✓	✓	6	6	100
<b>Dr. Paul David Pester***</b> Director	Joined the Board on 20 <sup>th</sup> August 2023			✓*	✓	x	3	2	67

\*Attended through video conference.

\*\*Mohamed Tareq Mohamed Sadeq Akbar left the Board on 20<sup>th</sup> August 2023

\*\*\*Dr. Paul David Pester joined the Board on 20<sup>th</sup> August 2023

## Corporate Governance and Ethical Behaviour continued

### Board Meetings and Attendance (continued)

#### Dates of meetings and attendance details

**Executive Committee Meetings:** Total number of meetings held: 5

Name	Meeting dates					Total No. of meetings	Meetings Attended
	25/1/2023	3/4/2023	21/6/2023	20/9/2023	23/11/2023		
<b>Dr. Esam Abdulla Fakhro</b> Chairman	✓	✓	✓	✓	✓	5	5
<b>Fawzi Ahmed Kanoo</b> Director	✓*	✓	✓	✓	✓	5	5
<b>Sh. Rashed Bin Salman Al Khalifa</b> Director	✓	✓	✓	✓	✓	5	5
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> Director	✓	✓*	✓*	✓*	x	5	4
<b>Amin Ahmed Alarrayed</b> Director	✓	✓	✓	✓	✓	5	5

\* Attended through video conference.

**Audit Committee Meetings:** Total number of meetings held: 6

Name	Meeting dates						Total No. of meetings	Meetings Attended
	1/2/2023	19/2/2023	4/5/2023	6/8/2023	2/11/2023	13/12/2023		
<b>Hala Ali Hussain Yateem</b> Chairwoman	✓	✓	✓	✓	✓*	✓	6	6
<b>Mohamed Tareq Mohamed Sadeq Mohamed Akbar**</b> Director	✓	✓	✓	✓	Left the Board on 20 August 2023		4	4
<b>Zaid Khalid Abdulrahman</b> Director	✓	✓	✓	✓*	✓*	✓	6	6
<b>Dr. Paul David Pester***</b> Director	Joined the Board on 20 August 2023				✓*	x	2	1

\*Attended through video conference.

\*\*Mohamed Tareq Mohamed Sadeq Mohamed Akbar left the Board on 20 August 2023

\*\*\*Dr. Paul David Pester joined the Board on 20 August 2023

## Corporate Governance and Ethical Behaviour continued

## Board Meetings and Attendance (continued)

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

Name	Meeting dates					Total No. of meetings	Meetings Attended
	26/2/2023	7/5/2023	6/8/2023	8/10/2023	10/12/2023		
<b>Rishi Kapoor</b> Chairman	✓	✓	✓*	✓*	✓*	5	5
<b>Mohamed Tareq Mohamed Sadeq Mohamed Akbar</b> ** Director	✓	✓	✓	Left the Board on 20 August 2023		3	3
<b>Vincent Van den Boogert</b> Director	✓*	✓	✓*	✓*	✓*	5	5
<b>Sabah Al Moayyed</b> Non-Director Advisor to the Board	✓*	✓	✓	✓*	✓*	5	5
<b>Matthew Deakin</b> Non-Director Advisor to the Board	✓	✓*	✓	✓*	✓	5	5
<b>Dr. Paul David Pester</b> *** Director	Joined the Board on 20 August 2023			✓*	x	2	1

\* Attended through video conference.

\*\*Mohamed Tareq Mohamed Sadeq Mohamed Akbar left the Board on 20 August 2023

\*\*\*Dr. Paul David Pester joined the Board on 20 August 2023

## Corporate Governance and Ethical Behaviour continued

### Board Meetings and Attendance (continued)

#### Nomination, Remuneration, Governance and Sustainability Committee Meetings:

Total number of meetings held: 4

Name	Meeting dates				Total No. of Meetings	Meetings Attended
	6/2/2023	22/2/2023	13/6/2023	21/11/2023		
<b>Farouk Yousuf Khalil Almoayyed</b> Chairman	✓	✓	✓	✓	4	4
<b>Dr. Esam Abdulla Fakhro</b> Director	✓	✓	✓	✓	4	4
<b>Sh. Rashed Bin Salman Al Khalifa</b> Director	✓	✓*	✓	✓	4	4
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> Director	✓*	✓*	X	✓*	4	3
<b>Amin Ahmed Alarrayed</b> Director	✓	✓	✓	✓	4	4
<b>Rishi Kapoor</b> Director	✓	✓	✓*	✓*	4	4

\*Attended through video conference.

#### Digitalization Committee Meetings: Total number of meetings held: 3

Name	Meeting dates			Total No. of Meetings	Meetings Attended
	27/2/2023	9/5/2023	14/11/2023		
<b>Vincent Van den Boogert</b> Chairman	✓*	✓	✓*	3	3
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> Director	✓*	X	✓*	3	2
<b>Hala Ali Hussain Yateem</b> Director	✓*	✓	✓*	3	3

\*Attended through video conference.

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

Name	Meeting dates		Total No. of Meetings	Meetings Attended
	30/1/2023	2/10/2023		
<b>Farouk Yousuf Khalil Almoayyed</b> Chairman	✓	✓	2	2
<b>Dr. Esam Abdulla Fakhro</b> Director	✓*	✓	2	2
<b>Fawzi Ahmed Kanoo</b> Director	✓	✓	2	2
<b>Hala Ali Hussain Yateem</b> Director	✓	✓	2	2

\*Attended through video conference.

#### Overseas Branches Committee Meetings: Total number of meetings held: 2

Name	Meeting dates		Total No. of Meetings	Meetings Attended
	11/4/2023	3/10/2023		
<b>Fawzi Ahmed Kanoo</b> Chairman	✓	✓	2	2
<b>Sh. Rashed Bin Salman Al Khalifa</b> Director	✓	✓	2	2
<b>Yusuf Abdulla Yusuf Akbar Alireza</b> Director	✓*	✓*	2	2

\*Attended through video conference.

## Corporate Governance and Ethical Behaviour continued

### Management Structure

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

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

Committee Name	Members (as of 31 December 2023)	Objective
Executive Management Team (EMT) Frequency: weekly	<b>1- Usman Ahmed - Group Chief Executive Officer (Chairman)</b> 2- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts 3- Sara Abdulaziz Jamal - Group Chief Human Resources Officer 4- Nabeel Kazim - Group Chief Operating Officer 5- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary 6- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 7- Isa Maseeh - Group Chief Risk Officer 8- Subah Al Zayani - Chief Executive, Retail Banking 9- Rana Qambar - Group Chief Compliance Officer 10- Hisham Abu Alfateh - Chief Corporate Communications Officer 11- Fatima Al Kooheji - Acting Group Chief Financial Officer 12- Fadhel Abbas Ahmed - Group Chief Internal Auditor 13- Mansour Al Saghayer - Chief Executive, Kingdom of Saudi Arabia 14- Yogesh Kale - Chief Executive, United Arab Emirates 15- Razi Abdullatif Amin - Chief Technology Officer	The Executive Management Team Meeting (EMT) meets on a weekly basis and was created by the bank to provide a regular forum for the discussion of strategic matters among executive/senior management. While the EMT does not have any decision-making powers, it serves as an advisory role and provides a sounding forum for the major decisions or actions that need to be taken by the Chief Executive Officer within his delegation.



## Corporate Governance and Ethical Behaviour continued

### Management Structure (continued)

Committee Name	Members (as of 31 December 2023)	Objective
<p>Management Credit Committee</p> <p>Frequency: weekly</p>	<p>Permanent Members:</p> <p><b>1- Usman Ahmed - Group Chief Executive Officer (Chairman)</b></p> <p>2- Isa Maseeh - Group Chief Risk Officer</p> <p>3- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking</p> <p>4- Ali Ehsan - Chief Credit Officer</p>	<p>Overseeing the effective implementation of the bank's credit risk framework.</p> <p>Approving credit proposals and monitoring the credit portfolio in line with the bank's defined risk appetite and policies.</p>
<p>Operational Risk Management Committee (ORMC)</p> <p>Frequency: monthly</p>	<p>1- Usman Ahmed - Group Chief Executive Officer</p> <p><b>2- Isa Maseeh - Group Chief Risk Officer (Chairman)</b></p> <p>3- Rana Qambar - Group Chief Compliance Officer</p> <p>4- Nabeel Kazim - Group Chief Operating Officer</p> <p>5- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking</p> <p>6- Sara Abdulaziz Jamal - Group Chief Human Resources Officer</p> <p>7- Subah Al Zayani - Chief Executive, Retail Banking</p> <p>8- Jaffar Mohammed - Head of Operational Risk &amp; Permanent Controls</p> <p>9- Fadhel Abbas - Group Chief Internal Auditor (Observer)</p>	<p>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.</p> <p>Serve as a forum for senior management to discuss, evaluate and decide key Operational Risk issues concerning all divisions of the bank.</p>
<p>Group Asset Liability Committee (GALCO)</p> <p>Frequency: monthly</p>	<p><b>1- Usman Ahmed - Group Chief Executive Officer (Chairman)</b></p> <p>2- Yaser Al Sharifi - Chief Executive Officer, Bahrain Islamic Bank</p> <p>3- Isa Maseeh - Group Chief Risk Officer</p> <p>4- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking</p> <p>5- Ameer Shabaan - Chief Financial Officer, Bahrain Islamic Bank</p> <p>6- Jaafar Husain - Head of Liquidity and Market Risk</p> <p>7- Yogesh Kale - Chief Executive, United Arab Emirates</p> <p>8- Mansour Alsaghayer - Chief Executive, Kingdom of Saudi Arabia</p> <p>9- Fatima Al Kooheji - Acting Group Chief Financial Officer</p> <p>10- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts</p> <p>11- Ali Abdulkarim - Group Head of Coverage</p> <p>12- Subah Alzayani - Chief Executive, Retail</p> <p>13- Zied Jalili - Head of Structured Finance and Transaction Banking</p> <p>14- Arif Janahi - Head of Commercial and SMEs</p> <p>15- Khalil A.Rahman AlShaikh - Liquidity and Market Risk Officer (Secretary)</p>	<p>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.</p> <p>Ensure that appropriate action consistent with market developments and the bank's policies are taken to address the above key issues.</p>

## Corporate Governance and Ethical Behaviour continued

### Management Structure (continued)

Committee Name	Members (as of 31 December 2023)	Objective
<p>Group Project Steering Committee</p> <p>Frequency: two meetings per quarter</p>	<p><b>1- Usman Ahmed - Group Chief Executive Officer (Chairman)</b></p> <p>2- Yaser Al Sharifi - Chief Executive Officer, Bahrain Islamic Bank</p> <p>3- Nabeel Kazim - Group Chief Operating Officer</p> <p>4- Vacant - Group Chief Strategy &amp; Sustainability Officer</p> <p>5- Razi Amin - Group Chief Information Officer</p> <p>6- Fatima Al Kooheji - Acting Group Chief Financial Officer</p> <p>7- Konstantinos Monogios - Group Head of EPMO (Coordinator)</p>	<p>Group PSC is established to ensure proper governance across Group and Group related Projects' Portfolios while providing direction in taking necessary decisions to achieve projects' goals within set schedules and budgets and ensure total alignment with Group strategic objectives and Group Strategy.</p> <p>Group PSC main Responsibilities are:</p> <ol style="list-style-type: none"> <li><b>1. Governance</b> Act as governance body to the Group projects' portfolio. Ensure activating related working groups and control Group spending and investments. Hold Sponsors accountable to the agreed-upon project constraints.</li> <li><b>2. Advisory</b> Review and monitor projects' health and advise on overall portfolio and program risks, and provide recommendations on issues, scope, schedule, resources, cost, and governance concerns.</li> <li><b>3. Go/No-Go Decision</b> Oversee Group Capex requests and provide Go/No-Go recommendations on new and running projects.</li> <li><b>4. Prioritization</b> Act as a Prioritization Board and ensure project's portfolio and projects roadmap are aligned with Group and Group Strategy.</li> <li><b>5. Approval &amp; Authorization</b> Approve projects' Capex allocations and authorize the utilization of budget for new requests/ projects, provide decisions on additional capex requests, and authorize corrective and preventive actions required to achieve planned project objectives.</li> </ol>

## Corporate Governance and Ethical Behaviour continued

### Management Structure (continued)

Committee Name	Members (as of 31 December 2023)	Objective
Group Compliance Management Committee Frequency: bi-monthly	1- Usman Ahmed - Group Chief Executive Officer <b>2- Rana Qambar - Group Chief Compliance Officer (Chairwoman)</b> 3- Abdulaziz Al Ahmed - Chief Executive, Strategic Accounts 4- Isa Maseeh - Group Chief Risk Officer 5- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 6- Subah Al Zayani - Chief Executive, Retail Banking 7- Razi Amin - Group Chief Information Officer 8- Nabeel Kazim - Group Chief Operating Officer 9- Naeema Taheri - Chief Compliance Officer, Bahrain Islamic Bank 10- Arif Janahi - Head of Commercial and SMEs 11- Mansour Al Saghayer - CEO KSA 12- Yogesh Kale - CEO UAE 13- Fadhel Abbas - Group Chief Internal Auditor (Observer)	<p>Provide governance and assessment of the firm-wide compliance risk.</p> <p>Review and approve group-wide processes, policies and procedures related to the bank's financial crime and regulatory compliance framework.</p> <p>Approve and periodically review the Compliance Maturity Model and the annual Compliance Plan.</p> <p>The objective of the committee is to develop, identify, measure, document and assess Compliance Risks across the group, and;</p> <p>Monitor the adherence of NBBs' Group to the Central Bank of Bahrain ("CBB"), Central Bank of UAE (CBUAE) as well as the Central Bank of Saudi Arabia (SAMA) requirements with the relevant rules and regulations.</p> <p>In addition, Promote the values of honesty, transparency, and integrity throughout the Group in line with the Banks' values.</p>
Digital Strategy Group (DSG) Frequency: every two weeks	<b>1- Yaser Alsharifi - Chief Executive Officer, Bahrain Islamic Bank (Chairman)</b> 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	<p>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:</p> <ul style="list-style-type: none"> <li>• Defining and aligning different stakeholders on the digital priorities of the Group</li> <li>• Review of the Group's progress in digitization initiatives against strategy and market</li> <li>• Evaluating solution alternatives and technology choices</li> <li>• Aligning IT to the Group's direction and priorities in a planned manner to ensure effective and efficient utilization of technology</li> <li>• Advise on the digital products and services roadmap for the Group</li> </ul>

## Corporate Governance and Ethical Behaviour continued

### Management Structure (continued)

Committee Name	Members (as of 31 December 2023)	Objective
Information Security Committee (ISC) Frequency: monthly	<b>1- Isa Maseeh - Group Chief Risk Officer (Chairman)</b> 2- Rana Qambar - Group Chief Compliance Officer 3- Razi Amin - Group Chief Information Officer 4- Hisham Al Kurdi - Group Chief Executive, Corporate and Institutional Investment Banking 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 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.
Business Continuity Management Committee Frequency: quarterly	<b>1- Nabeel Kazim - Group Chief Operating Officer (Chairman)</b> 2- Isa Maseeh - Group Chief Risk Officer (Vice Chair) 3- Razi Amin - Group Chief Information Officer 4- Haitham Seyadi - Group Head of Property, Procurement and Administration 5- Mohammed Hammad - Group Head of BCM, Chief Information Security Officer 6- Abdulla Nasir Rafique - Head of In-Business Risk, Control, and Governance 7- Abdulla Naqi - Business Continuity Manager (Secretary)	This Committee was established to provide the top management governance and oversight for the Business Continuity Plan (BCP) of National Bank of Bahrain (NBB) in line with the industry best practices and relevant standards. The scope of this committee encompasses all the business units and locations for both NBB and BisB business units in Bahrain, its overseas branches in KSA and UAE, and all subsidiary entities associated with the bank. This Committee's functions and responsibilities are to: <ul style="list-style-type: none"> <li>• Provide strategic direction and communicate essential messages to the relevant stakeholders.</li> <li>• Ensure effective continuance of the Bank's operations in the event of a moderate, major or potentially catastrophic incident.</li> <li>• Establish, review and test Bank-wide Business Continuity and Disaster Recovery Plans</li> <li>• Coordinate the planning and delivery of the training on Crisis &amp; Emergency Management and Disaster Recovery</li> <li>• Function as a point of liaison with the local authority and Crisis Management Team at the Bank at times of crisis.</li> <li>• Oversee the creation of appropriate task force groups, working groups and teams to develop and execute the BCP, whenever is required.</li> </ul>

## Corporate Governance and Ethical Behaviour continued

### Management Structure (continued)

Committee Name	Members (as of 31 December 2023)	Objective
<p>UAE Senior Management Committee</p> <p>Frequency: minimum of 6 times per year</p>	<p><b>1- Yogesh Kale - Chief Executive Officer of the UAE branch (Chairman)</b></p> <p>2- Fatima AlKooheji - Acting Group Chief Financial Officer</p> <p>3- Yusuf Alnajmi - UAE Head of Branches and Administration</p> <p>4- Ahmed Moussa - UAE Chief Operating Officer</p> <p>5- Jassim AlAbbasi - Group Head of Financial Crime</p> <p>6- Zaid Khonji - Head of Legal and Corporate Governance</p> <p>7- Isa Budaraj - Head of Regulatory &amp; Overseas Branches Audit</p> <p>8- Ashraf Calcuttawala - UAE Head of Credit Risk</p> <p>9- Abdul Naseer - Head of in-Business Risk, Control and Governance</p> <p>10- Vineet Munot - Head of Transaction Banking</p> <p>11- Ali Almoulani - Head of Treasury and Asset Liability Management</p> <p>12- Sara Anwahi - UAE Head of Human Resources</p>	<p>The Senior Management Committee, established in 2023, is responsible for establishing a robust control function and helping the Branch meet the corporate governance responsibilities in line with the Corporate Governance Policy and Regulation. The committee is comprised of twelve members, with a hybrid structure having representation of senior managers from the UAE and the Head Office in Bahrain. The SMC members are appointed by Group CEO and are subject annual evaluation in order to remain SMC member. SMC Members report to their respective line managers while performing their routine duties and will report to Chair of SMC while performing duties in capacity of the SMC. The Duties of the SMC include.</p> <ul style="list-style-type: none"> <li>• To establish robust control functions in order to meet corporate governance guidelines.</li> <li>• Implementing the strategy approved by the GCEO, as well as implementation of business plans, policies, procedures, and budgets.</li> <li>• To oversee the compliance of the applicable laws and legislations of the UAE, and the implementation of the UAE Central Bank regulations.</li> <li>• Implementation and monitoring of various risk functions and sound risk management culture. Formalizing the risk appetite statement for UAE branch.</li> <li>• Monitoring and reviewing the operating and financial performance of the UAE branches. Monitoring and reporting of unresolved audit compliance, risk and legal issues.</li> <li>• Presentation and discussion of business budget and productivity reports.</li> <li>• To manage resources and develop talent strategy, staff communications and engagement.</li> <li>• Developing and recommending changes to the corporate governance policy framework.</li> <li>• Annual assessment and evaluation of the SMC.</li> <li>• The SMC monitors its compliance through periodical disclosure and disclosure in the annual report.</li> <li>• One SMC member is responsible for review and finalization of financial statement and The SMC Chair signs on the financial statements, and all related party transactions are subject to approval from the Board.</li> </ul>

## Corporate Governance and Ethical Behaviour continued

Committee Name	Members (as of 31 December 2023)	Objective
<p>Product and Service Approval Committee</p> <p>Frequency: as and when a new product and/or service is considered for launch</p>	<p><b>1- Usman Ahmed - Group Chief Executive Officer (Chairman)</b></p> <p>2- Isa Maseeh - Group Chief Risk Officer</p> <p>3- Fatima Al Kooheji - Acting Group Chief Financial Officer</p> <p>4- Nabeel Kazim - Group Chief Operating Officer</p> <p>5- Rana Qambar - Group Chief Compliance Officer</p> <p>6- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary</p> <p>7- Jaffar Mohamed - Head of Enterprise Risk Management</p>	<p>Approve new products and services.</p> <p>Approve material changes to existing products and services.</p> <p>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.</p>
<p>Tendering and Asset Disposal Committee</p> <p>Frequency: meetings convened as deemed necessary by the meeting administrator or their nominated alternate</p>	<p><b>1- Fatima Al Kooheji - Acting Group Chief Financial Officer (Chairwoman)</b></p> <p>2- Konstantinos Monogios - Group Head of Enterprise Project Management Office</p> <p>3- Rana AbdulAziz Qambar - Group Chief Compliance Officer</p> <p>4- Zaid Khonji - Head of Legal and Corporate Governance</p>	<p>Reinforce corporate governance, integrity, and transparency in the procurement process, contract management and asset disposal. The responsibilities are:</p> <ul style="list-style-type: none"> <li>• Ensure adherence to the bank Code of Conduct, Procurement Management Framework and Tendering Policy and procedure at all time.</li> <li>• Reinforce the principles of probity and accountability to ensure transparency of processes, fairness, confidentiality, and effective management of conflicts of interest.</li> <li>• Review evaluation criteria and raise any concerns related to the proposals submitted against such criteria.</li> <li>• Approve the tender awarding of all NBB Group tenders.</li> <li>• 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.</li> <li>• Raise recommendations for any proposed award of project procurement contract that is not within the committee authority to the appropriate authority for the approval.</li> </ul>
<p>Provisioning Committee</p> <p>Frequency: quarterly</p>	<p><b>1- Usman Ahmed - Group Chief Executive Officer (Chairman)</b></p> <p>2- Isa Maseeh - Group Chief Risk Officer</p> <p>3- Ali Ehsan - Chief Credit Officer</p> <p>4- Fatima Al Kooheji - Acting Group Chief Financial Officer</p> <p>5- Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary</p>	<p>The Provisioning Committee is responsible for reviewing and recommending the remedial course of action for clients that are designated as non-performing loans (NPLs) and governing expected credit loss (ECL).</p>

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.

## Corporate Governance and Ethical Behaviour continued

### 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 2023 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 2023 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 2023 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 2023.

### Disclosures of conflict of interest:

Members	Instances of abstaining from voting	Status
Dr. Esam Fakhro	10	Unanimously Approved by the Board of Directors
Mr. Amin Al Arrayed	10	Unanimously Approved by the Board of Directors
Mr. Farouk Al Moayyed	8	Unanimously Approved by the Board of Directors
Sh. Rashed Al Khalifa	8	Unanimously Approved by the Board of Directors
Mr. Vincent Van Den Boogert	8	Unanimously Approved by the Board of Directors
Mr. Fawzi Kanoo	6	Unanimously Approved by the Board of Directors
Mr. Yusuf Alireza	5	Unanimously Approved by the Board of Directors
Dr. Paul Pester	5	Unanimously Approved by the Board of Directors
Mr. Zaid Abdulrahman	4	Unanimously Approved by the Board of Directors
Mr. Mohamed Tareq Mohamed Sadeq	3	Unanimously Approved by the Board of Directors
Mr. Rishi Kapoor	2	Unanimously Approved by the Board of Directors

### Employment of Relatives

The bank has a Board approved policy in place on employment of relatives to prevent the potential favouritism and conflict of interest in decision-making due to factors of blood relations amongst employees and Board including Approved Persons. The Human Resources & 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.

## Corporate Governance and Ethical Behaviour continued

### 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 or legal nature, or any activity that violates the code of conduct, they have the opportunity to report these to the chairperson of the Audit Committee without fear of repercussion, through an automated whistleblowing system. The Chief Internal Auditor will be delegated by the chairperson to investigate in a timely and fair manner allegations raised by the whistle-blower. The Chief Internal Auditor will keep the Audit Committee advised of the outcome of the investigation

### 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 2023	Sales during 2023	Purchases during 2023	Bonus Shares <sup>2</sup>	Other <sup>1</sup>	31 December 2022
Farouk Yousuf Khalil Almoayyed - Chairman	Ordinary	36,580,411	-	-	3,325,491	-	33,254,920 <sup>3</sup>
Dr. Esam Abdulla Fakhro - Deputy Chairman	Ordinary	15,997,118	-	-	1,456,101	(20,000)	14,561,017 <sup>3</sup>
Fawzi Ahmed Kanoo - Deputy Chairman	Ordinary	144,260	-	-	13,114	-	131,146
Sh. Rashed Bin Salman Al Khalifa - Director	Ordinary	-	-	-	-	-	-
Hala Ali Hussain Yateem - Director	Ordinary	11,058,428	-	-	641,674	4,000,000	6,416,754 <sup>3</sup>
Rishi Kapoor - Director	Ordinary	-	-	-	-	-	-
Yusuf Abdulla Yusuf Akbar Alireza - Director	Ordinary	-	-	-	-	-	-
Mohamed Tareq Mohamed Sadeq Mohamed Akbar - Director	Ordinary	Left the board during the year					
Amin Ahmed Alarrayed - Director	Ordinary	-	-	-	-	-	-
Vincent Van Den Boogert - Director	Ordinary	-	-	-	-	-	-
Zaid Khalid Abdulrahman - Director	Ordinary	801,380	-	220,000	52,852	-	528,528 <sup>3</sup>
Dr. Paul David Pester - Director	Ordinary	-	-	-	-	-	Not a member
<b>Total shares</b>		<b>64,581,597</b>	<b>-</b>	<b>220,000</b>	<b>5,489,232</b>	<b>3,980,000</b>	<b>54,892,365</b>
<b>As a % of the total number of shares</b>		<b>2.8%</b>					<b>2.4%</b>

Notes

1. Represents shares transferred to or from other shareholders during the year.
2. Bonus shares issued during the year at the rate of one additional share for every ten shares held.
3. Opening balance was restated to account for related parties added or removed during the year.

and depending on the materiality of the investigation results, the Audit Committee members may meet with the executive management to discuss the results and explore the available disciplinary actions. The full whistleblowing policy is available in the bank's official website.

### Communication Strategy

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



## Corporate Governance and Ethical Behaviour continued

### Directors and executive management interests (continued)

Name	Type of shares	31 December 2023	Sales during 2023	Purchases during 2023	Bonus Shares <sup>2</sup>	Other <sup>1</sup>	31 December 2022
Usman Ahmed - Group Chief Executive Officer	Ordinary	-	-	-	-	-	-
Jean Christophe Durand - Chief Executive Officer	Ordinary		Left the bank during the year				1,737,283
Abdulaziz Al Ahmed - Chief Executive Strategic Accounts	Ordinary	1,790,855	-	-	146,905	174,896	1,469,054 <sup>3</sup>
Sara Abdulaziz Jamal - Group Chief Human Resources Officer	Ordinary	-	-	-	-	-	-
Nabeel Kazim - Group Chief Operating Officer	Ordinary	-	24,067	-	-	24,067	-
Hisham Alkurdi - Group Chief Executive - Corporate and Institutional Investment Banking	Ordinary	-	137,403	-	-	137,403	-
Fadhel Abbas - Group Chief Internal Auditor	Ordinary	355,386	-	-	28,463	42,286	284,637
Bruce Wade - Group Chief Executive of Financial Restructuring	Ordinary		Left the bank during the year				83,121
Dana Buheji - Group Chief Human Resources Officer	Ordinary		Left the bank during the year				221,113
Russell Bennett - Group Chief Financial Officer	Ordinary		Left the bank during the year				116,740
Fatima Al Kooheji - Acting Group Chief Financial Officer	Ordinary	33,433	-	-	1,394	18,096	13,943
Gaby El Hakim - Group Chief Legal Officer and Corporate Secretary	Ordinary	433,775	-	-	30,672	96,378	306,725
Isa Maseeh - Group Chief Risk Officer	Ordinary	-	81,361	-	-	81,361	-
Rana Abdulaziz Qambar - Group Chief Compliance Officer	Ordinary	18,476	-	-	356	18,120	-
Subah Al Zayani - Chief Executive, Retail Banking	Ordinary	67,159	-	-	4,119	21,850	41,190
Razi Amin- Group Chief Information Officer	Ordinary	77,482	17,000	-	3,300	58,180	33,002
Hisham Abu Alfateh - Chief Corporate Communications Officer	Ordinary	24,273	5,083	-	-	29,356	-
<b>Total shares</b>		<b>2,800,839</b>	<b>264,914</b>	<b>-</b>	<b>215,209</b>	<b>701,993</b>	<b>4,306,808</b>

#### Notes

1. Represents shares transferred as part of the Employee Share Incentive Scheme and shares transferred to or from other shareholders during the year.
2. Bonus shares issued during the year at the rate of one additional share for every ten shares held.
3. Opening balance was restated to account for related parties added or removed during the year.

### Approved Persons interests

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

Name	Type of shares	31 December 2023	31 December 2022
Total number of shares held	Ordinary	66,257,807	57,701,251
As a % of the total number of shares		%2.9	%2.8

## Corporate Governance and Ethical Behaviour continued

### 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, UAE Senior Management Committee and fees paid to external auditors

The aggregate remuneration paid to board members and executive management personnel are disclosed in detail in the Board Report which includes all required regulatory disclosures in this regard. The aggregate remuneration paid to the UAE Senior Management Committee in 2023 is BHD 1,014,656.

KPMG Fakhro are the bank's external auditors for the financial year ended 31 December 2023. Fees related to KPMG during the year 2023 amount to BHD 256,547 out of which BHD 124,652 is for audit services, BHD 62,280 is for CBB mandatory review requirements under the Agreed Upon Procedures and BHD 69,615 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 2.2.3 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 3.2.2 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.

## Corporate Governance and Ethical Behaviour continued

### Guidance (continued)

- HC-3.8.2 states that the Board should establish a Corporate Governance Committee of at least three independent members and HC-3.3.3 allows combination of committees. The bank has combined the responsibility of the Corporate Governance Committee with that of the Nomination, Remuneration, Governance and Sustainability Committee, 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-3.8.2, 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.

## Corporate Governance and Ethical Behaviour continued

### 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 11,500.

#### 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.

## Corporate Governance and Ethical Behaviour continued

### 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.

## Corporate Governance and Ethical Behaviour continued

### 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	2023	2022
Sitting fees*	54.5	80.5
Remuneration	520.0	520.0

Note: \* Includes NRGSC sitting fees of BHD 11.5 thousand as of 31 December 2023 (31 December 2022: BHD 30.0 thousand).

## Corporate Governance and Ethical Behaviour continued

## Employees

## 1-Employee remuneration

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

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

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

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

2022											
BHD 000's	Number of staff*	Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration					Total
		Cash	Others	(Cash / shares)	(Cash / shares)	Upfront		Deferred			
						Cash	Shares	Cash	Shares	Others	
<b>Approved Persons</b>											
- Business Lines	7	1,433	268	-	-	376	13	78	441	-	2,608
- Control and Support	18	2,315	353	-	-	463	91	-	363	-	3,586
<b>Other Material Risk Takers</b>	<b>1</b>	<b>78</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>2</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>115</b>
<b>Other Staff</b>	<b>746</b>	<b>14,232</b>	<b>2,770</b>	<b>-</b>	<b>-</b>	<b>2,963</b>	<b>103</b>	<b>9</b>	<b>456</b>	<b>-</b>	<b>20,533</b>
<b>Overseas Staff</b>	<b>65</b>	<b>2,491</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>295</b>	<b>11</b>	<b>4</b>	<b>60</b>	<b>-</b>	<b>3,130</b>
<b>Total</b>	<b>837</b>	<b>20,549</b>	<b>3,676</b>	<b>-</b>	<b>-</b>	<b>4,108</b>	<b>219</b>	<b>91</b>	<b>1,329</b>	<b>-</b>	<b>29,972</b>

\* This represents staff as at 31 December 2020. 45 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.

Note that the notes for the 2022 figure is incorrect as the figure represents staff as of 31 December 2022 and the leavers were 72.

## Corporate Governance and Ethical Behaviour continued

### 2. Deferred Awards

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

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

	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.

### Compliance

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

In 2023, we continued to refine our compliance framework, ensuring that it aligns with the evolving regulatory landscape in the kingdom of Bahrain and other jurisdictions where we operate.

### Compliance Culture

We are dedicated to nurturing a compliance-oriented culture through a comprehensive training and awareness program. All employees, including the Board of Directors, participate in mandatory Anti-money laundry and combatting terrorism financing trainings sessions. Additionally, compliance various awareness sessions are conducted for all staff to reinforce the importance of compliance and its role in achieving our strategic objectives. These efforts foster a culture of ethical decision-making and ensure that we consistently deliver fair outcomes for our clients and stakeholders in accordance with the regulatory requirements.

### Compliance Governance

The Group Compliance Management Committee ("GCMC"), established in 2019, oversees all compliance-related risks.

The objective of the committee is to develop, identify, measure, document and assess compliance risks across the group, and monitor the adherence of NBBs' Group to the Central Bank of Bahrain ("CBB"), Central Bank of UAE ("CBUAE") as well as the Central Bank of Saudi Arabia ("SAMA") requirements with the relevant rules and regulations.

Additionally, provides regular updates to senior management on progress towards resolving compliance related regulatory observations, compliance audit findings, and self-identified issues. The GCMC also serves as an escalation point for any compliance-related matters requiring immediate attention. The Group Chief Compliance Officer reports relevant management information from GCMC sessions to the Board Risk and Compliance Committee ("BRCC").

Both the GCMC and the BRCC operate under approved terms of reference, ensuring clear governance structures and accountability for compliance matters.



## Corporate Governance and Ethical Behaviour continued

### Compliance (continued)

#### Compliance Framework

To maintain a robust compliance framework that structures a set of guidelines and principles to aggregate, harmonize, and integrate all regulatory requirements that apply to the bank and ensure full adherence to all applicable regulatory requirements.

#### Financial Crime Compliance (FCC)

The Bank is committed in applying rules, principles, and the highest level of standards to manage Anti-Money Laundering ("AML"), Combating Financing of Terrorism ("CFT") and Proliferation risks in line with the financial crime laws and regulations as required by the CBB.

Additionally, the Bank adopts a risk based approach to ensure mitigation of compliance risks. Our comprehensive AML, CFT, and Sanctions Policy outlines the principles and direction to control and adhere to the relevant applicable laws and regulations.

#### Compliance Testing and Assurance

Compliance Testing and Assurance play a crucial role in ensuring that we effectively manage regulatory risks and prevent non-compliant activities. Compliance regularly assesses the Bank's adherence to regulatory requirements and the effectiveness of the Bank's first and second lines of defense activities. This risk-based approach compliance testing plan ensures that the business operates in compliance with all relevant regulations.

#### Customer Complaints

We are committed to providing exceptional customer service and promptly addressing customer complaints. Our Complaints Management Policy and Procedures align with guidelines provided by the Central Bank of Bahrain (CBB). We value customer feedback and utilize complaints as an opportunity to identify and rectify shortcomings, ultimately enhancing our services and products.

#### Regulatory Engagements

The Bank proactively engages with regulatory authorities to stay abreast of evolving regulatory requirements. A dedicated team monitors regulatory releases from relevant regulatory bodies, promptly identifying and assessing the potential impact of any new or updated regulations on our operations. We then implement the necessary changes to our policies, procedures, and controls to ensure ongoing compliance.

### Internal Audit

The Internal Audit function is integral to the bank's risk management system and plays an important role in evaluating the independence of risk management functions as well as the adequacy and effectiveness of the bank's internal control system. A periodic review is conducted by the department to confirm that established policies, procedures, and approved terms are complied with, and areas of concern are highlighted so that corrective action can be taken in time. The department is subject to an independent external quality assurance review system.

The department adopts a risk-based approach, and part of each audit assignment involves verifying the availability of comprehensive, reliable and up-to-date policies and procedures. The department assesses the completeness and clarity of applicable policies, procedures and systems on a regular basis throughout the year, in line with the audit plan. The plan, which is formulated after an annual risk assessment exercise, includes the assessment of the effectiveness and adequacy of controls, validation of risk models and operational compliance. It forms part of a three-year strategic audit plan which ensures that all the functions and processes of the bank, including local and overseas branches, are properly covered.

The department operates in conformance with international standards for the professional practice of internal auditing. More than 70% of audit department staff are professionally qualified by well-known international associations (such as CIA, ISACA, CPA and ACCA).

### Risk Management

The financial sector continues to grow in complexity and sophistication with ongoing changes in regulatory and operating environments globally. Technology advances are introducing new challenges and opportunities for banks. With this dynamic environment comes a growing need to continue to strengthen existing frameworks and bolster controls. NBB has, over the years, developed risk management into a core competence and remains well-positioned to meet these challenges. The bank evaluates risk in terms of the impact on income and asset values. The evaluation reflects the bank's assessment of the potential impact on its business on account of changes in political, economic and market conditions and in the creditworthiness of its clients. Risk management at NBB has always been prudent and proactive, with the objective of achieving the optimum balance between risk and expected returns.

## Corporate Governance and Ethical Behaviour continued

### 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.

## Corporate Governance and Ethical Behaviour continued

### Risk Management (continued)

#### Privacy and Personal Data Protection Law (PDPL)

At NBB, we protect client privacy and secure personal information with the highest care to retain the trust and confidence of our clients. We have implemented numerous security and privacy measures to safeguard our clients and facilitate transactions across different platforms: online, mobile, and ATMs. We adopted a data privacy policy, which is available on our website.

We implemented an electronic solution to continuously inform our clients through social media about the collection and the use of their data. As part of our information security awareness training, we provide staff with privacy awareness training.

To comply with the Personal Data Protection Law (PDPL) of Bahrain, KSA and UAE the bank performed gap analysis against the laws. The Bank is now engaged in a journey to fully bridge the identified gaps. Further, during the year 2023, the bank has taken steps to comply with the ISO-27701 standard for the 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.

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.

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.

## Corporate Governance and Ethical Behaviour continued

### 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.

All UAE procedures are reviewed by relevant stakeholders in the UAE and in Bahrain. They are published on Bank's intranet site post approval, and the internal controls are documented in relevant procedures.

#### 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 Bank information so that it remains secure, by including people, processes, and technology. The strategic objective is to adopt a risk-based approach by integrating information security risk management processes into the life cycle of all information systems and infrastructures, thus mitigating and minimising the risk to an acceptable level.

The bank has continued to strengthen the ISMS 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 2023, 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.

Enterprise Risk Management manages all aspects of risk mentioned above and reports regularly to 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.

#### Fraud Risk Management

##### Regulatory compliance and financial crime risks

The Enterprise Risk Management has created a fraud risk management department (FRMD). FRMD has successfully designed and rolled out the fraud risk management policy, fraud risk response plan, and anti-fraud systems. Collectively, the anti-fraud systems, policy and procedures, contributed to significant reduction in the financial losses incurred by our customers due to third-party schemes.