Announcement

To: Bahrain Bourse

National Bank of Bahrain B.S.C. would like to announce the following:

Date	**9 September 2021**
Company Name	**National Bank of Bahrain B.S.C.**
Trading Code	**NBB**
Subject	**1HY 2021 Investors' Meeting Transcript and Presentation**
Announcement	Following the virtual investors' meeting held on Tuesday 7 September 2021 from 1:00 PM to 2:00 PM, please find enclosed the meeting transcript followed by the presentation.

Name	**Russell Bennett**
Title	**Group Chief Financial Officer**

Russell Bennett (Sep 9, 2021 14:31 GMT+3)

NBB Investors' Meeting held on 7th September 2021

Meeting Transcript

Assalamu Alaikum Wa Rahmatullah wa Barakatuh

Bismilah Al Rahman Al Raheem

Hisham Abu Alfateh (Moderator):

Good afternoon, dear NBB Group stakeholders and welcome to our Investors' Meeting that is going to demonstrate our financial and non-financial results and accomplishments for the first half of the year 2021.

We are delighted to conduct this meeting after we had recently and specifically on 26 August 2021, produced our detailed Q2 video; which you have just witnessed that demonstrated the Group's financial results and the Bank's ESG accomplishments, demonstrating our dedication towards maintaining our status as a Responsible Banking Group.

Representing NBB Group in this Meeting as speakers are:

1. The Chief Executive Officer, Jean-Christophe Durand
2. The Chief Financial Officer, Russell Bennett
3. The Chief Human Resources & Sustainability Officer, Dana Buheji
4. My name is Hisham Abu Alfateh and I am the Head of the NBB's Corporate Communications. I will be the Meeting's Moderator and I would like to make the following points before we start the session:
   - This Meeting will be conducted in English language.
   - The transcription of this Meeting will be published on Bahrain Bourse's website in both languages: English and Arabic.
   - Questions are welcome right from now in both languages Arabic and English and they will be answered in the language that is asked.
   - All questions are welcomed and they are required to be written in the Questions section or the chat.
   - Any comments are also welcome and they will also be required to be written in the chat or in the Q & A.

I would like to welcome the Chief Financial Officer to start this Meeting by explaining the Group's Financial Results …. Russell: the floor is yours.

Meeting Transcript (continued)

Russell Bennett (Group Chief Financial Officer):

Thank you Hisham.

It is my pleasure to present the first half year results for NBB Group. We will do that by talking through various slides. We will start on the left-hand side of the slide on the screen at the moment (page 4), we can see the net profit for the Group is up by 5% to BD 30.5 million. This impressive result was achieved through a combination of strong net interest margin (NIM) as well as a growth in other income at both banks within the Group.

If we look at the net interest margin in the center of the screen (page 4), we can see that for the half year of 2021, the NIM returned to 3.1%. I say returned in that, in the first half year of 2020 the net interest margin was 3.1% as demonstrated on the screen. That then later decreased for the full year of 2020 to 3.0%; so we have now returned to 3.1% for the first half of 2021. Other income as a percentage of total revenue has increased by 9% during 2021 and now represents a strong 23% of total revenue.

The chart on the screen now (page 5) demonstrates the key elements of the income statement going across the screen. All the income metrics on the screen are positive compared to the prior year. This is particularly impressive if we recall that the yellow comparative bars represent the first quarter of 2020 as well as the second quarter of 2020. In the first quarter of 2020, COVID had not yet enveloped the world, so the first quarter reported in the yellow comparative bars is before the sudden decrease in interest rates, before any caps were applied to retail banking loans within the jurisdiction of Bahrain, before economic activity dried up within Bahrain and also before we had the extraordinary costs associated with protecting our staff and our customers because of the pandemic. So, despite this backdrop, if we look to the far-left hand side of the screen (page 5) we can see the net interest income is up by 1% year-on-year, for the first six months of the year. Other income is also up by 12% to BD 17.5 million. However, operating expenses are up by 5% as well. Some of this expense is good expense, in that during the first half of this year we have improved the branch layouts and branch network within Bahrain, we have rolled out a new award-winning retail digital banking app, we have also improved and strengthened the treasury and the risk structures within place in both the organisations and we have rolled out a new core banking system within UAE and KSA. So those expenses will obviously help in the future developments and revenue generations. We continue our journey to the right (page 5), we can see the provisions, and loan provisions specifically. Provisions were higher at BD 9.2 million in 2020, mainly because in the beginning of COVID, we built buffers in readiness for the challenges that COVID will undoubtedly bring, so we had a very large charge in 2020 of BD 9.2 million. Consequently, those buffers are still with us. We have not used those buffers or these provision charges yet, so they are still us on the balance sheet and can be used in the future. Because of that, we don’t need to have such a large provision charge in 2021. Consequently, the provision charge has decreased by 54%. Other provisions have however increased by 38%. Other provisions are non-loan related, and in this particular example, these provisions relate to a legal case at our subsidiary BisB which is currently ongoing in the United States. This then generates the 5% increase in net profits on the right-hand side (page 5).

Meeting Transcript (continued)

As previously mentioned, 2020 includes a precautionary provision charge for COVID. On page 6 we are now comparing the actual half year results against the full year of 2020. So, on the left-hand side (page 6), the cost of risk for the full year of 2020 was 1.2%. In 2021, it has now returned to a more normalised level of only 35 basis points. Normalised in NBB Group is between 35 to 50 basis points, so we are at the lower end of the normal range.

On the right-hand side (page 6), we can see the loan portfolio and the coverages within the stages of that portfolio. We were very strong with the yellow comparative for 31st December, which has increased further during 2021, so the provision coverage is further extended. On the far-right hand side (page 6) for example, we can see that the stage 3 loans, which are our non-performing loans, the provision coverage including some quality collateral has increased now to over 92%.

You can look at our key performance ratios on page 7; starting on the left-hand side we have the ROE (return on equity), that has strongly increased from 10.6% to 11.8%, an increase of 11%.

In the center of the screen (page 7), ROA (return on assets) has similarly increased by double digits. That increase is 17% rising to 1.4% for the half year of 2021. However, the cost to income ratio has also slightly increased by 1% into 2021. This is an area of continued focus for management. Obviously, within the cost base, there are impacts whether direct or indirect of COVID. There are also opportunities within the cost base where we are bringing the two banks together (BisB and NBB), and there are additional synergy options that we have not yet seen benefit from. Those synergies could be cost reductions or revenue increases or shared technology for example. So there is additional benefit that will bring that ratio down in the future.

We now move to the asset side of the balance sheet (page 8), the balance sheet remained very strong indeed and very liquid. As we can see on the left-hand side of the screen, the liquid assets have increased by 38% in the first six months of 2021. Liquid assets here are things such as placements, cash, treasury bills, which are very liquid instruments. In the middle of the screen, loans have increased by 4% to just under BD 2.3 billion by the end of June. That 4% growth we see across the business segments of the organisations. The loan book growth was funded through a decrease in the investment security portfolio. We can see here (page 8) that the investment securities have decreased by 5% to allow that additional loan growth. The decrease came about through natural maturities as well as active management of that portfolio. So, on the right-hand side (page 8) we can see that the total assets were BD 4.7 billion at the end of June, an increase since the year end of 7%.

Onto the other side of the balance sheet, liabilities and equity (page 9), we can see that the customer deposits have increased by 5% to BD 3.2 billion. We will look at the composition of that portfolio in a second. On the other side of the screen is equity, which has decreased by 2%; this is a timing difference to an extent in that we have paid the dividend of 2020 and have not yet accrued the full years' worth of net profit for 2021; so, this difference will dissipate as we go further through the year.

Meeting Transcript (continued)

So now we will look at the composition of customer deposits (page 10). Customer deposits are made up of two types of general liabilities. We have demand deposits on the left-hand side. These are the classic CASA (current accounts and savings accounts). On the right-hand side are the longer-term deposits. On the left-hand side we can see the demand deposits have continued to be an attractive proposition for the customers and have increased further by 9% during 2021. The increase there I suppose is coming from the rollout of our new award-winning retail banking app during 2021 and helped generate that 9% growth.

On the right-hand side (page 10) are the time and call deposits. These are the long-term deposits and we've maintained the balance at BD 1.3 billion, which is the current optimal level for these types of liabilities.

And the last slide from myself before we hand back (page 11), these are the regulatory ratios that NBB Group obeyed during 2021. On the left-hand side, we will start with the NPL ratio, this is the non-performing loan ratio; the ratio of how many troubled loans are within the portfolio. This ratio has fallen further to 4.9% at the half year point; 4.9% is an historically low ratio for NBB, so that is good news indeed. The CAR or the capital adequacy ratio stood at 20.8% against the requirement of 12.5%, so a very strong level of capital was maintained within the Group. Again, the slight decrease is due to the payment of cash dividends during the first half year and that difference will be made up as we go forward in the rest of 2021. On the right-hand side, we can see two liquidity ratios. The first liquidity ratio is LCR, which is a short-term ratio with a benchmark of 100%, so the result of 318% is obviously very strong compared to the 100% required by the Central Bank. The NSFR is the longer-term ratio and again was stable at 144%.

And that concludes the run through of the financial section so back to you Hisham.

Hisham Abu Alfateh (Moderator):

Thank you very much Russell. I would like now to welcome the NBB's Group Chief Human Resources & Sustainability Officer, Dana Buheji to take us through the Bank's non-financial updates and accomplishments … Dana: the floor is yours.

Dana Buheji (Group Chief Human Resources & Sustainability Officer)

Thank you Hisham, so I will be taking you through NBB's strategic approach when it comes to sustainability, we will not be going through specific initiatives as you have seen in the video that was presented at the beginning it covers the initiatives in detail.

So it comes as no surprise that NBB pays specific attention to sustainability, after all making a difference beyond financial performance has always been a core value at NBB. Our mission that builds upon the care that we extend to our stakeholders aims to achieve inclusivity reflected in the way we do business and in the way we operate. So, we look to achieve desirable results today without compromising the needs of the future. What we aim to achieve is to emerge as a best-in-class bank and to be recognised for our leadership, not only locally but also regionally.

Meeting Transcript (continued)

Our transformation towards sustainability started in 2019 when NBB conducted its first materiality assessment in order to identify its key stakeholders. The results brought about a number of materiality topics that take into consideration the Bank's sustainability framework. The framework is built on 7 main pillars identified by their missions and objectives.

What makes us unique at NBB is the mindset of our workforce when it comes to sustainability, ownership and responsibility of the sustainability is something that is shared amongst the entire team. Everybody feels responsible towards achieving the overall goal of stakeholder inclusivity.

I will take you into a bit of detail with each pillar.

The first is economic growth. It is the overarching pillar which drives NBB forwards towards achieving long term sustainability. Our solid financial performance on an ongoing basis is the main objective of this pillar. We look towards driving growth not just for NBB but also for our surrounding ecosystem and we do that primarily or through many initiatives by partnering up with various stakeholders and encouraging healthy competition for the industry. Our ultimate goal is to contribute in creating a resilient economy, one that is aligned with the Kingdom's 2030 vision.

Our second pillar, serving our customers, talks about our connection and our understanding of our client base: what they need, when they need it, how they want to receive it. We offer products and services today that are sustainable in nature and we look to offer obviously more in the future. Our objective is in line with our adopted digital transformation journey. NBB today offers a full suite of digitally accessible products and services that cater for both our retail and corporate customer base. Our responsibility within this pillar extends beyond that; into the customer relationships. We safeguard our clients' data; privacy and we look to contribute to our clients' wellbeing through various financial literacy initiatives.

Our third pillar is responsible banking. We are committed at NBB towards responsible behavior with regards to our stakeholders, be it our customers, our shareholders, our employees, the regulators, the communities, the suppliers. We have also identified two key approaches that today manifest as an objective within this pillar. We look to have financial inclusion and to exercise responsible financing. More recently we have done that for the SME market through the offering of "Tamweel Al Watani" back in May. It is a criterion driven product that is aimed towards supporting the SME segment. We also offer the same for our retail clients and have been doing that for some time through our special offerings extended under the Mazaya program.

Meeting Transcript (continued)

The fourth pillar is one that is close to my heart "nurturing our workforce". At NBB we spend extensive efforts towards working to improve the caliber and the development of our employees in terms of knowledge, in terms of skills, in terms of mindset. Our ultimate objective is to achieve empowerment of our employees in a way that results in effective contribution towards the wellbeing of the organisation and beyond. Diversity, inclusion, equal opportunity are all the main pillars within our HR policy. We believe that a strong team is one that is diverse and ensures inclusion of all its members, offers all of its members equal opportunity without discrimination.

The fifth pillar is one that is not new to NBB "Community Investment". In fact, our formalised journey with community investment started back in 1980 with the creation of the donation and contribution fund where 5% of the net profit is allocated towards that fund annually. Today, a total of BD 50 million Bahraini Dinars has been allocated to that fund. We keep the governance in oversight quite strict through decisions made by a Board Donation and Contribution Committee which is mandated to identify opportunities and allocate the supportive funds towards community betterment in general.

"Preserving Natural Resources", I admit is not a pillar that was at the forefront of our focus in the past but with more awareness it has become so. Today we pay a lot of attention to our direct environment footprint, NBB aims to maintain an environmentally conscious operational conduct; one that manages our energy consumption, power consumption, water consumption, paper consumption and waste management.

The last pillar, "Governance and Ethical Behaviour" is one that comes naturally to us in two folds. Obviously being a bank, we are a part of a highly regulated industry and continuing to abide by and commit to the rules set by our regulator is key in creating a sustainable market and resilient ecosystem. Ethics for us is part of our culture, it is in fact one of the six values that make up our corporate culture at NBB, just to demonstrate the extent of its importance, all of our employees are assessed against the ethics and the other values as part of the performance management process which is looked into formally at least twice in a year if not more.

With that I conclude sharing the main features of our commitment towards sustainability and I give the floor back to you, Hisham. Thank you.

Hisham Abu Al Fateh (Moderator)

Thank you, Dana, much appreciated and that was the NBB Group's Chief Human Resources and Sustainability Officer, Dana Buheji, thank you very much.

Before starting the Questions and Answers session, I would like to invite NBB's CEO, Jean-Christophe Durand to comment on these results and accomplishments.

Meeting Transcript (continued)

Jean-Christophe Durand (CEO)

Thank you, Hisham. First of all, I am delighted to participate in this investors meeting. I think it is important to communicate with our stakeholders and impress on them the progress made by our institutions. So at the conclusion of these two presentations, I would say we are obviously very pleased by the Group's robust performance in the first half of the year. In a very challenging environment which remains difficult, we are very pleased as well by the resilience of the institutions as evidenced by the strength of the ratios shown by Russell. Importantly as a Bank, customers are key and in this first part of the year again, evidenced by the growth and the deposits and assets, the acquisition of new clients both in the retail and the corporate sectors has been very robust and we are very pleased because we live by our clients.

I cannot conclude without mentioning a few words about our acquisition. Our subsidiary BisB was mentioned in the presentations; we are pleased with the progress of the acquisition and integration, and as mentioned by the CFO, we foresee new synergies to be implemented in the future, which would improve further the financial performance.

Digital has been, since the beginning, one of the pillars of our strategy. We are now, I would say, in a phase of acceleration and the growth and the development of the transformation of the digital services provided to our clients has increased substantially during the first half year as evidenced by the launch of our state-of-the-art new retail platform which is scalable and will enable our clients to access an increasing number of banking services and beyond banking services. And for us the digital transformation is a key pillar as I have mentioned.

And finally, all these achievements have been done in a framework where we keep sustainability as a driving force and we have heard it from Dana, the sustainability at NBB covers a number of pillars and we are all striving to improve. NBB today has a position that is quite strong, but there is always more to do and for us it is important to report strong financial results, it is important to show good growth but it is very important to show that as a financial institution we take sustainability very seriously and contribute to the community.

Thank you for being present here and I pass the mic back to Hisham.

Hisham Abu Al Fateh (Moderator)

Thank you NBB CEO, Jean-Christophe Durand for the comments and definitely a great proud moment for NBB to achieve these results in a very very competitive environment.

Joining us now from NBB Group for the Questions and Answers session are:

1. The Chief Strategy Officer, Yaser Alsharifi
2. The Chief Risk Officer, Isa Maseeh
3. The Financial Controller, Fatima AlKooheji

Meeting Transcript (continued)

Yaser, Isa and Fatima; I kindly request you to switch on your cameras. Thank you very much.

I want to make a note before we start Q&A please. This session just to remind everybody is to discuss the factual results and accomplishments of the past six months of 2021 and we are not here to discuss any future plans, recommendations, or make any forward-looking promises.

Thank you very much for all your questions. I can see plenty of questions so thank you for that.

Q&A

Question 1

Moderator: I would like to start with the first one that was mentioned in the chat. On slide 11 in the financial presentation, Russell this is a question directed to you when we talk about the NPL and capital, the average here that you mentioned is 12.5%. Thankfully Mr. Ali Al Tareef wants to bring to our attention that it is actually supposed to be 14% instead of 12.5%.

Russell Bennett: The benchmark capital adequacy ratio for Bahrain is 12.5%, but as we explain in our Pillar III document, because the NBB is dictated to be a DSIB, which is a domestic systematically important bank, then our target ratio is 14%. So Ali is correct, it is 14% for NBB, but the official percentage ratio is 12.5% in the jurisdiction of Bahrain. It is a valid observation, so thank you Ali.

Moderator: Thank you very much, thank you Ali for your question but Ali has six others so bear with me. Russell mainly directed to yourself.

Question 2

Moderator: Ali says, reference is made to the condensed consolidated interim financial page 13 note 14, operating segment information. Why did you amalgamate retail banking with commercial SME banking? Is this the way you present it to the Central Bank of Bahrain?

Russell Bennett: If you think about the products that are offered to that segment, the segment being retail customers and smaller corporate customers, the products on offer are very similar. The touchpoints within the organisation are very similar, they will use the same branch network, the same call centre, etc. So, under the regulations, what we do is combine and aggregate that sort of information class together. So yes, it is appropriate that CSME and retail customers are aggregated, it would be inappropriate to aggregate them with large corporates. Going to the second part of the question, the CBB requires a massive amount of information as you can imagine from a Bank, but certainly for example in the NSFR; the requirement from the Central Bank is for retail and small business customers to be aggregated; so yes, in that respect, the CBB do themselves combine retail and SME customers together in the requested information.

Meeting Transcript (continued)

Question 3

Moderator: Thank you Russell, following up on the same question. All banks provide in this section of their financial reports the assets and liabilities per segment. Any reason why NBB did not state them, and why is this disclosure inconsistent with the year-end disclosure?

Russell Bennett: The quarterly interim financial statements are what we call condensed financial statements, so they contain significantly less detail than in the annual report. To illustrate this, the quarterly financial statements are less than 20 pages long whereas the financial statements in the annual report are about 50 pages long. To get to that differential in pages, the IFRS allows us not to replicate and display every nuance of information in the quarterly condensed financial statements, one of those options is to remove the assets and liabilities volumes from that segmentation note, which is what we have done, and you will see all the way through the financial statements, if you compare them with the annual report, there is a lot of truncated notes and a lot of abridged notes to try and get that information down from that 50 pages to the 20. So, it is allowable under IFRS, which we follow.

Question 4

Moderator: Ok, thank you very much. The third question, even though it is forward looking, but I think it is important that we address this point. It says, and I think this question is to be picked up by Yaser Alsharifi our Chief Strategy Officer, so Yaser if you can unmute yourself if you don't mind, and the question is, what is the strategy to turn around the overseas branches in KSA and UAE as both have been negatively yielding for some time now.

Yaser Alsharifi: Good afternoon everyone and thank you for that question. NBB has identified the overseas branches as a core pillar of the growth of the business. We have made significant investment in both of these markets; in terms of the people, the infrastructure, the systems and as Jean-Christophe Durand and Russell mentioned, that we have also prioritised the core banking release in both of these markets, realising and recognising the potential. We were well on our way in achieving those results, obviously COVID disrupted the progress. We are confident that as things normalise and with the investments we have made, the results will yield in due course.

Question 5

Moderator: Thank you very much Yaser. Question from Sumaya Aljazeeri, “Despite mentioning in the press release that the Group benefited from loan re-pricing, we have seen a modest increase in net interest income (NII) of 1% in the first half of 2021 - would you please clarify this? And what percentage of your loan book in approximate terms has been re-priced?”

Russell obviously a question for yourself.

Meeting Transcript (continued)

Russell Bennett: I think I touched upon this in the presentation. The way I touched upon this was referring to the first quarter of 2020. In that the first quarter was pre-COVID, so interest rates at that time were, in today's terms, exceptionally high. So the comparative that you are benchmarking us against is a different world. It was a world where interest rates were higher and, I suppose, the fact that we are 1% above in total terms at the half a year point reflects very strongly on the performance of NBB Group during 2021. Half of the comparative was actually at interest rates which were much in advance of where they sit today.

Question 6

Moderator: Thank you very much. Isa Maseeh, I think this is a question directed to you. It is a forward-looking question; I would like you to answer it as generally as possible, it is important to know where we all stand.

Can we expect the Group's cost of risk to normalise to pre-pandemic levels by the end of 2021 or that would be too optimistic? And could you give us guidance for the Group's cost of risk for 2021 and 2022?

So as general as possible Isa, go ahead.

Isa Maseeh: First of all, good afternoon to everyone and thank you for the question. As you noted we will not be looking to the forward-looking elements of it but what I can state is that going back to Russell's comments on the financials, the cost of risk during 2020 did see an uptick predominantly on the back of building the COVID buffers as a precautionary measure. Hence, during 2021, there was a reduction in the cost of risk bringing it back to the normalised levels of 35 to 50 basis points effectively. We can even start building now. And reflecting on the 2019 position, the cost of risk comparison stood at 44 basis points. So we have gone through an exercise of building the buffers in 2020 and the buffers continue to be intact. The approach was based on assessing the potential impact of COVID which could come up post the expiry of the deferral period. I hope that provides an element of response to your question.

Moderator: Thank you very much Isa. A comment from Mr. Ali Al Tareef, based on your announcement on Bahrain Bourse (BHB) on Sunday August 29 2021 with regards to NBB Group publicising its quarterly investors update video for Q2 and the first half of the year on NBB social media accounts, I would like to praise the initiative and request to improve the content to include some KPIs such as COR, CI, NIM, NPL etc., just like what you shared already, ROE, ROA, LCR, NSFR and CAR.

So, noted Ali. Thank you for the praise.

Meeting Transcript (continued)

Question 7

Moderator: Loan book increase has been healthy for the Group - would it be possible for you to elaborate on which sectors the Group is increasing its exposure to mainly? - and shall we expect NBB to continue its aggressive lending strategy mainly in appealing to big tickets? What is the guidance for loan growth for the year?

So, I think, first part of the question is directed to Russell and probably the other part is directed to the CEO. So, let's start with you Russell for the first half of the question.

Russell Bennett: As I mentioned during the presentation, the growth was seen throughout the organisation. I think I can reveal though that the mortgage sector had the biggest increase during 2021.

Moderator: Ok, thank you very much. Jean-Christophe over to you.

JC Durand: Yes, I think aggressive is the wrong word to start with. It is a growth which is in line with our objectives. It is, as Russell mentioned, a growth which is across the portfolio, so it is a growth of the retail portfolio and in particular the mortgage has been substantial. To answer the question, we expect it to continue. And related to the big tickets, it is true that NBB has been visible in large transactions within the Kingdom and we will continue serving our large corporates in the future in the Kingdom.

Moderator: General guidelines JC for non-growth of the year..

JC Durand: Well, if the past trend can be a reflection of the future, we are on track and we are in line with our objectives.

Question 8

Moderator: Thank you very much JC, question for you Dana. It is a sustainability question for a change. It is from Katharina Dalka, thank you Katharina and the question is actually appearing green so there is sustainability there right from the start of the question.

Thank you for your presentation. Regarding Sustainability, how do you measure your impact specifically, i.e., environmental impact?

Dana Buheji: Thank you for the question, Katharina. In a nutshell sustainability is all about disclosure of data information and facts and covering the environmental aspect is no exception. As a Bank and by definition we do not have a huge negative impact environmentally in our daily operation, we really focus on our consumption as a main trigger. So, in a nutshell, we measure the degree of conservation and that results from the improvements that we are undertaking. A good example is our more recent commitment towards introducing solar panels in a number of our ATMs; this has been done and obviously there is a huge impact on the expected reduction in electricity requirements as a result of introducing the solar power panels.

Meeting Transcript (continued)

Question 9

Moderator: Thank you very much Dana. Russell, back to you, Sumaya wants to reiterate a point.

Regarding the percentage of loan book re-priced, could you give us an approximate indication? Because I think you missed this part in my earlier question. Is the majority of the corporate loan book based on floating rates?

Russell Bennett: Yes, going back to the first part of the question, the asset side of the balance sheet has now been fully re-priced.

Moderator: Is the majority of the corporate loan book based on floating rates?

Russell Bennett: Yes, it is and it is fully re-priced. To extend the point further, I think the tightness that we felt was under the liability side rather than on the assets side, and that is also re-priced fully now.

Question 10

Moderator: I have got some questions relating to our subsidiary BisB, so I am going to fire them. I think the first question JC could be directed to yourself. Moving on to BisB, was it fair to deprive the shareholders of BisB from having their right to participate in the capital increase through the rights issue of BD 25 million?

JC Durand: Well as you know, this additional tier 1 issue of BD 25 million was a regulatory requirement, and as the main shareholder we are committed to BisB's success, to BisB's ability to grow and obviously the creation of synergy for the Group. So, for us I would say, the underwriting of the issue was a natural decision.

Question 11

Moderator: Thank you very much. Also, on BisB, regarding the Group's asset quality - NPL ratio as stated in the presentation is 5%; to what extent is BisB weighing down on the Group's asset quality?

Russell Bennett: In the annual report, the numbers we submit or publish are Group numbers, so we do not distinguish between NBB Parent as an organisation and BisB. We are getting more and more integrated, so to do so I think would be incorrect. Weighing down, I think, is also an incorrect term in that during an acquisition, such as with BisB, the accounting requires us to fair value each and every asset and liability on the acquisition's balance sheet. So, if there were any NPLs sitting within BisB at the time of acquisition, they would have been fair valued away as part of the acquisition accounting. So, there is no weighing down by BisB in these results.

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Meeting Transcript (continued)

Question 12

Moderator: Thank you Russell. And does this NPL ratio include POCI loans?

Russell Bennett: So POCI is purchased or originated credit impaired loans. So, when an organisation buys another, within that other organisation may be existing certain assets which are non-performing. So, the acquiring entity will then need to discount the valuation of those assets, so what would happen would be those underlying assets would be fair valued more so than the original provision in the originated books. So, for example, in our case, when NBB acquired BisB, we would have looked to their NPL assets and further and significantly provisioned them to remove any future doubt or anxiety over those asset classes. So, they were additionally provisioned, and they are no longer part of the NPL ratio as far as the Group is concerned, because they carry such a large increased fair value or provision impact; so they are not part of the NPL calculation.

Question 13

Moderator: Ok, thank you very much. I think JC, if you will agree with me, it is fair to talk about or just explain a bit further on the integration that has happened in the first six months between NBB and BisB, because I think this has given us a great deal of efficiency in processes, procedures as well as some financial values, so maybe a few sentences JC, comments and thoughts please.

JC Durand: First of all, I would start with a general statement, obviously the two institutions are separate, they have a different Board, different organisation, they have their own strategy within the Group strategy of course. Actually 2021 is the first year of, I would say, the implementation of this integration, and I would say as an institution we are satisfied by the pace, we are satisfied by the collaborations of the teams. Our objective is synergy of course, and synergy is not only the cost, it is also creating new revenues, opening new opportunities by capitalising on the strength of both entities. It is also efficiency, efficiency in running certain type of operations for example, efficiency in using competencies within the organisations and of course it's for the future investment together. Investing together in technologies, investing together in further digitisation. It is a journey; it is not a punctual objective which will be achieved at the end of the first year. But we are satisfied as I have mentioned by the pace, already by the first synergies which have been generated and very importantly by the spirit of the two teams to make the Group better.

Moderator: Thank you very much JC.

Question 14

Moderator: Back to you Russell, a question from Sumaya.

On a standalone basis excluding BISB - NBB's pre-provisioning profit has declined in first half of the year on a year-on-year basis by 16%. Could you shed more light on this? What were the main factors that led to this?

Meeting Transcript (continued)

Russell Bennett: I would refer back to my previous comment that we no longer treat the elements as discreet parts, so there is no such element as NBB or BisB in isolation anymore. As JC just touched upon, the integration is existing, there are now costs in one organisation in relation to the other, and revenues and vice versa. I would also disagree with the percentage, I think that needs to be looked at, I am not sure who asked the question but again that needs to be examined because it is not quite what I would have come up with by myself. We don't publicly announce the distinctions between the two organisations.

Question 15

Moderator: Thank you Russell, two more questions.

AUB has recently secured a US 600 million dollars term loan at 1.75% taking advantage of the loan interest rate environment. Is NBB planning to leverage on this situation? Again, a forward-looking question; maybe to answer in general.

Russell Bennett: We are, as I demonstrated during the presentation, an exceptionally liquid organisation, but that said, we would take advantage of any market situation where one would present itself. I do not think I can answer a forward-looking question like that, but we are anchored in liquidity, but we would also take a market advantage where we could.

Question 16

Moderator: Last question, can you shed some light or color on why NBB Group does not pay interim dividends? I think I will direct this question to you JC, or Russell you are free to answer it.

Russell Bennett: I would suggest this is not a question for the management, the Board of Directors are the organisation element that decides what dividends are paid, so what they would do is assess, I suppose, the environment we operate in as well as our own results, and they would then decide what the suitable level of dividend would be. I do note that all but one company currently on the stock exchange are not now paying interim dividends due to COVID at this point in time.

Moderator: I think your answer eradicates the second part of the question which was speculation on how to maintain the 2020 year-end dividend cash payout or will it be higher or lower, kindly explain. So again, this is the question we will direct to different stakeholders of the organisation, specifically the Board of Directors, who represent the shareholders.

I think we are done with the questions.

On behalf of the National Bank of Bahrain Group, we would like to thank all our stakeholders who attended this Investors' Meeting.

And most importantly, and in all honesty, thank you for your questions and feedback.

Meeting Transcript (continued)

Until we meet again in the next update, allow me to express on behalf of the National Bank of Bahrain Group, our collective gratitude for your continued support.

To all the people who were present, the NBB Group team, management and to all the investors and the shareholders; thank you very much.

Until we meet again

NBB

National Bank of Bahrain Group
Investor Presentation

7 September 2021

Closer to you

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Finance

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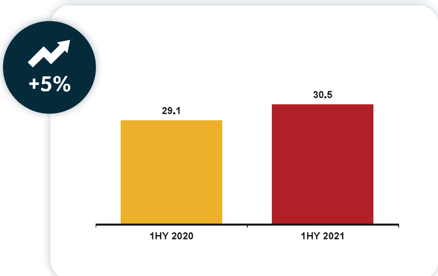
Financial highlights

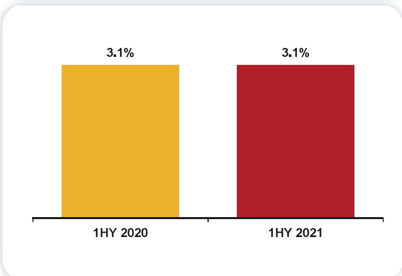
1HY20 vs 1HY21

Strong fundamentals with robust industry-beating NIM

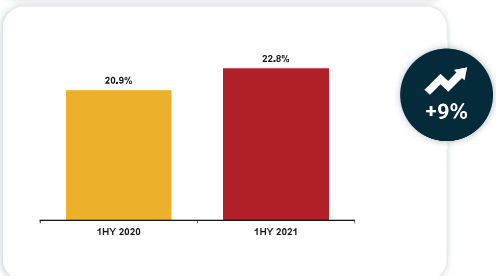
Net Profit (BHD millions)



Net Interest Margin (NIM)



Other Income % of Total Income

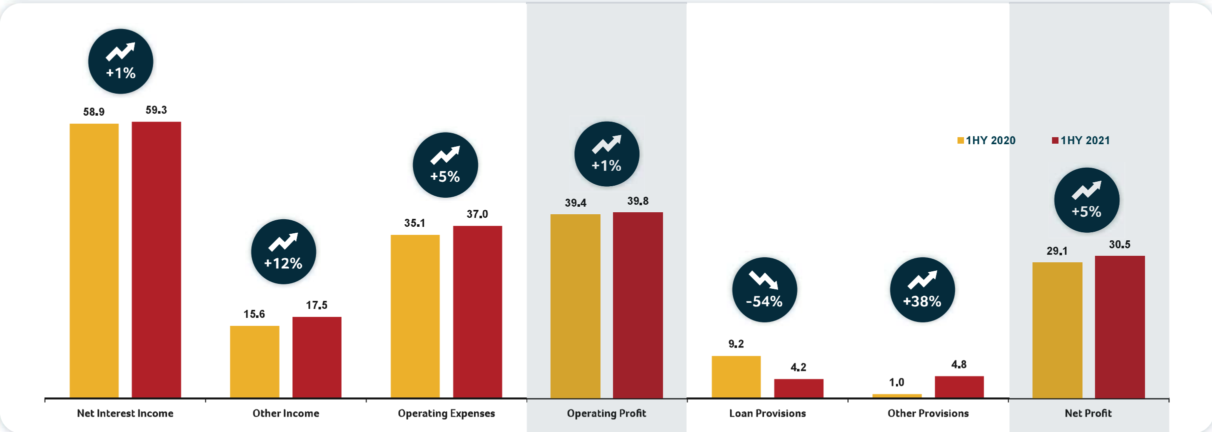


Income statement

1HY20 vs 1HY21

Pipeline continuing to serve positive results
2020 comparative was pre-covid in Q1

Key Elements (BHD million)



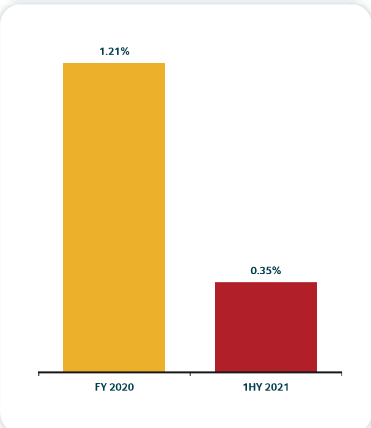
NBB

ECL coverage

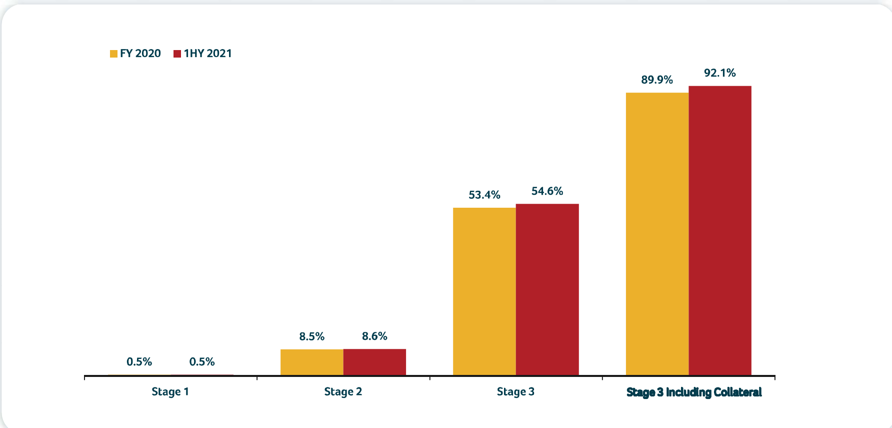
FY2020 vs 1HY21

Cost of risk returns to normalised levels
Strong coverage and provision buffers in preparation for the loan deferral period ending

Cost of Risk



Coverage Ratios



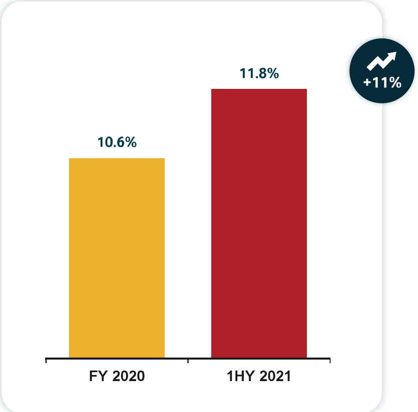
NBB

KPI ratios

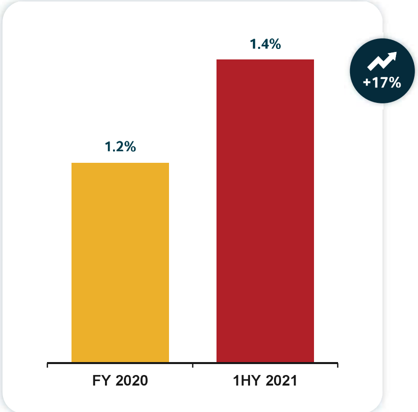
FY2020 vs 1HY21

Industry leading metrics
Cost and revenue synergies remain available to drive c-to-I ratio lower

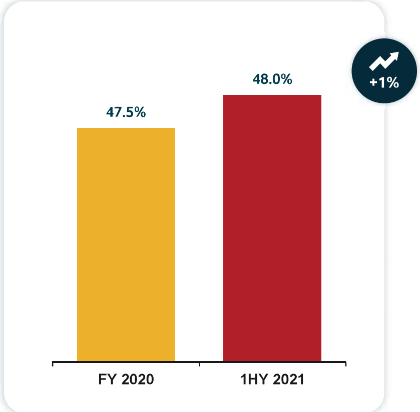
ROE



ROA



Cost to Income

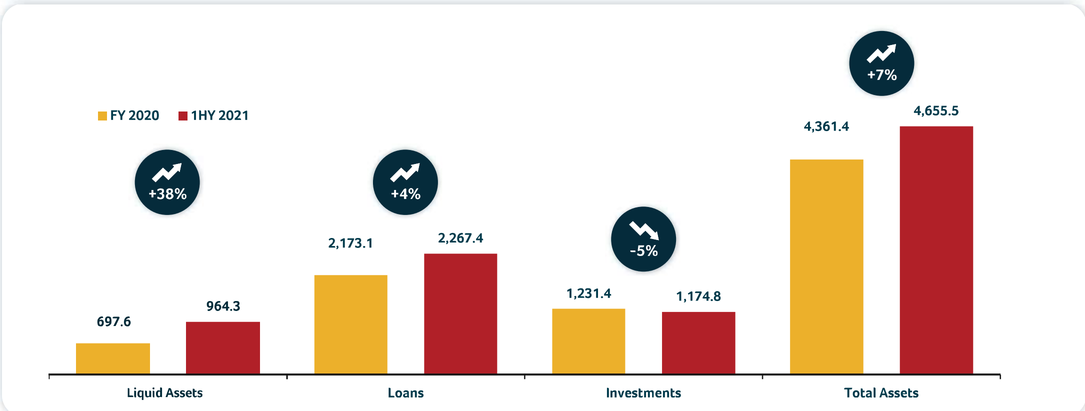


Balance sheet highlights

FY2020 vs 1HY21

Strong liquid balance sheet
Positive demand for asset and liability products on award winning platform

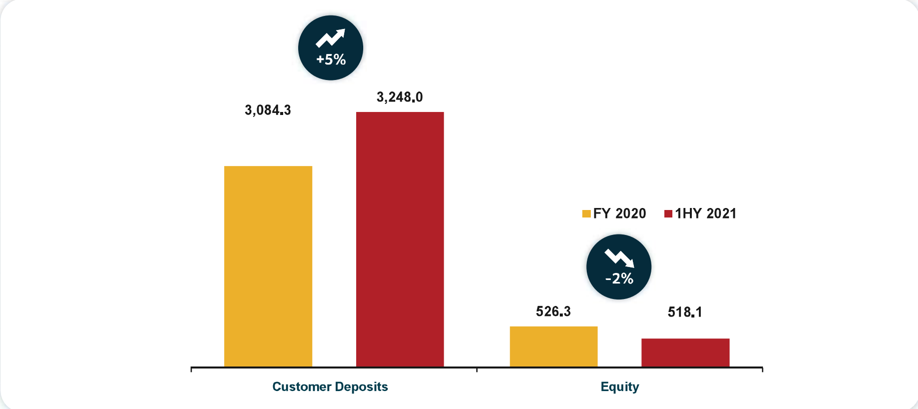
Assets (BHD millions)



Balance sheet highlights
FY2020 vs 1HY21

Strong liquid balance sheet
Positive demand for asset and liability products on award winning platform

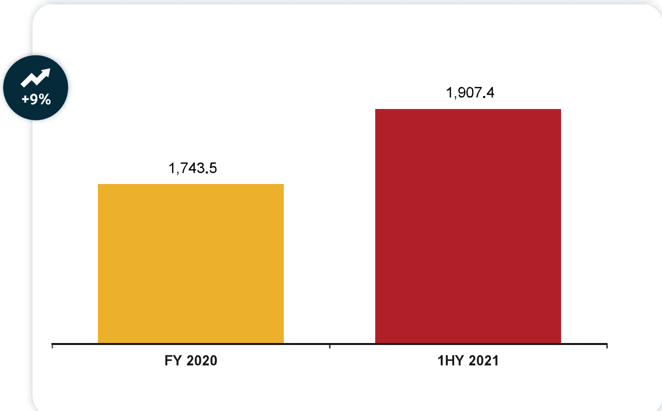
Liabilities and Equity (BHD millions)



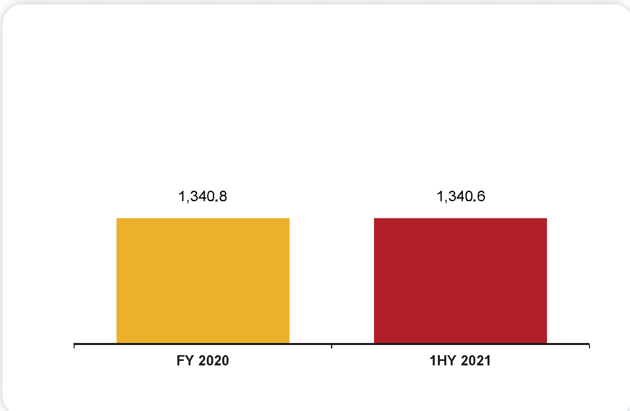
Funding
FY2020 vs 1HY21

Diversified funding
Strong attraction for depositors

Demand Deposits (BHD millions)



Time and Call Deposits (BHD millions)

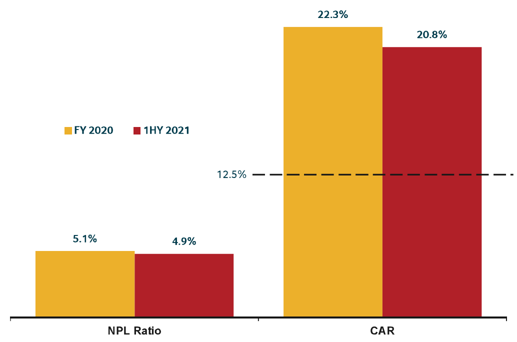


Balance sheet metrics

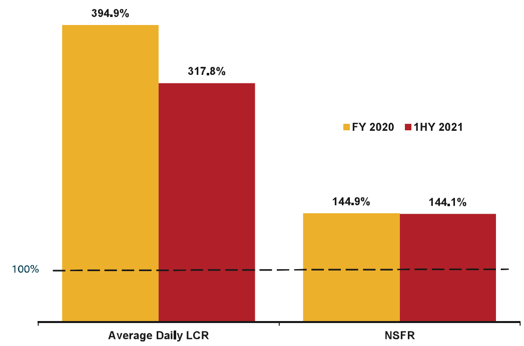
FY2020 vs 1HY21

Capital and liquidity positioned for growth
Dominant industry metrics, and historically low NPL

NPL and Capital



Liquidity



Sustainability

NBB's Sustainability Mission

At NBB, our responsibility extends beyond our core business towards achieving inclusivity of all stakeholders in a sustainable manner. Our goal is to emerge as a Best-in-Class Bank committed to sustainable development through responsible initiatives.

NBB's Sustainability Framework

Economic Growth

Our Mission towards the Economy is:
To be committed to providing unwavering support by capitalizing on our strengths to build a solid foundation for the economy and its continuous growth

Objectives

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

Serving our Customers

Our Mission towards our customers is:
To always connect with you, to understand you and help give you what you need, when you need it, in a way that works for you

Objectives

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

Material Topics

- Digital Transformation
- Responsible Customer Relationships

Responsible Banking

Our Mission of being a responsible Bank is:
To demonstrate discipline through abiding by a responsible approach in the way we conduct our business as well as our operations

Objectives

- Enhancing ESG criteria in lending and investment activities
- Offering sustainability-oriented products and services
- Raise financial literacy and accessibility and practice responsible lending
- Expand SME clientele in line with Bahrain's Economic Vision 2030 ambitions

Material Topics

- Responsible Finance
- Financial Inclusion

Nurturing our Workforce

Our Mission towards our employees is:
To continuously develop our people's knowledge, skills and mindset to better serve the economy and the community

Objectives

- Empower employees and reinforce development, effectiveness and satisfaction by:
- Integrating sustainability-related values into policies, procedures, training, products and services
- Empowerment of Bahraini and female employees
- Linking rewards and promotions to sustainability performance
- Contributing to the well-being of employees

Material Topics

- Talent Attraction, Engagement & Retention
- Diversity, Inclusion, & Equal Opportunity
- Workforce wellbeing

Community Investment

Our Mission towards the Community is:
To uphold the promise of giving back to the community through financial and non-financial contributions to the key pillars of the community

Objectives

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

Material Topics

- Community Contribution
- Responsible Sourcing

Preserving Natural Resources

Our Mission towards the environment is:
To be conscious about our environmental footprint and integrate a responsible conduct within our operations

Objectives

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

Material Topics

- Direct Environmental Footprint

Governance and Ethical Behavior

Our Mission within the Governance space is:
To abide by the regulations and to adhere to an ethical mindset that follows the corporate values and principles

Objectives

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

Material Topics

- Governance, Transparency & Accountability
- Data Privacy

NBB

Q&A

Closer to you

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