Company Report
August 12 2026

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National Bank of Bahrain

A strong Q2 on underlying performance, delivering RotE of 18.7%

- **Q2 26A earnings grew 16.0% y/y and 9.2% q/q, driving RotE to 18.7%, on i) 29bps q/q NIM expansion, ii) 10.6% y/y growth in NFI and iii) positive jaws, with total income increasing 17.2% y/y versus 7.5% OpEx growth.**
- **Deposits increased 4.8% q/q, supporting 1.0% loan growth, a 215% increase in Treasury bills and a 26.6% reduction in combined interbank and repo funding.**
- **The optimization of balance sheet drove strong margin expansion of 29bps sequentially, with asset yield +17bps and CoF -12bps, with stable rate outlook and continued BS optimization supporting margin outlook.**
- **Asset quality remained stable despite annualized NPL formation increasing to 41bps versus CoR of 27bps. The Stage 2 ratio declined to 2.3%, while Stage 2 and Stage 3 coverage improved sequentially.**
- **CET1 recovered to 19.0% from 16.8% in Q1 on reversal of OCI losses, whilst liquidity strong with LCR at 324% and NSFR 139%. Proposed interim DPS of 10 fils, in line with last year, despite the challenging backdrop.**

Record Q2 driven by BS optimization, margin expansion and positive jaws, while the prior-year property gain masks underlying H1 growth. Net income increased 16.0% y/y and 9.2% q/q in Q2, marking a record quarter for NBB, driven by NII growth of 19.6% y/y and 14.2% q/q. Earnings growth was entirely driven by underlying operating performance, with operating profit +30.6% y/y and +18.9% q/q. NII increased 19.6% y/y and 14.2% q/q on strong margin expansion and asset growth. NFI was further supportive of revenue generation driven by market valuation and sequential recovery in fee income. NBB delivered a RotE of 18.7% in Q2 26 vs 16.5% in Q1 and 15.5% in Q2 25.

H1 earnings declined 9.3% y/y as H1 25A included a BHD 7.7m attributable gain from the sale of an investment property and lower merger-related expenses. On a normalized basis, we compute earnings growth of 10% for H1 26.

Balance sheet optimization drives strong margin expansion. Margin expanded 29bps sequentially and 22bps y/y to 2.62%. Asset yields increased 17bps q/q to 5.35% on balance-sheet optimization, as strong deposit flows were deployed during the quarter while interbank borrowing and wholesale debt declined. Consequently, CoF declined 12bps during the quarter to 2.92%. We find the margin outlook supported by continued balance-sheet optimization and the stable rate outlook.

NFI generation supported by improved market valuations. Non-funded income increased 10.6% y/y and flat q/q. Fee income recovered 7.1% q/q on improved operating environment in Q2 but still below pre-conflict levels, declining 25.0% y/y. Other income increased 27.7% y/y and declined 1.9% q/q. Separately, the bond portfolio recorded a BHD 17.8m FVOCI gain in Q2, compared with losses of BHD 29.8m in Q1 26A and BHD 3.6m in Q2 25A.

Positive JAWs, positive operating leverage in Q2. OpEx increased 7.5% y/y and 3.6% q/q in Q2, materially below revenue income growth of 17.2% y/y and 10.2% q/q. C/I improved by 4.8ppts y/y and 3.4ppts q/q to 53.2% in Q2. OpEx to asset ratio stood at 1.8% during H1.

Strong deposits flows, utilized to optimize funding mix. Deposits grew 4.8% q/q, 13.6% y/y but asset declined 3.7% q/q (but +6.8% y/y), as the deposit was used to reduce interbank borrowing and also wholesale funding. Loans increased 1.0% q/q, 14.9% y/y and 5.9% YTD. LtD improved to 77.5% from 80.4% in Q1 and 81.6% at FY25, although it remained slightly above 76.6% in Q2 25A. T-bills increased 215% during the quarter.

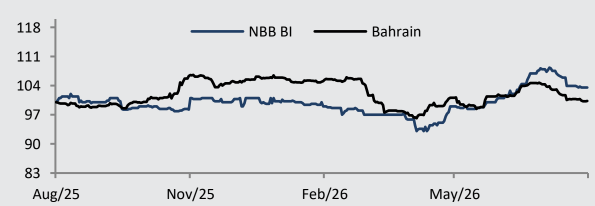
Banks / Bahrain

Bloomberg code	NBB BI
Market index	Bahrain

Market data	**8/9/2026**
Last closing price	0.52
52 Week range	0.5-0.6
Market cap (BHD m)	1,187
Market cap (USD m)	3,149
Average Daily Traded Value (BHD m)	0.00
Average Daily Traded Value (USD m)	0.2
Free float (%)	54%

Year-end (local m)	2024	2025
Revenue	192	200
Pre-provisioning profit	91	93
EPS	0.04	0.04
P/E (x) (mkt price)	14.5	14.0
BVPS	0.3	0.3
Tangible BVPS	0.2	0.2
P/B (x) (mkt price)	2.0	2.0
P/TBVPS (x) (mkt price)	2.2	2.2
DPS	0.03	0.03
Div. yield (%)	6.7	6.7
FCFY	4.3	6.3
RoAA (%)	1.5	1.4
RoRWA (%)	3.0	3.1
RoATE (%)	15.7	15.9
RoEcC (%)	21.0	21.5
RAROC (%)	18.4	19.3
Net LtD ratio (%)	80.7	80.3
Risk Weighted Assets (bn)	2.7	2.8
Core Equity T1 ratio (%)	20.4	19.6
Tier 1 capital ratio (%)	20.4	19.6
Total capital ratio (%)	21.5	20.5
NPL ratio (%)	4.5	3.9
Coverage ratio (%)	73.3	72.0
Number of shares	2,266	2,266

Price Performance



Abacus *Arqaam Capital Fundamental Data*

Company Profile

National Bank of Bahrain BSC (NBB) is a Bahrain-domiciled banking group providing conventional retail, corporate, treasury, and wealth-management services, alongside Sharia-compliant commercial banking through its 80.2%-owned subsidiary, Bahrain Islamic Bank (BisB). Established in 1957 as the Kingdom's first locally incorporated bank, NBB operates an expanding cross-border network across Bahrain, Saudi Arabia (KSA), and the United Arab Emirates (UAE). The Group is listed on the Bahrain Bourse and is anchored by systemic domestic shareholders, including Bahrain Mumtalakat Holding Company (44.1%) and the Social Insurance Organisation (10.9%).

National Bank of Bahrain

Year-end	2024	2025
Performance analysis		
Net Interest Margin (%)	2.83	2.57
Asset yield (%)	6.09	5.59
Cost of Funds (%)	3.53	3.25
Risk Adjusted Margins (%)	2.66	2.42
Cost / Income (%)	52.8	53.3
Net Interest Income / total income (%)	74.8	70.6
Fees & Commissions / operating income (%)	8.0	6.9
Trading gains / operating income (%)	9.4	7.9
RoATE (%)	15.7	15.9
Pre-prov. RoATE (%)	17.0	17.4
RoAA (%)	1.5	1.4
Revenue / RWA (%)	7.12	7.19
Costs / RWA (%)	3.76	3.83
PPP / RWA (%)	3.36	3.36
Cost of Risk / RWA (%)	0.32	0.29
RoRWA (%)	3.04	3.06
RoRWA (%) (adj. for gross-up of associates)	2.52	2.60
Year-end	**2024**	**2025**
Asset Quality		
Provisions charge / avg. gross loans (%)	0.3	0.2
Past due not impaired / gross loans (%)	2.4	2.8
NPL / gross loans (%)	4.5	3.9
NPL coverage ratio (%)	73.3	72.0
Provisions / avg. gross loans (%)	3.3	2.8
Provisions charge / operating income (%)	9.5	8.6
Year-end	**2024**	**2025**
Funding and Liquidity		
Net Loans / Deposits (%)	80.7	80.3
Cash and interbank / assets (%)	4.2	0.9
Deposits / liabilities (%)	76.0	69.9
Year-end	**2024**	**2025**
Capital and leverage ratios		
Core Tier 1 ratio (Basel III) (%)	20.4	19.6
Tier 1 ratio (%)	20.4	19.6
Total capital ratio (%)	21.5	20.5
Tangible equity / assets (%)	9.6	8.5
RWA / assets (%)	48.8	44.3
Year-end	**2024**	**2025**
Growth		
Revenues (%)	4.2	4.2
Cost (%)	5.4	5.1
Pre-Provision Operating Profit Growth (%)	2.8	3.2
Provisions (%)	11.7	(7.0)
Net Profit (%)	3.5	3.9
Assets (%)	2.8	13.7
Loans (%)	19.1	5.5
Deposits (%)	6.8	5.9
Risk Weighted Assets (%)	10.8	3.2

Abacus *Arqaam Capital Fundamental Data*

National Bank of Bahrain

Year-end	2024	2025
Income statement (BHDm)		
Interest income	308	307
Interest expense	165	166
Net Interest Income	**143**	**141**
Fee income	15	14
Net investment income	15	13
Other operating income	18	32
Total operating income	**192**	**200**
Total operating expenses	101	106
Pre-provision operating profit	**91**	**93**
Net provisions	9	8
Other provisions / impairment	-	-
Operating profit	**82**	**85**
Associates	1	2
Pre-tax profit	**83**	**88**
Taxation	-	-
Net profit	**83**	**87**
Minorities	1	2
ADT1 coupon	-	-
Attributable net profit	**82**	**85**
Diluted EPS	0.04	0.04
DPS	0.03	0.03
BVPS	0.26	0.26
Tangible BVPS	0.24	0.24

Year-end	2024	2025
Balance sheet (BHDm)		
Gross loans and advances	**3,123**	**3,278**
Less: loan loss provisions	103	92
Net loans and advances	3,020	3,186
Cash and central bank	381	209
Due from banks	626	801
Investments, net	1,212	1,791
Fixed Assets	74	72
Other assets	209	219
Total assets	**5,522**	**6,277**
Customer deposits	3,744	3,966
Due to banks	580	941
Debt	385	609
Other liabilities	217	160
Total liabilities	**4,925**	**5,676**
Total equity	**597**	**600**
Risk Weighted Assets (bn)	3	3
Average Interest-Earning Assets	5,059	5,490
Average Interest-Bearing Liabilities	4,672	5,112
Common shareholders	533	535
Core Equity Tier 1 (Basel III)	551	544
Tier 1 capital	551	544

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Underlying asset quality trends remain stable, despite a slight pick up in NPL formation. NPL ratio excluding POCI was unchanged q/q at 3.1% but improved from 3.5% in Q2 25A and 3.3% at FY25. Including POCI, the ratio declined to 3.5% from 3.6% in Q1, 4.1% in Q2 25A and 3.9% at FY25. Stage 2 loan share improved to 2.3% in Q2 26 from 2.6% in Q1 and 3.0% a year ago, whilst coverage improved to 11.6% from 10.3% in Q1 but remained below 14.7% a year ago. Stage 3 coverage increased to 57.6% from 55.6% and 54.8%, respectively. Annualized NPL formation increased to c.41bps from c.12bps in Q1. CoR also increased to 27bps from 1bp in Q1 and 7bps in Q2 25.

The June macro update set the best, base and worst-case ECL weightings at 0%, 70% and 30%, respectively, more conservative than 15%, 70% and 15% at FY25 but less severe than 5%, 50% and 45% in Q1, with portfolio-specific overlays retained

Capital rebounds from Q1, maintains interim DPS of 10 fils. CET1 recovered to 19.0% from 16.8% in Q1, driven by i) recovery in OCI losses that were incurred in Q1, ii) 4.7% decline in RWA and iii) internal capital generation with RotE at 18.7% during Q2. OCI income turned into profits of BHD 14.8m in Q2 on FVOCI gains of BHD 17.8m after incurring FVOCI losses of BHD 29.8m in Q1 26 on market conditions. NBB proposed interim DPS of 10 fils, equivalent to 52.4% of H1 attributable earnings and in line with last year.

A strong quarter for NBB on underlying operating performance. RotE reached 18.7%, supported by strong NII growth, margin expansion and positive jaws. Deposit growth enabled lower reliance on wholesale funding, while Stage 2 migration eased and capital recovered strongly from Q1. However, NPL formation and CoR increased sequentially to 41bps and 27bps, respectively, although headline asset quality remained stable.

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