

STATEMENT OF THE CHIEF EXECUTIVE OFFICER



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National Bank of Bahrain once again delivered a commendable performance during the year 2009 amidst the unprecedented challenges resulting from the global economic meltdown. In a difficult economic environment and the aftershocks of the financial crisis, we continue to deliver growth and are encouraged by our performance in 2009.

While the year started with a very difficult external environment, the pace of macroeconomic deterioration slowed in the later part of the year and there are now tentative signs of improving economic conditions indicating that the worst may be behind us. Operating conditions in the financial sector improved over the course of the year as the effects of government and central bank policies worked through the system and enabled the sector to navigate the bottom of the cycle in the financial markets. Bahrain as the financial hub in the Middle East has not been immune to the events in the global markets but has managed the crisis with limited negative impact. The crisis in Dubai during the last quarter of the year raised concerns on the financial stability of the region. However, timely support by Abu Dhabi has temporarily eased the situation and the outcome of the debt restructuring is critical to the future growth prospects for the region.

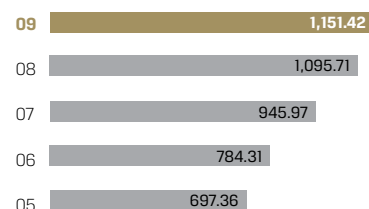
Against this backdrop, we are pleased to report that our strategy of positioning NBB's balance sheet to focus on core commercial banking activities has been rewarding over the years. We have stayed focused on the basics of banking and by sticking to our values and culture we have shown resilience throughout this difficult period and proved our ability to consistently

meet our strategic priorities. We manage the quality of our asset base carefully and maintain a conservative approach to risk while our liquidity and capital strength have provided us a competitive advantage. In the core banking businesses we remained focused on Bahrain and the GCC that offer growth and stay focused on building long-term relationships with our clients.

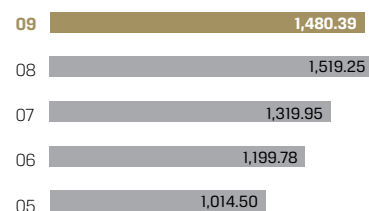
As a result, all the main businesses of the Bank performed well and delivered a sustainable increase in underlying operating revenues. Our strong brand image and selective pricing enabled us to retain and grow the core deposit base during the year while we refrained from the aggressive pricing of deposits by some banks to meet their liquidity requirements. In a difficult economic environment, the Bank continued its policy of supporting initiatives aimed at developments in the Kingdom of Bahrain. Our results reflect the improvement in credit spread, success of mobilising core cost effective deposits and revenue diversification, while efficiently managing operating expenses. This careful positioning of our balance sheet and our focus on the needs of our customers means that NBB is well placed to build on opportunities as they emerge.

To further reinforce our pre-eminent position in Personal Banking, we significantly broadened the range of products and services available to our customers, viz., the continuation of branch restructuring programme, expansion of the ATM network, introduction of Platinum card for high net worth customers and the introduction of new technological initiatives like the NBB on-line banking, SMS message for credit card transactions etc.

Our strategy is to align NBB with those opportunities to achieve sustainable growth through diversification and enhancement of our presence in active segments of the domestic market with selective expansion in regional markets.



LOANS & ADVANCES
BD Millions



CUSTOMERS' DEPOSITS
BD Millions

On the Business Banking side, the focus during the year was to further consolidate our position in the active sectors of the domestic economy. In a difficult economic environment, the Bank continued its policy of supporting initiatives aimed towards development of the Kingdom. In meeting with this objective, the Bank managed and participated in several deals which are of national importance.

A new division "Government and Transactional Banking" was created to focus on overall relationship with the Government of Bahrain and all its agencies and also handle large structured deals, syndications and institutional transactions in Domestic & Regional markets which requires special skills and execution capabilities. Also the overall organisational structure of the Bank was re-aligned with all business and direct support units reporting to the General Manager in an effort to provide greater customer focus and improve the speed of delivery of products and services.

The Treasury and Capital Markets Group's concentration during the year was to maintain adequate liquidity while efficiently managing the yield on the portfolio within the overall risk parameters. Despite the difficult market conditions and depressed interest rates, the Division successfully managed to exceed expectations with a number of carefully executed transactions in both international and GCC markets.

The timing, shape and scale of any recovery in the wider economy remain uncertain but despite the macroeconomic uncertainty, we are confident in the Bank's continued ability to deliver sustained growth. Furthermore, as economies begin to recover and

interest rates start to rise, our deposit strength will reinforce our profitability and enable us to respond to new customer demand for financing.

We look forward positively to the opportunities that are available in Bahrain, considering its position as the gateway to the northern Gulf and the potential benefits from the economic integration of a GCC wide single market. Our strategy is to align NBB with those opportunities to achieve sustainable growth through diversification and enhancement of our presence in active segments of the domestic market with selective expansion in regional markets. We do not underestimate the challenges and will engage and deepen our relationship with clients to win market share and enhance our competitive positioning. We believe the strength of our franchise, sound fundamentals and market image as the leading provider of financial services in the Kingdom will enable us to achieve this goal.

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chief Executive Officer & Director