

The background features a series of overlapping geometric shapes. A large, light gray triangle with diagonal white stripes is positioned in the upper right. Below it, a solid medium gray triangle points downwards. In the lower left, a dark gray triangle points upwards, overlapping with a lighter gray triangle that also points upwards. The overall composition is minimalist and modern.

# **Directors' Report**

# Directors' Report

## **ACCELERATING PERFORMANCE WHILE BUILDING THE BANK OF THE FUTURE.**

*On behalf of the Directors of the Bank ABC Group, it gives me great pleasure to submit the Directors' Report for 2022 to our shareholders. The report details the Bank's consolidated financial performance and outstanding achievements for the year, as well as our strategic priorities and ambitions for the future.*

*2022 was a record-breaking year for Bank ABC, as we exceeded US\$1 billion in revenue for the first time in our history. We built on the momentum of the previous year to accelerate performance and continue our digital transformation journey while delivering outstanding results, supported by a smooth leadership transition that positions the Bank for future growth and value creation moving forward.*

### **Economic Conditions**

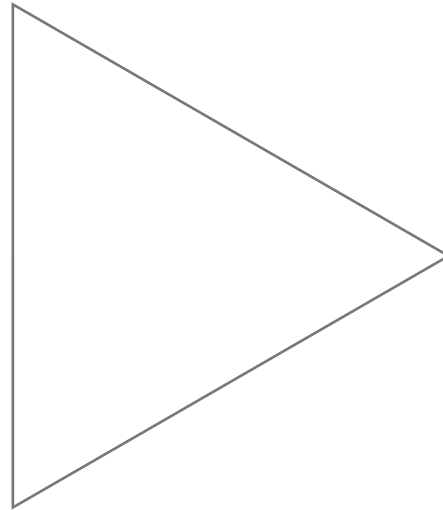
Across our core and network markets, economic activity improved considerably during 2022, with corporate profitability continuing to recover from the impact of the COVID-19 pandemic. While global growth slowed from 6% in 2021 to 3.2% in 2022, weighed by surging inflation, higher interest

rates and the impact of conflict in Europe, our operating markets bucked this trend. MENA economies grew on average by an estimated 5.5% this year, compared to 4.1% in 2021. This was driven in large part by hydrocarbon exporting countries, which enjoyed a sharp improvement due to the rise in commodity prices and increased European demand for oil and gas pivoting away from Russia.

These factors complemented the Group's strong business performance across our markets, positioning it to deliver the excellent results reported below.

### **Leadership transition**

Before returning to our results and achievements, 2022 also marked the retirement of Group CEO, Dr. Khaled Kawan, bringing to end a remarkable career with the Bank. Dr. Kawan joined Bank ABC in 1991 and served in a variety of local and global roles until 2013, when he was appointed as Group CEO. His years of service made a strong contribution to the growth of Bank ABC and he will remain associated with the Group as a member of the Board of several ABC subsidiaries.



On 1st August, the Board of Directors appointed Mr. Sael Al Waary, as the Acting Group CEO. He is a long-time leader at Bank ABC Group and has been a major force behind its strategic digital transformation. He continues to drive the Bank's business forward, capitalising on opportunities and powering the Group's strategic progress to boost returns and accelerate profitable growth.

### **Accelerating financial performance**

Our financial performance during 2022 has been strong, with excellent growth in core business assets, supported by the increasing interest rates environment and the first full year consolidation of BLOM Bank Egypt, boosting headline revenues by 29% year-on-year to surpass the billion-dollar threshold for the first time ever.

We continued to prioritise active cost management to invest while achieving efficiencies as well as controlling the cost of risk. Our overall results reflected a robust 54% increase in net profit for the year to US\$154 million (vs US\$100 million in 2021). Return on equity grew by almost 1% year-on-year, while capital and liquidity remained at healthy levels, supported by the completion of the Additional Tier-1 issuance earlier in 2022.

Consequently, earnings per share for 2022 stood at US\$0.05.

### **Digital transformation & strategic progress**

In 2022, we continued to make steady progress towards our strategic goals, accelerating the execution of our inorganic growth and digital transformation agendas.

BLOM Bank Egypt and Bank ABC Egypt completed their legal merger, emerging as a single larger entity on Legal Day 1 (LD1), on January 1, 2023, following our acquisition of a 99.5% stake in BLOM in August 2021. This is a major milestone towards strengthening our presence in the Egyptian market, providing the scale and footprint to fully capitalise on our growth ambitions.

ila Bank, after recording an impressive growth in customer base, deposits, and sizeable market share improvement in Bahrain, marked the beginning of its regional rollout in 2022, starting with Jordan. The country's vision to create a cashless digital economy, along with a fintech-enabling, cloud-supportive environment, welcomed ila Bank's disruptive, digital approach to personal finance.

The Wholesale Banking digitalisation programme introduced a new digital front end to our customers. Through our state-of-the-art supply chain finance and documentary trade platforms, clients can now initiate transactions digitally for improved customer experience, visibility, process optimisation and operational efficiency. Next releases include a cash management suite and a dedicated Wholesale Banking portal for clients to access all our digital product platforms.

AFS, the Group's Fintech payments subsidiary, also had multiple successes, expanding into the Egyptian market, with the establishment of the AFS Egypt hub for merchant acquiring business, and signing up new partners in Libya and UAE. AFS also achieved technological, product and service enhancements, in line with its strategic roadmap and leveraging its shareholders' decision to inject capital to propel further revenue growth and strategic expansion.

### **Outstanding business performance**

Wholesale Banking achieved an excellent expansion of its customer base across the Bank's network of presence and non-presence coverage markets during the year. Capitalizing on the sector and segment outlooks, the WB business closed the year with a strong profitability position. Growth in assets and earnings was seen in our MENA markets as well as in the Bank's Asian, European, and North American businesses in line with the Group's overall strategy to leverage the global franchise.

In Capital Markets we solidified our standing and momentum, securing numerous high-profile primary market mandates for sovereign borrowers, government-related entities,

and financial institutions. Underwriting and distribution formed the foundation of Bank ABC's activity in the syndicated market space; we underwrote over US\$2 billion during the year to achieve record revenues. The Financial Markets business also continued to expand and create value, with growth in revenues, client base and product offerings across market, credit, and liquidity risk management.

The Retail business in MENA reviewed its strategy with the addition of BLOM retail business and branches in Egypt and the ila launch in Jordan. The heavy focus on digitisation continues the transformation towards a hybrid model, integrating the ila Bank technology and operating platform to align with our Bank-wide digital-first strategy, while leveraging existing branches and product capabilities.

### **An enhanced ESG framework**

During 2022, we reinforced our strong commitment to robust governance, social diversity and sustainability, as a foundation for continued strategic growth and value creation. To this end, we maintained focus on developing and promoting a culture of operational efficiency and resilience through business continuity, workforce planning and effective risk management. We revamped our Operational Risk Framework, completed our data protection project and finalised our Group outsourcing framework and policy.

Our environmental, social and governance (ESG) journey continued to pick up pace, as we extended our ESG approach across all business units in the Group and committed resources to develop an advanced ESG framework and

strategy, which will integrate our sustainability commitments with strategic priorities.

### **Industry-wide awards**

Bank ABC's performance and strategic progress was recognised by major awards platforms throughout the year. The Bank was awarded by The Banker as the Best Bank in 'Transaction Banking' and 'Innovation in Digital Banking' in the MENA region. MEED named us for 'Best Digital Banking Initiative' and named us 'MENA Islamic Finance Bank of the Year.' Global Finance named us the 'Best Overall Bank for Cash Management in Bahrain and Tunisia' and we won the 'Best Bank for Digital Solutions in Bahrain' award by Euromoney. The IBSi Global Fintech Innovation Awards recognised us for 'Best Treasury Implementation', and the Bonds Loans and Sukuk Awards named the Bank ABC's Kuvayt Türk transaction the 'Islamic Capital Markets Deal of the Year.'

ila Bank, took home 'Best Consumer Digital Bank in Bahrain,' along with five subcategories, from the Global Finance Digital Banking Awards. It also won 'Leading Digital Bank in the Middle East' from the IBSi NeoChallenger Bank Awards and 'Best User Experience' from the Red Dot Design Awards.

### **Setting bold aspirations for 2023**

In 2023, global growth is expected to weaken to 2.9%, hindered by the fading post-pandemic economic rebound, tighter financial conditions, and the ongoing war in Europe. A decline in inflation is expected to provide scope for central banks to lower policy interest rates towards year-end.

Despite the expected economic headwinds, the Bank is confident it can capitalise on its strengths, and continues investments to fuel its performance going forward. During the coming year, the Group will renew its strategic plans for the next cycle from 2023 to 2026, focussed on accelerating growth, boosting returns and capitalising on its investments. The Bank also looks forward to continuing to deliver on its digital transformation journey, which is well underway, and making significant progress on the ABC - BLOM Integration in Egypt. Bank ABC's record results, diverse achievements and clear strategic direction will provide a robust foundation to continue to set bold aspirations to accelerate performance and build the Bank of the Future, in 2023 and beyond.

On behalf of the Board, I would like to thank our home regulator, the Central Bank of Bahrain, and share our appreciation for the continued support of our principal shareholders, the Central Bank of Libya and the Kuwait Investment Authority.

Finally, I would like to recognise my colleagues on the Board for their astute direction during 2022, and to all our talented and dedicated employees across the Group, who are the driving force behind our ability to achieve these goals today and for the future.

### **Board of directors' remuneration details**

The aggregate remuneration paid to Board Members in 2022 amounted to US\$1,760,511 (2021: US\$1,382,000), which is paid in accordance with the Directors' Remuneration Policy adopted at the Annual General Meeting on 21 March 2021 as follows:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
<b>First: Independent Directors:</b>													
Dr. Anwar Al Mudhaf	36,250	6,000	-	-	42,250	-	-	-	-	-	-	-	-
Mr. Bashir Omer	35,000	4,500	-	-	39,500	-	-	-	-	-	-	-	-
Dr. Farouk El Okdah	127,500	12,000	-	18,103	157,603	-	-	-	-	-	-	-	-
Dr. Yousef Al Awadi	38,750	6,000	-	-	44,750	-	-	-	-	-	-	-	-
Dr. Ibrahim El Danfour	101,250	21,000	-	69,868	192,118	-	-	-	-	-	-	-	-
Mr. Abdallah Al Humaidhi	97,500	13,500	-	29,777	140,777	-	-	-	-	-	-	-	-
Mr. Khalil Nooruddin	111,667	34,500	-	19,325	165,492	-	-	-	-	-	-	-	-
<b>Second: Non-Executive Directors:</b>													
Mr. Saddek Omar El Kaber	142,500	12,000	-	34,213	188,713	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem	136,250	19,500	-	50,940	206,690	-	-	-	-	-	-	-	-
Mr. Ali Al Ashhab	28,750	6,000	-	-	34,750	-	-	-	-	-	-	-	-
Mr. Ashraf Mukhtar	82,500	10,500	-	43,127	136,127	-	-	-	-	-	-	-	-
Dr. Tarik Yousef	137,083	37,500	-	43,127	217,710	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa	124,167	34,500	-	35,364	194,031	-	-	-	-	-	-	-	-
<b>Third: Executive Directors:</b>													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,199,167</b>	<b>217,500</b>	<b>-</b>	<b>343,844</b>	<b>1,760,511</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Travel and accommodation costs.

**Note:** The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2022 was US\$20,000, which sum is included in the Retainer fee (2021: US\$20,000).

No Director owned or traded Bank ABC shares in 2022.

**Executive management remuneration details:**

<b>Executive management</b>	<b>Total paid salaries and allowances</b>	<b>Total paid remuneration (Bonus)</b>	<b>Any other cash/ in kind remuneration for 2022</b>	<b>Aggregate Amount</b>
Remunerations of top 6 executives, including CEO and Head of Finance & Administration	6,463,548	3,608,582	-	10,072,130

**Note:** All amounts stated are in US Dollars.



**Saddek Omar El Kaber**

Chairman

12 Feb 2023



**Mohammad Abdulredha Saleem**

Deputy Chairman

