

BANK ABC IS PERFORMING WHILE TRANSFORMING

On behalf of the Directors of the Bank ABC Group, I am delighted to present to our valued shareholders the Bank ABC Group's Directors' Report for 2023. The report showcases the Bank's impressive financial results and remarkable accomplishments for the year, as well as our strategic vision and goals for the future.

Despite the unpredictable market conditions and geopolitical risks affecting the region, the relentless commitment and innovation of Bank ABC's workforce resulted in remarkable performance for the Group in 2023. Maintaining our strong growth momentum, we achieved record levels of annual revenues and assets, and an exceptional year on year (YoY) uplift in our net profit and ROE. We grew our core business substantively and made excellent progress on key strategic initiatives including our digital transformation programme and the integration of BLOM Bank into ABC Egypt.

All in all, 2023 witnessed record-breaking value being generated for our shareholders, as the Group progressed on its strategic journey to become MENA's International Bank of the Future.

2023 Economic Review

Across our core and network markets, economic activity faced a series of global shocks and significant policy tightening. According to the International Monetary Fund, global growth slowed from 3.5% in 2022 to 3.0% in 2023, below the historical average of 3.8%, weighed down by persistent inflation and higher interest rates.

Growth of MENA region economies slowed to an estimated 2.0% this year, compared to 5.0% in 2022. This was a combined result of lower oil production in OPEC countries, tighter monetary policies and country-specific domestic issues. While inflation began to ease globally, large differences persisted among the region's varied economies, with some remaining strong and stable, while others were more challenged given the regional uncertainties.

Looking forward, the consensus view is that growth should improve to 3.4% in MENA in 2024, as oil production potentially ramps up, providing a solid foundation for continued growth. Bank ABC is of course very hopeful that a more stable situation will return during 2024, which will be beneficial for all stakeholders.

Remarkable Financial Performance

Despite the economic and geopolitical uncertainties, our financial performance for 2023 showed another year of exceptional uplift. We recorded a 53% surge in net profit to reach US\$235 million compared to US\$154 million in 2022. This was driven by volume growth in our core business across our markets, the uplift from the rising interest rate environment, as well as successful delivery of our strategic objectives.

Total operating income increased by 16% to reach a record high level of \$1.3 billion, the second year for the Group's top line to exceed US\$1 billion, with further significant growth projected.

Our asset base reached \$44 billion, growing strongly at 20% YoY and exceeding US\$40 billion for the first time in the Group's history, driven by a healthy combination of loans, securities and liquid asset growth.

Supporting this, all capital and liquidity metrics were maintained at robust levels enabling us to maintain growth momentum.

Our active cost management strategy enabled us to invest in our business and achieve efficiencies, while improving our cost/income ratio. Our return on equity increased by over 2% YoY to reach 5.8%. Our earnings per share for 2023 were US\$0.07, also improved by over 50% YoY.

Refreshed Strategic Focus

In July 2023, the Board approved the Group's ambitious 2023-2026 Strategy with the overarching goals to **Accelerate** growth, **Boost** returns and **Capitalise** on our investments. The new Group strategy is underpinned by three pillars:

- **Accelerating our Core performance in Wholesale Banking, Treasury, Retail and Brazil**, to create near term value.
- **Maximising value in our Digital Units, ila and AFS**, to create long-term value.
- **Strengthening our Operating Model**, to drive the execution of the first two pillars.

Execution is now our priority, seeking rapidly to progress on our new strategic objectives, aspects of which are expanded upon in the following sections.

Business Growth

Wholesale Banking

The Bank's Global Wholesale Banking business achieved an excellent performance in 2023, with a strong double-digit TOI growth, accelerated by leveraging the strengths of the Corporate Banking and Financial Institutions businesses to offer a strong product portfolio, global presence, and customer-focused approach. Key value drivers included record income growth from new clients, digital transformation of Global Transaction Banking and commercial banking in our core MENA markets, also boosted by a significant contribution from the Group's international banking business in the United Kingdom, United States, Europe and Brazil.

Group Treasury and Financial Markets

Group Treasury and Financial Markets achieved remarkable milestones in supporting the Bank's bottom line and its digitization efforts while providing innovative treasury products and market access to clients. Corporate Treasury further diversified the Bank's funding mix and repositioned the Bank's securities portfolios to reinforce the Bank's strong balance sheet ratios that support our Investment Grade Credit Rating. In Debt Capital Markets, Bank ABC became the first regional bank to act as Sole Lead Arranger on a 144a/RegS Sukuk offering. The award winning US\$600-million five-year Sukuk Issuance by Air Lease Corporation is the debut Sukuk for the leading aircraft leasing company as well as the first Sukuk issuance by a North American corporation. The Syndications team achieved a record underwriting of over US\$2.0 billion during the year, while FM Sales integrated its eFX pricing platform into the Wholesale and ila digital banking platforms.

Retail Banking

As part of our Bank-wide digital-first strategy, Retail business is being transformed into a hybrid model that integrates the technology and operating platform of ila Bank with our MENA retail banking capabilities. This year, we upgraded our existing retail digital proposition with a customised version of the ila mobile-banking proposition that meets local regulatory requirements for on-shore processing. We began the implementation of this upgrade for ABC Egypt this year, with Bank ABC in Algeria and Tunisia to follow suit in 2024.

Operational Efficiency and Resilience

In 2023, the resilience and efficiency of our technology platforms and banking operations gained further strength. We embarked on a major infrastructure upgrade to consolidate our core banking platforms across 15 units, which will drive efficiency and facilitate product innovation across the Group. We have also invested heavily in strengthening and safeguarding our systems against cyber threats. Global banking operations and client servicing has also been enhanced with Robotic Process Automation (RPA) implementation and other process improvements.

Digital Transformation

In 2023, our digital transformation journey progressed significantly across our business segments. We continued to innovate and improve our digital services and products to meet the needs and expectations of our customers.

Wholesale Banking

In Global Transaction Banking (GTB), we launched ABC Trade, a comprehensive trade finance solution, and rolled out our digital corporate onboarding service across 15 global units, and on wholesale payments progressed our ABC Cash proposition. Another key development was the introduction of a next generation blockchain payment service in collaboration with JPM Coin System, a first in the region. Additional client service innovation in our wholesale bank has been the launch of a corporate banking portal as a single-point access to Bank ABC's products and services, starting with GTB solutions.

ila Bank

For ila Bank, our digital mobile-only bank, we saw its market share in Bahrain go from strength to strength, gaining excellent brand recognition and numerous industry awards. ila continued to prioritise customer-centric service innovation, app enhancements and multiple product launches. Moreover, ila continued to expand its presence in Jordan and launched alburaq, a new Islamic platform based mobile banking experience, in Bahrain.

AFS

Our digital payments arm AFS progressed steadily on its strategy focused on expanding its geographic footprint, deepening its market shares in its market-leading merchant acquiring business in Bahrain and Oman, continuing to progress its roll out in Egypt and focusing on the early-stage development of acquiring in Libya and UAE. Additionally, it rolled out its SME Partner Programme with VISA, to

launch prepaid cards for businesses in Bahrain and Oman. Other key innovations included the expansion of its payments acceptance portfolio with the introduction of AFS Pay 2.0 and AFS One, as well as initial steps to build a new open finance infrastructure for the region.

ABC Labs

In ABC Labs, we piloted a Frontline Platform at our DIFC branch, a cutting-edge digital banking platform for our relationship managers. We also enhanced AI Fatema, our corporate digital assistant, and implemented an intelligent automation programme employing robotic process automation to boost business growth, customer satisfaction, and operational efficiency.

Blom Bank Integration into ABC Egypt

The BLOM Bank integration within ABC Egypt is in its final stages during the year. The final step is the seamless migration of retail customers onto a single technology platform, which we anticipate will complete in Q1 2024. Fully combining the retail banking business will complete the integration and be a historic moment, when all our customers are supported by one Bank ABC combined banking proposition across the franchise in Egypt. With integration concluded, 2024 will see the Bank further expanding its market share in this important MENA market on a turbo-charged basis.

Sustainability Strategy

In 2023, the Bank has formulated a well-defined and holistic Sustainability Strategy, led by a new created Sustainability function with specialised expert resources, to drive this across our organisation in the markets we serve.

Our Sustainability Strategy encompasses guiding principles with an emphasis on governance, operations, risk management and sustainable finance. On governance, we have an effective framework that includes substantive Board-level oversight, while establishing a clear targets for the Group to reduce environmental impact and boost our social impact. On operations and risk management, we are developing a clear picture of our Scope 1 and Scope 2 emissions, as well as building the view of the Scope-3 implications of our client business, as we aim to mitigate the environmental risks of our financing activities. Finally, we are focusing more of the Bank's front-line business to proactively target green and sustainability-linked financing opportunities.

In 2023, we signed multiple renewable energy and sustainability-linked deals to drive the transition towards an inclusive and sustainable, low-carbon economy. We also completed over 100 impactful Group-wide Corporate Social Responsibility initiatives that are aligned with United Nations Sustainable Development Goals. In addition, Bank ABC was quick to respond to the catastrophic floods that affected Libya and the devastating earthquakes in Turkey and Syria, with support and significant donations towards the relief works.

Industry-wide Recognition

Bank ABC continued to be honoured with over 15 international and regional awards in 2023, reflecting our excellence and innovation across our business segments. We are proud to have received the prestigious

'Bank of the Year 2023' award for Bahrain from The Banker, making Bank ABC the third time winner of the title.

Our digital-only bank, ila, swept all six awards at the Global Finance World's Best Digital Awards, including the 'Best Consumer Digital Bank' title for the third consecutive year.

Bank ABC also received the 'Best Trade Finance Provider in the Middle East' from Global Finance and 'Best Corporate Bank in Bahrain' from the Euromoney Awards for Excellence. We have also been named 'Market Leader in Corporate Banking,' 'Market Leader in Digital Solutions' and 'Highly Regarded in ESG' by the Euromoney Market Leaders Awards.

Our innovation hub, ABC Labs, was named one of the 'World's Best Financial Innovation Labs' by the Global Finance Innovators Awards, demonstrating our commitment to digital transformation. Moreover, our Islamic banking arm, Bank ABC Islamic, was recognised as the 'Best Islamic Financial Institution in Bahrain' by Global Finance's World's Best Islamic Financial Institution Awards.

Recognising our Islamic and Conventional structured finance capabilities, The Bonds, Loans & Sukuks Middle East Awards, awarded us three key accolades: the Global Corporate Sukuk Deal of the Year and Aircraft Finance Deal of the Year for its landmark Sukuk deal with Air Lease Corporation (ALC) and the Metals & Mining Deal of the Year, for the loan facilitated for Aluminium Bahrain (Alba).

Finally, our cash management capabilities earned us recognition as the 'Best Overall Cash Management Provider in Tunisia' by Global Finance.

2024 Priorities

The year ahead will present continuing many challenges and opportunities for the industry to navigate. Heightened geopolitical tensions will likely lead to additional economic stress on the more vulnerable economies in the region. In many markets, the interest rate cycle will likely turn as inflation abates, presenting repricing challenges and refinancing opportunities. New technologies such as AI techniques will be emerging, while new banking regulations on capital and climate change are coming into effect, with all these factors affecting the competitive environment.

Despite these uncertainties, Bank ABC is confident it can capitalise on its strengths and continue to accelerate its performance. As referenced earlier, we will focus on executing our newly approved Group Strategy, which will drive both near-term and long-term value creation for our shareholders. We will remain vigilant on emerging risks, while continuing our focus on capital efficiency and balance sheet capacity, building on the momentum of the strong business pipeline achieved in 2023. We will also continue to invest in our digital capabilities and technology platforms, positioning ABC to be at the forefront of AI and other developments in data, and digital product and service propositions to unleash greater efficiency, agility, and performance throughout the Group.

Acknowledgements

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.

I would like to recognise and thank my colleagues on the Board for their direction during 2023, including Dr Farouk El Okdah, who stepped down from the Board after many years of excellent service. Finally, I would like to thank our dedicated employees across the Group, our driving force as Bank ABC continues to thrive, grow and build our International Bank of the Future.

Head Office

P.O. Box 5698, Manama, Kingdom of Bahrain (CR: 10299)
Bank ABC (Arab Banking Corporation B.S.C.) is licensed as
a conventional wholesale bank by the Central Bank of Bahrain

المكتب الرئيسي

ص.ب. 5698، المنامة، مملكة البحرين (س.ت. 10299)
بنك ABC (المؤسسة العربية المصرفية ش.م.ب.)
مرخص كبنك جملة تقليدي من قبل مصرف البحرين المركزي

Board of Directors' Remuneration Details

The aggregate remuneration paid to Board members in 2023 amounted to US\$1,897,023 (2022: US\$1,760,511), which was divided between the three elements 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			
First: Independent Directors:													
Dr. Khaled Kawan	50,000	4,500	-	9,407	63,907	-	-	-	-	-	-	-	-
Dr. Farouk El Okdah	75,833	3,000	-	13,191	92,024	-	-	-	-	-	-	-	-
Dr. Ibrahim El Danfour	135,000	22,500	-	95,566	253,066	-	-	-	-	-	-	-	-
Mr. Abdullah Al Humaidhi	133,750	12,000	-	46,114	191,864	-	-	-	-	-	-	-	-
Mr. Khalil Nooruddin	150,833	31,500	-	24,819	207,152	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
Mr. Saddek Omar El Kaber	147,500	9,000	-	49,911	206,411	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem	138,750	15,000	-	59,577	213,327	-	-	-	-	-	-	-	-
Mr. Ashraf Mukhtar	110,000	9,000	-	58,149	177,149	-	-	-	-	-	-	-	-
Dr. Tarik Yousef	137,917	30,000	-	112,768	280,685	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa	127,083	28,500	-	55,854	211,437	-	-	-	-	-	-	-	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,206,667	165,000	-	525,357	1,897,023	-	-	-	-	-	-	-	-

* 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 2023 was US\$20,000, which sum is included in the Retainer fee (2022: US\$20,000).

No Director owned or traded Bank ABC shares in 2023.

Executive Management Remuneration Details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Remunerations of top 6 executives, including CEO and Head of Finance & Administration	5,525,520	3,709,095	-	9,234,615

Note: All amounts stated are in US Dollars.



Saddek Omar El Kaber
Chairman

11 Feb 2024



Mohammad Abdulredha Saleem
Deputy Chairman