

Directors' Report

On behalf of the Directors of the Bank ABC Group, it is my pleasure to submit the Directors' report for 2021 to the shareholders. It highlights the Bank's achievements and consolidated financial performance during this year and outlines the strategic direction for year 2022.

2021 has been a historic year, full of exceptional achievements for Bank ABC. Overcoming the continued disruptions across our industry and markets, the Group successfully delivered on our commitments to our shareholders, and customers, making significant progress toward our strategic ambitions by expanding in our core markets and accelerating our digital transformation journey.

Throughout 2021, while social and travel restrictions continued to impact the banking industry in Bahrain and around the world, economic activity started picking up from the recession of 2020. Global trade rebounded sharply but remained weighted by supply chain bottlenecks. As we progressed through 2021 and into 2022, accommodative monetary policy conditions and economic support measures have continued, which have contributed to surging inflation coupled with abundant liquidity. In response, many emerging markets have already been forced to raise interest rates, and the US

Fed has begun tapering its asset purchases prior to anticipated interest rate hikes in 2022, with this approach being mirrored by other developed market central banks. In our core GCC markets, although the recovery was initially slow owing to depressed oil prices, a significant improvement in outlook was observed as prices rose, although its benefits are yet to be felt in larger economies due to the constraints related to the Omicron variant.

In the face of these continuing market challenges, the Bank ABC Group delivered remarkable performance with more normalised levels of cost of risk. We refocused our strategic priorities on accelerating our digital agenda, widening the capabilities and footprint of our digital mobile-only bank *ila* and future-proofing our wholesale bank. We successfully completed the historic acquisition of BLOM Bank Egypt, expanding in a core market with some of the best fundamental growth prospects in the region. Our emphasis on organisational resilience in the post pandemic era continued unabated, as we strengthened the Group's operational, risk and financial management disciplines, while we also improved governance, commitments to sustainability and received great recognition for the Group's achievements across multiple activities and markets.

Delivering solid results

We are extremely proud of our financial performance during 2021 in the face of market headwinds. This has seen the Group deliver exemplary results after a very challenging 2020, which was marred by higher provision levels due to regional fraud events. We resumed our growth trajectory through the execution and acceleration of our strategy, demonstrating its robustness and the resilience of the Bank as a whole.

We delivered net profit attributable to shareholders of US\$100 million, with cost of risk reverting towards pre-pandemic levels. Consequently, earnings per share for 2021 stood at US\$0.03, with a cash dividend of US\$0.01 (31% of profits) being recommended by the Board.

Delivering on our strategic objectives

Whilst the challenges posed by the pandemic remain, we continue to make steady progress towards our long-term goals. We refocused our priorities and refreshed our objectives, accelerating execution on our pillars of **'Inorganic growth', 'Digital Transformation', 'Wholesale Banking' and 'Organisational Resilience'**.

Inorganic growth - Acquisition of BLOM Bank Egypt

One of the most significant events of 2021 was the completion on 11 August of our acquisition of a 99.5% stake in BLOM Bank Egypt. This not only represents a key moment in our journey of business expansion, but also demonstrates the Group's sound strategic planning, efficiency and commercial acumen. The acquisition provides Bank ABC with accretive earnings in a constrained economic environment, whilst also diversifying our income sources. With a population of over 100 million people, Egypt remains a relatively underbanked market in the MENA region, with strong industry fundamentals. With the merger of BLOM Bank and our existing ABC Egypt franchise, we will create an exceptional strategic platform to deepen our market share in Egypt and capitalise on the considerable opportunities for future growth.

Digital Transformation: "Building the bank of the future"

Recognising the increase in demand for digital banking and payments fuelled by the COVID-19 crisis, we prioritised our digitisation programme,

resulting in the launch of a fully digital client onboarding for Corporates and Financial Institutions and a new Supply Chain Finance platform. In addition, our digital mobile-only proposition, *ila*, continued to shine brightly, gaining momentum towards its upcoming launch into other MENA markets, with significant groundwork already in place to launch in Jordan in Q2 2022.

In a first of its kind pilot, the Bank, in collaboration with various stakeholders and under the leadership of the Central Bank of Bahrain, facilitated seamless cross-border payments using our API interface together with JP Morgan's blockchain platform technology. This was tested using US Dollar; moving forward this technology will allow us to expand our existing offering and introduce more currencies.

Innovation remains the driving force of all our initiatives, as can be seen from the multiple initiatives undertaken and the awards that Bank ABC has received as outlined below.

Wholesale Banking

While we take major leaps in our Wholesale banking digital transformation programme, the Bank is also continuing our corporate client growth aspirations, albeit modifying our risk appetite for a post-COVID landscape. We remain a client-centric internationally networked bank and will focus on providing exceptional levels of customer service as our digital capabilities further develop and enhance our value proposition.

Organisational Resilience

During 2021, with pandemic conditions still prevalent, the Group maintained its emphasis

on promoting a culture of operational resilience through its business continuity, agile and remote work-force planning. Effective credit, market and operational risk management policies and procedures were further tightened, while the longstanding strength of Bank ABC's capital and liquidity ratios was maintained. Contingency planning continued actively to ensure an effective response to any disruptions to our customers, and that the soundness of our business and balance sheet will be preserved.

Governance

Governance is another key strength of Bank ABC, and 2021 witnessed another historic milestone for the Bank.

In line with our Diversity & Inclusion agenda, and fostering greater equality and representation across the Bank, the Group appointed its first ever female Board Member, Ms. Huda Al Mousa. She represents the Kuwait Investment Authority and brings a wealth of knowledge and experience to Bank ABC's Board of Directors. We also welcomed Ms. Bayone Sisombat, an independent non-executive director on the Board of ABC SA.

Commitment to sustainability

Our Environmental, Social and Governance (ESG) initiatives continue to build in scale and scope, as we work to develop a platform that positions the Group at the forefront of the evolving sustainable banking landscape. Led by our Group CEO, together with senior management from across the Group including key international units, a working group has been established to drive a comprehensive approach for the Bank's ESG activities.

Following the steps already taken on ESG including its inclusion in the Bank's risk appetite in 2020, the Group is currently developing a more progressive ESG strategy to guide the approach going forward. This is being driven by a deep institutional commitment to environmental stewardship aligned with the goals and objectives of the international community embodied in the Paris Agreement and the UN Sustainable Development Goals.

Bank ABC has therefore committed to a net zero target by 2030 for emissions from our scope 1 and 2 activities. For scope 3 activities we have adopted a robust approach to the identification, assessment, management and reporting of climate change-related risks, having already codified the climate change risk profile of the Bank's lending portfolio and completed the individual assessments of our largest counterparties.

Awards and recognition

As a result of our exceptional strategic progress and achievements during this year, the Bank was recognised for a number of prestigious awards, including 'Best Innovation Lab', 'Best Consumer Digital Bank' and 'Best Digital Banking App' for ila, at the Global Finance Innovators Awards; 'Best Bank in Trade Finance Bahrain' at the GTR Leaders in Trade Awards; and 'Most Innovative Digital Onboarding Roll-out' at the ISBi Global Fintech Innovation Awards. We also won the Global Finance, Best Bank for Treasury and Cash Management, Bahrain & Tunisia and the Fastest Growing Cash Management Bank in MENA by

Global Banking & Finance Review. We are also proud to be listed among the 'Top 50 Banks in the Middle East' by Forbes Middle East.

Outlook 2022

We have much to be proud of as we enter 2022 with great confidence and ambition. Our strong performance, diverse achievements and clear strategic direction provide a robust foundation for our future growth. Whilst we remain prudent, we are well placed to benefit from the opportunities that will arise as business sentiments improve.

On behalf of the Board, I wish to express our sincere thanks to our home regulator, the Central Bank of Bahrain, as well as to our principal shareholders, the Central Bank of Libya and the Kuwait Investment Authority for their continued support.

I am also grateful to our management for their prudent and proactive oversight during 2021, and to our hard-working employees across the Group, whose dedicated efforts have served to overcome the unprecedented challenges and deliver a highly successful year.

Board of directors' remuneration details:

The aggregate remuneration paid to Board members in 2021 amounted to US\$1,382,000 (2020: US\$1,479,240), which is paid in accordance with the Directors' Remuneration Policy adopted by 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			
First: Independent Directors:													
Dr. Anwar Al Mudhaf	145,000	21,000	-	-	166,000	-	-	-	-	-	-	-	-
Mr. Bashir Omer	140,000	22,500	-	-	162,500	-	-	-	-	-	-	-	-
Dr. Farouk El Okdah	120,000	12,000	-	-	132,000	-	-	-	-	-	-	-	-
Dr. Yousef Al Awadi	155,000	24,000	-	-	179,000	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
Mr. Saddek Omar El Kaber	150,000	10,500	-	-	160,500	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem	140,000	16,500	-	-	156,500	-	-	-	-	-	-	-	-
Mr. Ali Al Ashhab	115,000	18,000	-	-	133,000	-	-	-	-	-	-	-	-
Mr. Khaled Al Hassoun	65,000	10,500	-	-	75,500	-	-	-	-	-	-	-	-
Dr. Tarik Yousef	135,000	21,000	-	-	156,000	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa	55,000	6,000	-	-	61,000	-	-	-	-	-	-	-	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,220,000	162,000	-	-	1,382,000	-	-	-	-	-	-	-	-

Note:

The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2021 was US\$20,000, which sum is included in the Retainer fee (2020: US\$20,000).

No Director owned or traded Bank ABC shares in 2021.

Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Remunerations of top 6 executives, including CEO and Head of Finance & Administration	6,210,217	175,789	-	6,386,006

Note: All amounts stated are in US Dollar



Saddek Omar El Kaber

Chairman