

Directors' Report

Economic Outlook

The advent of 2022 had brought with it hope and aspirations for a world slowly emerging from the two-year disruption of the Coronavirus pandemic (the "Pandemic") that had wrought considerable economic and personal challenges. However, the aftermath of the Pandemic, the ripple effects of the Ukraine conflict, the remnants of the supply chain woes and the rising commodity prices and inflation have all resulted in a slow-down of the global economic growth. Taking the cue from the Federal Reserve in the US to aggressively raise interest rates to rein in inflation, many Central Banks in the world followed suit. Moreover, Trade equations amongst most countries have been redefined in the context of changing economic priorities, brought on by new geo-political equilibriums.

The Middle East and North Africa ("MENA") region, especially the oil-exporting countries, have largely been beneficiaries of the global rise in oil prices and increased demand, as buyers have sought alternatives to Russia's hydrocarbons exports. Therefore, economic growth in the Gulf Cooperation Council ("GCC") and the oil-exporting countries of the MENA region is expected to strengthen over the medium term in line with elevated oil prices. However, the pattern of growth in the oil-importing countries of the region varies, owing to differing economic structures, trade priorities and varying degrees of impact from the inflationary pressures and the crisis in Ukraine.

Strategy

In the context of the challenging global and regional environments, Al Baraka Group ("ABG", "ABG Group" or the "Group") has adroitly weathered the economic headwinds to produce a very good outcome from its operations during the year, owing to its strong business model and flexibility in adapting to the changing conditions. The Group's primary focus has been on streamlining its overall strategic direction and that of its subsidiaries (the "Units") in anticipation of the world recovering from the economic effects of the Pandemic, in order to position itself for taking full advantage of new business developments. In addition, a conscious effort has been made to control our operational costs at our Head Office as well as at the Units despite the inflationary pressures. We have also continued to strengthen our governance structure through strong representation on the Units' boards of directors as a main shareholder; this has helped strengthen control, build efficiencies and improve oversight, which had a bigger impact on effectively melding the overall strategy of the Group.

During the year 2022, we completed the conversion of ABG's wholesale banking license to that of a Category 1 Investment Business Firm (Islamic Principles), we have made further progress in refocusing our business on markets and customer segments that provide us with greater potential for revenue enhancement and profitability. Accordingly, ABG has agreed to sell its 43.65% stake in Bank Al-Tamweel Wa Al-Inma S.A in Morocco ("BTI") to Bank of Africa, the Group's local strategic partner and the Bank's majority shareholder. The transaction, which is subject to regulatory approvals in Morocco, has received approval from the Central Bank of Bahrain ("CBB"). The Group has also completed the sale of its 83.07% stake in Itqan Capital, which is based in the Kingdom of Saudi Arabia, to a private buyer investor in Saudi Arabia, with the regulatory approvals for this transaction already received from both the Saudi Capital Market Authority and the General Authority for Competition as well as the CBB. Furthermore, we have completed the closure of our Representative Office in Indonesia, and we have delisted our shares from Nasdaq Dubai. These actions have helped streamline our operations further and enhance efficiencies.

Meanwhile, our digitalization initiatives have continued and will continue unabated with the revamp and acceleration of the digital transformation strategies of all our key Units, which we believe will help the Group capture significant financial value and build the capabilities needed to remain competitive. Our "Digitalization" vision is for our Units to become leaders in digital participation banking globally and to lead beyond traditional banking; our objective is to provide our customers with best-in-class mobile and omnichannel experience supported by a best-in-class modern IT architecture harmonized across the Group.

Looking ahead, our Group's strategic priorities will be on boosting our revenue generation - especially income from transaction fees and other non-financing activities, efficiently managing costs across our Units, including the operational cost, the cost of capital and the cost of risk, and deploying our assets with due cognizance of risk metrics with the aim of improving asset quality and managing our capital more efficiently. We believe the returns to our shareholders and stakeholders to be our primary aim, as are customer and staff satisfaction, all accruing from conducting our business in a sustainable and socially responsible manner.

Financial performance

ABG achieved a total operating income of US\$ 1,139 million for 2022, compared to US\$ 993 million in 2021, an increase of 15%. The net income for the year was US\$ 239 million, up by 52% from last year. The net income attributable to the equity holders of the parent increased by 52% to US\$ 143 million, compared to US\$ 94 million in 2021. The Basic and Diluted Earnings per Share was US Cents 9.06 compared to US Cents 5.17 in 2021. The year witnessed a rise in profit margins in some subsidiaries and the major contributors to our net income were our subsidiaries in Turkey, Jordan and Egypt. Despite adverse foreign currency movements, the Group performed well, which is evidence of the efficient management of the resources and business.

The total assets were US\$ 25.0 billion as of the end of 2022, compared to US\$ 27.8 billion as of the end of 2021. The equity attributable to the parent's shareholders and Sukuk holders amounted to US\$ 1.3 billion (US\$ 1.4 billion in 2021). Total equity as of the end of the year was flat at US\$ 2.0 billion when compared to the end of the last year.

The Board of Directors remuneration and other entitlements in addition to the top management remuneration are attached (hereto as per the requirements of Article (188) of the Companies Commercial Law of Bahrain).

As of December 31, 2022, the ownership of the shares of ABG by the Board is immaterial and no trading of such shares took place during the year. Details of the shares held by the directors and executive management are provided in the notes to the consolidated financial statements.

We thank all our stakeholders and customers for their loyalty and trust to enable us to achieve yet another very good performance and to further the strategic objectives of the Group. We would also like to place on record our gratitude to the management and staff of ABG and its subsidiaries for their unstinting dedication and commitment to achieving the Group's objectives. Finally, we would like to thank the Unified Shari'a Supervisory Board for their advice and counsel, and the Central Bank of Bahrain, The Ministry of Industry & Commerce, the Bahrain Bourse and all our subsidiaries' regulatory authorities for their continued support and cooperation.

May Peace, Mercy and Blessings of Allah be upon you.

On behalf of the Board of Directors,



Abdullah Saleh Kamel
Chairman

First: Board of directors' remuneration details:

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			
1. Mr. Abdullah Saleh Kamel	58,881.84	12,441	-	-	71,322.84	-	-	-	-	-	-	71,322.84	1,336
2. Mr. Mohamed Ebrahim AlShroogi	44,879.52	11,310	-	-	56,189.52	-	-	-	-	-	-	56,189.52	722
3. Mr. Mazin Khairy Manna	19,297.15	6,786	**	-	26,083.15	-	-	-	-	-	-	26,083.15	-
4. Mr. Abdul Elah Abdul Rahim Sabbahi	42,934.75	13,572	-	-	56,506.75	-	-	-	-	-	-	56,506.75	988
5. Mr. Saud Saleh Al Saleh	44,879.52	15,834	-	-	60,713.52	-	-	-	-	-	-	60,713.52	-
6. Mr. Fahad Abdullah Al Rajhi	40,601.03	14,703	-	-	55,304.03	-	-	-	-	-	-	55,304.03	-
7. Dr. Jehad El-Nakla	49,546.96	21,489	-	-	71,035.96	-	-	-	-	-	-	71,035.96	1,904
8. Mrs. Dalia Hazem Khorshid	41,767.89	12,441	-	-	54,208.89	-	-	-	-	-	-	54,208.89	-
9. Dr. Khaled Abdulla Ateeq	55,770.21	21,489	-	-	77,259.21	-	-	-	-	-	-	77,259.21	1,299
10. Mr. Naser Mohamed Al Nuwais	37,878.36	11,310	-	-	49,188.36	-	-	-	-	-	-	49,188.36	2,232
11. Dr. Mohamed Chiekh-Rouhou	37,100.45	11,310	-	-	48,410.45	-	-	-	-	-	-	48,410.45	-
12. Dr. Ziad Ahmed Bahaa-Eldin	37,878.36	12,441	-	-	50,319.36	-	-	-	-	-	-	50,319.36	-
13. Mr. Tawfig Shaker Mufti	40,212.08	12,441	-	-	52,653.08	-	-	-	-	-	-	52,653.08	438
14. Mr. Housseem Ben Haj Amor	13,871.88	4,524	**	-	18,395.88	-	-	-	-	-	-	18,395.88	-
Total	565,500.00	182,091	-	-	747,591.00	-	-	-	-	-	-	747,591.00	8,919

Notes:

All amounts stated in Bahraini Dinars.

Remunerations of the chairman and BOD:

* Includes fixed remunerations and remunerations calculated by points system. The remuneration is the proposed amounts and are subject to approval by the Shareholders in the AGM.

Salaries:

** Mr. Mazin Khairy Manna's salary is included in the Executive Management remuneration disclosure.

** Mr. Housseem Ben Haj Amor's salary is included in the Executive Management remuneration disclosure.

Other remunerations:

*** It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

**** It includes the board member's share of the profits - Granted shares (if any).

Expenses Allowance:

***** It includes Per-diem, Ticket and Hotel charges.

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	1,250,445.556	552,250.000	0	1,802,695.556

Note: All amounts stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc.

** The company's highest financial officer (CFO, Finance Director, ...etc)



Shaikh Abdullah Saleh Kamel
Chairman



Mohamed Ebrahim Alshroogi
Vice Chairman