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بنك البحرين الإسلامي BisB

BOARD OF DIRECTORS REPORT

In the name of Allah, the Most Beneficent. Prayers and Peace be upon the last Apostle and Messenger, His Comrades and Relatives.

On behalf of the Board of Directors of Bahrain Islamic Bank (BisB), I am pleased to present the Annual Integrated Report and audited Financial Statements for BisB for the year ended 31 December 2022.

The focus of the 2022 Annual Integrated Report is on 'encapsulating a sustainable banking approach' that illustrates the continued success of BisB's multi-year strategic journey that began in 2020. During the year under review, with improving macroeconomic conditions, BisB delivered strong results thanks to a determined focus on improving operational efficiencies, diversifying our customer base and strengthening our balance sheet.

As we enter 2023, we can say with confidence that the Bank continues to respond effectively to its challenges and is poised for continued growth, measured by its financial and Environmental, Social, and Governance (ESG) metrics. Importantly, the Bank is consistently focused on improving its competitiveness and ensuring it generates sustainable value to all stakeholders.

Performance

The support offered by the Bahraini government in the last 2 years in response to the pandemic brought considerable relief to individuals, households, small businesses and larger companies. However, as the economy dynamically recovered and as we transitioned to the post-COVID new norm, businesses are grappling with having to go back to servicing their debt and ensuring they maintain a competitive edge to reposition themselves on a sustainable growth path. This will undoubtedly create challenges for the Bank in relation to its financing portfolio which it will need to manage with prudence.

We are pleased with the strong results this year that were driven by significantly enhanced asset quality and better balancing of our portfolio, BisB's net profit amounted to BD 12.6 million, an increase of more than 100% compared to 2021. This result was due to a significant decrease in impairment allowance and other provisions along with an increase in income from financing.

The Bank's total assets amounted to BD 1.36 billion, increasing by 3% over the last year. In addition, total Islamic financing increased by BD 43 million to BD 910 million, which is a rise of 5% year-on-year. Similarly, BisB achieved solid annualized returns whereby the return on average equity was 9.6%, compared to 5.5% in 2021 and return on average assets ratio closed the year at 0.9% compared to 0.5% for the previous year.

Profit income growth has witnessed a turnaround as the year progressed and the business momentum reflected positively on the Bank's performance. Furthermore, non-funded income rose by more than 16%, which reflects the Bank's goal of diversification of revenue streams. Lastly, impairment allowance and other provisions has significantly decreased by 40% compared to 2021.

Looking Ahead

2023 presents its own challenges that I am certain we will navigate successfully and overcome. There is a current global rising interest rates' trend which will increase the Bank's cost of funding and may affect economic growth. As such we will need to ensure we maintain a prudent approach to financing. More specifically we will be focusing on four major themes contributing to our evolution:

1. Harnessing further opportunities from digitalization

2. Maintain the focus on the robust governance structure and risk management framework we have in place

3. Diversify our revenue stream and client base, and always aim for customer service excellence

4. Further embed ESG and climate-specific considerations into our operation

The Bank's strategy will be largely unchanged, the Board and executive management will ensure that its implementation rigorously focuses on the impact of these four themes for a stronger tomorrow.

The Bahraini Government has developed a new national economic and fiscal balance plan. This is expected to vitalize the economy including capturing over $30 billion of investment in strategic projects and creating new industrial investment areas across the Kingdom. Furthermore, the government has further refined the plan to incorporate an additional pillar that focuses on attracting investments totaling $2.5 billion by the end of 2023 into the Kingdom of Bahrain.

BisB as a leading Islamic bank along with other financial institutions, will stand to play a vital role whereby we will focus on enabling the government's plan and vision through encouraging international investors, and local corporations to realize their growth aspirations via BisB's dynamic solutions and services.

Acknowledgements

On behalf of the Board of Directors, I extend my appreciation to His Majesty King Hamad bin Isa Al Khalifa, Ruler of the Kingdom of Bahrain, and His Royal Highness Prince Salman bin Hamad Al Khalifa Crown Prince and Prime Minister.

I would also like to thank our shareholders, employees, customers and Management for their commitment and loyalty to BisB.

Finally, I would like to express my appreciation to the outgoing CEO, Mr Hassan Amin Jarrar, for his leadership and service to BisB over the past 7 years. He has been succeeded by a previous Board member Mr. Yaser Abduljalil Alsharifi, who was appointed as CEO and has taken over as of October 2022. With over 27 years' experience in the financial services industry, and past senior executive roles at the National Bank of Bahrain (NBB) and Al Rajhi Holdings, Mr. Alsharifi is the perfect successor, and we are certain that he will support the Bank's vision to continuously evolve and ensure BisB remains the Islamic bank of choice.

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As part of the Bank's obligation to maintain utmost transparency with our valued shareholders, we are pleased to attach the table below that shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31st December 2022.

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			
First: Independent Directors:													
1- Khalid Abdulaziz Al Jassim	26,857	26,000	-	1,035	53,892	-	-	-	-	-	-	53,892	-
2- Marwan Khaled Tabbara	26,857	23,000	-	1,035	50,892	-	-	-	-	-	-	50,892	-
3- Mohammed Abdulla Al Jalahma *End of membership on 28th March 2022	6,446	4,867	-	1,035	12,348	-	-	-	-	-	-	12,348	-
4- Saqer Abdulmohsin Alsijari *Elected on 28th March 2022	20,411	19,700	-	29	40,140	-	-	-	-	-	-	40,140	-
5- Mohamed Abdulla Nooruddin	26,857	23,000	-	578	50,435	-	-	-	-	-	-	50,435	-
Second: Non-Executive Directors:													
1- Dr. Esam Abdulla Fakhro	40,287	12,000	-	665	52,952	-	-	-	-	-	-	52,952	-

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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			
2- Khalid Yousif Abdul Rahman	26,857	11,000	-	630	38,487	-	-	-	-	-	-	38,487	-
Third: Executive Directors:													
1- Jean Christophe Durand	26,857**	10,000	-	-	36,857	-	-	-	-	-	-	36,857	-
2- Yaser Abduljalil Al Sharifi *End of membership on 13th September 2022.	18,763**	7,000	-	665	26,428	-	-	-	-	-	-	26,428	-
3- Dana Abdulla Buheji	26,857**	12,000	-	-	38,857	-	-	-	-	-	-	38,857	-
4- Isa Hasan Maseeh	26,857**	23,000	-	867	50,724	-	-	-	-	-	-	50,724	-
Total	**273,906**	**171,567**	**-**	**6,539**	**452,012**	**-**	**-**	**-**	**-**	**-**	**-**	**452,012**	**-**

Note: All amounts stated in Bahraini Dinars.
***Subject to AGM and regulatory approval.**
****Remuneration is paid to the entity (shareholder) represented by these board members.**

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 (insert the value) (if any).**

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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**	1,168,597	140,388	507,833	1,816,818

Note: All amounts must be 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). This includes the outgoing and incoming CEOs.**
**** The company's highest financial officer (CFO, Finance Director, ...etc)**

Dr. Esam Abdulla Fakhro
Chairman