SICO BSC (c)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

CONTENTS

Comprehensive investment services for the Bahrain and GCC securities market

Commercial registration	33469
Board of Directors	Abdulla Kamal *Chairman of the Board and the Investment Committee*
	Hisham Al Kurdi *Vice Chairman of the Board & the Investment Committee*
	Waleed Al-Hashar *Member of the Board & the Investment Committee*
	Elham AlMajed *Member of the Board & the Investment Committee*
	Khalid Al Jasim *Member of the Board & Chairman of the Nominations, Remuneration & Corporate Governance Committee*
	Dana Raees *Member of the Board & Vice Chairperson of the Nominations, Remuneration & Corporate Governance Committee*
	Mohammed Abdulla *Member of the Board & the Audit, Risk and Compliance Committee & the Nominations, Remuneration & Corporate Governance Committee*
	Tala Fakhro *Member of the Board & Chairperson of the Audit, Risk and Compliance Committee*
	Naseema Haider *Member of the Board & Vice Chairperson of the Audit, Risk and Compliance Committee*
Chief Executive Officer	Najla M. Al Shirawi
Office	*Bahrain World Trade Center Isa Al Kabeer Avenue 365, Block 316, Kingdom of Bahrain Telephone 17515000, Fax 17514000*
Bankers	BBK BSC
Auditors	Ernst & Young

CHAIRMAN'S REPORT

For the year ended 31 December 2023

In my first year-end statement as SICO's Chairman of the Board, I would like to begin by expressing that it is my honor to have been given the opportunity to serve as Chairman of such a distinguished organization that has proven time and again, it's ability to maneuver challenging market conditions and deliver stellar results. Having served as a member of SICO's Board representing the Social Insurance Organization of Bahrain since 2020, I've been able to witness first-hand the impressive journey that SICO has taken to reach its current position as a regional financial institution with an on the ground presence in three of the region's most dynamic financial hubs.

The market upheavals of 2023 were considerable. The global economy experienced slower growth as the tightening cycle continued with central banks worldwide attempting to control inflation by raising interest rates. Although there have been signals of late that inflation is cooling and the tightening cycle is coming to an end, a high interest rate environment has characterized the landscape for the better part of two years making life difficult for investors and the financial sector as a whole. Last year we also saw the remarkable collapse of several midsized banks in the US, including Silicon Valley Bank, which sparked fears of contagion. Perhaps one of the most noteworthy developments of the past year, was what can only be described as the AI revolution. The rapid advancement that we witnessed in the field of artificial intelligence, particularly "Large Language Models", are completely changing the rules of engagement across multiple sectors and businesses, and the financial sector is no exception. This new reality will no doubt present us with fascinating new opportunities as well as risks.

Despite this tumultuous backdrop, our region and our business has remained remarkably resilient. The contraction in oil sector activities in 2023 that took place as a result of successive oil production cuts by OPEC+, was counterbalanced by the economic diversification efforts that governments across the region have undertaken over the past several years. In 2023 expansion in the non-oil sector is estimated to have grown by 4.3% in the GCC and the trend will continue.

At SICO, we remained focused on organic growth and leveraging our strengths in our core business segments, a strategy that has served us well even during challenging times. Over the past year, our unwavering commitment to operational excellence and a disciplined investment approach continued to propel us towards our overarching goals and substantially increase our assets under management irrespective of prevailing market conditions.

I'm proud to report that SICO's FY23 results have shown remarkable resilience with BD 4.4 million (USD 11.6 million) in consolidated net profit, representing a 23% increase from the BD 3.6 million (USD 9.4 million) recorded in 2022. The impressive growth was primarily driven by an expansion in net investment income for the year, on the back of strong results posted in the second half of 2023. The growth was further enhanced by a notable increase in net interest income coupled with solid brokerage and net fee income for the year. SICO's net investment income came in at BD 4.4 million (USD 11.8 million), a 326% growth from BD 1.0 million (USD 2.8 million) in 2022. Net fee income declined slightly by 7%to BD 8.1 million (USD 21.6 million) vs. BD 8.7 million (USD 23.1 million) in the previous year as a result of a decrease in booked performance fees.

We are exceptionally proud that we have been able to maintain our upwards trajectory when it comes to our assets under management (AUMs). SICO's AUMs continued to reach record highs in 2023 at USD 6 billion on a gross basis reflecting a 25% increase year-on-year up from USD 4.8 billion in 2022. Over the last five years the Gross AUMS have increased by over 300% from USD 1.9 billion to current USD 6 billion, with an impressive annual compounded growth of over 26%.; The robust growth is a testament to the strength and talent of the SICO asset management team that continues to outperform the market and to launch new products and services that have grown and diversified our client base in both Bahrain and KSA.

All of our lines of business delivered excellent operational performances as we worked to streamline our operations and rollout standardized processes and procedures across our regional footprint in KSA and the UAE. SICO is very well positioned to capture growth opportunities in these markets in 2024. Now that we have onboarded a new CEO with years of regional and local market expertise for our Saudi subsidiary SICO Capital, we are particularly optimistic about our next growth phase in the Kingdom.

The economic outlook for the region as a whole remains positive in 2024. With a continued commitment to economic diversification and a predicted easing of OPEC+ production quotas coupled with declining interest rates at year end and large government investments, GDP growth is expected to improve in the coming year with the non-oil sector remaining a key driver of economic activity. All of these developments and more will open new windows of opportunity for SICO.

On behalf of the Board of Directors at SICO, we extend our heartfelt gratitude to Shaikh Abdullah bin Khalifa Al Khalifa, who resigned from his post last April, for his exemplary leadership and guidance during his 12-year tenure as Chairman. His dedication and vision have significantly contributed to the growth of SICO's AUMs and facilitated our successful expansion across the region. With his appointment as the CEO of Bahrain Mumtalakat Holding Company, in accordance with the royal directives of His Royal Highness Prince Salman bin Hamad Al Khalifa, we wish Shaikh Abdullah the very best in his new role.

I also want to thank our Management Team and my fellow Board members for their efforts in helping us reach new heights this year and for continuing to deliver excellent results for our clients, shareholders, and the communities we serve. We thank you for your vision, oversight, and prudent leadership.

On behalf of the Board and the entire team at SICO, I would like to take this opportunity to convey our utmost thanks and appreciation to His Majesty the King and His Royal Highness the Crown Prince and the Prime Minister of Bahrain, Salman bin Hamad Al Khalifa for their steadfast support and commitment to diversifying and advancing the Bahraini economy, and making it a regional investment destination of choice. We would also like to give special thanks to our partners and regulators, the Ministry of Finance and National Economy, the Central Bank of Bahrain, and the Bahrain Bourse (BHB) for their ongoing support.

I look forward to working with the board and management team as well as our regulators to build on the bank's strong foundation and to drive growth in the years to come.

SICO's Executives remuneration in BD'000

Executive Management	Total paid salaries and allowances	Total paid remuneration (bonus)	Any other cash/ in kind remuneration for	Aggregate Amount
Top 6 remunerations for executive, including CEO and CFO	915	320	164	1,399

Details of SICO’s Board remuneration in BD’000

	Fixed Remunerations					Variable Remunerations							
Name	Remunerations of the chairman and the BOD	Total allowance for attending Board & committee meetings	Salaries	Others	Total	Remunerations of the chairman and the BOD	Bonus	Incentive Plans	Others	Total	**End-of-service award**	**Aggregate Amount** (Does not include expense allowance)	**Expenses Allowance**
Independent Directors													
Tala Fakhro	16,000	5,500	-	-	21,500	-	-	-	-	-	-	21,500	-
Non-Executive Directors													
Naseema Haider [1]	16,000	4,500	-	-	20,500	-	-	-	-	-	-	20,500	-
Khalid Al Jasim	16,000	4,250	-	-	20,250	-	-	-	-	-	-	20,250	-
Executive Directors													
Shaikh Abdulla bin Khalifa Al Khalifa **	-	1,500	-	-	1,500	-	-	-	-	-	-	1,500	-
Abdulla Kamal [2]	32,000	6,250	-	-	38,250	-	-	-	-	-	-	38,250	-
Hisham Al Kurdi [1]	16,000	4,000	-	-	20,000	-	-	-	-	-	-	20,000	-
Waleed Al Hashar [1]	16,000	4,000	-	-	20,000	-	-	-	-	-	-	20,000	-
Mohammed Abdulla [1]	16,000	5,500	-	-	21,500	-	-	-	-	-	-	21,500	-
Elham AlMajed [2]	16,000	3,500	-	-	19,500	-	-	-	-	-	-	19,500	-
Dana Raees [2]	16,000	4,000	-	-	20,000	-	-	-	-	-	-	20,000	-
Khurram Ali Mirza **	-	500	-	-	500	-	-	-	-	-	-	500	-
Total	**160,000**	**43,500**	**-**	**-**	**203,500**	**-**	**-**	**-**	**-**	**-**	**-**	**203,500**	**-**

**- Resigned during the year

1- Remuneration amount and meeting attendance allowance are paid to the account of the shareholder being represented by the respective Director

2- Remuneration amount is paid to the account of the shareholder being represented by the respective Director.

Abdulla Kamal
Chairman of the Board

Hisham Al Kurdi
Vice Chairman of the Board

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SICO B.S.C (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SICO BSC (c) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 27 February 2023.

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Chairman's report which form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in The Group's 2023 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SICO B.S.C (c) (continued)

Report on Other Legal and Regulatory Requirements

As required by the Commercial Companies Law and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

(a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

(b) the financial information contained in the Chairman's report is consistent with the consolidated financial statements;

(c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the Central Bank of Bahrain (CBB) Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB Directives, the regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

(d) satisfactory explanations and information have been provided to us by management in response to all our requests

The engagement partner on the audit resulting in this independent auditors' report is Nader Rahimi.

Ernst + Young

Partner's registration no. 115
26 February 2024
Manama, Kingdom of Bahrain

SICO BSC (c)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023 — Bahraini Dinars '000

	Note	***2023 BD***	*2022 BD*
ASSETS			
Cash and bank balances	7a	**56,437**	46,237
Treasury bills	7b	**10,151**	14,338
Securities bought under repurchase agreements	8	**252,883**	155,886
Investments at fair value through profit or loss	9	**25,152**	23,119
Investments at fair value through other comprehensive income	10a	**12,497**	10,244
Investments at amortized cost	10b	**17,372**	14,664
Fees receivable	11	**2,720**	2,062
Other assets	12	**9,642**	9,659
Property and equipment		**1,623**	2,099
Intangible assets and goodwill	13	**1,456**	1,674
Total assets		**389,933**	279,982
Equity and liabilities			
Liabilities			
Short-term bank borrowings	14a	**5,655**	3,770
Deposits from institutions	14b	**4,234**	1,278
Securities sold under repurchase agreements	15	**259,391**	162,989
Customer accounts	16	**35,806**	29,722
Other liabilities	17	**11,215**	9,822
Payable to other unit holders in consolidated funds	6	**3,150**	2,419
Total liabilities		**319,451**	210,000
Equity			
Share capital	18	**44,134**	44,134
Shares under employee share incentive scheme	18	**(2,263)**	(2,263)
Treasury shares	18	**(1,913)**	-
Statutory reserve	19	**9,781**	9,343
General reserve	20	**3,217**	3,217
Investments fair value reserve		**618**	885
Retained earnings		**16,908**	14,666
Total equity		**70,482**	69,982
Total equity and liabilities		**389,933**	279,982

The consolidated financial statements were approved by the Board of Directors on 26 February 2024 and signed on its behalf by:

Abdulla Kamal Chairman	Tala Fakhro Director	Najla M. Al Shirawi Chief Executive Officer

The attached notes 1 to 36 form part of these consolidated financial statements.

SICO BSC (c)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023 — Bahraini Dinars '000

	Note	***2023 BD***	*2022 BD*
Net investment income	21	**4,438**	1,041
Net fee income	22	**8,127**	8,720
Brokerage and other income	23	**2,133**	2,053
Net interest income	24	**3,588**	2,627
Total income		**18,286**	14,441
Staff cost	25	**(8,272)**	(6,876)
Other operating expenses	26	**(5,162)**	(3,978)
Share of (profit) / loss of non-controlling unit holders in consolidated funds	6	**(470)**	19
Profit for the year		**4,382**	3,606
Profit attributable to:			
Shareholders of the Bank		**4,382**	3,551
Non-controlling interests		**-**	55
		4,382	3,606
Basic and diluted earnings per share (fils)		**10.70**	8.45

Abdulla Kamal	Tala Fakhro	Najla M. Al Shirawi
Chairman	Director	Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023 Bahraini Dinars '000

	2023	*2022*
	BD	*BD*
Profit for the year	**4,382**	3,606
Other comprehensive income		
Items that are or may be reclassified to profit or loss in subsequent periods:		
- Net changes in fair value of FVOCI debt instruments	**167**	(263)
Items that will not be reclassified to profit or loss in subsequent periods:		
- Net change in fair value of FVOCI equity instruments	**50**	(66)
Total other comprehensive income/(loss) for the year	**217**	(329)
Total comprehensive income for the year	**4,599**	3,277
Total comprehensive income attributable to:		
Shareholders of the Bank	**4,599**	3,222
Non-controlling interests	**-**	55
	4,599	3,277

SICO BSC (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 — Bahraini Dinars '000

2023	*Share Capital BD*	*Shares under employee share incentive scheme BD*	*Treasury Shares BD*	*Statutory reserve BD*	*General reserve BD*	*Investments fair value reserve BD*	*Retained earnings BD*	*Total equity BD*
Balance at 1 January 2023	44,134	(2,263)	-	9,343	3,217	885	14,666	69,982
Profit for the year	-	-	-	-	-	-	4,382	4,382
Other comprehensive income:								
Net change in fair value of FVOCI instruments	-	-	-	-	-	217	-	217
Total other comprehensive income	-	-	-	-	-	**217**	-	**217**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**217**	**4,382**	**4,599**
Amount transferred to retained earnings on sale of FVOCI equity instruments	-	-	-	-	-	**(484)**	**484**	**-**
Transfer to charitable donation reserve	-	-	-	-	-	-	(40)	(40)
Transaction with owners recognised directly in equity:								
Transfer to statutory reserve	-	-	-	438	-	-	(438)	-
Cash dividend paid for 2022	-	-	-	-	-	-	(2,146)	(2,146)
Treasury shares purchased	-	-	(1,913)	-	-	-	-	(1,913)
Balance at 31 December 2023	**44,134**	**(2,263)**	**(1,913)**	**9,781**	**3,217**	**618**	**16,908**	**70,482**

The attached notes 1 to 36 form part of these consolidated financial statements.

For the year ended 31 December 2023 Bahraini Dinars '000

2022	*Share Capital BD*	*Shares under employee share incentive scheme BD*	*Statutory reserve BD*	*General reserve BD*	*Investments fair value reserve BD*	*Retained earnings BD*	*Total owner's equity BD*	*Non-controlling interest BD*	*Total equity BD*
Balance at 1 January 2022	42,849	(2,263)	8,982	3,217	1,540	14,540	68,865	1,947	70,812
Profit for the year	-	-	-	-	-	3,551	3,551	55	3,606
Other comprehensive income:									
Net change in fair value of FVOCI instruments	-	-	-	-	(329)	-	(329)	-	(329)
Total other comprehensive income	-	-	-	-	(329)	-	(329)	-	(329)
Total comprehensive income for the year	-	-	-	-	(329)	3,551	3,222	55	3,277
Amount transferred to retained earnings on sale of FVOCI equity instruments	-	-	-	-	(326)	326	-	-	-
Transfer to charitable donation reserve	-	-	-	-	-	(65)	(65)	-	(65)
Transaction with owners recognised directly in equity:									
Transfer to statutory reserve	-	-	361	-	-	(361)	-	-	-
Stock dividend at 3%	1,285	-	-	-	-	(1,285)	-	-	-
Cash dividend for 2021	-	-	-	-	-	(2,142)	(2,142)	-	(2,142)
Acquisition of NCI without a change in control	-	-	-	-	-	102	102	(2,002)	(1,900)
Balance at 31 December 2022	44,134	(2,263)	9,343	3,217	885	14,666	69,982	-	69,982

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023 — Bahraini Dinars '000

	Note	***2023 BD***	*2022 BD*
Operating activities			
Profit for the year		**4,382**	3,606
Adjustments for:			
Depreciation, Goodwill & Intangible amortization		**969**	837
ECL		**(24)**	(19)
Unrealised fair value (gain) / loss		**(853)**	2,902
Operating profit before changes in operating assets and liabilities		**4,474**	7,326
Changes in			
Securities bought under repurchase agreements		**(96,997)**	(37,948)
Investments at fair value through profit or loss		**(1,180)**	927
Investments at fair value through other comprehensive income		**(2,036)**	41
Investments at amortized cost		**(2,708)**	(4,729)
Fees receivable		**(658)**	3,652
Other assets		**41**	2,791
Securities sold under repurchase agreements		**96,402**	37,779
Customer accounts		**6,084**	(17,427)
Other liabilities		**1,353**	512
Payable to other unit holders in consolidated funds		**731**	(275)
Net cash generated from / (used in) operating activities		**5,506**	(7,351)
Investing activities			
Capital expenditure on furniture and equipment		**(275)**	(2,498)
Net movement due to acquisition of NCI		**-**	(1,900)
Net cash used in investing activities		**(275)**	(4,398)
Financing activities			
Short-term bank borrowings		**1,885**	(4,641)
Deposits from institutions		**2,956**	1,278
Treasury Shares Purchased		**(1,913)**	-
Dividend paid		**(2,146)**	(2,142)
Net cash generated from / (used in) financing activities		**782**	(5,505)
Net increase / (decrease) in cash and cash equivalents		**6,013**	(17,254)
Cash and cash equivalents at the beginning of the year		**60,575**	77,829
Cash and cash equivalents at the end of the year	7	**66,588**	60,575

The attached notes 1 to 36 form part of these consolidated financial statements.

1 REPORTING ENTITY

SICO BSC (c) (the “Bank”) is a closed joint stock company registered in Bahrain under commercial registration number 33469 on 11 February 1995 and operates under a wholesale banking license from the Central Bank of Bahrain. On 7 May 2003, the Bank was listed on the Bahrain Bourse as a closed company.

The primary objectives of the Bank are:

- to act as a market maker at the Bahrain Bourse;
- to assist in the development of the securities market in Bahrain by researching and promoting financial instruments and other investment vehicles;
- to arrange the issuance of bonds for developmental and investment purposes;
- to act as investment agents, trustees and intermediaries;
- to establish and manage investment and financial funds and portfolios; and
- to offer financial advisory and underwriting services, such as advising corporations and family businesses on going public and structuring transactions for privatisation programs, mergers and acquisitions.

The consolidated financial statements include the results of the Bank and its subsidiaries, (collectively “the Group”).

2 BASIS OF PREPARATION

(a) Statement of compliance
The consolidated financial information of the Group has been prepared in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law 2006.

(b) Basis of measurement
The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments at fair value through profit or loss and investments at fair value through other comprehensive income.

(c) Use of estimates and judgments
The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 3(d).

(d) New accounting policy, standards, amendments and interpretations effective from 1 January 2023
There are new standards, amendments to the standards, which became effective as of 1 January 2023, that had no material impact on the consolidated financial statements.

- IFRS 17 Insurance contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

2 BASIS OF PREPARATION (continued)

(e) New standards and amendments not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16;
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7; and
- Lack of exchangeability – Amendments to IAS 21.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied consistently by the Group to all periods presented in the consolidated financial statements.

(a) Consolidation

(i) Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. NCI of consolidated funds are recognised as liabilities.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Functional and presentation currency

Items included in the financial statements of the Bank and its subsidiaries are measured based on the currency of the primary environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in Bahraini Dinars, representing the Bank's functional and presentation currency. Some of the subsidiaries' functional currencies are either in US Dollars or denominated in currencies which are effectively pegged to the US Dollars, and hence, the translation of financial statements of the Group companies that have a functional currency different from the presentation currency of the Bank do not result in exchange differences.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(c) Foreign currencies

Transactions in foreign currencies are converted to Bahraini Dinars at rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Bahraini Dinars at the market rates of exchange prevailing at the balance sheet date. Realised and unrealised foreign exchange profits and losses are included in other income.

(d) Critical accounting estimates and judgments in applying accounting policies

(i) Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Valuation of financial instruments

The valuation techniques of financial instruments may require certain unobservable inputs to be estimated by the management.

Impairment assessment of Goodwill and intangibles

The Group reviews its goodwill and intangibles on an annual basis to determine whether an impairment loss should be recorded in the statement of profit or loss, where assumptions and judgements are made in computing the recoverable value. Further details on impairment of non-financial assets are included in note 3(i).

(ii) Judgments

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as at fair value through profit or loss, amortised cost or fair value through other comprehensive income. The classification of each investment reflects the objective of the Group's business model in relation to each investment and is subject to different accounting treatments based on such classification.

Determination of control over investees – Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager.

(e) Investment securities

(i) Classification

Investments at fair value through profit or loss comprise trading securities and investments designated at initial recognition as investments at fair value through profit or loss. Trading securities are investments which the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position.

Investments at amortised costs are the assets where the group's model objectives is to hold assets in order to collect contractual cash flows, and the contractual cash flows of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal. Investments at fair value through other comprehensive income are non-derivative investments that represent debt instruments under business model both to collect contractual cash flows and to sell and quoted and unquoted equity investments held with the primary aim of dividends yields.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Investment securities (continued)

(ii) Recognition and de-recognition

Investment securities are recognised when the Group becomes a party to the contractual provisions of the instrument. Investment securities are derecognised if the Group's contractual rights from the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. This is normally deemed to occur on settlement date i.e. when the Group receives or delivers an asset.

(iii) Measurement

Investments at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised directly in the statement of profit or loss. They are subsequently remeasured to fair value at each reporting date with any resultant gain or loss recognised in the statement of profit or loss.

Investments at fair value through other comprehensive income ("FVOCI") are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition. Unrealised gains and losses arising from changes in the fair values of FVOCI investments are recognised in the statement of other comprehensive income. In the event of sale, disposal or collection of debt securities classified as FVOCI, the cumulative gains and losses recognised in other comprehensive income are transferred to the profit or loss. In the event of sale, disposal or collection of equity securities classified as FVOCI, the cumulative gains and losses recognised in other comprehensive income are transferred to the retained earnings.

(iv) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of the relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

(f) Recognition and de-recognition of financial liabilities

The Group recognises and measures financial liability initially at fair value plus/minus transaction cost. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(g) Cash and cash equivalents

For the purpose of the statement of consolidated cash flows, cash and cash equivalents comprise cash and bank balances, call deposits, placements with banks and treasury bills that have an original maturity of three months or less when acquired and which are subject to insignificant risk of changes in their fair value. Placement with original maturity over three months are presented under placement with banks. Loss allowance for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECLs.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

(i) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

(j) Property, equipment and intangibles

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Depreciation is provided on cost using the straight-line method, which is intended to write off the cost of the assets over their expected useful life as follows:

Furniture and equipment	3-5 years

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Software	5-10 years

(k) Leases

At the inception of the contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Leases (continued)

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

(i) Measurement

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liability is measured as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Bank’s incremental borrowing rate. Lease liability comprises the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option;
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank’s estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) Short-term leases

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Borrowings

Borrowings are initially measured at fair value minus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised. As the Bank retains all or substantially all the risks and rewards of the transferred assets, amounts received under these agreements are treated as liabilities and the difference between the sales and repurchase price treated as interest expense using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are treated as assets and the difference between the purchase and resale price treated as interest income using the effective interest method.

(n) Customer accounts

These are initially measured at fair value minus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Employee benefits

(i) Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard ("IAS") 19 – Employee Benefits are charged to income in the year to which they relate.

(ii) Expatriate employees

Expatriate employees are entitled to a leaving indemnity under the Bahrain Labor Law for the Private Sector – Law no. (36) of 2012 based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit plan under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

(iii) Employee share incentive scheme

The Bank operates a discretionary share-based plan, which is designed to provide competitive long-term incentives and is a cash-settled share based payment scheme. The total amount is expensed over the vesting period and is determined by reference to the fair value of the shares at the grant date and re-measured at every year end over the vesting period.

(iv) Employee savings scheme

The Bank operates an employee savings scheme, with the objective to encourage systematic savings by the employees and contributions by the Bank up to a certain limit. These funds are managed by investing in multiple funds according to the risk appetite of the employees. Detailed rules are in place with respect to the scheme. The employer's contribution to the scheme is expensed in the period where the same is made.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(q) Fiduciary activities

The Group act as administrator and manager for assets held in funds and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(r) Settlement date accounting

All “regular way” purchases and sales of financial assets except for derivatives are recognised on the settlement date i.e. the date the Group receives or delivers the asset. Regular way purchases or sale are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(s) Offsetting

Financial assets and liabilities are set off and the net amount reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

(t) Earnings per share

The Group presents basic earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(u) Interest income and expense

Interest income and expense is recognised in the consolidated statement of profit or loss as it accrues, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

(v) Fee and commission

Fee and commission income comprises custody fee, investment management fee, advisory fee, performance fee and investment banking fees earned by the Group. Custody and investment management fees are recognised at a point in time as the related services are performed and the Group becomes entitled to the fee and the customer obtains control of the benefits from the services. Variable consideration in such fees are estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of fee recognised, will not occur when the associated uncertainty is resolved.

Performance fee is recognised in accordance with investment management agreements where the Group is entitled to receive a share of the profits of the investment funds once a certain hurdle is reached on a high-water mark basis. In accordance with the terms and conditions of the investment management agreements, the performance fee due to the Group is calculated at each reporting date, taking into account each performance condition and distribution arrangements of the Funds as a whole.

Fee and commission expense relates mainly to custody fee which is expensed as the service is provided.

(w) Net investment income

Net investment income includes all realised and unrealised fair value changes on investment at fair value through profit or loss and realised portion on the debt investment at fair value through other comprehensive income and the related dividend. This also includes interest income from fixed income investments.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(x) Dividend income
Dividend income is recognised when the right to receive income is established. Dividends are presented in net investment income.

(y) Brokerage and other income
Brokerage and other income consist of brokerage income, other income and foreign exchange income. This income is recognised at a point in time when the related services are performed and the customer obtains control of the benefits of the services rendered.

(z) Segment reporting
IFRS 8 "Operating Segments" prescribes the "management approach" to segment reporting which requires the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's senior management in order to assess each segment's performance and to allocate resources to them. The Group's lines of business are brokerage, asset management, investment banking, real estate, investments, market making and custody business. At present, the Group's revenue is reviewed by lines of business. However, the expenses and results are reviewed at a Group level and therefore no operating segment and geographic segment disclosure is provided in these consolidated financial statements.

(aa) Statutory reserve
In accordance with the Commercial Companies Law, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is not normally distributable except on liquidation.

(ab) General reserve
General reserve is appropriated from retained earnings and available for distribution.

(ac) Treasury shares
When share capital of the Bank is repurchased, the amount of consideration paid is recognised as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity. Gains/ losses on disposal of treasury shares are recognised in equity.

4 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview
The Group has exposure to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk and the Group's management of capital.

Risk management framework
The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is assisted in this function by the Board Audit, Risk and Compliance Committee.

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Introduction and overview (continued)

Risk management framework (continued)
The Board has set up an independent Risk Management Unit that provides leadership, direction and coordination of efforts in managing the risks. It provides a holistic, integrated, future-focused and process-oriented approach to enable the Group to balance its key business risks and opportunities with the intent of maximising returns and shareholder value. Moreover, the Bank has recently established a dedicated Governance, Risk, and Compliance Committee that oversees the internal control functions carried out by SICO's various departments.

The Audit, Risk and Compliance Committee of the Board is responsible for monitoring compliance with the Bank's policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit, Risk and Compliance Committee is assisted in these functions by the Internal Audit function, which undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Compliance Committee.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes the Group to incur a financial loss. The credit risk for the Group arises principally from its brokerage activities, issuer price risk in proprietary portfolios. Counterparty credit risk consists of two categories of risks: pre-settlement and settlement risks. In the brokerage business, counterparty credit risk arises vis-a-vis trading counterparties and counterparty brokers. In asset management, treasury and proprietary investments, deals routed through counterparty brokers gives rise to counterparty credit risk.

(i) Investments in debt securities

The Group's investments in debt securities are spread among geographical areas and various credit grades. The Group has an established investment policy under which investments are analyzed individually for classification based on the established business model. Hence, debt investments may be purchased for trading purposes as well as for liquidity management purposes. Each investment is evaluated by the proprietary investments department based on the business model and various external factors including but not limited to external rating, issuer rating, coupon rates, country risk, etc.

Expected loss is assessed based on a variety of data that are determined to be predictive of the risk of loss (including external credit ratings, financial statements and available external information) and applying experienced credit judgment. The historic loss experience is adjusted to reflect differences between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the remaining life-time tenor of the securities. Management believes there is no further credit risk provision required in excess of the normal impairment on debt securities.

(ii) Management of credit risk

The Group limits its credit risk by applying well-defined credit policies and procedures laid down by the Board and the Board Audit, Risk and Compliance Committee.

The Group manages the counterparty risks for brokerage clients by conducting a credit evaluation of the clients and counterparty brokers of the Gulf Cooperation Council ("GCC") and other exchanges using financial and other non- financial parameters.

For the year ended 31 December 2023 Bahraini Dinars '000

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)
The risks in proprietary investment portfolios are monitored and controlled by means of asset allocation guidelines and exposure limits approved in accordance with well-defined investment policies and procedures. These are reviewed on management level by the Asset Liability Investment Committee ("ALIC"), and on a Board level by the Board Investment Committee. The risks in the Repo and Reverse Repo are monitored and controlled by limits approved by the management and the Board and daily margining is applicable. Additionally, the Group strictly adheres to the large exposure norms prescribed by the CBB.

Regular audits of business units and Group credit processes are undertaken by the Bank's Internal Audit function.

Exposure to credit risk
The Group's maximum exposure to credit risk is as follows:

	2023 BD	*2022 BD*
Bank balances	**56,437**	46,237
Treasury bills	**10,151**	14,338
Securities bought under repurchase agreements	**252,883**	155,886
FVTPL debt securities	**7,967**	7,276
FVOCI debt securities	**8,526**	5,136
Fee receivable	**2,720**	2,062
Other assets	**9,107**	9,242
	347,791	240,177

Currently the margin trading lending on the GCC Stock Exchange and REPO transactions are subject to formal collateral arrangement. The margin scheme is undertaken in accordance with the related regulation issued by the Central Bank of Bahrain (CBB). Further, the margin lending on the UAE Stock Exchanges are undertaken in accordance with the regulations issued by the Emirates Securities and Commodities Authority (ESCA). The margin lending on the Saudi Stock Exchange is undertaken in accordance with the regulations issued by the Capital Market Authority (CMA). The shares in the Margin Trading portfolio are held as collateral against the amount lent to the customer. Such shares are marked-to-market on a daily basis. If there is any deficit in the minimum equity ratio, then a maintenance margin call is issued.

Additionally, brokerage client agreements have a clause that the Group has a right to liquidate the client's shares under its custody, if such client fails to honor its obligations.

REVERSE REPO transactions are short term in nature and generally backed by liquid high quality collateral (mainly Government and Quasi-Government bonds along with investment grade securities) and with substantial hair-cuts. The lending is subject to daily margin management and monitoring within the realms of the Group's internal risk management framework.

The Group writes off a customer/ investment balance when the Group determines that carrying amounts are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the customer/ issuer's financial position such that the customer/ issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. There were no such write-offs during the year.

For the year ended 31 December 2023 Bahraini Dinars '000

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

Risk exposure concentration
Risk concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. In line with regulatory requirements, the Bank has a group level Large Exposure Policy which details the Bank's approach in managing concentration risk to sectors, asset classes, single obligors and countries including defining specific limits approved by the Board. Concentration of risks is managed by counterparty, by geographical region and by industry sector.

The maximum credit exposure to any client, counterparty or group of closely related counterparties as of 31 December 2023 was BD 131,963 (2022: BD 81,925), relating to Placement, securities brought under repurchase agreements and fees receivable.

Geographical exposure distribution
Geographical concentration of all assets and liabilities of the Group are as follows:

2023	***Middle East & Asia countries BD***	***North America BD***	***Europe BD***	***Total BD***
Assets				
Cash and bank balances	50,292	963	5,182	56,437
Treasury bills	10,151	-	-	10,151
Securities bought under repurchase agreements	247,147	-	5,736	252,883
Investments at fair value through profit or loss	21,142	4,010	-	25,152
Investments at fair value through other comprehensive income	12,388	109	-	12,497
Investments at amortized cost	17,372	-	-	17,372
Fees receivable	2,686	6	28	2,720
Other assets	9,560	12	70	9,642
Property and equipment	1,623	-	-	1,623
Intangible assets and goodwill	1,456	-	-	1,456
	373,817	**5,100**	**11,016**	**389,933**
Liabilities				
Short-term bank borrowings	5,655	-	-	5,655
Deposits from institutions	4,234	-	-	4,234
Securities sold under repurchase agreements	133,202	-	126,189	259,391
Customer accounts	31,855	2,052	1,899	35,806
Payable to other unit holders in consolidated funds	3,150	-	-	3,150
Other liabilities	10,144	-	1,071	11,215
Total liabilities	**188,240**	**2,052**	**129,159**	**319,451**

For the year ended 31 December 2023 Bahraini Dinars '000

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

2022	*Middle East & Asia countries BD*	*North America BD*	*Europe BD*	*Total BD*
Assets				
Cash and bank balances	43,145	252	2,840	46,237
Treasury bills	14,338	-	-	14,338
Securities bought under repurchase agreements	150,108	-	5,778	155,886
Investments at fair value through profit or loss	15,108	4,876	3,135	23,119
Investments at fair value through other comprehensive income	10,143	101	-	10,244
Investments at amortized cost	14,664	-	-	14,664
Fees receivable	1,929	-	133	2,062
Other assets	9,431	5	223	9,659
Property and equipment	2,099	-	-	2,099
Intangible assets and goodwill	1,674	-	-	1,674
	262,639	5,234	12,109	279,982

2022	*Middle East & Asia countries BD*	*North America BD*	*Europe BD*	*Total BD*
Liabilities				
Short-term bank borrowings	3,770	-	-	3,770
Deposits from institutions	1,278	-	-	1,278
Securities sold under repurchase agreements	87,927	-	75,062	162,989
Customer accounts	28,408	334	980	29,722
Payable to other unit holders in consolidated funds	2,419	-	-	2,419
Other liabilities	9,322	-	500	9,822
Total liabilities	133,124	334	76,542	210,000

The distribution of assets and liabilities by industry sector is as follows:

2023	***Financial services BD***	***Others BD***	***Total BD***
Total assets	**311,152**	**78,781**	**389,933**
Total liabilities	**291,352**	**28,099**	**319,451**

For the year ended 31 December 2023 Bahraini Dinars ‘000

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

2022	*Financial services BD*	*Others BD*	*Total BD*
Total assets	200,157	79,825	279,982
Total liabilities	181,826	28,174	210,000

The gross carrying amount of financial instruments and the associated loss allowance is as follows:

	2023			*2022*		
Particulars	***Gross exposure BD***	***ECL BD***	***Net exposure BD***	*Gross exposure BD*	*ECL BD*	*Net exposure BD*
Bank balances	**56,445**	**8**	**56,437**	46,244	7	46,237
Securities bought under repurchase agreements	**252,901**	**18**	**252,883**	155,905	19	155,886
Investment securities	**8,526**	**6**	**8,520**	5,136	6	5,130
Other assets (margin lending)	**4,749**	**40**	**4,709**	6,000	64	5,936
Total	**322,621**	**72**	**322,549**	213,285	96	213,189

Investments in debt securities classified as FVOCI are entirely in investment grade debt instruments i.e. credit grade A to B and the ECL on the same has been adjusted through the other comprehensive income statement.

All investments at amortised cost are exposures to the domestic sovereign debt. No credit loss is expected on these investments.

Settlement risk
The Group’s activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honor its obligations to deliver cash, securities or other assets as contractually agreed.

(c) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is managed for all the three risk originating departments - Asset Management, Brokerage and Proprietary Investments including the subsidiaries.

It also originates from the mismatches in the maturity pattern of assets and liabilities or other defaults that could result in its funding and credit lines drying up. Measuring and managing liquidity needs are considered vital for effective operation of the Group.

The Group faces two types of liquidity risks as follows:

- Funding risk – the risk that the firm will not be able to meet efficiently the expected and unexpected cash flow and collateral needs without affecting either daily operations or the financial condition of the firm.
- Market Liquidity Risk – the risk that a firm cannot easily offset or terminate a position at the market price because of inadequate market depth or market disruption.

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4 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Management of liquidity risk
Liquidity risk is currently managed by the Treasury Unit monitoring the cash flow and funding requirements on a daily basis. Credit lines have been established with a few financial institutions to be drawn upon in case needed. The Bank has set up the ALIC to closely supervise the Bank's liquidity management and associated risks.

The residual contractual maturity of financial liabilities is as follows:

	2023		
	Less than 1 year BD	***Gross outflow BD***	***Carrying value BD***
Short-term bank borrowings	5,665	5,665	5,655
Deposits from institutions	4,249	4,249	4,234
Securities sold under repurchase agreements	261,805	261,805	259,391
Customer accounts	35,806	35,806	35,806
Other liabilities	11,215	11,215	11,215
Payable to other unit holders in consolidated funds	3,150	3,150	3,150
	321,890	**321,890**	**319,451**

	2022		
	Less than 1 year BD	*Gross outflow BD*	*Carrying value BD*
Short-term bank borrowings	3,779	3,779	3,770
Deposits from institutions	1,278	1,278	1,278
Securities sold under repurchase agreements	164,122	164,122	162,989
Customer accounts	29,722	29,722	29,722
Other liabilities	9,822	9,822	9,822
Payable to other unit holders in consolidated funds	2,419	2,419	2,419
	211,142	211,142	210,000

Liquidity risk is also managed through ensuring compliance with regulatory liquidity requirements. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are the ratios which the Bank computes as per the CBB requirements. The ratios as of 31 December 2023 and 2022 are as follows:

	As of 31 December 2023	*As of 31 December 2022*
Liquidity Coverage Ratio	**493%**	268%
Net Stable Funding Ratio	**156%**	136%

The daily average of LCR for the year ended 31 December 2023 was 416% (31 December 2022: 231%).

(d) Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

The Bank, as part of its normal operations, is exposed to market risk with regard to its investments in fair value through profit or loss (“FVTPL”) securities and fair value through other comprehensive income securities ("FVOCI"). However, this risk is controlled by appropriate management review and monitoring through the Investment Portfolio Guidelines set by the Board Investment Committee ("BIC") and the Group’s management. Market risk management thus involves the management of equity price risk, interest rate risk and foreign exchange risk.

(i) Equity price risk

Equity investment activities have a significant impact on earnings and business relationships in the Bank. Only the equities and equity based funds are considered by the Bank for the purpose of market risk management and market risk capital computation.

Active management of investments is a well-known method of risk management in equities. Portfolio diversification on the basis of industry, sector, geographic, and market factors enables the Bank to diversify its risks. There are well defined Investment Policies and Procedures approved by the Board that govern the FVTPL as well as FVOCI portfolios.

Formal valuation policies that specify appropriate and sound portfolio valuation methodologies have been established for investments in listed companies and indirect fund investments. Marking the equity portfolio to market on a daily basis ensures that the unrealized gains and losses are accounted for on a daily basis. Externally managed funds and portfolios are valued at Net Asset Value provided by the external investment managers and administrators on a periodic basis.

Portfolio-valuation methodologies conform to accepted accounting principles and are based on sound, empirically acceptable approaches that are clearly articulated, well documented, and applied consistently across similar investments over time.

Equity price risk – sensitivity

All of the Group’s listed equity investments are listed on recognized regional and global stock exchanges. For such investments classified at FVOCI, a 1% increase in the fair value at the reporting date would have increased equity by BD 40 (2022: BD 51); an equal change in the opposite direction would have decreased equity by BD 40 (2022: a decrease of BD 51). For such investments classified as at FVTPL, the impact of a 1% increase in the index at the reporting date on profit or loss would have been an increase of BD 40 (2022: BD 62). An equal change in the opposite direction would have decreased profit or loss by BD 40 (2022: BD 62).

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The investments in debt instruments, placements, borrowings and call deposits are subject to interest rate risk. The Treasury Unit carefully monitors these exposures in order to mitigate this risk. The Bank minimises its exposure to interest rate risk by careful monitoring of exposures. Placements and call deposits with banks are at fixed interest rates and mature within three months. The liabilities of the Bank include customer advances for purchase of investments on their behalf. The Bank maintains cash balances with various banks in different currencies to meet liquidity requirements for equity share deals settlement in these currencies. These arise due to the need for timely payment of settlement amounts by clients as well as proprietary trades. The Bank has exposures to debt instruments issued by GCC institutions in its proprietary investment portfolios. Investments in debt instruments are approved only based on structured analysis of the proposed investment and the issuer. Some debt instruments are unrated.

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4 FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

The Bank follows the Standardised Methodology for managing interest rate risk, where the risk exposures in fixed income securities are measured using a two-pronged approach – measuring the issuer risk and general market risk. The Duration Gap approach methodology is used for this purpose.

Interest rate re-pricing profile

2023	***Effective interest rate % p.a.***	***Within 1 year BD***	***Over 1 year BD***	***Non-interest sensitive BD***	***Total BD***
Bank balances	-	-	-	26,265	**26,265**
Call deposits	-	2,975	-	-	**2,975**
Treasury bills	-	10,151	-	-	**10,151**
Short-term placements with banks	**6.11%**	27,197	-	-	**27,197**
Securities bought under repurchase agreements	**6.41%**	252,883	-	-	**252,883**
Investments at fair value through profit or loss	**5.69%**	2,491	5,477	17,184	**25,152**
Investments at fair value through other comprehensive income	**6.33%**	1,878	6,648	3,971	**12,497**
Investments at amortised cost	**6.65%**	3,588	13,784	-	**17,372**
Fees receivable	-	-	-	2,720	**2,720**
Other assets	-	169	-	9,473	**9,642**
Property and equipment	-	-	-	1,623	**1,623**
Intangible assets and goodwill	-	-	-	1,456	**1,456**
Total assets		**301,332**	**25,909**	**62,692**	**389,933**
Short-term bank borrowings	**5.85%**	5,655	-	-	**5,655**
Deposits from institutions	**6.31%**	4,234	-	-	**4,234**
Securities sold under repurchase agreements	**6.01%**	259,391	-	-	**259,391**
Customer accounts	-	-	-	35,806	**35,806**
Payable to other unit holders in consolidated funds	-	-	-	3,150	**3,150**
Other liabilities	-	-	-	11,215	**11,215**
Total liabilities		**269,280**	**-**	**50,171**	**319,451**
Equity	-	**-**	**-**	**70,482**	**70,482**
Total liabilities and equity		**269,280**	**-**	**120,653**	**389,933**
Interest rate sensitivity gap		**32,052**	**25,909**	**(57,961)**	**-**
Cumulative interest rate sensitivity gap		**32,052**	**57,961**	**-**	**-**

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4 FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

2022	*Effective interest rate % p.a.*	*Within 1 year BD*	*Over 1 year BD*	*Non-interest sensitive BD*	*Total BD*
Bank balances		-	-	22,062	22,062
Call deposits*		3,013	-	-	3,013
Treasury bills	5.04%	14,338	-	-	14,338
Short-term placements with banks	5.27%	21,162	-	-	21,162
Securities bought under repurchase agreements	5.45%	155,886	-	-	155,886
Investments at fair value through profit or loss	5.45%	174	7,102	15,843	23,119
Investments at fair value through other comprehensive income	6.81%	-	5,136	5,108	10,244
Investments at amortised cost	6.56%	-	14,664	-	14,664
Fees receivable		-	-	2,062	2,062
Other assets		114	-	9,545	9,659
Property and equipment		-	-	2,099	2,099
Intangible assets and goodwill		-	-	1,674	1,674
Total assets		194,687	26,902	58,393	279,982
Short-term bank borrowings	5.00%	3,770	-	-	3,770
Deposits from institutions	3.70%	1,278	-	-	1,278
Securities sold under repurchase agreements	4.75%	162,989	-	-	162,989
Customer accounts		-	-	29,722	29,722
Payable to other unit holders in consolidated funds		-	-	2,419	2,419
Other liabilities		-	-	9,822	9,822
Total liabilities		168,037	-	41,963	210,000
Equity		-	-	69,982	69,982
Total liabilities and equity		168,037	-	111,945	279,982
Interest rate sensitivity gap		26,650	26,902	(53,552)	-
Cumulative interest rate sensitivity gap		26,650	53,552	-	-

* At 31 December 2023 the effective interest rate on Bahraini Dinar call deposits is 4.65% (2022: 4.1%) and on USD call deposits is 4.35% (2022: 3.6%).

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

(iii) Foreign exchange risk

Foreign exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Most of the Bank's foreign currency exposures are in GCC currencies and US Dollar. Such exposures include short-term fixed deposits, investments in Securities and due from/ to customers. Since the Bahraini Dinar and all GCC currencies except for Kuwaiti Dinar are effectively pegged to the US Dollar, currency risk is minimal.

(e) Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, systems and people or external events. Unlike market or credit risks, which are systemic in nature, operational risk is firm-specific and is inherent in the day-to-day operations of any bank. It includes a very broad spectrum of risks that could arise from a variety of reasons including, but not limited to, deficient transaction processing, business practices, employment practices and systems failures, and damage to physical assets. It also includes the risk of internal and external fraud.

The Bank follows conservative, conscious control and adopts a number of mechanisms to manage operational risk. These include a well-defined organisational structure, policies and procedures guidelines, segregation of duties, approval authorities, reconciliations, and tolerance limits for exposures. The Internal Audit function and Regulatory Compliance Unit provide support in this control activity as well.

Regular custodial position reconciliations and bank reconciliations provide key strengths to mitigate operational risks. There is also a professional indemnity and Cyber Security insurance cover in place.

Another endeavor of the Bank's operational risk management is to usher in straight through processing to enable seamless processing and reduce operational errors and optimise productivity.

Assets under management activity have a range of controls to support the quality of the investment process and are supervised by an Asset Management Committee ("AMC"). These are supported by strict operational controls to safeguard clients' assets, and there are regular reviews of investment management performance.

Investment Banking and Real Estate activities are exposed to legal and reputational risk. Obtaining the necessary legal and regulatory approvals mitigates this risk. Advisory and underwriting matters are monitored and controlled by the management.

Regulatory compliance, including the anti-money laundering compliance program, also form a key component of risk management. Board and management attach high importance to these matters of strategic relevance. There are well laid out policies and procedures to achieve compliance with regulatory matters.

(f) Capital management

The CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's current capital position is sufficient to meet the regulatory capital requirements. The Bank ensures that the capital adequacy requirements are met on a consolidated basis and also with local regulator's requirements, if any, in countries in which the Bank has subsidiaries. The Bank has complied with regulatory capital requirements throughout the year.

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4 FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

The Bank's regulatory capital position at 31 December 2023 and 2022 were as follows:

Based on year end balances

	2023 BD	*2022 BD*
Risk weighted exposure		
Credit risk	**51,060**	43,046
Market risk	**16,013**	22,123
Operational risk	**26,615**	26,737
Total risk weighted assets	**93,688**	91,906

	2023 BD	*2022 BD*
Common Equity (CET 1)	**69,026**	69,242
Tier 2	**66**	90
Total regulatory capital	**69,092**	69,332
Capital adequacy ratio	**73.75%**	75.44%

The capital adequacy ratio as at 31 December 2023 has been calculated in accordance with Central Bank of Bahrain guidelines incorporating credit risk, operational risk and market risk. The Bank uses the Standardised approach for computing credit risk. Operational risk is computed using the Basic indicator approach. Market risk is computed using the Standardised method. Moreover, the Bank also implements a comprehensive Internal Capital Adequacy Assessment Process ("ICAAP") which is conducted annually to further compute and monitor capital positions, considering the additional impact of Pillar II risks and stressed conditions.

Capital allocation

The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Bank's capital management policy seeks to maximise return on risk adjusted basis while satisfying all the regulatory requirements. The Bank's policy on capital allocation is subject to regular review by the Board.

5 GROUP SUBSIDIARIES AND CONSOLIDATED FUNDS

Set out below are the Group's principal subsidiaries at 31 December 2023. Other than the consolidated funds, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The investment in consolidated funds comprises subscription to the units issued by the fund to the unit holders and the proportion of ownership interests held comprises the percentage of the units held by the Group to the total units issued by the fund.

The country of incorporation or registration is also their principal place of business:

Subsidiary		*Percentage ownership*	*Year of incor-poration*	*Country of incor-poration*	*Principal activity*
1	SICO Funds Company BSC (c)	100%	1998	Bahrain	Umbrella company for SICO mutual funds
2	SICO Funds Services Company BSC (c)	100%	2004	Bahrain	Custody and administration services

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5 GROUP SUBSIDIARIES AND CONSOLIDATED FUNDS (continued)

Subsidiary		*Percentage ownership*	*Year of incor-poration*	*Country of incor-poration*	*Principal activity*
3	SICO Funds Company III BSC (c)	100%	2006	Bahrain	Umbrella company for SICO mutual funds
4	SICO Funds Company IV BSC (c)	100%	2009	Bahrain	Umbrella company for SICO mutual funds
5	SICO Funds Company VI BSC (c)	100%	2009	Bahrain	Umbrella company for SICO mutual funds
6	SICO Funds Company VIII BSC (c)	100%	2016	Bahrain	Umbrella company for SICO mutual funds
7	SICO Ventures Company SPC	100%	2010	Bahrain	To own the nominal shares in all other subsidiaries of SICO
8	SICO Funds Company IX BSC (c)	100%	2022	Bahrain	Umbrella company for SICO mutual funds
9	SICO Financial Brokerage LLC	100%	2011	UAE	Brokerage services
10	SICO Kingdom Equity Fund (Decrease from 67 % in last year)	27%	2011	Bahrain	Investment in listed equity securities in the Kingdom of Saudi Arabia
11	SICO Fixed Income Fund (Increase from 74 % in last year)	81%	2013	Bahrain	Investment in listed debt securities comprising bonds and sukuk
12	SICO Capital Company	100%	2008	Saudi Arabia	Brokerage services, Investment Banking, Asset Management & Custodial Services

Except where mentioned, percentage ownership is same compared to 31 December 2022.

6 PAYABLE TO OTHER UNIT HOLDERS IN CONSOLIDATED FUNDS

The following table summarises the information relating to the consolidated funds and the amount payable to the unit holders other than the Group. Since there is a contractual obligation to deliver cash to the other unit holders, the amount payable to other unit holders is considered as a liability of the Group.

	2023 BD	*2022 BD*
Payables to other unit holders in the consolidated funds:		
SICO Fixed Income Fund	**765**	1,097
SICO Kingdom Equity Fund	**2,385**	1,322
	3,150	2,419
Share of profit / (loss) of non-controlling unit holders in consolidated funds		
SICO Fixed Income Fund	**47**	(46)
SICO Kingdom Equity Fund	**423**	27
	470	(19)

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6 PAYABLE TO OTHER UNIT HOLDERS IN CONSOLIDATED FUNDS (continued)

SICO Fixed Income Fund	***2023 BD***	*2022 BD*
Other unit holders' share	**19%**	26%
Cash and cash equivalents	**484**	829
Investment at fair value through profit or loss	**3,841**	4,148
Other assets	**56**	58
Securities sold under repurchase agreements	**(317)**	(770)
Other liabilities	**(21)**	(14)
Net assets	**4,043**	4,251

	2023 BD	*2022 BD*
Carrying amount of payable to other unit holders	**765**	1,097
Investment income / (loss)	**282**	(132)
Net interest income	**22**	7
Profit / (loss)	**247**	(181)
Total comprehensive income / (loss)	**247**	(181)
Profit / (Loss) allocated to other unit holders	**47**	(46)
Cash flows from operating activities	**109**	115
Cash flows used in financing activities	**(454)**	(211)
Net decrease in cash and cash equivalents	**(345)**	(96)

SICO Kingdom Equity Fund	***2023 BD***	*2022 BD*
Other unit holders' share	**73%**	33%
Cash and cash equivalents	**49**	306
Investment at fair value through profit or loss	**3,278**	3,748
Other liabilities	**(57)**	(98)
Net assets	**3,270**	3,956
Carrying amount of payable to other unit holders	**2,385**	1,322
Investment income	**832**	183
Profit	**832**	82
Total comprehensive income	**832**	82
Profit allocated to other unit holders	**423**	27
Cash flows from operating activities	**1,171**	906
Cash flows used in financing activities	**(1,428)**	(789)
Net (decrease) / increase in cash and cash equivalents	**(257)**	117

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7 CASH AND BANK BALANCES

	2023 BD	*2022 BD*
Cash and bank balances	**26,265**	22,062
Call deposits	**2,975**	3,013
Short-term placements with banks	**27,205**	21,169
Total Cash and bank balances	**56,445**	46,244
Expected credit loss	**(8)**	(7)
Total cash and bank balances (a)	**56,437**	46,237
Treasury bills (b)	**10,151**	14,338
Total cash and cash equivalents for cash flow purposes (a)+(b)	**66,588**	60,575

Total Cash and bank balances include bank balances amounting to BD 27,817 (2022: BD 14,353) held on behalf of discretionary customer accounts.

8 SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS

Reverse repurchase agreements have been entered with clients amounting to BD 252,883 (2022: BD 155,886) for which client owned securities of BD 343,976 (2022: BD 211,417) are pledged as collateral.

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 BD	*2022 BD*
Quoted equity securities		
- Parent	**734**	2,479
- Consolidated funds	**3,278**	3,748
Funds		
- Quoted	**10,702**	6,530
- Unquoted	**2,470**	3,086
Quoted debt securities		
- Parent	**3,561**	3,128
- Consolidated funds	**3,841**	4,148
Unquoted debt securities		
- Parent	**566**	-
	25,152	23,119

10a INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 BD	*2022 BD*
Equity securities		
- Quoted	**3,971**	5,108
	3,971	5,108
Debt securities		
- Quoted	**8,526**	5,136
	8,526	5,136
	12,497	10,244

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10b INVESTMENTS AT AMORTIZED COST

These includes Investments in Sovereign issuances and are held to maturity. As at the balance sheet date, the market values of these investments are higher than the carrying values.

11 FEES RECEIVABLE

Fees receivable represent management, custody and performance fee receivable by the Group from its Discretionary Portfolio Management Account ("DPMA") clients and managed funds.

	2023 BD	*2022 BD*
Management fees	**1,692**	1,855
Performance fees	**799**	26
Custody fees	**207**	119
Others	**22**	62
	2,720	2,062

12 OTHER ASSETS

	2023 BD	*2022 BD*
Margin loans receivables	**4,708**	6,065
Interest receivable	**3,241**	1,909
Guarantee deposit with the Bahrain Bourse	**500**	500
Prepaid expenses	**535**	417
Other receivables	**658**	768
	9,642	9,659

13 INTANGIBLE ASSETS AND GOODWILL

	2023 BD	*2022 BD*
Intangibles - software	**956**	934
Goodwill and other intangibles	**500**	740
	1,456	1,674

The acquisition of SICO Capital resulted in a goodwill of BD 140 and intangibles of BD 800. The intangibles comprises of BD 500 assigned to the expected benefits arising from the license to conduct business in Saudi Arabia and BD 300 was assigned to customer relationship with a useful life of three years, which are fully amortised. During the year ended 31 December 2023, the Bank has impaired and written off the goodwill amounting to BD 140.

Intangible impairment analysis
The recoverable amount of intangibles is based on value-in-use, calculated by discounting cash flow projections which are based on financial forecasts approved by management, to arrive at the terminal value. A growth rate at a minimum of 5% and discount rate of 8% have been applied to the estimated cash flows.

A sensitivity analysis was conducted by increasing the discount rate by 2% and reducing earnings by 10% to assess the impact on the recoverable amount as compared to the carrying value of the CGU. The carrying value of intangibles with indefinite life is lower than the reduced recoverable amount in the sensitivity analysis, further confirming no indications of impairment.

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14 SHORT-TERM BANK BORROWINGS & DEPOSITS FROM INSTITUTIONS

(a) The following represents the movement in short-term bank borrowings:

	2023 BD	*2022 BD*
At 1 January	**3,770**	8,411
Borrowings made during the year	**9,425**	-
Borrowings settled during the year	**(7,540)**	(4,641)
At 31 December	**5,655**	3,770

(b) The following represents the movement in deposits from institutions:

	2023 BD	*2022 BD*
At 1 January	**1,278**	-
New deposits during the year	**32,062**	2,511
Deposits matured during the year	**(29,106)**	(1,233)
At 31 December	**4,234**	1,278

15 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The following represents the movement in securities sold under repurchase agreements during the year:

	2023 BD	*2022 BD*
At 1 January	**162,989**	125,210
Repo made during the year	**100,506**	69,083
Repo settled during the year	**(4,104)**	(31,304)
At 31 December	**259,391**	162,989

Repurchase agreements have been entered into on behalf of clients for which client owned securities of BD 323,629 (2022: BD 202,171) are pledged as collateral.

The carrying value of the investments at amortised cost pledged as collateral amounts to BD 7,594 (2022: BD 7,611).

16 CUSTOMER ACCOUNTS

These include settlement amounts payable to customers for completed trades and amounts received from customers to fund their trading activities.

17 OTHER LIABILITIES

	2023 BD	*2022 BD*
Accrued expenses	**2,523**	2,521
Provision for employee leaving indemnities	**1,273**	1,195
Employee share incentive scheme liability	**2,704**	2,653
Other payables	**4,715**	3,453
	11,215	9,822

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18 SHARE CAPITAL

	2023 BD	2022 BD
Authorised share capital		
1,000,000,000 (2022: 1,000,000,000) shares of 100 fils each	**100,000**	100,000

	2023 BD	2022 BD
Issued and fully paid		
At 1 January, 441,342,373 ordinary shares of 100 fils each (2022: 428,487,741 ordinary shares of 100 fils each)	**44,134**	42,849
Bonus Shares issued during the year: Nil (2022: 12,854,632 shares)	**-**	1,285
At 31 December, 441,342,373 ordinary shares of 100 fils each (2022: 441,342,373 ordinary shares of 100 fils each)	**44,134**	44,134

Proposed appropriations
The Board of Directors proposed the following appropriations subject to shareholders and regulatory approvals.

	2023 BD	2022 BD
Cash dividend 5% (2022: 5%)	**2,146**	2,207

The shareholders are:

		2023		2022	
	Nationality	No. of Shares	% holding	No. of Shares	% holding
Social Insurance Organisation	Bahrain	**222,360,761**	**50.38**	222,360,761	50.38
Bank Muscat	Oman	**57,996,449**	**13.14**	57,996,449	13.14
National Bank of Bahrain BSC	Bahrain	**55,233,750**	**12.52**	55,233,750	12.52
Ahli United Bank BSC	Bahrain	**37,771,966**	**8.56**	37,771,966	8.56
BBK BSC	Bahrain	**34,913,024**	**7.91**	34,913,024	7.91
Arab Banking Corporation BSC	Bahrain	**-**	**-**	12,185,626	2.76
Employee Stock Ownership Plan	Bahrain	**20,880,797**	**4.73**	20,880,797	4.73
SICO BSC (C) - Treasury Shares	Bahrain	**12,185,626**	**2.76**	-	-
		441,342,373	**100**	441,342,373	100

Treasury shares represents the Bank's purchase of its own shares. At the end of the year, the Bank held 12,185,626 (2022: Nil) of its own shares.

		2023		2022	
		Number of shares	Amount BD	Number of shares	Amount BD
SICO BSC (C) - Treasury Shares	Bahrain	**12,185,626**	**1,913**	-	-
		12,185,626	**1,913**	-	-

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18 SHARE CAPITAL (continued)

Shares under employee share incentive scheme

	2023		2022	
	Number of shares	***Amount BD***	*Number of shares*	*Amount BD*
Employee share incentive scheme (refer to note 28)	**20,880,797**	**2,263**	20,880,797	2,263
	20,880,797	**2,263**	20,880,797	2,263

19 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law, 10 percent of net profit is appropriated to a statutory reserve, which is not normally distributable except in accordance with Article 224 of the law. Such appropriations may cease when the reserve reaches 50 percent of paid up share capital. The transfer to this reserve for the year amounted to BD 438 (2022: BD 361).

20 GENERAL RESERVE

In accordance with the Bank's Articles of Association and on the recommendation of the Board of Directors, specific amount is appropriated from profits for the year and transferred to a general reserve. The reserve carries no restriction in its distribution. The appropriations are subject to the approval of the shareholders at the Annual General Meeting. For 2023, no appropriations to general reserve are recommended (2022: Nil)

21 NET INVESTMENT INCOME

	2023 BD	*2022 BD*
Net gain / (loss) on investments at fair valuethrough profit or loss*	**1,562**	(2,128)
Net realised gain from investments at fair value through comprehensive income	**75**	-
Realised gain on sale of treasury bills	**15**	-
Interest income from debt instruments	**2,008**	1,449
Other investment income**	**-**	1,009
Dividend income	**778**	711
	4,438	1,041

* Net gain / (loss) on investments carried at fair value through profit or loss comprises the following:

	2023 BD	*2022 BD*
Realised gain on sale	**709**	774
Unrealised fair value gain / (loss)	**853**	(2,902)
	1,562	(2,128)

The realised gain from investments at fair value through profit or loss represents the difference between the carrying amount of investments at the beginning of the year, or the transaction price if it was purchased in the current year, and its sale or settlement price.

The unrealised gain represents the difference between the carrying amount of investments at the beginning of the year, or the transaction price if it was purchased in the current year, and its carrying amount at the end of the year.

** Other investment income in 2022 represents a non-recurring income relating to a recovery of a written-off investment in the prior years.

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22 NET FEE INCOME

	2023	*2022*
	BD	*BD*
Fee income from trust or other fiduciary activities		
Management fee	**5,929**	5,853
Performance fee	**1,179**	2,060
Custody fee	**662**	577
Advisory & Underwriting fee	**416**	275
	8,186	8,765
Fee expense		
Custody fee	**(59)**	(45)
Net fee income	**8,127**	8,720

23 BROKERAGE AND OTHER INCOME

	2023	*2022*
	BD	*BD*
Brokerage income	**1,641**	1,465
Foreign exchange gain	**305**	513
Other income	**187**	75
	2,133	2,053

24 NET INTEREST INCOME

	2023	*2022*
	BD	*BD*
Interest income from:		
Placements, call deposits and reverse repos	**16,004**	5,556
Margin lending	**495**	560
	16,499	6,116
Interest expense on:		
Bank borrowings, deposits and repos	**(12,911)**	(3,489)
Net interest income	**3,588**	2,627

25 STAFF COST

	2023	*2022*
	BD	*BD*
Salaries, allowances and bonus	**6,986**	6,136
Post-employment benefit	**256**	188
Share based payments	**160**	145
Social security costs	**400**	304
Other costs	**470**	103
	8,272	6,876

As at 31 December 2023, the Group employed 90 (2022: 80) Bahrainis and 56 (2022: 68) expatriates.

The Group’s contributions for the year to the Social Insurance Organization in respect of its employees amounted to BD 400 (2022: BD 304).

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26 OTHER OPERATING EXPENSES

	2023	2022
	BD	BD
Occupancy expenses	**265**	295
Communication expenses	**56**	63
Marketing expenses	**370**	331
Professional fees	**539**	346
Technology related expenses	**2,058**	1,598
Depreciation	**969**	837
Other operating expenses	**905**	508
	5,162	3,978

For the year ended December 31, 2023, the Group's assurance services expense is BD 137 (2022: BD 112), and the Non assurance services expense is BD 16 (2022: BD 22).

27 RELATED PARTY TRANSACTIONS

The following are the related party transactions during the year. All these transactions are in the ordinary course of business and on normal commercial terms.

Transactions with/relating to funds owned by the subsidiary companies.
Transactions and balances with/relating to funds owned by the subsidiary companies namely SICO Funds Company BSC (c), SICO Funds Company III BSC (c), SICO Funds Company IV BSC (c), SICO Funds Company VI BSC (c), SICO Funds Company VIII BSC (c), SICO Funds Company IX BSC (c), SICO Ventures Company WLL and SICO Capital are as follows:

	2023	2022
	BD	BD
Fee income	**1,245**	1,008
Fee receivable	**276**	248
Fee payable	**13**	21
Investment in own funds	**11,022**	4,014
Funds under management	**146,585**	151,577

The details of the own funds under management are in note 30.

Transactions and balances with shareholders
The Group obtained short-term borrowings from its shareholders for a total of BD 3,770 (2022: BD 3,770). During the year ended 31 December 2023 the Group entered into Repos with its shareholders and as of 31 December 2023, had 16,846 (2022: BD 3,373) of repurchase agreements with these related parties. The Group has banking relationships, makes deposits and placements, obtains short term borrowings and has unutilized credit facilities with certain of its shareholders that are local banks. All such transactions are in the ordinary course of business and on normal commercial terms.

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27 RELATED PARTY TRANSACTIONS (continued)

Transactions and balances with shareholders (continued)

The Group also provides discretionary portfolio management account services to two of its shareholders in the ordinary course of business. These services are provided on normal commercial terms and conditions and the related funds are held by the Group in a fiduciary capacity. The excess funds are placed with the other banks as deposits on normal commercial terms.

	2023	*2022*
	BD	*BD*
Fee income	**176**	1,424
Expenses	**158**	-
Fee receivable	**266**	385
Fee payable	**232**	392
Securities sold under repurchase agreements	**16,846**	3,373
Funds under management	**87,240**	64,462
Investments	**1,552**	2,625
Placements	**4,902**	11,175
Short-term bank borrowings	**3,770**	3,770

Key Management Personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The key management personnel comprise members of the Board of Directors, Chief Executive Officer, Chief Capital Markets Officer, Chief Operating Officer, Chief Financial Officer and heads of departments.

Compensation to key management personnel is as follows:

	2023	*2022*
	BD	*BD*
Salaries and short term benefits	**3,630**	3,382
Post-employment benefits	**429**	426
Equity compensation benefits	**261**	165
	4,320	3,973

Attendance fees and remuneration to Board members and other related expenses amount to BD 204 (2022: BD 226).

28 EMPLOYEE SHARE OWNERSHIP PLAN

The Group has established an employee share incentive scheme (the "Scheme") which is operated through a Trustee. The Trust has been set up by the transfer of shares of the Bank allotted to the employees under the Scheme.

Under the Scheme, employees are entitled to receive shares as part of their bonus in ratios determined by the Board of Directors. The value of the shares is to be determined based on the fair value of the Group's net assets as at the reporting date. This Scheme is treated as a cash-settled share based payment transaction due to the restrictions imposed under the Scheme whereby the employees have to sell back the shares to the Group on resignation/ retirement based on the vesting conditions mentioned in the Scheme.

The liability under the scheme has different vesting conditions based on the nature of incentive, which is based on the period of service with the Group. The liability vests pro-rata from the date of grant over a period of five years. 50% of the liability can be settled after five years at the option of the employee, while the remaining liability is settled after the employee leaves his employment. The settlement is based on the last net assets value as per the most recent audited annual financial statements of the Group.

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28 EMPLOYEE SHARE OWNERSHIP PLAN (continued)

On issue of shares under the Scheme, the share capital is increased with a corresponding increase in employee share incentive scheme account classified under equity.

The Group has recognised an employee liability of BD 2,704 (2022: BD 2,653) on the shares granted until date. This liability has been determined on the value of the Group’s net assets as at 31 December 2023 in accordance with the rules of the Scheme. This is considered as level 1 valuation of the fair value hierarchy.

No movement in the shares under the scheme during the year ended 31 December 2023 (2022: 608,179). Total number of shares issued under the scheme is 20,880,797 (2022: 20,880,797).

29 INVOLVEMENT IN UNCONSOLIDATED STRUCTURED ENTITIES

Type of structured entity	*Nature and purpose*	*Interest held by the Group*
Investment funds	- To generate fees from managing assets on behalf of third-party	- Investment in units issued by the fund - Management fee - Performance fee
	- These vehicles are financed through issuance of units to	
Employee share incentive scheme trust	- To hold the shares in trust under employee share incentive scheme.	- None

The table below sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held and outstanding management and performance fee.

	2023	*2022*
	BD	*BD*
Investments in funds		
Khaleej Equity Fund	**1,035**	1,191
Bahrain Liquidity Fund Company	**2,114**	1,038
SICO Gulf Equity Fund	**709**	-
Elzad Sukuk Fund	**1,900**	-
SICO-Capital Kingdom Equity Fund	**1,005**	-
SICO GCC Dividend Growth Fund	**1,472**	-
	8,235	2,229

30 CONTINGENCIES, COMMITMENTS AND MEMORANDUM ACCOUNTS

Investment commitment

The Group has committed to invest in SICO Khaleej Equity Fund a minimum of 10% of the net assets value at any time throughout its life. The Group has other investment commitments of BD 459 (2022: BD 725) and margin lending drawdown commitments of BD 2,052 (2022: BD 3,992).

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30 CONTINGENCIES, COMMITMENTS AND MEMORANDUM ACCOUNTS (continued)

Assets under management (net asset value)

	2023 BD	*2022 BD*
SICO Khaleej Equity Fund	**30,750**	27,639
SICO Gulf Equity Fund	**4,114**	4,371
Bahrain Liquidity Fund Company	**36,197**	35,646
SICO Kingdom Equity Fund	**3,270**	3,956
SICO Fixed Income Fund	**4,043**	4,251
Elzad Sukuk Fund	**10,756**	-
Al Masha'ar REIT Fund	**35,207**	42,963
Al Qasr Real Estate Fund	**10,567**	12,345
Riyadh Real Estate Fund	**8,159**	8,136
SICO-Capital Khairat Fund	**1,919**	2,543
SICO-Capital Money Market Fund	**5,620**	16,418
SICO GCC Dividend Growth Fund	**2,088**	791
SICO-Capital Kingdom Equity Fund	**1,206**	-
Discretionary portfolio management accounts	**1,787,434**	1,419,370
Total Net Asset Value **	**1,941,330**	1,578,429

The funds under discretionary portfolio management accounts were held in trust or in a fiduciary capacity and are not treated as assets of the Group and, accordingly, have not been included the consolidated financial statements.

** On a gross basis including leverage of BD 310,762 (2022: BD 216,430), SICO's total AUMs stands at BD 2,252,092 (2022: BD 1,794,859).

	2023 BD	*2022 BD*
Assets under custody	**3,322,187**	3,302,805

The Group provides custodianship and nominee services in respect of securities and cash. At 31 December 2023, assets amounting to BD 3,322,187 (2022: BD 3,302,805) were held by the Group as custodian under Brokerage and Custodianship Contracts, out of which securities amounting to BD 1,019,882 (2022: BD 777,971) were registered in the name of the Bank.

Contingencies
The Group has letters of guarantee in the amount of BD 3,593 (31 December 2022: BD 3,593) in favor of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) in accordance with the requirements issued by the Securities and Commodities Authority.

31 NET OPEN FOREIGN CURRENCY POSITIONS

	2023 BD	*2022 BD*
QAR	**747**	113
US Dollar	**18,658**	23,248
JOD	**14**	9
KWD	**541**	249
SAR	**16,707**	12,314
GBP	**3**	1
AED	**7,409**	6,579
OMR	**153**	98
EUR	**14**	14
EGP	**(2)**	(1)

32 EARNINGS PER SHARE

	2023	*2022*
Profit attributable to shareholders of the Bank (in BD 000's)	**4,382**	3,551
Weighted average number of equity shares (in 000's)	**430,258**	441,342
Less: Employee share incentive scheme shares (in 000's)	**(20,881)**	(20,881)
Weighted average number of shares as at 31 December (in 000's)	**409,377**	420,461
Earnings per share (in fils)	**10.70**	8.45

The Bank does not have any dilutive instruments.

33 MATURITY PROFILE OF ASSETS AND LIABILITIES

The table below shows the maturity profile of the Group's assets and liabilities on the basis of their contractual maturity. Where such contractual maturity is not available, the Group has considered expected realisation / settlement profile for assets and liabilities respectively.

31 December 2023	***Less than 1 year BD***	***1 to 5 years BD***	***Above 5 years BD***	***Total BD***
Assets				
Cash and bank balances	56,437	-	-	**56,437**
Treasury bills	10,151	-	-	**10,151**
Securities bought under repurchase agreements	252,883	-	-	**252,883**
Investments at fair value through profit or loss	8,739	2,431	13,982	**25,152**
Investments at fair value through other comprehensive income	1,878	1,959	8,660	**12,497**
Investments at amortised cost	3,588	10,741	3,043	**17,372**
Fees receivable	2,720	-	-	**2,720**
Other assets	9,642	-	-	**9,642**
Property and equipment	291	1,306	26	**1,623**
Intangible assets and goodwill	256	210	990	**1,456**
Total assets	346,585	16,647	26,701	**389,933**
Liabilities				
Short-term bank borrowings	5,655	-	-	**5,655**
Deposits from institutions	4,234	-	-	**4,234**
Securities sold under repurchase agreements	259,391	-	-	**259,391**
Customer accounts	35,806	-	-	**35,806**
Payable to other unit holders in consolidated funds	3,150	-	-	**3,150**
Other liabilities	11,215	-	-	**11,215**
Total liabilities	319,451	-	-	**319,451**
Liquidity gap	27,134	16,647	26,701	**70,482**
Cumulative liquidity gap	27,134	43,781	70,482	**-**

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33 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

31 December 2022	*Less than 1 year BD*	*1 to 5 years BD*	*Above 5 years BD*	*Total BD*
Assets				
Cash and bank balances	46,237	-	-	46,237
Treasury bills	14,338	-	-	14,338
Securities bought under repurchase agreements	155,886	-	-	155,886
Investments at fair value through profit or loss	8,214	4,903	10,002	23,119
Investments at fair value through other comprehensive income	-	5,137	5,107	10,244
Investments at amortised cost	2,972	7,110	4,582	14,664
Fees receivable	2,062	-	-	2,062
Other assets	9,659	-	-	9,659
Property and equipment	54	2,045	-	2,099
Intangible assets and goodwill	67	301	1,306	1,674
Total assets	239,489	19,496	20,997	279,982
Liabilities				
Short-term bank borrowings	3,770	-	-	3,770
Deposits from institutions	1,278	-	-	1,278
Securities sold under repurchase agreements	162,989	-	-	162,989
Customer accounts	29,722	-	-	29,722
Payable to other unit holders in consolidated funds	2,419	-	-	2,419
Other liabilities	9,822	-	-	9,822
Total liabilities	210,000	-	-	210,000
Liquidity gap	29,489	19,496	20,997	69,982
Cumulative liquidity gap	29,489	48,985	69,982	-

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34 ACCOUNTING CLASSIFICATION AND FAIR VALUES

(i) The table below sets out the classification of each class of financial assets and financial liabilities:

31 December 2023	***Fair value through profit or loss BD***	***Fair value through other comprehensive income BD***	***Liabilities at fair value BD***	***At amortized cost BD***	***Total carrying value BD***
Cash and bank balances	-	-	-	56,437	**56,437**
Treasury bills	-	-	-	10,151	**10,151**
Securities bought under repurchase agreements	-	-	-	252,883	**252,883**
Investments at fair value through profit or loss	25,152	-	-	-	**25,152**
Investments at fair value through other comprehensive income	-	12,497	-	-	**12,497**
Investments at amortised cost	-	-	-	17,372	**17,372**
Fees receivable	-	-	-	2,720	**2,720**
Other assets	-	-	-	9,107	**9,107**
	25,152	**12,497**	**-**	**348,670**	**386,319**
Short-term bank borrowings	-	-	-	5,655	**5,655**
Deposits from institutions	-	-	-	4,234	**4,234**
Securities sold under repurchase agreements	-	-	-	259,391	**259,391**
Customer accounts	-	-	-	35,806	**35,806**
Other liabilities	-	-	-	11,215	**11,215**
Payable to other unit holders in consolidated funds	-	-	3,150		**3,150**
	-	**-**	**3,150**	**316,301**	**319,451**

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34 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)

(i) The table below sets out the classification of each class of financial assets and financial liabilities: (continued)

31 December 2022	*Fair value through profit or loss BD*	*Fair value through other comprehensive income BD*	*Liabilities at fair value BD*	*At amortized cost BD*	*Total carrying value BD*
Cash and bank balances	-	-	-	46,237	46,237
Treasury bills	-	-	-	14,338	14,338
Securities bought under repurchase agreements	-	-	-	155,886	155,886
Investments at fair value through profit or loss	23,119	-	-	-	23,119
Investments at fair value through other comprehensive income	-	10,244	-	-	10,244
Investments at amortised cost	-	-	-	14,664	14,664
Fees receivable	-	-	-	2,062	2,062
Other assets	-	-	-	9,242	9,242
	23,119	10,244	-	242,429	275,792
Short-term bank borrowings	-	-	-	3,770	3,770
Deposits from institutions	-	-	-	1,278	1,278
Securities sold under repurchase agreements	-	-	-	162,989	162,989
Customer accounts	-	-	-	29,722	29,722
Other liabilities	-	-	-	9,822	9,822
Payable to other unit holders in consolidated funds	-	-	2,419	-	2,419
	-	-	2,419	207,581	210,000

The carrying amount of assets and liabilities carried at amortized cost approximates the fair value in view of the short-term nature of these assets and liabilities.

(ii) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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34 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)

(ii) Fair value hierarchy (continued)

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

The table below analyses the fair value of financial assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2023	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets				
Fair value through other comprehensive income investments:				
- Equities	3,594	377	-	3,971
- Debt securities	8,526	-	-	8,526
Fair value through profit or loss:				
- Equities	4,012	-	-	4,012
- Debt securities	7,402	566	-	7,968
- Funds	10,702	-	2,470	13,172
	34,236	**943**	**2,470**	**37,649**

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34 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)

(ii) Fair value hierarchy (continued)

31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets				
Fair value through other comprehensive income investments:				
- Equities	4,731	377	-	5,108
- Debt securities	5,136	-	-	5,136
Fair value through profit or loss:				
- Equities	6,227	-	-	6,227
- Debt securities	7,276	-	-	7,276
- Funds	6,530	-	3,086	9,616
	29,900	377	3,086	33,363

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

The following table analyses the movement in Level 3 financial assets during the year:

	2023 BD	*2022 BD*
At 1 January	**3,086**	2,134
Total loss:		
- in income statement	**(313)**	(241)
Purchases	**30**	1,193
Settlements	**(333)**	-
	2,470	3,086

Sensitivity analysis of the movement in fair value of the financial instruments in the level 3 category, which relates to fair value through other comprehensive income financial assets is assessed as not significant to the other comprehensive income and total equity.

34 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)

(iii) Valuation technique and significant unobservable input

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	***Valuation technique***	***Significant unobservable inputs***	***Inter-relationship between significant unobservable inputs and fair value measurement***
Level 2			
Debt instruments	Market comparison technique: The valuation is based on observable market multiples derived from quoted prices of comparable debt instruments.	Not applicable	Not applicable
Level 3			
Private equity funds	Net asset values of the funds obtained from the fund managers	Net assets of the funds and the valuations of the underlying investments	The estimated fair value would increase (decrease) if there are any changes in the net assets of the funds based on the performance of the underlying investments.

35 COMPARATIVES

Certain comparatives have been regrouped where necessary to conform to the current year's presentation. The regrouping did not affect previously reported profit for the year or total equity of the Group.

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36 NET STABLE FUNDING RATIO

In August 2018, the CBB issued its regulations on Liquidity Risk Management (Module LM). The main objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have sufficient level of stable funding in relation to their assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position.

As per the CBB's Module LM, banks are required to meet the minimum NSFR of at least 100% on a continuous basis.

Further details on the calculation of the NSFR is presented in the following tables.

31 December 2023

	Unweighted values (before applying factors)				
	No specified Middle BD	***Less than 6 months BD***	***More than 6 months and less than one year BD***	***Over one year BD***	***Total weighted value BD***
Available stable funding (ASF):					
Capital:					
Regulatory capital	68,096	-	-	66	**68,162**
Retail deposits and deposits from small business customers:					
Less stable deposits	-	12,232	-	-	**11,008**
Other liabilities:					
All other liabilities not included in above categories	-	300,970	-	5,521	**7,722**
Total ASF					**86,892**
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	273,551	-	-	-	**14,377**
Performing loans and securities:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	36,692	-	-	**18,346**
Other assets:					
All other assets not included in the above categories	14,108	57,359	-	-	**22,712**
Off-balance sheet items	6,104	-	-	-	**305**
Total RSF					**55,740**
NSFR %					156%

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36 NET STABLE FUNDING RATIO (continued)

31 December 2022

	Unweighted values (before applying factors)				
	No specified Middle BD	*Less than 6 months BD*	*More than 6 months and less than one year BD*	*Over one year BD*	*Total weighted value BD*
Available stable funding (ASF):					
Capital:					
Regulatory capital	69,183	-	-	94	69,277
Retail deposits and deposits from small business customers:					
Less stable deposits	-	11,804	-	-	10,624
Other liabilities:					
All other liabilities not included in above categories	-	200,299	-	-	2,709
Total ASF					82,610
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	32,526	-	-	-	2,546
Performing loans and securities:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	24,949	-	-	12,475
Other assets:					
All other assets not included in the above categories	12,989	198,528	-	-	45,506
Off-balance sheet items	8,310	-	-	-	416
Total RSF					60,943
NSFR %					136%