SICO
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Informed
Financial Services

TRANSFORMING

A New Approach to Future Growth

2023 Annual Report

2023
Annual Report

TRANSFORMING

A New Approach to Future Growth

As SICO strengthens its foothold in Bahrain, the UAE, and Saudi Arabia, we're embarking on a transformative journey, embracing new strategies to fuel our growth and create sustainable value for all our stakeholders.

His Majesty
King Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince and Prime Minister

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Who We Are

SICO is a leading regional asset manager, broker, market maker, and investment bank with USD 6 billion in assets under management (AUM). Today, SICO operates under a wholesale banking license from the Central Bank of Bahrain (CBB).

Headquartered in the Kingdom of Bahrain with on-the-ground presence in the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE), SICO has a well-established track record as a trusted regional bank offering a comprehensive suite of financial solutions, including asset management, brokerage, market making, investment banking, advisory, treasury, and securities services, backed by a robust and experienced research team that provides regional insight and analysis of more than 90% of the region's major equities.

RESILIENT GROWTH

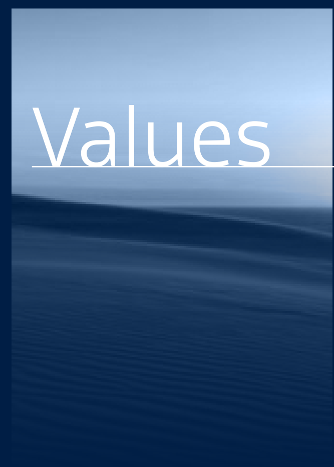
As we build our footprint across the region, our focus remains on delivering value-accretive solutions for our clients and stakeholders. Moving forward, we will leverage our strengths to maintain our consistent path towards our growth goals and steadfast resilience in the face of market challenges, with an emphasis on developing our capabilities in the region's largest growth market, KSA.

Vision

To be the region's partner of choice for innovative and reliable investment solutions

Mission

To continue inspiring, enabling, and creating sustainable value for our people, clients, and the communities we serve



Values

- The passion to perform with honesty, transparency, and integrity
- To act in the best interest of our clients and stakeholders, striving to exceed expectations
- Commitment to the communities we serve by contributing towards sustainable growth
- To nurture, recognize and empower our employees, and provide equal opportunities for all

What We Do

Throughout the past year, each division has showcased resilience and adaptability, navigating challenges with a focus on delivering value to clients and stakeholders through strategic initiatives and collective efforts.

In the dynamic landscape of financial services, SICO stands out as a robust institution, embodying a multifaceted approach to investment and wealth management in the region. Its commitment to excellence is reflected across various business lines, encompassing Asset Management, Brokerage, Investment Banking, Market Making, Securities Services, and Research. Throughout the past year, each division has showcased resilience and adaptability, navigating challenges with a focus on delivering value to clients and stakeholders through strategic initiatives and the collective efforts that have contributed to the overall success of the group.

Asset Management

SICO Asset Management is a leading regional asset manager with a consistent track record of outperformance on its investment mandates. The team offers its clients access to a broad range of conventional and Sharia-compliant equities, fixed income, money market instruments, real estate investment trusts (REITs), and private real estate funds with on the ground investment professionals in Bahrain and Saudi Arabia. The team also manages various external funds on behalf of leading regional financial institutions. SICO's mutual funds and discretionary portfolios consistently outperform their respective benchmarks and maintain the highest rankings across various league tables.

In 2023, SICO Asset Management significantly increased its AUMs, to USD 6.0 billion by year-end, a 25% increase from 2022. The division has seen an increased appetite for money-market products, resulting in a more diversified portfolio with further exposure to alternative investment products. The fixed income space maintained its upward trajectory in 2023, with widespread appeal as more people took the opportunity to position themselves ahead of the fixed income rally in anticipation of positive returns. The division's positive performance throughout the year has perfectly positioned SICO to become one of the region's top ten asset managers with USD 10 billion in AUMs by 2025. The year 2023 also saw SICO partner with Beyon Money to launch Flexi Savings, an investment product for Beyon Money customers that enables them to accrue returns on a daily basis. The new product and partnership has enabled us to offer our investment services to retail and high net worth individuals, leveraging the power of new technology platforms.

In terms of fund performance, SICO always performs well to limit the downside risks, preserving client capital and returns amid volatility, while strategically adjusting the composition of its investments to capitalize on potential gains. This strategy enabled the asset management team to not only track but also outperform the market index on the upside. The commendable performance was recognized by the Bonds, Loans & Sukuk Middle East Awards 2023 for its Sovereign & Quasi Sovereign Fixed Income Strategy which was named the Best MENA Fixed Income Fund Strategy. Towards the end of the year, Asset Management launched the Elzaad Sukuk Fund in partnership with Wafra Kuwait, which invests in a diversified portfolio of Sukuk and other Sharia-compliant fixed income instruments. SICO also introduced its highly successful SICO Kingdom Equity Fund to the Saudi market through SICO Capital.

25%

Increase in AUM

Brokerage

Entering into its 25th consecutive year as Bahrain's number one broker and working toward its goal of becoming one of the top three brokers in the region, SICO Brokerage is backed by a highly experienced team of advisors, top-notch in-house research capabilities, a world-class online trading platform for both regional and international equities, and fixed income securities. Maintaining the lion's share of the market at 47.2%, SICO Brokerage remains the undisputed leader on the Bahrain Bourse, providing access to equities, fixed income securities, and T-bills to a wide range of high-profile institutional and individual clients across the region. The division also offers margin trading facilities.

The brokerage division faced lower activity on the equity front in 2023 due to the interest rate environment, which consequently led to a shift from equity investments to fixed income. The team witnessed an increased interest in Bahrain treasuries that offered low risk, with rates reaching 6.4% in the fourth quarter.

The SICO LIVE online trading platform continued to be enhanced, with a focus on eventually transitioning to a fully digital client experience. The plan includes a comprehensive review of systems for trade execution, potential implementation in Saudi Arabia, and online onboarding across all three markets to provide a consistent and seamless client experience.

Investment Banking

SICO Investment Banking is a well-established market leader in Bahrain with on-the-ground presence in Saudi Arabia. The investment banking team's unparalleled expertise in the Bahraini market and ability to deliver a comprehensive suite of tailored financial services for both large corporates and mid-sized players has made SICO the trusted partner of choice for both private and public sector clients. Over the span of two decades, SICO has successfully executed complex deals and managed initial public and secondary offerings, M&A deals, and advisory services across a wide spectrum of sectors, including construction, tourism, hospitality, real estate, telecoms, banking, insurance, consumer finance and education. From arranging primary and secondary issuances to deal structuring, valuations, and corporate and family business advisory services, SICO Investment Banking offers in-depth insights, textbook execution, and a flexible platform that provides innovative and fit-for-purpose solutions.

The investment banking division had a successful year, characterized by a substantial number of diverse transactions. SICO played a pivotal role in the successful sale of an 11% stake in Esterad, a listed company owned by the National Bank of Bahrain, a deal that once again underscored SICO's unrivaled expertise in identifying strategic buyers. SICO Investment Banking served as the financial advisor for Dallah Al Baraka's voluntary conditional exit offer of up to 100% of Al Baraka Group's issued ordinary shares, with the aim of fully delisting from the Bahrain Bourse. The investment banking team also advised Al Jazeera Tourism Company's (AJTC)

47.2%

SICO Brokerage market share on the Bahrain Bourse

100% sale of Novotel Al Dana Resort to Gulf Hotels Group. Additionally, SICO was appointed as the financial advisor for Gulf Tamin Ltd. on their partial acquisition of 10% of the issued ordinary shares of Arab Insurance Group. SICO also acted as an advisor on a potential M&A transaction between Bahrain Family Leisure Company B.S.C (BFLC) and DGC Hospitality & Partners and they successfully carried out their role as the receiving agent for the Osool and Bakheet Investment IPO on the Saudi Parallel Market, Nomu, which marked the team's first such transaction in the Saudi market.

The SICO Employee Savings Scheme (ESS) went live in 2023. Initially implemented for SICO staff, it was marketed to the broader Bahrain market toward the end of the year. The scheme focuses on global markets for diversification, with 80% of SICO staff participating in the scheme. SICO's Wealth Management team manages investment mandates of such schemes, while Investment Banking structures and customizes plans for corporate clients. Most notably, SICO is pioneering the use of a multi-employer trust, allowing independent oversight and facilitating other corporates within the same trust, a first-of-its-kind approach in the region.

Market Making

With an eye on creating liquidity that builds the foundation for investor confidence, enhancing volumes, increasing valuations, and improving performance in the market, SICO has been a pioneer market maker for a number of large-scale listed entities on the Bahrain Bourse (BHB). With a robust track record of almost 30 years of success, SICO's Market Making division actively participates in bid and offer sides, narrows down price spreads, and creates a market for select stocks, post-IPO listings, cross listings, and mature listings.

The division continues to maintain its role as the top market maker in Bahrain and since 2018, SICO has had licenses to act as market maker on both UAE exchanges, the DFM, and ADX. In 2016, SICO launched and co-seeded the Bahrain Liquidity Fund (BLF). The BLF aims to create liquidity and to generate absolute returns for investors around the level of market returns. Since its inception, the Fund has gained traction and positive investment response, and continues to incur positive impact on market volumes, valuation, and performance.

The BLF sustained its active role and liquidity provision on the BHB for the seventh consecutive year, witnessing an overall increase in liquidity over the previous year. In 2023, BLF's transactions accounted for 28.4% of the total Average Daily Trading Volume (ADTV) on the Bahrain Bourse, a decrease from the 36% share in 2022. This reduction in participation rate can be attributed to the heightened trading volumes, aligning with the Fund's function as a liquidity provider amidst market volatility. Regarding financial performance, the BLF achieved a return of 3.1% in 2023, inclusive of cash dividends distributed to the Fund's unitholders.

Securities Services

SICO is a well-established securities services provider that has been offering custody and fund administration services to clients in Bahrain since 2004. Known for its client-centric approach and active utilization of technology, tools, processes, and delivery platforms, SICO is considered one of the GCC's most successful and highly regarded securities services providers.

SICO offers a full range of integrated securities and fund administration services in both its home country of Bahrain and in Saudi Arabia. The comprehensive services on offer in both of these countries provide a holistic basket of solutions for asset managers, investment funds, portfolios, sukuk, and various structured financial instruments that give investment managers the ability to outsource their administrative overheads, enhance efficiencies, and focus on their core business.

3.3 USD BN

Assets under custody

SICO's tailor-made middle- and back-office services are specifically designed to meet the evolving needs of a diverse local and global client base of both emerging and established players across the region. In addition to pre- and post-trade execution solutions, new value-added services for asset managers, such as middle office and performance analytics for public and private funds covering all asset classes, have been introduced. These include unit holder dealing, investment manager factsheets, and bespoke front to back-office reporting.

Research

SICO Research is a pioneer of sell-side research in the GCC, with a team that delivers in-depth products and insights that are utilized by a broad spectrum of clients within the GCC region and beyond. The division's team is comprised of eight expert analysts, many of whom are CFA charter holders, focused on producing high quality research that covers over 85 companies across 14 key regional sectors. Through its offerings, the division also provides clients with valuable and timely advice that assists in strategic investment decision-making processes.

During the year, the SICO Research team continued to deliver its objective research reports, company analyses, newsletters, and periodicals, through which the division's analysts conveyed their insightful observations, revisions, and prudent viewpoints. SICO Research's highly regarded Top-20 Portfolio, an equally weighted portfolio which comprises 20 diversified GCC stocks, continued its outperformance in 2023, with the portfolio returning 25.7%, implying an outperformance of its benchmark, the S&P GCC Index by 15.3%. Despite the overall market volatility, the portfolio achieved impressive outperformance. The Top-20 portfolio is constructed by the research team leveraging their extensive fundamental research of the region's listed companies. Simultaneously, it aims to provide clients with an actionable portfolio, addressing the necessity of judiciously diversifying stock ideas across sectors and countries within the GCC region.

Research also conducted its third annual investor return assessment survey in 2023, providing a one-of-a-kind insight into the economic and return expectations of investors across the GCC. This product serves as a point of reference, delivering empirical data and analysis for regional investor sentiment and expectations that will provide the division with an important pulse on the economies of the region. The latest iteration of the report expanded its survey respondent pool to include more diverse viewpoints and backgrounds, growing to 190 respondents compared to 111 the prior year. The survey also added a new question regarding cryptocurrency to gauge investor sentiment toward emerging asset classes.

Where We Are and What We Hope to Achieve

SICO continues to build on its regional footprint through strategic endeavors across Bahrain, Saudi Arabia, and the UAE.

Bahrain
Where Our Journey Began

At the center of our strategic operations, the financial landscape of Bahrain unfolds as a dynamic hub with a diverse array of financial activities, complemented by a well-established regulatory framework. The ecosystem in Bahrain reflects a commitment to stability and a dedication to fostering innovation in the financial services arena within the broader GCC.

Bahrain remains the foundational cornerstone of SICO's operational prowess, standing as our cherished home market. Within the Kingdom, we have solidified our standing as market leaders across a broad spectrum of financial services. Setting industry standards, our advisory and execution services for both public and private transactions showcase a dedication to excellence and an ability to carry out large complex deals both locally and across borders. Furthermore, Bahrain serves as our operational hub, providing expertise and experience and aligning with our commitment to operational efficiency and excellence across the Group. As we navigate the evolving landscape, our unwavering focus is on preserving our leadership position and fostering continuous innovation within our home market.

Saudi Arabia
Nurturing Growth in the Region's Fastest Growing Market

Saudi Arabia's financial arena has been undergoing a transformative shift, with a continued focus on expanding capital market activities. As the Kingdom continues to rapidly diversify its economy, new opportunities in both public and private markets are becoming increasingly prominent. SICO recognizes these evolving dynamics and is strategically positioned to contribute to the growth of the economic landscape, combining expertise with a forward-looking approach in an ever-evolving financial ecosystem.

SICO's aspirations in Saudi Arabia include growing our presence in a range of sectors, including the promising real estate sector, while continuing to focus on public markets. Our growth strategy extends to enhancing advisory services and leveraging synergies with our Bahrain operations to collaborate on cross-border transactions. To bolster our presence, we launched our highly successful SICO Kingdom Equity Fund and enhanced our SICO LIVE online trading platform in the Kingdom, offering a seamless digital experience for our clients. SICO envisions an expanding presence in Saudi Arabia as we continue to rollout more products and services that are well-suited to the current and evolving market dynamics in the Kingdom.

United Arab Emirates
Sustaining Momentum and Expanding Horizons

The United Arab Emirates, with its dynamic financial landscape, serves as a beacon of innovation and growth in the GCC. As a regional financial powerhouse, the UAE provides ample opportunities for SICO's expansion. Our success with SICO Invest in the UAE, coupled with the nation's forward-looking vision, positions us to not only sustain our momentum but to benefit from the talent pool and the flexibility offered by the offshore financial centers within the UAE.

Since entering the UAE market in 2012, SICO has been delivering top-notch execution capabilities, with these operations becoming an integral part of our positioning as a regional broker. Our success is underpinned by a relentless pursuit of quality and a client-centric approach. SICO's activities extend across institutional and retail segments, serving a diverse clientele across the GCC. Building on this momentum, SICO is poised to grow its business activities in the UAE further, recently acquiring a new license for financial consultation in the Emirates. We are committed to maintaining the highest standards of service, supported by the comprehensive regional insights and analysis provided by our Research division, covering over 90% of the GCC's major equities. The UAE is not only a significant market for us but a platform for sustained expansion and innovation. Our aim is to strengthen our foothold and continually enrich our offerings to meet the evolving needs of our clients in this dynamic market, which also serves as gateway for many foreign institutions to the region.

OUR GROWING PRESENCE REFLECTS A COMMITTTMENT TO EXCELLENCE AND INNOVATION ACROSS DIVERSE MARKETS.

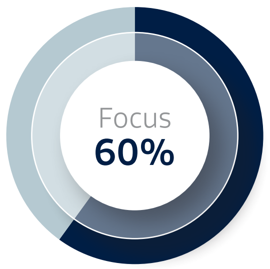
How We’re Getting There

Our Vision 2025 Strategy focuses on achieving organic growth by leveraging our core strengths in new markets, introducing new offerings in our existing markets, and pursuing inorganic growth opportunities.

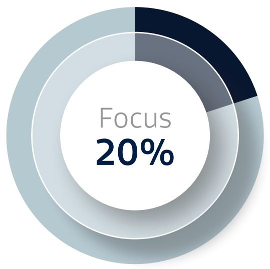
Throughout 2023, our unwavering commitment to fortifying our core businesses — Asset Management, Brokerage, Investment Banking, and Securities Services — remained steadfast in our core market. Simultaneously, we evaluated and strategized the trajectory of other key areas, such as Investment Banking and Securities Services in Saudi Arabia, which are slated for reprioritization in the upcoming year. This deliberate strategic shift positions us advantageously, equipping us to navigate the dynamic business landscape and seize emerging opportunities.

A focal point of our expansion strategy is Saudi Arabia, where we recognize the immense potential for substantial growth. This strategic emphasis aligns with our vision to capitalize on the vibrant opportunities within this key market. While we are shoring up our capabilities and leveraging our strengths to capture new opportunities in Saudi Arabia, we are also enhancing our governance framework through the implementation of enhanced policies and procedures in several areas, leveraging Group capabilities and resources from Bahrain.

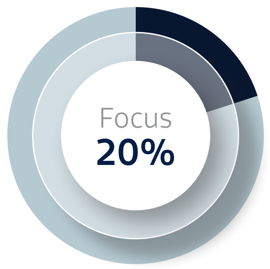
Organic Growth



Leveraging Strengths



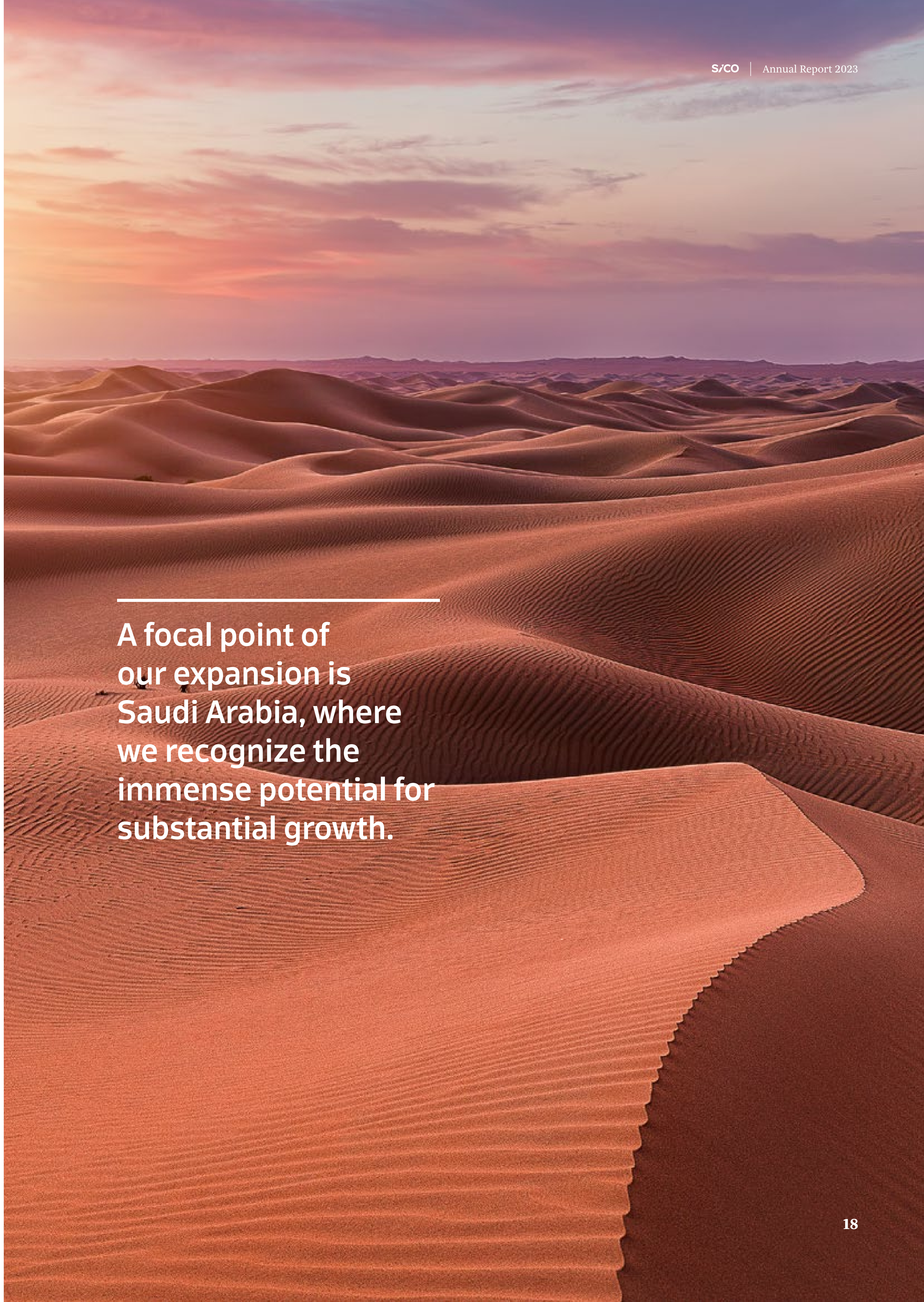
Inorganic Growth



Group Structure and Regional Positioning

Central to our revamped organizational framework is the adoption of a comprehensive group-wide organization structure and strategy. This approach empowers each of our operating entities to uphold their autonomy as profit centers, while simultaneously capitalizing on cross-selling synergies and fostering coordinated efforts across the entire organization within the applicable regulatory frameworks. By doing so, we not only bolster operational efficiency, but also ensure strategic alignment, resource optimization, and knowledge sharing, for a seamless path towards the realization of our overarching goals.

SICO is committed to further enhancing our strategic positioning as a regional financial firm to achieve our vision to be the region’s partner of choice for innovative and reliable investment solutions. This involves establishing a robust footprint in three of the largest GCC markets where we currently operate and further enhancing our presence in other regional economies either through partnerships or by establishing our presence. Our intensified focus on these three pivotal markets underscores our dedication to establishing a formidable and enduring presence in the region.



Digital Transformation

In the pursuit of embracing the digital era and driving innovation, our organization has embarked on a series of transformative initiatives as part of our digital transformation journey. These initiatives have been carefully designed to enhance customer experiences, optimize operational efficiency, and foster a culture of innovation within the organization. Leveraging cutting-edge digital technologies such as artificial intelligence, data analytics, and cloud computing, we regularly review, enhance, and streamline our key business processes, enabling faster decision-making and improved agility in responding to market demands.

Furthermore, our focus on customer-centricity has led to the development of digital platforms and solutions that cater to the evolving needs and preferences of our clients, thereby strengthening customer engagement and loyalty. As we continue to invest in digital transformation, we remain committed to driving sustainable growth and delivering long-term value for our stakeholders.

Integrating ESG

SICO has prioritized the integration of Environmental, Social, and Governance (ESG) principles into all aspects of its operations. Last year marked a significant milestone with the launch of our Responsible Investment Policy, a strategic initiative aimed at aligning financial objectives with broader sustainability goals. Recognizing the profound impact that ESG factors can have on the long-term performance of investment portfolios, SICO has embraced a proactive approach. By incorporating ESG criteria into its investment processes, we have not only demonstrated a commitment to ethical practices but also gained a comprehensive understanding of potential risks associated with issues such as sustainable development, climate change, and the global transition to more inclusive economies.

Key Business Objectives

By aligning our operations and initiatives with these strategic goals, SICO aims to become a leading GCC financial institution that delivers value to our clients and stakeholders.

Asset Management

Our Asset Management division is reinforcing our presence and value proposition in the Kingdom by recruiting talent and launching new funds for increased visibility of our consistent performance. We are strategically emphasizing the growth of high-margin businesses such as real estate and equity to achieve our AUM target with favorable margins, while continuing to offer our money market and fixed income offerings to ensure that our clients can benefit from our multi-asset offerings depending on market conditions.

Brokerage

To advance our goal to become a top regional broker, SICO has strategically reinitiated a regional marketing effort in conjunction with our comprehensive research initiatives. Given our direct presence in core regional markets and extensive research coverage, SICO wants to amplify the visibility and positioning as a leading broker.

Investment Banking

Our Investment Banking team have solidified our position in Bahrain with focus on private and public markets and M&A activities. SICO wants to leverage its experience and expertise to build advisory capabilities in Saudi Arabia, with the goal of teaming up on cross-border transactions to leverage synergies between the two markets and the wider region.

Wealth Management

SICO is building a comprehensive wealth management platform to further broaden our service offerings to a growing client base and meet their demands by ensuring diversified asset allocation as per varying market conditions. We are keen to offer these services in all our current locations, however, the initial phase will focus on Bahrain, to take advantage of our core base.

Securities Services

To streamline operations, we are establishing Bahrain as the operational hub, with business presence in Saudi and later in the UAE, meeting regulatory requirements while ensuring operational efficiency and enhanced service offerings.

Technology

Our technology strategy revolves around streamlining group infrastructure and security measures. Additionally, we are investing in data warehousing and management to enhance our capabilities in handling and leveraging data for informed decision-making.

Note From Our Chairman

SICO has shown remarkable resilience with a 23% year-on-year increase in consolidated net profit, on the back of strong results posted in the second half of 2023.

Abdulla Kamal
Chairman of the Board

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 the current USD 6 billion, with an impressive annual compounded growth of over 26%. This 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 (CBB), 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 Executives' Remuneration in BD'000

Executive management	Total paid salaries and allowances	Total paid remunerations (Bonus)	Any other cash/in kind remuneration for 2023	Aggregate Amount
Top six remunerations for executives, including CEO and CFO	915	320	164	1,399

Details of SICO's Board Remuneration

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	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			
Independent Directors:													
Tala Fakhro	16,000	5,500	-	-	21,500	-	-	-	-	-	-	21,500	-
Khalid Al-Jassim	16,000	4,250	-	-	20,250	-	-	-	-	-	-	20,250	-
Non-Executive Directors:													
Naseema Haider [1]	16,000	4,500	-	-	20,500	-	-	-	-	-	-	21,500	-
Shaikh Abdulla bin Khalifa Al Khalifa **	-	1,500	-	-	1,500	-	-	-	-	-	-	1,500	-
Abdulla Kamal [2]	32,000	6,250	-	-	38,250	-	-	-	-	-	-	38,250	-
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	-
Executive Directors:													
Hisham Alkurdi [1]	16,000	4,000	-	-	20,000	-	-	-	-	-	-	20,000	-
Waleed Al Hashar [1]	16,000	4,000	-	-	20,000	-	-	-	-	-	-	20,000	-
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

Note From Our CEO

Throughout 2023, we managed to achieve a number of operational milestones that validated our strategic vision and moved the needle on our goal to expand our regional footprint across our core lines of business.

Najla M. Al Shirawi
Chief Executive Officer

Every business large or small goes through inflection points. These are periodic windows of opportunity in a company's evolution where one can pause, reflect, and examine the journey. Inflection points are a time to remember where the business started, to look at what the business has achieved, and to strategize on where the business hopes to go next.

I believe that 2023 was an inflection point for SICO. It was a pivotal year for us because we have reached a size and stature that will allow us to take our next big step forward. It was a year that made us realize, more than ever, that in order to expand and deepen our regional footprint, we must leverage all of the knowledge and expertise that we have carefully cultivated for over 25 years.

We continued to execute on our Vision 2025 strategy by focusing on organic growth as the primary growth driver for the business to be achieved by prioritizing our key strengths and existing capabilities in asset management, brokerage, real estate, securities services, and investment banking. I'm proud to report that we have ended 2023 on a very positive note and we are starting 2024 on a very solid ground.

SICO achieved an impressive USD 11.6 million in consolidated net profit for the year, a 23% increase year-on-year. The increase was mainly attributable to an expansion in net investment income on the back of strong results in the second half of the year. Our total assets grew by 39% to USD 1 billion from USD 742.7 million in 2022. And our assets under management (AUMs) continued on the same growth trajectory that we have maintained year-on-year for the past decade as we introduced new offerings in new markets that have appeal to a broader segment of investors. SICO's gross AUMs increased by 25% to USD 6 billion compared to 4.8 billion in 2022. Net AUMs rose 23%, reaching USD 5.1 billion compared to USD 4.2 billion at year-end 2022.

The strength of our balance sheet, enhanced risk management framework, focus on organic growth, and cross-selling opportunities across business lines were catalysts that led to this positive financial performance.

SICO stands today as a strong and profitable financial services group with direct presence in three markets: Bahrain, KSA, and UAE. We are a top 10 asset manager in the GCC and MENA with a stellar track record of outperforming the market, and we have achieved 10 consecutive years of AUM growth despite ongoing market volatility. Our investment banking team continues to advise on major M&A transactions in Bahrain including complex cross border deals. All of these things combined mean that we are positioned well for the future in key markets, particularly Saudi Arabia, where we see ample opportunities to deepen the presence that we began cultivating two years ago with our Saudi subsidiary SICO Capital.

Market Background

The regional geopolitical tensions that we have been living with since the latter part of 2023 show no signs of abating, in fact, fears of the war on Gaza escalating into proxy conflicts in the region are real as new players enter into the fray.

Regional equity markets remained broadly resilient in 2023 despite headwinds from Fed rate hikes and regional geopolitical tensions. Investors focused on domestic narratives such as structural reforms, government-led spending, and broader oil price stability to invest into Equities. Saudi and Dubai's stock markets were the key outperformers in FY23. Alongside, the primary market also remained active with multiple successful listings in Saudi, UAE, as well as Oman.

Looking ahead, oil price stability (OPEC+ cooperation), focus on capital spending, continuance of reforms (economic and market), and scaling down of geopolitical tensions will be broader theme drivers for equity markets. On a global level, timing and number of Fed rate cuts will have a direct impact on the interest rates within the region. Overall, 2024 is likely to be more challenging for equities while we expect the primary market to be active with more listings across GCC markets.

In early 2023, investors initially anticipated global central banks to lower interest rates following an initial rise, leading to increased investment in fixed income, but the US Federal Reserve defied expectations by raising rates by 0.75% due to robust economic growth and a strong labor market, resulting in 10-year yields soaring to over 5%, marking their highest level since 2007.

Towards the end of the year, there was however a notable shift in the Fed's narrative. This change came about due to a combination of favorable inflation prints and a shift in the Fed's communication strategy as the central bank began opening the door to rate cuts for the first time since its "higher-for-longer" narrative following strong improvements on the inflation front. This shift in stance pushed markets to aggressively price in early policy rate cuts across regions. As a result, there was a significant rally in fixed income markets during the final two months of the year helping them to close in positive territory. The annual return for the regional fixed income index reached an impressive 6.2%, making it the third-best year since data collection began in 2010.

Overall, 2023 was a year marked by unexpected shifts in central bank policies and market pricing. The strength of the US economy and the changing narrative from the Fed played a crucial role in shaping market dynamics and driving the performance of fixed income markets, particularly in the GCC region.

Operational Review

We will be keeping a close eye on all of these developments, but we remain optimistic because our business has proven resilient in the face of external market challenges. The major external factor that has had a significant impact on us operationally in 2023 is the persistent high interest rate environment which led investors to prefer money market over other asset classes. Nonetheless, we were still able to raise our AUMs and gain momentum on new mandates. Throughout 2023 we managed to achieve a number of operational milestones that validated our strategic vision and moved the needle on our goal to expand our regional footprint across our core lines of business.

SICO Asset Management successfully launched the SICO Kingdom Equity Fund in Saudi Arabia, which underscores our commitment to leveraging our existing capabilities to capitalize on the attractive investment opportunity offered by the rapidly growing Saudi Arabian market. The fund gives investors the opportunity to invest in the promising pipeline of IPOs in KSA. Our asset management team will deploy the same winning strategy that has allowed the Kingdom Equity Fund in Bahrain to outperform the market since 2011 generating impressive returns of approximately 175% in the last 10 years.

The asset management team as a whole has continued to prove their ability to adjust the composition of investments to capitalize on potential gains and deliver value to our clients across all our equity and fixed income funds. The fixed income team's performance and ability to consistently achieve their targets despite the challenging global macro picture, also helped them stay on top in 2023 with their flagship conventional fixed income fund outperforming the Bloomberg GCC Bond index by 0.3%. Total fixed income AUM reached USD 2.8 billion, a 40% increase year-on-year, which brings the breakdown of equities and fixed income AUM close to 50-50 due to current market conditions.

We are also very proud of a number of new strategic partnerships that we entered into this year. One such partnership was with Beyon Money, one of Bahrain's largest Telecom companies, to launch Flexi Savings, a first of its kind investment product in the MENA region. The innovative savings plan allows customers to invest their cash in a high yield product with the ability to withdraw funds at any point in time. The partnership leverages our asset management expertise and allows us to expand our product offering and to broaden our spectrum of individual and corporate clients through the Beyon Money app.

SICO launched the Elzaad Sukuk Fund in partnership with Wafra International Investment Company, an investment firm backed by Kuwait's Public Institution for Social Security. Our asset management team is acting as the fund manager while Wafra will participate as a seed investor and Fund Advisor. The Fund will invest in a diverse portfolio of Sukuk and other Sharia compliant fixed income instruments.

We are currently in the final stages of closing a partnership with Tanimia in Oman to assist them in launching a new product. This development is significant because it will not only increase AUMs but also reinforce SICO's position as one of the region's specialized capital market players offering unique, customized solutions for a diverse array of clients.

Our investment banking division continued to be active in Bahrain's M&A market. The team successfully completed advisory services on the sale and transfer agreement of Novotel Al Dana Resort to Gulf Hotels Group in Bahrain. We were also appointed as advisors for regional heavyweights such as Dallah AlBaraka, and we acted as the receiving agent for the Osool and Bakheet Investment IPO on the NOMU, Saudi Arabia's parallel market mid-cap companies, a space that hope to be competitive in going forward.

> We are a top 10 asset manager in the GCC and MENA with a stellar track record of outperforming the market, acheiving 10 consecutive years of AUM growth despite ongoing market volatility.

On the Brokerage front we maintained our leadership position as Bahrain's number one broker, and we achieved solid brokerage and net fee income for the year. Backed by our renowned fundamental Research division and the launch of a new comprehensive Research app that facilitates access to our extensive GCC research portfolio of stocks, we are offering unique value for our institutional and retail brokerage clients. SICO's Top-20 portfolio continued to outperform its benchmark, the S&P GCC Index by 15.3% despite market volatility.

Throughout the year, we continued to tactically position ourselves for increased cross-selling opportunities across business lines and locations, a strategic move which we expect to bear significant results in the coming years. One of our key organic growth drivers is, of course, Saudi Arabia, which is why we have invested a significant amount of time, energy, and resources to bring in a new team to push growth further. The cost of doing business in Saudi has been considerable because we have been building infrastructure for the past two years which meant not

Throughout the year, we continued to tactically position ourselves for increased cross-selling opportunities across business lines and locations, a strategic move which we expect to bear significant results in the coming years.

only hiring new people, but also deploying technology, changing policies and procedures, and investing across the board to shore up the entire operation.

Crucial to this process of shoring up our capabilities was restructuring and restaffing to support our strategy. We are very proud to have onboarded Bassam Abdulaziz Noor as the new CEO of our Saudi subsidiary SICO Capital as of January 2024. He brings more than 20 years of experience in regional and global investment and management, and I believe he is an excellent fit to lead us through our next phase of growth in the Kingdom.

We have also developed a new organizational structure for the Group that is better suited to our current needs. The new structure will ensure that subsidiaries are aligned with the holding company so that all stakeholders, clients, shareholders, board members and employees, are all dealt with using the same principles. This is part and parcel of an overall Group transformation strategy that we have started to implement. It will encompass everything we do internally including our touchpoints with clients. The objective is to to ensure a uniform and seamless client experience across the Group, while also catering to their ever changing needs.

SICO will make more use of technology to launch new products that are accessible to a larger pool of clients in an effort to transform SICO from an institutional and high net worth service provider into a service provider that can also offer products to retail investors. I am confident that there is a lot that we can do in this area and we are definitely on the right track to achieve our strategic objectives, which include generating more revenue, enhancing customer experience, improving asset utilization, cost efficiencies and operational efficiencies, and further developing our risk controls.

ESG

A major milestone for SICO in 2023 was the implementation of our Responsible Investment Policy. The policy has been developed to provide guidance to the organization on how environmental, social, and governance (ESG) factors should be integrated into our investment decision making process and as an additional lens to support the identification of potential risks likely to affect our investment portfolio. We expect this policy to evolve over time to reflect changes in business practices and the regulatory landscape. Accordingly, we will be monitoring this closely on an annual basis and will review our approach as needed.

Much of our effort during the year was focused on making sure that our people are truly embracing the policy. This is a journey that the entire world is taking, and it is our responsibility to make sure that the companies that we invest in as well as our clients have the same awareness.

Becoming a sustainable business is not just about ticking boxes and meeting regulatory requirements. It’s a matter that we take seriously, and we are genuinely committed to making progress on this front. We will not consider ourselves successful until we see concrete results on a Group level.

The Year Ahead

Now that we have the right people in the right seats, and the right structure in place to grow our business, we are well positioned for expansion and ready to reap the benefits in the coming years. Looking ahead, our emphasis remains on capitalizing on synergies, fostering innovation, and driving sustainable growth in key markets, especially in Saudi Arabia, where we see ample opportunities to deepen our presence. We believe that 2024 will be a much better year in terms of both the macro picture and SICO’s growth in Saudi Arabia.

In 2023, we made significant strides on achieving organic growth. In the year ahead, we will start to expand our focus a bit to also pursue some selective inorganic growth opportunities that complement our existing business. We will be looking at launching our Securities Services business as a regional offering specifically in the Saudi market, followed by other countries like the UAE with Bahrain acting as the center of excellence and back office for those services.

Promising business initiatives such as Wealth Management and Real Estate will also be on our radar in the coming year. The Wealth Management market in the GCC will be a priority because investors are looking to have relationships with local, regional, or internationals players who have presence on-the-ground which presents an opportunity for us to offer Wealth Management as an add-on service for everything that we offer. The business will be launched from Bahrain and expanded to other markets like Saudi Arabia and UAE.

Real Estate, on the other hand, is an asset class that no one can ignore. It’s a favorite for GCC investors, institutional, and individuals alike. SICO will focus on KSA, one of the deepest real estate markets in the GCC but we are also going to look at opportunities in the rest of the region to complement anddiversify our offering to investors. We have a flexible mandate when it comes to real estate whereby, we are not only looking at income generating real estate, but we are also looking at development and completed properties.

We will continue to monitor global issues closely, particularly the conflicts that are unfolding in our region. We support the call for peace and hope to see an immediate ceasefire and an end to the humanitarian crisis in Gaza for the sake of the well-being, security, and future prosperity of everyone involved. It is my sincere hope that the voice of reason will prevail and that all innocent civilians across the world who have been living in a state of conflict for far too long will have a chance to live in peace and with dignity.

I would like to take this opportunity to offer my sincerest thanks and appreciation to all of our stakeholders including our regulators, the Central Bank of Bahrain and the Bahrain Bourse. We wouldn’t be where we are today without the commitment and dedication of our shareholders, partners, clients, and of course our very special team of talented professionals at SICO who worked tirelessly to achieve the commendable financial and operational results of which we are all very proud.

Special thanks go out to our esteemed Board of Directors and our Chairman. It was our honor this year to welcome Abdulla Kamal as SICO’s new Chairman of the Board. He is no stranger to SICO as he has been a Director on our Board since 2020, representing Bahrain’s Social Insurance Organization. We look forward to working closely with him and benefiting from his expertise as we embark on our next phase of growth. Abdulla Kamal took over from Shaikh Abdullah bin Khalifa Al Khalifa, who resigned his post as SICO’s Chairman in 2023 after being appointed to a new role as the CEO of Bahrain Mumtalakat Holding Company. We owe Shaikh Abdullah a great deal of gratitude for the 12 years of leadership and guidance that he gave to SICO, and we wish him the best of luck in his new role.

If there is one key takeaway that we can hold onto from the past year, it’s that successful companies are ones that transform and adapt with changing circumstances. I think SICO has proven that we are capable of transforming and achieving to meet new challenges.

Najla M. Al Shirawi
Chief Executive Officer

01

2023 YEAR IN REVIEW

2023 Awards

Best Investment Bank in Bahrain - Euromoney Awards

Best Fund Strategy - The Bonds, Loans & Sukuk Middle East Awards 2023

Best Investment Bank in Bahrain - Global Finance

Best Bank for Diversity and Inclusion in Bahrain - Euromoney Awards

Number One Broker on the Bahrain Bourse

Best Asset Manager in Bahrain - Middle East Banking Awards

Best Broker in Bahrain - Middle East Banking Awards

SICO was recognized by several prestigious organizations in 2023. The Bank received multiple accolades throughout the year and retained its ranking as the number one broker on the Bahrain Bourse for the 25th consecutive year.

2023 Milestones

AUMs reach **6.0** USD BN

SICO Kingdom Equity Fund launches in Saudi Arabia

SICO advises on **Dallah Al Baraka's Exit Offer to ABG**

Financial Consultation license received in the UAE

Elzaad Sukuk Fund unveiled in partnership with Wafra International Investment Company

SICO and the **Supreme Council of Women** announce the winners of the **"Trading in Financial Markets" Programme**

Flexi Savings launches in partnership with Beyon Money

SICO Research app launches

#1 Broker on the Bahrain Bourse for the **25th consecutive year**

SICO's Sovereign & Quasi Sovereign Fixed Income Strategy wins **Best MENA Fixed Income Fund Strategy**

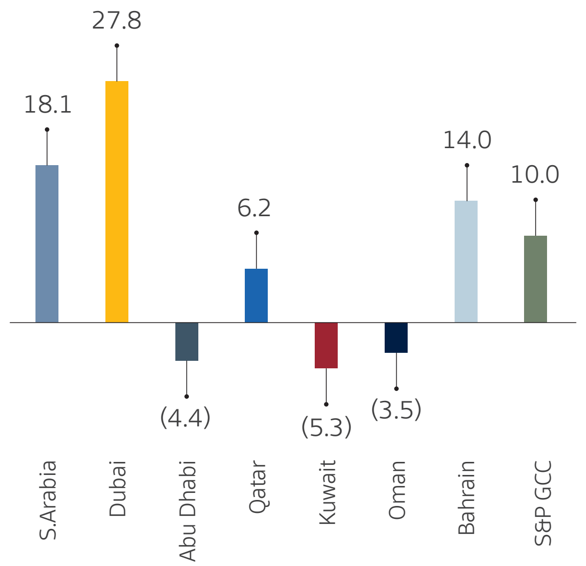
SICO develops **Responsible Investment Policy**

SICO Capital acts as the receiving agent for the **OBIC IPO** on the Nomu

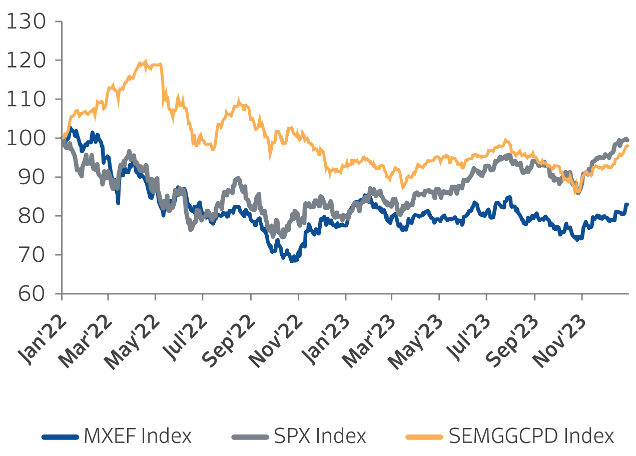
GCC Market Snapshot

GCC markets experienced robust performance in FY23, with four out of seven exchanges closing in green. Dubai led the gains with an impressive index return of approximately 28% for the year, followed by Saudi Arabia (+18.1%) and Bahrain (+14%), which outpaced the S&P GCC benchmark index returns (+10%) in 2023. Markets exhibited resilience amid fluctuations in crude oil prices due to the European Union's ban on Russian crude oil, OPEC+ production cuts, multiple interest rate hikes, and concerns about inflation and economic recession.

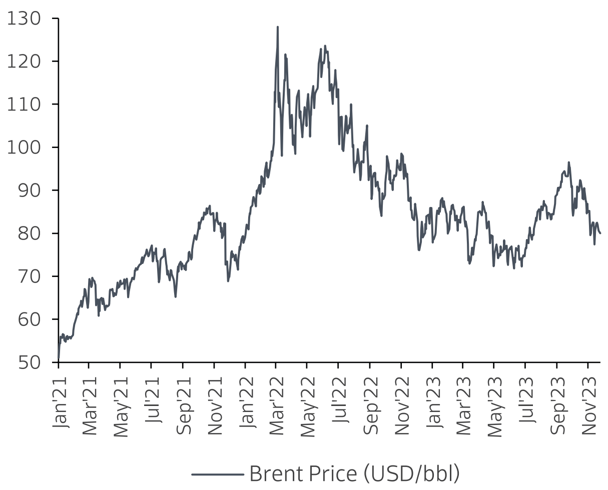
Index Returns - 2023 (%)



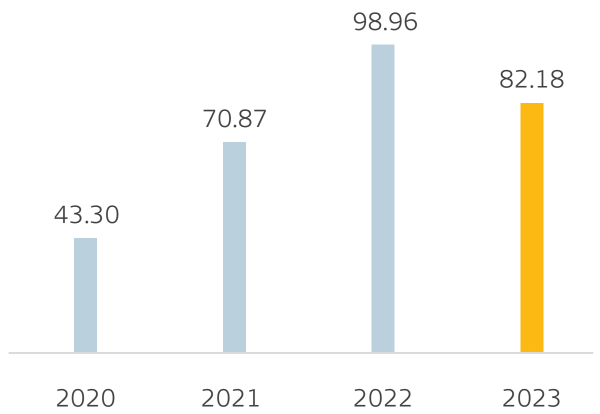
Key Index Performance (normalised to 100)



Brent Price (USD/bbl)



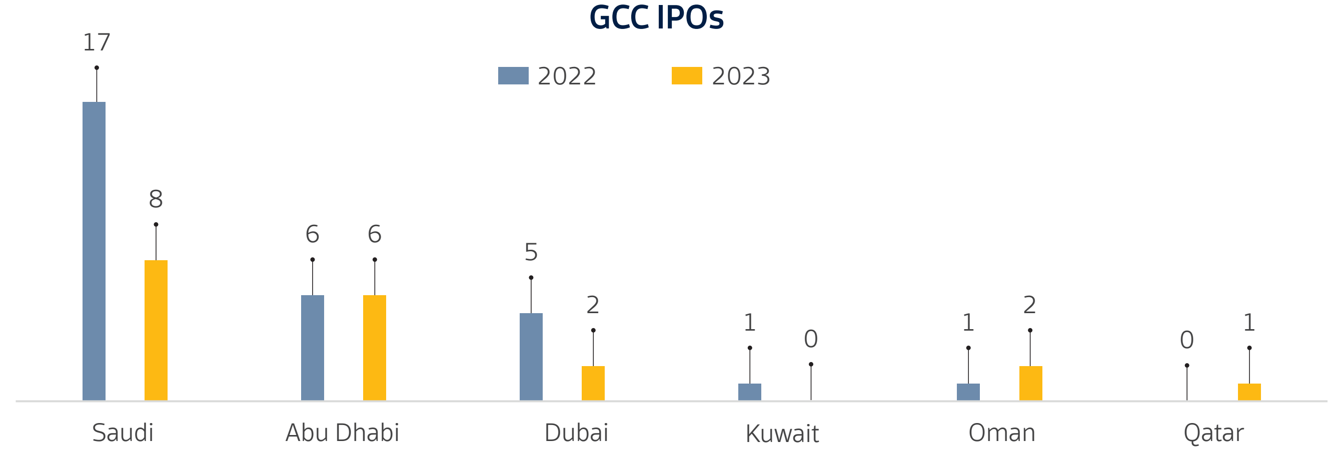
Average Daily Brent Price (USD/bbl)



The surge in interest rates since 2022 precipitated a sharp decline in turnover during the latter part of 2022, with levels remaining suppressed throughout 2023, with the exception of Bahrain and Dubai which saw a notable 27% and 18% increase in average daily turnover, respectively.

Given the geopolitical tensions and oil demand weakness, the year will remain challenging but overall fundamentals remain strong. KSA spending despite a budget deficit implies that activity in the non-oil sector will remain robust. Active theme-based investing will generate alpha over a passive approach during 2024.

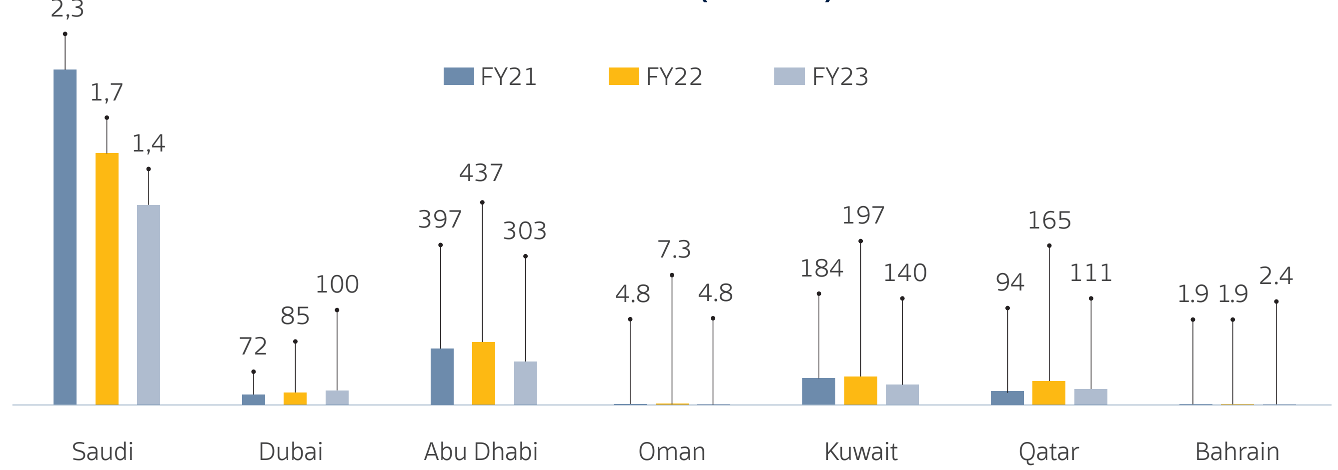
GCC IPOs



Note: Main markets only

Despite the slowdown in primary market activity witnessed in 2023, the completion of 19 successful IPOs throughout the year underscores the market's enduring strength. The momentum is expected to continue, with a robust pipeline of offerings set to go public in 2024, with KSA expected to lead the IPO activity, as has been the trend in recent years.

Index Turnover (USD mn)



2023 Financial Highlights

4.4 BD/MN
Net Profit
2022: 3.6 BD/MN

4.44 BD/MN
Net Investment Income
2022: 1.04 BD/MN

3.59 BD/MN
Net Interest Income
2022: 2.63 BD/MN

1.64 BD/MN
Brokerage Income
2022: 1.46 BD/MN

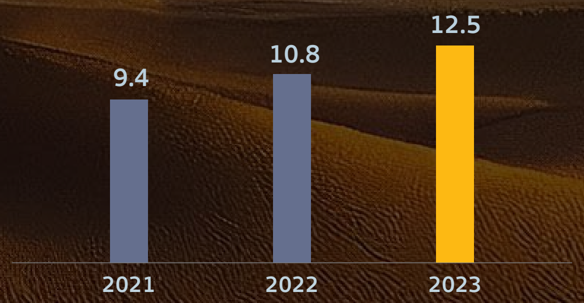
7.71 BD/MN
Asset Management & Other Fee Income
2022: 8.44 BD/MN

0.42 BD/MN
Investment Banking Income
2022: 0.28 BD/MN

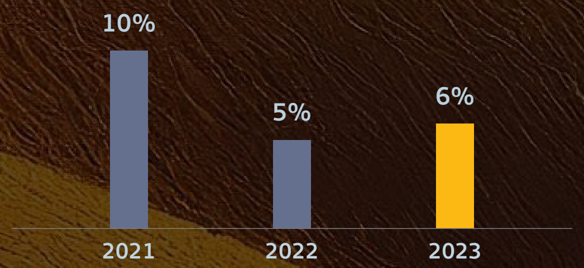
0.49 BD/MN
Other Income
2022: 0.59 BD/MN

Our robust balance sheet, enhanced risk management framework, focus on organic growth across business lines, and balanced approach to digitization were all catalysts that led to a positive financial performance.

Sustainable Income (BD Million)



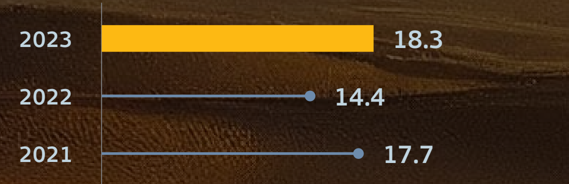
Return on Average Equity - Annual Ratio



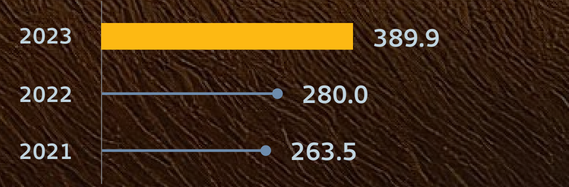
Earnings per Share - Fils

Dividends per Share - Fils

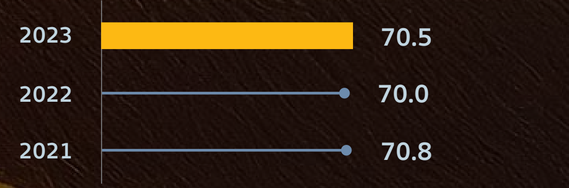
Total Revenues (BD Million)



Total Assets (BD Million)

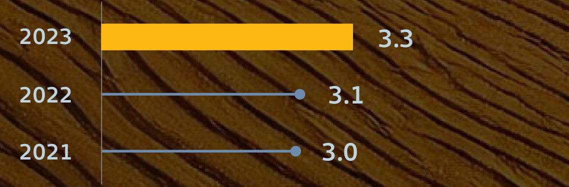


Shareholder's Equity (BD Million)



Net Assets Under Management (BD Billion)

Assets Under Custody (BD Billion)



Management Discussion & Analysis

For the full year 2023, SICO reported BD 4.4 million (USD 11.6 million) in consolidated net profit attributable to shareholders, representing a 23% increase from the BD 3.6 million (USD 9.4 million) recorded for the year ended 31 December 2022. Net profit growth was primarily driven by an impressive expansion in net investment income for the year, on the back of strong results posted in the second half of 2023. Growth was further bolstered by both a robust increase in net interest income coupled with solid brokerage and net fee income for the year. Earnings per share recorded 10.7 Bahraini fils in 2023, up from 8.45 Bahraini fils in 2022. SICO's comprehensive income attributable to shareholders stood at BD 4.6 million (USD 12.2 million) in 2023, compared to BD 3.2 million (USD 8.7 million) in 2022, representing a 40% increase.

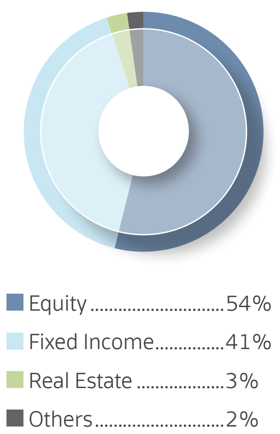
I. Appropriations

SICO's Board of Directors has recommended a dividend of 5% of the share capital, aggregating to BD 2.1 million (USD 5.7 million), subject to the approval of the Central Bank of Bahrain (CBB) and the General Assembly.

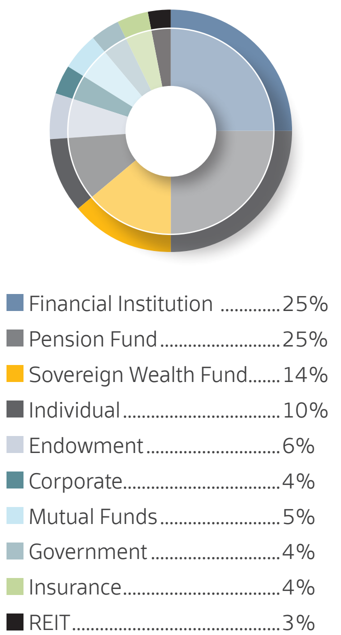
II. Asset Management

SICO's total Assets Under Management (AUMs) witnessed growth during the year on the back of new offerings and services expansions. On a gross basis (including leverage), SICO's assets under management (AUMs) rose 25% to BD 2.3 billion (USD 6.0 billion) in 2023 from BD 1.8 billion (USD 4.8 billion) in 2022. On a net basis (excluding leverage), AUMs rose 23%, reaching BD 1.9 billion (USD 5.1 billion) compared to BD 1.6 billion (USD 4.2 billion) at year-end 2022.

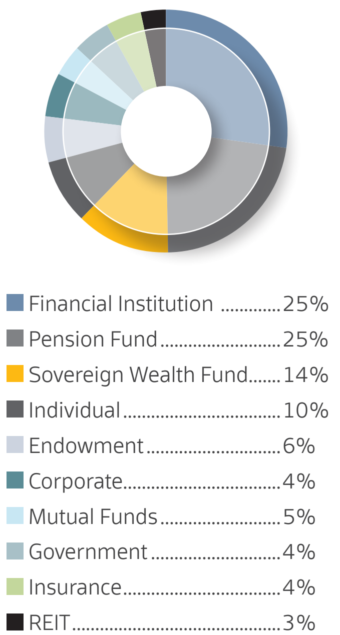
AUM by Asset Class



Composition of Net AUMs

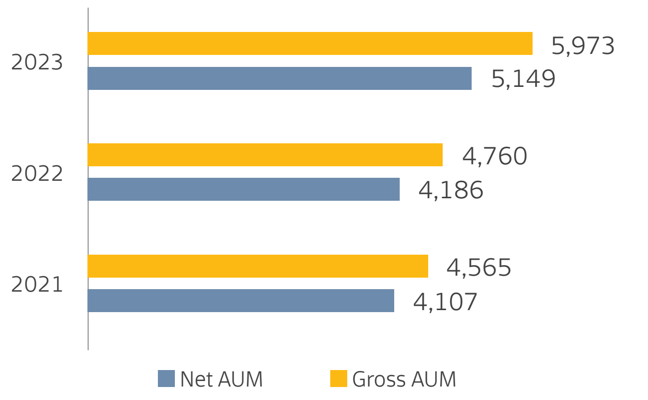


Composition of Gross AUMs



Note:
The terms Gross and Net AUM as used throughout this annual report indicate the following: "Gross" AUM or gross assets under management (AUM) signifies the total assets being managed before the netting of discretionary leverage, and "Net" AUM signifies total assets being managed net of discretionary leverage.

Gross and Net AUM Growth - USD mn

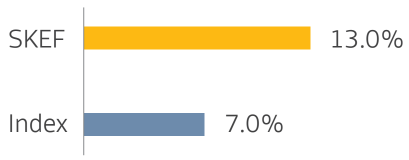


SICO's flagship Khaleej Equity Fund recorded returns of 17.3% for 2023, maintaining its place as one of the best-performing MENA focused funds. By year-end 2023, the Khaleej Equity Fund had yielded a five-year gross return of 17.5%, outperforming the benchmark by 7.9%. Meanwhile, SICO's Kingdom Equity Fund, which invests in Saudi-listed equities, generated a return of 23.3% for the year, markedly outperforming the wider market. The Kingdom Equity fund has achieved a five-year annualized gross return of 18.0%, significantly exceeding the annualized benchmark return of 11.3% for the period. SICO's Gulf Equity Fund, which invests in all GCC equity markets excluding Saudi Arabia, achieved gross returns of 4% in 2023, and five-year annualized returns of 11.3%.

The SICO Fixed Income Fund recorded an increase of 6.4% in 2023, an outperformance of 0.3% compared to its benchmark. This environment saw the Bloomberg GCC Bond Index return 6.1% in 2023. However, the SICO Fixed Income Fund booked a solid performance.

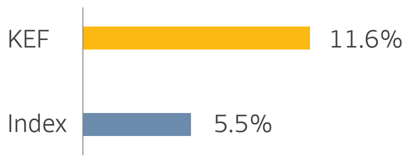
SICO Kingdom Equity Fund

10-Year Annualized Gross Return



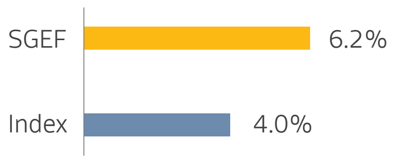
Khaleej Equity Fund

10-Year Annualized Gross Return



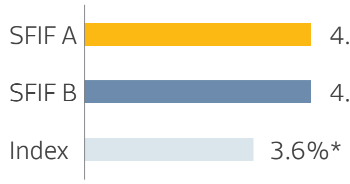
SICO Gulf Equity Fund

10-Year Annualized Gross Return



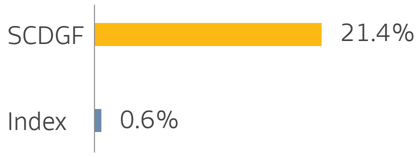
SICO Fixed Income Fund

10-Year Annualized Gross Return



SICO Capital Dividend Growth Fund

2-Year Annualized Gross Return



SICO Capital Money Market Fund

5-Year Annualized Net Return

4.4 BD MN

Net investment income

51%

Increase in Investment Banking income

III. Securities Brokerage

SICO's Brokerage division continued to expand its product portfolio and widen its client base, despite challenging global market conditions characterized by aggressive monetary tightening and inflationary pressures, further cementing its leading position in the Bahraini capital markets space. SICO Brokerage maintained its 1st place ranking on the BHB for the 25th consecutive year, securing a market share of 47.16% in traded value for 2023. Additionally, the division's income rose to BD 1.6 million in 2023 compared to BD 1.5 million recorded in the previous year

IV. Investment Banking and Real Estate

SICO's Investment Banking division has solidified its standing as a top player in Bahrain's capital markets and a leading advisor capable of executing transactions across diverse fronts. With a team of exceptional investment professionals, the division has successfully managed initial public offerings, secondary offerings, mergers and acquisitions, and advisory services spanning various industries, serving both private and public entities. The division closed the year with BD 416 thousand in total income versus BD 275 thousand in the previous year.

V. Proprietary Investments

SICO's proprietary investment division follows an absolute return strategy aimed at ensuring stable returns for the Bank through prudent deployment of capital, while ensuring capital preservation and availability of the same for core business and strategic purposes. Proprietary investments generated a net investment income of BD 4.4 million in 2023 compared to BD 1.0 million in 2022, benefiting from both strategic asset allocation and timely tactical changes.

VI. Treasury

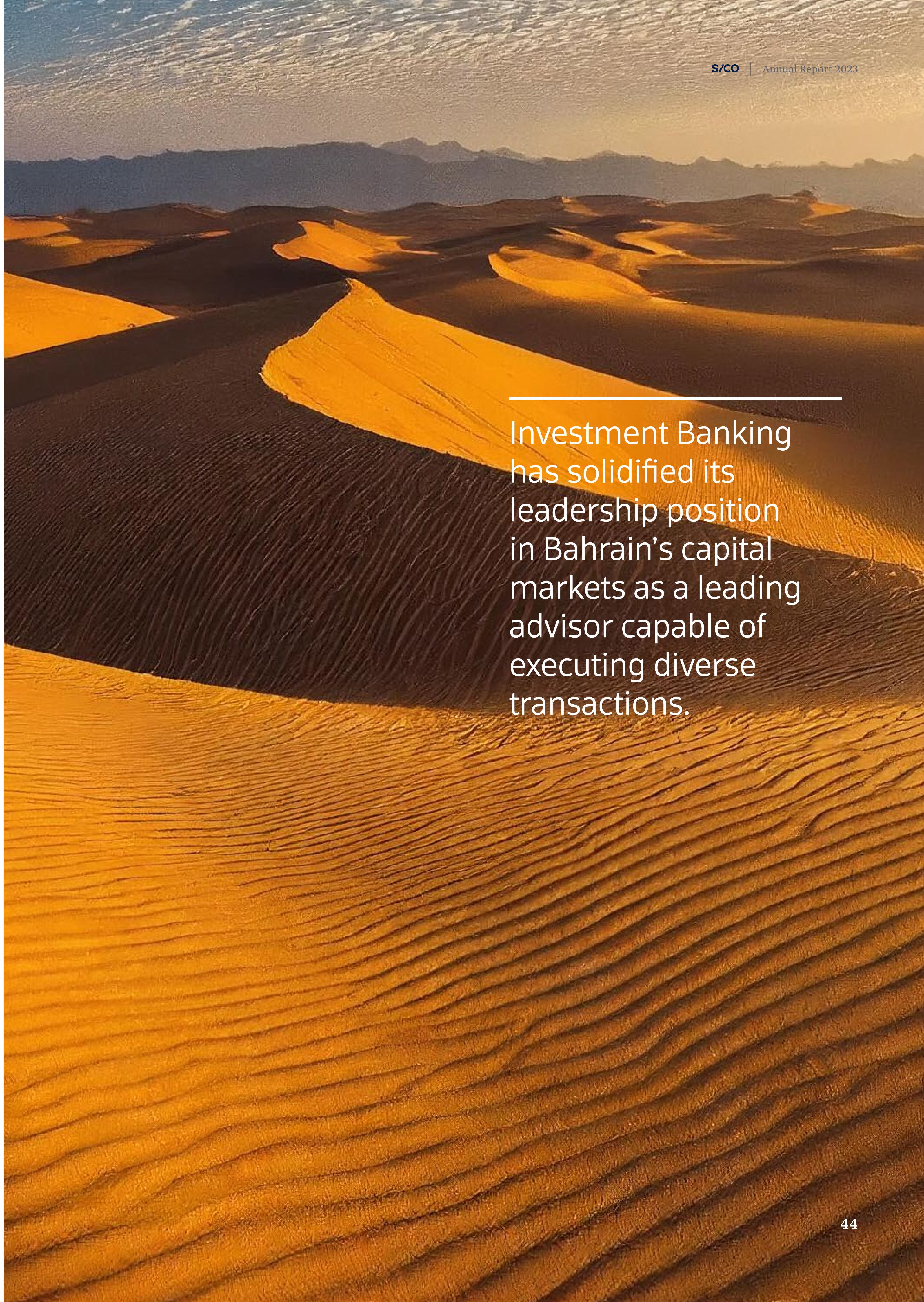
SICO's Treasury benefited from the favorable rate environment and based on efficient liquidity management, earned net interest income on interbank placements and borrowings of BD 2.3 million in 2023, an increase of 70% from the BD 1.4 million booked one year previously. FX income contributed BD 305 thousand to overall Treasury income for the year. The strength and liquidity of SICO's balance sheet was evident in the Bank's capital adequacy ratio of 74% booked at year-end 2023.

VII. Market Making

SICO's Market Making division recorded total market making income of BD 309 thousand in 2023, down from 349 thousand in 2022. BLF transactions contributed 28.4% of the total ADTV on the BHB in 2023, compared to 36% in the previous year. The BLF generated returns of 3.1% in 2023, compared to 1.98% in 2022.

VIII. Custody and Fund Administration

The division performed well during the year, as assets under administration increased to USD 3.2 billion in 2023 from USD 2.5 billion in the previous year, while assets under custody remained flat at USD 8.8 billion in 2023. By asset type, assets under custody in 2023 stood at USD 6 billion for equity, USD 2.6 billion for fixed income, and USD 112 million for private equity.



Ramping Up Our Digital Infrastructure

At SICO, we recognize the pivotal role that robust and secure digital infrastructure plays in ensuring the efficiency, resilience, and future readiness of our operations. Our technology strategy is centered around a standardized group infrastructure and stringent security measures, aimed at fortifying our digital foundation. As part of our commitment to staying at the forefront of technological advancements, we have embarked on strategic initiatives to enhance our capabilities in handling and leveraging data for informed decision-making.

As we navigate the short-term, our focus is on improving existing structures and introducing new ones. Recognizing the focus of our current apps – the research app and SICO LIVE online trading app – we are actively investing in additional technology to broaden client access. Our short-term strategies are geared towards defining comprehensive plans, prioritizing key areas, and developing the necessary tools and capabilities to propel our digital transformation forward.

Looking towards the future, we envision the integration of AI and machine learning into our operations. However, our emphasis on data availability takes center stage in our short-term priorities, laying the groundwork for the projected AI deployment in 2025-2026.

Data Management and Cybersecurity

A cornerstone of our digital transformation is the strategic investment in data warehousing and management. Data is a valuable asset, and our efforts focus on creating a sophisticated framework for data management. This investment not only empowers us with the tools for efficient data management but also facilitates the extraction of meaningful insights for informed decision-making.

As SICO continues to adopt new digital solutions and integrate more advanced systems, protection against cyberattacks has become increasingly vital to the safety and continuity of operations across the Bank's business lines.

SICO's managed Cybersecurity Operations Center (CSOC), developed in 2022 with Beyon Cyber, improved the security of SICO's IT infrastructure and strengthened its cybersecurity architecture, offering increased confidence in its ability to safeguard against any external hazards. The center has a dedicated professional team for 24/7 monitoring of all SICO's systems to ensure that they are all effectively protected against any potential cyber threats using advanced AI technology.

Cloud Infrastructure

In alignment with a key component of SICO's digitization strategy, the bank continued making strategic investments in cloud infrastructure in the past couple of years, moving it closer to our goal of becoming fully cloud-based. Considerable progress was made during the year regarding the migration of systems to cloud models for SICO across its regional footprint.

Managing Risk

SICO manages external risk factors through constant monitoring, stress testing various scenarios, and implementing appropriate mitigation strategies.

In a world brimming with uncertainties, Risk Management emerges as a vital shield, protecting individuals, businesses, and organizations from potential pitfalls. It's the strategic practice of anticipating, analyzing, and mitigating the impact of adverse events.

As the external risk environment becomes more and more complex, the Risk Management function has become a critical component of SICO's ability to remain a resilient bank that can meet its targets and create value for its stakeholders. SICO's Risk Management Department is responsible for establishing the risk management framework and appropriate risk guidelines to assist the bank in achieving its strategic and business objectives.

The department provides leadership, direction, and coordination in implementing the risk management framework across the entire group. This entails a systematic process of identifying, assessing, and mitigating the principal business risks facing SICO by establishing appropriate controls to manage these risks; and ensuring that appropriate monitoring and reporting processes are in place. The bank has established a risk management function that is independent of its risk-taking (business units) functions and reports directly to the Board Audit, Risk & Compliance Committee.

During 2023, Risk Management, under the leadership of the newly appointed Chief Risk Officer, continued to play a pivotal role ensuring that SICO remains strong, methodical, and consistent in the face of economic uncertainty. An overview of SICO's risk management framework along with the governance structure is covered in the Risk and Capital Management section of this annual report.

External Risk Factors

Banks operate within a complex web of external risk factors that can significantly impact their financial health and stability. SICO manages these external risk factors through constant monitoring, stress testing various scenarios, and implementing appropriate mitigation strategies.

Cybersecurity Risk

In the ever-changing landscape of cybersecurity, modern financial systems face the persistent challenge of staying ahead of evolving threats, particularly with the rise of AI-powered tools that enhance the sophistication of social engineering attacks like phishing. Today, cybersecurity has emerged as a significant threat to operational resilience across various industries, extending beyond financial services. This shift has led CEOs and boards worldwide to view cybersecurity as a business risk rather than solely a technology risk.

Cybersecurity continues to be at the top of SICO's internal risk priorities. We remain committed to protecting our digital assets and the information of our clients, and stakeholders. Workshops organized for Bahrain's banking sector by the Central Bank of Bahrain (CBB) have addressed the development of cybersecurity practices within the banking sector at large. The CBB emphasized implementing the latest security practices and controls to maintain the integrity of the banking and financial system. SICO has also been represented at discussion forums on cybersecurity held by the Bahrain Association of Banks.

In 2023, SICO further strengthened its cybersecurity practices by implementing an advanced security solution based on Artificial Intelligence (AI) to have a 360-degree monitoring of the entire IT infrastructure, providing real-time detection and protection against targeted cyber-attacks. SICO firmly believes that cybersecurity is a shared responsibility and therefore we have invested in comprehensive training programs to enhance our employees and client awareness of potential threats, phishing emails, security best practices, and their roles in maintaining a secure environment.

Geopolitical Risk

Geopolitical risks remain a critical concern for the investment banking sector as the conflict between Russia and Ukraine approaches the two-year mark, and additionally, the escalating tensions in the Gaza Strip demand close monitoring. Analysts must vigilantly assess the impacts on global supply chains, as well as its potential effects on the prices of agricultural and energy commodities. Regional and political instability significantly influences interest rates and financial markets, thus demanding that banks stay informed with forward-looking decisions to navigate these complexities effectively. SICO's Risk Management department plays a crucial role in safeguarding businesses from the potential disruptions and financial consequences arising from geopolitical risks.

Inflation, Market, and Interest Rate Risk

Inflation, while still a concern, has shown signs of easing. The U.S. Federal Reserve has held interest rates steady, setting the stage for potential cuts this year. Inflation, the cost-of-living crisis, and tightening financial conditions in most regions, will continue to weigh heavily on global growth. After a series of rate increases in 2022 and 2023, rates seem to have peaked looking forward, however the CBB continues to monitor global and local market developments closely to maintain monetary and financial stability in the Kingdom. In terms of oil prices, GCC economies have demonstrated resilience following the post-pandemic price collapse, with recent increases in oil prices providing some relief to these nations and bolstering government revenues. However, the region's ongoing complexities, geopolitical tensions, and urgency of climate change concerns mandate the need for diversification into more sustainable and ESG-aligned models.

SICO monitors market updates and risks routinely for agile strategy amendments, with a focus on maintaining acceptable fixed income portfolio durations to mitigate any significant interest rate risks.

Environmental, Social, and Governance Risk (ESG)

As ESG becomes more imperative to business strategy, transitioning to integrate sustainability as a core business strategy has become a significant task that must be calculated. This growing attention on ESG is a key focus of SICO and of the CBB, which has recently released its ESG guidelines. The Bank has engaged in a comprehensive review of its ESG risk management, evaluating how to better address environmental impact, social responsibility, and governance practices not only to safeguards its reputation but also to enhances its long-term financial resilience.

Internal Risk Priorities

SICO is exposed to the major risk types below:

- Credit Risk
- Concentration Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Fiduciary Risk
- Compliance & Regulatory Risk
- Reputational Risk
- Legal Risk

These are elaborated further in the Risk and Capital Disclosure section of the annual report.

Changes in the Business

An ongoing rapid rate of change for SICO presents a set of challenges, but the Risk Management department is an active partner to the business model that is up to the task of ensuring that these developments and enhancements are delivered seamlessly without compromising the quality of the client experience or the resilience of operational processes. Our clients' best interests are our top priority, and our fiduciary responsibilities are key. The department also carries out updates of all the relevant risk management frameworks in the light of the changes in business and also ensures compliance with the applicable regulatory requirements across the Group.

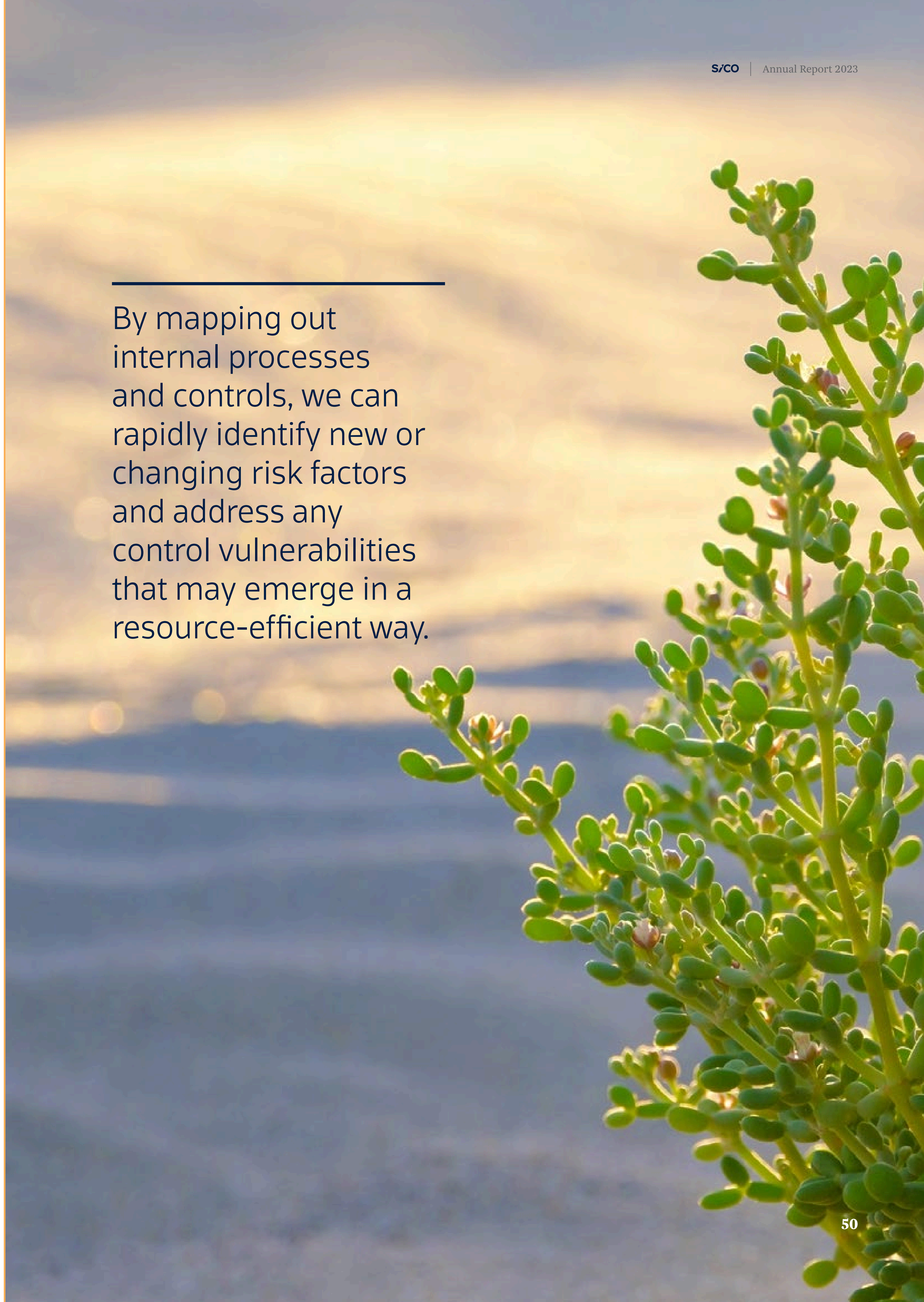
Going Forward

The Risk Management department will continue to assist SICO's various business lines in identifying and managing potential sources of risk, ensuring that lessons learned, and industry best practices are applied across the group. By identifying these risks and having appropriate mitigation techniques, we can ensure that our business is resilient to potential external threats, and volatile market conditions and lend further confidence to our clients and stakeholders.

Risk Management continually aims to be an effective partner to the front office and support functions, providing a constructive and insightful challenge to current and proposed business practices and products, as necessary. By mapping out internal processes and controls, we can rapidly identify new or changing risk factors and address any control vulnerabilities that may emerge in a resource-efficient way.

An active and flexible Risk Management function at SICO ultimately gives us a competitive advantage to ensure that existing and prospective clients regard SICO as a top tier investment manager and leader in the risk management space; a "safe pair of hands" to be entrusted with their investments.

The department is continuously enhancing the framework that guides SICO's day-to-day operations and decision-making in a manner that considers market conditions, complex new developments in technology, and the regulatory frameworks in each of the jurisdictions in which SICO operates.



By mapping out internal processes and controls, we can rapidly identify new or changing risk factors and address any control vulnerabilities that may emerge in a resource-efficient way.

Control Functions

Compliance and Anti-Money Laundering

As a Licensed Conventional Wholesale and Listed Bank, SICO has put in place comprehensive policies and procedures to ensure full compliance with all relevant rules and regulations by the Central Bank of Bahrain (CBB), the Bahrain Bourse (BHB), and other regulatory authorities. In keeping with Basel and CBB guidelines, the Bank has established an Independent Compliance Department, which acts as the central coordinator for all matters related to regulatory reporting and other requirements.

The department is also responsible for ensuring compliance with CBB regulations for anti-money laundering (AML) and counter-terrorism financing (CFT), which are managed by a designated Money Laundering Reporting Officer (MLRO) and Deputy MLRO. During 2023, SICO remained compliant with the latest regulatory requirements by the CBB and BHB. An overview of SICO's corporate governance framework, plus a report on key developments during the year, are covered in the Corporate Governance Review section of this annual report.

Internal Audit

SICO has a well-established independent Internal Audit function that reports directly to the Board Audit, Risk & Compliance Committee to provide independent and objective assurance over the adequacy and effectiveness of the Bank's and relevant subsidiaries' governance, internal controls, and risk management processes. Its scope and role are defined and approved by the Board Audit, Risk & Compliance Committee ('BARCC').

During 2023, the department met quarterly with the BARC, and presented the results of internal audits performed in line with the Board-approved risk-based internal audit plan. As outlined by the approved audit plan, certain operational, business, and management processes and divisions, including the subsidiaries, SICO Fund Services Company (SFS) and SICO Invest were audited/reviewed.

Internal Audit also carried out spot check reviews on an ad-hoc basis covering various areas based on Management's request, with the results being presented to the Senior Management/BARCC.

Additionally, in 2023 based on Management and BARCC request, the department supplemented the internal audits carried out by the outsourced auditors of SICO's Saudi Subsidiary SICO Capital CJSC; and carried out multiple internal audits of certain critical functions and business divisions in SICO Capital. The department thereby brought to the subsidiary its extensive experience of audit of various SICO group support and business processes and thereby benchmarked SICO capital's processes and practices to those of the higher standards maintained in Bahrain.

Throughout the year, the Department also assisted various consulting assignments contributing with inputs and reviews at various stages for a number of the Bank's additional projects such as update of policies and procedures etc. all while keeping adequate safeguards in place in line with IIA standards.

Financial Control

The Financial Control Department, which comprises the Accounting and Reporting Unit (ARU) and the Internal Controls & Value-Added Tax (VAT) Unit (ICU & VAT) Unit, is responsible for all aspects of accounting, VAT and internal controls at SICO. ARU is responsible for ensuring the bank's financial accounts and regulatory reporting standards are in good order. The ICU & VAT unit is responsible for all aspects of complying with VAT regulations as promulgated by the National Bureau of Revenue in the Kingdom of Bahrain. In addition, the unit performs key internal control functions across the various finance and accounting tasks that are in place.

During 2023, ARU produced MIS and regulatory reports and prepared consolidated financial statements in accordance with international accounting standards. ARU also adapted itself in a seamless and efficient manner to changes in the working styles as warranted. Paperless processing of payments was introduced, electronic authorization was put in place and uninterrupted work from home was carried out in a highly effective and productive manner. The regular regulatory requirements of additional reporting and disclosures that were warranted were successfully implemented.

The process of integrating the reporting across the subsidiaries is enhanced on an ongoing basis.

The ICU & VAT unit continues to play a key role in ensuring relevant frameworks were set up and implemented throughout SICO to comply with VAT. The unit ensured that the bank was in compliance complied with regulatory requirements to issue tax invoices, that it filed tax returns in a timely manner, and that VAT was paid on a periodic basis, with amendments to regulations and requirements being handled in a timely fashion.

During 2023, SICO remained compliant with the latest regulatory requirements with the CBB and the BHB.

03

ENVIRONMENTAL SOCIAL, AND GOVERNANCE (ESG)

Making an Impact

We approach ESG in a structured manner, first as a responsible business and, second, as a responsible investor by integrating ESG considerations into our investment processes.

Being a regional group, SICO endeavors to stay at the forefront by aligning its ESG policies with internationally recognized best practices. We look to leading independent global organizations, such as the UNPRI (United Nations-supported Principles for Responsible Investment), a foremost advocate for Responsible Investing, and the UNSDGs (United Nations Sustainable Development Goals), as benchmarks for shaping our commitment to responsible and sustainable business practices.

At a corporate level, SICO takes pride in being an ethical organization that prioritizes diversity, inclusion, environmental sustainability, and sound corporate governance through its decision-making process and operations. Furthermore, we are strong supporters of developing the communities where we operate. Accordingly, the Group is working to integrate ESG considerations into the fabric of its operations which allows us to create long-term value for all stakeholders, including clients, partners, employees, and the community at large.

Environmental Social, Governance (ESG)

Environmental

Minimize carbon footprint and integrate environmental awareness into our operations in line with Bahrain's commitment to net zero carbon emissions in 2060

Social

Investing in human capital by focusing on women's empowerment, diversity and inclusion, education, and access to employment

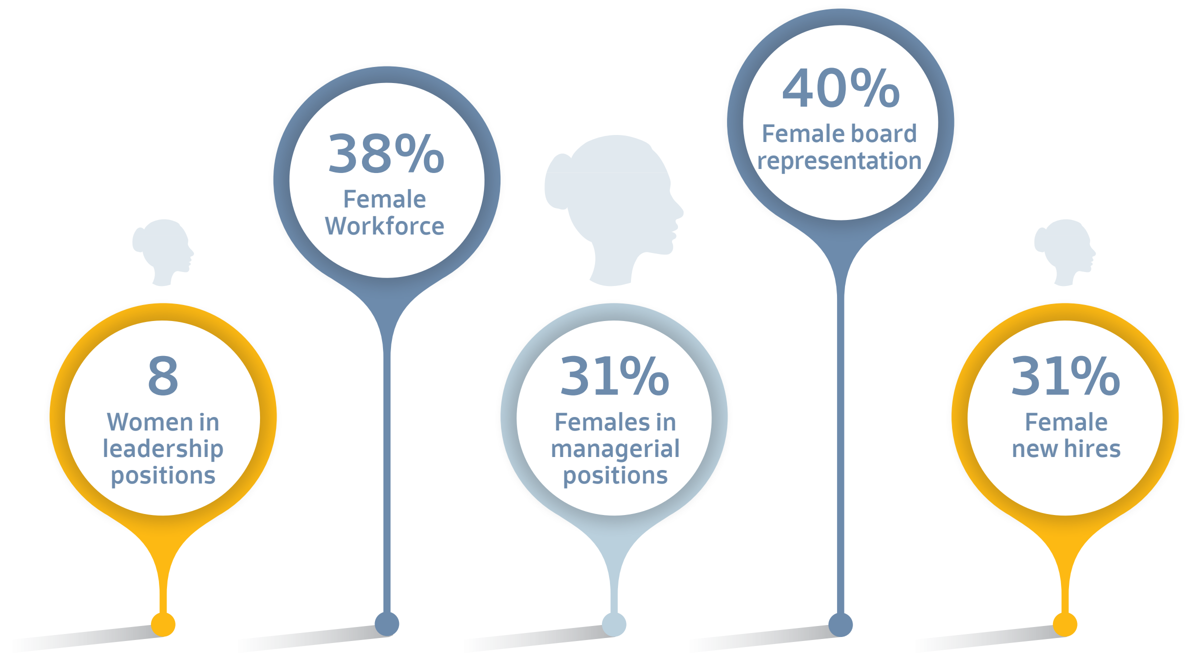
Governance

Adhering to the highest standards of Corporate Governance and ensuring oversight of ESG integration into the investment process

Supporting Our People

Diversity and Inclusion

SICO takes pride in its commitment to being an equal opportunity employer, fostering a diverse workforce and cultivating a culture that emphasizes the empowerment of women. Since 2014, SICO has been led by its first female CEO, Najla Al-Shirawi, and currently, 31% of managerial positions are held by women. The Group is proud to have the highest female representation in Bahrain on its Board of Directors at 40%. Overall, 38% of SICO's total workforce is made up of women, with eight currently in leadership positions. Furthermore, our research team is 45% female, and our brokerage team is led by the only female Chief Broker in Bahrain together with her team that consists of 60% women. Our market making business line is also headed by a female and her team consists of 100% females.



The Group's dedication to equality is further evidenced by the existence of an Equal Opportunity committee, established in 2017, which actively works to ensure equal employment opportunities and continually enhances policies, procedures, and practices to champion gender inclusion and diversity. In recognition of these efforts, SICO was honored as the Best Bank for Diversity and Inclusion in Bahrain by the Euromoney Awards for Excellence in 2023. SICO's HR staff have all participated in unconscious bias training and all department heads completed a diversity and inclusion training programme.

In 2023, SICO partnered with PLAYBOOK, a leading global platform for professional development and networking, to elevate and support the career progression of female leaders within SICO through an ecosystem of curated learning resources, mentorship, and networking opportunities. Through the partnership, members gain access to a library of expert-led masterclasses, workshops, executive speaker sessions, a mentorship programme, networking opportunities (online and offline), and more. The curated learning resources help women navigate leadership challenges and build more inclusive workplaces with access to equal opportunities.

Total Workforce by Gender and Age-Group

	20-30	31-40	41-50	Above 50
Male	13.6%	20.4%	21.8%	6.8%
Female	14.3%	12.9%	9.5%	0.7%

15 nationalities represented

38 average age

Employee Turnover Rate

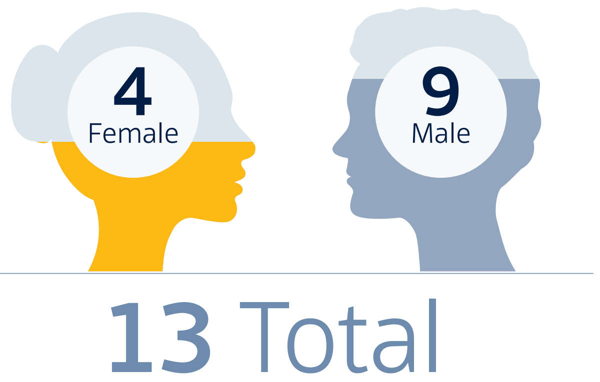
2023	Turnover %
SICO	10.4%
SICO Invest	18.2%
SICO Capital	67.9%

SICO's offices in the Bahrain World Trade Center (BWTC) include communal areas where colleagues can sit, talk, eat, and bond in a comfortable relaxed setting. The layout of the departments and offices also includes collaborative spaces that provide the ideal environment for brainstorming, connecting, and teamwork with phone booths and meeting rooms available for more private and quiet assemblies. Prayer rooms are also adequately provided to allow employees to practice their faith, and wellness rooms are available as lactation spaces for new moms, and as quiet spaces for employees and guests in need of a boost of energy.

The official work from home (WFH) policy that was adopted in 2021, allowing employees, on a case-by-case basis, to work 50% of the time from home remains in effect. All employees are given the opportunity to work from home, especially those with chronic conditions, mothers, and pregnant women. All employees working from home are supported with the required equipment and/or technical support from IT to ensure uninterrupted workflows.

SICO's HR department implements an open-door policy to encourage employees to voice their opinions and to promote a culture of transparency, develop trust, and facilitate with the implementation of changes that positively impact workplace efficiency and productivity. At SICO, we uphold a commitment to equality among our employees, irrespective of factors such as gender, age, religion, disabilities, ethnicity, experience, or background. Our Grievance Policy serves as a transparent framework, offering explicit guidance on the proper channels for raising and addressing workplace concerns. In 2023, SICO recorded zero incidents of discrimination or harassment or of child or compulsory labour.

New Hires by Gender



Total Percentage of Nationals at SICO

Developing Talent

SICO places a paramount emphasis on nurturing talent within the organization through dedicated mentoring and training initiatives. Throughout the year, comprehensive training courses are offered, encompassing a wide spectrum ranging from banking and finance to soft skills, leadership and management, risk management, anti-money laundering, and diversity and inclusion. These courses are conducted in collaboration with esteemed global and local experts, including institutions such as the Bahrain Institute of Banking and Finance (BIBF), Roshcomm, Bloomberg, and Thomson Reuters Compliance Learning, among others. This strategic approach ensures that SICO's workforce is equipped with a diverse skill set and stays abreast of the latest industry standards and practices.

During the year, SICO employees continued to participate in the CFA Society Bahrain's Qodwa Mentorship Program, which pairs candidates with experienced charter holders as mentors to help them work towards their academic and professional goals. The program, which is currently in its fifth round, has successfully paired over 70 mentors and sixth, trained more than 100 participants, and expanded across four countries.

A total of 111 employees have successfully completed cybersecurity and anti-money laundering (AML) training programmes. These initiatives reflect our commitment to fostering a secure and compliant work environment, where employees are equipped with the necessary knowledge and skills to safeguard sensitive data and uphold regulatory standards. Through these comprehensive training sessions, our workforce has gained valuable insights into identifying and mitigating cyber threats, as well as detecting and preventing illicit financial activities.

111

employees successfully completed cybersecurity and anti-money laundering (AML) training programmes

Employee Savings Scheme

SICO's employee saving scheme (ESS), launched in 2023, allows employees to opt into a savings plan by designating a portion of their monthly base pay with a guarantee that SICO will match the amount with a cash contribution of a similar amount, subject to a maximum cap and a vesting period. Employees can select one of three global options (aggressive, moderate, conservative) according to their personal investment needs. SICO's Global Markets team then invests the savings in diversified, low-cost liquid investments that are ring-fenced according to international best practice. The ESS was designed in consultation with multinational insurance company, Aon.

Addressing Climate Challenge

Given that climate change has emerged as the foremost challenge of our era, SICO places high importance on advancing ecological preservation and sustainable measures, both within the organization and in external engagements. SICO is dedicated to contributing to the collective effort against global warming and supporting the Bahraini government's objective of achieving net zero carbon emissions by 2060. Continuous efforts are underway to discover and execute new initiatives aimed at reducing SICO's carbon footprint, which declined 23%

Training Hours by Gender*

Female	Male	Total
1,449	1,006	2,455

in 2023 alone. Furthermore, the Group is committed to incorporating environmental awareness and sustainability into its core operations in the years ahead.

SICO publishes an annual GHG (greenhouse gas) Emissions Report, to monitor and reduce GHG emissions. Its 2023 report, which will be published at the end of March, covers the period from January 1 to December 31, 2023, and includes direct emissions from controlled equipment and assets (scope 1), emissions from purchased electricity (scope 2), and selected categories that constitute indirect emissions that occur within the value chain such as business travel, commuting, and working from home.

SICO's total carbon emissions were down by 32% to 455.5 Mt CO2e from 669.36 in 2022. SICO's scope 1 emissions were down drastically to a total of 7.87 Mt CO2e compared to 210.79 Mt CO2e in 2022, while scope 2 emissions recorded 282.72 Mt CO2e, down from 317.38 Mt CO2e in 2022. Offices in Bahrain and the UAE shifted to district cooling, reducing scope 1 emissions compared to 2022.

SICO made notable progress in reducing its GHG emissions, with a 20% reduction in absolute emissions and a 23% reduction in GHG intensity from the base year of 2021. Similarly, with reference to last year, SICO continued its commitment to sustainability, resulting in a significant 32% reduction in absolute GHG emissions and an impressive 46% reduction in intensity. These reductions demonstrate our ongoing endeavors to minimize air emissions and mitigate its environmental impact.

Fugitive emissions experienced a notable decrease due to SICO Bahrain's transition to a green building reflected in the specific reduction of refrigerants. Additionally, both Bahrain and UAE offices adopted the eco-friendlier district cooling systems, contributing to a reduction in scope 1 emissions. In 2023, these emissions accounted for just 2%, a significant improvement compared to 48% and 31% in 2021 and 2022, respectively.

Despite progress in certain areas, SICO experienced an increase in business travel compared to the base year and the previous year. This surge in travel contributed to a notable 19% increase in scope 3 emissions compared to the base year and a 17% increase compared to the previous year. Business travel accounted for more than half of scope 3 emissions, representing 53% of the total.

As part of an ongoing partnership with The National Initiative for Agricultural Development (NIAD)'s 'Forever Green' campaign, held under the patronage of Her Royal Highness Princess Sabeeka bint Ibrahim Al Khalifa, SICO completed its fourth tree-planting effort. Siince the beginning of the campaign, SICO has planted more than 2,582

32%

reduction in absolute GHG emissions and an impressive 46% reduction in intensity

GHG EMISSIONS In Mt CO2e

Scope 1	Mobile Combustion	7.871
Scope 2	Electricity Consumption	102.641
Scope 2	District Cooling	180.076
Scope 3	Business Travel	69.684
Scope 3	Employee Commuting	87.059
Scope 3	Waste disposal	0.545
Scope 3	Home Office	7.676

trees in urban areas, which is reflected in an estimated 46.48 tons of CO2e sequestration. The Group reaffirmed its commitment to playing a role in expanding green spaces in Bahrain with SICO's team and their families collaborating to fight against climate change. This involves generating oxygen, absorbing carbon dioxide, enhancing air quality, promoting biodiversity, conserving soil, and contributing to Bahrain's target of achieving net-zero carbon emissions by 2060.

During the year, SICO sponsored a commendable beach cleanup initiative rallying the efforts of 132 volunteers, to mitigate the negative impact of waste and plastic pollution on thousands of species of marine animals. The volunteers undertook the task of cleaning up two beaches, demonstrating their commitment to preserving the natural beauty of coastal areas. Through their collective efforts, an impressive 500 kilograms of waste were successfully removed from the shores, marking a significant contribution to the ongoing global efforts towards environmental sustainability.

To further embed sustainability internally, SICO has in place a "No Plastic, No Printing" policy and digitized business cards. SICO no longer uses or supplies plastic bottles, cutlery, or cups anywhere on its premises and reusable bottles have been issued to all employees. SICO also recycles paper, plastic bottles, and metal cans in its offices, in addition to working with a local supplier to recycle any electronic waste generated.

Developing Our Communities

Educational Initiatives

SICO is dedicated to increasing the accessibility of education through proactive and engaging community initiatives. The Group continued to sponsor a variety of education and career development programs targeting different segments of the population in collaboration with local entities, including the Bahrain Bourse, the CFA Society, and the Bahrain Institute of Banking and Finance (BIBF).

In 2023, SICO and the Supreme Council of Women (SCW) concluded the "Trading in Financial Markets" programme, empowering 44 Bahraini women with valuable knowledge and experience in global financial market trading. The programme covered trading fundamentals, various types of investment instruments, stock market analysis, developing trading strategies,

TradeQuest 2022-2023

203 Students

33 School/Uni Advisors

3 Mentors from SICO

and risk management. The winners received several prizes, including the opening of an account on the trading platform, SICO LIVE, with a cash amount to support the initiation of their trading.

SICO also launched the second round of the Women in Investment (WIM) Programme in collaboration with the Supreme Council for Women (SCW) and CFA Society – Bahrain during the year. The new training programme was delivered by the Bahrain Institute of Banking & Finance (BIBF) as the knowledge partner. Thirty women were selected to embark on a transformative learning journey which encompassed a mix of engaging interactive workshops and insightful fireside sessions, providing participants with the rare opportunity to connect with renowned industry experts and gain valuable insights from their vast experience. To further support their professional growth and advancement, the programme participants will receive ongoing executive mentoring through the CFA Society mentorship programme, Qodwa, which empowers participants by connecting them with experienced industry professionals. This programme facilitates the transfer of knowledge and guidance across diverse levels, fostering professional growth for mentees.

In 2023, members of SICO's staff participated in two initiatives with INJAZ Bahrain, a non-profit organization that was established in 2005 as part of Junior Achievement Worldwide with the aim of empowering young people to own their economic success and be prepared for today's business challenges. SICO employees participated in the organization's Career Speaker Series, where professionals, entrepreneurs, and innovative thinkers from a variety of industries share their personal and professional career journey

with students. They also took part in the Entrepreneurship Masterclass, which was a one-day workshop designed to give intermediate school students the opportunity to learn the skills and behaviors necessary to establish and run a company.

SICO continued to sponsor Bahrain Bourse's TradeQuest Program, a competitive financial simulation that provides university and high school students with real-life experiences simulating local and international financial markets. Participants form investment teams made up of seven to eight members who are given virtual portfolios worth BD 500,000 and USD 4 million to invest in companies listed on the Bahrain Bourse and the New York Stock Exchange (NYSE). Students trade on both markets during specified trading sessions via an electronic trading platform on the BHB and Stock Trak Websites. Teams are provided with mentors and evaluated based on presentation and the financial performance of their portfolio.

SICO participated in Room to Read, a global non-profit supporting girl's education across Asia and Africa that aims to improve literacy and gender equality in education. SICO's contribution to the organization's Tokyo Marathon campaign, spearheaded by Yusuf Alireza, Room to Read's Global Board Chair, helped raise USD 128 thousand to be matched. Room to Read has impacted the lives of more than 39 million children across 23 countries.

SICO lent its support to Bahrain's flagship educational programs, including the Al Mabarrah Al Khalifia Foundation and the Crown Prince's International Scholarship Program (CPISP), which it has contributed to for the past 18 years. The CPISP, which celebrated its 25-year anniversary in 2023, is a program established by Bahrain's Prime Minister and Crown Prince, HRH Prince Salman bin Hamad Al Khalifa, and operated through funding by the Crown Prince, as well as a number of local and international sponsors. The program seeks to support talented individuals in their academic journey. Since it first began working with CPISP, SICO has supported more than 175 scholars in pursuing higher education degrees at some of the world's leading educational institutions.

1,076

hours of volunteering by employees

SICO renewed its sponsorship for the 9th edition of the Ibn Khuldoon National School's Annual Model United Nations Conference which brings together students to roleplay as UN delegates and simulate UN committees. MUN participants significantly improve their leadership, public speaking, teamwork, and negotiation skills, while also expanding their knowledge of current global issues. This year's conference was hailed as a great success, with 341 students from 20 different schools across the Kingdom of Bahrain.

In 2023, SICO also hosted a group of students from BIBF and Al Mabarrah Al Khalifieh at its offices. Its goal was to provide them with valuable insights into the different business lines and the exciting opportunities awaiting them in the finance industry. Throughout the day, they had the chance to dive into the finance world with diverse presentations from different departments and an exclusive tour of the premises.

Healthcare and Social Services

At the core of our commitment to social responsibility, we recognize the invaluable contribution that our workforce can make beyond their professional roles. In the year 2023, the collective spirit of philanthropy within SICO was vividly demonstrated as our dedicated employees generously volunteered their time and skills for an impressive 1,076 hours. Over the years, SICO has forged partnerships with diverse organizations to actively engage in volunteering initiatives focused on enhancing healthcare and elevating the overall quality of life within its communities through impactful social programs.

SICO's employees also regularly organize and execute a number of initiatives to give back to the community, including blood drives, animal shelter support, book and clothing donations, Movember activities, diabetes support for children, and breast cancer awareness campaigns.

During the holy month of Ramadan in 2023, SICO's staff collected 90 food boxes for distribution to needy families in Bahrain. Each of these food boxes contained essential food items to support families in need. We hope that this contribution helped alleviate some of the struggles that many families are facing. As a socially responsible organization, we strive to do our part in supporting our communities during Ramadan.

In response to the call from His Majesty the King of Bahrain, the Royal Humanitarian Foundation, and the Central Bank of Bahrain, SICO made a contribution of BD 10,000 to aid in alleviating the humanitarian crisis in Gaza. This not only aligns with the royal initiative but also reflects SICO's commitment to making a positive impact in times of need. Supporting the Palestinian community in Gaza is not only a humanitarian duty, but an expression of solidarity during challenging times.

Additionally, when Turkey and Syria were hit by devastating earthquakes earlier this year resulting in the loss of lives and displacement of thousands of people, SICO donated to the relief efforts launched by the Royal Humanitarian Foundation in Bahrain. SICO also invited its employees to participate by donating goods to the Syrian and Turkish embassies in Bahrain.

During 2023, the Bank continued to support the Shaikh Ebrahim Center, which was established in 2002 as a forum for dialogue on philosophy, literature, poetry, culture, and the arts. Since its inauguration, it has hosted over 500 speakers, philosophers, poets, and thinkers, who have presented their thoughts in the center's weekly lecture program. The center has also restored traditional Bahraini houses in Muharraq and Manama.

Responsible Investing

SICO recognizes the increasing significance of ESG in the region and aims to stay ahead by aligning with international best practices and peers, integrating ESG considerations into its investment decisions.

Understanding the impact of ESG issues on long-term portfolio performance, such as sustainable development and climate change, SICO incorporates ESG criteria to gain insights into potential risks and mitigate them effectively. Embracing the UNPRI framework, the Group remains committed to promoting responsible investment, integrating ESG into its operations for long-term stakeholder value. SICO also prioritizes transparency, adhering to global standards such as the Global Investment Performance Standards (GIPS) to safeguard the interests of shareholders and clients.

Launched in 2023, the Responsible Investment Policy of SICO extends its coverage to the Equity and Fixed Income Asset Management Department, as well as the Strategy, Partnership, and Treasury Department. This policy serves as a foundational framework, offering a reference point and presenting a set of initiatives for implementation by all relevant employees engaged in integrating Environmental, Social, and Governance (ESG) considerations into SICO's investment decision-making process.

The primary objective of this policy is to streamline and enhance the efficiency of the investment process by providing clear guidance. It acts as a comprehensive resource, outlining a series of actions to be undertaken by employees involved in incorporating ESG factors into SICO's investment decisions. In order to efficiently integrate the policy's objectives across the Group, SICO's Fixed Income, Equity, and Investment teams all attended an awareness class to educate them on the implementation of framework. A member of the SICO team is now additionally qualified as a CFA ESG-certified professional.

Developed to offer organizational guidance, this policy outlines how ESG factors should be seamlessly integrated into the investment decision process. It acts as an additional lens, supporting the identification of potential risks that could impact the investment portfolio. Emphasizing adaptability, the policy is designed to evolve over time, aligning with shifts in business practices and the regulatory landscape. Regular monitoring is a key feature, with an annual review ensuring that the policy remains robust and aligns with the organization's commitment to responsible investment. Adjustments to the approach are made as necessary, reflecting the dynamic nature of responsible investment practices and the evolving expectations within the industry.

Economic Impact

SICO, through its direct economic impact, not only generates revenue and contributes to operating costs but also invests significantly in its workforce through employee wages, benefits, and community investments. By establishing innovative financial schemes such as the Employee Savings Scheme (ESS), SICO fosters financial growth among its employees, offering benefits and matching contributions while managing assets efficiently.

Moreover, the bank's indirect economic influence extends to various sectors, including education and market making. Through partnerships with educational institutions and initiatives, including the Women in Investment Programme and Financial Literacy Summer Camp, SICO promotes financial literacy and supports educational development. Additionally, SICO's market making division plays a pivotal role in enhancing liquidity, investor confidence, and market performance through strategic transactions and the Bahrain Liquidity Fund, ultimately contributing to economic growth and stability.

Furthermore, SICO contributes to the advancement of Bahrain's financial sector by embracing innovative technologies and supporting initiatives such as Fintech Bay, aiming to enhance client interactions and promote digitalization. As a sponsor of Bahrain's CFA society and through active participation in conferences and panels, SICO demonstrates its commitment to professional development and the growth of local capital markets. Additionally, SICO's CEO, Najla Al-Shirawi, along with senior executives from all SICO's business lines are regular participants in conferences and panels addressing key issues in the financial sector in Bahrain and throughout the GCC. By engaging in these activities and fostering a culture of innovation and collaboration, SICO strengthens its position as a leader in the financial industry while driving economic progress and development in Bahrain and the broader GCC region.

Corporate Governance

Commitment
SICO is committed to upholding the highest standards of corporate governance. This entails complying with regulatory requirements, protecting the rights and interests of all stakeholders, enhancing shareholder value and achieving organizational efficiency. The Bank has Board-approved policies for Risk Management, Compliance, and Internal Controls, in accordance with the rules and guidelines from the Central Bank of Bahrain (CBB).

The adoption and implementation of corporate governance is the direct responsibility of the Board of Directors. The Board is committed to excellence in corporate governance and adheres to rules of the High Level Controls Module (HC Module) of the CBB and the principles of the Corporate Governance Code of the Kingdom of Bahrain issued by the Ministry of Industry, Commerce, and Tourism.

Shareholder Information
The Bank's shares are listed on the BHB as a closed company. As of 31 December 2023, the Bank had issued 441,342,373 ordinary shares of Bahraini fils 100 each. The last Annual General Meeting was held on 27 March 2023.

Responsibilities of the Board of Directors
The Board is accountable to the shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. The Board works as a team to provide strategic leadership to staff, maintain the organization's fitness for purpose, set the values and standards for the organization and ensure that sufficient financial and human resources are available.

The Board's roles and responsibilities are outlined in the Board Charter of the Bank. The Board organizes a formal schedule of matters for its decision-making process to ensure that the direction and control of the Bank rests with the Board. This process includes strategic issues and planning, review of management structure and responsibilities, monitoring management performance, acquisition and disposal of assets, investment policies, capital expenditure, authority levels, treasury policies, risk management policies, the appointment of auditors and review of financial statements, financing and borrowing activities, reviewing and approving the annual operating plan and budget, ensuring regulatory compliance, and reviewing the adequacy and integrity of internal systems and controls framework.

The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Bank's shareholders. The Chairman also ensures that new Directors receive a formal and tailored induction to facilitate their contribution to the Board.

Without abdicating its overall responsibility, the Board delegates certain responsibilities to Board Committees. This is to ensure sound decision-making and facilitate the conduct of business without unnecessary impediment, since speed of decision-making in the Bank is crucial. When a Committee is formed, a specific Charter of the Committee is established to cover matters such as the purpose, composition, and function of the Committee. The Board has three Committees to assist it in carrying out its responsibilities: The Investment Committee; the Audit, Risk, and Compliance Committee; and the Nominations, Remuneration, and Corporate Governance Committee. The Internal Audit, Compliance, and Risk Management functions report directly to the Board through the Audit, Risk, and Compliance Committee.

The Board receives reports and recommendations from Board Committees and Management on matters it considers to be of significance to the Bank.

Board Composition and Election
The Board's composition is guided by the Bank's Articles of Association. As of 31 December 2023, the Board consisted of nine Directors, two of which are Independent Directors, two are Executive Directors, and five are Non-Executive Directors, including the Chairman. The Bank recognizes the need for Board composition to reflect a range of skills and expertise. The profiles of Board Members are listed later in this Review. The Company Secretary is Simone Del Nevo. The classification of Executive, Non-executive, and Independent Directors is per the definitions stipulated by the CBB. Directors are elected by the shareholders at the AGM, subject to prior approval by the CBB, for a period of three years, after which they shall be eligible for re-election for a further three-year period.

Independence of Directors
In line with the requirements of the CBB's HC Module, the Bank has put in place Board-approved criteria to determine "Test of Independence" using formal requirements as specified in the CBB rule book and other relevant requirements as assessed by the Board of SICO. The purpose of the test is to determine whether the Director is "Independent" of management, and any business or other relationships, that could materially interfere with the Director's ability to exercise objective, unfettered, or independent judgment. The test also assesses the Director's ability to act in the best interests of SICO. Based on an assessment carried out in 2023, the Board of Directors resolved that two of the Non-executive Directors of SICO met the relevant requirements of the "Test of Independence", and accordingly, these Directors were classified as "Independent" Directors.

Board and Committee Evaluation
The Board performs a self-evaluation on an annual basis. The Board periodically reviews its Charter and its own effectiveness, while initiating suitable steps for any amendments. The Board also reviews self-evaluations of the individual Board members, Chairman, and the Board Committees, and it considers appropriately any recommendations arising out of such evaluation.

> SICO is committed to upholding the highest standards of corporate governance in compliance with regulatory requirements.

Remuneration of Directors Policy
The Board of Directors' remuneration is governed by provisions of the Commercial Companies Law 2001 and the CBB. The Directors' remuneration is approved by the shareholders at the Annual General Meeting. In addition, the members are paid sitting fees for board and committee meetings. The Board's remuneration is reviewed by the Nomination, Remuneration, and Corporate Governance Committee, as per the remuneration policy. Directors' remuneration is accounted as an expense, as per international accounting standards and CBB regulations.

Board Meetings and Attendance
According to the Bahrain Commercial Companies Law and CBB rules, Board meetings will be conducted at least four times a year (on a quarterly basis). All Board members must attend at least 75% of all Board meetings within a calendar year. At least six Directors must attend each Board meeting, including the Chairman or the Vice-Chairman. During 2023, five Board meetings were held in Bahrain.

Directors' Attendance – January to December 2023

Board Meetings

Board members	#152, 27 Feb 2023 – SICO	#153, 10 Apr 2023 - SICO	#154, 11 May 2023 – SICO	#155, 9 Aug 2023 – SICO	#156, 19 Nov 2023 – SICO
Sh. Abdulla Al Khalifa (Chairman to meeting 152 on 27 Feb 2023)	✓	N/A	N/A	N/A	N/A
Abdulla Kamal (Chairman from meeting 153 on 10 April 2023)	✓	✓	✓	✓	✓
Hisham Al Kurdi (Vice Chairman)	✓	✓	✓	✓	✓
Mohammed Abdulla	✓	✓	✓	-	✓
Tala Fakhro	✓	✓	✓	✓	✓
Dana Raees	✓	✓	✓	✓	✓
Naseema Haider	✓	✓	✓	✓	✓
Khalid AlJassim	✓	✓	✓	✓	✓
Sh. Waleed Al Hashar	✓	✓	-	✓	✓
Elham Al Majed	N/A	✓	✓	✓	✓

Investment Committee Meetings

Board members	#46, 31 Jan 2023 – SICO	#47, 10 May 2023 – SICO	#48, 21 Jun 2023 – SICO	#49, 6 NOV 2023 – SICO
Sh. Abdulla Al Khalifa (Chairman to meeting 46 on 31 Jan 2023)	✓	N/A	N/A	N/A
Abdulla Kamal (Chairman of Investment Committee)	N/A	✓	✓	✓
Hisham Al Kurdi	✓	✓	✓	✓
Sh. Waleed Al Hashar	✓	✓	✓	✓
Elham Al Majed	N/A	✓	✓	✓
Khalid Al Jassim	✓	N/A	N/A	N/A

Audit, Risk & Compliance Committee Meetings

Board members	#78, 21 Feb 2023 – SICO	#79, 10 May 2023 – SICO	#80, 8 Aug 2023 – SICO	#81, 9 Nov 2023 – SICO
Tala Fakhro (Chairperson of the Audit, Risk & Compliance Committee)	✓	✓	✓	✓
Mohammed Abdulla	N/A	✓	-	✓
Naseema Haidar	✓	✓	✓	✓
Abdulla Kamal	✓	N/A	N/A	N/A

Nomination, Remuneration and Corporate Governance Committee Meetings

Board members	#41, 16 Feb 2023 – SICO	#42, 15 Mar 2023 – SICO	#43, 20 June 2023 – SICO
Khalid Al-Jassim (Chairman of Nomination, Remuneration, and Corporate Governance Committee)	N/A	N/A	✓
Mohammed Abdulla	✓	✓	✓
Dana Raees	✓	✓	✓
Khurram Ali Mirza	✓	✓	N/A

- (N/A): The Director was not a committee member due to changes in committee composition throughout the year or was at the end of his/her term.
- (-): The Director was not in attendance.

Board Committees

Investment Committee

Objective –

- Review investment policies and procedures to monitor the application of, and compliance with, investment policies.
- Approve and recommend (where appropriate) to the Board relevant investment decisions (as defined in the Investment Policy Guidelines and Restrictions).
- Review strategy and budget business plans prior to submission to the Board.
- Monitor financial performance.
- Oversee the financial and investment affairs of the Bank.

Audit, Risk and Compliance Committee

Objective –

- Review the Bank's accounting and financial practices.
- Review the integrity of the Bank's financial and internal controls and financial statements.
- Recommend the appointment, compensation, and oversight of the Bank's External Auditors.
- Recommend the appointment of the Head of Internal Audit, Head of Compliance, and Head of Risk.
- Review the Bank's compliance procedures and regulatory matters.
- Provide active oversight on the risk management framework, approve risk policies and Delegated Authority Limits (DAL), and ensure adequacy of risk controls.

Nomination, Remuneration and Corporate Governance Committee

Objective –

- Identify and screen suitable and qualified candidates as members of the Board of Directors, or for the roles of Chief Executive Officer, Chief Financial Officer, Corporate Secretary, and any other officers of the Bank considered appropriate by the Board. If and when such positions become vacant, with the exception of the appointment of the Heads of Internal Auditor, Compliance, and Risk Management, which shall be the responsibility of the Audit, Risk, and Compliance Committee.
- Submit its recommendations, including candidates for Board membership, to the whole Board of Directors, which should, in turn, include them in the agenda for the following Annual Shareholder Meeting.
- Review the Bank's remuneration policies for the approved persons and material risk-takers, which must be approved by the shareholders and be consistent with the Bank's corporate values and strategy.
- Approve the remuneration policy and amounts for approved persons and material risk-takers, as well as the total variable remuneration to be distributed, taking account of total remuneration, including salaries, fees, expenses, bonuses, and other employee benefits.
- Approve, monitor, and review the remuneration system to ensure the system operates as intended.

- Recommend Board Members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Company Law.
- Review the Bank's existing Corporate Governance policies and framework.
- Advise the Board on the Bank's public reporting of information on Corporate Governance practices and issues

Management

The Board delegates the authority for the day-to-day management of the business to the Chief Executive Officer, who is supported by a qualified senior management team and three management committees: Asset Management Committee; Assets, Liabilities, and Investments Committee (ALIC); and Internal Control Committee.

Management committees

Managers	Asset Management Committee	Assets, Liabilities, and Investment Committee	Governance, Risk, and Compliance Committee
Chief Executive Officer	Chairperson	Chairperson	Chairperson
Chief Capital Markets Officer			
Chief Operating Officer			
Chief Financial Officer			
Head of Equities Asset Management			
Head of Fixed Income Asset Management			
Head of Treasury		x	
Head of IT	x	x	
Head of Internal Audit	x	x	
Chief Risk Officer			
Head of Internal Control	x	x	
Head of Compliance		x	
Head of Strategy and Treasury			x
Head of Legal			x
Information Security Officer			x

Note:
Shaded = Voting committee members
X = Non-voting member

Asset Management Committee

Objective –
Oversee the fiduciary responsibilities carried out by the Asset Management Department in managing clients' discretionary portfolios and the funds operated and managed by SICO. It also reviews the investment strategy of the Bank's funds and portfolios, reviews portfolio performance, and reviews subscription, redemptions, and compliance.

Assets, Liabilities, and Investments Committee (ALIC)

Objective –
ALIC acts as the principal policy-making body responsible for overseeing the Bank's capital and financial resources. It is also responsible for managing the balance sheet and all proprietary investment activities, including investment strategy and asset, country, and industry/sector allocations. The committee is specifically responsible for managing the balance sheet risk, capital and dividend planning, forecasting and monitoring interest rate risk positions, and liquidity and funds management. The committee is also responsible for formulating and reviewing the Bank's investment policies (subject to approval by the Board), strategies and performance measurement and assessment.

Governance, Risk, and Compliance Committee (GRCC)

Objective –
The GRCC has been established to supervise and ensure smooth coordination between various support and control units at SICO and its subsidiaries in order to create a strong internal control environment. It serves as an advisory, supervision, and coordination forum for the implementation of internal control mechanisms in line with the best practices/industry standards and assessing the overall impact on the bank's systems from the various risks encountered by SICO Group.

Management Profiles

Najla Al Shirawi

Chief Executive Officer

Najla Al Shirawi has more than 26 years of investment banking experience. Having been part of SICO since 1997, she was appointed CEO in 2014, following her appointment as deputy CEO in 2013. Najla served with Geneva-based Dar Al-Maal Al-Islami Trust, where she established private banking operations for the Group in the Gulf region. Najla is a Board member at the Bahrain Economic Development Board (EDB); a Chairperson on the Board of Directors for two SICO subsidiaries, SICO Funds Services Company (SFS) in Bahrain and SICO Invest in Abu Dhabi, UAE; and the Vice Chairperson of SICO Capital in Riyadh, KSA. She is also an Independent Board Member of Eskan Bank BSC(c), Bahrain, and a Board Member of the Deposit Protection Scheme, Bahrain; the Future Generations Reserve Council; the Bahrain Associations of Banks; Bahrain Credit Facilities Company; and the Bahrain Institute of Banking and Finance. She holds a Master of Business Administration and Finance from the American College in London and a Bachelor's Degree in Civil Engineering from the University of Bahrain.

Fadhel Makhlooq

Chief Capital Markets Officer

With over 41 years of professional experience, Fadhel Makhlooq joined SICO in 2004 as Head of Brokerage before being appointed Head of Investments and Treasury in 2008. He was re-appointed Head of Brokerage in 2010 and then assumed the position of Chief Capital Markets Officer in 2018. Prior to joining SICO, he worked for a number of leading financial institutions, including Investcorp and Chemical Bank (now JPM Morgan Chase). He currently also serves as Board Director and Chief Executive Officer of SICO Capital in Saudi Arabia and as a Board Member of SICO Invest in UAE. Fadhel holds a Master of Business Administration from the University of Glamorgan, UK.

Anantha Narayanan
Chief Operating Officer

With over 33 years of diversified experience in the areas of operations, audit, and risk in the banking industry, Anantha joined SICO in 2008. Prior to joining SICO, he worked for Credit Agricole, BBK, Commercial Bank of Oman/Bank Muscat, and Pricewaterhouse Coopers. He is currently the Vice Chairman of SICO Invest, UAE, and a Board Member at SFS. Anantha is a Chartered Accountant and Cost Accountant (India), a Certified Information Systems Auditor (USA), Financial Risk Manager (USA), and an Associate Member of the Institute of Financial Studies (UK). He holds a Bachelor of Science (Honours) from the University of Manchester, UK.

K. Shyam Krishnan
Chief Financial Officer

K. Shyam Krishnan has 33 years of experience in finance, accounting, audit, investments, and risk management, with the majority of his career spent in conventional and Sharia-compliant banking. Shyam currently also serves as a Board Member at SICO Invest, UAE. Prior to joining SICO in 2015, he was Group Head of Finance at Al Salam Bank-Bahrain. Before this, he was Head of Hedge Funds' Operational Risk Management at Investcorp, Bahrain, and Audit Supervisor at the Bahrain office of Ernst & Young. He is a Chartered Accountant and Management Accountant from India and a Chartered Financial Analyst, Certified Internal Auditor, and a Certified Information Systems Auditor. He holds a Bachelor of Commerce from Madras University, India.

Maryam AlMohri
Chief Risk Officer

Maryam AlMohri brings a wealth of experience in risk management to her role as Chief Risk Officer at SICO, specializing in asset management, treasury, brokerage, and investment banking. Maryam's journey with SICO began in 2017, and her most recent position before this appointment was Vice President of Risk Management. Prior to joining SICO, she held the position of Assistant Manager in ALM Reporting and Capital Management at Gulf International Bank. Maryam holds the Chartered Financial Analyst (CFA) designation and a first-class Master of Science (MSc) in Investment Banking & Islamic Finance from the University of Reading, United Kingdom. She also earned a Bachelor of Arts (Honors) in Finance and Investment Management from Northumbria University, United Kingdom. Additionally, she is a qualified Chartered Islamic Finance Professional (CIFP).

Shakeel Sarwar
Head of Equities Asset Management

Shakeel Sarwar joined SICO in 2004 and, over the length of his career, has accumulated over 29 years of investment industry experience in the UK, Pakistan, and the Middle East. Prior to joining SICO, he worked with Riyad Bank's Asset Management Division and was part of a team that managed over USD 3 billion in Saudi equities. He has also held positions with ABN Amro Asia Securities in the UK and Pakistan. Shakeel holds a Master of Business Administration in Banking and Finance from IBA, Karachi, Pakistan.

Ali Marshad
Head of Fixed Income Asset Management

Ali Marshad has over 18 years of experience in asset management, investments, treasury, and brokerage. After joining SICO in 2008 as an Analyst in the Investments and Treasury division, Ali then headed up the newly established Fixed Income Desk in 2012 before being promoted to Head of Fixed Income in 2015. Prior to joining SICO, he worked in the UK as an Analyst with Mercer Investment Consulting and as a Performance Analyst with UBS Global Asset Management, London. A Chartered Financial Analyst, Ali holds a Bachelor of Science (Honours) in Banking, Finance, and Management from Loughborough University, UK.

Wissam Haddad
Head of Investment Banking and Real Estate

Wissam Haddad has 22 years of experience in investment banking, private equity, and corporate finance. Prior to joining SICO in 2014, he was a Director with Gate Capital in Dubai and had previously held senior positions with UAE-based Najd Investments, Unicorn Capital, Emirates NBD's NBD Sana Capital, Saudi National Commercial Bank's NCB Capital, and Eastgate Capital, among others. Wissam holds a Bachelor of Commerce from Concordia University, Canada.

Jithesh K. Gopi
Head of Strategy and Treasury

Jithesh Gopi has over 25 years of experience in investment management, research, and analytics. Since 2013, he has worked with Al Rajhi Capital in Riyadh as Head of Research, Head of Asset Management, Director of Research and Financial Institutions, and Director of Corporate Development and Proprietary Investments. In 2006, he joined SICO as Senior Analyst and as Head of Research, covering over 50 companies in major sectors, and he is currently a Board Member at SICO Capital, KSA. Jithesh holds a Bachelor of Science in Mechanical Engineering from the College of Engineering, Trivandrum, India, and a Master of Business Administration from the Asian Institute of Management in Manila, Philippines. He is also a CFA charterholder, and he has completed the Asian International Executive Program at INSEAD Singapore.

Mariam Isa
Head of Brokerage

Mariam Isa has 19 years of experience in regional equity trading and sales. She joined SICO in 2005. Before becoming the Head of Brokerage, she held the position of Chief Broker. Mariam has also worked as a Senior Officer in the Placement Department at Gulf Finance House. She holds a Master of Business Administration in Islamic Finance from the University College of Bahrain, an Associate Diploma in Accounting from the University of Bahrain, and a Treasury and Capital Market Diploma from BIBF. She has also completed the Leadership Development Program at the University of Virginia, USA.

Salman Al Sairafi
Head of Transformation

With more than 21 years of experience in financial services and technology, Salman Al Sairafi joined SICO in 2020 as the Head of the newly established Global Markets division, and was appointed Head of Transformation in 2023. Prior to joining SICO, he held the role of Chief Investment Officer and Board Member at Capital Growth Management in Bahrain and was a Senior Investment Advisor at United Consulting Group in KSA. Prior to that, he headed the Fixed Income and Money Markets desk at NCB Capital in KSA. Salman has also held various other positions in Bahrain and the UK in the fields of consulting and R&D. Salman is Chairman of the Board at Dar Al Ma'rifa in Bahrain and is both a Chartered Financial Analyst and a Chartered Alternative Investment Analyst. A former Chevening Scholar, Salman holds a Bachelor of Engineering in Information Systems Engineering and a Master of Science in Advanced Computing from Imperial College London.

Nishit Lakhotia
Head of Research

Nishit Lakhotia has nearly 20 years of experience in the fields of investment research, risk management, hedge funds, and private equity. He has been involved in sell side Research in SICO since 2009, actively covering sectors such as telecommunications, consumers, aviation, and construction across the GCC. Previously, Nishit worked for an Iceland-based private equity firm focusing on India's infrastructure sector and a US-based global hedge fund. Nishit is a Chartered Financial Analyst, a Chartered Alternative Investment Analyst, and a Financial Risk Manager from the Global Association of Risk Professionals. He holds a Master of Business Administration in Finance from the Narsee Monjee Institute of Management Studies, Mumbai, India.

Nadeen Oweis
Head of Sustainability and Corporate Communications

Nadeen Oweis joined SICO in 2008 and has accumulated over 22 years of professional experience. Prior to joining SICO, Nadeen oversaw corporate communications and public relations for Microsoft in Bahrain. Before this, she handled regional accounts for Lowe Contexture. She also held posts at Procter and Gamble in Jordan and managed the advertising and promotions account for Radio Fann FM in Jordan. Nadeen holds a Master's Degree in Diplomatic Studies from the Jordan Institute of Diplomacy, a Bachelor's Degree in Law from the University of Jordan, and a Certificate of Digital Marketing from Columbia Business School.

Haifa Ajlan
Head of HR & Administration

Haifa has more than 22 years of experience in the field of Human Resources. She first joined SICO in 2004, holding the position of Assistant Vice President before now being appointed as Head of Human Resources and Administration. Haifa holds a master's degree in Business Administration from the University of Strathclyde Business School in Glasgow, UK and a bachelor's degree in Business Information Systems from University of Bahrain.

Mohammed Ibrahim

Head of Information Technology

Mohammed Ibrahim has over 23 years of experience in the field of information technology (IT), including IT project management, business analysis, complex system builds and interfaces, business continuity planning, and information security. Prior to joining SICO in 2007, he was Training Head and Technical Consultants Team Lead at the Bahrain Institute of Technology and Technical and Training Manager at YAT Group, Egypt. Mohammed is a Certified Information Systems Security Professional (CISSIP), a Master Certified Internet Web Professional (MCIW), a Microsoft Certified Solutions Expert, and a Microsoft Certified Trainer. He holds a Bachelor of Science and Education and a Postgraduate Diploma in Science and Education from Alexandria University, Egypt.

Mohammed Juma

Head of Compliance and MLRO

Mohammed Juma has over 20 years of experience in compliance, investment, and operations management. Mohammed joined SICO in 2016 as Head of Compliance and MLRO, assuming responsibility for monitoring SICO Group's operational adherence with the guidelines of regulatory authorities. Previously, Mohammed was Head of Compliance and MLRO with the International Investment Bank and JS Bank Limited in Bahrain. Mohammed holds a Bachelor's Degree in Banking and Finance from the University of Bahrain and has completed the Leadership Grooming Executive Program with the Ivy Business School in Canada and Hong Kong. He is a Certified Compliance Professional and a Certified Anti-Money Laundering Specialist.

Joseph Thomas

Head of Internal Audit

Joseph Thomas has over 21 years of experience in internal audits, assurance engagements, and other financial advisory services. Joseph joined SICO in 2015 after having been Head of Internal Audit at Global Banking Corporation and holding a post with the Risk Consulting division of KPMG Bahrain. He began his career with Bharat Overseas Bank in India, followed by an internal audit role at the South Indian Bank. He later served as Audit Manager and Partner at a Dubai-based auditing firm. Joseph is a Chartered Accountant and a Certified Internal Auditor. He holds a Bachelor of Commerce from Mahatma Gandhi University, India.

Bassam A. Khoury

General Manager of SICO Invest

Bassam has over 39 years of international experience in brokerage, investments, and financial consultancy. He joined SICO in 2008 as Head of Brokerage before leaving in 2010 to join QInvest, Qatar, as Head of Regional Brokerage. Prior to re-joining SICO in 2013 as General Manager of SICO Invest in the UAE, Bassam was Chief Executive Officer of Bahrain-based ABC Securities. Previously, he worked with Banque Saudi Fransi in KSA, BMB Investment Bank and Lehman Brothers in Bahrain, a private family office in Paris, and M Sternberg & Company in the USA. Bassam holds a Bachelor of Science in Business Administration and Economics from King's College, New York, USA.

Bassam Noor

Chief Executive Officer of SICO Capital

Bassam brings more than 20 years of experience in investment and management regionally and globally. Prior to joining SICO Capital, Bassam was the Chief Investment Officer for Alternative Investments at Derayah Financial and significantly contributed to increasing AUMs for alternative investments. He also held prominent roles in local and regional firms such as Alrajhi United, Arcapita Bank, and Gulf International Bank. Bassam holds a double bachelor's degree with honors in Finance and Management Information System from University of South Florida and is a CFA charterholder.

Governance Framework

SICO's Corporate Governance framework comprises of Board and Committee Charters, Code of Business Conduct, operational policies and procedures, internal controls and risk management systems, compliance procedures, delegated authority limits (DAL), internal and external audit, effective communications and transparent disclosure, and measurement and accountability.

Code of Business Conduct

SICO conducts itself in accordance with the highest standards of ethical behavior. A Code of Conduct for SICO Staff has been developed to govern the personal and professional conduct of all employees. The Code of Conduct outlines areas of conflict of interest, confidentiality, fair and equitable treatment, ethics, and managing customer complaints. A Whistleblowing Policy and Procedures is also included within the Code of Conduct for SICO Staff.

Compliance and Anti-Money Laundering

As a licensed conventional wholesale bank and listed company, SICO has comprehensive policies and procedures in place to ensure full compliance with the relevant rules and regulations of the CBB and the BHB. The Bank has an independent Compliance Department, in keeping with Basel and CBB guidelines. The Compliance Department acts as the central coordinator for all matters relating to regulatory reporting and other requirements.

Anti-money laundering measures are also an important area for the Compliance Department, with a designated Money Laundering Reporting Officer (MLRO) and Deputy MLRO. The Bank has documented anti-money laundering and combating the financing of terrorism procedures in conformity to the regulatory requirements in the Kingdom of Bahrain. SICO has implemented a risk-based automated transaction monitoring system, which further enhances the Bank's anti-money laundering measures in line with the regulations of the CBB.

Corporate Communications

SICO conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate, and timely manner. Main communication channels include an annual report, a corporate website, and regular announcements in the appropriate local media. To ensure disclosure of relevant information to all shareholders on a timely basis, the Bank publishes its annual report and the past ten years' financial statements on the corporate website (www.sicobank.com).

Related Party Transactions and Conflict of Interest

The Directors make every practicable effort to arrange their personal and business affairs to avoid a conflict of interest with the Bank. The Directors disclose their interests in other entities or activities to the NRCG Committee on an annual basis, inform the Bank of any conflict of interest whenever it arises, and abstain from voting on any related subject matter. The Bank reviewed all such transactions during 2023, and there were no transactions involving potential conflicts of interest that need to be brought to the shareholders' attention. The related party transaction details are disclosed in Note 27 of the Consolidated Financial Statements.

Recruitment of Relatives

The Bank has a Board-approved policy in place on the employment of relatives to prevent potential favouritism and conflicts of interest in decision-making due to certain relationships amongst employees, including approved persons.

Remuneration of Board Members and Senior Management and Fees Paid to External Auditors

The remuneration paid to Board members and senior management personnel are disclosed in Note 27 of the Consolidated Financial Statements. The information on fees paid to External Auditors for audit and other services will be available to the CBB and shareholders upon request, provided such disclosure does not impact the interest of the Bank.

04

LEADERSHIP

Board of Directors

Abdulla Kamal

Non-Executive Chairman since 2023, representing
Social Insurance Organization – Bahrain

- Member of SICO Board Audit, Risk and Compliance Committee
- Chief Executive Officer: Osool Asset Management BSC (c)
- Board Director: Bahrain Car Parks Company BSC.; Amlak Social Insurance Organization Development Company; Osool Pension Fund BSC; Bahrain Marina Development Company
- Professional experience: 20 years
- Education: Bachelor of Science in Accounting, University of Bahrain, Certified Internal Auditor (CIA), Associate Chartered Certified Accountant (ACCA), and Associate Professional Risk Manager (APRM)

Hisham Al Kurdi

Vice Chairman and Executive Director since 2020, representing
National Bank of Bahrain BSC – Bahrain

- Member of SICO Board Investment Committee
- Chief Executive: Corporate and Institutional Investment Banking, National Bank of Bahrain, BSC
- Professional experience: 26 years
- Education: Bachelor of Science in Engineering in Systems Control, The University of Huddersfield, UK

Mohammed Abdulla Isa

Non-Executive Director since 2009, representing
BBK BSC – Bahrain

- Chairman of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Group Chief Financial Officer: BBK BSC
- Board Director: Bahrain Credit Facilities Company
- Professional experience: 33 years
- Education: Certified Public Accountant, American Institute of Certified Public Accountants, Delaware State Board of Accountancy (2001), USA

Tala Fakhro

Independent Director since 2020

- Chairperson of SICO Board Audit, Risk, and Compliance Committee
- Board Director: Bahrain Credit Facilities Company
- Professional experience: 33 years
- Education: Juris Doctor, Georgetown University Law Center, Washington, and a Bachelor of Arts in Economics, Smith College in Northampton

Dana Raees

Non-Executive Director since 2020, representing
Social Insurance Organization – Bahrain

- Member of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Executive Director - Legal: Osool Asset Management BSC (c)
- Board member: BBK
- Professional experience: 17 years
- Education: Bachelor of Law (LLB) from the University of Warwick, UK, and LPC from the University of Law, London

Naseema Haider

Non-Executive Director since 2020, representing
Ahli United Bank – Bahrain

- Member of SICO Board Audit, Risk, and Compliance Committee
- Regional Head of Private Banking, Ahli United Bank BSC
- Professional experience: 26 years
- Education: Bachelor of Science in Accounting, University of Bahrain

Khalid Al-Jassim

Independent Director since 2020

- Member of SICO Board Investment Committee
- Board member: Bahrain Islamic Bank, Bahrain Flour Mills company, Afkar Vision WLL, Coffee and Burger Restaurant WLL, AJM Kooheji
- Professional experience: 33 years
- Education: Bachelor of Science in Computer Science and Mathematics from California State University, Long Beach as well as an Executive MBA from Pepperdine University

Shaikh Waleed K Al Hashar

Executive Director since January 2022, representing
Bank Muscat – Oman

- Member of SICO Board Investment Committee
- Chief Executive Officer: Bank Muscat
- Board Member: Oman Center for Governance and Sustainability, The College of Banking and Financial Studies, the Oman Banks Association, BM Innovate Ltd, Royal Academy of Management
- Professional experience: 30 years
- Education: Postgraduate diploma in General Management, Harvard Business School; Bachelor of Science and Master's Degree in Business Administration, California State University, Sacramento, USA

Elham Adel Al Majed

Non-Executive Director since 2023, representing
Social Insurance Organization – Bahrain

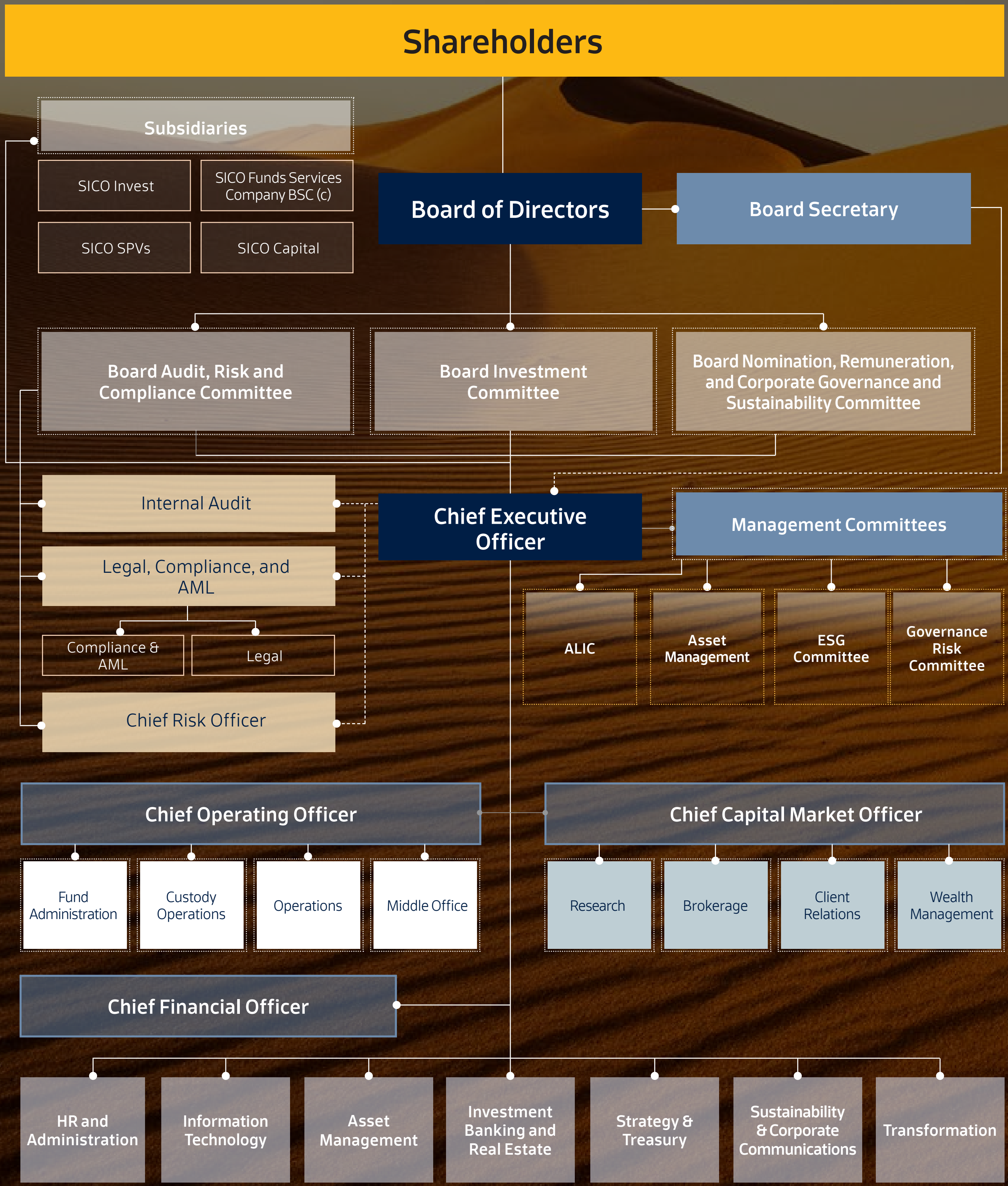
- Director - Investments: Osool Asset Management BSC (c)
- Board Member: Hawar Holding Company; Amber Holdings Limited
- Professional Experience: 11 years
- Education: Bachelor's degree in Banking and Finance from University of Bahrain; Chartered Financial Analyst (CFA Institute)

Abdulla bin Khalifa Al Khalifa

Previous Chairman of the Board

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.

Organization Structure



Note: This organizational structure was approved at the end of 2023.

The responsibilities are given to various teams throughout the organization to ensure that strategies are implemented and goals are met.

05

FINANCIAL STATEMENTS AND REGULATORY DISCLOSURES

General Information

As at 31 December 2023

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

Building a better working world

Independent auditors' report to the shareholders

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.

- 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.

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 Finan cial 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

Consolidated Statement Of Financial Position

As at 31 December 2023

		Bahraini Dinars '000	
	Note	2023	2022
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.

Consolidated Statement Of Profit Or Loss

For the year ended 31 December 2023

		Bahraini Dinars '000	
	Note	2023	2022
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
Chairman

Tala Fakhro
Director

Najla M. Al Shirawi
Chief Executive Officer

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

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2023

	Bahraini Dinars '000 2023	2022
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**

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

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2023

Bahraini Dinars '000

2023	Share capital	Shares under employee share incentive scheme	Treasury Shares	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total equity
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.

Consolidated Statement Of Changes In Equity (continued)

For the year ended 31 December 2023

2022	Share capital	Shares under employee share incentive scheme	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total owner's equity	Non-controlling interest	Total equity
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 recognized 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

Operating activities	Note	2023	2022
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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2022

There are new standards, amendments to the standards, which became effective as of 1 January 2023, that were relevant and had a 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)

(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.

3. Material Accounting Policy Information (continued)

(a). Consolidation (continued)

(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.

(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.

(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.

3. Material Accounting Policy Information (continued)

(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

(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.

(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.

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.

3. **Material Accounting Policy Information** (continued)
(k). **Leases** (continued)
(i). Measurement (continued)
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.

(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.

(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.

3. Material Accounting Policy Information (continued)

(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.

(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.

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.

4 Financial Risk Management (Continued)

(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.

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	2022
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.

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.

4. **Financial Risk Management** (continued)
(b) **Credit risk** (continued)
(ii) Management of credit risk (continued)

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 coutries	North America	Europe	Total
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
Liabilities	**373,817**	**5,100**	**11,016**	**389,933**
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**

2022	Middle East & Asia coun-tries	North America	Europe	Total
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 coun-tries	North America	Europe	Total
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	Others	Total
Total assets	**311,152**	**78,781**	**389,933**
Total liabilities	**291,352**	**28,099**	**319,451**

2022	Financial services	Others	Total
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	ECL	Net exposure	Gross exposure	ECL	Net exposure
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

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

4. Financial Risk Management (continued)
(b) Credit risk (continued)
(ii) Management of credit risk (continued)

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.

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	Gross outflow	Carrying value
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	Gross outflow	Carrying value
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.

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.

4. Financial Risk Management (continued)

(i). Equity price risk (continued)

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

(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.

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 Repricing Profile

2023	Effective interest rate % p.a.	Within 1 year	Over 1 year	Non-interest sensitive	Total
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	-	-

4. **Financial Risk Management** (continued)
(d). Market risk (continued)
(ii) Interest rate risk (continued)

2022	Effective interest rate % p.a.	Within 1 year	Over 1 year	Non-interest sensitive	Total
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%).*

(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.

4. Financial Risk Management (continued)

(f). Capital management (continued)

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.

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

Based on year end balances

	2023	2022
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**
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 incorporation	Country of incorporation	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
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
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)	67%	2011	Bahrain	Investment in listed equity securities in the Kingdom of Saudi Arabia
11. SICO Fixed Income Fund (Increase from 74 % in last year)	74%	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	2022
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) on non-controlling unit holders in consolidated funds		
SICO Fixed Equity Fund	47	(46)
SICO Kingdom Equity Fund	423	27
	470	**(19)**

SICO Fixed Income Fund

	2023	2022
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**
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	2022
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 Profit	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**

7. Cash And Bank Balances

	2023	2022
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 Repurchased 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	2022
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	2022
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**

10b. Investments At Amortized Cost

These include 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	2022
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	2022
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	2022
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.

14. Short-Term Bank Borrowings & Deposits From Institutions

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

	2023	2022
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**

14. Short-Term Bank Borrowings & Deposits From Institutions (continued)
(b) The following represents the movement in deposits from institutions:

	2023	2022
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	2022
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	2022
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**

18. Share Capital

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

	2023	2022
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

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

		2023		2022	
The shareholders are:	**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	12.51	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**	**Number of shares**	**Amount**
SICO BSC (C) - Treasury Shares	Bahrain	12,185,626	1,913	-	-
		12,185,626	**1,913**	-	-

Shares under employee share incentive scheme

	2023		2022	
	Number of shares	**Amount**	**Number of shares**	**Amount**
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	2022
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	2022
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.*

22. Net Fee Income

	2023	2022
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
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
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
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).

26. Other Operating Expenses

	2023	2022
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
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.

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
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

27. Related Party Transactions (continued)

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
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.

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 • These vehicles are financed through issuance of units to	• Investment in units issued by the fund • Management fee • Performance fee
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
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

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 draw-down commitments of BD 2,052 (2022: BD 3,992).

Assets under management (net asset value)

	2023	2022
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	2022
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	2022
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	1 to 5 years	Above 5 years	Total
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	-

31 December 2022	Less than 1 year	1 to 5 years	Above 5 years	Total
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	-	5,136	5,108	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	19,495	20,998	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	-

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	Fair value through other comprehensive income	Liabilities at fair value	At amortized cost	Total carrying value
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**

31 December 2022	Fair value through profit or loss	Fair value through other comprehensive income	Liabilities at fair value	At amortized cost	Total carrying value
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.

34. Accounting Classification And Fair Values (continued)

(ii) Fair Value Hierarchy

The Group measures fair values using the following fair value hierarchy that re flects the signifi cance of the in puts used in making the measurements.

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includ valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are 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 in 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 m 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**

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	2022
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.

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

(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.

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

	Unweighted values (before applying factors)				
31 December 2023	No specified Middle	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
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	-	36,692	-	-	18,346
exchange-traded equities					
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%

	Unweighted values (before applying factors)				
31 December 2022	No specified Middle	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
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%

SICO REMUNERATION POLICY & RELATED DISCLOSURES

The Bank's total compensation approach, which includes the variable remuneration policy, sets out the Bank's policy on remuneration for Directors and senior management, and the key factors that are taken into account in setting the policy.

The current policy framework and incentive components were approved by the shareholders in the Annual General Meeting held on March 30, 2015. The policy is effective from the year 2014 annual performance incentives onwards The key features of the approved remuneration framework are summarised below.

Remuneration strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance-based culture that aligns employee interests with those of the shareholders of the Bank. These elements support the achievement of our objectives through balancing rewards for both short-term results and long-term sustainable performance. Our strategy is designed to share our success, and to align employees' incentives with our risk framework and risk outcomes.

The quality and long-term commitment of all of our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of our shareholders. The Bank's reward package comprises the following key elements:

1. Fixed pay
2. Benefits
3. Annual performance bonus

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors (NRCGC).

The Bank's remuneration policy in particular considers the role of each employee, and has set guidance on whether an employee is a Material Risk Taker and/or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within the Bank; and an employee is considered a Material Risk Taker if he/she is the Head of a significant business line, or any individuals within their control who have a material impact on the Bank's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in our performance management system. This assessment also takes into account adherence to the Bank's values, risks and compliance measures and above all integrity. Altogether, performance is therefore judged not only on what is achieved over the short- and long-term, but also importantly on how it is achieved as the NRCGC believes the latter contributes to the long-term sustainability of the business.

NRCGC role and focus

The NRCGC has oversight of all reward policies for the Bank's employees. The NRCGC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRCGC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, the business plan and risk profile of the Bank.

The responsibilities of the NRCGC with regards to the Bank's variable remuneration policy, as stated in its mandate, include but are not limited to, the following:

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Approve the remuneration policy and amounts for Approved Persons and Material Risk-Takers, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
- Ensure remuneration is adjusted for all types of risks, and that the remuneration system takes into consideration employees who earn the same short-run profit, but take different amounts of risk on behalf of the Bank.
- Ensure that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed, including salaries, fees, expenses, bonuses and other employee benefits.
- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRCGC will question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for Approved Persons in risk management, internal audit, operations, financial control and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
- Recommend Board members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Bahrain Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

As outlined in the Corporate Governance section, the Board is satisfied that all non-executive Directors are independent. The NRCGC comprises of the following members:

NRCGC Member Name	Number of meetings attended
Mohammed Abdulla	3
Khalid Al Jassim	3
Dana Raees	3

The total amount of NRCG siting fees for 2023 is BD 5,250 [2022: BD 9,000]

External consultants

The NRCGC did not appoint any external consultants during the year.

Scope of application of the remuneration policy

The principles of this remuneration policy apply on a Group-wide basis. However, application of deferral requirements and issue of non-cash instruments for each subsidiary of the Bank will be determined by applicable local regulations and market norms.

Board remuneration

The Bank's Board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that total remuneration (excluding sitting fees) does not exceed 10% of the Bank's net profit after all required deductions as outlined in Article 188 of the Companies law, in any financial year. Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

Variable remuneration for staff

Variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of our staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of meeting both satisfactory financial performance and the achievement of other non-financial factors, that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the NRCGC aims to balance the distribution of the Bank's profits between shareholders and employees.

Key performance metrics at the Bank level include a combination of short-term and long-term measures, and include profitability, solvency, liquidity, risk diversification, strategy implementation and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Bank starts from setting specific targets and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations).

The NRCGC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRCGC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects.

The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRCGC.

For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favour of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives, and is not to be determined by the financial performance of the business areas they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations, as well as the market and regulatory environment, apart from value-adding tasks which are specific to each unit.

Variable compensation for business units

The variable remuneration of the business units is primarily determined by key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, as well as market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same shortrun profits, but take different amounts of risk on behalf of the bank, are treated differently by the remuneration system.

Risk assessment framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavour to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgement play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy as designed reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes, and delivers an appropriate mix of remuneration that is risk aligned.

The Bank's NRCGC considers whether the variable remuneration policy is in line with the SICO's risk profile, and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues' timing and likelihood remain uncertain, are carefully evaluated.

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the strategic measures. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the Bank's current capital position and its ICAAP.

Risk assessment framework (continued)

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

The size of the variable remuneration pool and its allocation within the Bank takes into account the full range of current and potential risks, including:

- The cost and quantity of capital required to support the risks taken;
- The cost and quantity of the liquidity risk assumed in the conduct of business; and
- Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRCGC keeps itself abreast of the Bank's performance against the risk management framework. The NRCGC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned.

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against prior risk assumptions.

In years where the Bank suffers material losses in its financial performance, the risk adjustment framework will work as follows:

- There will be considerable contraction of the Bank's total variable remuneration
- At an individual level, poor performance by the Bank will mean individual KPIs are not met, and hence employee performance ratings will be lower
- Reduction in the value of deferred shares or awards
- Possible changes in vesting periods and additional deferral applied to unvested rewards
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered

The NRCGC, with the Board's approval, can rationalise and make the following discretionary decisions:

- Increase/reduce the ex-post adjustment
- Consider additional deferrals or increase in the quantum of non-cash awards
- Recovery through malus and clawback arrangements

Malus and clawback framework

The Bank's malus and clawback provisions allow the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/adjusted, or the delivered variable remuneration recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer-term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Bank during the concerned performance year.

Any decision to take back an individual's awards can only be taken by the Bank's NRCGC. The NRCGC takes into account the advice of the CEO, and Risk, Finance and HR Departments as appropriate.

The Bank's malus and clawback provisions allow the Bank's Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include the following:

- Reasonable evidence of misbehaviour or material error by the employee causing harm to the Bank's reputation or where his/her actions have amounted to misconduct, incompetence or negligence
- The employee's business unit suffers a material downturn in its financial performance or a material restatement of the financial statements of the Bank
- The employee's business unit suffers a material risk management failure
- An employee deliberately misleading the market and/or shareholders in relation to the financial performance of the Bank
- A significant deterioration in the financial health of the Bank
- If the Bank and/or relevant line of business is incurring losses in any year during the vesting period, any unvested portions will be subject to malus

Components of variable remuneration
Variable remuneration has following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.	
Deferred share linked awards	The portion of compensation that is awarded and paid in the form of share linked instruments. The conditions for granting and vesting of shares vary in accordance with the Banks ESOP policy. These awards are granted in following categories:	
	Salary based awards	Provides for up to 5% of annual salary in the form of share awards which are settled at the end of employment.
	Bonus based awards	Granted to employees as a percentage of annual variable compensation in the form of deferred share awards which rateably vests based on completion of predefined service conditions.

All deferred awards are subject to malus provisions. The number of equity share awards is linked to the Bank's share price as per the rules of the Bank's ESOP Scheme. Any dividend on these shares is released to the employee as and when it is declared.

Components of variable remuneration (continued)
Deferred compensation

All employees above a defined grade shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, her deputies and other 5 most highly -paid business line employees	Deferral period	Retention	Malus	Clawback
Upfront cash	40%-80%	Immediate	-	-	Yes
Deferred share awards	20%-100%	Minimum 3 years and up to end of employment	Minimum 6 months and up to end of employment	Yes	Yes

The NRCGC, based on its assessment of role profile and risk taken by an employee, could increase the coverage of employees that will be subject to deferral arrangements.

Details of remuneration paid
(a) Board of Directors

BD 000'	2023	2022
• Sitting Fees	52	92
• Remuneration	189	128

(b) Employee remuneration

		Total Fixed remuneration		Variable remuneration		
2023	Number Of staff	Cash	Shares	Upfront Cash	Deferred Shares	Total Remuneration
Approved persons in business lines	11	1,123,424	45,555	360,000	98,300	1,627,279
Approved persons in control functions	16	1,015,343	28,815	146,240	32,560	1,222,958
Other material risk takers	31	1,022,383	30,090	212,380	41,220	1,306,073
Other employeers	47	1,035,959	31,668	136,220	26,380	1,230,227
Subsidiaries						
Business Line	28	1,079,264	4,186	142,482	4,517	1,230,449
Other employees	43	1,149,936	8,643	112,762	8,000	1,279,341
Total	**176**	**6,426,309**	**148,957**	**1,110,084**	**210,977**	**7,896,327**

2022		Total Fixed remuneration		Variable remuneration		
	Number Of staff	Cash	Shares	Upfront Cash	Deferred Shares	Total Remuneration
Approved persons in business lines	11	1,071,716	42,555	272,400	83,600	1,470,271
Approved persons in control functions	17	924,906	30,780	95,160	30,540	1,081,386
Other material risk takers	31	905,186	26,586	142,320	29,280	1,103,372
Other employeers	45	883,330	29,934	86,400	18,300	1,017,964
Subsidiaries						
Business Line	6	286,097	4,064	18,171	4,106	312,438
Other employees	18	424,743	8,808	52,549	6,800	492,900
Total	**128**	**4,495,978**	**142,727**	**667,000**	**172,626**	**5,478,331**

Notes:

The amounts reported above represent actual awards for 2023 and 2022 rather than accruals and changes in value of prior period awards. Accordingly, the numbers and amounts above may not necessarily agree with numbers/ amounts reported in the financial statements.

(c) Deferred awards

2023	Shares	Amount
Opening Balance	18,638,734	2,982,197
Awarded during the period	2,168,270	359,933
Paid out / released during the period	(2,113,066)	(327,525)
Service, performance and risk adjustment	-	-
Changes in Value of unvested opening awards	-	(88,589)
Closing balance	**18,693,938**	**3,103,194**

2022	Shares	Amount
Opening Balance	20,991,293	3,400,589
Awarded during the period	1,970,969	315,353
Bonus Shares for vested shares	510,206	51,020
Paid out / released during the period	(4,833,734)	(744,395)
Service, performance and risk adjustment	-	-
Changes in Value of unvested opening awards	-	40,370
Closing balance	**18,638,734**	**2,982,197**

Notes :

1. The above table summarises the movement in all categories of share awards (i.e. fixed and variable remuneration) issued by the Bank to its employees.
2. The amounts and number of shares reported above include the gross value of awards and are not based on the proportion based charge recognized in the financial statements over the vesting period of awards.

Risk and Capital Management Disclosures
Executive Summary

This Risk and Capital Management Disclosures encompass the qualitative and quantitative disclosures required by the Central Bank of Bahrain (CBB) in compliance with Basel III guidelines.

The information presented herein pertains to SICO BSC (c) consolidated with its subsidiaries (together termed as "SICO" or the "Bank").

The report contains a description of the Bank's risk management and capital adequacy practices, including detailed information on the capital adequacy process.

The disclosures have been prepared in accordance with the Public Disclosure Module ("PD") of the CBB Rule Book, Volume I for Conventional Banks. These disclosures should be read in conjunction with the Notes, in particular the material accounting policy information and Financial Risk Management, in the Bank's Consolidated Financial Statements for the same period. These disclosures have been reviewed by the Bank's external auditors E&Y, based on agreed upon procedures as required under Para PD-A.2.4 of the PD Module.

CONTENTS

1. Overview And Structure Of Risk Management

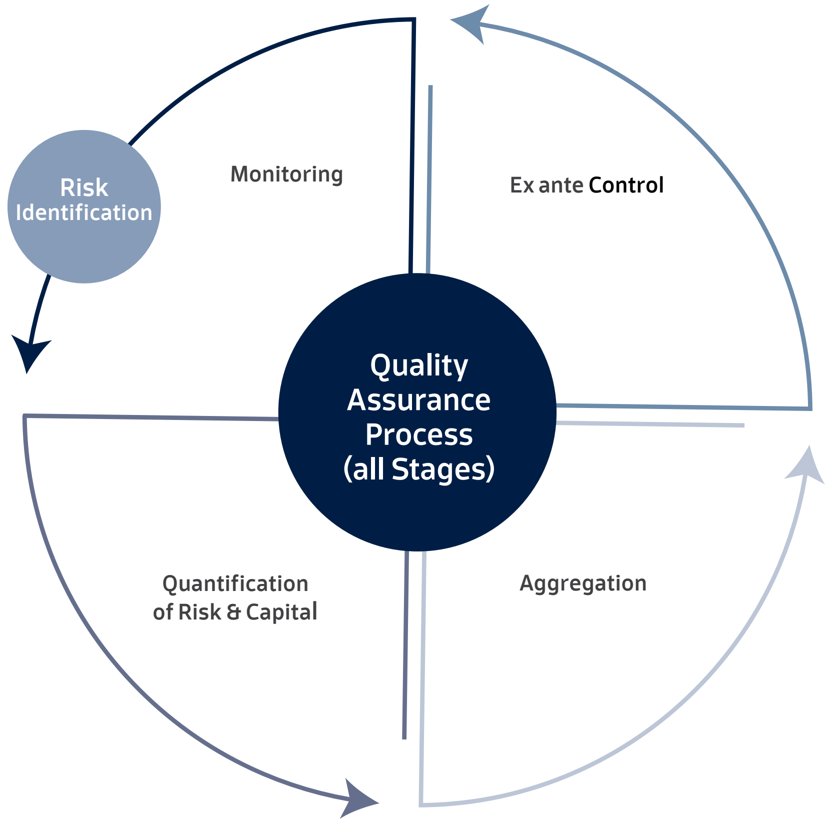
Risk management is the systematic process of identifying, assessing and mitigating the risks to which SICO is exposed. Risk management is essential to the Bank's success, as risk is inherent in its activities, and risks are mitigated by establishing appropriate controls and ensuring that effective monitoring and reporting processes are in place.

The major risk types to which SICO is exposed are:

- Credit risk
- Operational risk
- Market risk
- Liquidity risk
- Concentration risk
- Fiduciary risk
- Compliance Risk
- Reputational risk
- Legal Risk
- Regulatory risk

The Bank maintains a strong focus on its risk management framework, capital management and risk governance structure and adopts a structured, consistent and disciplined methodology to align business strategy, processes, people, technology and knowledge to evaluate and manage its risks.

The stages in the risk management process are as follows:



- **Risk identification:** Identification of the risks that impact SICO's various business activities.

- **Quantification of risks and capital coverage:** This step involves quantifying the risks identified in the risk identification process. It creates the objective basis for decision-making and enables the Board and Senior Management to make decisions regarding SICO's risk-bearing capacity within this framework.

- **Aggregation:** Once risks have been identified and quantified, individual risks are aggregated to determine SICO's risk exposure and impact.

- **Ex ante control:** SICO has established various tolerance limits based on the overall risk strategy of the Bank. These limits are revised periodically, taking into account the changing market and economic conditions. SICO has established a comprehensive limit framework to monitor its exposure to all significant risks.

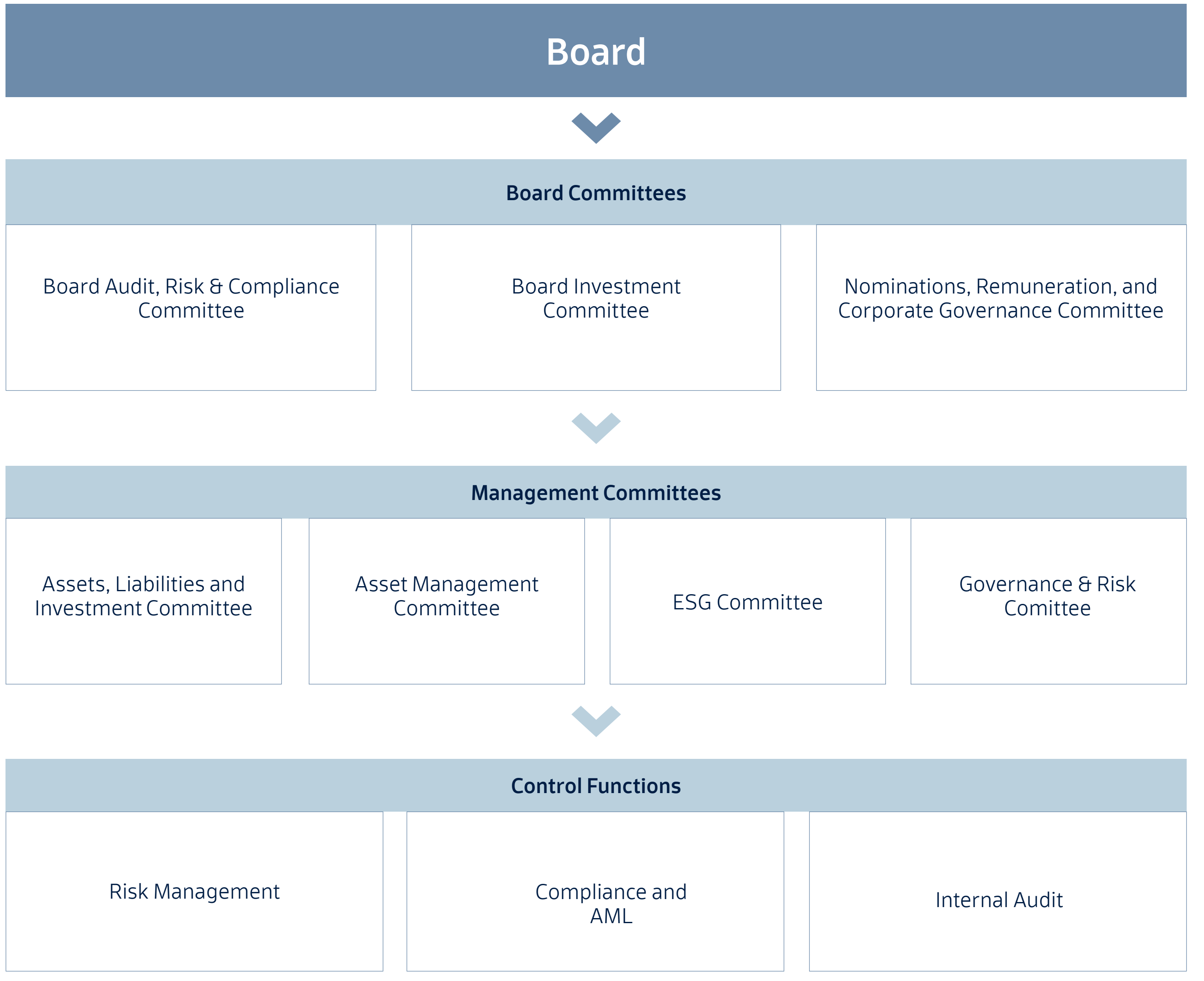
- **Risk monitoring and ex post control:** The risk monitoring process ensures that SICO's risk profile remains in line with its risk tolerance. In this context, there is a standardised procedure for dealing with increasing levels of limit utilisation and limit breaches.

The Bank also applies a rigorous framework of limits to control risk across multiple transactions, products, businesses and markets. This includes setting credit and market risk limits at a variety of levels and monitoring these limits on a daily basis. Limits are typically set at levels that may be periodically exceeded, rather than at levels that reflect the Bank's maximum risk appetite.

2. Risk Governance Structure

SICO has established a strong organisational structure including disciplined control functions to support the Bank's business strategy and risk management.

SICO's Board and Senior Management are responsible for understanding the nature and level of risks faced by the Bank and for ensuring that the risk management process chosen is appropriate considering SICO's risk profile. Senior Management are responsible for ensuring that there is a process to relate the business risk to an adequate level of capital, setting the tolerance for various risks and putting in place the framework and process for measuring and monitoring compliance.



- **Board of Directors (BOD):** The BOD is primarily responsible for approving the Bank's risk strategy, risk appetite and risk policies to manage risks that arise from SICO's business activities. These policies are consistent with the Bank's broader business strategies, capital strength, management expertise and ability to control risk.
- **Board Audit, Risk & Compliance Committee (BARCC):** The BARCC is responsible for reviewing the Bank's accounting and financial practices to ensure integrity of the Bank's financial statements and adequacy of risk management, compliance and internal control frameworks. The committee also oversees the Internal Audit function. The committee provides active oversight on the risk management framework, approves risk policies and limits and ensures adequacy of risk controls.
- **Board Investment Committee (BIC):** The BIC is the second stage where decision making surrounding SICO's investment and credit activities is considered. This committee approves investments within its discretionary powers as delegated by the BOD, and in some cases the BIC recommends proposals to the BOD for approval.
- **Nominations, Remuneration and Corporate Governance Committee (NRCGC):** The NRCGC contributes to the control framework by nominating qualified Board Members and key management positions. It also approves the remunerations that factor in the risk taken by the business and oversees corporate governance-related issues.
- **Assets, Liabilities, and Investment Committee (ALIC):** ALIC acts as the principal policy-making body at the management level which is responsible for overseeing the Bank's capital and financial resources. It is also responsible for managing the balance sheet and all proprietary investment activities, including investment strategy, and asset, country and sector allocations. The committee is specifically responsible for managing the balance sheet risk, capital and dividend planning, forecasting and monitoring interest rate risk positions, liquidity and fund management. The committee is also responsible for formulating and reviewing the Bank's investment policies (subject to approval by the BOD), strategies and performance measurement and assessment.
- **Assets Management Committee (AMC):** AMC is a management committee that oversees the fiduciary responsibilities carried out by the Asset Management unit in managing clients' discretionary portfolios as well as the funds operated and managed by SICO. It also reviews the investment strategy of the Bank's funds and portfolios and reviews asset allocations, subscriptions and redemptions and adherence to client guidelines.
- **Governance & Risk Comittee (GRC):** The CRC is a management committee that oversees the internal control functions carried out by SICO's various departments. The purpose of CRC is to strengthen the internal control culture throughout the company and to ensure adequacy of controls in the various processes followed in the Bank.
- **ESG Committee:** The ESG committee assists the different departments (asset management departments and the Proprietary Investment Department) with the oversight of their responsible investment philosophy and investment process, including RI investing key trends at the national, regional, and international levels, ESG management, policies, and guidelines, review of investment performance linked to ESG performance criteria and oversight of investment risks and opportunities management exposure to ESG considerations, as well as specific training requirements for the teams involved in the research and performance assessment activities around ESG. The committee might also: review any amendment/change proposed by the heads of the departments on the investment policies and procedures with regard to RI considerations; review and approve any ESG-related guidelines breaches, andcreate and update the Model Portfolio.
- **Risk Management Department (RMD):** RMD is responsible for establishing a sound risk management framework to assist the Bank in the realisation of its business objectives. It also provides oversight of risk management and risk controls across the organisation by coordinating and communicating with each business unit to manage the risks that arise for its business activities. It also ensures that the principles and requirements of managing risk are consistently adopted throughout the Bank. The RMD has an independent reporting line directly to the BARCC through the Chief Risk Officer.
- **Compliance Unit:** The unit is responsible for internal compliance, regulatory compliance and KYC and Anti Money Laundering functions. It ensures compliance with internal and external rules and regulations and is responsible for implementing the compliance framework across the entire Bank.
- **Internal Audit Unit:** The unit provides an additional line of defence within the Bank's risk management and control framework. Internal Audit is primarily responsible for providing independent and objective assurance that the process for identifying, evaluating, and managing significant risks faced by the Bank is appropriate and effectively applied by the business units, control functions and Senior Management.

3. CBB And Basel Guidelines

CBB Rulebook

This disclosure document has been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module ("PD"), which falls under Volume 1 (Conventional Banks) of the CBB Rulebook. This quantitative disclosure document follows the requirements of Basel III - Pillar 3.

BASEL III Framework

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector.

Basel III measures aim to:

- Improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- Improve risk management and governance
- Strengthen banks' transparency and disclosures

The Basel III Guidelines are based on three pillar framework as follows:

- **Pillar 1** - Describes the minimum capital requirements by applying risk-based methodology in the calculation of risk weighted assets (RWAs) and capital requirements for major asset classes to obtain the capital adequacy ratio (CAR).
- **Pillar 2** - Describes the supervisory review processes, which includes the Internal Capital Adequacy Assessment Process (ICAAP).
- **Pillar 3** – Describes market discipline, which includes disclosure of the risk management process, and capital adequacy requirements and guidelines.

BASEL III		
Pillar 1	Pillar 2	Pillar 3
Minimum Capital Requirements	Supervisory Review Process	Market Discipline
Risk-based capital requirements for: • Credit risk • Market risk • Operational risk	**Regulatory framework for banks:** Internal Capital Adequacy Assessment Process (ICAAP) **Supervisory framework:** Supervisory Review and Evaluation Process	**Disclosure requirement for banks:** • Specific quantitative and qualitative disclosures • Transparency for market participants concerning the bank's risk position (scope of application, risk management etc.) • Enhanced comparability between banks

Pillar 1

Pillar 1 lays the basis for calculating the regulatory Capital Adequacy Ratio (CAR). It sets out the definition and calculations for RWAs and the derivation of the regulatory capital base. The capital adequacy ratio is calculated by dividing the regulatory capital base by total RWAs.

Below are the approaches used for deriving the CAR:

Approaches for determining regulatory capital requirements		
Credit Risk	Market Risk	Operational Risk
Standardised Approach	**Standardised Approach**	**Basic Indicator Approach**
Foundation IRB Approach (Internal Ratings Based)	Internal Models Approach (IMA)	Standardised Approach
Advanced IRB Approach (Internal Ratings Based)		Advanced Measurement Approach (AMA)

SICO has adopted the Standardised Approach for Credit Risk and Market Risk and follows the Basic Indicator Approach for Operational Risk to determine its capital requirements.

Pillar 2

This pillar sets out the supervisory review and evaluation process of an institution's risk management framework as well as its capital adequacy assessment through ICAAP framework.

The supervisory review and evaluation process represents the CBB's review of the Bank's capital management and an assessment of internal controls and corporate governance. The process is designed to ensure that institutions identify their material risks, allocate adequate capital, and employ sufficient resources to support such risks. The process also encourages institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks, in addition to the credit, market and operational risks addressed in the core Pillar 1 framework.

Other risk types not covered by the minimum capital requirements in Pillar 1 include liquidity risk, interest rate risk in the banking book, concentration risk, reputational risk, and other risks. These are covered either by capital or risk management and mitigation processes under Pillar 2.

Pillar 2 also comprises ICAAP, which incorporates a review and evaluation of capital requirements relative to the risks to which the Bank is exposed. The ICAAP addresses all components of the Bank's risk management, from the daily management of more material risks to the strategic capital management of the Bank. The ICAAP is based on the Bank's capital management framework, which is designed to ensure that SICO has sufficient capital resources available to meet regulatory and internal capital requirements, even during periods of economic or financial stress.

Pillar 3

This pillar describes the level of qualitative and quantitative information that should be disclosed about an institution's risk management and capital adequacy practices.

Scope of Application

SICO is a conventional wholesale bank incorporated in Bahrain and regulated by the CBB. SICO provides investment banking services on a regional basis, with a principal focus on the GCC. There is a regulatory requirement to calculate and maintain minimum regulatory capital ratios on both standalone as well as consolidated basis.

The principal subsidiaries that are fully consolidated in the SICO's financial statements are SICO Funds Services Company BSC (c) ("SFS"), incorporated in Bahrain and providing custody and fund administration services; SICO Invest LLC, incorporated in Abu Dhabi and providing brokerage services in the UAE; and SICO Capital, a full service investment banking firm based in Riyadh, Saudi Arabia that offers a comprehensive range of financial services to individual, institutional and corporate clients across Asset Management, Investment Banking and Brokerage lines of business.

The Bank has controlling interest in SICO Fixed Income Fund ("SFIF") and SICO Kingdom Equity Fund ("SKEF"); and therefore, consolidates the SKEF and SFIF financials as per requirements of IFRS 10.

4. Capital Structure And Capital Adequacy

For the purpose of computing the regulatory capital adequacy ratio, the Bank applies the methodology and rules as defined in the CA Module of the CBB's Rule Book. The following also need to be considered:

a. The Bank's paid-up capital consists only of ordinary shares that have proportionate voting rights, and the Bank does not have any other type of capital instruments.
b. The Bank's Tier 1 capital, which consists of Common Equity Tier 1, comprises share capital, share premium, reserves, retained earnings, eligible reserves and unrealised losses arising from fair valuing investment securities classified under fair value through other comprehensive income.
c. The Bank does not maintain any additional Tier 1 (AT1).
d. The Bank's Tier 2 capital comprises of general provisions recognized under IFRS 9 Expected Credit Losses
e. The Bank has prepared its capital structure in accordance with the CBB's Basel III capital adequacy framework.
f. The Bank has no subsidiaries and/or investments that are required to be deducted from capital.
g. The Bank has no restrictions on the transfer of funds or regulatory capital within the Group, other than restrictions over transfers to ensure minimum regulatory capital requirements are met for subsidiary companies.

4.1 Capital Structure

Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	44,134
Less: Employee stock incentive program funded by the bank (outstanding)	-2,263
Less: Treasury Shares	-1,913
General Reserve	3,217
Legal / Statutory reserves	9,020
Share Premium	761
Retained Earnings Brought forward	12,526
Current interim cumulative net income / losses	4,382
Securitisation exposures subject to deduction	-
Accumulated other comprehensive income and losses	618
Total minority interest in banking subsidiaries given recognition in CET1 capital	-
Less: Investment in financial entities where ownership is < 10% of issued common share capital (amount above 10% CET1a)	-
Less: Goodwill	-
Less: Intangibles other than mortgage servicing rights	-1456
Total Common Equity Tier 1 Capital (A)	**69,026**
Other Capital (AT1 & Tier 2)	
Instruments issued by parent company	-
Instruments issued by banking subsidiaries to third parties	-
Share premium	-
Assets revaluation reserve - property, plant, and equipment	-
General loan loss provisions	-
Expected Credit Losses (ECL) Stages 1 & 2	66
Total AT1 & Tier 2 (B)	**66**
Total Available Capital (C) = (A) + (B)	**69,092**
Credit risk weighted exposures	51,060
Market risk weighted exposures	16,013
Operational risk weighted exposures	26,615
Total Risk weighted exposures (D)	93,687
CET1 Capital Ratio (A) / (D)	73.7%
Total Capital Adequacy Ratio (C) / (D)	**73.8%**

4.2 Capital Adequacy Ratio

As at 31st of December 2023, SICO's Consolidated Capital ratio stood at a healthy ratio of 73.8% and continued to stand well over regulatory requirement (12.5%). The Bank's T1 capital adequacy ratios also stood comfortably at 73.7%. A Summary of SICO's Consolidated and Key subsidiaries capital position has been disclosed and summarized in the following table.

Consolidated and subsidiaries above 5% of Group capital.

Subsidiaries	Total capital adequacy ratio	Tier 1 capital ratio
SICO consolidated (Group)	73.8%	73.7%
SICO Fund Services Company BSC (c)	645%	567%
SICO Invest LLC*	8.24	5.65
SICO Capital**	45%	45%

*SICO Invest LLC CAR has been computed using the capital charges as outlined in Emirates Securities and Commodities Authority (ESCA) regulations, wherein the minimum required ratio is 1.0 with anything above 1.25 considered healthy.

** SICO Capital CAR has been computed by using the Capital Adequacy Model provided by Saudi's Capital Market Authority, wherein the minimum required ratio is 8%.

4.3 Leverage Ratio

In November 2018, CBB issued its final Leverage Regulation, with an effective date of 30th June 2019. The leverage ratio is a simple ratio that serves as a supplementary measure to the risk-based capital requirements. It aims to constrain the build-up of leverage in the financial sector, reinforce the risk-based requirements with a simple non-risk based "backstop" measure, and serve as a broad measure of both the on and off-balance sheet sources of bank leverage. The leverage ratio is measured as Tier 1 Capital divided by Total Exposures. Total Exposures consist of on-balance sheet, off-balance sheet, derivatives and securities financing transactions exposures.

As per CBB regulations, Bahraini banks must meet a 3% leverage ratio minimum requirement at all times. As of 31st December 2023, the leverage ratio for SICO Bank stood at 17.5% on a consolidated level.

4.4 Internal Capital Adequacy Assessment Process

The Bank's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Bank's business activities and to maintain a well-capitalised status under regulatory requirements. The Bank has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) that includes Board and senior management oversight, monitoring, reporting and internal control reviews, to identify and measure the various risks that are not covered under Pillar 1 risks and to regularly assess the overall capital adequacy considering the risks and the Bank's planned business strategies. The non-Pillar 1 risks covered under the ICAAP process include liquidity risk, interest rate risk in the banking book, concentration risk, reputational risk and other risks. The ICAAP also keeps in perspective the Bank's strategic plans, growth expectations, future sources and uses of funds, dividend policy and the impact of all these on maintaining adequate capital levels. In addition, the ICAAP process also includes stress testing on the Bank's capital adequacy to determine capital requirement and planning to ensure that the Bank is adequately capitalised in line with the overall risk profile. The Bank has complied with regulatory capital requirements throughout the year.

4.5 Regulatory Capital Disclosures

The capital reconciliation approach shows the link between the balance sheet in the published financial statements and the numbers that are used in the composition of capital disclosure.

For the three-step approach for reconciliation of regulatory capital, please refer to the relevant appendix as follows:

Appendix 1	Step 1: Balance sheet under the regulatory scope of consolidation
Appendix 2	Step 2: Reconciliation of published financial balance sheet to regulatory reporting
Appendix 3	Step 3: Composition of Capital Common Template (transition)
Appendix 4	Disclosure template for main features of regulatory capital instruments

5. Credit Risk

Credit risk represents the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. The Bank's exposure to credit risk comes mostly from:

- Cash placed with banks and financial institutions
- Proprietary investments in fixed income instruments
- Overdrafts to brokerage clients.
- Settlement risks with delivery versus payment (DVP) customers, counterparty brokers and custodians
- Secured financing transactions (i.e. REPO and reverse REPO)
- Margin trading facilities

Risk Management works in coordination with business units in identifying and aggregating credit exposures. Credit risk also encompasses the following risks to which SICO is exposed and are being effectively managed as a part of the Credit Risk Management strategy:

Counterparty Risk: SICO deals with different counterparties for its money market placements, brokerage and REPO activities. To measure counterparty risk, SICO performs a detailed assessment of the counterparty risk using both qualitative and quantitative factors.

Settlement Risk: SICO is exposed to settlement risk through its brokerage services on unfunded deals where exposure remains until settlement of the trade or transaction. SICO applies several assessments on its clients during the screening and on a subsequent periodic basis to minimise settlement risk.

Default Risk: As part of SICO's margin trading facilities and reverse REPO, it is exposed to the risk of default wherein individuals and corporates may be unable to make the required payments on their obligations. SICO accepts only liquid securities as collateral and applies haircuts to the collateral value, which acts as a margin of safety in case it is to offset collateral against outstanding obligations. Moreover, SICO employs margin calls to ensure collateral coverage does not drop below the agreed parameters.

To measure the aforementioned credit risk components, SICO employs several methodologies for mitigating credit risk. SICO also uses ratings issued by major external credit assessment institutions (ECAIs), to derive the risk weightings under the CBB's Basel III capital adequacy framework. These ratings are used mainly for banks and financial institutions, but also, where applicable, for other exposures such as debt instruments. Where ratings vary between rating agencies, the more conservative rating is adopted.

Credit risk is monitored and controlled by policies and procedures that are put in place by RMD and that have been approved by the Board. The policy framework establishes approval authorities, concentration limits, risk-rating methodologies and guidelines for managing exposures. For lending exposures such as margin trading and reverse REPO, financial securities obtained as collateral are liquid in nature, and appropriate haircuts are also applied to them. The lending exposures are closely monitored along with their collaterals, which are marked to market on a daily basis, and margin calls are enforced where collateral coverage drops below the required level. The Bank also adheres strictly to the large exposure norms as prescribed by the CBB under the Credit Risk Management Module.

The Bank maintains collective impairment provisions in line with the requirements under IFRS 9. The collective Impairment provision is a forward-looking calculation and is established based on various factors. These factors include credit risk ratings of the counterparty, historical default rates adjusted considering multiple scenarios of the future macroeconomic outlook, loss ratios given an event of default, and rating migrations.

5.1 Gross Credit Exposures

As of 31st of December 2023	Gross credit exposure	Eligible CRM	Credit exposure after CRM	Average Risk Weight	Credit Risk Weighted Assets	Capital requirement @ %12.5
Cash items	-	-	-	-	-	-
Claims on sovereigns	55,079	-	55,079	-	3.03	0.38
Claims on Bahraini PSE	500	-	500	-	-	-
Claims on banks	245,693	187,040	58,653	29%	16,734	2,092
Claims on corporates	51,117	45,588	5,529	91%	5,035	629
Claims on Investment Firms	-	-	-	-	-	-
Regulatory retail portfolios	1,043	1,005	38	75%	29	4
Investments in securities	13,447	-	13,447	124%	16,734	2,092
Holdings in real estate	3,534	-	3,534	200%	7,068	884
Other assets	8,839	3,382	5,457	100%	5,457	682
Total Funded	**379,253**	**237,015**	**142,238**	**36%**	**51,060**	**6,382**
Off Balance Sheet exposures	4,848	0	4,848	100%	4,848	606

The on-balance sheet and off-balance sheet gross exposures have been risk weighted using the applicable risk weights and credit conversion factors (CCF).

The balances above are representative of the position during the period. Hence, the average balances for the year are not separately disclosed.

5.2 Maturity Profile

As of 31st of December 2023	Less than 1 year	Over 1 year to 5 years	5-10 year	10-20 years	Above 20 years	Total
Cash and cash 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	11,424	368	2,190	25,152
Investments at fair value through other comprehensive income	1,879	1,959	4,689	-	3,971	12,497
Investments at amortized cost	3,588	10,741	-	2,262	781	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 gross credit exposures	**346,586**	**16,646**	**17,130**	**2,630**	**6,941**	**389,933**
Commitments	2,510					2,510
Contingents	3,593					3,593

Note: Commitments and contingencies mentioned above do not have a defined maturity and hence conservatively considered less than 1 year.

5.3 Sectoral Distribution

As of 31st of December 2023	Financial	Sovereign	Diversified Funds	Real Estate	Others	Total
Cash and Bank balances	56,432	5	-	-	-	56,437
Treasury bills	-	10,151	-	-	-	10,151
Placements with banks	-	-	-	-	-	-
Securities bought under repurchase agreements	230,206	21,413	-	-	1,264	252,883
Investments at fair value through profit or loss	13,991	4,061	2,040	1,100	3,960	25,152
Investments at fair value through other comprehensive income	3,663	7,180	-	1,228	426	12,497
Investments at amortized cost	-	17,372	-	-	-	17,372
Investment Property	-	-	-	-	-	-
Fees receivable	1,531	819	129	-	241	2,720
Other assets	1,371	42	-	-	8,229	9,642
Property and equipment	-	-	-	-	1,623	1,623
Intangible assets and goodwill	-	-	-	-	1,456	1,456
Total assets	**307,194**	**61,043**	**2,169**	**2,328**	**17,199**	**389,933**

5.4 Geographical Distribution

As of 31st of December 2023	Middle East and Asia	North America	Europe	Total
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	6.00	28	2,720
Other assets	9,560	12.00	70	9,642
Property and equipment	1,623	-	-	1,623
Intangible assets and goodwill	1,456	-	-	1,456
Total assets	**373,817**	**5,100**	**11,016**	**389,933**

5.5 Large Exposure Limits

The following exposures were in excess of the 15% large exposure limit as defined in the Credit Risk Management Module of the CBB's rule book. However, these exposures qualified to be considered as exempt from the large exposure limits of CBB, on account of their short-term tenor (of less than 3 months), lending collateralized by GCC Government securities and inter-bank nature. These exposures are reported to the CBB on a quarterly basis in accordance with the requirements of rule CM-2.6.1 of the Credit Risk Management module of the Rulebook.

Counterparty	Country	Amount	Exposure as a % to eligible capital base
GFH + KHCB	Bahrain	131,963	191.0%
AL SALAM BANK	Bahrain	71,070	102.9%
SAYACORP	Bahrain	35,203	51.0%

6. Market Risk

Market risk is the risk of loss in the value of any financial instrument due to an adverse fluctuation in equity prices, interest rates and foreign exchange rates, whether arising out of factors affecting specific instruments or the market in general.

The Bank's exposure to market risk primarily comes from its investment and trading activities that are conducted by its Proprietary Investments Unit. The Bank invests and trades across different products, such as equities and fixed income, and through different types of funds in regional and international markets.

Market risk is controlled and mitigated primarily through a series of different layers of limits and maintaining a dynamic investment allocation. These limits reflect the Bank's risk appetite in the context of the market environment and business strategy. In setting limits, the Bank takes into consideration many factors, including market volatility, product liquidity and risk appetite.

These limits are adhered by the Proprietary Investments Unit and are also monitored independently by RMD. Market risk is monitored and also controlled by policies and procedures that are put in place and followed across the Bank. The policy framework establishes and clearly defines the approval authorities and portfolio review parameters.

Market risk encompasses the following risks to which SICO is exposed and are being effectively managed as a part of the Market Risk Management strategy:

- Equity price risk
- Interest rate risk
- Currency risk

The market risk weighted assets and the capital requirement is computed as follows:

	Market Risk Weighted Assets During the Year-to-date period			
	Minimum	Maximum	As at 31-Dec-23	Capital Requirement @ 12.5%
Interest Rate Position Risk	593	748	593	74
Equities Position Risk	556	843	642	80
Foreign Exchange Risk	20	46	46	6
Total min capital required for market risk			**1,281**	**160**
Multiplier			**12.5**	**12.5**
TOTAL			**16,013**	**2,002**

6.1 Equity Price Risk

A significant portion of the Bank's proprietary investments portfolio comprises equity instruments that are affected by equity price risk. Uncertain conditions in equity markets are carefully considered by rebalancing asset allocations to minimise risk exposures. This risk is also mitigated by managing the portfolio within duly approved investment guidelines and other investment limits. These are closely monitored by RMD and regularly reviewed by ALIC.

SICO's risk management approach continues to be forward-looking, proactive, and highly effective in rebalancing its investment portfolio in line with the Bank's investment strategy to ensure capital preservation, quality and liquidity.

Equity Positions in the Banking Book

	Gross Exposure	Risk Weighted Assets	Capital Requirement @ 12.5%
Equity investments			
- Listed	1,905	1,905	238
- Unlisted	-	-	-
Investment in rated funds	-	-	-
Investment in unrated funds - Listed/Unlisted	11,543	14,829	1,854
- Listed	4,970	4,970	621
- Unlisted	6,573	9,860	1,232
TOTAL	**13,447**	**16,734**	**2,092**

6. 2 Interest Rate Risk

Interest rate risk is the risk where changes in market interest rates might adversely affect the Bank's financial condition. Investments in debt instruments, lending to counterparties through repos, and bank placements, as well as bank borrowings and repo borrowings give rise to interest rate risk. The Treasury Unit monitors and manages these exposures to mitigate this risk.

A reasonable spread is maintained between money market placements and deposit interest rates. Treasury assets and liabilities are maintained in closely matching maturity buckets in highly liquid, short-term money market vehicles to avoid any material mismatch. Moreover, SICO does not trade speculatively in derivatives.

Bank placements are mostly short term (less than three months) with a fixed interest rate and are subject to re-pricing risk at rollover. Investments in bonds are subject to interest rate risk, and the Bank controls the same by managing the portfolio's overall duration.

6.2(a) Interest Rate Risk Sensitive Assets And Liabilities

As of 31st December 2023	Effective Interest rate% p.a.	Within 1 year	Over 1 year	Non- interest sensitive	Total
Cash and 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 amortized 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
Other liabilities	-	-	-	3,150	3,150
Payable to unit holders in consolidated funds	-	-	-	11,215	11,215
Total Liabilities	-	**269,280**	-	**50,171**	**319,451**
Total Equity	-	-	-	**70,482**	**70,482**
Total Liability 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**	-	

* At 31st December 2023 the effective interest rate on Bahraini Dinar call deposits is 4.65% (June 2023: 4.55%) and on USD call deposits is 4.35% (June 2023: 4.25%).]

The Bank also applies stress testing to monitor interest rate shocks on its banking book on a periodic basis. The result is presented to the CBB on a semi-annual basis.

6.2(b) Interest Rate Risk In The Banking Book

A 50 bps, 100 bps and 200 bps increase/decrease in market interest rates would negatively/positively affect the value of the fixed rate debt instruments in the banking book as follows:

Amounts in BD '000					
50 bps increase	100 bps increase	200 bps increase	50 bps decrease	100 bps decrease	200 bps decrease
(464)	(928)	(1,855)	464	928	1,855

The interest rate risk on the Bank's placements, reverse-repo loans and short-term borrowings is considered minimal, and hence no sensitivity analysis has been presented. Moreover, on the liabilities side, the customer liabilities are not interest rate sensitive. The short term borrowings are at fixed rates wherein the interest rate risk is considered minimal and therefore, no sensitivity analysis has been presented.

6.3 Currency Risk

A substantial portion of SICO's business is transacted in Bahraini Dinar, GCC currencies and United States Dollar. The Bank's exposure to foreign currencies is minimal and hence the foreign exchange risk is low. Foreign exchange rate risk is managed by applying appropriate limits that are set in accordance with the Bank's strategic plans and risk tolerance, determined by ALIC and approved by the BOD. Treasury manages these positions on an ongoing basis, hedging such exposures as appropriate, while RMD along with ALIC regularly reviews such positions.

There has been no currency sensitivity analysis provided since the Bank invests in securities in USD and/or USD-pegged currencies only.

7. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. Unlike market or credit risks, which are systemic in nature, operational risk is institution-specific and is inherent in the day-to-day operations of the Bank. This risk could arise from a broad spectrum of causes such as deficient transaction processing, business practices, workplace practices, system failures, human errors, business interruptions and damage to physical assets. Operational risk also includes internal and external fraud.

The Bank has in place sound internal control measures, consisting of operating policies and procedures framework, compliance initiatives and adequate and skilled personnel, which are the key to successful operational risk management. The Bank has a very conservative control philosophy and adopts a number of mechanisms to manage this risk. These include a well-defined organisational structure, approved policies and procedures guidelines, segregation of duties, approval authorities, periodical reconciliations and various limits. Internal Control, Compliance and Internal Audit functions support this activity. The Bank has in place a Risk and Controls Self-Assessment (RCSA) framework to review and manage its operating risks.The operational risk weighted assets are computed as per the guidelines of the CBB, which are as follows:

Average gross income for the past three years (excluding extraordinary and exceptional income)

	2020	2021	2022
Gross income	10,432	17,711	14,441
Average gross income (A)			14,195
Alpha (B)			15%
(C) = (A) * (B)			2,129
Risk weighted exposures (D) = (C) * 12.5)			26,615
Capital requirement @ 12.5% of (D)			3,327

8. Other Risks

8.1 Concentration Risk

Concentration risk arises when the Bank's exposure is concentrated with one or more related counterparties, assets classes, sectors or geographies. Weakness in the counterparty or assets, sector or country may place SICO under considerable risk and potential loss.

The Bank complies strictly with the large exposure norms prescribed by the CBB in the Credit Risk Management Module of the CBB's rule book.

The Bank continues its efforts to maintain an acceptable level of concentration by adhering to the limits set by the investment guidelines.

8.2 Liquidity Risk

Liquidity risk is the inability to meet contractual and contingent financial obligations, on- or off-balance sheet, as they are due as a result of the potential inability to liquidate financial assets at the required time and price to cope with a pay out of liabilities or investment obligations in assets. Such risks may arise from a depletion of cash and cash equivalents, investments turning illiquid and mismatches in the maturity pattern of assets and liabilities.

The Bank's Treasury Unit manages this risk by monitoring settlement obligations and maintaining sufficient liquid assets, including call deposits and short-term placements. The Bank's liquidity position is monitored on a daily basis, and maturity mismatches of its maturity profile are also monitored and reported to the ALIC and Board. Moreover, the bank's investment book which is also majorly invested in liquid assets provides support to the Bank's liquidity profile. 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 follows as per CBB requirements. The ratios as of 31st of December,2023 are as follows:

Counterparty	As of 31st December 2023
Liquidity Coverage Ratio	493%
Net Stable Funding Ratio	156%

8.3 Fiduciary Risks

Fiduciary risk is defined as the risk that funds entrusted to a financial institution through investments or trusts or agency accounts are (i) not properly managed, (ii) not used for the intended purposes, (iii) not properly recorded and accounted for and (iv) do not achieve value-for-money objectives.

The RMD carries out risk assessment on the various fiduciary activities of the Bank by working alongside the Bank's relevant lines of business and committees to ensure SICO fulfils its fiduciary duties to asset management, fund administration and custody clients, wherein it adopts the appropriate standards relative to the fiduciary relationship with a client. Below are the various activities carried out by SICO and its subsidiaries that can give rise to the following fiduciary risks:

Asset Management: The Bank has a range of controls to support the quality of the investment process, supervised by the Asset Management Committee (AMC). There are operating policies and procedures, and Investment Guidelines, coupled with dedicated buy-side research and other guidelines, to support this activity. There are also strict operational controls to protect clients' assets, a staff code of conduct and 'Chinese walls' to avoid any conflicts of interest.

RMD and Compliance regularly monitor the activities of the Asset Management division, and report their findings and observations to the AMC and in the periodic compliance reports sent to clients.

Custody and Fund Administration: The Bank's custody and fund administration activities are handled by SFS, which operates as a standalone subsidiary. SFS has put in place a number of operating controls, including the monitoring and reporting of securities position reconciliations.

Investment Banking: This activity is subject to legal and reputation risk. Such risks are mitigated by obtaining the necessary legal and regulatory approvals. Advisory and underwriting matters are monitored and controlled by Senior Management.

8.4 Business Continuity

SICO has in place business continuity plans (BCPs) to ensure the Bank's business operations and functions are carried out in case of any disturbance or unexpected events affecting business operations. The BCP provides each business line with the necessary guidelines and procedures in case of an emergency or disaster. The Bank has established a business continuity centre at a different location within the Kingdom of Bahrain, which maintains a fully operational status and is capable of carrying out the majority of the Bank's operational activities. The effectiveness of the business continuity centre has been tested by conducting actual business from the BCP site as required under CBB regulations.

8.5 Compliance Risk

Compliance risk is risk of current and prospective risk to earnings or capital arising from the violation of or non-compliance with laws, regulations, rules, prescribed practices, contractual agreements or ethical standards. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential and even to the cessation of operations. The Bank ensures adherence to all applicable regulations provided by various regulatory authorities, including regulations by the CBB and Bahrain Bourse. In addition, the Bank's internal policies ensure that its practices are in line with best market practices.

8.6 Legal Risk

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws, or regulations. As of the end of December 2023, there no on-going lawsuits that warrants any provision to be made. Legal risk in SICO is managed by the Group's legal department in coordination with appointed external legal counsel.

APPENDIX 1

Step 1: Balance sheet under the regulatory scope of consolidation.

This step in not applicable to the Bank since there is no difference between the regulatory consolidation and the accounting consolidation, as they are identical.

APPENDIX 2

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31st of December 2023

	Published financial statements 31-DEC-2023 BD '000	Consolidated PIR data* 31-DEC-2023 BD '000	Reference
Assets			
Cash and cash equivalents	56,437	56,445	
of which Cash and balances at central banks	29,240	29,240	
of which Placements with banks and financial institutions	27,197	27,205	
Treasury bills	10,151	10,151	
Securities bought under repurchase Agreement	252,883	252,901	
Investments at fair value through profit and loss	25,152	25,152	
Investments at fair value through other comprehensive income	12,497	12,497	
Investments at Amortized Cost	17,372	17,372	
Fees receivable	2,720	2,720	
Other assets	9,642	9,682	
of which loans and advances (margin receivables)	4,709	4,749	
of which interest receivable	3,241	3,241	
of which other assets	1,692	1,692	
Property and equipment	1,623	1,623	
Intangible assets and goodwill	1,456	1,456	
Total assets	**389,933**	**389,999**	
Liabilities			
Short-term bank borrowings	5,655	5,655	
Deposits from institutions	4234	4,234	
Securities sold under repurchase agreement	259,391	259,391	
Customer Accounts	35,806	35,806	
Other liabilities	11,215	11,215	
of which Interest payable	2,439	2,439	
of which other liabilities	8,776	8,776	
Payable to other unit holders (Other liabilities)	3,150	3,150	
Total liabilities	**319,451**	**319,451**	
Shareholders' Equity			

	Published financial statements 31-DEC-2023 BD '000	Consolidated PIR data* 31-DEC-2023 BD '000	Reference
Share Capital - eligible for CET1	44,134	44,134	A
Shares under employee share incentive scheme	(2,263)	(2,263)	A
Treasury shares	(1,913)	(1,913)	A
Statutory reserve	9,781	9,781	B
of which share premium	761	761	
of which legal reserve	9,020	9,020	
General reserve	3,217	3,217	C
Investments fair value reserve	618	618	D
of which unrealized gains from fair valuing equities	342	342	
of which unrealized gains from other financial instruments	276	276	
Retained earnings	16,908	16,908	E
of which retained earnings brought forward from previous year	12,526	12,526	
of which net profits for the current period	4,382	4,382	
Expected Credit Losses (Stages 1 & 2)	-	66	F
Total shareholder' equity	**70,482**	**70,548**	
Total liabilities and equity	**389,933**	**389,999**	

**The figures are gross of expected credit loss*

APPENDIX 3

Step 3: Composition of Capital Common Disclosure Template as at 31st of December 2023

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital (BD '000s)	Source based on reference no. of the balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	39,958	A
2	Retained earnings	16,908	E
3	Accumulated other comprehensive income (and other reserves)	13,616	B + C + D
4	Not Applicable	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	70,482	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,456	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Investment in CET1 of subsidiaries	-	
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
	Regulatory Adjustments Applied To Common Equity Tier 1 In Respect Of Amounts Subject To Pre-2015 Treatment		

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital (BD '000s)	Source based on reference no. of the balance sheet under the regulatory scope of consolidation from step 2
	Investment in financial entities where ownership is < 10% of issued common share capital	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	-	
29	Common Equity Tier 1 capital (CET1)	69,026	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH: ...	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	69,026	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital (BD '000s)	Source based on reference no. of the balance sheet under the regulatory scope of consolidation from step 2
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	-	
	Expected Credit Losses (Stage 1 & 2)	66	F
51	Tier 2 capital before regulatory adjustments	-	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
57	Total regulatory adjustments to Tier 2 capital	66	
58	Tier 2 capital (T2)	66	
59	Total capital (TC = T1 + T2)	69,092	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
	OF WHICH: Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible	-	
60	Total risk weighted assets	93,687	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	73.68%	
62	Tier 1 (as a percentage of risk weighted assets)	73.68%	
63	Total capital (as a percentage of risk weighted assets)	73.75%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement (N/A)	0%	
67	of which: D-SIB buffer requirement (N/A)	0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	73.68%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9%	

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital (BD '000s)	Source based on reference no. of the balance sheet under the regulatory scope of consolidation from step 2
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-	
73	Significant investments in the common stock of financials	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	66	F
77	Cap on inclusion of provisions in Tier 2 under standardized approach (1.25% of Credit Risk weighted Assets)	-	
78	NA	-	
79	NA	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities	-	

Appendix 4
Step 4: Disclosure template for main feature of regulatory capital instruments

1	Issuer	SICO BSC (c)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SICO BI EQUITY (BLOOMBERG ID)
3	Governing law(s) of the instrument	Commercial Companies Law, Bahrain
Regulatory treatment		
4	Transitional CBB rules	NA
5	Post-transitional CBB rules	NA
6	Eligible at solo/group/group & solo	Yes
7	Instrument type (types to be specified by each jurisdiction)	Common shares
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	BD 39.96 million
9	Par value of instrument	100 fils per share
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1995
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation specify instrument type immediately senior to instrument	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA