

SICO BSC (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION 31 March 2018

Comprehensive investment services for the Bahrain and GCC securities market

Commercial registration : 33469

Board of Directors : Abdulla bin Khalifa Al Khalifa,
Chairman of the Board and the Investment Committee

Hussain Al Hussaini,
Vice Chairman of the Board and the Investment Committee

Prakash Mohan
Member of Investment Committee

Fahad Murad
Chairman of Nominations, Remuneration &
Corporate Governance Committee

Mohammed Abdulla
Vice Chairman of Nominations, Remuneration &
Corporate Governance Committee

Khurram Ali Mirza
Member of Nominations, Remuneration &
Corporate Governance Committee

Waleed Al Braikan
Chairman of the Audit Committee

Anwar Abdulla Ghuloom
Vice Chairman of the Audit Committee

Emad Al Saudi
Member of the Audit Committee

Chief Executive Officer : Najla M. Al Shirawi

Office : BMB Centre
PO Box 1331, Kingdom of Bahrain
Telephone 17515000, Fax 17514000

Bankers : Bank of Bahrain and Kuwait BSC

Auditors : KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the period ended 31 March 2018

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
SICO BSC (c)
PO Box 1331
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial information of SICO BSC (c) (the "Bank"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2018;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2018;
- the condensed consolidated statement of comprehensive income for the three month period ended 31 March 2018;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2018; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Fakhro
Partner Registration No. 137
9 May 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

Bahraini Dinars '000

	Note	31 March 2018 (reviewed)	31 December 2017 (audited)
ASSETS			
Cash and cash equivalents		68,833	67,328
Treasury bills		6,376	1,495
Placements with banks		-	4,974
Investments at fair value through profit or loss	12	24,276	29,496
Investments at fair value through other comprehensive income	13	5,503	6,158
Investments at amortized cost		10,004	10,008
Investments in properties	14	1,047	-
Fees receivable		809	875
Other assets		8,688	9,589
Furniture, equipment and intangibles		1,369	1,420
Total assets		126,905	131,343
Liabilities and equity			
Liabilities			
Short-term bank borrowings		39,918	38,043
Customer accounts		25,090	26,718
Other liabilities		5,636	4,173
Payable to other unit holders in consolidated funds		2,832	2,651
Total liabilities		73,476	71,585
Equity			
Share capital		42,849	42,849
Shares under employee share incentive scheme		(1,599)	(1,599)
Treasury shares		(5,913)	-
Statutory reserve		6,992	6,992
General reserve		3,217	3,217
Investments fair value reserve		113	307
Retained earnings		7,770	7,992
Total equity		53,429	59,758
Total liabilities and equity		126,905	131,343

The Board of Directors approved the condensed consolidated interim financial information on 9 May 2018 and signed on its behalf by:


 Abdulla Bin Khalifa Al Khalifa
 Chairman


 Hussain Al Hussaini
 Vice Chairman of the Board


 Najla M. Al Shirawi
 Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three months ended 31 March 2018

Bahraini Dinars '000

	Note	31 March 2018 (reviewed)	31 March 2017 (reviewed)
Net investment income	15	1,417	1,218
Net fee income		828	718
Brokerage and other income		716	541
Other interest income		440	424
Total income		3,401	2,901
Staff and related expenses		1,043	976
Interest expense		206	155
Other operating expenses		578	418
Share of profit of other unit holders in consolidated funds		152	35
Total expenses		1,979	1,584
Profit for the period		1,422	1,317
Basic and diluted earnings per share (fils)		3.85	3.19



Abdulla Bin Khalifa Al Khalifa
Chairman



Hussain Al Hussaini
Vice Chairman of the Board



Najla M. Al Shirawi
Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 31 March 2018

Bahraini Dinars '000

	31 March 2018 (reviewed)	31 March 2017 (reviewed)
Profit for the period	1,422	1,317
Other comprehensive income		
Items that are or may be reclassified to profit or loss in subsequent periods:		
Investments fair value reserve (through other comprehensive income investments):		
- Net amount transferred to statement of profit or loss on sale of FVTOCI debt instruments	(11)	-
Items that will not be reclassified to profit or loss in subsequent periods:		
Investments fair value reserve (through other comprehensive income investments):		
- Net change in fair value of FVTOCI equity instruments	(109)	107
Total other comprehensive income for the period	(120)	107
Total comprehensive income for the period	1,302	1,424

The accompanying notes 1 to 17 form an integral part of these condensed consolidated financial statements.

SICO BSC (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2018

Bahraini Dinars '000

2018 (reviewed)

Note	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 2018	42,849	(1,599)	-	6,992	3,217	307	7,992	59,758
Profit for the period	-	-	-	-	-	-	1,422	1,422
Other comprehensive income: Investments fair value reserve (Investments at fair value through other comprehensive income):	-	-	-	-	-	120	-	120
Net change in fair value of FVTOCI instruments	-	-	-	-	-	(314)	314	-
Net amount transferred to retained earnings on sale of FVTOCI equity securities	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	(194)	314	120
Total comprehensive income for period	-	-	-	-	-	(194)	1,736	1,542
- Transfer to donation charitable reserve	-	-	-	-	-	-	(30)	(30)
Transaction with owners recognized directly in equity:	-	-	-	-	-	-	(1,928)	(1,928)
- Dividends declared for 2017	-	-	(5,913)	-	-	-	-	(5,913)
- Treasury shares purchased	-	-	-	-	-	-	-	-
Balance at 31 March 2018	42,849	(1,599)	(5,913)	6,992	3,217	113	7,770	53,429

The accompanying notes 1 to 17 form an integral part of these condensed consolidated financial statements.

SICO BSC (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2018 (continued)

Bahraini Dinars '000

2017 (reviewed)	Note	Share capital	Shares under employee share incentive scheme	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2017		42,849	(1,599)	6,661	3,217	(251)	7,205	58,082
Profit for the period		-	-	-	-	-	1,317	1,317
<i>Other comprehensive income:</i>								
Investments fair value reserve (Investments at fair value through other comprehensive income):		-	-	-	-	107	-	107
Net change in fair value of FVTOCI instruments		-	-	-	-	73	(73)	-
Net amount transferred to retained earnings on sale of FVTOCI equity securities		-	-	-	-	-	-	-
<i>Total other comprehensive income</i>		-	-	-	-	180	-	107
Total comprehensive income for period		-	-	-	-	180	1,244	1,424
- Transfer to donation charitable reserve		-	-	-	-	-	(25)	(25)
Transaction with owners recognized directly in equity:		-	-	-	-	-	-	-
- Dividends declared for 2016		-	-	-	-	-	(2,142)	(2,142)
Balance at 31 March 2017		42,849	(1,599)	6,661	3,217	(71)	6,282	57,339

The accompanying notes 1 to 17 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended 31 March 2018

Bahraini Dinars '000

	31 March 2018 (reviewed)	31 March 2017 (reviewed)
Operating activities		
Net interest received	610	594
Net decrease in placements with banks	4,974	-
Net sale of investments at fair value through profit or loss	5,895	4,927
Net sale of investments at fair value through other comprehensive income	655	126
Net sale of investments at amortized cost	4	35
Net (decrease) in customer accounts	(1,628)	(1,875)
Dividends received	392	208
Movement in brokerage accounts and other receivables	2,466	(2,993)
Movement in other liabilities	1,785	1,298
Payments for staff and related expenses	(1,365)	(1,129)
Payments for other operating expenses	(389)	(467)
Net cash from operating activities	13,399	724
Investing activities		
Purchase of Investment Properties	(1,047)	-
Net capital expenditure on furniture and equipment	(18)	(79)
Net cash used in investing activities	(1,065)	(79)
Financing activities		
Net increase / (decrease) in short-term bank borrowings	1,875	(3,478)
Treasury Shares purchased	(5,913)	-
Dividends declared	(1,928)	(2,142)
Contribution by other unit holders in consolidated fund	188	-
Distribution to other unit holders in consolidated funds	(170)	(141)
Net cash used in financing activities	(5,948)	(5,761)
Net increase / (decrease) in cash and cash equivalents	6,386	(5,116)
Cash and cash equivalents at the beginning of the period	68,823	97,156
Cash and cash equivalents at the end of the period	75,209	92,040
<i>Represented by:</i>		
Cash and bank	16,754	18,290
Call deposits	3,589	3,416
Due from other institutions	33,566	17,010
Short-term placements with original maturities of 3 months or less	14,924	40,824
Treasury bills	6,376	12,500
	75,209	92,040

The accompanying notes 1 to 17 form an integral part of these condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018**

1. Reporting entity

This condensed financial information is the reviewed condensed consolidated interim financial information (the "condensed consolidated interim financial information") of SICO BSC (c) (the "Bank") and its subsidiaries (the "Group"). The Bank operates under an investment banking license issued by the Central Bank of Bahrain.

2. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which permits the interim financial information to be in summarized form. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

3. Accounting policies

The condensed consolidated interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the Groups' audited annual financial statements for the year ended 31 December 2017.

4. The condensed consolidated interim financial information is reviewed, not audited.

5. Estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017.

6. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2017. There have been no changes in the risk management department or in any risk management policies since 31 December 2017.

7. Operating segments

The Group's lines of business are brokerage, asset management, corporate finance, market making and custody business. At present the Group's revenue is reviewed by lines of business and the expenses and results are reviewed at Group level. Accordingly, there are no reportable segments.

8. Cyclicity

Due to nature of the Group's business, the three months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2018

Bahraini Dinars '000

9. Appropriations

At the shareholders Annual General Meeting for the year 2017 on 31 March 2018, the shareholders resolved to make the appropriations of the profit for the year ended 31 December 2017 which were effected during the quarter. These include cash dividend of BD 1,928 representing 5% of paid up capital.

10. Shares under employee share incentive scheme

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.

11. Contingent and memorandum accounts

	As at 31 March 2018	As at 31 December 2017
Assets under custody	2,269,574	2,152,893
Assets under management	658,287	465,366
Commitments	3,991	3,230

12. Investments at fair value through profit or loss

	As at 31 March 2018	As at 31 December 2017
Quoted equity securities – (listed)		
- Consolidated funds	3,554	3,107
- Parent	2,191	2,948
Funds		
- Quoted	5,937	7,051
- Unquoted	3,329	3,708
Quoted debt securities		
- Parent	5,494	8,934
- Consolidated funds	3,540	3,516
Unquoted debt securities		
- Consolidated funds	231	232
	24,276	29,496

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

Bahraini Dinars '000

13. Investments at fair value through other comprehensive income

	As at 31 March 2018	As at 31 December 2017
<i>Equity securities</i>		
- Quoted (listed)	3,000	3,662
- Unquoted	313	295
	3,313	3,957
<i>Debt securities</i>		
- Quoted	113	113
- Unquoted	2,077	2,088
	2,190	2,201
	5,503	6,158

14. Investments in properties

SICO US Real Estate Income Fund I LP (the Fund) was initially incorporated as a limited partnership by SICO on 18 January 2017 in the Cayman Islands. Operations commenced in February 2018. The Fund is managed by SICO and seeks income generating properties in various geographies in the United States. The Fund focuses on multifamily residential properties with high levels of occupancy in growing suburban markets. As of 31 March 2018, the Fund had completed the acquisition of two properties; one in each of Michigan and Missouri. The Fund adheres to the principles of Shari'ah with oversight from a dedicated Shari'ah Board and acquires properties without the use of leverage. The Fund targets a 5 year term and an investor return of 7% per annum.

As of 31 March 2018, the bank has subscribed to a majority portion of the above fund and therefore, the financial positions and results of the SICO US Real Estate are consolidated with the Bank' accounts. The entire Investment in properties as shown in the statement of financial position represents the assets that are acquired by the underlying fund.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

Bahraini Dinars '000

15. Net investment income

	Three months ended	
	31 March 2018	31 March 2017 (restated)
Net gain from investments at fair value through profit or loss	666	615
Interest income from debt Instruments	359	395
Dividend income	392	208
	1,417	1,218

Gain from investments at fair value through profit or loss comprises the following:

	Three months ended	
	31 March 2018	31 March 2017
Realized gain	365	94
Unrealized gain	301	521
	666	615

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

Bahraini Dinars '000

16. Related parties

The following are the related party transactions during the period. All these transactions are in the ordinary course of business and on normal commercial terms. Transactions with 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) and SICO Ventures Company SPC are as follows:

	Three months ended	
	31 March 2018	31 March 2017
Fee income	69	72

	As at 31 March 2018	As at 31 December 2017
	Fee receivable	89
Funds under management	69,273	66,098
Investments in own funds	2,399	2,258

Transactions with shareholders

	Three months ended	
	31 March 2018	31 March 2017
Fee income	126	90

	As at 31 March 2018	As at 31 December 2017
	Fee receivable	128
Funds under management	61,411	56,220

The Group has banking relationships, makes deposits and placements and has unutilized credit facilities with certain of its shareholders that are local banks.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

Bahraini Dinars '000

17. Fair value

- (i) Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 March 2018:

	31 March 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Investments at amortized cost	10,004	9,710	10,008	10,126
Investments at fair value through profit or loss	24,276	24,276	29,496	29,496
Investments at fair value through other comprehensive	5,503	5,503	6,158	6,158
Total assets	39,783	39,489	45,662	45,780
Liabilities				
Short-term bank borrowings	39,918	39,918	38,043	38,043
Payable to unit holders	2,832	2,832	2,651	2,651
Total liabilities	42,750	42,750	40,694	40,694

All investments at fair value through other comprehensive income, investments at fair value through profit or loss are carried at fair value. Investments at amortized cost are carried at amortized cost.

- (ii) Fair value hierarchy

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

Bahraini Dinars '000

17. Fair value (continued)

As at 31 March 2018**Assets**

Fair value through other comprehensive income investments:

- Equities	3,000	-	313	3,313
- Debt securities	113	2,077	-	2,190

Fair value through profit or loss:

- Equity	5,745	-	-	5,745
- Debt securities	9,034	231	-	9,265
- Funds	7,536	698	1,032	9,266

Investments at amortized cost:

- Debt securities	9,710	-	-	9,710
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Liabilities

- Payable to unit holders in consolidated funds	(2,832)	-	-	(2,832)
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	Level 1	Level 2	Level 3	Total
As at 31 March 2018				
Assets				
Fair value through other comprehensive income investments:				
- Equities	3,000	-	313	3,313
- Debt securities	113	2,077	-	2,190
Fair value through profit or loss:				
- Equity	5,745	-	-	5,745
- Debt securities	9,034	231	-	9,265
- Funds	7,536	698	1,032	9,266
Investments at amortized cost:				
- Debt securities	9,710	-	-	9,710
Liabilities				
- Payable to unit holders in consolidated funds	(2,832)	-	-	(2,832)
	32,306	3,006	1,345	36,657

As at 31 March 2017**Assets**

Fair value through other comprehensive income investments:

- Equities	2,067	-	371	2,438
- Debt securities	112	2,117	-	2,229

Fair value through profit or loss:

- Equity	6,576	-	-	6,576
- Debt securities	9,710	509	-	10,219
- Funds	3,126	2,863	953	6,942

Investments at amortized cost:

- Debt securities	9,189	-	-	9,189
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Liabilities

- Payable to unit holders in consolidated funds	(2,652)	-	-	(2,652)
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	Level 1	Level 2	Level 3	Total
As at 31 March 2017				
Assets				
Fair value through other comprehensive income investments:				
- Equities	2,067	-	371	2,438
- Debt securities	112	2,117	-	2,229
Fair value through profit or loss:				
- Equity	6,576	-	-	6,576
- Debt securities	9,710	509	-	10,219
- Funds	3,126	2,863	953	6,942
Investments at amortized cost:				
- Debt securities	9,189	-	-	9,189
Liabilities				
- Payable to unit holders in consolidated funds	(2,652)	-	-	(2,652)
	28,128	5,489	1,324	34,941

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

Bahraini Dinars '000

17. Fair value (continued)

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

	Level 3 31 March 2018
At 1 January 2018	1,280
Total loss :	
- in income statement	-
- in other comprehensive income	65
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 31 March 2018	1,345

	Level 3 31 March 2017
At 1 January 2017	1,264
Total loss :	
- in income statement	-
- in other comprehensive income	60
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 31 March 2017	1,324