

COMPASS

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SICO introduces new online brokerage trading platform



SICO launched its new MENA-wide online brokerage trading platform – sicolive.com – in May 2017. This seamless and secure multi-functional platform will enable clients to trade in real time across all the region's key markets from a single account through their desktop computers, laptops and mobile devices.

As one of the most advanced systems of its kind in the region, 'sicolive' features the highest levels of functionality and security. It will enable institutional and retail clients to engage in direct trading and manage their accounts with greater convenience, ease and flexibility. The new online service signals a further integration of SICO's unique mix of comprehensive, end-to-end solutions, which provide clients with brokerage, cash management and custody services, all under one roof.

It also reflects the Bank's deep expertise in providing customised solutions with exceptional reliability and scalability to

all clients. Live newsfeeds, the option of real time quotes from any MENA market, and instant access to all account and transaction information allow for a seamless and secure trading and account experience. The aim is to further empower clients, helping them to keep closer track of the market and make better informed and more cost-effective investment decisions. As an intelligent trading platform, 'sicolive' promotes ease of use and high performance, with risk mitigation as a central consideration.

The new platform also leverages the unique market insight of SICO Research, with coverage of over 90 per cent of

major GCC-listed companies, of which half are blue-chip, top-tier entities active in key sectors such as banking, telecoms, industrials, real estate and construction, healthcare and consumer. This integration of research and execution will provide investors with critical market intelligence to make the most informed investment decisions from their trading screens.

Since its introduction, 'sicolive' has received positive feedback from users. It has resulted in the Bank attracting a number of new retail clients, in line with the strategic objective of expanding and diversifying its brokerage client base.

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SICO posts net profit of BD 2.1 million for first six months of 2017



Shaikh Abdulla bin Khalifa Al Khalifa
Chairman of the Board of SICO

SICO reported a significant growth in net profit for the first six months of 2017, which increased to BD 2.09 million compared with a restated net loss of BD 8 thousand for the first half of 2016. Total operating income was BD 5.34 million, an increase of 85 per cent over the corresponding period in the previous year; while total expenses were BD 3.25 million versus BD 2.89 million in 2016. Earnings per share were Bahraini fils 5.06 compared with a negative 0.02 fils for the first six months of 2016. The 2016 figures were restated consequent to early adoption of IFRS-9 by the Bank.

For the second quarter (April to June 2017), SICO reported total operating income of BD 2.44 million compared with BD 1.57 million for the corresponding period in 2016; with total operating expenses of BD 1.67 million versus BD 1.61 million in 2016. Accordingly, net profit for the second quarter of 2017 was BD 769 thousand versus a loss of BD 38 thousand a year earlier. Basic earnings per share were Bahraini fils 1.90 compared with a negative 0.09 fils in the second quarter of 2016.

As at 30 June 2017, total balance sheet footings stood at BD 141.41 million compared with BD 147.06 million at the end of 2016. Assets under management increased to BD 420.59 million (US\$ 1.11 billion) from BD 395.90 million (US\$ 1.05 billion) at the end of the previous year; while assets under custody with the Bank's wholly-owned subsidiary – SICO Funds Services Company (SFS) – grew to BD 2.16 billion (US\$ 5.72 billion) from BD 1.95 billion (US\$ 5.17 billion) at the end of 2016. The Bank continued to maintain a strong capital base, ending the period with shareholders' equity of BD 58.38 million (end-2016: BD 58.08 million) and a very strong consolidated capital adequacy ratio of 54.6 per cent.

"All business lines continued to witness revenue growth and increase their respective contributions to the bottom line, reflecting clients' confidence and trust in SICO's ability to continue delivering a resilient performance"

Commenting on these results, Chairman Shaikh Abdulla bin Khalifa Al Khalifa, said: "I am pleased to report that the Bank posted strong financial results for the first six months of 2017. This was achieved against slightly improved market conditions, albeit with falling oil prices and stretched liquidity remaining a concern. Significantly, all business lines continued to witness revenue growth and increase their respective contributions to the bottom line, reflecting clients' confidence and trust in SICO's ability to continue delivering a resilient performance.

"Highlights include a continuing upward trend in assets under management; brokerage, investment banking and fixed income maintaining their dominant local market position; and the proprietary book posting a very strong performance. In addition, SICO UAE gained membership of Nasdaq

Dubai; while the Bahrain Liquidity Fund, for which SICO is the Fund Manager, continued to boost liquidity on the Bahrain Bourse. Another notable development was the launch of 'sicolive', the Bank's MENA-wide online brokerage trading platform," Shaikh Abdulla added.

Dividend for 2016

At the annual general meeting held on Thursday 30 March 2017 in Bahrain, shareholders approved the distribution of a cash dividend of BD 2.14 million for 2016, representing 5 per cent of the paid-up capital.

85%

**INCREASE IN
TOTAL INCOME VERSUS
FIRST HALF OF 2016**

Two new Directors appointed to SICO Board

The appointment of two new members of SICO's Board of Directors was approved by shareholders at the Bank's annual general meeting in March 2017. This followed the resignation of Mr. Mahmoud Al Zewam Al Amari (representing Bank ABC since 2004) and Mr. Yusuf Saleh Khalaf (an independent director since 2012).



Mr. Khurram Ali Mirza
Executive
Represents Social Insurance
Organisation - Bahrain

Khurram Ali Mirza has over 25 years' experience in the GCC and UK covering actuarial consulting, asset management and risk management. Prior to joining Osool Asset Management in 2013 as Head of Asset Allocation, he was a member of the Hedge Funds Placement Team at Investcorp. Previously, he worked for Aviva Investors; Bacon & Woodrow (now Aon Hewitt); and Sedgewick Noble Lowndes (now Mercer Investment Consulting). Khurram is a Fellow of the Institute & Faculty of Actuaries (UK). He holds an MSc degree in Mathematical Trading & Finance, and a BSc (Hons) degree in Actuarial Science, both from Cass Business School (City, University of London), UK. Khurram is a Member of the SICO Nominations, Remuneration & Corporate Governance Committee.



Mr. Emad Abdulla Al Saudi
Independent
Represents Bank ABC - Bahrain

Emad Al Saudi has over 26 years' experience in banking spanning the GCC and Europe. He has been Head of Derivatives & Foreign Exchange at Bank ABC since 1999, having previously worked with the Bank as Senior Dealer - FX Options from 1993 to 1997. Prior to rejoining Bank ABC, he spent two years with Lehman Brothers in London as Director - Foreign Exchange; and started his career with Banco Atlántico in Madrid. Emad holds a BSc degree in Business Administration (majoring in Finance) from Pepperdine University, California, USA; and has completed the general certification program of the International Securities Market Association. He is a Member of the SICO Audit Committee.

SICO UAE joins Nasdaq Dubai as Member to trade equities



Located in New York's Times Square, the Nasdaq MarketSite (a high-tech LED electronic billboard) posts a welcome message to SICO UAE as a new member of Nasdaq Dubai

In March 2017, SICO UAE, the Bank's Abu Dhabi-based brokerage subsidiary, joined Nasdaq Dubai as a Member to trade equities. This will provide the Company's clients with new investment opportunities on the region's rapidly expanding international exchange.

Commenting on this landmark development, Ms. Najla Al Shirawi, Chairperson of SICO UAE, said: "Nasdaq Dubai's growing range of equities offer our clients attractive new investment possibilities in UAE-based and overseas companies that have global visibility, in sectors ranging from property and construction to logistics and finance.

As the opportunities available on the region's international exchange

continue to expand, we look forward to strengthening our ties with the market and its participants as part of our growth strategy."

According to Mr. Hamad Ali, Chief Executive of Nasdaq Dubai: "SICO UAE and its experienced team bring substantial financial markets knowledge and expertise to the exchange as we prepare for further listings, including Sharia-compliant issuances, and expansion into new asset classes."

NEWS IN BRIEF

Corporate Finance Deals

The Bahraini capital market witnessed a slowdown during the first half of 2017, with very few corporate finance transactions. However, SICO was involved in all capital market transactions in Bahrain that were executed during the period. These included acting as Issue Advisor to the Offeror and Escrow Agent for the mandatory offer by Bahrain Kuwait Insurance company for Takaful International; and Escrow Agent for the mandatory offer by AN Investment for Bahrain Middle East Bank. The Corporate Finance & Real Estate team also finalised plans for the launch of the unleveraged US\$ 50 million Sharia-compliant SICO Trucial US Real Estate Fund later this year.

Research Expands Coverage

SICO Research continued to expand its universe coverage during the first six months of the year, with initiation on five new companies and the addition of utilities as a new sector. The team also launched a new monthly newsletter focused on trading activity across the region; and maintained its hosting of analyst / investor conference calls for listed companies on the Bahrain Bourse. SICO continued to act as Official Research Partner for the Oxford Business Group's annual 'Bahrain – The Report' publication, including the provision of content for the Capital Markets section.

Proprietary book posts strong performance

Proactive management and tactical asset allocation, combined with an opportunistic and risk-averse approach, resulted in a strong performance by SICO's proprietary trading book during the first six months of 2017. Net investment income for the period increased significantly to BD 2.2 million compared with BD 318 thousand (restated) for the first six months of 2016.

The investment strategy focused primarily on increasing trading activity in regional equity markets amid continued volatility, while maintaining a high exposure to regional debt papers given the attractive yield levels. On the international front,

the portfolio equity exposure was reshuffled during the period. This entailed an active US manager focusing on sustainable value, as well as allocating to global equity strategies in order to capture quality and sustainable growth while maintaining low volatility.

The focus of the alternative portfolio was on pursuing a global macro, market-neutral and short-term trend (in the hedge fund space) and US real estate. The strategy was to increase the yielding element of the portfolio and generate absolute returns while maintaining a low correlation to capital markets, on expectations of higher volatility going forward.

New Head of Distribution & Business Development

Ehab Amiri has been appointed to head up SICO's newly-established Distribution & Business Development department, which is responsible for distributing products and services from all core business lines, except Brokerage, to clients; together with identifying and developing new business opportunities for the Bank. Ehab has over 30 years' professional experience, with the majority spent in asset management, private banking and treasury, focused primarily on the MENA region. Prior to joining SICO, he was Managing Director of AllianceBernstein's Middle East office in Bahrain; and Marketing Director for Institutional Asset Management at Gulf International Bank. Before this, he was Head of International Private

Banking at ABN AMRO, Bahrain; and Head of the Treasury & Capital Markets division of Citibank, Bahrain. Ehab holds Master's and Bachelor's degrees in Business Administration from California State University, USA.



Mr. Ehab Amiri

Brokerage continues to grow client base and market share

Taking advantage of slightly improved regional market conditions during the first half of 2017, SICO's Brokerage business grew its client base and increased market share, while continuing to make a positive contribution to the bottom line.

BAHRAIN

SICO maintained its status as the leading broker on the Bahrain Bourse (BHB), handling transactions involving 509.2 million shares with a total value of BD 109.5 million, equating to a leading market share of 48.4 per cent on the Bourse. The Bank also executed the largest block transaction on the BHB during the first half of the year. This entailed the sale of Bahrain Islamic Bank's entire stake of 14.22 million ordinary shares valued at BD 1.35 million in Takaful International to Bahrain Kuwait Insurance Company.

The Bank remained the leading Fixed Income Broker for Bahraini Dinar-denominated Government bonds on the Bahrain Bourse, accounting for over 95 per cent of all secondary market transactions. Treasury bills were recently included in the Bank's secondary market offerings to help clients manage their liabilities more efficiently, and improve their liquidity should they wish to sell the bills. One of SICO's key advantages is its ability to offer the largest set of BHD-denominated securities on which to transact; and in most cases, acting as both the price-taker as well as the price-giver on these bonds.

Fixed Income Brokerage traded almost US\$ 500,000 during the period, following a record amount of new GCC debt issued so far in 2017, which increased to c.US\$ 45 billion compared with US\$ 34 billion for the first half of 2016. SICO's trading flows spiked at US\$ 120 million in May 2017 following an influx of treasury bill sales. The Bank currently manages US\$ 100 million in repurchase agreements (repos) and US\$ 68 million in reverse repurchase agreements (resos), in both conventional and Sharia-compliant versions.

SICO UAE

Despite a challenging market background, the Bank's Abu Dhabi-based brokerage subsidiary – SICO UAE – continued its upward trend during the first six months of 2017. A key highlight was joining Nasdaq Dubai as a member to trade equities (see page 3). The Company opened a number of new local and regional institutional accounts, and rose six places in its combined ranking on all UAE markets. Significantly, SICO UAE's traded value grew by 27 per cent compared with the same period in 2016, while the total market was up by only 1 per cent.

SICO Performance on Bahrain Bourse January - June 2017

	Amount	Market share	Ranking
Total value of shares traded	BD 109.5 million	48.4%	1
Total volume of shares traded	509.2 million	44.6%	1
Total number of transactions	7,115	38.1%	1

New Industry Awards for Brokerage



Fourth AFE brokerage award

SICO was honoured for the fourth consecutive year with a special brokerage award by the Arab Federation of Exchanges (AFE). Presentation of the award took place at the gala dinner of the AFE Equities Summit 2017 held during April in Beirut. Pictured above, Mr. Fadel Makhlooq (right), Head of SICO Brokerage, receives the award from Dr. Fadi Khalaf, Secretary General of the Arab Federation of Exchanges (AFE).

The Bank received the award for the 'Highest Traded Shares on the Bahrain Bourse in 2016' in recognition of being ranked first in terms of the highest value and volume of transactions on the Bourse during the year. The Bank handled transactions involving 755 million shares with a total value of BD 136.2 million (US\$ 360.1 million), constituting a leading market share of 54.7 per cent.

Through its focus on serving active institutional investors with large trading books, SICO maintained its status as the leading broker on the Bahrain Bourse for the 18th consecutive year. The Bank continued to be the preferred broker for large trades, and executed the two largest block transactions on the Bourse in 2016. These involved the purchase by Solidarity Group of 42.2 million shares in Al Ahlia Insurance Company; and UAE-based Shuaa Capital purchasing 147.1 million shares held by Kuwait-based Al-Imtiaz Investment Group in Bahrain-based Khaleeji Commercial Bank. SICO also remained the leading broker for fixed income, handling over 95 per cent of all secondary market trades.

WORLD FINANCE NAMES SICO AS BEST SECURITIES BROKERAGE FIRM - BAHRAIN

SICO has been named 'Best Securities Brokerage Firm - Bahrain' at the World Finance Brokerage Awards 2017. The publication noted that these awards recognise those firms that are not just successful today, but are also in a strong position to face future challenges.

New Fixed Income products under development

SICO is currently working on the development of new fixed income products to help clients improve their liquidity, as well as enhancing their returns on existing securities. These include leveraged treasury bills, which work by offering clients an enhanced yield through ownership of 12-month Central Bank of Bahrain (CBB) securities.

In addition, repurchase agreements (repos) on BHD-denominated debt from the Government of Bahrain are under consideration. These would complement the repo services currently offered by SICO, which encourage clients to borrow at low rates and invest in higher-yielding securities in the regional fixed income market, thereby spurring secondary market transactions.

SICO recently executed its first Sharia-compliant repurchase agreement, which is the first-of-its-kind to be offered by a conventional bank in Bahrain. This new instrument will help Islamic banks manage their liquidity more cost-effectively and with greater flexibility, and make better use of their Sukuk assets.

During the first six months of 2017, additional counterparties were added to strengthen the Bank's repo infrastructure in order to offer clients an enhanced and cheaper service.

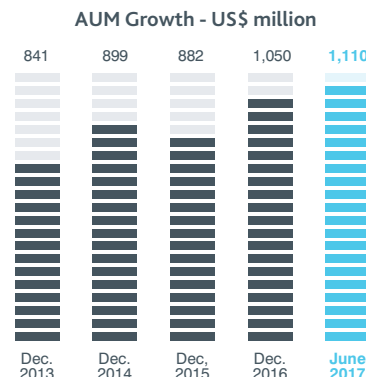
Assets under management with SICO exceed US\$ 1.1 billion

SICO's Asset Management business maintained its strong growth momentum during the first six months of the year, with total assets under management (AUM) continuing to exceed the US\$ 1 billion mark. As at 30 June 2017, total AUM stood at BD 420.59 million (US\$ 1.11 billion) compared with BD 395.90 million (US\$ 1.05 billion) at the end of December 2016.

The Bank's three equity funds – Khaleej Equity Fund, SICO Gulf Equity Fund and SICO Kingdom Equity Fund – all outperformed their respective benchmarks for the period (see table below).

The SICO Fixed Income Fund generated a return of 3.2 per cent, closely tracking the 3.1 per cent return of the Barclays GCC USD Bond Index. The Fund achieved this slight outperformance despite carrying less than half the duration of the benchmark. During the first half of 2017, SICO's hybrid accounts increased their allocation towards fixed income, favouring its stability, regular income and attractive investment yields.

Real estate was recently added as a new alternative asset class. SICO is the mandated sub-investment manager for the Eskan Bank Realty Income Trust, whose property portfolio is valued at over US\$ 50 million.



WORLD FINANCE SELECTS SICO AS THE BEST INVESTMENT MANAGEMENT FIRM IN BAHRAIN

SICO has been named 'Best Investment Management Firm - Bahrain' at the World Finance Investment Management Awards 2017. According to the publication, these awards offer a keen insight into those investment management firms that have managed to maintain their success, even as the industry transforms around them.

SICO FUNDS PERFORMANCE VERSUS BENCHMARKS FOR JANUARY - JUNE 2017

SICO Fund	Fund Return	Benchmark Index	Benchmark Return
Khaleej Equity Fund	4.7%	S&P GCC	0.3%
SICO Gulf Equity Fund	3.4%	S&P GCC Ex-Saudi	1.7%
SICO Kingdom Equity Fund	7.6%	Tadawul	5.5%
SICO Fixed Income Fund	3.2%	Barclays EM GCC Bond	3.1%

Bahrain Liquidity Fund continues to impact average daily traded value on the Bahrain Bourse

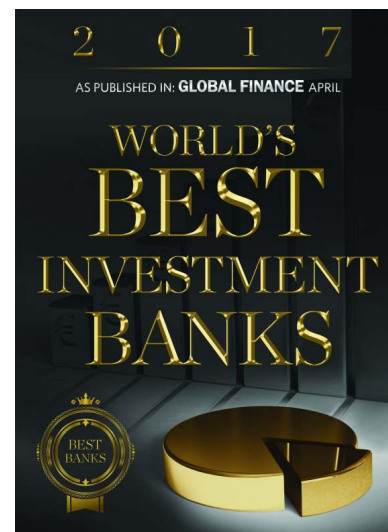
The Bahrain Liquidity Fund, for which SICO is the Fund Manager, continued to make a significant impact on the average daily traded value (ADTV) of the Bahrain Bourse (BHB) during the first six months of 2017, which was significantly higher than the corresponding period in 2016.

During the first half of 2017, the Bahrain Bourse recorded BD 889 thousand ADTV compared with BD 356 thousand in the first half of 2016, equating to a growth of 150 per cent. Illustrating its critical role, the Bahrain Liquidity Fund generated ADTV of BD 385 thousand, representing 43 per cent of total traded value on the Bourse.

Looking at the median traded value, which greatly eliminates the impact of block trades, the market had a median traded value of BD 744 thousand in first-half 2017, which was four times greater than the BD 180 thousand recorded in the first six months of 2016. Comparing averages to medians, due to the impact of the Bahrain Liquidity Fund, the Bourse's median daily traded value was much closer to the average (1H17: BD 744 thousand median versus BD 889 thousand average, and 1H16: BD 180 thousand median against BD 356 thousand average). This clearly indicates that liquidity was provided consistently over the period.

However, the impact of the Fund went way beyond the ADTV numbers. The higher liquidity that was provided, and the elevated level of activity that the market witnessed during the period, are among many other indicators that investors' confidence has greatly improved; and that the market could wipe out a significant portion of the liquidity discount that has been dragging asset valuation.

Since the launch of the Bahrain Liquidity Fund in June 2016, the BHB Price index has advanced more than 17 per cent, of which 700 basis points were gained during the first half of 2017.



SICO named 'Best Investment Bank in Bahrain'

SICO was recognised as the 'Best Investment Bank in Bahrain' at the Global Finance 18th annual World's Best Investment Banks 2017 Awards.

Ms. Najla Al Shirawi, Chief Executive Officer of SICO, noted: "This award reflects one of the busiest and most successful years to date for the Corporate Finance team.

"During 2016, SICO was mandated lead manager for the listing of the Eskan Bank Realty Income Trust on the Bahrain Bourse; BBK's perpetual tier 1 convertible capital securities offering; and the 100 per cent share swap between Gulf Hotels Group and Bahrain Tourism Company."

Eskan Bank Realty Income Trust pays first half-year dividend of 3 per cent

Eskan Bank Realty Income Trust, the first Sharia-compliant retail real estate investment trust (REIT) to be listed on the Bahrain Bourse has announced payment of the REIT's first semi-annual dividend to unitholders.

The total dividend distribution is BD 594,000 or Bahraini fils 3 per investment unit; which is a 3 per cent yield over the six-month period from January to June 2017, or 6 per cent on an annualised basis. This equates to a pay-out ratio of 96 per cent, in line with regulations of the Central Bank of Bahrain that stipulate the dividend pay-out ratio of a REIT must be at least 90 per cent of its net realised income.

The Trust performed well during its first six months of operations, with net profit for the period amounting to BD 617,925. Rental income, including tenant service charge contributions, was BD 763,767 before expenses. Sufficient cash reserves exceeding BD 100,000 have been retained, while the REIT is totally free of any debt or leverage.

The Trust's first dividend compares favourably with three other regional REITs in the UAE and Saudi Arabia that have so far announced dividend distributions. This reinforces the ability of the Eskan Bank Realty Trust to provide investors with a regular and stable income stream protected by significant built-in regulatory safeguards. The first semi-annual dividend payment of 3 per cent is in line with the Trust's annual target of up to 6.5 per cent in net distributable income.

The distribution of an annualised return of 6 per cent is higher than the average market yield of 4.5 per cent for the period. This underlines Trust's promise and commitment to offer investors a new alternative asset class with an attractive return; and the opportunity to benefit from investing in real estate without directly owning and managing properties.



Danaat Al Madina in Isa Town is a mixed retail, residential and commercial complex

This pioneering REIT reflects the social mandate of Eskan Bank to invest in affordable property developments that enhance the well-being of the local community while maintaining returns to private sector investors. The Trust's two income-generating and unleveraged properties consist of Segaya Plaza, a mixed retail and residential development located in Zinj, Manama; and Danaat Al Madina in Isa Town, which is a mixed retail, residential and commercial complex. They currently have a combined occupancy rate of over 86 per cent; and there has been a recent pick up in leasing enquiries from prospective tenants.

The Trust reported that a number of retail outlets offering diversified services for residential tenants and the surrounding area have recently been leased at Danaat Al Madina in Isa Town. These include restaurants and cafes, a supermarket and cold store,

pharmacy, laundry and travel agency. Several of these have already started operations, and are contributing to the development of an attractive and vibrant community with convenient local amenities.

Unitholders who are listed on the REIT register at the close of trading on the Bahrain Bourse as at 30 August 2017 (the record date) will be entitled to receive the dividend. The first payment will be made by cheque, which eligible unitholders can collect from Sunday 10 September onwards at the offices of the REIT's paying agent, Karvy Computershare, located on the 7th floor of Zamil Tower, Government Avenue, Manama. An original CPR or letter of authorisation will be required. Subsequent payments can be made by bank transfer, if preferred, subject to unitholders providing the necessary details to Karvy.

REIT now open to expatriate and foreign investors

Following approval by the Central Bank of Bahrain (CBB), expatriates and foreign investors are now eligible to purchase and trade in units of the Eskan Bank Realty Income Trust on the Bahrain Bourse. This results from new CBB regulations following enactment of the new Bahrain Trust Law in November 2016, which relaxed certain legal procedures with regard to trust holdings such as real estate assets.

Trading in the REIT, which was listed on the Bahrain Bourse on 2nd January 2017, was initially restricted to GCC nationals because the underlying properties of the Trust are located in areas of the Kingdom not open to expatriates and foreign investors. Since listing on the Bahrain Bourse at the beginning of this year, the REIT has witnessed active trading on a weekly basis. The opening up of trading to expatriates and foreign investors is expected to further improve the liquidity of this REIT, and the Bourse as a whole.



Segaya Plaza is a mixed retail and residential development located in Zinj, Manama

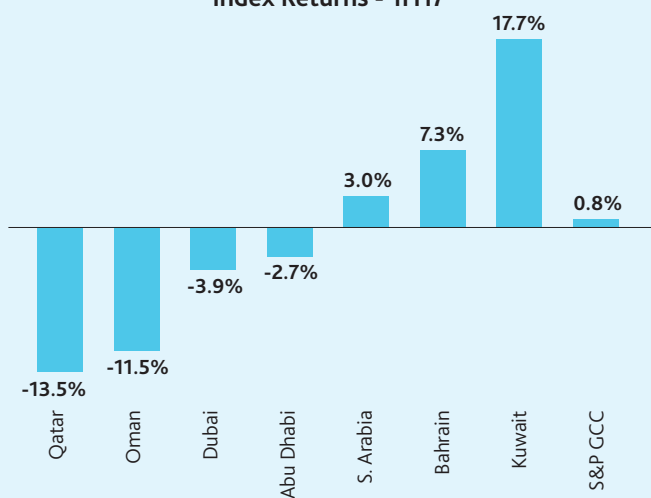
GCC Market Snapshot at 30 June 2017

Compiled by SICO Research

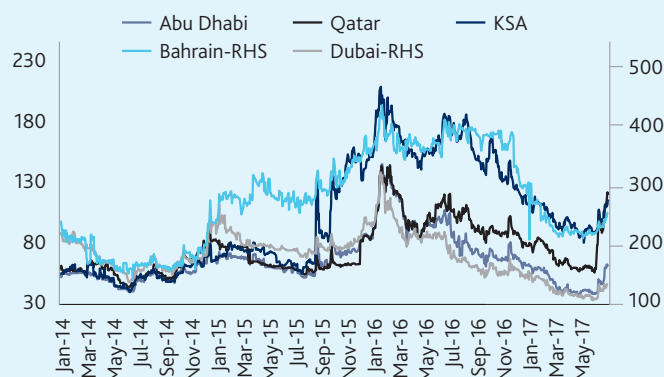
GCC markets displayed a mixed performance for the first six months of 2017. Kuwait was the top performer followed by Bahrain, led by a significant outperformance in the first two months of the year. Saudi Arabia picked up in June (plus 8 per cent MoM) following the positive announcement by MSCI, the appointment of a new Crown Prince, and the retrospective reinstatement of allowances and bonuses. Qatar was the worst performing GCC market, witnessing heavy selling during the month of June (minus 8.8 per cent MoM) due to the impact of an economic boycott by four Arab countries.

Since the end of 2016, CDS spreads have declined for all GCC countries with the exception of Qatar, where it doubled during June (MoM) due to the diplomatic crisis. In terms of average daily traded value, the Bahrain market turnover more than doubled in 1H17, due to the positive impact of the Bahrain Liquidity Fund (managed by SICO), which was responsible for 43 per cent of total traded value on the Bourse. Turnover in the Qatar and Kuwait markets also improved, while the Saudi market turnover was 32 per cent YoY lower in the first six months of 2017.

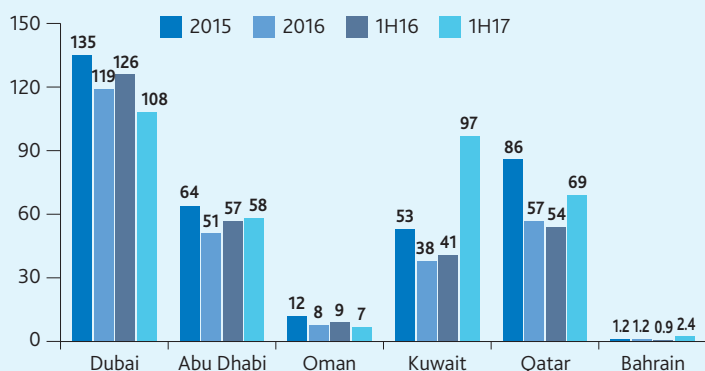
Index Returns - 1H17



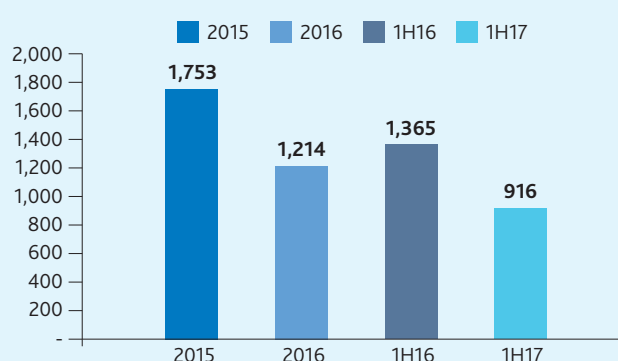
CDS Spreads (2014-1H17)



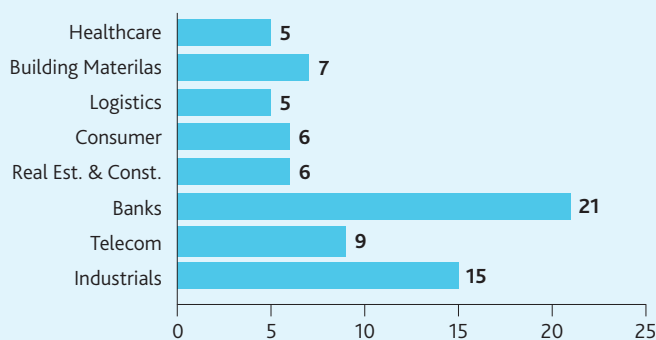
Other GCC Countries ADTV (USD million)



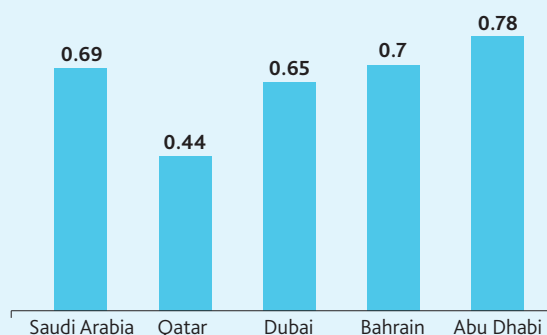
Tadawul Average Daily Turnover (USD million)



Companies under Coverage



SICO Research Coverage - Key GCC Countries



Chief Executive's Message

Making a difference



I am pleased to report that all our business lines recorded another positive performance for the first six months of 2017. Backed by a robust support and control infrastructure, their combined efforts contributed to SICO's continued resilience in the face of ongoing economic uncertainty, market volatility and geo-political turmoil. In particular, there were a number of notable developments during the period that I would like to highlight.

A key achievement, which has significant and far-reaching benefits, was the launch in May of 'sicolive' – our new online brokerage trading platform. This provides clients with the convenience, flexibility and security to trade in real time across all the region's key markets from a single account through their computers and mobile devices. At the same time, it will enable our team of professional personal brokers to focus their efforts on providing discerning institutional and retail clients with unique market insight and expertise, backed by in-

depth sell-side research, to help them make the most informed investment decisions.

The Bank's Abu Dhabi-based brokerage subsidiary – SICO UAE – hit the international headlines in March, with announcement of its membership of Nasdaq Dubai featuring prominently on Nasdaq's electronic billboard in New York's Times Square. Membership will provide the Company's clients with new investment opportunities on the region's rapidly expanding international exchange. SICO UAE continued to perform strongly during the period, rising six places in its combined ranking on all UAE markets, and increasing its traded value by 27 per cent compared with just 1 per cent by the market.

The Bank's asset management business entered its 20th year of operations on a high note. Total AUM continued to grow, exceeding US\$ 1.1 billion at the end of June 2017; while all SICO equity and fixed income funds outperformed their respective benchmarks. At the same time, additional innovative fixed income products were developed to meet market demand.

Another success story is the continued impact on the average daily traded value (ADTV) of the Bahrain Bourse (BHB) by the Bahrain Liquidity Fund, which is managed by SICO. During the first six months of the year, the Fund generated 43 per cent of ADTV on the BHB, which grew by 150 per cent during the period. This highlights a significant increase in liquidity and a growing improvement in investor confidence.

We are committed to supporting new initiatives and reforms by the Central Bank of Bahrain and the Bahrain Bourse, which are designed to provide greater depth and liquidity on the BHB, and further strengthen its regional competitiveness. SICO has 22 years' experience in making a market on the Bourse for selected stocks, post-IPO listings, cross listings, matured listings, and global depository receipts; together with placing and advising on sovereign and corporate fixed income issues.

The Eskan Bank Realty Income Trust posted an excellent financial performance for its first six months of operations from January to June 2017. The Trust announced its inaugural half-yearly dividend distribution of BD 594,000 which equates to a 3 per cent yield over the six-month period, or 6 per cent on an annualised basis. This reinforces the ability of the Trust to provide investors with a regular and stable income stream protected by significant built-in regulatory safeguards. SICO was the mandated lead manager for successful subscription offering and subsequent listing of the Trust on the Bahrain Bourse, and is currently the sub-investment manager and dedicated market maker.

It is encouraging that our business achievements continue to be recognised by the receipt of additional industry awards. At the Global Finance 18th annual World's Best Investment Banks Awards, SICO's 'stand-out performance in 2016' was cited as the reason for being selected Best

Investment Bank - Bahrain. SICO also received two awards from World Finance: Best Investment Management Company - Bahrain and Best Securities Brokerage Firm - Bahrain; while SFS was named Best GCC Custodian. In addition, SICO was honoured for the fourth consecutive year with a special award by the Arab Federation of Exchanges for the highest number of shares traded on the Bahrain Bourse in 2016.

Underlining our commitment to women's empowerment, the Equal Opportunity Committee, recently established under the auspices of SICO's new Charter for Gender Diversity, held its inaugural meeting in March. Currently, women account for 32 per cent of total Group employees; occupy 21 per cent of managerial and supervisory positions; and comprise one quarter of the Senior Management team.

Looking ahead, we have a generally positive outlook for SICO for the rest of the year, although we are fully cognisant that it will be another highly-challenging and unpredictable period. I would like to stress that the Bank has in place the core fundamentals and requisite resources with which to rise to all future challenges; and to continue making a difference for shareholders, investors, clients and staff; together with the local community and economy of the Kingdom of Bahrain.

Najla M. Al Shirawi
Chief Executive Officer

SFS signs custody agreement with Bahrain Development Bank for new venture capital fund to support SMEs



Mr. Al Gosaibi (centre) with Mr. Narayanan (second from right), with Mr. Konnat (right) and other officials from BDB and SFS at the signing.

SICO Funds Services Company (SFS) has been appointed by the Bahrain Development Bank (BDB) to provide custody, fund administration and registrar services for the Al Waha Venture Capital Fund. This follows the signing of an agreement by BDB Chief Executive and Al Waha Venture Capital Fund Chairman Sattam Sulaiman Al Gosaibi, and SFS Board Member and SICO Chief Operating Officer Anantha Narayanan. A specialised vehicle for small and medium-sized enterprises (SMEs), the US\$ 100 million Fund was established by the BDB in collaboration with Bahrain's Economic Development Board, with BDB contributing US\$ 10 million of the Fund's capital.

Additional mandates

During the first half of 2017, SFS was the mandated mortgage agent for Solidarity in their takeover of Al Ahlia Insurance; and signed local and regional custody and administration agreements with Bahrain Flour Mills, First Energy Bank, Bank Saudi Fransi and National Bank of Oman. The winning of these new mandates, supported by the Company's client-centric and technology-driven approach and seamless service, resulted in total assets under custody with SFS growing by 11 per cent during the period to US\$ 5.7 billion (BD 2.2 billion) from US\$ 5.2 billion (BD 1.95 billion) at the end of 2016.

SICO People and Events

CEO on Forbes Power List for third year running

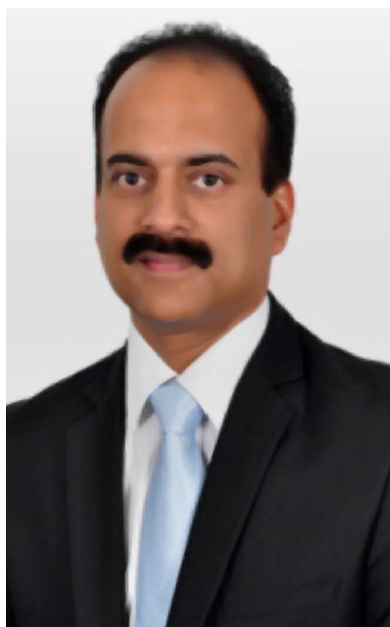


Najla M. Al Shirawi
Chief Executive Officer

Ms. Najla Al Shirawi, Chief Executive Officer of SICO, has been included in the Forbes Middle East 100 Most Powerful Arab Businesswomen list for the third consecutive year, and is one of only five Bahraini women to be recognised. She joins Shaikha Hessa bint Khalifa Al Khalifa, chairwoman of Al Salam Bank and Injaz Bahrain executive director; Ms. Mona Almoayyed, managing director of Y.K. Almoayyed; Batelco chief executive Ms. Muna Al Hashemi; and Ms. Suha Karzoon, CFO of Mumtalakat. The finalists were selected from hundreds of women in the public and private sectors across the MENA region. Inclusion in the list is based on a number of metrics including the personal experience and scope of role of individuals; revenues, market position, sphere of impact, and media presence for companies; or GDP in the case of government departments or ministries.

Commenting on her inclusion in the Forbes list, Ms. Al Shirawi said: "I am honoured to have been recognised, but do not regard this solely as a personal achievement. It is also recognition for the achievements of the entire SICO team, and for Bahrain and its women. My responsibility from ongoing inclusion in this prestigious list remains two-fold: to continue to excel, and to enhance my efforts as a role model for other women."

Sreenivasan Konnat appointed as new General Manager of SFS



Sreenivasan Konnat

Sreeni Konnat has been promoted to General Manager of SICO Funds Services Company (SFS). He has over 24 years' professional experience in funds administration, financial control and accounting, and back office operations.

Joining SICO in 1998 as a member of the Financial Control department, he transferred to SFS in 2007 as Head of Asset Administration. He was promoted to Acting General Manager in 2015, and assumed his current position in 2017. Prior to SICO, Sreeni was Chief Accountant with Al Namal Group of Companies in Bahrain; and Back Office Supervisor and Systems Administrator with GWK Bank - Bahrain.

He holds a BSc degree in Chemistry (with Maths and Physics) from the University of Calicut, India; and has completed Intermediate Level Certification from the Institute of Chartered Accountants, India.

SICO supports BCICAI flagship seminar

In February 2017, SICO sponsored a special seminar on the Republic of India's 2017-18 finance budget, which was organised by the Bahrain Chapter of the Institute of Chartered Accountants of India (BCICAI), one of the largest professional bodies in the Kingdom.

Valuable insights on India's budget were provided by taxation expert CA Dinesh Kanabar, CEO of Dhruva Advisors - India. This was followed by a presentation by SICO's Head Corporate Finance Wissam Haddad on recent innovative capital market transactions in Bahrain for which SICO was mandated lead manager. Head of SICO Research Nishit Lakhota then presented the Bank's outlook for oil prices and GCC economies; the challenges and measures being adopted by GCC governments in the face of falling oil prices; and what to expect in coming years regarding structural reforms across the region.

The experts' opinions, information and presentations were well received by chartered accountant members and high-profile guests from industry, trade and commerce, who attended the seminar in large numbers.

The event also celebrated the Bahrain Chapter of the Institute of Chartered Accountants of India (BCICAI) being awarded the much-coveted and prestigious 'Best Overseas Chapter Award - 2016' by its parent body, the Institute of Chartered Accountants of India (ICAI). The Chapter was selected as number one out of 28 overseas chapters of the ICAI across the globe.



SICO sponsors youth development forum organised by the Al Mabarrah Al Khalifia Foundation

As part of its corporate social responsibility programme, SICO was a gold sponsor of an inaugural forum entitled – The Effect of Leadership, Entrepreneurship and Volunteerism on Youth Development – held in Bahrain during May 2017. The forum was organised by the Al Mabarrah Al Khalifia Foundation under the patronage of HRH Prime Minister Prince Khalifa bin Salman Al Khalifa.

Bringing together various stakeholders from the public and private sectors, the forum explored how the impact of leadership, entrepreneurship and volunteerism can help in developing the next generation. These three topics are in line with the Foundation's vision to inspire, encourage and support young Bahrainis to make a positive impact on society.

A key aim of the forum was to build stronger bridges between the different stakeholders and participating students in order to develop the field of education and further enhance the local community by creating a sense of responsibility through the three main topics under discussion.

SICO is a long-standing financial supporter of the Al Mabarrah Al Khalifia Foundation. Established in 2011 as a non-profit organisation, it provides educational support for young Bahrainis aged between 14 and 21 years to help them develop their skills and realise their full potential. This support takes the form of university scholarships, youth leadership programmes, and training and mentoring.

To date, the Foundation has provided 200 scholarships in universities in Bahrain, and has helped scores of graduates to find employment in the public and private sectors. The Foundation is also involved in a number of community outreach projects in which students act as volunteers.

SICO sponsors second Middle East Asset Management Forum

• Naveed Ahmed highlights Bahrain's pioneering role in the GCC



Bahrain's pioneering contribution to the ongoing development of GCC capital markets came under the spotlight at the 2nd Annual Middle East Asset Management Forum in May 2017, which was hosted by the Global Investor Group in partnership with the Central Bank of Bahrain, and sponsored by SICO.

According to Mr. Naveed Ahmed (pictured above, first from left), a senior portfolio manager with SICO, who was a speaker at the event: "Bahrain has been at the forefront of initiatives to develop the region's capital markets. These include the introduction of new market making rules and guidelines by the Bahrain Bourse on par with international professional standards, and the appointment of the first two 'approved' market makers. Another significant development was the launch of the Bahrain Liquidity Fund, with the aim of improving liquidity on the Bourse. The Fund has proved to be extremely successful in helping to increase the turnover and average daily traded value of the Bourse.

Naveed also highlighted the listing on the Bahrain Bourse of the first Sharia-compliant real estate investment trust (REIT). "Another interesting development was the launch of the Bahrain Investment Market in March 2017, designed to enable small-to-medium enterprises (SMEs) to list and raise capital on an alternative market with less stringent regulatory requirements than the main market," he noted.

Regarding the future outlook for the regional investment industry, Naveed considers the lack of collaboration among GCC financial centres to be a real challenge: "We need to create a unified regulatory framework similar to UCITS (undertakings for collective investments in transferable securities) in Europe, which allows funds domiciled in any country to be sold across borders. Adopting such a 'passporting' approach would enable the industry to realise its full potential and attract increased investor flows," he pointed out.

New Equal Opportunity Committee holds inaugural meeting



The Bank's Equal Opportunity Committee, recently established under the auspices of SICO's new Charter for Gender Diversity, held its inaugural meeting on 22 March 2017. The Committee is responsible for overseeing equal employment opportunities for male and female staff members.

Pictured above are the Committee members: CEO Najla Al Shirawi (Chairperson); Head of HR & Administration Nadia Albinkhalil; Head of Corporate Communications Nadeen Oweis; Head of Fixed Income Ali Marshad; Head of Internal Audit Joseph Thomas; Risk Compliance Officer Mohammed Juma.

Latest Headcount

	SICO	SFS	SICO UAE	Total
30 June 2017	75	9	12	96
31 Dec. 2016	74	9	12	95

Percentage of Women at 30 June 2017

SICO: 36%
SFS: 44%
SICO UAE: 17%

Women in Leadership Roles at 30 June 2017

SICO: 19%
SFS: 1%

SICO Executive Training Programme

Participants hired by SICO:

Salman Yousuf to Client Relations

New trainees enrolled:

Isa Al Shirawi (with Investments & Treasury)

Meera Reddy (with Research)

New Joiners

Rashid Burashid, Brokerage

Maryam Almohri, Risk Management

Promotions

Elham Mohamed Yaseen: CEO Assistant – Chief Executive's Office

Khaled Al Kooheji: Associate – Financial Control

Sumegh Anil Borkar: Associate, Risk & Compliance Coordinator – Risk Management

Sobhan Donprablu: Associate, Senior Systems Analyst – Information Technology

Talha Naushahi: Senior Systems Analyst – Information Technology

Abdulla Al Mannaei: Associate, Senior Broker – Brokerage

Sumaya Ali Ahmed: Associate, Senior Analyst – Research

Sayed Ali Al Moosawi: Senior Officer, Funds Administration – SFS

Transfers

Fatima Al Doseri: from Research to Asset Management

Happy Staff Occasions – Births

Mohammed Jamel Khalaf, Operations: twins (boy and girl)

Talha Naushahi, Information Technology: baby boy