

C O M P A S S

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SICO posts seventh consecutive year of profitable performance

Securities & Investment Company (SICO) reported operating income of BD 8.4 million and net consolidated profit of BD 2.8 million for 2015, with earnings per share of 6.64 fils. This marked the seventh consecutive year of profitability since the financial crisis of 2008, and the 17th year of positive performance in SICO's 20-year history.

All core business lines showed great resilience during a highly challenging year, posting another positive performance and continuing to contribute to the bottom line. Total operating expenses, which include staff overheads, general administration and other expenses, reduced by 14 per cent to BD 5.5 million from BD 6.4 million in 2014, reflecting the Bank's success in continuing to manage its costs effectively.

SICO finished the year on an upswing, with the fourth quarter of 2015 witnessing a strong rally from the preceding three months, which were marked by a sharp sell-off across all global and regional markets. Total operating income for the final quarter grew by 60 per cent to BD 1.7

million from BD 671 thousand for the corresponding period in 2014; while net consolidated profit increased by 153 per cent to BD 548 thousand after provisions for impairment of investments of BD 140 thousand; compared with a BD 1.4 million net loss for the fourth quarter of 2014, which included provisions for impairment of investments of BD 366 thousand. Total expenses reduced by 49 per cent to BD 1.03 million from BD 2.03 million in the fourth quarter of 2014.

153%

NET PROFIT INCREASE
IN Q4 2015

BD 2.8

MILLION CONSOLIDATED
NET PROFIT FOR YEAR 2015

As at 31 December 2015, total balance sheet footings stood at BD 112.8 million compared with BD 115.7 million at the end of the previous year. SICO continued to maintain a strong capital base, ending the year with shareholders' equity of BD 58.4 million net of BD 3.8 million dividends distributed earlier in the year 2015 (2014: BD 61.1mn); and a very strong consolidated capital adequacy ratio of 53.6 per cent. Available-for-sale securities at the end of 2015 totalled BD 30.2 million (2014: BD 28.8mn), while investments at fair value through profit or loss were BD 14.3 million (2014: BD 17.3mn).

Assets under management remained strong at BD 332 million (US\$ 882mn) against BD 339 million (US\$ 899 mn) in 2014, an indication of clients' confidence in SICO's asset management capability to deliver better performance than its benchmarks and peer group, even in challenging market conditions. Assets under custody with the Bank's wholly-owned subsidiary – SICO Funds Services Company (SFS) – increased to BD 1.7 billion (US\$ 4.5bn) from BD 1.6 billion (US\$ 4.4bn) at the end 2014.



CEO included in Forbes power list

Ms. Najla Al-Shirawi, Chief Executive Officer of SICO, has been included in the Forbes Middle East 100 Most Powerful Arab Businesswomen list for 2015. She was ranked 19th regionally, and was one of only five Bahraini women to appear in the list. Also on the list were Shaikha Hessa bint Khalifa Al Khalifa, chairwoman of Al Salam Bank and Injaz Bahrain founder and 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 final 100 were selected from an initial group of 300 women from 13 countries. Rankings were based on a number of metrics including size of institution, market position, sphere of impact, and media presence.

Commenting on her inclusion in this prestigious 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 SICO, and for Bahrain and its women. The timing is highly appropriate, since it coincides with celebrating the role and contribution of women in the Kingdom's banking sector as part of Bahrain Women's Day 2015. My responsibility from this award is two-fold: to continue to excel, and to become a role model for other women."

New Director appointed to SICO Board



Mr. Prakash Mohan joined SICO Board in September 2015 as a non-independent and executive director, and was appointed as a member of the Investment Committee. He replaces Ms. Sawsan Abdulhassan, who served on the Board for seven years as the representative of Ahli United Bank (AUB). Mr. Mohan, who has over 23 years of banking experience in the Middle East and Asia, joined AUB in 2003 and was appointed Group Head of Corporate Banking in 2009. He previously worked with HDFC Bank and Fuji Bank in India. Mr. Mohan also represents Ahli United Bank on the Board of Kuwait & Middle

East Investment Company. He holds an MBA from McCombs School of Business, University of Texas, USA; an MSc in Chemical Engineering from Iowa State University, USA; and a BTech in Chemical Engineering from the Indian Institute of Technology, Kanpur, India.

On behalf of the Board of Directors, Chairman Shaikh Abdulla bin Khalifa Al Khalifa thanked outgoing director Ms. Abdulhassan "for her valuable contribution since 2008"; and in turn welcomed Mr. Mohan, "whose extensive banking experience will be of great benefit to the Board."



**SPECIAL
FEATURE**
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Chairman's Review of 2015: A very tough year



“ The Bank’s financial results for 2015 reflect the positive performance and greater contribution from our annuity revenue streams, with fee-based income now accounting for 64 per cent of total income.”

Shaikh Abdulla bin Khalifa Al Khalifa
Chairman of the Board

In what proved to be a very tough year for all asset classes, SICO posted a commendable financial performance for 2015.

Operating income was BD 8.4 million compared with BD 12.4 million in 2014, while total operating expenses amounted to BD 5.6 million against BD 6.4 million the previous year. Net profit for the year was BD 2.8 million compared with BD 5.4 million in 2014.

SICO responded proactively to unfolding events during the second half of 2015, extending its provision of advisory services to help clients face the turmoil in regional markets. The Bank's financial results for 2015 reflect the positive performance and greater contribution from our annuity revenue streams, with fee-based income now accounting for 64 per cent of total income.

20th anniversary

The occasion of our 20th anniversary in 2015 constitutes a major milestone for the Bank. Over the past two decades SICO has successfully navigated through a series of global economic upheavals and financial crises, and escalating regional geo-political tensions. Our strategy and core values of integrity, insight and innovation have guided us on our journey from a domestic securities house to a regional wholesale bank. And our prudent and consistent strategy remains on course. This entails a firm focus on serving the GCC region and selective MENA markets; growing and diversifying our business lines and revenue streams; pursuing a best-in-class, client-focused business model; and maintaining a disciplined approach to managing our costs, risk and capital.

Looking ahead

Without doubt, 2016 will be another highly-challenging year. This will be marked by continued volatility of oil prices, and further economic and fiscal reforms by GCC governments to diversify revenues and reduce subsidies. Such measures will have an impact on corporate earnings and market valuations. However, they will be positive in the long-term for regional economies, by making them more sustainable in an era of low oil prices. In addition, interesting new investment opportunities will arise from market corrections, and SICO will take full advantage of such opportunities in the best interests of our clients.

Our loyal clients play a critical role in the continued success of the Bank, and we will continue to focus on serving their needs while managing shareholders' capital prudently, a commitment which is central to our long-term value proposition. The Board has full confidence in the ability of our high-calibre Management team to respond to the challenges of a new regional reality in a proactive and dynamic manner.

Board changes

There was a change in the composition of the Board of Directors during 2015. I would like to thank outgoing director Ms. Sawsan Abdulhassan for her valuable contribution during the past seven years; and in turn welcome her replacement, Mr. Prakash Mohan, whose extensive banking experience will be of great benefit to the Board.

Congratulations

On behalf of the Board, I would like to congratulate Ms. Najla Al Shirawi, Chief Executive Officer; Ms. Kulood Al Qatan, Independent Board Member of SICO Funds Services Company; Ms. Nadia Albinkhalil, Head of HR and Administration; and Ms. Hanan Sater, former Head of Financial Control; on being awarded and recognised by HRH Princess Sabeeka bint Ibrahim Al Khalifa, Wife of His Majesty the King and Chairperson of the Supreme Council for Women, for 'their relentless efforts in supporting Bahrain's financial sector' as part of the celebrations for Bahrain Women's Day 2015.

Acknowledgements

I take this opportunity to acknowledge the continued confidence and encouragement of our shareholders; the trust and loyalty of our clients and business partners; and the commitment and professionalism of our management and staff. I also express my appreciation to the Central Bank of Bahrain and the Bahrain Bourse for their continued guidance and support; and to the Bahrain Economic Development Board for its success in attracting additional foreign direct investment to the Kingdom.

The Board, shareholders, management and staff of SICO convey their best wishes and sincere gratitude to His Majesty the King, His Royal Highness the Prime Minister, and His Royal Highness the Crown Prince, for their wise leadership, visionary reform programme, and support of the Kingdom's financial sector.

Survey confirms high level of client satisfaction with SICO

In a client satisfaction survey conducted during the fourth quarter of 2015, over 92 per cent of respondents rated their overall experience with SICO as excellent, very good or good; a similar percentage said that they would recommend SICO to others; while 70 per cent considered SICO to be their preferred broker.

The professionalism and friendliness of front office staff was rated at 90 per cent; while the quality and speed of response to telephone queries and requests scored 92 per cent; and emails 90 per cent. The online survey covered 1,600 clients

holding brokerage, custody, discretionary portfolio, agency and margin trading accounts; as well as subscribers to SICO funds. The response was on par with the global industry standard for customer surveys.

Possible areas for improvement cited by some respondents included the account opening process; the quality and speed of funds / securities transfer; and the timeliness of research in relation to the buy and sell cycle. These are being studied in more detail by Client Relations and relevant business line managers to identify appropriate remedial actions.

The survey also confirmed the growing demand by institutional clients for electronic and online trading. This is already being addressed by SICO through the appointment of a vendor for implementing an order management system (OMS) later this year.

93%

**SICO CLIENT
SATISFACTION
RATING**

Client comments

- “ A great company to deal with – keep up the good work.”
- “ Very impressed with the quality of services rendered.”
- “ Very happy with SICO staff and services.”
- “ SICO staff are very friendly and efficient.”
- “ Good job, keep it up – but can always get better in an ever-changing world.”
- “ SICO has a very good team that interacts with clients with best manners, and provides all necessary information in time and on a required basis.”
- “ Very much satisfied with services of SICO, and would recommend them to others.”

Business lines post another positive performance in 2015

Brokerage expands client base

The majority of GCC markets ended the year in double-digit negative growth, and witnessed trading values declining by 32 per cent compared with 2014. Despite this, Brokerage grew its client base and made a positive contribution to the bottom line. Capitalising on continued market volatility, Brokerage expanded its provision of value-added advisory services to clients, including in-depth market research, during 2015. The Agency Brokerage Desk was not as active as in 2014 due to the market slowdown. However, it was successful in signing up new accounts and further expanding its regional network of correspondent brokers.

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 17th consecutive year. The Bank continued to be the preferred broker for large trades, and executed most of the major deals on the Bourse during the year. This included managing the purchase of 25.6 million ordinary shares of Takaful International Company in two tranches, equivalent to 41 per cent of the company's outstanding shares. During 2015, SICO handled 4,651 transactions involving 270 million shares with a total value of BD 71.23 million, constituting a market share of 32.4 per cent.

SICO UAE, the Bank's Abu-Dhabi-based brokerage subsidiary, witnessed an active third full year of operations in 2015, during which it made good progress in

	Amount	Market share	Ranking
Total Value of Shares Traded	BD71.23 million	32.38%	1
Total Volume of Shares Traded	270 million	26.16%	1
Total Number of Transactions	4,651	20.7%	2

Source: Bahrain Bourse 2015 Annual Trading Bulletin

implementing its new institutionally-focused strategy. Due to concerted marketing activities, the Company attracted new clients and opened new relationships across the MENA region. As a result, the Company rose higher in the ranking of UAE-based brokers during 2015.

Asset Management maintains status

At the end of 2015, total assets under management stood at BD 332 million (US\$ 882million) compared with BD 339 million (US\$ 899 million) at the end of the previous year. This positions the Bank as one of the largest boutique investment managers in the region, outside Saudi Arabia, focused on managing GCC equities and fixed income. During the year, SICO introduced a new range of balanced portfolios for its discretionary portfolio management account clients. These hybrid portfolios, which combine equities and fixed income, are designed to provide consistent recurring revenue and less volatility in returns. To date, they have attracted considerable interest, especially from more conservatively-minded clients.

New mandates for Corporate Finance

Corporate Finance enjoyed a very busy year in 2015, winning a number of new mandates and developing a healthy pipeline of deals. Some of the mandates involve new types of transactions that are very different to those in which SICO has been involved in the past; and entail managing and advising on unique structures with different investment instruments.

The division also made good progress during the year in broadening its product offering in order to generate recurring income through retainer and success fees from origination deals, rather than just one-off advisory fees. This includes the planned development of non-speculative, income-generating real estate in-house managed products.

In a notable development, Eskan Bank appointed SICO as lead arranger for the first real estate investment trust (REIT) to be listed on the Bahrain Bourse, and only the second Sharia-compliant listed REIT in the Gulf region. Other noteworthy mandates include advising on a potential takeover through a 100% voluntary conditional offer on the basis of share swap between Gulf Hotels Group and Bahrain Tourism Company on the Bahrain Bourse, and managing a capital increase for BBK to comply with Basel 3 requirements via a convertible security – one of the first in Bahrain in recent history.

Additional mandates include an IPO in the industrial sector; a private rights issue in the healthcare sector; and valuations in the insurance and telecommunications sectors.

Equity AUM remain strong

At the end of the year, total equity assets under management stood at BD 269 million (US\$ 714mn) compared with BD 298 million (US\$ 790mn) at the end of 2014. SICO's four equity funds continued to outperform their respective benchmarks and peers by considerable margins.

Developments during 2015 include extending the coverage mandate of the Khaleej Equity Fund and SICO Gulf Equity Fund to include the wider MENA region (including Egypt) with the flexibility to invest up to 10 per cent of their portfolios outside the GCC.

SICO FUNDS AND BENCHMARK RETURNS FOR JANUARY- DECEMBER 2015

SICO Fund	Fund Return	Benchmark Index	Benchmark Return
Khaleej Equity Fund	-6.2%	S&P GCC	-17.4%
Gulf Equity Fund	1.8%	S&P CGG Ex-Saud	-17.5%
Selected Securities Fund	-6.2%	Bahrain All Share	-14.8%
Kingdom Equity Fund	-5.5%	Tadawul	-17.1%
Fixed Income Fund	1.9%	Barclays EM GCC Bond	1.7%

Business lines post another positive performance in 2015 (continued)

Fixed Income AUM increase

In a particularly active year, the division produced a strong performance, with fixed income assets under management increasing to BD 46 million (US\$ 122mn), and comprising 14 per cent of total AUM. In 2015, SICO was ranked as the leading fixed income player on the Bahrain Bourse for 2015; and

was particularly active in short- and long-term issuances by the Central Bank of Bahrain, raising in excess of BD110 million (c. US\$ 300mn). The SICO Fixed Income Fund, which was launched in April 2013 as the first-of-its-kind to be managed by a Bahrain-based fund manager, completed its second full year of operations in

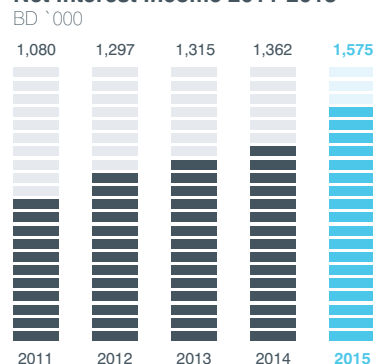
2015, returning 1.9 per cent versus 1.7 per cent by the Barclays Emerging Markets GCC Bond Index. The Fund's performance is mainly attributable to UAE-based exposure and floating rate exposures; as well as a 20 per cent allocation to Turkey and Asia, both of which posted an encouraging performance during 2015.

Cash and debt book remains healthy

Treasury posted another profitable performance in 2015. Interbank business was further enhanced through strengthening existing counterparty relationships, and establishing new lines with local Islamic banks as well as regional institutions. This resulted in improved rates on foreign exchange and money market trades. Due to the Bank's cautious approach of

maintaining deposits with high-quality financial institutions on short-term placements, net interest income for 2015 was BD 1.6 million compared with BD 1.4 million for the previous year. SICO maintained a sound and liquid balance sheet, with a capital adequacy ratio of 53.6 per cent, which is considerably higher than the requirements of the Central Bank of Bahrain.

Net Interest Income 2011-2015



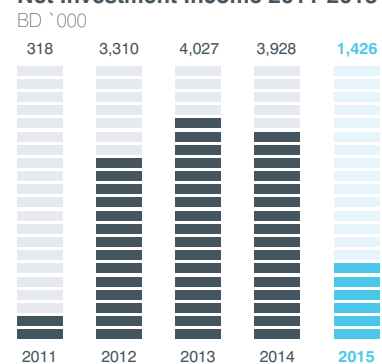
Proprietary book outperforms markets

In a year of divergence in global monetary policies and a very challenging scenario for investments, most global and regional markets posted flat to low single-digit gains during the first half of 2015, but which turned negative in the second half. SICO's investment strategy focused on tactically allocating to equity markets in the first quarter, with exposure to the GCC, Europe, Asia and the US. The Bank tactically traded its exposure in these markets during the second quarter, which helped reduce investment volatility during the Greek crisis and the market sell-off in Asia, led by China. In the third quarter of 2015, there was a sharp sell-off across all global and regional markets – triggered by the sell-off in commodities and in anticipation of the first interest rate

hike by the US Federal Reserve for almost ten years – with investors heading for safe havens and hedging their market risk. Anticipating a tough quarter, SICO had already started to de-risk its proprietary trading book, reducing its exposure to equities and increasing exposure to cash and fixed income, targeting floaters and specific credit. The Bank also reduced its exposure to regional markets and increased its exposure to developed markets.

The expected moderate market rally in the fourth quarter did not materialise, and the majority of GCC markets ended the year in double-digit negative territory. The adoption of proactive management and tactical asset allocation, combined with an opportunistic

Net Investment Income 2011-2015



risk-averse approach, enabled SICO to minimise losses in its proprietary book, outperforming regional as well as international markets. Net investment income for the year was BD 1.4 million compared with BD 3.9 million for 2014.

BUSINESS IN BRIEF

Market Making

SICO's market making activities witnessed an active year in 2015. The Bank won new mandates and renewed some maturing mandates. SICO continues to offer its services to clients, and anticipates another active year in 2016.

Client Relations

During 2015, Client Relations adopted new procedures to counter fraud in order to protect clients; and to monitor new regulatory requirements in GCC markets. Significantly, no formal complaints were received during the year, reflecting the Bank's commitment to continuously improve its customer service and satisfaction standards.

Research

SICO Research initiated coverage on 16 new companies in 2015, and also added two new sectors – building materials and healthcare – to the coverage universe. A total of 761 reports were published during the year. SICO also continued to act as the official research partner for the Oxford Business Group's 'Bahrain – The Report' annual publication.

Custody

SICO Funds Services Company (SFS) posted another successful performance in 2015, maintaining its focus on quality and client service, and expanding its team of professionals. The winning of new regional mandates resulted in total assets under custody increasing to BD 1.7 billion (US\$ 4.5bn) at the year-end from BD 1.6 billion (US\$ 4.3bn) at the end of 2014. During the year, SFS introduced a fixed income custody service to support SICO's fast-growing fixed income asset management activities. The Company has developed a healthy pipeline of new mandates which are expected to materialise during 2016.

SICO Management Team



1. **Najla M. Al Shirawi**
Chief Executive Officer
2. **Anantha Narayanan**
Chief Operating Officer
3. **Abdulrahman Saif**
Head of Investments & Treasury
4. **K. Shyam Krishnan**
Chief Financial Officer
5. **Fadhel Makhloq**
Head of Brokerage
6. **Shakeel Sarwar**
Head of Asset Management
7. **Ali Marshad**
Head of Fixed Income
8. **Wissam Haddad**
Head of Corporate Finance

9. **Nishit Lakhota**
Head of Research
10. **Amal Al Nasser**
Head of Operations
11. **Nadia Albinkhalil**
Head of HR & Administration
12. **Nadeen Oweis**
Head of Corporate Communications
13. **Ismail Sabbagh**
Head of Information Technology
14. **Amr Galal**
Head of Client Relations
15. **Joseph Thomas**
Head of Internal Audit

SUBSIDIARIES

16. **Sreenivasan Konnat**
Acting General Manager
SICO Funds Services Company
17. **Bassam Khoury**
General Manager
SICO UAE

Special Feature

1995 to 2015: A JOURNEY OF TWO DECADES

CELEBRATING
20
YEARS OF SICO

Looking back over the past two decades, it really has been an incredible journey. SICO started with a clear vision to become a leading securities house, offering brokerage, market making and a selective range of investment banking solutions, across the GCC region. Supporting this vision were two key founding principles: adoption of the highest ethical and professional standards, and the continuous provision of innovative products and services.

1995: Niche opportunities

'The journey of a thousand miles begins with a single step'. And that is what we did. Rather than attempting to do everything at once, we gradually put the building blocks in place, and focused on niche opportunities to establish a strong foundation. We started in 1995 with brokerage, market making and sell-side research – all of which were the first in the region. Our initial objective was to increase liquidity on the Bahrain Stock Exchange (BSE), and help reduce unnecessary short-term price fluctuations and narrowing of spreads. Just a few years later, SICO had become the leading broker on the BSE and one of the GCC's premier market makers. Significantly, we have maintained this status for the past 17 consecutive years.

1997: Corporate finance

Our next step was to obtain an investment banking licence in 1997 in order to widen the scope of our activities to include corporate finance and asset management. We did not start with real estate or private equity, but focused instead on landmark privatisations through initial public offerings (IPOs). Such an approach was designed to support our brokerage and research activities, and provide greater depth and liquidity for the BSE. This is the first example of a niche play by SICO, since back then the BSE was very concentrated on a single sector. We saw the opportunity to encourage new types of businesses to list and provide investors with new offerings; and support Bahrain's privatisation initiatives.

1998: Asset management

In subsequent niche plays, we pioneered the first-of-its-kind equity mutual fund in 1998, and the first discretionary managed portfolios in the GCC; and introduced fund custody and administration services to complement our brokerage and asset management businesses. SICO was also one of the earliest institutions in the region to recognise the opportunities in fixed income, first trading on its own behalf and subsequently for clients; and supporting the development of a bona fide fixed income market in the region. Importantly, the steady expansion of our brokerage and investment banking activities has resulted in diversified revenue streams. These have enabled us to better accommodate the cyclical nature of our business, and weather the worst of market volatility over the years.

2001 - 2012: Geographic expansion

At different stages during the past two decades, in line with our regional mandate, we took gradual steps to extend our brokerage activities outside Bahrain – first to the GCC in 2001, and then subsequently to MENA in 2007. This was followed in 2012 with the establishment of SICO UAE, a brokerage subsidiary based in Abu Dhabi, heralding our first physical presence outside Bahrain. Our asset management business followed a similar trend. SICO's first fund in 1998 invested in equities and debt securities on the Bahrain Stock Exchange, and was followed by others focused on stock markets across the wider GCC and MENA regions; as well as a fixed income fund investing in regional debt instruments.

1995 - 2015: Consistent performance

Over the past 20 years, SICO has delivered a consistent financial performance. Net profit averaged BD 2.7 million per annum over this period, peaking at BD 11.9 million in 2007; with only three years of net losses being reported during the crises of 1998, 2000 and 2008. Earnings per

share averaged Bahraini fils 12.2, and dividends per share averaged Bahraini fils 5; while the average return on equity was 9 per cent. Total assets have increased from BD 13.4 million in 1996 to BD 112.8 million in 2015, with shareholders' equity growing from BD 13.3 million to BD 58.4 million. SICO's capital was BD 12.5 million at inception and stands at BD 41.2 million today, following a successful rights issue in 2008. Assets under management during this period have grown from BD 3.8 million (US\$ 10.1 million) to BD 332 million (US\$ 888.2 million); while assets under custody with SICO Funds Services Company (SFS) have risen from BD 15.2 million (US\$ 40.5 million) to BD 1.7 billion (US\$ 4.5 billion).

1995 - 2015: Institutional focus

An important element in building a strong foundation was our focus on a sophisticated institutional clientele. SICO's diversified client base comprises institutions of all sizes, from corporates to financial institutions, as well as government ministries and government-related entities (GREs); together with family offices and ultra-high net-worth individuals. This is important for a number of reasons – such clients seek to establish enduring relationships, they are not cost-sensitive, and they focus on long-term investments rather than short-term gains. Our loyal clientele has served as an enduring differentiator for the Bank.

1995 - 2015: Integrity

Another critical success factor has been our long-standing commitment to professionalism and integrity. One of our great strengths is that we have enjoyed an unblemished reputation, together with our transparent balance sheet and conservative approach to doing business, has enabled us to navigate successfully through turbulent times. SICO has survived the many international and regional crises, both financial and geo-political, and emerged even stronger. Uniquely, we did not suffer any loss of capital, reduce our headcount, or lose clients. Instead, we remained focused on our

core business lines, and continued to invest in the business. As a result, we witnessed growing interest from potential clients and counterparties – both regional and international – to do business with SICO.

1995 - 2015: Innovation

This review of our history would not be complete without a reference to another critical success factor – innovation. SICO has consistently set a benchmark for the regional investment banking industry since commencing operations twenty years ago. We have continuously introduced 'first-of-their-kind' products and services that anticipated the ever-growing investment needs of institutional clients across the region. As a result, SICO today is one of the most prominent brokers and market makers in the GCC; a successful regional asset manager in both equities and fixed income; a leading full-range provider of corporate finance solutions; a reputed custodian and fund administrator; and a widely-recognised source of high-quality independent research.

Acknowledgements

The enlightened policies of the Government of Bahrain have enabled SICO to prosper over the past 20 years, and we would like to pay special tribute to the Central Bank of Bahrain, the Bahrain Bourse and the Economic Development Board for the many initiatives they have introduced over the years. The vision, guidance and confidence of our shareholders – all of whom are founding members – continues to be a source of great strength for the Bank. We also value highly the trust and confidence placed in us by our loyal clients, who have played a critical role in the success of the Bank; together with the long-standing collaboration of our business partners.

Najla M. Al Shirawi
Chief Executive Officer

Message from the CEO

A resilient business response to a challenging year

In a year which saw oil prices, liquidity and asset values decline steeply, I am pleased to report that SICO maintained profitability for the seventh consecutive year, and the 17th year of positive financial results in the Bank's 20-year history.

Putting this performance into context, most of the GCC markets ended the year in double-digit negative territory (minus 14%-17%). The turmoil was led primarily by concerns about falling oil prices, fading hopes of any meaningful recovery in the near-term, and the consequential impact on government revenues and spending in the foreseeable future. Key markets such as Saudi Arabia and Dubai declined 30 per cent and 25 per cent, respectively, from their mid-year highs; while Brent crude fell 45 per cent from its peak in May. Market sentiment was further affected by increasing geo-political tensions which led to limited involvement by market participants, especially in the second half of the year. Market turnover across the GCC was a mere fraction of 2014, especially in the second six months. On the other hand, the GCC fixed income market had a positive 2015, closing the year up 1.7 per cent.

Against this backdrop, our core business lines showed great resilience during the year, posting another positive performance and continuing to contribute to the bottom line. Brokerage revenues were BD 1.0 million versus BD 1.9 million for 2014; while Asset Management contributed BD 3.6 million (2014: BD 4.4 million), and Corporate Finance BD 111 thousand (2014: BD 175 thousand). In terms of our proprietary book, net investment income was BD 1.4 million (2014: BD 3.9 million) and net interest income BD 1.6 million (2014: BD 1.4 million). At the end of 2015, total assets under management stood at BD 332 million (US\$ 882 million) compared with BD 339 million (US\$ 899 million) the previous year; while total assets under custody with the Bank's subsidiary – SICO Funds Services Company (SFS) – were BD 1.7 billion (US\$ 4.5 billion) versus BD 1.6 billion (US\$ 4.3 billion) at the end of 2014.

Despite a drop in trading values across the region, which declined by 32 per cent from 2014 levels, SICO grew its Agency Brokerage client base; and capitalised on continued market volatility by expanding its provision of value-added advisory services to clients, including in-depth market, sector, and company research.

For Asset Management, the Bank's equity and fixed income funds continued to perform strongly against their respective benchmarks and peers. The star performer was the SICO Gulf Equity Fund, which returned a positive 1.8 per

cent compared with a negative 17.5 per cent by the S&P GCC Ex-Saudi Index. SICO also introduced a new range of hybrid portfolios, which constitute a customised equities and fixed income allocation based on a client's specific risk tolerance.

Corporate Finance won a number of new mandates during the year. Some of these involve benchmark transactions that build upon SICO's track record in managing and advising on innovative structures with different investment instruments. A notable achievement was the mandate from Eskan Bank to lead arrange the first real estate investment trust (REIT) to be listed on the Bahrain Bourse. This reinforces SICO's reputation as a pioneering provider of investment banking solutions.

In terms of SICO's proprietary book, we started to de-risk our investment portfolio towards the end of the second quarter. This entailed reducing exposure to equities and increasing exposure to cash and fixed income; and also reallocating exposure from regional to developed markets. The continued adoption of proactive management and tactical asset allocation, combined with an opportunistic risk-averse approach, demonstrates our enduring commitment to protect shareholders' interests.

Without any doubt, 2016 will be an extremely tough year. At the moment, there is still uncertainty about a number of critical issues across the region. These include market performance, oil prices, asset classes and liquidity; and government measures to reduce expenditure and offset the impact of declining oil revenues on their fiscal budgets. It is therefore difficult – if not impossible – to forecast the near-term future with any degree of certainty or accuracy.

For SICO, our journey continues. As one of the oldest wholesale banks dedicated to investing in the region and from the region, we have a wealth of experience and all the right elements in place to face the challenges of a new economic paradigm, and continue to compete on a regional level. As we enter our third decade of operations, we will continue to navigate through increasingly turbulent times with the same professionalism, integrity and pioneering spirit that have characterised our first twenty years.

Najla. M. Al Shirawi
Chief Executive Officer

Corporate Social Responsibility Programme Update



Special day out for children

In collaboration with Dream Society Bahrain, SICO hosted 50 children suffering from cancer and Sickle Cell disease to a special day out at the Ozone Entertainment Centre at Sitra Mall. Activities centred round the exclusive laser tag facility, state-of-the-art tenpin bowling alley, and high-tech console games zone.



Kicking off for a good cause

For the second year running, SICO sponsored and fielded a staff team in the Bahrain Annual Six-a-Side Football Tournament held on Friday 12 February 2016 at the Rugby Football Club in Saar. The event was organised by the Rotary Club of Manama in support of the Bahrain Cancer Society. All funds raised go to buying special equipment to treat children with cancer.



Trading simulation course at BIBF

SICO sponsored a special five-day trading simulation course at the Dealing Room of the Bahrain Institute of Banking & Finance for 10 university students. The course covered equity and fixed income valuations, including how to analyse the stock market price and bond portfolio of the bank being simulated; together with how to analyse capital allocation based on invested assets with the highest returns.

SICO People and Events

SICO Executive Development Programme

Abdulla Almeer, holds a Bachelor degree in Finance from Queensland University of Technology, joined the programme in October 2015, and was assigned to the Fixed Income division.

Dana Sahwan, studying for a Bachelor's degree in Business, Accounting, Banking

& Finance at Bahrain Polytechnic, joined the programme in January 2016, following completion of a special six-month internship with Asset Management as a successful student of the CFA Society Bahrain's Mutamahin (Apprentice) graduate development programme.

Happy Staff Occasions

Marriages: **A. Hameed Khonji** from Investments & Treasury

Births: **Hamad Alheddi**, Compliance: a baby boy.

Wissam Haddad, Corporate Finance: a baby boy.

A marathon effort for charity

A team from SICO participated in the Bahrain Marathon Relay, which was held on 27 November 2015. Now in its 35th year, this major fund-raising event is organised by the Bahrain Round Table in association with the Bahrain Athletics Association. A total of 180 teams took part, raising an estimated BD 25,000 for different charities in Bahrain.

Emotional intelligence workshop

As part of its commitment to promote women's empowerment, SICO organised a special workshop for 23 of its female employees, led by the CEO Najla Al Shirawi and Head of HR & Administration Nadia Albinkhalil. Conducted by two specialist coaches, the workshop explored how emotional intelligence, self-awareness, and social and communications skills, can help promote greater self-confidence, and personal and professional success.



New Joiners

Sumegh Borkar, Compliance Coordinator, Risk Management

Mohamed Alabbas, Sales Executive, Asset Management

Mohammed Elmenawi, Analyst, Asset Management

Ahmed Almudawi, Senior Officer, SICO Funds Services Company (SFS)

Oubada Mahmood Jawad, Head of Institutional Sales, SICO UAE

Promotions

Sayed Salman Alalawi, Senior Officer - Custody, SICO Funds Services Company (SFS)

SICO women honoured for contribution to banking

Four SICO women were awarded and recognised by HRH Princess Sabeeka bint Ibrahim Al Khalifa, Wife of His Majesty the King and Chairperson of the Supreme Council for Women, for 'their relentless efforts in supporting Bahrain's financial sector'. This took place at a special ceremony as part of the celebrations of Bahrain Women's Day 2015.

Ms. Najla Al Shirawi, Chief Executive Officer

Ms. Nadia Albinkhalil, Head of HR & Administration

Ms. Hanan Sater, former Head of Financial Control and current Board Member of the Bank's subsidiaries – SICO Funds Services Company and SICO Funds Company

Ms. Kulood Al Qatan, Independent Board Member of SICO Funds Services Company

In addition, Najla Al Shirawi and Nadia Albinkhalil were honoured by the University of Bahrain for their respective contributions to the Kingdom's banking sector.



New SICO Social Committee

SICO has established a new Social Committee, which is responsible for planning and coordinating social activities and gatherings to foster a greater community spirit among staff across the Bank. The members are Head of HR & Administration Nadia Albinkhalil; Fatima Mansour, Sarah Saeed and Khalid Al Kooheji from Financial Control; Najla Ebrahim from HR; and Ali Mohammed from Internal Audit. Activities arranged so far include a Bahrain Women's Day dinner, a National Day celebration lunch, a day out in the desert, and celebrating the tradition of Heya Beya on the occasion of Eid Al Adha with special give-aways for expatriate staff.

Latest CFA Charter Holder

Nitin Garg, a Manager with SICO Research, received his accreditation as a CFA Charter Holder at the 10th Annual Forecast Dinner and Charter Holder Award Ceremony of the CFA Society Bahrain. He is the ninth SICO employee to attain this highly-respected qualification, and joins an elite group of 201 CFA Charter Holders in the Kingdom of Bahrain. To earn the CFA designation, candidates must pass all three levels of the exam; have worked for a minimum of four years in the investment industry; sign a commitment to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct; and become a member of CFA Institute. Nitin joined SICO in 2011 as a Senior Analyst, and was promoted to his current position in



2015. He is responsible for covering the petrochemicals, fertilisers and healthcare sectors in the GCC. Before joining SICO, Nitin was an analyst with HSBC Global Research in Bangalore, India; and an engineer with Fluor Corporation, Gurgaon, India. He holds an MBA from the Goa Institute of Management, India; and a BSc in Mechanical Engineering from Punjab Engineering College, India..

CELEBRATING
20
YEARS OF SICO