SICO
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Informed
Financial Services

2022 ANNUAL REPORT

A NEW ERA OF RESILIENT GROWTH

A NEW ERA OF RESILIENT GROWTH

SICO has continued to grow across its footprint in Bahrain, Saudi Arabia, and the UAE. From its new corporate headquarters at the Bahrain World Trade Center, the bank is ready to embark on a new era of resilient growth.

His Majesty King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness Prince Salman bin Hamad Al Khalifa

The Crown Prince, Deputy Supreme Commander, and Prime Minister of the Kingdom of Bahrain

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About SICO

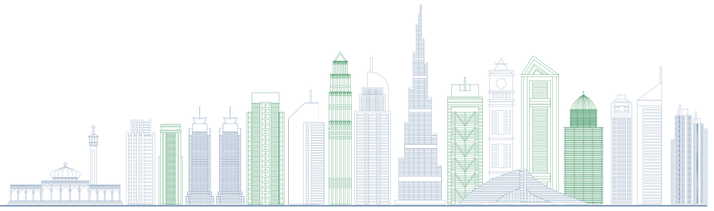
SICO is a leading regional asset manager, broker, market maker, and investment bank with USD 4.8 billion in assets under management (AUM). Today, SICO operates under a wholesale banking license from the Central Bank of Bahrain (CBB).

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

Bahrain
(Regional Headquarters)

KSA
(SICO Capital)

UAE
(SICO Financial Brokerage)



We continue to **maintain our leadership position and grow our AUM, demonstrating time and again that we are a resilient organization that delivers value for our clients and all our stakeholders.** Going forward, we are focused on establishing and growing our regional footprint and leveraging our capabilities in the region's largest growth market, KSA.

Vision

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

Mission

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

Values

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

Vision 2025

> SICO's ability to remain focused, and **to adapt and evolve** during challenging market conditions has been critical to business growth over the years.

The bank has time and again proven its resilience by remaining focused, and adapting and evolving during challenging market conditions, which been critical to business growth over the years. The bank has consistently managed to create opportunities and build a more resilient business during market downturns and periods of volatility. We have done so by staying focused on our strategy to better serve our clients and create the foundation for future growth.

Our **'Vision 2025'** strategy is a three-year roadmap that was approved by SICO's Board in 2022. It was developed with a detailed roadmap and outlines on actionable tasks and new projects that leverage our core strengths, giving clear roles and responsibilities for various teams throughout the organization.

SICO's Vision 2025 aims to:

- Deploy capital in an efficient manner to maximize returns
- Focus on high growth markets while preserving our lead in Bahrain
- Accelerate business mix to generate more durable revenues
- Deploy technology to diversify and grow our client base
- Create a comprehensive offering catering to a wider array of wealth
- Shift to an advisory model providing investment and financial solutions
- Enhance our reach and capabilities through joint ventures and partnerships

Key Business Objectives

SICO has identified key business objectives for each business line with detailed action plans and timelines to ensure that objectives are met in a timely manner.

Asset Management
Enhance position as a leading asset manager by expanding Shariah and alternative asset capabilities with a focus on the wider MENA region.

Brokerage
Become a regional broker leveraging direct presence in three key markets and enhancing partnerships while expanding capabilities in fixed income.

Investment Banking
Develop niche positioning in Saudi Arabia, while remaining the investment bank of choice in Bahrain.

Wealth Management
Introduce a regional wealth management platform offering a range of investment solutions for both institutions and individuals.

Security Services
Establish a regional securities platform offering a comprehensive range of security services using leading technology platforms and partners.

Regional Growth

Given SICO's newly established presence in the region's largest growth market, Saudi Arabia, the bank remains focused on establishing and growing its footprint, and leveraging its capabilities. During the current strategy cycle, growth is expected to be more organically driven by subsidiaries in Saudi Arabia and the United Arab Emirates. SICO will however remain open to pursuing inorganic growth opportunities on a very selective basis if and when the opportunities arise.

Integrating ESG

SICO is a responsible business that is working to integrate ESG into the investment decision process. We are now in the process of finalizing an ESG framework to drive our approach to responsible investment.

2022 Milestones

JANUARY

- SICO retains status as Number One Broker on the Bahrain Bourse for the 23rd consecutive year
- SICO expands Board of Directors to ten members with the appointment of Shaikh Waleed Khamis Al Hashar, CEO of Bank Muscat

MARCH

- SICO introduces new Asset Management Middle Office
- SICO Capital completes private placement transaction for Saudi Innova Healthcare Company

JUNE

- SICO publishes inaugural Greenhouse Gas Emissions (GHG) Report

JULY

- SICO launches 'Women in Investment' programme with CFA Society Bahrain
- SICO LIVE launches new eKYC onboarding feature

SEPTEMBER

- SICO completes advisory on Kuwait Finance House's 100% acquisition of Ahli United Bank
- SICO launches SICO LIVE Global platform

OCTOBER

- SICO acquires remaining stake in SICO Capital, making it a fully owned subsidiary
- Bank Muscat increases shareholding in SICO to 13.14%

NOVEMBER

- SICO's Top-20 Portfolio announces generation of cumulative returns of 152% at its five-year mark

DECEMBER

- SICO Capital establishes new securities services business line

2022 Awards

Bahrain's Best Investment Bank 2022 by Global Finance

Top 30 Asset Management Companies in the Middle East by Forbes Middle East

Best Broker in Bahrain by Arab Federation of Capital Markets (AFCM)

Best Sukuk Manager in MENA by Global Investor Group MENA Awards 2022

Best Broker in Bahrain by Global Investor Group MENA Awards 2022

Best Asset Manager in Bahrain by Global Investor Group MENA Awards 2022

Best Broker in Bahrain by Middle East Banking Awards 2022

Best Asset Manager in Bahrain by Middle East Banking Awards 2022

Best M&A House in Bahrain by Middle East Banking Awards 2022

SICO reinforced its leading market position during the year, receiving a number of notable recognitions for its commendable performance.

Chairman's Statement

Abdulla bin Khalifa Al Khalifa
Chairman of the Board

4.8 USD BN

A new record high for gross AUM

By all accounts 2022 has been one of the most challenging periods of economic, political, and environmental upheaval that we have yet to witness. The optimism fueled by the post-COVID economic recovery was quite short-lived when very early in the year Russia invaded the Ukraine. In addition to the profound humanitarian issues brought on by a war that is now entering its second year, we saw commodity prices spike, stock markets crash, and supply chain issues intensify. By mid-year, we were witnessing spiraling levels of inflation that have not been seen since the 1980's. To combat the soaring prices, the FED embarked on an aggressive tightening cycle that included a total of seven rate hikes in 2022 alone. Economists worldwide sounded alarm bells to signal that the world may soon be edging towards a prolonged period of recession.

In parallel with the economic turmoil, concerns about the environment, global warming and the clean energy transition continued to mount as we witnessed record-breaking heat waves in Europe, deadly floods in Pakistan and Nigeria, and energy supply shortages perpetuated by sanctions against Russia. It was no surprise that this perfect storm did not fare well for financial markets. Global stock and bond markets experienced massive selloffs and lost trillions in value during the course of the year.

It's safe to say that it was not a good year for investors, but the GCC remained a bright spot in 2022. Markets in our region were in a relatively stronger position than the rest of the world. Most GCC countries ended the year with a fiscal surplus on the back of higher oil prices that surpassed USD 80. While global markets were largely inactive, the GCC experienced strong IPO activity in 2022, particularly in the UAE and KSA. Our region outperformed other emerging markets and remains attractive as a defensive play.

But for financial institutions like SICO, with exposure to global markets, it was an exceptionally tough year that had a negative impact on our prop book performance. However, we still managed to close the year without losses despite the global market sell-off across asset classes.

SICO reported BD 3.6 million (USD 9.4 million) in consolidated net profit, a decrease of 44% compared to the BD 6.4 million (USD 17 million) recorded at year-end 2021. The lower investment income due to market sell-offs was offset by strong growth in other interest income as well as steady brokerage and net fee income for the year. Net fee income experienced a slight decline of just 5% for the twelve-month period, reflecting lower performance fees versus the previous year. Net interest income grew 43% year-on-year to BD 2.6 million (USD 6.9 million) while brokerage and other income recorded BD 2.5 million (USD 6.6 million) compared to BD 2.7 million (USD 7.1 million) in 2021. Earnings per share stood at 8.45 Bahraini fils down from 15.18 Bahraini fils in 2021, as a result of lower net profit for the year.

Solid operational performances across our lines of business are an ongoing source of pride, particularly in a challenging year like 2022. Our assets under management (AUM) hit a new record high at USD 4.8 bn on a gross basis reflecting an increase of 6% year-on-year. The SICO asset management team continues to outperform the market and to introduce new products and services in both Bahrain and KSA. Our investment banking division maintained its momentum in Bahrain with the successful completion of a large cross-border transaction, while carving out a niche in the Saudi mid-cap space, a promising segment where we can leverage our capabilities and years of experience as the investment advisors of choice in Bahrain.

> **Solid operational performances** across our lines of business are an ongoing source of pride, particularly in a challenging year like 2022.

We remain highly optimistic about our growth prospects in KSA, even more so now that we have completed the purchase of the remaining shares of our Riyadh based subsidiary, SICO Capital from Bank Muscat. Now that SICO Capital is a fully owned subsidiary of SICO, we are fast-tracking the consolidation between the two entities so that we can be better positioned to capture new opportunities across all our lines of business.

43%

y-o-y increase in net interest income

Heading into 2023, I believe that our ability to weather an economic downturn and to deliver recurring revenue growth is a key indicator of SICO's long term ability to perform under duress. It is what makes us a strong, agile organization that is capable of delivering positive returns for our clients irrespective of market volatility.

As we build an agile business increasing our digital adaptation across SICO's offices is a top priority and an integral component of our group strategy. Our new offices at Bahrain's World Trade Center are equipped with the most advanced systems and cybersecurity solutions but as technology continues to move forward at an exponentially fast pace, so must we.

The hallmarks of a resilient organization are preparedness, adaptability, collaboration, trustworthiness, and responsibility. SICO exemplifies all these qualities which is why I am optimistic about the future and look forward to embarking on a new era of resilient growth.

I wish to extend my utmost thanks and appreciation to my fellow Board Members, who have worked tirelessly to ensure that the interests of SICO's shareholders and stakeholders are met and that our talented management team receives that guidance and support that is necessary to navigate the volatility of the past years while staying true to SICO's core vision and strategy. All of you bring unique perspective to the table, and I am proud to be a member of such a diverse group of ladies and gentlemen.

To the senior management team at SICO, I am grateful for your hard work, dedication, and resourcefulness in the face of significant challenges. Your ability to stay the course and deliver on your targets is commendable to say the least. I look forward to our continued success across the region.

On behalf of the Board and the entire team at SICO, we would like to take this opportunity to give our humble thanks to His Majesty the King and His Royal Highness the Crown Prince and the Prime Minister of Bahrain, Salman bin Hamad Al Khalifa for the vision that they have set out for the country and the support they have given to the financial sector. Special thanks also go out to our partners and regulators, the Ministry of Finance and National Economy, the Central Bank of Bahrain, and the Bahrain Bourse (BHB) for the steadfast support they have given us over the years.

SICO's Executive remuneration in BD

Executive management	Total paid salaries and allowances	Total paid remunerations (Bonus)	Any other cash/in kind remuneration for 2022	Aggregate Amount
Top six remunerations for executives, including CEO and CFO	793,900	196,000	88,770	1,078,670

Details of SICO's Board remuneration in BD

Name	Fixed remunerations					Variable remunerations							
	Remunerations of the chairman and BOD	Total allowance for attending Board & committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
Independent Directors:													
Tala Fakhro	9,091	9,000	-	-	18,091	-	-	-	-	-	-	18,091	-
Non-Executive Directors:													
Naseema Haider [1]	9,091	9,000	-	-	18,091	-	-	-	-	-	-	18,091	-
Khalid Al-Jassim	9,091	8,000	-	-	17,091	-	-	-	-	-	-	17,091	-
Executive Directors:													
Shaikh Abdulla bin Khalifa Al Khalifa [2]	18,181	8,000	-	-	26,181	-	-	-	-	-	-	26,181	-
Hisham Alkurdi [1]	9,091	8,000	-	-	17,091	-	-	-	-	-	-	17,091	-
Waleed Al Hashar [1]	9,091	8,000	-	-	17,091	-	-	-	-	-	-	17,091	-
Mohammed Abdulla Isa	9,091	7,000	-	-	16,091	-	-	-	-	-	-	16,091	-
Khurram Ali Mirza [2]	9,091	7,000	-	-	16,091	-	-	-	-	-	-	16,091	-
Dana Raees [2]	9,091	7,000	-	-	16,091	-	-	-	-	-	-	16,091	-
Abdulla Kamal [2]	9,091	9,000	-	-	18,091	-	-	-	-	-	-	18,091	-
Total	100,000	80,000	-	-	180,000	-	-	-	-	-	-	180,000	-

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

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

Abdulla bin Khalifa Al Khalifa
Chairman of the Board

Hisham Al Kurdi
Vice Chairman

CEO's Note

A New Era of Resilient Growth

Najla M. Al Shirawi
Chief Executive Officer

Pundits looking at global economic indicators of the past year have every right to be anxious. Central Banks led by the FED are trying to fine tune that delicate balance between keeping inflation in check by raising interest rates and avoiding recession. At SICO, we have not been immune to the market turbulence of 2022 and we are well aware of the risks ahead, but we are also of the belief that its not all doom and gloom. Looking back on our overall performance for the past year, we still believe that our region and our business are resilient, and we are approaching the months ahead with equal measures of caution and optimism.

If we look at our 2022 results, we can see that it has been a year of two fortunes. On the one hand, we saw our fee income take a very minor dip of 5% year-on-year due to lower performance fees, we still managed to achieve a new gross AUM milestone of USD 4.8 bn, and our other interest income saw solid growth of 43% year-on-year on the back of further expansion in our leveraged asset management mandates. All very commendable achievements given the suboptimal market conditions that we experienced during the year.

On the other hand, the turbulent global market conditions that characterized much of 2022 led to a massive slide in equities and bonds that negatively impacted our investment income resulting in a 76% year-on-year decline. Despite the daunting set of challenges that we were faced with, our core business lines still managed to deliver a solid performance which helped us to offset the lower investment income and register reasonable levels of profitability while still creating new opportunities that leverage our strengths as a business.

But before we delve down into the details of our financial and operational performance in 2022, I would like to reflect on an important change that we have undergone during the past year. After 20 plus years at our old premises, SICO has relocated to a new home in Bahrain's iconic World Trade Center (BWTC). Our new offices at BWTC are not only more modern, spacious, and environmentally friendly, they are more befitting of where we are today and where we want to be tomorrow as a regional investment bank.

On the pages of this report, we wanted to give you a glimpse of SICO's new state-of-the-art headquarters. The modern, energy-efficient design and open workspaces are more conducive to the team spirit and collaborative work ethic that SICO embodies. The move is also indicative of the long-term investments that we are making in our business, not only in aesthetics and additional space, but also in systems and people. Along with the move to a new physical space we have upgraded and introduced new systems that are enabling us to serve our clients better and scale the business across geographies. Being able to provide a higher quality work environment for the current and future employees of SICO is also, in my opinion, one of the biggest wins of the past year.

All the changes that we have made in the past year are closely aligned with our strategy to grow and expand the businesses across our three geographies, Bahrain, Saudi Arabia, and the UAE. One of our biggest achievements in 2022 has been the completion of the transaction to acquire the remaining 27.29% stake that was held by Bank Muscat in SICO Capital, our fully owned subsidiary in KSA. The completion of this deal, that was originally structured in 2020, gives us a strong competitive advantage as a regional market player in the GCC's largest market. In 2022 we have made good progress on integration between the teams in Bahrain and SICO Capital in Riyadh but becoming fully integrated takes time, so it's still a work in progress. We did however, double our headcount and initiate a new custody and fund administration line of business in Saudi Arabia. Our 'SICO Money Market Fund' won the Best Performing Investment Fund Award in the category of Murabaha and Liquidity Funds with assets less than one billion riyals during 2022, while our 'Gulf Dividend Growth Fund' won the Best Performing Investment Fund Award in the Gulf Equity Funds category. The growth prospects for all our lines of business in KSA are extremely promising and we look forward to exploring them further in the coming year.

"All the changes that we have made in the past year are closely aligned with our strategy to **grow and expand the businesses** across our three geographies, Bahrain, Saudi Arabia, and the UAE.

Market Background

2022 was a year that was characterized by aggressive interest rate hikes, supply-side disruptions, military conflict, and Brent prices that fluctuated between USD 75-140. It was one of the worst years for fixed income, as the Fed embarked on an aggressive hiking cycle raising its rates by 4.25% to tame record inflation as commodity prices spiraled out of control post COVID-recovery and further exacerbated by the Russian invasion of Ukraine. Overall GCC fixed income markets were down 10.9% as high duration and investment grade papers sold off.

All of these market conditions led to a historic year of losses with global stocks and bond losing approximately USD 30 tn in value. Stocks measured in the MSCI All-World index experienced their largest annual loss since 2008 while global corporate and sovereign debt lost USD 9.6 tn in value.

Buoyed by strong oil prices, most countries in the GCC were in a relatively better position than their peers in 2022 ending the year with a fiscal surplus that will allow them to move full speed ahead with national projects, create new jobs for their citizens, diversify their economies away from oil and propel their gradual transition to renewable energy sources. We are confident in the GCC's ability to not only avoid recession but to achieve double the growth that is currently forecasted globally with Saudi Arabia and the UAE both taking the lead.

Operational Review

Given the prevailing market conditions, our strength and agility as a business were really put to the test in 2022, and I'm pleased to report that we delivered commendable results across the board that stand as a testament to the success of SICO's diversified operational strategy and its leading market position.

Throughout the year we continued to execute on our strategic objectives as outlined in our Vision 2025 which focuses on both organic and inorganic growth opportunities across our asset management, investment banking, brokerage, and custody and fund administration lines of business as we continue to work to introduce new products and services. Today we have established a platform, SICO LIVE Global, that allows clients to trade international stocks, ETFs, bonds, and mutual funds across more than 25 regional and global markets.

The asset management division delivered a strong performance and maintained its regional leadership position with a 6% increase in gross AUMs and 2% increase in net AUM to USD 4.8 bn in gross AUM and USD 4.2 bn in net AUM at year-end 2022. Our key funds continued to consistently outperform their respective benchmarks with SICO's flagship Khaleej Equity Fund outperforming the S&P Pan Arab Benchmark by 7.7% on a gross returns basis in 2022. The fixed income team's performance and ability to navigate volatility also helped them stay ahead in 2022 with their flagship conventional fixed income fund outperforming the Bloomberg GCC Bond index by 6.9%.

We have also further diversified our institutional client base and our AUM which now includes components of equities, a significant and material component of fixed income, money market, and real estate. This diversification adds further stability to an asset management business that is being consistently recognized as one of the strongest in the region. In 2022, SICO was named one of Forbes Middle East Top 30 Asset Management Companies in the Middle East and Bahrain's Asset Manager of the Year by the Global Investor Group MENA. Our award-winning Fixed Income team also received accolades as Best Sukuk Manager and the SICO Fixed Income Fund was named best performing GCC Bond Fund in 2022.

SICO's highly experienced investment banking team continued to lead the market in Bahrain. For the third consecutive year we were recognized as Best Investment Bank in Bahrain by Global Finance. One deal that we were particularly proud of this year was the successful completion of the cross-border acquisition of 100% of Ahli United Bank (AUB) by Kuwait Finance House (KFH). SICO investment banking was mandated as the Bahrain receiving agent, execution advisor, and cross-listing advisor for this historic deal that was three years in the making. It's now down in the record books as the 3rd largest banking acquisition in GCC history that has created the region's 6th largest bank and the 2nd largest Islamic lender in terms of asset size with USD 115 billion in assets. The offer received acceptances representing 97.273% of AUB's shares, far exceeding expectations and surpassing KFH's minimum condition of 90%.

More recently, the investment banking division was also mandated as an advisor for Bahrain Family Leisure Company B.S.C (BFLC) on a potential M&A deal with DGC Hospitality & Partners – a deal that will create a powerful F&B player in the Bahraini market. The team also advised Al Jazeera Tourism Company (AJTC) on the execution of a sale and purchase agreement for 100% of Novotel Al Dana Resort to Gulf Hotels Group. Both mandates are critical to the development of Bahrain's burgeoning hospitality sector and as always, we are proud to play a role in the growth of our national economy.

Brokerage activities were slightly lower in the face of market volatility, lower turnover and lack of liquidity but SICO Brokerage retained its ranking as the number one broker on the Bahrain Bourse for the twenty-fourth consecutive year. Our online trading platform SICO LIVE was revamped and enhanced introducing new functionality including eKYC onboarding. Our brokerage services are backed by SICO's top-notch Research that clients have come to trust as a leading source of information on companies and markets in the region. The valuable insight that our proprietary research provides has become increasingly important during times of uncertainty. In 2022, SICO's Top-20 Picks newsletter, which lists the GCC's top 20 stocks, has consistently outperformed its benchmark, the S&P GCC Index, generating a cumulative return of 152% since its launch in 2017. We are also proud to announce that we have launched a new Research mobile app which will increase the accessibility of our research to our growing base of clients across the region.

> On the environmental front, our crowning achievement for the year was the publication of our **first greenhouse gas (GHG) emissions report.**

SICO's Bahrain flagship fund, The Bahrain Liquidity Fund (BLF), represented 36% of the total traded value on the Bahrain Bourse in 2022. Given the decrease in the overall liquidly on the Bourse, the increased participation rate of the Fund highlights its importance during volatile times.

Our securities and fund administration business line has made great strides during 2022. Not only have we introduced a new full range of custody and fund administration services to the Saudi market, but we have also enhanced the existing service offering in Bahrain through SICO Funds Services (SFS). The automated solutions that we are providing allow investment managers to outsource their administrative overheads and enhance efficiencies.

These solutions are a part of our overall digitalization drive and the adoption of new digital solutions that will allow us to run all our operations more efficiently, provide better access to data, and ultimately offer better services to our clients. As we move to upgrade our digital infrastructure, cybersecurity has become vital to the safety and continuity of operations. Having a cybersecurity operations center with 24/7 monitoring of all SICO's systems to ensure that we are protected against any potential threats, is a milestone achieved in 2022, which will be further reinforced going forward.

ESG

Examining and measuring our 'impact' is key for us going forward; the impact of our operations on the environment, the impact of our programs on the community, and the impact of SICO as an employer on our people. We want to ensure that we are achieving the maximum positive impact on all fronts.

On the environmental front, our crowning achievement for the year was the publication of our first greenhouse gas (GHG) emissions report to measure the amount of carbon SICO and its subsidiaries emit as part of day-to-day operations. We take deep pride in being one of the first businesses in Bahrain to issue a report of this nature that will serve as the base line for us to to measure and monitor our impact and reduce our carbon footprint. As climate change continues to be a central issue on both government and business agendas, it is crucial that we step up our efforts to become a greener business.

Social responsibility is something that we have always taken seriously. There is a story behind everything we do which is why we carefully select each and every project and initiative that we support to make sure that our efforts are achieving the maximum benefit for our stakeholders. We believe that it's not just about the amount of money that we contribute but about the sustainability of an initiative and the multiplier effect that it can have on our communities.

> “**Our people are the backbone of our organization**, and we want to ensure that they are well-treated, well-trained, and well-rewarded.

Our people are the backbone of our organization, and we want to ensure that they are well-treated, well-trained, and well-rewarded. We pride ourselves on being a diverse, equal opportunity workplace that attracts and retains top regional talent. We also make an effort to develop talent internally and externally by partnering with entities that provide practical skills training for our people as well as for youth, and particularly women in our community who remain underrepresented in the financial sector.

The Year Ahead

I believe that the year ahead will be challenging, but one that still holds a great deal of promise for businesses that can deliver value. With all the talk of recession, we have not yet seen that materialize into reality, neither regionally nor globally. While Europe has some significant challenges, the numbers coming out of the US are still positive in terms of both economic growth and employment. Fourth quarter growth figures from the US were better than expected with 2.9% GDP growth, a strong job market and slightly lower rates of inflation which could lead the FED to ease the rate hikes. Of course, the picture is not all rosy, we are still seeing big companies in tech and finance layoff thousands of workers, consumer spending has gotten weaker, and it remains to be seen whether or not the US market will remain resilient.

From our perspective at SICO, we are well positioned to create value in 2023. Even if the worst-case scenario transpires and we do enter into a period of recession, we are preparing ourselves for a moderate to low growth environment. I don't believe that anyone should prepare for a severe scenario because that will simply result in zero risks and things will come to a standstill. Businesses should have contingency plans but for now it should be business as usual with some measure of caution when it comes to very risky assets.

Today both the government and the private sector have an excellent opportunity to do things better and faster while oil prices are up. Both public and private businesses have learned their lesson and are no longer taking high oil prices for granted. They are executing on their plans within this relatively vibrant environment. While interest rates remain high, we do have liquidity in the system, the diversification of our economies continues, and government private sector partnership is key for long-term projects that will have a positive impact on the economy.

We look forward to what's to come in the new year and are hopeful that the worst is behind us. Regardless of what 2023 has to offer, we are ready to tackle the challenges and embrace the opportunities. With a strong IPO pipeline, pro-business government reforms, and high oil prices that are expected to continue on the back of the OPEC+ agreement, we remain bullish on Saudi Arabia and expect that a large chunk of our business growth going forward will come from the Kingdom.

I would like to thank everyone who has helped us on our journey to becoming a regional investment bank, with particular thanks and gratitude to our Chairman, Shaikh Abdullah bin Khalifa Al Khalifa, and to the entire Board of SICO. Your steadfast support and dedication are a true asset to our business and one of the key pillars of our success.

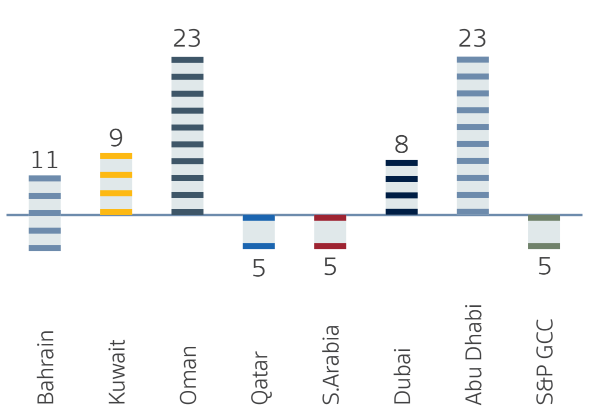
We would not be where we are today without the trust of our clients, shareholders, and partners, as well as the Central Bank of Bahrain and the Bahrain Bourse. We are truly fortunate to operate within such a reputable and supportive community of stakeholders. And to the SICO team, I am privileged to work alongside each and every one of you. I would like to express my utmost gratitude for your hard work, dedication and most of all to the ingenuity that you have demonstrated day in and day out. It is what has gotten us through the pandemic and the market turbulence, and it is what will help us reach our goals.

Najla M. Al Shirawi
Chief Executive Officer

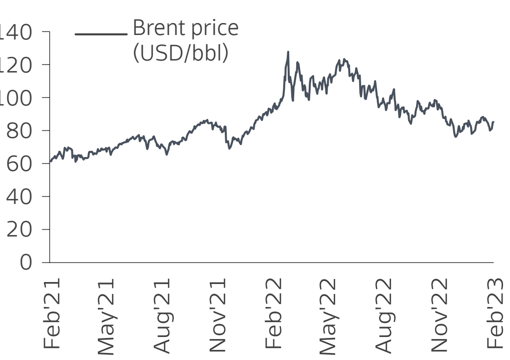
GCC Market Snapshot

GCC markets experienced high levels of volatility in 2022, with markets initially rallying supported by strong oil prices and an investor perception that the region was somewhat of safe haven from the volatility of the Russia–Ukraine conflict. But the positive sentiment was short-lived and market performance began deteriorating after May. The Fed began consecutive cycles of aggressive tightening as inflationary concerns started spiking. Brent also declined from its peak of nearly USD 140/bbl to USD 75-80 levels by the end of FY22.

Index Returns - 2022 (%)

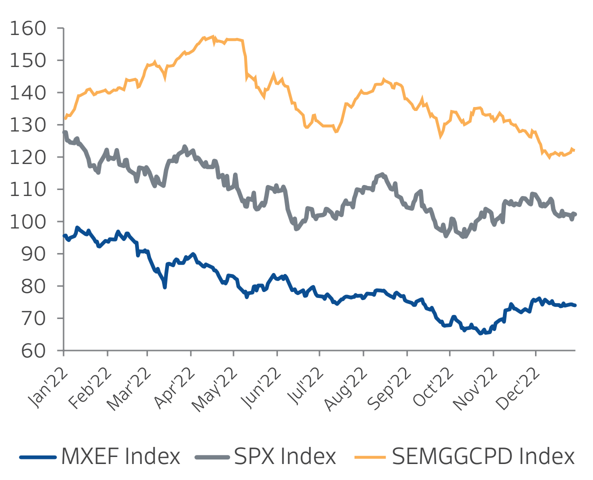


Brent Price
(USD/bbl)



Despite the market weakness in the second half of the year, GCC markets still managed to outperform both emerging and developed markets in FY22. Saudi Arabia and Qatar were the only two markets to close 5% lower y-o-y, while the rest of the GCC ended the year on a high note, particularly Abu Dhabi and Oman, both up 23% y-o-y.

Key Index Performance (normalized to 100)



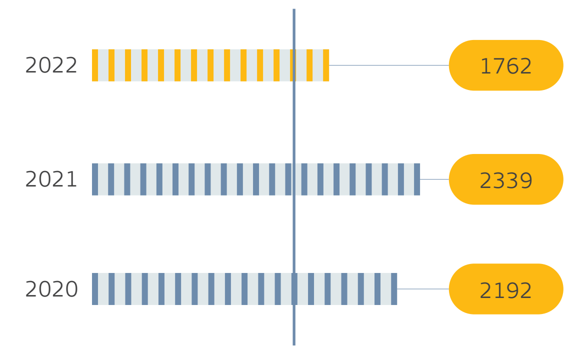
> Despite market weakness in 2H22, **GCC markets still managed to outperform** both emerging and developed markets.

However, the spike in interest rates led to a sharp decline in turnover during the second half with turnover across regional markets plunging 20-30% lower than it was in the first half of the year with the exception of Abu Dhabi. Within fixed income, GCC markets were down 10.9% as high duration and investment grade papers sold off in 2022.

Primary markets were unusually active with a total of 28 IPOs successfully completed during the year. 70% of the region's IPOs beat their respective benchmarks and generated positive returns for investors. The momentum is expected to continue in the coming year with a robust pipeline of offerings set to go public in 2023.

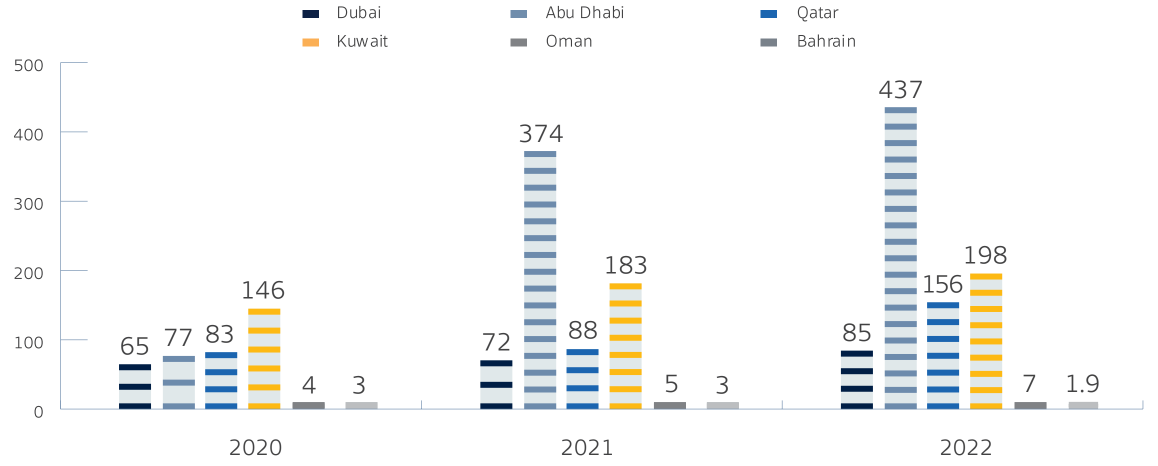
GCC Average Daily Turnover

Saudi Average Daily Turnover
(USD mn)



> **The spike in interest rates** led to a sharp decline in turnover during the second half of the year.

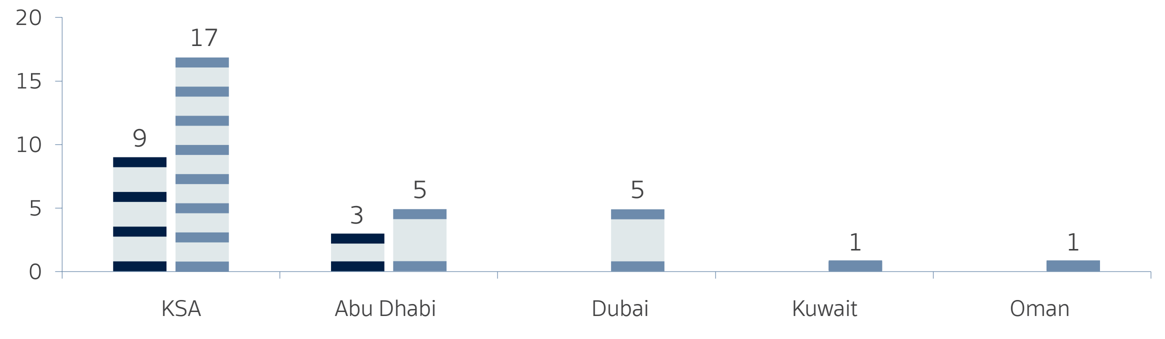
GCC Average Daily Turnover
(USD mn)



Expectations for **2023**

We can expect 2023 to bring its own set of challenges and uncertainty. Higher interest rates will affect equity and fixed income markets differently, but markets will also be keeping a close eye on how much further central banks will raise rates to keep inflation under control. A delicate balance needs to be reached to avoid a significant recession, given the slowdown in demand and capex that are the natural outcomes of higher rates.

IPOs in 2021 and 2022



A robust IPO pipeline indicates that investors will have opportunities to invest in **a diversified new basket of offerings.**

GCC markets will need certain triggers to ensure investor appetite remains high. A robust IPO pipeline indicates that investors will have opportunities to invest in a diversified new basket of offerings that are the first of their kind for some countries and sectors.

2023 seems to be a more promising year than 2022. While we believe that the Fed cycle is nearing a close in the first half, markets are underappreciating how long the Fed might have to stay restrictive. The conundrum that GCC fixed income markets will face is the prospect of lower treasury yields coupled with higher spreads and hence, we remain concerned that valuations are not compensating investors for the potential for recession-like conditions later this year.

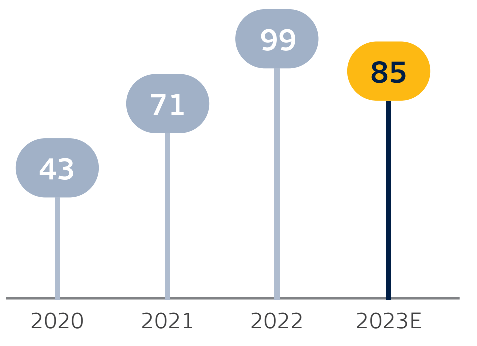
All eyes will also be on how quickly and effectively governments can channel excess liquidity from oil revenues into real spending on the ground to create a trickle-down effect in the economy. Pursuing long-term reforms will be equally essential. The UAE has committed to introducing a new corporate tax in the second half of 2023, the impact of which remains to be seen. Governments across the GCC will also need to provide more clarity on energy reforms and pricing for industry.

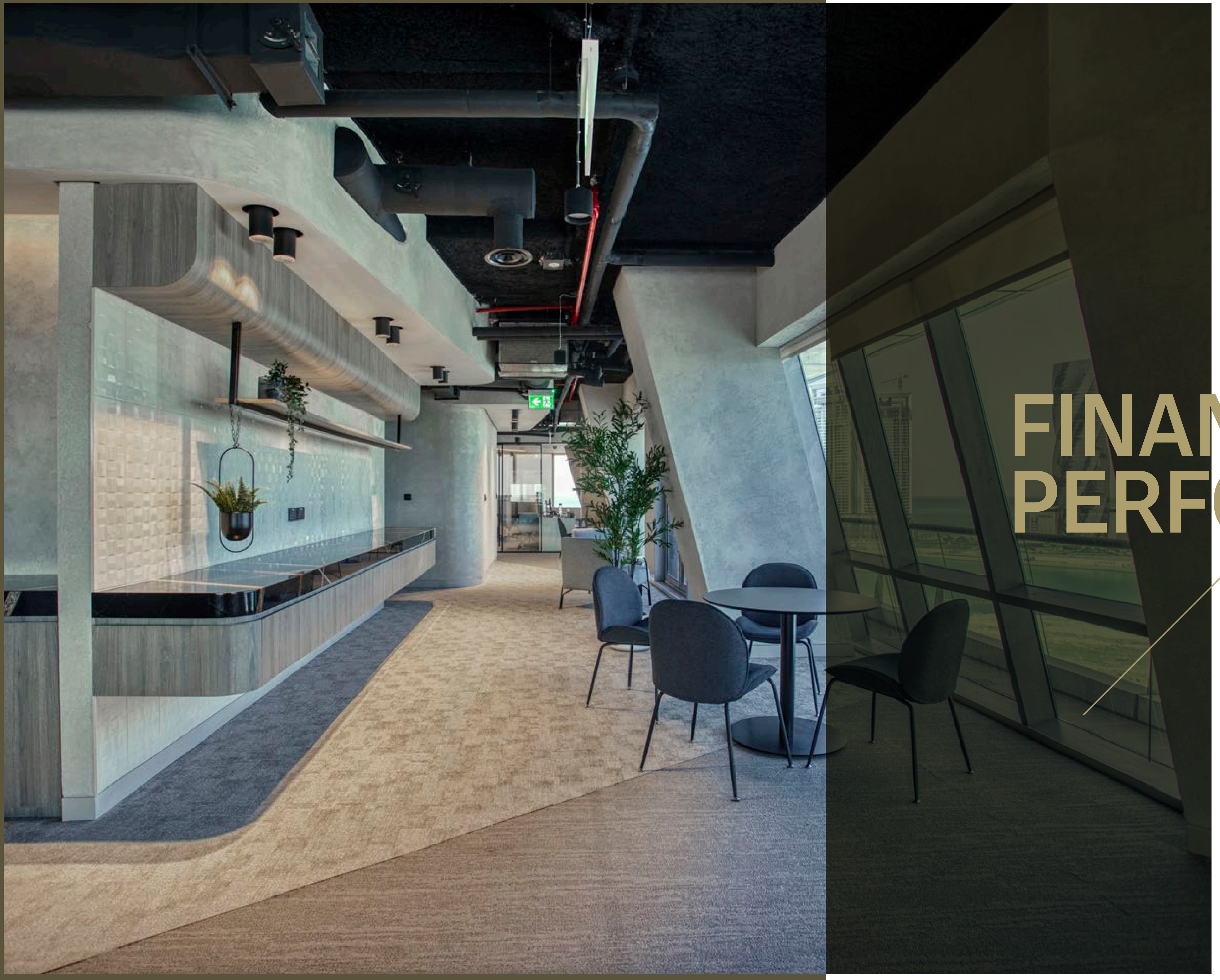
Export-focused commodity industries and oil will no doubt face risks if the US and Europe enter any kind of significant recession, but there is also upside from increased demand as China opens up post COVID restrictions.

A continuation of the OPEC+ agreement to manage supply and demand volatility will be essential to maintain strong oil prices during the year. However, there is broad market consensus that Brent will hover at the USD 80+ range in 2023. This implies that while we may experience an overall fiscal surplus decline y-o-y, GCC economies will remain in good shape with enough firepower to pursue critical projects. Accordingly, we believe in case of a broader sell-off in global markets, GCC markets are likely to outperform other EMs and global peers.

A delicate balance needs to be reached to avoid a significant recession, given the slowdown in demand and capex that are the natural outcomes of higher rates.

Average Daily Brent Crude Price
(USD/bbl)





2022 FINANCIAL PERFORMANCE

SICO's new premises at the Bahrain World Trade Center reflect the achievements of a 27-year journey, which has seen the bank transform into a leading regional financial institution that remains profitable despite market turbulence.

2022 Financial Highlights

3.61 BD MN
Net Profit
2021: 6.52 BD/MN

1.04 BD MN
Net Investment Income
2021: 4.44 BD/MN

2.63 BD MN
Net Interest Income
2021: 1.84 BD/MN

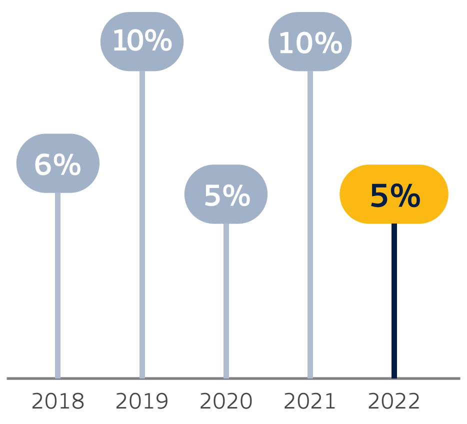
1.47 BD MN
Brokerage Income
2021: 1.65 BD/MN

8.02 BD MN
Asset Management & Other Fee Income
2021: 8.39 BD/MN

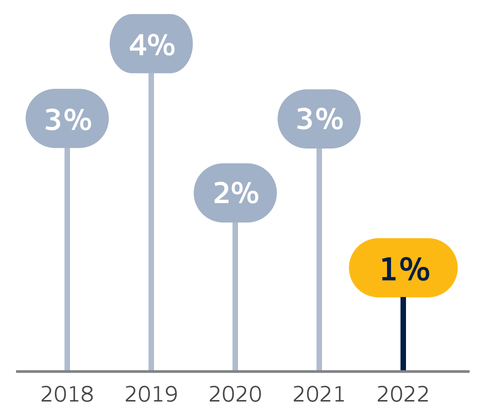
0.28 BD MN
Investment Banking Income
2021: 0.36 BD/MN

1.01 BD MN
Other Income
2021: 1.04 BD/MN

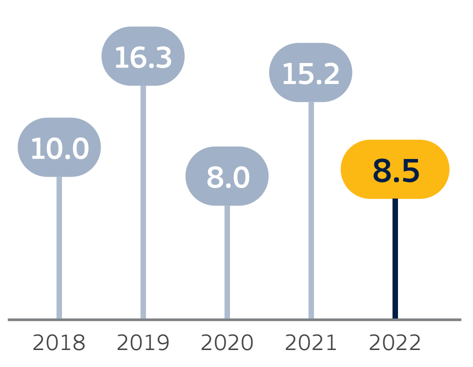
Return on Average Equity
Annual Ratio



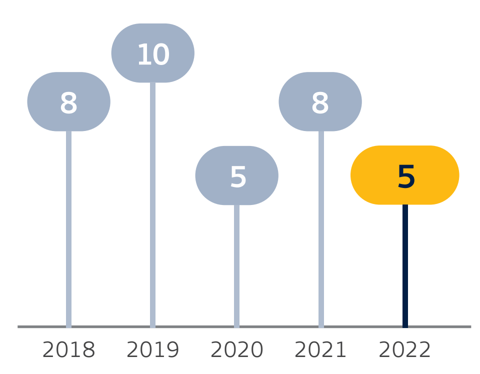
Return on Average Assets
Annual Ratio



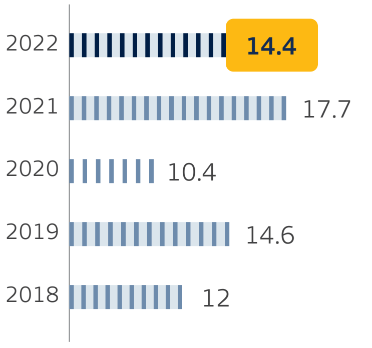
Earnings per Share (Fils)



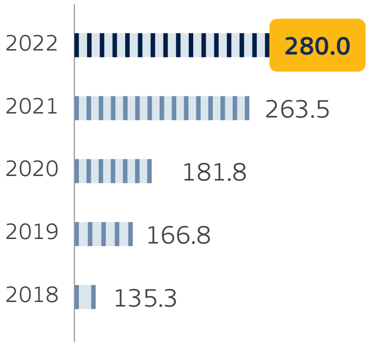
Dividends per Share (Fils)



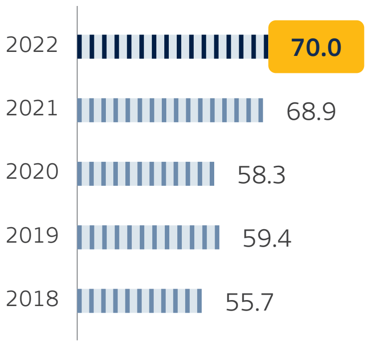
Total Revenues
(BD Million)



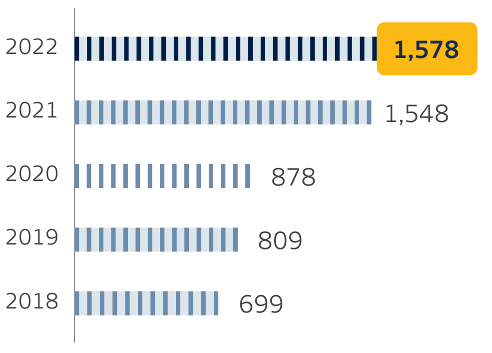
Total Assets
(BD Million)



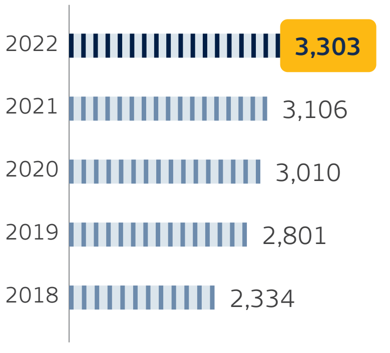
Shareholder's Equity
(BD Million)



Net Assets Under Management
(BD Million)



Assets Under Custody
(BD Million)



Management Discussion & Analysis

SICO booked a consolidated net profit attributable to shareholders of BD 3.6 million (USD 9.4 million), reflecting a decline of 44% from the BD 6.4 million (USD 17 million) recorded at year-end 2021. SICO's full-year performance was primarily weighed down by lower investment income due to the widespread selloffs in financial markets throughout the twelve-month period. Despite a challenging environment, SICO continued to effectively leverage its diversified operational strategies and market leading position to deliver robust short-term results and solid progress on its longer-term growth strategy. Lower net profit for the year reflected in a 44% y-o-y drop in earnings per share, which recorded 8.45 Bahraini fils in 2022 from 15.18 Bahraini fils in 2021. SICO's comprehensive income stood at BD 3.2 million (USD 8.5 million) in 2022, compared to BD 6.9 million (USD 18.4 million) in 2021, representing a 54% decline.

I. Appropriations

SICO's Board of Directors has recommended a dividend of 5% of the share capital, aggregating to BD 2.2 million (USD 5.9 million) equivalent to 5 Bahraini fils per share, subject to the approval of the Central Bank of Bahrain and the General Assembly. The amount proposed by the Board of Directors for 2022 marked a decrease from the dividend of 8 Bahraini fils per share distributed for 2021.

II. Asset Management

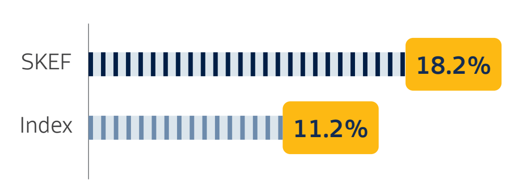
SICO's total Assets Under Management (AUMs) witnessed growth during the year on the back of new offerings and services expansions. On a gross basis (including leverage), SICO's total AUMs increased by 6% to BD 1.8 billion (USD 4.8 billion) in 2022 compared to the BD 1.7 billion (USD 4.5 billion) recorded on 31 December 2021. On a net basis (excluding leverage), total AUMs increased by 2% to BD 1.6 billion (USD 4.2 billion) in 2022, compared to the BD 1.5 billion (USD 4.1 billion) recorded on 31 December 2021. Management fees booked BD 5.4 million in 2022, up from BD 4.2 million one year previously, however, performance fees declined to BD 2.1 million in 2022 compared to BD 3.6 million in 2021.

SICO's flagship Khaleej Equity Fund recorded returns of 2% for 2022, maintaining its place as one of the best-performing GCC-focused funds. By year-end 2022, the Khaleej Equity Fund had yielded a five-year gross return of 16.9%, outperforming the benchmark by 7.4%. Meanwhile, SICO's Kingdom Equity Fund, which invests in Saudi-listed equities, generated a return of 0.7% for the year, markedly outperforming the wider market. The Kingdom Equity fund has achieved a five-year annualized gross return of 18.2%, significantly exceeding the annualized benchmark return of 11.2% for the period. SICO's Gulf Equity Fund, which invests in all GCC equity markets excluding Saudi Arabia, achieved gross returns of 1.5% in 2022, and three-year annualized returns of 12.5%.

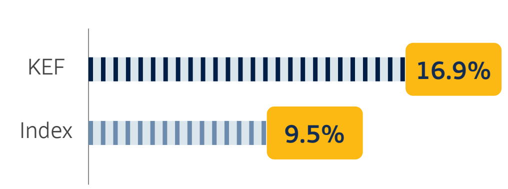
The SICO Fixed Income Fund recorded a decline of 3.9% in 2022, an outperformance of 6.8% compared to its benchmark. Bond prices fell due to an aggressive hiking cycle that saw the US Federal Reserve increase interest rates by a total of 425 basis points in an effort to tame inflation. Moreover, the impact of the Russia-Ukraine conflict coupled with the extraordinary post-COVID growth at a global level caused a significant increase in commodity prices and inflation reached its highest levels in over 40 years. This unfavorable environment saw the Bloomberg GCC Bond Index record a decline of 10.7% in 2022. However, the SICO Fixed Income Fund booked a solid performance.

SICO Capital's two funds, the Dividend Growth Fund (SCDGF) and the Capital Money Market Fund (SCMMF) have both yielded solid returns. The SCDGF achieved three-year annualized gross returns of 18.3%, largely outperforming the benchmark by 9.8%, while SCMMF generated five-year annualized gross returns of 2.7%, exceeding its benchmark by 1%.

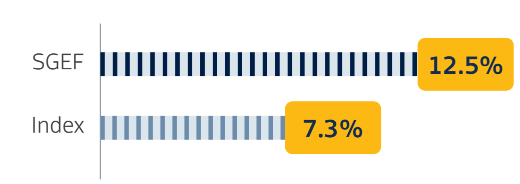
SICO Kingdom Equity Fund
5-Year Annualized Gross Return



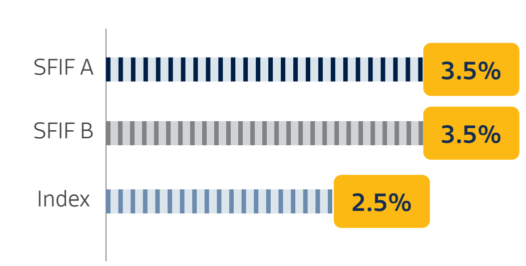
Khaleej Equity Fund
5-Year Annualized Gross Return



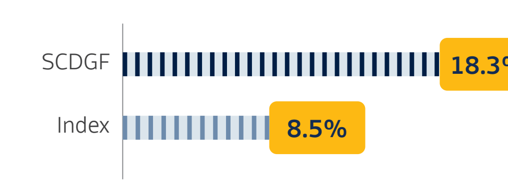
SICO Gulf Equity Fund
3-Year Annualized Gross Return



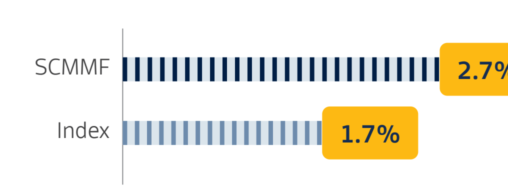
SICO Fixed Income Fund
5-Year Annualized Gross Return



SICO Capital Dividend Growth Fund
3-Year Annualized Gross Return



SICO Capital Money Market Fund
5-Year Annualized Gross Return



75.4%

capital adequacy ratio at year-end 2022

III. Securities Brokerage

Despite challenging global market conditions characterized by aggressive monetary tightening and inflationary pressures, SICO's Brokerage division continued to expand its product portfolio, widen its client base, and further cement its leading position in the Bahraini capital markets space. On this front, SICO Brokerage has, for the 24th consecutive year, ranked 1st place on the BHB, booking a market share of traded value at 50.89% in 2022.

The Brokerage division offers its services out of Bahrain and through its fully owned subsidiaries SICO Capital, based in Riyadh, Saudi Arabia and SICO Financial Brokerage (SFB), based in Abu Dhabi, UAE, and covers both the equity and fixed income markets. The division is dedicated to expanding its offering across key markets, including the UAE through SFB, as well as in Saudi Arabia through SICO Capital.

SICO Brokerage's income declined to BD 1.5 million in 2022 compared to BD 1.6 million one year previously. This was due to a decrease in overall brokerage activities on the back of higher volatility, as well as lower turnover and liquidity in key GCC capital markets space over the course of the year.

The division is looking to further capitalize on its Global Markets division, which provides clients with access to international stocks, bonds, ETFs, options, and other liquid tradeable asset classes spanning more than 33 countries and over 135 exchanges to boost the division's performance in the periods to come. Additionally, the division's international trading platform SICO LIVE Global, is anticipated to further enhance the division's performance as it continues to provide diversified and direct exposure to a variety of international asset classes, as well as benefit from the new functionalities it introduced in 2022 to provide a more seamless trading experience for users.

IV. Investment Banking and Real Estate

SICO's Investment Banking division has further cemented its position as a market leader in Bahrain's capital markets space and a powerhouse advisor that can execute transactions on various fronts, as well as tailor value-added services that perfectly cater to the needs of SICO's clients. The division's exceptional team of investment professionals has enabled SICO to manage initial public and secondary offerings, M&A deals, and advisory services across a wide spectrum of industries, covering both private and public entities.

The highlight of SICO's Investment Banking division for 2022 was the successful execution of a landmark cross-border USD 10.9 billion deal. On this front, SICO acted as Bahrain receiving agent, Bahrain execution advisor, and cross-listing advisor on Kuwait Finance House's (KFH) acquisition of Bahrain-based Ahli United Bank (AUB). The transaction marks the third largest banking acquisition in GCC history. This milestone transaction stands testament to the superior capabilities of SICO's Investment Banking division to deliver on complex and high-profile mandates, as well as its position as the advisor of choice in the capital markets space.

During the year, the division also acted as an advisor for Bahrain Family Leisure Company B.S.C (BFLC) on a potential M&A deal with DGC Hospitality & Partners, the food and beverage investment arm of Dividend Gate Capital (DGC). Another mandate was advising Al Jazeera Tourism Company (AJTC) on the execution of a sale and purchase agreement for 100% of Novotel Al Dana Resort in Bahrain to Gulf Hotels Group.

In its efforts to further expand its presence in the Saudi capital markets space through SICO Capital, the Investment Banking division successfully completed advisory on the sale of a 75% stake in Saudi Innova Healthcare, a leading healthcare service provider in the KSA. Furthermore, the Investment Banking division advised a prominent international school on the sale of a 30% stake to a strategic investor/private equity firm.

V. Proprietary Investments

SICO's proprietary investments are classed under three components: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortized cost (AC). Proprietary investments generated net investment income of BD 1.0 million in 2022 against BD 4.4 million one year previously, due to unfavorable market conditions seen over the course of the year.

VI. Treasury

SICO's Treasury division booked net interest income of BD 2.6 million in 2022, an increase of 44% from the BD 1.8 million booked one year previously. FX income contributed BD 917 thousand for the year. The strength and liquidity of SICO's balance sheet was evident in the Bank's capital adequacy ratio of 75.4% at year-end 2022.

VII. Market Making

Despite a decline in overall market liquidity in the BHB due to multiple external factors, including higher interest rates and the acquisition of Ahli United Bank by Kuwait Finance House (KFH), SICO's Market Making division booked solid results in 2022. The Bank recorded total market making income of BD 349 thousand in 2022, down from BD 459 thousand in 2021. BLF transactions contributed 36% of the total ADTV on the BHB in 2022, compared to 34% in the previous year. The challenging macroeconomic landscape saw the BLF generate returns of 1.98% in 2022, compared to 11.4% in 2021.

VIII. Securities Services

The division booked strong results during the year, recording a rise in total assets under custody to USD 8.8 billion from the USD 8.2 billion in 2021. Similarly, assets under administration increased to USD 2.5 billion in 2022 from USD 2.2 billion in the previous year. By asset type, assets under custody in 2022 stood at USD 6.9 billion for equity, USD 1.8 billion for fixed income, and USD 116 million for private equity.

2022 OPERATIONAL OVERVIEW

SICO is very proud to have achieved several strategic milestones across its business lines during the year, successfully creating value and making progress towards reaching its goals.

Asset Management

SICO's Asset Management division successfully navigated the volatility of 2022, outperforming peers and creating value by utilizing a research driven approach based on solid fundamentals, innovation, and product diversity

SICO Asset Management is a leading regional asset manager with a consistent track record of outperformance on its GCC and MENA mandates. SICO's team of renowned investment professionals bring over 50 years of combined industry knowledge that has helped them to successfully navigate market turbulence and expand assets under management despite a highly challenging environment. The division recently expanded its operations to Saudi Arabia through SICO's fully owned, Riyadh-based subsidiary, SICO Capital.

SICO Asset Management offers its clients access to a broad range of conventional and Sharia-compliant equities, fixed income, and money market securities, as well as real estate investment trusts (REITs) and private real estate funds across two geographies, Bahrain and Saudi Arabia. The team also manages various external funds on behalf of leading regional financial institutions. SICO's mutual funds and discretionary portfolios consistently outperform their respective benchmarks and maintain the highest rankings across various league tables.

Named one of Forbes Middle East's Top 30 Asset Managers in the Middle East in 2022, the current asset management team at SICO has worked together for over a decade. The longstanding team dynamic has allowed them to bring solid know-how to a client base comprised of large institutions, including pension funds, sovereign wealth funds, endowments, family offices, and private banks who look to them as trusted advisors and industry experts.

The Asset Management division's investment methodology prioritizes healthy, risk-adjusted returns, targeting assets with robust fundamental profiles, significant safety margins, and minimal downside risk. The team's exemplary performance over the

2022 Asset Management Highlights

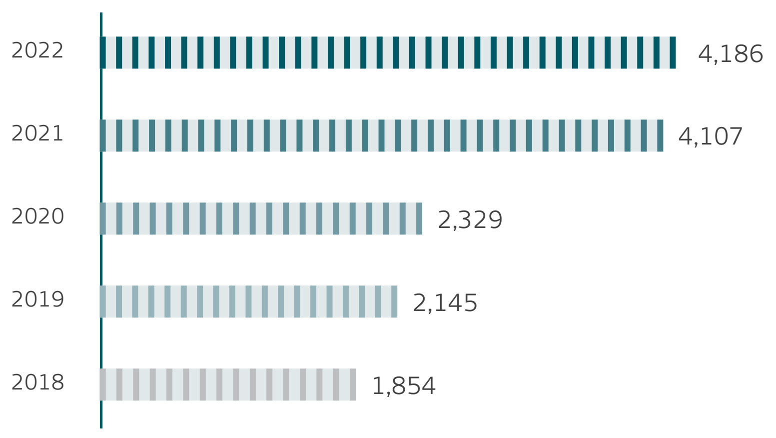
Ranked in the top quartile for all funds and mandates in both the Islamic and conventional space

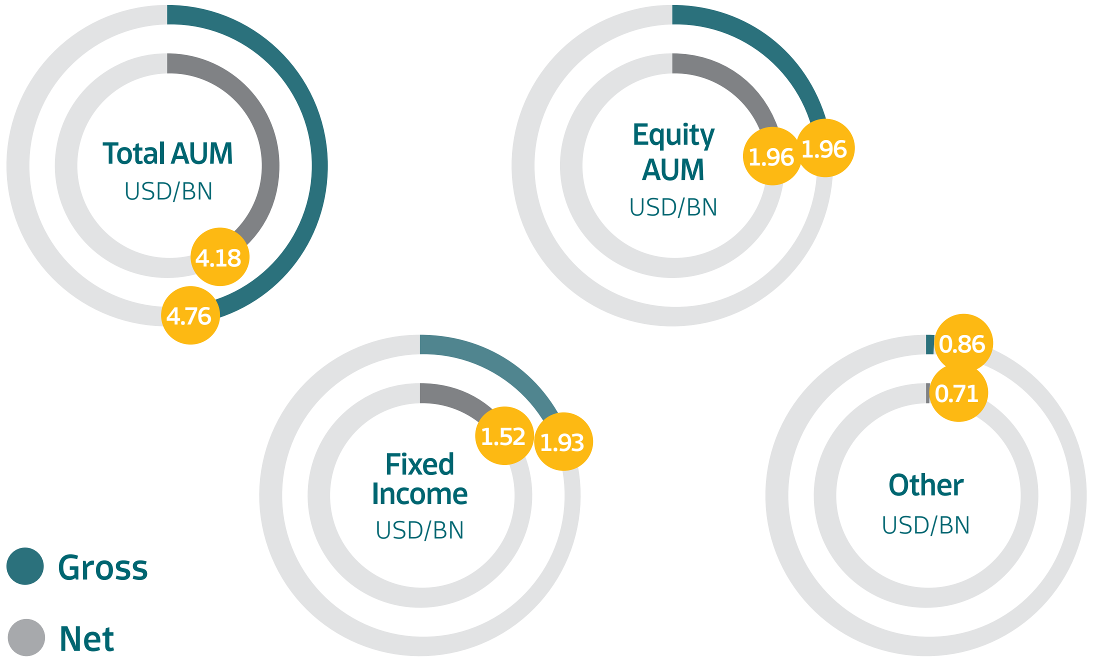
Assets under management remained stable across the board, with USD 4.8 bn in gross AUM by year-end 2022

Grew the repos business with expanded lines and limits for existing counterparties and entered new engagements

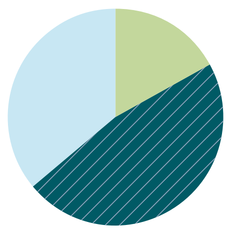
4.8 USD BN

in total gross AUM, an increase of 6% y-o-y, on the back of new offerings and service expansions



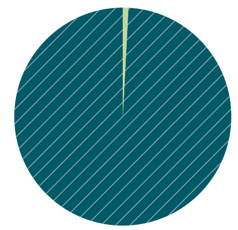


NET AUM by Asset Class



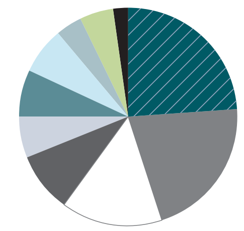
- Equity 47%
- Fixed Income 36%
- Others 17%

Net AUM by Client Type



- Institutional 92%
- Retail 8%

Net Composition of AUM



- Pension Fund 24%
- Financial Institutions 21%
- Sovereign Wealth Fund 15%
- Individual 9%
- Mutual Funds 6%
- Government 7%
- Endowment 7%
- REIT 4%
- Corporate 5%
- Insurance 2%

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

years is a reflection of their long-term investment approach. As fundamental investors, the team ensures that they have a good grasp of the underlying fundamentals of both the businesses and the industries that they invest in, placing greater emphasis on downside risk than upside gains.

By offering customized, value-added services that vary according to different risk profiles and investment objectives, SICO has consistently grown its AUM over the course of a successful track record of more than 20 years, the longest consistent track record in the GCC market.

2022 was an eventful year for both equities and fixed income asset management. With unprecedented global selloffs, central bank tightening, soaring inflation, and the war in Ukraine, the asset management team was challenged with pushing hard to replace the significant outflows from the market and to end the year with a net surplus in AUM. The team managed to close the year with positive gains on several of its funds and mandates, with a significant amount of alpha generated.

Outperformance on the downside is part of SICO's DNA. The division's track record shows that this is where their expertise comes into play and where they have typically excelled by sticking with a consistent investment strategy. Going forward, the division will continue to deploy the same model while working on alignment between the teams in Bahrain and Saudi Arabia. With an aligned common strategy, the asset management divisions in Bahrain and Saudi Arabia will work as one team to launch new products and increase AUM within the region.

A large proportion of the division's future growth is expected to emanate from Saudi Arabia once the alignment between the Kingdom and Bahrain is complete and stabilized. In 2023, new Saudi Equity and Saudi Islamic Funds will be launched, while the existing GCC Dividend Growth Fund (a MENA fund), will be rebranded as the Khaleej Equity Islamic Fund. The Elzaad Sukuk Fund, which will be launched in partnership with Wafra International Investment Company, will invest in a diverse portfolio of Sukuk and other Sharia-compliant fixed income instruments issued by sovereign, quasi sovereign, and corporate issuers globally, with a focus on the MENA region.

SICO was named Best Sukuk Manager in MENA by Global Investor Group MENA Awards 2022.

Brokerage

SICO Brokerage provides unique access to local, regional, and global markets backed by in-depth research, professional advisory services and on the ground presence in three regional markets: Bahrain, the UAE, and Saudi Arabia

Entering into its 24th consecutive year as Bahrain's number one broker, SICO Brokerage is backed by a highly experienced team of advisors, top-notch in-house research capabilities, and a world-class online trading platform for both local and international equities and fixed income securities. Maintaining the lion's share of the market at 50.89%, SICO Brokerage remains the undisputed leader on the Bahrain Bourse, providing access to equities, fixed income securities, and T-bills to a wide range of high-profile institutional and individual clients across the region. The division also offers margin trading facilities.

SICO's exceptional team of relationship managers and trading experts work alongside clients as trusted partners to help them attain investment objectives that cater to their specific preferences and risk profiles.

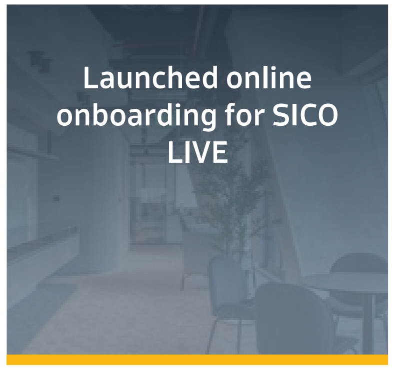
During the course of the year, SICO's regional online trading platform, SICO LIVE Regional, was revamped to introduce new functionality and a more seamless trading experience for users. The new and improved platform now includes a simplified digital onboarding experience and account authentication process. SICO LIVE is also in the final stage of launching a feature that will allow users to transfer funds between accounts.

Brokerage services in Saudi Arabia and the UAE are delivered through SICO subsidiaries, SICO Capital in Riyadh, and SICO Financial Brokerage (SFB) in Abu Dhabi, which offers equity and derivatives trading for retail and institutional clients on the Dubai Financial Market (DFM), Abu Dhabi Stock Exchange (ADX), and Nasdaq Dubai. SICO is currently in the process of acquiring two additional licences for wealth management and custody services in the UAE. The new services are due to launch in the second quarter of 2023, along with advisory services to complement the current offering in Bahrain.

In 2022, SICO Capital became an official member of the Saudi Exchange, Tadawul. In Saudi Arabia's highly fragmented financial brokerage sector which is dominated by bank-based brokerages, SICO Capital Brokerage ranked 26th on the Saudi Exchange with traded volumes of SAR 5.26 billion, representing 0.15% of the traded volume in 2022. As a relative newcomer during a highly volatile period where stocks measured in the MSCI All-World index experienced their largest annual loss since 2008, SICO's commendable performance bodes well for its future growth prospects in the Saudi market. SICO Capital Brokerage also launched its new e-trading platform, SICO Capital LIVE, and its online onboarding during the year.

“Brokerage maintained its **first place ranking on the Bahrain Bourse for the 24th consecutive year,** with a 50.89% market share of total traded value.

2022 Brokerage Highlights



2022 Performance on the Bahrain Bourse

SICO Performance on BHB	Amount	Market Share	Ranking
Total value of shares traded	BD 172.8 million	50.89%	1
Total volume of shares traded	488.6 million	45.50 %	1
Total number of transactions	15,649	44.78 %	1

Global Markets

SICO's Global Markets desk, which was established in 2020, provides clients with access to international stocks, bonds, and ETFs, spanning more than 25 exchanges in 17 countries through its SICO LIVE Global platform. Global Markets have been gradually ramping up access to different asset classes and markets over the past three years with the desk now providing access to the broadest range of international investments available to individuals and corporates through a single trading desk in the Kingdom of Bahrain.

2022 was extremely volatile for both global equities and fixed income asset classes. Both asset classes sustained significant losses, a rare historical event that has only happened three times since 1928. The last time that US stocks and bonds experienced such losses was 1969. Within this context, the year was characterized by broadly lower volumes as investors stayed away and showed more interest in short-term treasury bill securities, particularly towards the end of the year. Investors did however take advantage of the dip in long-dated bonds whenever they were able to find bargains yielding 8-10%, such as Bahrain sovereign bonds that mature in 2047.

Trading volumes in 2022 were also indicative of overall sentiment, with fixed income transaction volume standing at USD 1 billion in 2022, compared to USD 2.3 billion booked in 2021. USD 300 million of that was local paper (T-bills and Bahraini bonds) compared to USD 240 million that was traded in 2021. Trading volumes for global stocks were similarly down at USD 23 million for 2022 compared to USD 87 million in 2021.

SICO's global trading platform, SICO LIVE Global, was revamped and relaunched in 2022 to provide an easier, more transparent user experience that specifically caters to client needs and preferences. The new platform provides a more user-friendly interface, local funding transfers, and complete transparency of trading and investment fees.

Global Markets provides access to more than 25 exchanges in 17 countries through the SICO LIVE Global platform.

Investment Banking

Within the backdrop of a particularly challenging global environment, SICO Investment Banking continues to maintain its leadership position in Bahrain

SICO Investment Banking is a well-established market leader in Bahrain with a presence in Saudi Arabia. The investment banking team's unparalleled expertise in the Bahraini market and ability to deliver a comprehensive suite of tailored financial services for both large corporates and mid-sized players has made SICO the trusted partner of choice for both private and public sector clients.

Over the span of two decades, SICO has successfully executed complex deals and managed initial public and secondary offerings, M&A deals, and advisory services across a wide spectrum of sectors, including construction, tourism, real estate, telecoms, banking, insurance, consumer finance and education. From arranging primary and secondary issuances to deal structuring, valuations, and corporate and family business advisory services, SICO Investment Banking offers in-depth insights, textbook execution, and a flexible platform that provides innovative and fit-for-purpose solutions.

Leveraging its reputation as the go-to investment bank in Bahrain, SICO continued to target large players and publicly listed companies as its primary client segment in Bahrain, while in Saudi Arabia the investment banking team successfully negotiated and structured a number of mid-size transactions in defensive sectors such as healthcare, pharmaceuticals, and education.

The division's landmark transaction for 2022 was the Kuwait Finance House (KFH) acquisition of Bahrain-based Ahli United Bank (AUB) in a USD 10.9 billion deal. SICO Investment Banking acted as Bahrain receiving agent, Bahrain execution advisor, and cross-listing advisor on the deal, which stands today as the third largest banking acquisition in GCC history that has created the region's sixth largest bank and the second largest Islamic lender with USD 115 billion in assets. The transaction, which initially began in 2019 and halted for three years due to COVID, set new heights in the GCC M&A space. The offer received acceptances representing 97.273% of AUB's shares, far exceeding expectations and surpassing KFH's minimum condition of 90%. It was also the first major cross-border acquisition, the first Kuwait listed institution to cross-list in Bahrain, and the first use of the squeeze-out right. SICO's mandate required significant synchronization with numerous stakeholders including the central clearing houses of both countries and regulators.

2022 Investment Banking Highlights

The Investment Banking team continued to deliver on an ongoing advisory mandate for Mumtalakat, Bahrain's sovereign wealth fund and long-term partner of SICO. A phased transaction for the merger of Mumtalakat's wholly owned subsidiary, General Poultry Company, and Delmon Poultry Company which began in 2020, continued for its third year with negotiations on the share swap agreement. The transaction is currently in its last phase.

In the real estate and hospitality sectors, SICO Investment Banking has been actively pursuing high-profile mid-size transactions. During the year, the division acted as an advisor for Bahrain Family Leisure Company B.S.C (BFLC) on a potential M&A deal with DGC Hospitality & Partners, the food and beverage investment arm of Dividend Gate Capital (DGC). It also advised Al Jazeera Tourism Company (AJTC) on the execution of a sale and purchase agreement for 100% of Novotel Al Dana Resort in Bahrain to Gulf Hotels Group.

Elzaad Sukuk Fund, a new sukuk fund established in partnership with Kuwait-based Wafra International Investment Company to invest in sharia-complaint fixed income securities in the GCC, was successfully registered in Bahrain in 2022. An official fund launch across the GCC is expected to kickstart early 2023. The Islamic fixed income, open-ended fund will also be registered in Saudi Arabia and Kuwait and has been seeded with USD 25 million. Once the fund launches, it will be added to the portfolio of investments managed by SICO Asset Management and will leverage SICO's on the ground presence in Saudi Arabia.

Since 2016, SICO has successfully carried out its role as the placement agent for Carlyle, one of the world's largest asset management firms. In 2022, the division increased the number of funds that it represents on behalf of Carlyle to five funds in total in both private equity and real estate. SICO Investment Banking also acted as the sell-side agent for Bank ABC on their sale of a 2.5% stake in SICO for BD 1.9 million.

In line with SICO's strategy to introduce Wealth Management into the product mix, Investment Banking is in the process of structuring and launching a first of its kind regional Employee Savings Scheme (ESS) with SICO itself as one of the underlying portfolios of the scheme. The innovative fund, set up as a trust registered in Jersey, will offer strong benefits to employees investing a quota of their salaries, with SICO matching the contribution. Its ring-fenced assets portfolio includes global low-cost exchange traded funds (ETFs) that will be managed by SICO. Globally, the ESS will be administered by Intertrust Group in the Netherlands, while AON compensation consultants from the UK have been appointed as advisors. Once it is up and running, the ESS will be marketed to other large companies listed in Bahrain as a product within SICO's new wealth management practice.

SICO Capital completed advisory services on the sale of 75% of Saudi Innova Healthcare, a leading healthcare service provider in Saudi Arabia that runs a large number of polyclinics and pharmacies in addition to its distribution and warehousing operations. In the education sector, the division in Saudi Arabia successfully advised a prominent international school on the sale of a 30% stake to a private equity fund/strategic investor.

Market Making

With an eye on creating liquidity that builds the foundation for investor confidence, enhancing volumes, increasing valuations, and improving performance in the market, SICO has been a pioneer market maker for a number of largescale listed entities on the Bahrain Bourse (BHB). With a robust track record of over 28 years of success, SICO's Market Making division actively participates in bid and offer sides, narrows down price spreads, and creates a market for select stocks, post-IPO listings, cross listings, and mature listings. The division continues to maintain its role as the top market maker in Bahrain and since 2018, SICO has had licences to act as market maker on both UAE exchanges, the DFM, and ADX.

In 2016, SICO launched and co-seeded the Bahrain Liquidity Fund (BLF), originally valued at BD 41 million and reduced in size to BD 37.7 million in 2021. The BLF aims to create liquidity and to generate absolute returns for investors around the level of market returns. Since its inception, the Fund has gained traction and positive investment response, and continues to incur positive impact on market volumes, valuation, and performance.

In a year characterized by global market uncertainty, the Market Making division faced its fair share of challenges. Despite the decline in the BHB's overall market liquidity owing to a variety of external market factors, including higher interest rates and Kuwait Finance House (KFH)'s acquisition of Ahli United Bank (AUB), the BLF continued to have a positive impact on the BHB and the Market Making team delivered a solid performance in 2022.

The BLF maintained its position as an active participant and liquidity provider on the BHB in its seventh year running, despite the drop in overall liquidity during the year. BLF transactions in 2022 represented 36% of the total ADTV on the Bahrain Bourse, compared to the 34% recorded in 2021. The increase in the participation rate over the past year is testament to the weight of the Fund's role as a liquidity provider during times of market volatility. In terms of returns, the BLF generated a return of 1.98% in 2022, on the back of a difficult macroeconomic environment. This return includes cash dividends distributed to the Fund's unitholders.

36%

BLF's share of the total ADTV on the Bahrain Bourse in 2022

Securities Services

2022 witnessed significant expansion within SICO's securities and fund administration business with the launch of a full range of custody and fund administration services in Saudi Arabia and further enhancement of the existing service offering in Bahrain

SICO is a well-established fund services provider that has been offering custody services to clients in Bahrain since 2004. Known for its client-centric approach and active utilization of technology, tools, processes, and delivery platforms, SICO is considered one of the GCC's most successful and highly regarded fund service providers. In 2022, SICO launched its custody and fund services division in Saudi Arabia to capitalize on and complement its growing asset management business in the Kingdom.

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

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

> “**SICO offers a holistic set of solutions for investment professionals** designed to remove administrative overheads.

To deliver these best-in-class services to a growing customer base, SICO has an established roster of partnerships with leading international companies such as global fintech player, FIS, which provides fund services and alternative assets solutions and S&P Global Market Intelligence, a leading provider of financial information and solutions, for pre- and post-trade asset services.

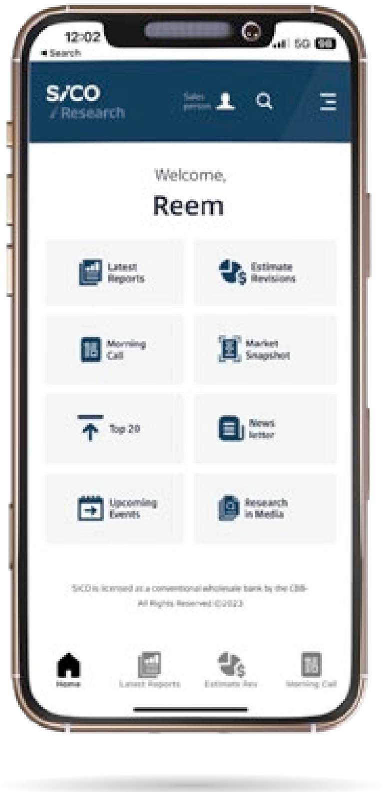
Going forward, the securities and fund administration business at SICO will look to maximize synergies between teams in Bahrain and Saudi Arabia with an eye on developing its service offering across the board and ensuring that its systems remain robust and scalable.

Research

SICO Research is a pioneer of sell-side research in the GCC, with a team that delivers in-depth products and insights that are utilized by a broad spectrum of clients within the GCC region and beyond. The division's team is comprised of eight expert analysts, many of whom are CFA charter holders, all concerned with producing high quality research that covers over 80 companies across 13 key regional sectors. Through its offerings, the division also provides clients with valuable and timely advice that assists in strategic decision-making processes.

In 2022, the SICO Research team continued to deliver its objective research reports, company analyses, newsletters, and periodicals, through which the division's analysts conveyed their insightful observations, revisions, and prudent viewpoints.

SICO Research's highly regarded Top-20 Portfolio, an equally weighted portfolio which comprises 20 diversified GCC stocks, has generated a cumulative return of 140% since its launch in November 2017. The Top-20 product has consistently outperformed its benchmark, the S&P GCC Total Return Index, which on a comparative basis delivered returns at 70% during the period. SICO Research's team has replicated a fundamentally strong diversified portfolio for its clients, with the Top-20 portfolio returning a positive 7.1% return versus a 4.8% decline for the S&P GCC benchmark index in 2022. The success of this product is a result of the team's close monitoring at a macro and company-specific level, and decisions to churn the portfolio at the beginning of each month (excluding exceptions).

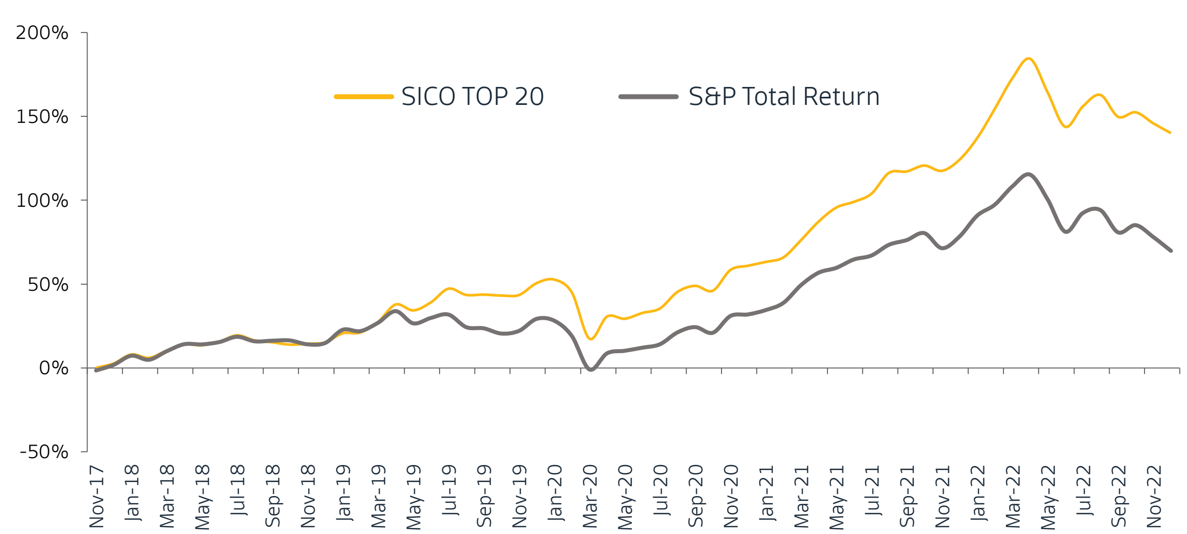


SICO Research invested in supporting client queries and requests regarding investment fundamentals, value, and market volatility. In addition, the team has been active in covering primary listings, providing objective timely valuations and recommendations, as the IPO scene in the GCC boomed in 2022. The team launched its new user-friendly research mobile application, an easy-to-use app providing timely insights and easy access to all research products, investment ideas, and their top stock picks within the GCC. Several research products, including the SICO Research portal, were also enhanced.

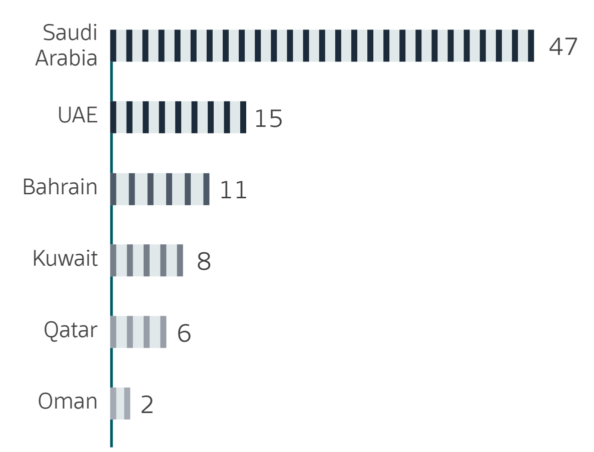
Research also conducted its second annual investor return assessment survey, a one-of-a-kind look into the economic and return expectations of investors across the GCC. This product serves as a point of reference, delivering empirical data and analysis for regional investor sentiment and expectations that will provide the division with an important pulse on the economies of the region.

SICO Research's Environmental, Social, and Governance (ESG) ratings service, launched in 2020, offers clients added value by displaying the ESG metrics for companies under coverage, a feature that has become increasingly central to the strategy of many companies. As part of its contribution to the investment community, the Research team has launched "The SICO Research House View", a podcast that acts as a platform to enhance client engagement and expand target audience. The team has also successfully hosted analyst and investor conference calls for listed companies across the GCC, furthering their reach within the investment community.

Cumulative Returns



SICO Research Coverage by Country



Companies Under Coverage by Sector

Reports Published

GCC Morning Call
Covers company updates, regional news, stock recommendations, and market performance.

GCC Market Watch
Published daily, provides and interprets latest market-related information.

Bahrain Daily
Published daily, provides and interprets information on the Bahrain equity market.

GCC Economics – The Numbers
Published periodically, analyzes data from the region's central banks.

SICO Alerts and Newsletters
Published periodically, these timely reports cover company, sector, and macro events, as well as insightful and actionable calls.

Oil Markets Update
Published monthly, tracks important data points for this major industrial sector.

Company and Sector Reports
Published regularly, tracks actively traded companies and major sectors in the GCC.

SICO Top 20
Published monthly, provides a list of the top 20 stock picks in the GCC and benchmarks its performance against the broader S&P GCC.

Investor Returns Requirements in the GCC
Published annually, analyses the results of a survey to gauge expectations regarding investor returns in the GCC for various asset classes.

GCC Strategic Outlook Reports
Published periodically, provides SICO's view and outlook on GCC markets.

GCC Equities – Quarterly Results Preview
Published quarterly, provides profit estimates for GCC companies under coverage.

GCC Equities – Results Snapshot in Charts
Published quarterly, analyzes quarterly profits of GCC companies under coverage in chart format.

Trading Activity
Provides monthly insight into trading activity across the region.

Investor Return Requirements in the GCC Report

SICO Research surveyed a group of C-Suite executives, investment and fund managers, business owners, and institutional investors in the GCC on their expectations regarding investor returns for various asset classes in the fourth quarter of 2022.

Minimum Unleveraged Required Return by Asset Class in the GCC

<table>
<tr><th>Asset Class</th><th>Saudi Arabia</th><th>UAE</th><th>Qatar</th><th>Kuwait</th><th>Oman</th><th>Bahrain</th></tr>
<tr><td>Listed Equities</td><td colspan="3">9-11%</td><td colspan="3">6-8%</td></tr>
<tr><td>10-Year USD Government Bonds</td><td colspan="4">3-5%</td><td colspan="2">6-8%</td></tr>
<tr><td>Real Estate</td><td>6-8%</td><td>9-11%</td><td colspan="4">6-8%</td></tr>
<tr><td>Private Equity</td><td colspan="6">Over 14%</td></tr>
<tr><td>Cash Deposits</td><td colspan="6">Over 3%</td></tr>
</table>

Source: SICO Investor Returns Assessment Survey 2022

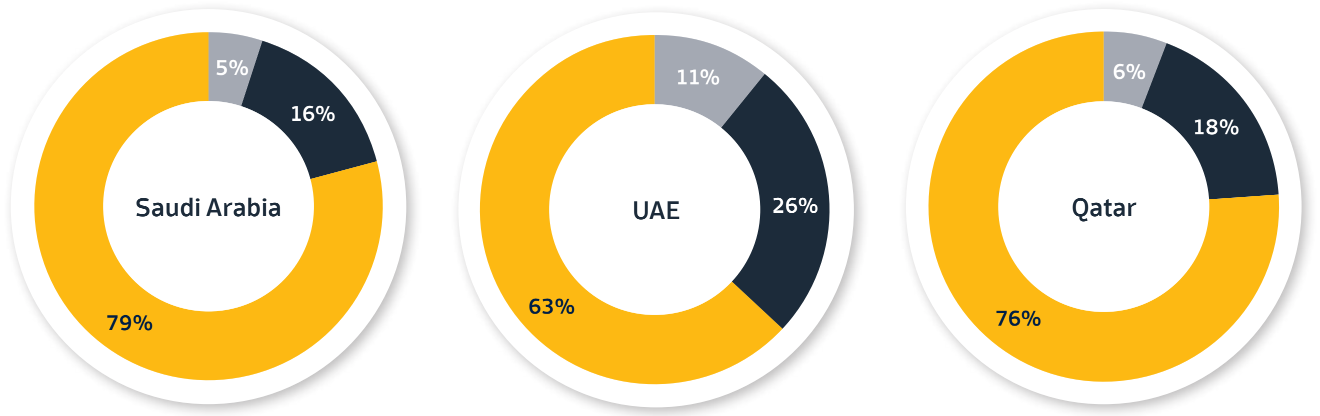
9-11%

Investor required annual return for Saudi Arabia, the UAE, and Qatar

>3%

Investor required annual return for cash deposits across all GCC countries

Investors are broadly optimistic of the economies of Saudi Arabia, the UAE, and Qatar



Digitalization and Infrastructure

Cybersecurity

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

In 2022, SICO signed a partnership deal with Beyon Cyber, a company that offers end-to-end cybersecurity solutions. The collaboration will improve the maturity of SICO's IT infrastructure and strengthen its cybersecurity architecture, offering increased confidence in its ability to safeguard against any external hazards. Beyon Cyber provided SICO with a managed Cybersecurity Operations Center (CSOC), with a dedicated professional team for 24/7 monitoring of all SICO's systems to ensure that they are all effectively protected against any potential cyber threats using advanced AI technology.

> **Protection against cyberattacks has become increasingly vital** to the safety and continuity of operations.

Advancing Digital Infrastructure

SICO has made several innovations throughout 2022 that have furthered its digital transformation agenda. Online trading platform SICO LIVE's customer onboarding was updated with the launch of eKYC services operated by the BENEFIT Company in collaboration with the Information & eGovernment Authority (iGA), under the supervision of the Central Bank of Bahrain. This new feature utilizes the national eKYC platform, an extensive online database enabling financial institutions to easily authenticate client identities and retrieve KYC data electronically without the need for in-person interactions. The new automated system allows customer onboarding to take place in real time, seamlessly and securely.

The relocation of SICO's offices to the Bahrain World Trade Center (BWTC) in 2022 involved the creation of a new, state-of-the-art data center, which stands today as a major step forward in the advancement of the bank's digital infrastructure. In preparation for the move, SICO digitized all of its paper archives – around 1.2 million files. These were all uploaded digitally and transferred to the bank's servers and portals, making them readily available for all end users. Plans are also in the works to begin the digitization of all the bank's backlog files with the goal of becoming a fully paperless operation. Printing across the bank's offices has become minimal, to be used only when necessary. For interactions that still maintain a fax requirement, e-faxing has been set up to further reduce paper usage.

Cloud Infrastructure

In alignment with a key component of SICO's digitization strategy, the bank continued making strategic investments in Cloud computation during 2022, moving it closer to its goal of becoming fully Cloud-based. Considerable progress was made during the year regarding the migration of systems to Cloud models for SICO and its subsidiary SICO Capital in Saudi Arabia.

RISK MANAGEMENT

Managing Risk at SICO

As the external risk environment becomes more and more complex, with heightened levels of both geopolitical and market volatility, the Risk Management function has become a critical component of SICO's ability to remain a resilient organization that can meet its targets and create value for its stakeholders. SICO's newly enhanced Risk Management function is responsible for identifying, measuring, and managing risk at both the group and business line levels. The department is continuously enhancing the framework that guides SICO's day to day operations and decision-making in a manner that takes into account market conditions, complex new developments in technology, and the regulatory frameworks in each of the jurisdictions in which SICO operates.

While the GCC is faring relatively well in comparison to the rest of the world with expectations of comparatively healthy growth continuing in 2023, it is not immune to contagion, and it is vulnerable if global asset allocators begin a flight to safety and withdraw capital from the region. However, the recent success of two very high-profile events, the World Cup in Qatar, and the Dubai 2020 Expo, have brought renewed attention to the region. Later in 2023, the UAE is also set to host the COP28 climate summit which will further reinforce the GCC's ability to successfully participate in global initiatives and set a strong example of global leadership.

SICO is a well-established financial institution with a diversified product offering and a footprint that currently includes three GCC markets, Bahrain, Saudi Arabia, and the UAE. We are ready and well positioned to meet the demands of these challenging times, delivering excellent returns for our clients. The Risk Management function at SICO is growing in strength and sophistication to deal with challenges, ensure that the highest fiduciary standards are met, and client expectations are exceeded.

External Risk Factors

In the time since the first outbreak and as the world has adapted to live with COVID-19 as an endemic pathogen, the post-pandemic world has become more complex and less cooperative.

Cybersecurity

Cybersecurity has always been a constantly evolving challenge for modern financial systems, with commonly available AI tools now increasing the sophistication of phishing and other social engineering attacks. Today, cybersecurity poses one of the main threats to operational resilience to a wide range of industries, not only financial services. In fact, the overwhelming majority of CEOs and boards worldwide now classify cybersecurity as a business risk and not just a technology risk.

Geopolitics

Geopolitical risks are a key concern as the conflict between Russia and the Ukraine enters its second year. A close eye must be kept on primary and secondary effects of the conflict in Ukraine on supply chains and the price of agricultural and energy commodities.

Globalization

The era of globalization which has for decades governed the way business and "just-in-time" supply chains are managed and investments are made is rapidly deteriorating with souring relations among the major powers, conflict in Eastern Europe and escalating tensions between China and Taiwan.

The Security of Global Marine Transport

An increasing occurrence of threats to shipping in the Gulf region is indicative of a decline in the security of global marine transport which can result in critical choke points for energy and other commodities. The potential vulnerability of the system is evidenced by the attacks on oil tankers in the Gulf of Oman in 2019 and the drone attack on a gas transport ship in November 2022. High profile problems in the Suez Canal also highlight the potential risks to global supply chains if shipping networks are disrupted.

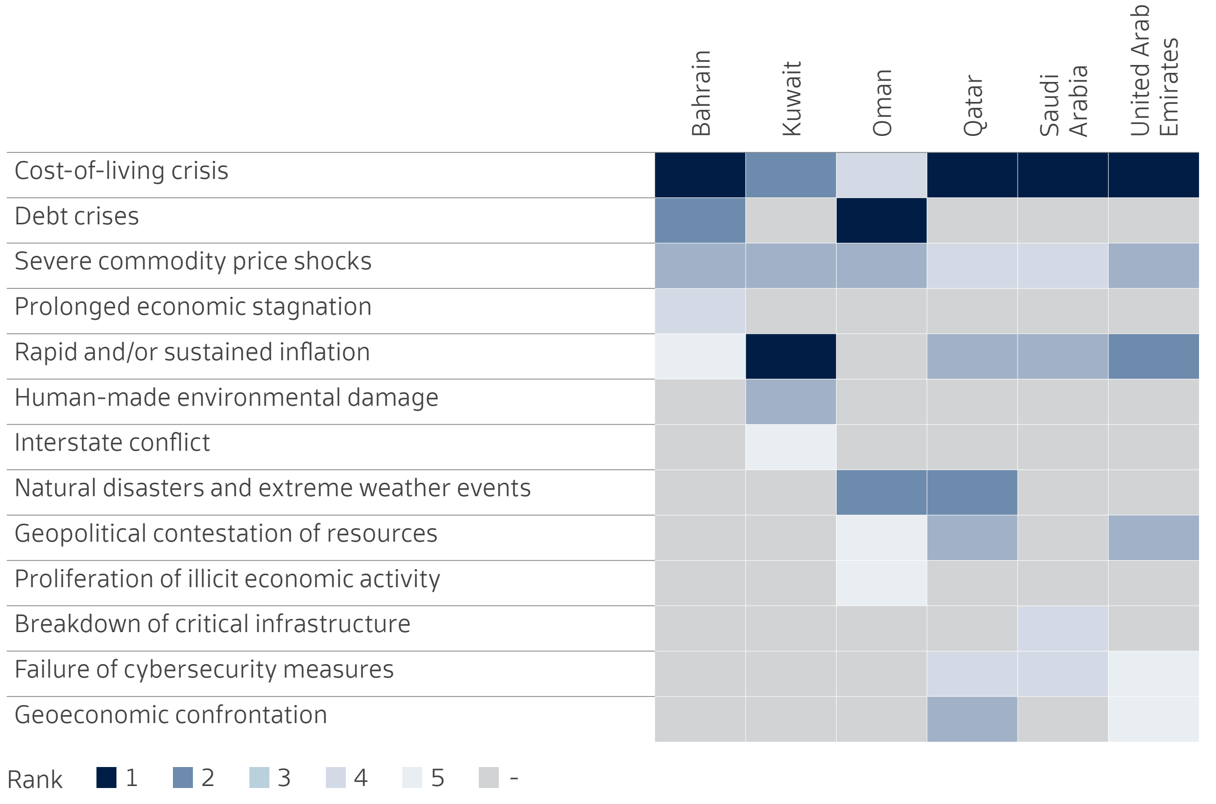
Inflation

Inflationary pressures are being felt worldwide and the Gulf region has not been entirely spared. The "cost-of-living crisis" propagated by the impact of higher inflation and rising interest rates on economic growth in the region are impacting the market as major drivers of risk and features at the top of the list of concerns for regional executives surveyed by the World Economic Forum.

Higher Interest Rates

A global economic slowdown, rising inflation, slower growth, and higher interest rates will result in a concurrent tightening of margins and increased debt servicing costs for businesses. This will likely prove too great a burden for companies that are only able to survive in the era of cheap financing, flowing supply

WEF GCC Risk Executive Survey Results 2023



Source: World Economic Forum Risk Report 2023 chains and lower costs. The rate of companies defaulting on their debt or being forced into restructuring or acquisitions will likely increase.

Macro Hedging Strategies

The correlation of fixed income and equity markets during periods of heightened volatility will reduce the effectiveness of traditional macro hedging strategies. This change in the behaviour of asset class correlations is challenging longstanding concepts of portfolio management.

Climate Change

The escalating urgency of climate change and its impact on economies, and markets continues to dominate the global agenda as extreme weather events increase in frequency and severity, and conversations on loss and damage take center stage.

Demographics

Healthy demographics in the region, and the power to attract skilled labour from all over the world will continue to be beneficial for the GCC, even as other areas of the world face the demographic challenges of an aging workforce that places additional pressure on state services. Business and economic decisions taken now will have amplified effects on the future due to these demographic shifts. By increasing investment in training highly skilled GCC nationals, and focusing on economic diversification, GCC governments are planning and investing for the future.

Internal Risk Priorities

Cybersecurity

Cybersecurity tops the list of SICO's internal risks. Workshops organized for Bahrain's banking sector by the Central Bank of Bahrain (CBB) have addressed the development of cybersecurity practices within the sector at large. SICO has also been represented at discussion forums on cybersecurity held by the Bahrain Association of Banks. In 2022, SICO further strengthened its cybersecurity practices by partnering with a leading cybersecurity services provider and bolstering its internal talent with the appointment of a new Information Security Officer with excellent credentials and expertise.

Credit Risk

SICO's credit risk environment is stable with a high-quality set of controls in place to monitor fluctuations. We remain conscious of the macro economic challenges that can result in secondary impacts on credit risk, such as increasing default rates, and declines in the quality of collateral.

Changes in the Business

An ongoing rapid rate of change for SICO, presents a set of challenges, but the Risk Management function is an active partner to the business that is up to the task of ensuring that these developments and enhancements are delivered seamlessly without compromising the quality of the client experience or the resilience of operational processes. Our clients' best interests are our top priority, and our fiduciary responsibilities are key.

Going Forward

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

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

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

An active and flexible Risk Management function at SICO ultimately gives the bank a competitive advantage.

Control Functions

Compliance and Anti-Money Laundering

As a Licensed Conventional Wholesale and Listed Bank, SICO has put in place comprehensive policies and procedures to ensure full compliance with all relevant rules and regulations by the Central Bank of Bahrain (CBB), the Bahrain Bourse (BHB), and other regulatory authorities. In keeping with Basel and CBB guidelines, the Bank has established an Independent Compliance Department, which acts as the central coordinator for all matters related to regulatory reporting and other requirements. The department is also responsible for ensuring compliance with CBB regulations for anti-money laundering (AML) and counter-terrorism financing (CFT), which are managed by a designated Money Laundering Reporting Officer (MLRO) and Deputy MLRO. During 2022, SICO remained compliant with the latest regulatory requirements by the CBB and BHB. An overview of SICO's corporate governance framework, plus a report of key developments during the year, are covered in the Corporate Governance Review section of this annual report.

Risk Management

SICO's Risk Management Department is responsible for establishing the risk management framework and appropriate risk guidelines to assist the bank in achieving its strategic and business objectives. The department provides leadership, direction, and coordination in implementing the risk management framework across the entire organization. This entails a systematic process of identifying, assessing, and mitigating the principal business risks facing SICO by establishing appropriate controls to manage these risks; and ensuring that appropriate monitoring and reporting processes are in place. The bank has established a risk management function that is independent of its risk-taking (business units) functions and reports directly to the Board Audit, Risk & Compliance Committee. During 2022, Risk Management under the leadership of the newly appointed Chief Risk Officer continued to play a pivotal role, ensuring that SICO remains strong, methodical, and consistent in the face of economic uncertainty. The department also carried out updates of all the relevant risk management frameworks in the light of the changes in business and also ensured compliance with the applicable regulatory requirements. An overview of SICO's risk management framework along with the governance structure are covered in the Risk and Capital Management section of this annual report.

Internal Audit

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

During 2022, the department met quarterly with the BARC, and presented the results of internal audits performed in line with the Board-approved risk-based internal audit plan. As outlined by the approved audit plan, key operational, business, and management processes and divisions, including certain aspects of subsidiaries such as SICO Capital KSA and SICO Financial Brokerage UAE were reviewed. Internal Audit also carried out spot check reviews on an ad-hoc basis covering various areas based on Management's request, with the results being presented to the Senior Management/BARCC. Supporting the Banks strategy and initiatives in the integration of SICO's Saudi Subsidiary SICO Capital, the department is also working with relevant local management.

During the year, the department fully revised and updated its policy and procedure framework and charter, and successfully underwent an external quality review with only minor recommendations for enhancement. The department also significantly enhanced and made changes to internal audit reporting and formats. The department also assisted with various consulting assignments.

> SICO has put in place **comprehensive policies and procedures** to ensure full compliance with all relevant rules and regulations by the Central Bank of Bahrain (CBB), the Bahrain Bourse (BHB), and other regulatory authorities.

ENVIRONMENTAL SOCIAL, GOVERNANCE (ESG)

SICO takes pride in being an ethical organization that prioritizes diversity, environmental sustainability, and sound governance throughout its operations.

Making an Impact

SICO is committed to responsible investing and integrating ESG into all levels of its operations

As a regional investment bank, SICO strives to be ahead of the curve by aligning its ESG policies with international best practices from leading independent global organizations including the UNPRI, the world's leading proponent of responsible investing, and the UNSDGs.

SICO takes pride in being an ethical organization that prioritizes diversity, environmental sustainability, and sound governance throughout its operations. Accordingly, the bank is working to integrate ESG considerations into the fabric of its operations which allows the Bank to create long-term value for all stakeholders, including clients, partners, employees, and the community at large.

Environmental Social, Governance (ESG)

Environmental

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

Social

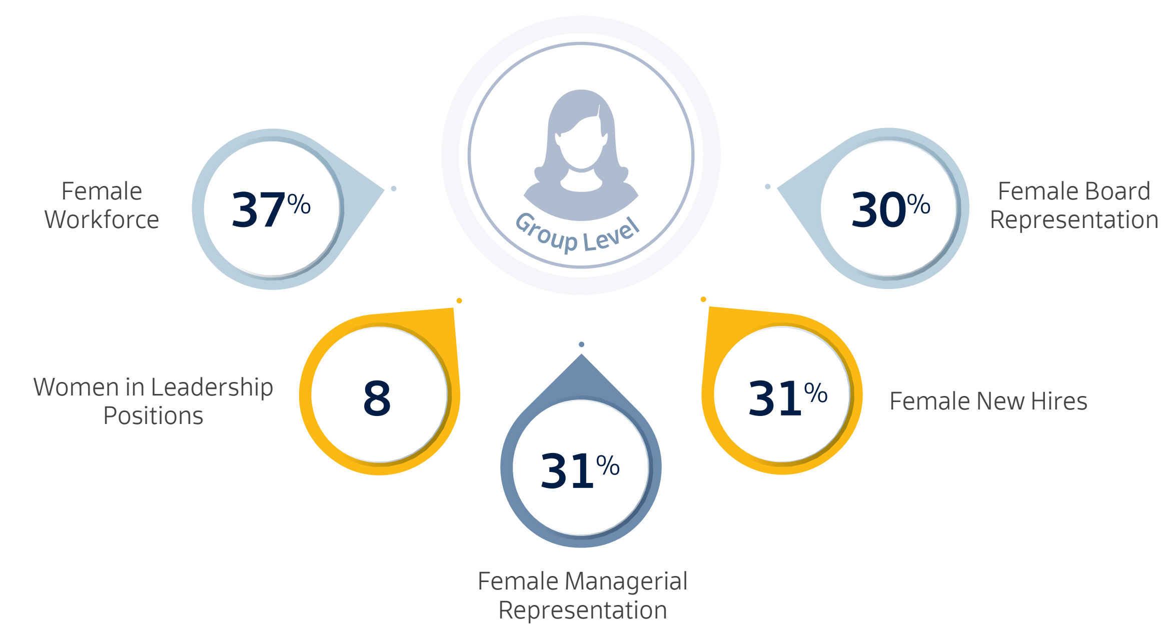
Investing in human capital by focusing on women's empowerment, diversity and inclusion, education, and access to employment

Governance

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

Supporting Our People

SICO prides itself on being an equal opportunity employer with a diverse workforce, and a culture that promotes the empowerment of women. The bank has been led by its first female CEO, Najla Al-Shirawi, since 2014, and 31% of managerial positions are currently held by women. SICO is proud to have a diverse Board of Directors that includes 30% women. Overall, 37% of SICO's total workforce is made up of women, with eight currently in leadership positions. The bank's equality initiatives are led by an Equal Opportunity committee created in 2017, that works to ensure equal employment opportunities and an ongoing enhancement of policies, procedures, and practices to promote gender inclusion and diversity.



A key operational milestone in 2022 was the relocation of SICO's offices to the Bahrain World Trade Center (BWTC). All three floors include communal areas where colleagues can sit, talk, eat, and bond in a comfortable relaxed setting. The layout of the departments and offices also includes collaborative spaces that provide the ideal environment for brainstorming, connecting, and teamwork with phone booths and meeting rooms available for more private and quiet assemblies. Prayer rooms are also adequately provided to allow employees to practice their faith, and wellness rooms have been introduced for the first time as lactation spaces for new moms, and as quiet spaces for employees and guests in need of a boost of energy.

SICO's HR department implements an open-door policy to encourage employees to voice their opinions and to promote a culture of transparency, develop trust, and facilitate the implementation of changes that positively impact workplace efficiency and productivity.

Developing talent within the organization through mentoring and training is a top priority at SICO. Training courses covering everything from banking and finance to soft skills, leadership and management, risk, anti-money laundering, and diversity and inclusion were conducted over the course of the year in cooperation with leading global and local experts such as the Bahrain Institute of Banking and Finance (BIBF), Roshcomm, Bloomberg, Berkeley Law, and Thomson Reuters Compliance Learning, among others.

Training

81 Employees

90 Training Sessions

Total Hours 2,971

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

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

SICO constantly strives to introduce new benefits to support its employees. The bank's new employee saving scheme (ESS) allows employees to opt into a savings plan by designating a portion of their monthly base pay with a guarantee that SICO will match the amount with a cash contribution of a similar amount, subject to a maximum cap and a vesting period. Employees will be able to select one of three global options (aggressive, moderate, conservative) according to their personal investment needs. SICO's Global Markets team will invest the savings in diversified, low-cost liquid investments that are ring-fenced according to international best practice. The ESS, which is expected to officially launch in Q1 2023, was designed in consultation with multinational insurance company, Aon. The bank additionally introduced Female Spouse Medical Insurance as an added benefit to employees in 2022.

81% Bahraini Nationals at SICO and SFS

15 Nationalities Represented

Total Employee Gender Breakdown

52 Female

92 Male

Total 146

37 Average Age

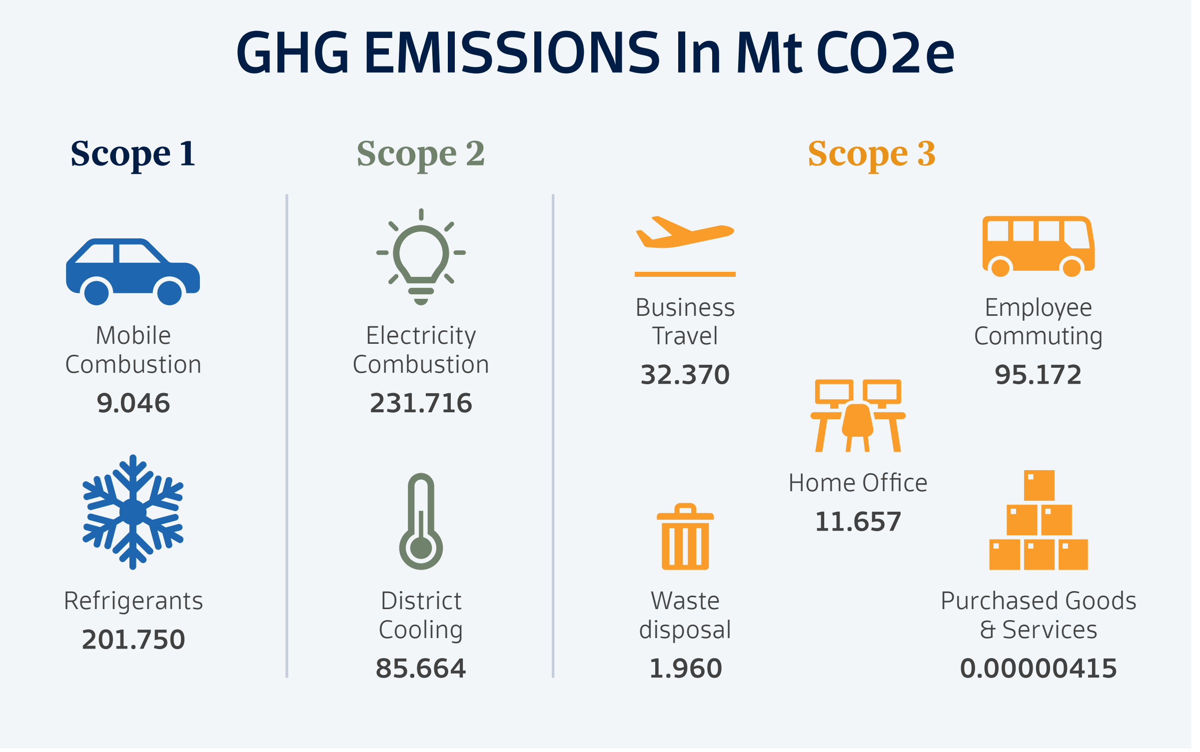
7.7%* Group Employee Turnover Rate

*Excluding newly acquired SICO Capital

Addressing Climate Challenge

With climate change now in the forefront as the single biggest challenge of our lifetime, promoting environmental preservation and sustainable practices both internally and externally is a key priority for SICO. The bank is committed to doing its part to address global warming and help the Bahraini government to reach its goal of net zero carbon emissions by 2060. Work is ongoing to identify and implement new initiatives to minimizing SICO's carbon footprint and to integrate environmental awareness and sustainability into the fabric of the bank's operations in the coming years.

In early 2022, SICO published its first GHG (Greenhouse Gas) Emissions Report, to establish a baseline to be used going forward to monitor and reduce GHG emissions. The reporting period that was covered in the inaugural report was from January 1st to December 31st, 2021, and included direct emissions from



controlled equipment and assets (scope 1), emissions from purchased electricity (scope 2), and selected categories that constitute indirect emissions that occur within the bank's value chain, such as business travel, commuting, and the impact of staff working from home during the pandemic (scope 3). SICO is proud to be one of the first financial institutions in Bahrain to publish a GHG report, and to have offset its emissions to become carbon neutral.

Building on sustaining its transparency in terms of climate-related disclosures, SICO is releasing its second GHG Report covering the fiscal year of 2022. SICO's carbon emissions have witnessed a 17% increase from last year, reaching 669.336 Mt CO2e. This is mainly due to the extension of its disclosure boundaries to cover Saudi operations, compared to only Bahrain and UAE operations the previous year, in addition to increasing business travels and employees' commuting as a result of relaxed measures post COVID-19.

It is worth noting that the latest GHG report included enhanced disclosures to encourage further transparency. This was reflected in reporting Saudi office figures, in addition to documenting district cooling value, actual figures of paper consumed, and partial release of purchased goods and services data. The figures also include the emissions from the new offices, as the relocation took place during the reporting period.

The breakdown of the total GHG emissions for 2022 showed that scope 1 emissions were relatively stagnant compared to last year, at 210.796 Mt CO2e. Scope 2's share increased from 28% to 47% of total emissions with a value of 317.38 Mt CO2e, while scope 3 showed a 7% increase in its share of total emissions, reaching 141.16 Mt CO2e. The bank's emissions per employee, representing 62% of employees, is 7.44 Mt, well below Bahrain's GHG intensity rate per capita. Its scope 1 and 2 emissions per employee came below the GCC's financial sector's figures, recording 3.62 Mt CO2e.

As part of an ongoing partnership with The National Initiative for Agricultural Development (NIAD)'s 'Forever Green' campaign, held under the patronage of Her Royal Highness Princess Sabeeka bint Ibrahim Al Khalifa, SICO provided 1,194 trees to be planted along Bahrain's 16th of December Avenue. SICO initiated the first tree planting campaign in 2019 and made its third contribution to the project in 2022. Forever Green aims to preserve national resources, expand green spaces and reduce the Kingdom's carbon footprint in support of the national goal to reach net zero by 2060.

Thousands of species of marine animals are affected by waste that is dumped into the sea. SICO employees did their part to help preserve the marine ecosystem by participating in a beach clean-up event to mitigate the negative impact of waste and plastic pollution. As a means of raising environmental awareness within the organization as a whole, SICO conducted a session with Dr. Reem AlMealla, a highly distinguished marine ecologist who specializes in coral reef ecology, on Bahrain's biodiversity and environmental challenges. The session shed light on the importance of biodiversity in the fight against climate change and the prevention of diseases. It also tackled waste management issues and the role we can each play as individuals in building a more sustainable future.

To further embed sustainability within its operations, SICO implemented a "No Plastic, No Printing" policy and initiated the digitization of business cards. SICO will no longer be using or supplying plastic bottles, cutlery, or cups anywhere on its premises and reusable bottles have been issued to all employees. SICO has also begun recycling paper, plastic bottles, and metal cans in its offices, in addition to working with a local supplier to recycle any electronic waste generated.

Developing Our Communities

Education

SICO is dedicated to increasing the accessibility of education through proactive and engaging

246

Hours of volunteering by employees

community initiatives. The bank continued to sponsor a variety of education and career development programs targeting different segments of the population in collaboration with local entities, including the Bahrain Bourse, the CFA Society, and the Bahrain Institute of Banking and Finance (BIBF).

In 2022, SICO launched the "Women in Investment (WIM)" Programme in partnership with CFA Society Bahrain. The overarching objective of the programme is to develop a pipeline of female investment professionals in Bahrain. The proposed programme aims to enhance the skillset of graduates and professionals in the finance sector through a full range of training courses that include soft skills, business fundamentals, and investment workshops. An internship programme is also being developed to provide participants with an opportunity for on-the-job training and development. All training will be delivered by the Bahrain Institute of Banking & Finance (BIBF) as the knowledge partner.

SICO launched a Financial Literacy Summer Camp in 2022 in partnership with BIBF and the Royal

TradeQuest 2022-2023

206 Students

36 School/Uni Advisors

3 Mentors from SICO

Humanitarian Foundation (RHF). The unique financial literacy programme, which was designed to incorporate both gamification and field trips, successfully wrapped up with 30 graduates and proved to be not only fun, but also incredibly effective. It gave teens between the ages of 13 and 18 the opportunity to acquire basic financial skills early in life so that they can develop a healthy habits as adults and use money intelligently.

SICO proudly contributed to a fundraiser to raise money for Room to Read, a global non-profit supporting girl's education across Asia and Africa that aims to improve literacy and gender equality in education. As one of the most highly recognised organisations in the world for international education, Room to Read has benefited 32 million children to date and distributed more than 36 million children's books in 57 different languages.

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

SICO lent its support to Bahrain's flagship educational programs, including the Al Mabarrah Al Khalifia Foundation and the Crown Prince's International Scholarship Program (CPISP), which it has contributed to for the past 17 years. The CPISP is a program established by Bahrain's Prime Minister and Crown Prince, HRH Prince Salman bin Hamad Al Khalifa, and operated through funding by the Crown Prince, as well as a number of local and international sponsors. The program seeks to support talented individuals in their academic journey. Since it first began working with CPISP, SICO has supported more than 150 scholars in pursuing higher education degrees at some of the world's leading educational institutions.

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

Healthcare and Social Services

SICO has partnered with various organizations over the years to participate in initiatives that aim to improve healthcare and the general standard of living across its communities through social impact initiatives. The Bank regularly extends support to a number of organizations and initiatives. Among the organizations SICO supports are:

- Think Pink
- Smile Bahrain
- Shamsaha
- Good Word Society

Throughout the years, SICO's employees have organized and executed a number of initiatives, including blood drives, animal shelter support, book and clothing donations, Movember activities, diabetes support for children, and breast cancer awareness campaigns.

> "SICO sponsored a variety of education, career development, healthcare, and social services programs **targeting different segments of the population** in collaboration with local entities.

In 2022, members of the SICO team arranged a Ramadan food drive in coordination with the Capital Governorate to help feed underprivileged communities, donating a total of 265 food boxes. SICO also met with the Deputy Capital Governorate Hassan Abdulla Al-Madani to discuss the Governorate's sustainability programs and future collaboration plans. Also during Ramadan, SICO sponsored the efforts of Shamsaha, a crisis response center for women in search of empowerment, independence, and safety,

As part of its commitment to minimize waste, SICO supported Alwane Bahrain Society in their 'No Food Waste' campaign during the year. The campaign focuses on shifting consumption habits toward smart food purchases, reusing and recycling food, turning excess food into fertilizer, purchasing environmentally friendly products, establishing food banks, supporting charity societies, and following sustainable green circular economy methodology.

SICO also donated all of its old furniture from its previous offices to nine different societies around the country, including Uco Elderly Care, Batelco for Childcare, and Al Hidd Charity. It also donated some of the furniture to families in need in various areas around Bahrain. This contribution comes as part of SICO's efforts to give back to its communities through acts of kindness and charity.

During 2022, the Bank continued to support the Shaikh Ebrahim Center, which was established in 2002 as a forum for dialogue on philosophy, literature, poetry, culture, and the arts. Since its inauguration, it has hosted over 400 speakers, philosophers, poets, and thinkers, who have presented their thoughts in the center's weekly lecture program. The center has also restored traditional Bahraini houses in Muharraq and Manama.

SICO Financial Brokerage launched an initiative in 2022 granting people with special needs a 50% discount on the company's trading fees for all types of transactions. The discount aimed to create awareness of capital markets and engage an underserved segment of society in productive financial activities, helping them plan ahead and strengthen their financial independence. This step is one of many initiatives that SICO Financial Brokerage plans on undertaking to fulfill its social responsibility towards fostering financial inclusion in the country.

Corporate Governance

Commitment

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

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

Shareholder Information

The Bank's shares are listed on the BHB as a closed company. As of 31 December 2022, the Bank had issued 441,342,373 ordinary shares of Bahraini fils 100 each. The last Annual General Meeting was held on 23 March 2022.

Responsibilities of the Board of Directors

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

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

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

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

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

Board Composition and Election

The Board's composition is guided by the Bank's Articles of Association. As of 31 December 2022, the Board consisted of ten Directors, one of which is an Independent Director, two are Non-Executive Directors, and seven are Executive Directors, including the Chairman and Vice-Chairman. The Bank recognizes the need for Board composition to reflect a range of skills and expertise. The profiles of Board Members are listed later in this Review. The Company Secretary is Simone Del Nevo. The classification of Executive, 'Non-executive, and Independent Directors is per the definitions stipulated by the CBB. Directors are elected by the shareholders at the AGM, subject to prior approval by the CBB, for a period of three years, after which they shall be eligible for re-election for a further three-year period.

Independence of Directors

In line with the requirements of the CBB's HC Module, the Bank has put in place Board-approved criteria to determine "Test of Independence" using formal requirements as specified in the CBB rule book and other relevant requirements as assessed by the Board of SICO. The purpose of the test is to determine whether the Director is "Independent" of management, and any business or other relationships, that could materially interfere with the Director's ability to exercise objective, unfettered, or independent judgment. The test also assesses the Director's ability to act in the best interests of SICO. Based on an assessment carried out in 2022, the Board of Directors resolved that one of the Non-executive Directors of SICO met the relevant requirements of the "Test of Independence", and accordingly, the Director was classified as an "Independent" Director.

Board and Committee Evaluation

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

Remuneration of Directors Policy

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

Board Meetings and Attendance

According to the Bahrain Commercial Companies Law and CBB rules, Board meetings will be conducted at least four times a year (on a quarterly basis). All Board members must attend at least 75% of all Board meetings within a calendar year. At least five Directors must attend each Board meeting, including the Chairman or the Vice-Chairman. During 2022, four Board meetings were held in Bahrain.

Directors' Attendance – January to December 2022

Board Meetings

Board members	#148, 22 Feb 2022 – Video Conf.	#149, 17 May 2022 – SICO	#150, 12 Sep, 2022 – SICO	#151, 13 Nov, 2022 – SICO
Shaikh Abdulla bin Khalifa Al Khalifa (Chairman)	✓	✓	✓	✓
Hisham AlKurdi (Vice Chairman)	✓	✓	✓	✓
Mohammed Abdulla Isa	✓	✓	✓	✓
Tala Fakhro	✓	✓	✓	✓
Khurram Ali Mirza	✓	✓	✓	✓
Dana Raees	✓	✓	✓	✓
Abdulla Kamal	✓	✓	✓	✓
Naseema Haider	✓	✓	✓	✓
Khalid AlJassim	✓	✓	✓	✓
Sh. Waleed Al Hashar	✓	✓	✓	✓

Investment Committee Meetings

Board members	#42, 02 Feb 2022 – Video Conf.	#43, 06 Apr 2022 – Video Conf.	#44, 31 Aug 2022 – Video Conf.	#45, 01 Nov 2022 – SICO
Shaikh Abdulla bin Khalifa Al Khalifa (Chairman of Investment Committee)	✓	✓	✓	✓
Hisham AlKurdi	✓	✓	✓	✓
Sh. Waleed Al Hashar	✓	✓	✓	✓
Khalid Al-Jassim	✓	✓	✓	✓

Audit, Risk & Compliance Committee Meetings

Board members	#73, 14 Feb 2022 – Video Conf.	#74, 10 May 2022 – SICO	#75, 10 Aug 2022 – Video Conf.	#76, 07 Sep 2022 – Video Conf.	#77, 10 Nov 2022 – SICO
Tala Fakhro (Chairperson of the Audit, Risk & Compliance Committee)	✓	✓	✓	✓	✓
Abdulla Kamal	✓	✓	✓	✓	✓
Naseema Haidar	✓	✓	✓	✓	✓

Nomination, Remuneration and Corporate Governance Committee Meetings

Board members	#38, 03 Feb 2022 – Video Conf.	#39, 13 April 2022 – Video Conf.	#40, 18 October 2022 – SICO
Mohamed Abdulla Isa (Chairman of Nomination, Remuneration, and Corporate Governance Committee)	✓	✓	✓
Khurram Ali Mirza	✓	✓	✓
Dana Raees	✓	✓	✓

Board Committees

Investment Committee

Objective –

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

Audit, Risk and Compliance Committee

Objective –

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

Nomination, Remuneration and Corporate Governance Committee

Objective –

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

- Approve, monitor, and review the remuneration system to ensure the system operates as intended.
- Recommend Board Members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Company Law.
- Review the Bank's existing Corporate Governance policies and framework.
- Advise the Board on the Bank's public reporting of information on Corporate Governance practices and issues.
- Provide a formal forum for communication between the Board and Management on Corporate Governance issues.

Management

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

Management committees

Managers	Asset Management Committee	Assets, Liabilities, and Investment Committee	Internal Control Committee
Chief Executive Officer	Chairperson	Chairperson	Chairperson
Chief Capital Markets Officer			
Chief Operating Officer			
Chief Financial Officer			
Head of Equities Asset Management			
Head of Fixed Income Asset Management			
Head of Treasury		x	
Head of Proprietary Investments		x	
Head of Internal Audit	x	x	
Chief Risk Officer	x	x	
Head of Internal Control			
Head of Compliance	x	x	

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

Asset Management Committee

Objective –

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

Assets, Liabilities and Investments Committee (ALIC)

Objective –

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

Internal Control Committee (ICC)

Objective –

Oversee the Internal Control functions carried out in SICO by various departments. The scope of ICC is to look into strengthening the internal control culture throughout the company by ensuring that each department head takes ownership, responsibility, and accountability for internal control. The Committee is entrusted with the responsibility to consult and advise the Board of Directors in the assessment and decision-making concerning the Bank's system of risk management, internal control, and corporate governance.

Management Profiles

Najla Al Shirawi

Chief Executive Officer

Najla Al Shirawi has more than 25 years of investment banking experience. Having been part of SICO since 1997, she was appointed CEO in 2014, following her appointment as deputy CEO in 2013. Najla served with Geneva-based Dar Al-Maal Al-Islami Trust, where she established private banking operations for the Group in the Gulf region. Najla is a Board member at the Bahrain Economic Development Board (EDB); a Chairperson on the Board of Directors for two SICO subsidiaries, SICO Funds Services Company (SFS) in Bahrain and SICO Financial Brokerage in Abu Dhabi, UAE; and the Vice Chairperson of SICO Capital in Riyadh, KSA. She is also an Independent Board Member of Eskan Bank BSC(c), Bahrain, and a Board Member of the Deposit Protection Scheme, Bahrain; the Future Generations Reserve Council; the Bahrain Associations of Banks; and the Bahrain Institute of Banking and Finance. She holds a Master of Business Administration and Finance from the American College in London and a Bachelor's Degree in Civil Engineering from the University of Bahrain.

Fadhel Makhlooq

Chief Capital Markets Officer

Chief Executive Officer of SICO Capital

With over 40 years of professional experience, Fadhel Makhlooq joined SICO in 2004 as Head of Brokerage before being appointed Head of Investments and Treasury in 2008. He was re-appointed Head of Brokerage in 2010 and then assumed the position of Chief Capital Markets Officer in 2018. Prior to joining SICO, he worked for a number of leading financial institutions, including Investcorp and Chemical Bank (now JPM Morgan Chase). He currently also serves as Board Director and Chief Executive Officer of SICO Capital in Saudi Arabia and as a Board Member of SICO Financial Brokerage in UAE. Fadhel holds a Master of Business Administration from the University of Glamorgan, UK.

K. Shyam Krishnan
Chief Financial Officer

K. Shyam Krishnan has 32 years of experience in finance, accounting, audit, investments, and risk management, with the majority of his career spent in conventional and Sharia-compliant banking. Shyam currently also serves as a Board Member at SICO Financial Brokerage, UAE. Prior to joining SICO in 2015, he was Group Head of Finance at Al Salam Bank-Bahrain. Before this, he was Head of Hedge Funds' Operational Risk Management at Investcorp, Bahrain, and Audit Supervisor at the Bahrain office of Ernst & Young. He is a Chartered Accountant and Management Accountant from India and a Chartered Financial Analyst, Certified Internal Auditor, and a Certified Information Systems Auditor. He holds a Bachelor of Commerce from Madras University, India.

Anantha Narayanan
Chief Operating Officer

With over 32 years of diversified experience in the areas of operations, audit, and risk in the banking industry, Anantha joined SICO in 2008. Prior to joining SICO, he worked for Credit Agricole, BBK, Commercial Bank of Oman/Bank Muscat, and Pricewaterhouse Coopers. He is currently the Vice Chairman of SICO Financial Brokerage, UAE, and a Board Member at SFS. Anantha is a Chartered Accountant and Cost Accountant (India), a Certified Information Systems Auditor (USA), Financial Risk Manager (USA), and an Associate Member of the Institute of Financial Studies (UK). He holds a Bachelor of Science (Honours) from the University of Manchester, UK.

Owen Vallis
Chief Risk Officer

Owen Vallis entered his role as Chief Risk Officer at SICO with over 19 years of experience in risk management under his belt. Prior to joining SICO, Owen was the UK Head of Asset Management Risk at Credit Suisse Group in London for ten years, where he played a critical role in the investment businesses of the group. He additionally held the position of Vice President of JP Morgan for two years, strategically designing and developing a new Risk function. Owen also previously worked at Morgan Stanley and Kleinwort Benson. He holds a BSc. in Disaster Risk Management from the University of Portsmouth, UK.

Shakeel Sarwar
Head of Equities Asset Management

Shakeel Sarwar joined SICO in 2004 and, over the length of his career, has accumulated over 28 years of investment industry experience in the UK, Pakistan, and the Middle East. Prior to joining SICO, he worked with Riyad Bank's Asset Management Division and was part of a team that managed over USD 3 billion in Saudi equities. He has also held positions with ABN Amro Asia Securities in the UK and Pakistan. Shakeel holds a Master of Business Administration in Banking and Finance from IBA, Karachi, Pakistan.

Ali Marshad
Head of Fixed Income Asset Management

Ali Marshad has over 17 years of experience in asset management, investments, treasury, and brokerage. After joining SICO in 2008 as an Analyst in the Investments and Treasury division, Ali then headed up the newly established Fixed Income Desk in 2012 before being promoted to Head of Fixed Income in 2015. Prior to joining SICO, he worked in the UK as an Analyst with Mercer Investment Consulting and as a Performance Analyst with UBS Global Asset Management, London. A Chartered Financial Analyst, Ali holds a Bachelor of Science (Honours) in Banking, Finance, and Management from Loughborough University, UK.

Wissam Haddad
Head of Investment Banking and Real Estate

Wissam Haddad has 21 years of experience in investment banking, private equity, and corporate finance. Prior to joining SICO in 2014, he was a Director with Gate Capital in Dubai and had previously held senior positions with UAE-based Najd Investments, Unicorn Capital, Emirates NBD's NBD Sana Capital, Saudi National Commercial Bank's NCB Capital, and Eastgate Capital, among others. Wissam holds a Bachelor of Commerce from Concordia University, Canada.

Jithesh K. Gopi
Head of Strategy and Proprietary Investments

Head of Strategy and Proprietary Investments Jithesh Gopi has over 28 years of experience in investment management, research, and analytics. Since 2013, he has worked with Al Rajhi Capital in Riyadh as Head of Research, Head of Asset Management, Director of Research and Financial Institutions, and Director of Corporate Development and Proprietary Investments. In 2006, he joined SICO as Senior Analyst and as Head of Research, covering over 50 companies in major sectors, and he is currently a Board Member at SICO Capital, KSA. Jithesh holds a Bachelor of Science in Mechanical Engineering from the College of Engineering, Trivandrum, India, and a Master of Business Administration from the Asian Institute of Management in Manila, Philippines. He is also a CFA charterholder, and he has completed the Asian International Executive Program at INSEAD Singapore.

Mariam Isa
Head of Brokerage

Mariam Isa has 18 years of experience in regional equity trading and sales. She joined SICO in 2005. Before becoming the Head of Brokerage, she held the position of Chief Broker. Mariam has also worked as a Senior Officer in the Placement Department at Gulf Finance House. She holds a Master of Business Administration in Islamic Finance from the University College of Bahrain, an Associate Diploma in Accounting from the University of Bahrain, and a Treasury and Capital Market Diploma from BIBF. She has also completed the Leadership Development Program at the University of Virginia, USA.

Salman Al Sairafi
Head of Global Markets

With more than 20 years of experience in financial services and technology, Salman Al Sairafi joined SICO in 2020 as the Head of the newly established Global Markets division. Prior to joining SICO, he held the role of Chief Investment Officer and Board Member at Capital Growth Management in Bahrain and was a Senior Investment Advisor at United Consulting Group in KSA. Prior to that, he headed the Fixed Income and Money Markets desk at NCB Capital in KSA. Salman has also held various other positions in Bahrain and the UK in the fields of consulting and R&D. Salman is Chairman of the Board at Dar Al Ma'rifa in Bahrain and is both a Chartered Financial Analyst and a Chartered Alternative Investment Analyst. A former Chevening Scholar, Salman holds a Bachelor of Engineering in Information Systems Engineering and a Master of Science in Advanced Computing from Imperial College London.

Shaikha Mohammed Kamal
Head of Market Making

Shaikha Kamal has over 19 years of professional experience in Treasury at SICO, which she leverages in her current role as Head of Market Making. Shaikha joined SICO in 2004 as a Senior Dealer with the Treasury Department before being appointed Portfolio Manager in 2011. Her responsibilities include proprietary investment, where she specialized in various asset classes, such as equities and fixed income in addition to the Market Making function, managing various mandates and proposed services to several clients across the GCC region. She holds a Master of Science in Finance from DePaul University in Chicago and a Bachelor of Science in Business Information System from the University of Bahrain.

Nishit Lakhotia
Head of Research

Nishit Lakhotia has nearly 19 years of experience in the fields of investment research, risk management, hedge funds, and private equity. He has been involved in sell side Research in SICO since 2009, actively covering sectors such as telecommunications, consumers, aviation, and construction across the GCC. Previously, Nishit worked for an Iceland-based private equity firm focusing on India's infrastructure sector and a US-based global hedge fund. Nishit is a Chartered Financial Analyst, a Chartered Alternative Investment Analyst, and a Financial Risk Manager from the Global Association of Risk Professionals. He holds a Master of Business Administration in Finance from the Narsee Monjee Institute of Management Studies, Mumbai, India.

Husain Najati
Head of Treasury
Husain Najati has over 18 years of experience in financial control, fixed income, and foreign exchange trading. Husain joined SICO in 2006 as a Financial Controller, a role in which he was responsible for accounting support for operational management. In 2008, he became a Senior Dealer in the Investment and Treasury Department, responsible for money market, FX, fixed income management, and monitoring investments across primary and secondary markets. Husain holds a Dealing Certificate from the ACI Financial Markets Association and a Treasury and Capital Markets Diploma from the Bahrain Institute for Banking and Finance. He also holds a Bachelor of Science in Banking and Finance from the University of Bahrain.

Nimita Nazer
Head of Middle Office
Nimita Nazer has over 16 years' experience within international conventional banks and financial services in the Kingdom of Bahrain. Nimita joined SICO in 2018 as Portfolio Administrator of the Asset Management Equities Department and was responsible for managing the non-investment activities of the department. She previously held the position of Client Services Manager with HSBC Securities Services in Bahrain for seven years. She is a Chartered accountant and member of the Association of Chartered Certified Accountants (ACCA) and Chartered Institute for Securities and Investment (CISI), UK.

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

Mohamed Alabbas
Head of Distribution and Business Development
Mohamed Alabbas has more than 16 years of experience in the banking sector across the region. He joined SICO in 2015 as Senior Research Manager before becoming Head of Distribution. Prior to joining SICO, Mohamed served as Head of Client Relationship Management at Tamkeen. He also held positions at several established institutions, including Director of Business Development at Clearview M&A Advisors, Private Banker (Head of Qatar Market) at Oasis Capital Bank, and Branch Manager at BBK, among others. Mohamed holds a Bachelor's Degree in Business Economics and a minor in Human Relations from St. Cloud State University, Minnesota. He also holds the International Wealth Manager certification from the Chartered Institute for Securities & Investment, as well as a CFA Level II certificate.

Fatima Mansoor
Head of Client Relations
With more than 17 years of experience in regional equity trading and client relations, Fatima Mansoor joined SICO in 2006 as a Broker, assuming the role of Senior Broker in 2008. She moved to the Client Relations Department in 2017 and was appointed Head of the department in 2019. Fatima holds a Bachelor of Science in Banking and Finance from the University of Bahrain and a Master of Business and Administration in Finance from the New York Institute of Technology.

Haifa Ajlan
Head of HR & Administration
Haifa has more than 21 years of experience in the field of Human Resources. She first joined SICO in 2004, holding the position of Assistant Vice President before now being appointed as Head of Human Resources and Administration. Haifa holds a master's degree in Business Administration from the University of Strathclyde Business School in Glasgow, UK and a bachelor's degree in Business Information Systems from University of Bahrain.

Husain Ahmed
Head of Operations
Husain has 17 years of banking experience, having joined SICO in 2006. Before becoming Acting Head of Operations in 2019, he held the position of Vice President of Operations at SICO. Husain holds a Master of Business Administration from Arabian Gulf University and a Bachelor of Science in Business Informatics from AMA University. Husain has also received numerous anti-money laundering and back office operation training certifications.

Mohammed Ibrahim
Head of Information Technology
Mohammed Ibrahim has over 22 years of experience in the field of information technology (IT), including IT project management, business analysis, complex system builds and interfaces, business continuity planning, and information security. Prior to joining SICO in 2007, he was Training Head and Technical Consultants Team Lead at the Bahrain Institute of Technology and Technical and Training Manager at YAT Group, Egypt. Mohammed is a Certified Information Systems Security Professional (CISSIP), a Master Certified Internet Web Professional (MCIW), a Microsoft Certified Solutions Expert, and a Microsoft Certified Trainer. He holds a Bachelor of Science and Education and a Postgraduate Diploma in Science and Education from Alexandria University, Egypt.

Simone Del Nevo
Head of Legal and Board Secretary
Simone Del Nevo has 15 years of experience in law, and he joined SICO as Head of Legal in 2018. Before joining SICO, Simone was an Associate with international law firm Baker & McKenzie in Europe and Japan where he specialized in banking, finance, and securities law. In 2012, he practiced as in-house Finance Counsel to a major European gas infrastructure company in an award-winning multi-billion-Euro refinancing. Simone relocated to Bahrain in 2014 working as Senior Associate in the leading regional firm ASAR - Al Ruwayeh and Partners. He received his Law Degree from Bocconi University of Milan in 2004 and was admitted to the Milan Bar Association as a qualified lawyer in 2007.

Mohammed Juma
Head of Compliance and MLRO
Mohammed Juma has over 19 years of experience in compliance, investment, and operations management. Mohammed joined SICO in 2016 as Head of Compliance and MLRO, assuming responsibility for monitoring SICO Group's operational adherence with the guidelines of regulatory authorities. Previously, Mohammed was Head of Compliance and MLRO with the International Investment Bank and JS Bank Limited in Bahrain. Mohammed holds a Bachelor's Degree in Banking and Finance from the University of Bahrain and has completed the Leadership Grooming Executive Program with the Ivy Business School in Canada and Hong Kong. He is a Certified Compliance Professional and a Certified Anti-Money Laundering Specialist.

Joseph Thomas
Head of Internal Audit
Joseph Thomas has over 20 years of experience in internal audits, assurance engagements, and other financial advisory services. Joseph joined SICO in 2015 after having been Head of Internal Audit at Global Banking Corporation and holding a post with the Risk Consulting division of KPMG Bahrain. He began his career with Bharat Overseas Bank in India, followed by an internal audit role at the South Indian Bank. He later served as Audit Manager and Partner at a Dubai-based auditing firm. Joseph is a Chartered Accountant and a Certified Internal Auditor. He holds a Bachelor of Commerce from Mahatma Gandhi University, India.

Bassam A. Khoury
General Manager of SICO Financial Brokerage LLC
Bassam has over 38 years of international experience in brokerage, investments, and financial consultancy. He joined SICO in 2008 as Head of Brokerage before leaving in 2010 to join QInvest, Qatar, as Head of Regional Brokerage. Prior to re-joining SICO in 2013 as General Manager of SICO Financial Brokerage in UAE, Bassam was Chief Executive

Officer of Bahrain-based ABC Securities. Previously, he worked with Banque Saudi Fransi in KSA, BMB Investment Bank and Lehman Brothers in Bahrain, a private family office in Paris, and M Sternberg & Company in the USA. Bassam holds a Bachelor of Science in Business Administration and Economics from King's College, New York, USA.

Governance Framework

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

Code of Business Conduct

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

Compliance and Anti-Money Laundering

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

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

Corporate Communications

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

Related Party Transactions and Conflict of Interest

The Directors make every practicable effort to arrange their personal and business affairs to avoid a conflict of interest with the Bank. The Directors disclose their interests in other entities or activities to the NRCG Committee on an annual basis, inform the Bank of any conflict of interest whenever it arises, and abstain from voting on any related subject matter. The Bank reviewed all such transactions during 2022, and there were no transactions involving potential conflicts of interest that need to be brought to the shareholders' attention. The related party transaction details are disclosed in Note 25 of the Consolidated Financial Statements.

Recruitment of Relatives

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

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

The remuneration paid to Board members and senior management personnel are disclosed in Note 25 of the Consolidated Financial Statements. The information on fees paid to External Auditors for audit and other services will be available to the CBB and shareholders upon request, provided such disclosure does not impact the interest of the Bank.

Compliance with the CBB's High-Level Controls Module

Every conventional bank licensee is expected to comply with rules and guidance mentioned in the High-Level Controls Module issued by the CBB under Rulebook Volume 1. Any non-compliance with the Module needs to be explained by disclosure in the annual report to shareholders and the CBB.

SICO is in compliance with the module, except for the following:

HC-1.4.6 and HC-1.4.8, which stipulate that the Chairman of the Board of Directors should be an Independent Director. SICO Chairman Shaikh Abdulla bin Khalifa Al Khalifa is considered an Executive Director, as he represents SICO's major shareholder. However, this does not compromise the high standards of corporate governance, as the Bank follows strict policies to manage conflict of interest in Board decisions.

HC-1.5.2 states that in conventional bank licensees with a controller, at least one-third of the board must be Independent Directors. The Bank is not in compliance with the mentioned rule. However, the Bank is of the view that this does not compromise the high standards of corporate governance, as four of the Executive Directors are representing Bahraini state-owned entity. In addition, the Bank has a comprehensive corporate governance framework and relevant measures in place to take care of the interest of all stakeholders, including minority or smaller shareholders.

HC-1.4.5, HC-1.8.2, HC-4.2.2, HC-3.2.1 and HC-5.3.2 state that the Corporate Governance Committee; Audit, Risk, and Compliance Committee; Nomination Committee; and Remuneration Committee must include only three independent or majority Independent Directors. The Chairman of the Audit and Risk Committee is an Independent Director. However, the remaining Directors are either Executive or Non-Executive Directors. The Bank is of the opinion that this does not compromise the high standards of corporate governance as the Bank has implemented measures to manage potential conflict of interest.

HC-6.5.51 stipulates that all Internal audit findings and recommendations are resolved within 6 months for high risk/critical issues and 12 months for any other issues. SICO follows a risk-based approach to the implementation of audit recommendations and hence Management ensures the devotion of adequate time and resources to the implementation/resolution of findings and recommendations that require the highest priority. There are no high-risk findings that have passed the recommended timelines. However, there are certain medium/low priority recommendations that are in progress of implementation as the closure of these recommendations is dependent on third parties, or for which system implementation projects are in progress or where coordination at a group level is required and hence there are certain added intricacies that slow down implementation. SICO has a defined regular and continuous follow up process to track the implementation of these recommendations till the desired conclusion is reached.

LEADERSHIP

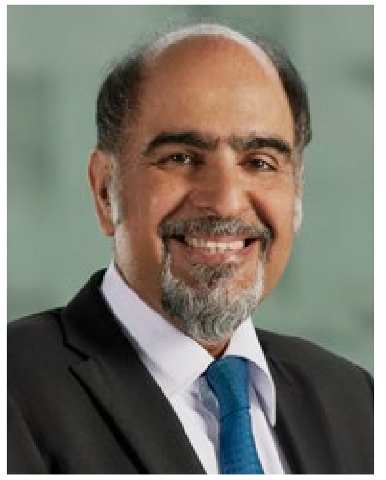
SICO's Board and Management Team have worked tirelessly to ensure that the bank is able to sucessfully navigate the volatility of the past years while staying true to SICO's core vision and strategy.

Board of Directors

Shaikh Abdulla bin Khalifa Al Khalifa

Chairman and Executive Director since 2011, representing
Social Insurance Organization – Bahrain

- Chairman of SICO Board Investment Committee
- Chief Executive Officer: Osool Asset Management BSC (c)
- Chairman: Batelco (Beyon) Company, Amlak
- Vice Chairman: BBK
- Board member: Bahrain Marina Development Co., Supreme Council for Youth and Sports
- Professional experience: 23 years
- Education: Bachelor of Science in Business Administration, George Washington University, Washington DC, USA



Mohammed Abdulla Isa

Executive Director since 2009, representing
BBK BSC – Bahrain

- Chairman of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Group Chief Financial Officer: BBK BSC
- Board Member: Bahrain Credit
- Professional experience: 32 years
- Education: Certified Public Accountant, American Institute of Certified Public Accountants, Delaware State Board of Accountancy (2001), USA

Hisham Alkurdi

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

- Member of SICO Board Investment Committee
- Chief Executive: Corporate and Institutional Investment Banking, National Bank of Bahrain, BSC
- Professional experience: 25 years
- Education: Bachelor of Science in Engineering in Systems Control, The University of Huddersfield, UK

Tala Fakhro

Independent Director since 2020

- Chairperson of SICO Board Audit, Risk, and Compliance Committee
- Board Member: BIBF
- Professional experience: 26 years
- Education: Juris Doctor, Georgetown University Law Center, Washington, and a Bachelor of Arts in Economics, Smith College in Northampton

Khurram Ali Mirza

Executive Director since 2017, representing
Social Insurance Organization – Bahrain

- Member of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Chief Investment Officer: Osool Asset Management BSC (c)
- Board member: Maktoday Online Services Uk Ltd
- Professional Experience: 30 years
- Education: Fellow, Institute and Faculty of Actuaries, UK; Bachelor of Science in Actuarial Science and Master of Science in Mathematical Trading and Finance from Cass Business School, University of London, UK

Abdulla Kamal

Executive Director since 2020, representing
Social Insurance Organization – Bahrain

- Member of SICO Board Audit, Risk and Compliance Committee
- Chief Operating Officer: Osool Asset Management BSC (c)
- Board Director: Bahrain Car Park Company, Amlak Real Estate Company, Osool Pension Fund
- Professional experience: 19 years
- Education: Bachelor of Science in Accounting, University of Bahrain, Certified Internal Auditor (CIA), Associate Chartered Certified Accountant (ACCA), and Associate Professional Risk Manager (APRM)

Dana Raees

Executive Director since 2020, representing
Social Insurance Organization – Bahrain

- Member of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Executive Director - Legal: Osool Asset Management BSC (c)
- Board member: Bahrain Credit, National Motor Company WLL, Tasheelat Automotive Company WLL, Tasheelat Car Leasing Company WLL
- Professional experience: 16 years
- Education: Bachelor of Law (LLB) from the University of Warwick, UK, and LPC from the University of Law, London

Naseema Haider

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

- Member of SICO Board Audit, Risk, and Compliance Committee
- Regional Head of Private Banking, Ahli United Bank BSC
- Professional experience: 25 years
- Education: Bachelor of Science in Accounting, University of Bahrain

Khalid Al-Jassim

Non-Executive Director since 2020

- Member of SICO Board Investment Committee
- Board member: Bahrain Islamic Bank, Bahrain Flour Mills company, Afkar Vision WLL, Coffee and Burger Restaurant WLL
- Professional experience: 32 years
- Education: Bachelor of Science in Computer Science and Mathematics from California State University, Long Beach, and an Executive MBA from Pepperdine University

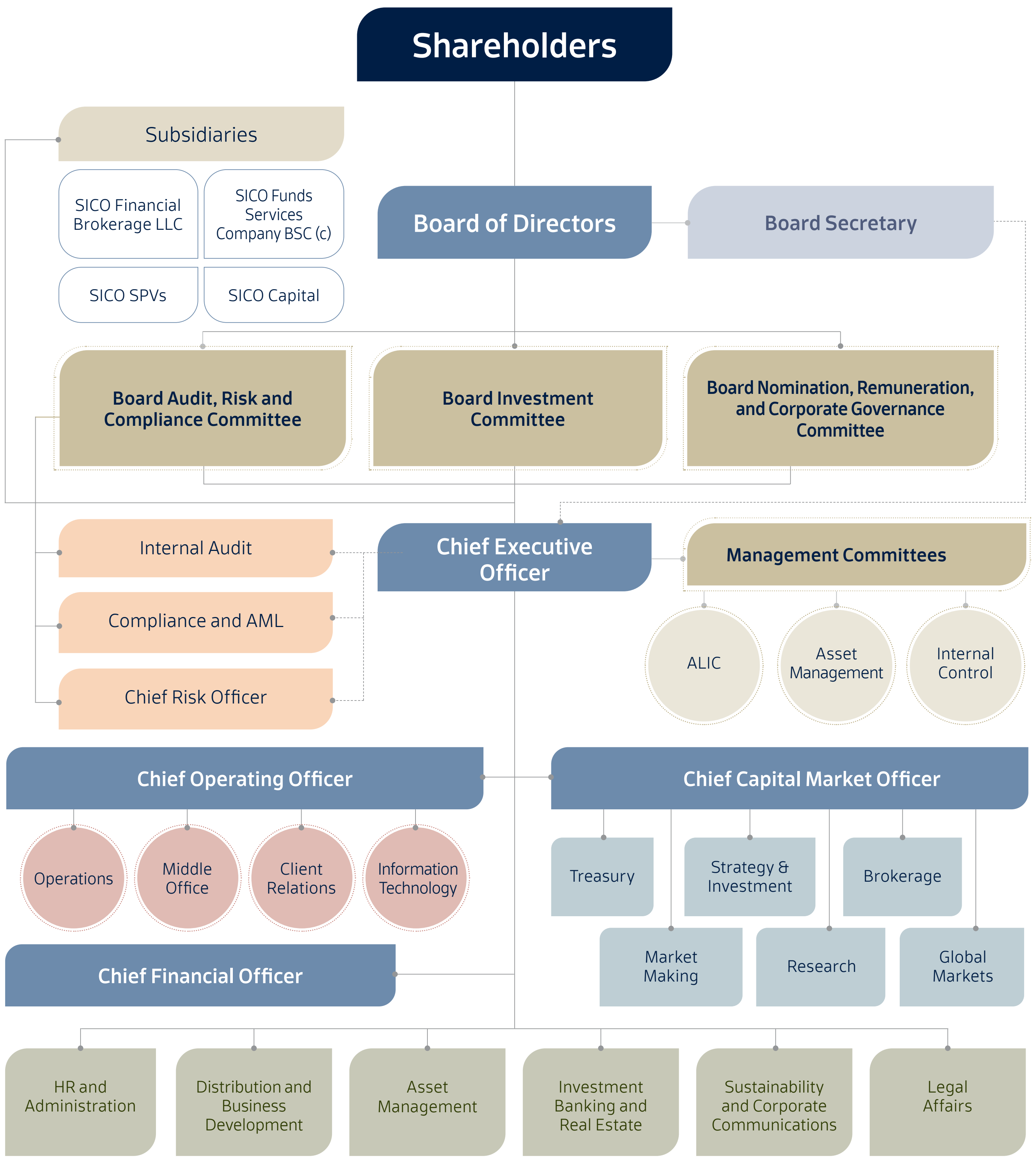
Shaikh Waleed K Al Hashar

Executive Director since January 2022, representing
Bank Muscat – Oman

- Member of SICO Board Investment Committee
- Chief Executive Officer: Bank Muscat
- Board Member: The College of Banking and Financial Studies, the Oman Banks Association, BM Innovate Ltd, Royal Academy of Management
- Professional experience: 29 years
- Education: Postgraduate diploma in General Management, Harvard Business School; Bachelor of Science and Master's Degree in Business Administration, California State University, Sacramento, USA

SICO's diverse Board of Directors is a true asset that brings unique perspective to the table.

Organization Chart



Clear roles and responsibilities are given to various teams throughout the organization to ensure that strategies are implemented and goals are achieved.

REGULATORY DISCLOSURES

Independent auditors' report

To the Shareholders of
SICO BSC (c)
Manama
Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of SICO BSC (c) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of quoted equity, debt and fund investments
refer to the accounting policies in Note 3 (d) and (e) of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group's portfolio of quoted equity , debt and fund investments at fair value make up 11% of the Group's total assets (by value) and is considered to be one of the key drivers of operations and performance results. We do not consider these investments to be at high risk of significant misstatements, or to be subject to significant risk of judgement because they comprise liquid, quoted investments. However, due to the materiality in the context of the consolidated financial statements as a whole and the impact on the Group's performance, they are considered to be one of the areas which has the greatest impact on our overall audit strategy and allocation of resources in the planning and completing our audit.	– **Our procedures included:** • Agreeing the valuation of investments in the portfolio to the externally quoted prices; • Agreeing investments holding in the portfolio to independently received third party confirmations; and • Evaluating the adequacy of the Group's disclosure by reference to the requirements of the relevant accounting standards.

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Regulatory Requirements

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

a. the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b. the financial information contained in the Chairman's report is consistent with the consolidated financial statements;
c. we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 1, applicable provisions of Volume 6 and CBB Directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures on the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
d. satisfactory explanations and information have been provided to us by management in response to all our requests

The engagement partner on the audit resulting in this independent auditors' report is Salman Manjlai

KPMG

KPMG Fakhro
Partner Registration Number 213
27 February 2023

Consolidated statement of financial position

As at 31 December 2022

		000' Bahraini Dinars	
	Note	2022	2021
Assets			
Cash and bank balances	7a	46,237	74,831
Treasury bills	7a	14,338	2,998
Securities bought under repurchase agreements	7b	155,886	117,938
Investments at fair value through profit or loss	8	23,119	26,948
Investments at fair value through other comprehensive income	9	10,244	10,614
Investments at amortized cost		14,664	9,935
Fees receivable	10	2,062	5,714
Other assets	11	9,659	12,431
Property and equipment		2,099	242
Intangible assets and goodwill	12	1,674	1,870
Total assets		**279,982**	**263,521**
Liabilities and equity			
Liabilities			
Short-term bank borrowings	13a	5,048	8,411
Securities sold under repurchase agreements	13b	162,989	125,210
Customer accounts	14	29,722	47,149
Other liabilities	15	9,822	9,245
Payable to other unit holders in consolidated funds	6	2,419	2,694
Total liabilities		**210,000**	**192,709**
Equity			
Share capital	16	44,134	42,849
Shares under employee share incentive scheme	16	(2,263)	(2,263)
Statutory reserve	17	9,343	8,982
General reserve	18	3,217	3,217
Investments fair value reserve		885	1,540
Retained earnings		14,666	14,540
Equity attributable to the shareholders of the Bank		69,982	68,865
Non-controlling interests		-	1,947
Total equity		**69,982**	**70,812**
Total liabilities and equity		**279,982**	**263,521**

The consolidated financial statements were approved by the Board of Directors on 27 February 2023 and signed on its behalf by:

Abdulla Bin Khalifa Al Khalifa
Chairman

Hisham Al Kurdi
Vice Chairman

Najla M. Al Shirawi
Chief Executive Officer

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

For the year ended 31 December 2022

		000' Bahraini Dinars	
	Note	2022	2021
Net investment income	19	1,041	4,438
Net fee income	20	8,297	8,752
Brokerage and other income	21	2,476	2,680
Net interest income	22	2,627	1,841
Total income		**14,441**	**17,711**
Staff cost	23	(6,876)	(7,190)
Other operating expenses	24	(3,978)	(3,612)
Share of loss / (profit) of non-controlling unit holders in consolidated funds	5	19	(389)
Profit for the year		**3,606**	**6,520**
Profit attributable to:			
Shareholders of the Bank		3,551	6,391
Non-controlling interests		55	129
		3,606	**6,520**
Basic and diluted earnings per share (fils)		**8.45**	**15.18**

Abdulla Bin Khalifa Al Khalifa
Chairman

Hisham Al Kurdi
Vice Chairman

Najla M. Al Shirawi
Chief Executive Officer

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	2022	2021
	000' Bahraini Dinars	
Profit for the year	3,606	6,520
Other comprehensive income		
Items that are or may be reclassified to profit or loss in subsequent periods:		
- Net changes in fair value of FVOCI debt instruments	(263)	(134)
Items that will not be reclassified to profit or loss in subsequent periods:		
- Net change in fair value of FVOCI equity instruments	(66)	682
Total other comprehensive income for the year	**(329)**	**548**
Total comprehensive income for the year	**3,277**	**7,068**
Total comprehensive income attributable to:		
Shareholders of the Bank	3,222	6,939
Non-controlling interests	55	129
	3,277	**7,068**

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

000' Bahraini Dinars

2022	Share capital	Shares under employee share incentive scheme	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total owners' equity	Non-controlling interest	Total equity
Balance at 1 January 2022	42,849	(2,263)	8,982	3,217	1,540	14,540	68,865	1,947	70,812
Comprehensive income:									
Profit for the year	-	-	-	-	-	3,551	3,551	55	3,606
Other comprehensive income:									
Net change in fair value of FVOCI instruments	-	-	-	-	(329)	-	(329)	-	(329)
Total other comprehensive income	-	-	-	-	**(329)**	-	**(329)**	-	**(329)**
Total comprehensive income for the year	-	-	-	-	**(329)**	**3,551**	**3,222**	**55**	**3,277**
Net amount transferred to retained earnings on sale of FVOCI equity instruments	-	-	-	-	(326)	326	-	-	-
Transfer to charitable donation reserve	-	-	-	-	-	(65)	(65)	-	(65)
Transaction with owners recognised directly in equity:									
Transfer to statutory reserve	-	-	361	-	-	(361)	-	-	-
Stock dividend (note 16)	1,285	-	-	-	-	(1,285)	-	-	-
Cash dividend for 2021 (note 16)	-	-	-	-	-	(2,142)	(2,142)		(2,142)
Acquisition of NCI without a change in control (note 12)	-	-	-	-	-	102	102	(2,002)	(1,900)
Balance at 31 December 2022	**44,134**	**(2,263)**	**9,343**	**3,217**	**885**	**14,666**	**69,982**	**-**	**69,982**

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (Continued)

For the year ended 31 December 2021

000' Bahraini Dinars

2021	Share capital	Treasury shares	Shares under employee share incentive scheme	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total owners' equity	Non-controlling interest	Total equity
Balance at 1 January 2021	42,849	(5,322)	(2,263)	8,330	3,217	992	10,520	58,323	-	58,323
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	6,391	6,391	129	6,520
Other comprehensive income:										
Net change in fair value of FVOCI instruments	-	-	-	-	-	548	-	548	-	548
Total other comprehensive income	-	-	-	-	-	548	-	548	-	548
Total comprehensive income for the year	-	-	-	-	-	548	6,391	6,939	129	7,068
Net amount transferred to retained earnings on sale of FVOCI equity instruments	-	-	-	-	-	-	-	-	-	-
Transfer to charitable donation reserve	-	-	-	-	-	-	(40)	(40)	-	(40)
Transaction with owners recognised directly in equity:										
Transfer to statutory reserve	-	-	-	652	-	-	(652)	-	-	-
Dividends paid for 2020 (note 16)	-	-	-	-	-	-	(2,142)	(2,142)	-	(2,142)
Acquisition of a subsidiary	-	5,322	-	-	-	-	463	5,785	1,818	7,603
Balance at 31 December 2021	**42,849**	**-**	**(2,263)**	**8,982**	**3,217**	**1,540**	**14,540**	**68,865**	**1,947**	**70,812**

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	000' Bahraini Dinars 2022	2021
Operating activities			
Net interest received		2,849	3,277
Net sale of investments at fair value through profit or loss		1,756	408
Net sale / (purchase) of investments at fair value through other comprehensive income		370	(891)
Net movement in investments at amortized cost		(4,729)	18
Net decrease in investment property		-	427
Net (decrease) / increase in customer accounts		(17,427)	12,264
Securities bought under repurchase agreements		(37,948)	(44,122)
Securities sold under repurchase agreements		37,779	50,804
Dividends received		711	640
Recovery on previously written off investment		1,009	-
Movement in brokerage accounts and other receivables		18,424	6,357
Movement in other liabilities		1,610	1,326
Payments for staff and related expenses		(7,909)	(5,301)
Payments for other operating expenses		(5,475)	(1,788)
Net cash (used in) / generated from operating activities		**(8,980)**	**23,419**
Investing activities			
Net capital expenditure on furniture and equipment		(2,599)	(295)
Acquisition of subsidiary, net cash acquired		-	5,109
Net cash (used in) / generated from investing activities		**(2,599)**	**4,814**
Financing activities			
Net decrease in short-term bank borrowings		(3,363)	(3,700)
Net increase in placements		-	(1,039)
Dividend paid		(2,142)	(2,142)
Contribution by other unit holders in consolidated funds		745	990
Distribution to other unit holders in consolidated funds		(926)	(25)
Net cash used in financing activities		**(5,686)**	**(5,916)**
Net (decrease) / increase in cash and cash equivalents		**(17,265)**	**22,317**
Cash and cash equivalents at the beginning of the year		77,847	55,530
Cash and cash equivalents at the end of the year*	7	**60,582**	**77,847**

** Excludes expected credit loss of BD 7 (2021: BD 18)*

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2022

1. Reporting entity

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

On 18 September 2022, the Group completed the acquisition of the remaining 27.29% interest in SICO Capital PJSC, thereby increasing its ownership from 72.71% to 100% (refer to note 12 for details).

The primary objectives of the Bank are:

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

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Use of estimates and judgments

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

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

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

(d) New accounting policy, standards, amendments and interpretations effective from 1 January 2022

There are no new standards, amendments to the standards, which became effective as of 1 January 2022, that were relevant and had a material impact on the consolidated financial statements

(e) New standards and amendments not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

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

3. Significant accounting policies

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

(a) Consolidation

(i) Subsidiaries

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

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

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

3. Significant accounting policies (continued)

(b) Functional and presentation currency

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

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

(c) Foreign currencies

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

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

(i) Estimates

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

Valuation of financial instruments

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

Impairment assessment of Goodwill and intangibles

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

(ii) Judgments

Classification of investments

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

Determination of control over investees – Investment funds

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

(e) Investment securities

(i) Classification

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

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

(ii) Recognition and de-recognition

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

(iii) Measurement

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

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

(iv) Fair value measurement

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

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

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

(f) Recognition and de-recognition of financial liabilities

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

3. Significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Amortised cost measurement

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

(i) Impairment of non-financial assets

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

(j) Property, equipment and intangibles

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

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

Software	5-10 years
Furniture and equipment	3-5 years

(k) Leases

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

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

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

(i) Measurement

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

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

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

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

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

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

(ii) Short-term leases and leases of low-value assets

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

3. Significant accounting policies (continued)

(l) Bank borrowings

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

(m) Repurchase agreements

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

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

(n) Customer accounts

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

(o) Employee benefits

(i) Bahraini employees

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

(ii) Expatriate employees

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

(iii) Employee share incentive scheme

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

(p) Provisions

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

(q) Fiduciary activities

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

(r) Settlement date accounting

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

(s) Offsetting

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

(t) Earnings per share

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

(u) Interest income and expense

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

(v) Fee and commission

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

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

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

(w) Net investment income

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

(x) Dividend income

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

3. Significant accounting policies (continued)

(y) Brokerage and other income

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

(z) Segment reporting

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

(aa) Statutory reserve

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

(ab) General reserve

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

(ac) Treasury shares

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

4. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

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

The Board has set up an independent Risk Management Unit that provides leadership, direction and coordination of the efforts in managing the risks. It provides a holistic, integrated, future-focused and process-oriented approach to enable the Group to balance its key business risks and opportunities with the intent of maximising returns and shareholder value.

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

(b) Credit risk

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

(i) Investments in debt securities

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

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

(ii) Management of credit risk

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

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

The risks in proprietary investment portfolios are monitored and controlled by means of asset allocation guidelines and exposure limits approved in accordance with well-defined investments policies and procedures, by the Asset Liability Investment Committee ("ALIC"), Investment Committee or the Board, as appropriate. Additionally, the Group strictly adheres to the large exposure norms prescribed by the CBB.

Regular audits of business units and Group credit processes are undertaken by Internal Audit.

4. Financial risk management (continued)

(ii) Management of credit risk (continued)

Exposure to credit risk

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

	2022	2021
Bank balances	46,237	74,831
Treasury bills	14,338	2,998
Securities bought under repurchase agreements	155,886	117,938
FVTPL debt securities	7,276	8,304
FVOCI debt securities	5,136	4,835
Fee receivable	2,062	5,714
Other assets	9,242	12,094
	240,177	**226,714**

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

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

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

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

Risk exposure concentration

Risk concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic,

political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

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

The maximum credit exposure to any client, counterparty or group of closely related counterparties as of 31 December 2022 was BD 81,925 (2021: BD 39,974), relating to "cash and cash equivalents, securities brought under repurchase agreements, investments at fair value through profit or loss and investments at fair value through other comprehensive income".

Geographical exposure distribution

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

2022	Middle East & Asia countries	North America	Europe	Total
Assets				
Cash and bank balances	43,145	252	2,840	46,237
Treasury bills	14,338	-	-	14,338
Securities bought under repurchase agreements	150,108	-	5,778	155,886
Investments at fair value through profit or loss	15,108	4,876	3,135	23,119
Investments at fair value through other comprehensive income	10,143	101	-	10,244
Investments at amortized cost	14,664	-	-	14,664
Fees receivable	1,929	-	133	2,062
Other assets	9,431	5	223	9,659
Property and equipment	2,099	-	-	2,099
Intangible assets & goodwill	1,674	-	-	1,674
Total assets	**262,639**	**5,234**	**12,109**	**279,982**
Liabilities				
Short-term bank borrowings	5,048	-	-	5,048
Securities sold under repurchase agreements	87,927	-	75,062	162,989
Customer accounts	28,408	334	980	29,722
Other liabilities	9,322	-	500	9,822
Payable to other unit holders in consolidated funds	2,419	-	-	2,419
Total liabilities	**133,124**	**334**	**76,542**	**210,000**

4. Financial risk management (continued)

(ii) Management of credit risk (continued)

Geographical exposure distribution (continued)

2021	Middle East & Asia countries	North America	Europe	Total
Assets				
Cash and bank balances	68,703	771	5,357	74,831
Treasury bills	2,998	-	-	2,998
Securities bought under repurchase agreements	111,882	-	6,056	117,938
Investments at fair value through profit or loss	19,449	3,845	3,654	26,948
Investments at fair value through other comprehensive income	10,614	-	-	10,614
Investments at amortized cost	9,935	-	-	9,935
Fees receivable	5,664	-	50	5,714
Other assets	12,422	4	5	12,431
Property and equipment	242	-	-	242
Intangible assets & goodwill	1,870	-	-	1,870
Total assets	**243,779**	**4,620**	**15,122**	**263,521**
Liabilities				
Short-term bank borrowings	8,411	-	-	8,411
Securities sold under repurchase agreements	105,348	-	19,862	125,210
Customer accounts	35,853	10,390	906	47,149
Other liabilities	9,235	-	10	9,245
Payable to other unit holders in consolidated funds	2,694	-	-	2,694
Total liabilities	**161,541**	**10,390**	**20,778**	**192,709**

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

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

2021	Financial services	Others	Total
Total assets	**181,967**	**81,554**	**263,521**
Total liabilities	**162,037**	**30,672**	**192,709**

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

	2022			2021		
Particulars	Gross exposure	ECL	Net exposure	Gross exposure	ECL	Net exposure
Bank balances	46,244	7	46,237	74,849	18	74,831
Securities bought under repurchase agreements	155,905	19	155,886	117,960	22	117,938
Investment securities	5,136	6	5,130	4,835	6	4,829
Other assets (margin lending)	6,000	64	5,936	10,461	69	10,395
Total	**213,285**	**96**	**213,189**	**208,105**	**115**	**207,990**

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

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

Settlement risk

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

(c) Liquidity risk

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

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

The Group faces three types of liquidity risks as follows:

- Funding risk – the need to replace net outflows due to unanticipated withdrawal/ non-renewal of call deposit accounts, borrowing or inability to liquidate financial assets in time;
- Operating liquidity – the need to compensate for low liquidity of investments or markets and non-receipt of expected inflows of funds; and
- Call risk - due to crystallisation of contingent, off balance sheet liabilities and inability to undertake profitable business opportunities when desirable.

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk

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

The residual contractual maturity of financial liabilities is as follows:

2022	Less than 1 year	Gross outflow	Carrying value
Short-term bank borrowings	5,058	5,058	5,048
Securities sold under repurchase agreements	164,122	164,122	162,989
Customer accounts	29,722	29,722	29,722
Other liabilities	9,822	9,822	9,822
Payable to other unit holders in consolidated funds	2,419	2,419	2,419
	211,143	**211,143**	**210,000**

2021	Less than 1 year	Gross outflow	Carrying value
Short-term bank borrowings	8,420	8,420	8,411
Securities sold under repurchase agreements	125,309	125,309	125,210
Customer accounts	47,149	47,149	47,149
Other liabilities	9,245	9,245	9,245
Payable to other unit holders in consolidated funds	2,694	2,694	2,694
	192,817	**192,817**	**192,709**

Liquidity risk is also managed through ensuring compliance with regulatory liquidity requirements. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are the ratios which the Bank computes as per the CBB requirements. The ratios as of 31 December 2021 are as follows:

	As of 31 December 2022	As of 31 December 2021
Liquidity Coverage Ratio	**268%**	**170%**
Net Stable Funding Ratio	**136%**	**139%**

The average LCR for the year ended 31 December 2022 was 231% (31 December 2021: 212%).

(d) Market risk

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

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

(i) Equity price risk

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

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

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

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

Equity price risk – sensitivity

All of the Group's listed equity investments are listed on recognized regional and global stock exchanges. For such investments classified at FVOCI, a 1% increase in the fair value at the reporting date would have increased equity by BD 51 (2021: BD 58); an equal change in the opposite direction would have decreased equity by BD 51 (2021: a decrease of BD 58). For such investments classified as at FVTPL, the impact of a 1% increase in the index at the reporting date on profit or loss would have been an increase of BD 62 (2021: BD 82). An equal change in the opposite direction would have decreased profit or loss by BD 62 (2021: BD 82).

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The investments in debt instruments, placements, borrowings and call deposits are subject to interest rate risk. The Treasury Unit carefully monitors these exposures in order to mitigate this risk. The Bank minimises its exposure to interest rate risk by careful monitoring of exposures. Placements and call deposits with banks are at fixed interest rates and mature within three months. The liabilities of the Bank include customer advances for purchase of investments on their behalf. The Bank maintains cash balances with various banks in different currencies to meet liquidity requirements for equity share deals settlement in these currencies. These arise due to the need for timely payment of settlement amounts by clients as well as proprietary trades. The Bank has exposures to debt instruments issued by GCC institutions in its proprietary investment portfolios. Some of these instruments are not listed but can be traded over the counter. Investments in debt instruments are approved only based on structured analysis of the proposed investment and the issuer. Some debt instruments are unrated.

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

4. Financial risk management (continued)

(ii) Interest rate risk (continued)

Interest rate re-pricing profile

2022	Effective interest rate % p.a.	Within 1 year	Over 1 year	Non-interest sensitive	Total
Bank balances		-	-	22,062	22,062
Call deposits*		3,013	-	-	3,013
Treasury bills	5.04%	14,338	-	-	14,338
Short-term placements with banks	5.27%	21,162	-	-	21,162
Securities bought under repurchase agreements	5.45%	155,886	-	-	155,886
Investments at fair value through profit or loss	5.45%	174	7,102	15,843	23,119
Investments at fair value through other comprehensive income	6.81%	-	5,136	5,108	10,244
Investments at amortised cost	6.56%	-	14,664	-	14,664
Fees receivable		-	-	2,062	2,062
Other assets		-	-	9,659	9,659
Property and equipment		-	-	2,099	2,099
Intangible assets and goodwill		-	-	1,674	1,674
Total assets		**194,573**	**26,902**	**58,507**	**279,982**
Short-term bank borrowings	4.85%	5,048	-	-	5,048
Securities sold under repurchase agreements	4.75%	162,989	-	-	162,989
Customer accounts		-	-	29,722	29,722
Other liabilities		-	-	9,822	9,822
Payable to other unit holders in consolidated funds		-	-	2,419	2,419
Total liabilities		**168,037**	**-**	**41,963**	**210,000**
Equity		**-**	**-**	**69,982**	**69,982**
Total liabilities and equity		**168,037**	**-**	**111,945**	**279,982**
Interest rate sensitivity gap		26,536	26,902	(53,438)	-
Cumulative interest rate sensitivity gap		26,536	53,438	-	-

Interest rate re-pricing profile

2021	Effective interest rate % p.a.	Within 1 year	Over 1 year	Non-interest sensitive	Total
Bank balances		-	-	48,693	48,693
Call deposits*		1,028	-	-	1,028
Treasury bills	1.49%	2,998	-	-	2,998
Short-term placements with banks	1.88%	25,110	-	-	25,110
Securities bought under repurchase agreements	1.24%	117,938	-	-	117,938
Investments at fair value through profit or loss	5.51%	703	7,601	18,644	26,948
Investments at fair value through other comprehensive income	6.78%	-	4,835	5,779	10,614
Investments at amortised cost**	6.45%	-	9,935	-	9,935
Fees receivable		-	-	5,714	5,714
Other assets		-	-	12,431	12,431
Property and equipment		-	-	242	242
Intangible assets and goodwill		-	-	1,870	1,870
Total assets		**147,777**	**22,371**	**93,373**	**263,521**
Short-term bank borrowings	0.57%	8,411	-	-	8,411
Securities sold under repurchase agreements	0.62%	125,210	-	-	125,210
Customer accounts		-	-	47,149	47,149
Other liabilities		-	-	9,245	9,245
Payable to other unit holders in consolidated funds		-	-	2,694	2,694
Total liabilities		**133,621**	**-**	**59,088**	**192,709**
Equity		**-**	**-**	**70,812**	**70,812**
Total liabilities and equity		**133,621**	**-**	**129,900**	**263,521**
Interest rate sensitivity gap		14,156	22,371	(36,527)	-
Cumulative interest rate sensitivity gap		14,156	36,527	-	-

** At 31 December 2022 the effective interest rate on Bahraini Dinar call deposits is 4.1% (2021: 1%) and on USD call deposits is 3.6% (2021: 1%).*

(iii) Foreign exchange risk

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

4. Financial risk management (continued)

(e) Operational risk

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

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

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

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

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

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

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

(f) Capital management

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

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

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

The Bank's regulatory capital position at 31 December was as follows:

Based on year end balances

	2022	2021
Risk weighted exposure		
Credit risk	43,046	66,860
Market risk	22,123	28,365
Operational risk	26,737	23,186
Total risk weighted assets	**91,906**	**118,411**
Common Equity (CET 1)	69,242	68,111
Tier 2	90	109
Total regulatory capital	**69,332**	**68,220**
Capital adequacy ratio	**75.44%**	**57.61%**

The capital adequacy ratio as at 31 December 2022 has been calculated in accordance with Basel III and Central Bank of Bahrain guidelines incorporating credit risk, operational risk and market risk. The Bank uses the Standardised approach for computing credit risk. Operational risk is computed using the Basic indicator approach. Market risk is computed using the Standardised method.

Capital allocation

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

5. Group subsidiaries and consolidated funds

Set out below are the Group's principal subsidiaries at 31 December 2022. Other than the consolidated funds, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The investment in consolidated funds comprises subscription to the units issued by the fund to the unit holders and the proportion of ownership interests held comprises the percentage of the units held by the Group to the total units issued by the fund.

5. Group subsidiaries and consolidated funds (continued)

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

Subsidiary	Percentage ownership	Year of in-corporation	Country of incorpora-tion	Principal activity
1. SICO Funds Company BSC (c)	100%	1998	Bahrain	Umbrella company for SICO mutual funds
2. SICO Funds Services Company BSC (c)	100%	2004	Bahrain	Custody and administration services
3. SICO Funds Company III BSC (c)	100%	2006	Bahrain	Umbrella company for SICO mutual funds
4. SICO Funds Company IV BSC (c)	100%	2009	Bahrain	Umbrella company for SICO mutual funds
5. SICO Funds Company VI BSC (c)	100%	2009	Bahrain	Umbrella company for SICO mutual funds
6. SICO Funds Company VIII BSC (c)	100%	2016	Bahrain	Umbrella company for SICO mutual funds
7. SICO Ventures Company SPC	100%	2010	Bahrain	To own the nominal shares in all other subsidiaries of SICO
8. SICO Funds Company IX BSC (c)	100%	2022	Bahrain	Umbrella company for SICO mutual funds
9. SICO Financial Brokerage LLC	100%	2011	UAE	Brokerage services
10. SICO Kingdom Equity Fund (Decrease from 70 % from last year)	67%	2011	Bahrain	Investment in listed equity securities in the Kingdom of Saudi
11. SICO Fixed Income Fund (increase from 72% from last year)	74%	2013	Bahrain	Investment in listed debt securities comprising bonds and sukuks
12. SICO Capital Company (increase from 72.71% from last year)	100%	2008	Saudi Arabia	Brokerage services, Investment Banking, Asset Management & Custodial Services

Except where mentioned, percentage ownership is same compared to 31 December 2021.

6. Payable to other unit holders in consolidated funds

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

	2022	2021
Payables to other unit holders in the consolidated funds:		
SICO Fixed Income Fund	1,097	1,283
SICO Kingdom Equity Fund	1,322	1,411
Share of profit / (loss) on non-controlling unit holders in consolidated funds		
SICO Fixed Equity Fund	(46)	17
SICO Kingdom Equity Fund	27	372
	(19)	**389**

SICO Fixed Income Fund

	2022	2021
Other unit holders' share	26%	28%
Cash and cash equivalents	829	925
Investment at fair value through profit or loss	4,148	4,580
Other assets	58	66
Short-term bank borrowings	(770)	(914)
Other liabilities	(14)	(14)
Net assets	**4,251**	**4,643**
Carrying amount of payable to other unit holders	**1,097**	**1,283**
Investment income	(132)	105
Net interest income	7	12
Profit / (loss)	(181)	61
Total comprehensive income	**(181)**	**61**
(Loss) / profit allocated to other unit holders	**(46)**	**17**
Cash flows from operating activities	115	(128)
Cash flows used in financing activities	(211)	531
Net (decrease) / increase in cash and cash equivalents	**(96)**	**403**

SICO Kingdom Equity Fund

	2022	2021
Other unit holders' share	33%	30%
Cash and cash equivalents	306	189
Investment at fair value through profit or loss	3,748	4,523
Other assets	-	-
Short-term bank borrowings	-	-
Other liabilities	(98)	49
Net assets	**3,956**	**4,761**
Carrying amount of payable to other unit holders	**1,322**	**1,411**
Investment income	183	1,326
Interest income	-	-
Profit & Loss	82	1,230
Total comprehensive income	**82**	**1,230**
Profit allocated to other unit holders	**27**	**372**
Cash flows from operating activities	906	46
Cash flows used in financing activities	(789)	127
Net increase in cash and cash equivalents	**117**	**173**

7. (a) Cash and bank balances

	2022	2021
Cash and bank balances	22,062	48,694
Call deposits	3,013	1,028
Short-term placements with banks	21,169	25,127
Cash and bank balances (a)	46,244	74,849
Expected credit loss	(7)	(18)
Total cash and bank balances	**46,237**	**74,831**
Treasury bills (b)	14,338	2,998
Total cash and cash equivalents for cash flow purposes (a)+(b)	**60,582**	**77,847**

Cash and bank balances include bank balances amounting to BD 14,353 (2021: BD 17,054) held on behalf of discretionary customer accounts.

(b) Securities bought under repurchased agreements

Reverse repurchase agreements have been entered with clients amounting to BD 155,886 (2021: BD 117,938) for which client owned securities of BD 211,417 (2021: BD 152,838) are pledged as collateral.

8. Investments at fair value through profit or loss

	2022	2021
Quoted equity securities		
- Parent	2,479	3,659
- Consolidated funds	3,748	4,523
Funds		
- Quoted	6,530	8,328
- Unquoted	3,086	2,134
Quoted debt securities		
- Parent	3,128	3,724
- Consolidated funds	4,148	4,580
	23,119	**26,948**

9. Investments at fair value through other comprehensive income

	2022	2021
Equity securities		
- Quoted	5,108	5,779
Debt securities		
- Quoted	5,136	4,835
	5,136	**4,835**
	10,244	**10,614**

10. Fees receivable

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

	2022	2021
Management fees	1,855	1,394
Performance fees	26	4,119
Custody fees	119	98
Others	62	103
	2,062	**5,714**

11. Other assets

	2022	2021
Receivables from clients	6,065	10,328
Interest receivable	1,909	682
Guarantee deposit with the Bahrain Bourse	500	500
Prepaid expenses	417	337
Other receivables	768	584
	9,659	**12,431**

12. Intangible assets and goodwill

	2022	2021
Intangibles – software	934	1,030
Goodwill and other intangibles	740	840
	1,674	**1,870**

On 15 March 2021, the Bank acquired 72.7% stake in SICO Capital ("SC") by way of a share swap between SICO and Bank Muscat SAOG with 38,563,894 of SICO's treasury shares swapped for 4,362,491 shares of SCC. The acquisition of SC will broaden SICO's regional presence and service offerings in the region's largest market, Saudi Arabia. The business combination has been accounted for using the acquisition method.

The acquisition of SC resulted in a goodwill of BD 140 and intangibles of BD 800. The intangibles comprises of BD 500 assigned to the expected benefits arising from the license to conduct business in Saudi Arabia and BD 300 was assigned to customer relationship with a useful life of three years, with a remaining unamortised balance of BD 100 as of 31 December 2022 (31 December 2021:BD 200).

During the year, the Group completed the acquisition of the remaining 27.29% interest in SC thereby increasing its ownership from 72.71% to 100%. The carrying amount of this non-controlling interest of 27.29% as on the date of acquisition amounted to BD 2,002 thousand. The difference between the carrying value and consideration paid has been recognised in the equity as transaction with the owners of the Group.

12. Intangible assets and goodwill (continued)
Goodwill impairment analysis

The recoverable amount of goodwill is based on value-in-use, calculated by discounting cash flow projections which are based on financial forecasts approved by management, projected for 5 years to arrive at the terminal value. A growth rate at a minimum of 5% and discount rate of 8.5% have been applied to the estimated cash flows.

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

13. Short-term bank borrowings and securities sold under repurchase agreements
(a) The following represents the movement in short-term bank borrowings:

	2022	2021
At 1 January	8,411	7,400
Borrowings made during the year	9,977	8,481
Borrowings settled during the year	(13,340)	(7,470)
At 31 December	**5,048**	**8,411**

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

	2022	2021
At 1 January	125,210	74,406
Repo made during the year	69,083	53,468
Repo settled during the year	(31,304)	(2,664)
At 31 December	**162,989**	**125,210**

Repurchase agreements have been entered into on behalf of clients for which client owned securities of BD 202,171 (2021: BD 150,591) are pledged as collateral.

The carrying value of the investments at amortised cost pledged as collateral amounts to BD 7,611 (2021: 7,628)

14. Customer accounts

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

15. Other liabilities

	2022	2021
Accrued expenses	2,521	3,734
Provision for employee leaving indemnities	1,195	1,168
Employee share incentive scheme liability	2,653	2,636
Other payables	3,453	1,707
	9,822	**9,245**

16. Share capital

	2022	2021
Authorised share capital		
1,000,000,000 (2021: 1,000,000,000) shares of 100 fils each	100,000	100,000

	2022	2021
Issued and fully paid		
428,487,741 ordinary shares of 100 fils each (2021: 428,487,741 ordinary shares of 100 fils each)	42,849	42,849
12,854,632 Bonus shares issue	1,285	-
441,342,373 ordinary shares of 100 fils each (2021: 428,487,741 ordinary shares of 100 fils each)	44,134	42,849

The shareholders annual general ordinary and extra ordinary meetings for the year 2021 held on 23 March 2022 approved the increase of issued and fully paid capital by the issue of bonus shares at 3% amounted to BD 1,285.

Proposed appropriations

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

	2022	2021
Cash dividend 5% (2021: 5%)	2,207	2,142
Stock dividend nil (2021: 3%)	-	1,285

The shareholders are:	Nationality	2022		2021	
		Capital	% holding	Capital	% holding
Social Insurance Organisation	Bahrain	22,236	50.38	21,589	50.38
Bank Muscat	Oman	5,800	13.14	4,448	10.38
National Bank of Bahrain BSC	Bahrain	5,523	12.52	5,362	12.52
Ahli United Bank BSC	Bahrain	3,777	8.56	3,667	8.56
BBK BSC	Bahrain	3,491	7.91	3,390	7.91
Arab Banking Corporation BSC	Bahrain	1,219	2.76	2,366	5.52
Employee Stock Ownership Plan	Bahrain	2,088	4.73	2,027	4.73
		44,134	**100**	**42,849**	**100**

16. Share capital (continued)
Shares under employee share incentive scheme

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
Employee share incentive scheme (refer to note 26)	20,880,797	2,263	20,272,618	2,263
	20,880,797	**2,263**	**20,272,618**	**2,263**

The movement in the number of shares is due to the issue of bonus shares during the year.

17. Statutory reserve
In accordance with the Commercial Companies Law, 10 percent of net profit is appropriated to a statutory reserve, which is not normally distributable except in accordance with Article 224 of the law. Such appropriations may cease when the reserve reaches 50 percent of paid up share capital. The transfer to this reserve for the year amounted to BD 361 (2021: BD 652).

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

19. Net investment income

	2022	2021
Net (loss) / gain on investments at fair value through profit or loss*	(2,128)	2,322
Interest income from debt instruments	1,449	1,468
Other investment income**	1,009	-
Dividend income	711	648
	1,041	**4,438**

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

	2022	2021
Realised gain on sale	774	1,132
Unrealised fair value (loss) / gain	(2,902)	1,190
	(2,128)	**2,322**

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

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

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

20. Net fee income

	2022	2021
Fee income from trust or other fiduciary activities		
- Management fee	5,430	4,248
- Performance fee	2,060	3,621
- Custody fee	577	568
- Advisory & Underwriting fee	275	362
	8,342	**8,799**
Fee expense		
- Custody fee	(45)	(47)
Net fee income	**8,297**	**8,752**

21. Brokerage and other income

	2022	2021
Brokerage income	1,465	1,645
Foreign exchange gain	513	760
Other income	498	275
	2,476	**2,680**

22. Net interest income

	2022	2021
Interest income from:		
Placements, call deposits and reverse repos	5,556	2,249
Margin lending	560	531
	6,116	**2,780**
Interest expense on:		
Bank borrowings and repos	(3,489)	(939)
Net interest income	**2,627**	**1,841**

23. Staff cost

	2022	2021
Salaries, allowances and bonus	6,136	6,225
Post-employment benefit	188	189
Share based payments	145	136
Social security costs	304	253
Other costs	103	387
	6,876	**7,190**

As at 31 December 2022, the Group employed 80 (2021: 74) Bahrainis and 68 (2021: 56) expatriates.

The Group's contributions for the year to the Social Insurance Organization in respect of its employees amounted to BD 304 (2021: BD 253).

24. Other operating expenses

	2022	2021
Occupancy expenses	295	225
Communication expenses	63	63
Marketing expenses	331	150
Professional fees	346	431
Technology related expenses	1,598	1,056
Depreciation	837	661
Other operating expenses	508	1,026
	3,978	**3,612**

25. Related party transactions

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.

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), SICO Funds Company IX BSC (c), SICO Ventures Company WLL and SICO Capital are as follows:

	2022	2021
Fee income	1,008	1,350
Fee receivable	248	949
Fee payable	21	-
Repurchase agreement	-	2,775
Investment in own funds	4,014	2,780
Funds under management	68,382	75,436

The details of the own funds under management are in note 28.

Transactions with shareholders

The Group obtained short-term borrowings from its bank shareholders for a total of BD 3,770 (2021: BD 8,411). During the year ended 31 December 2022 the Group entered into Repos with its bank shareholders and as of 31 December 2022, had 3,373 (2021: BD 52,264) of repurchase agreements with these related parties. The Group has banking relationships, makes deposits and placements, obtains short term borrowings and has unutilized credit facilities with certain of its shareholders that are local banks. All such transactions are in the ordinary course of business and on normal commercial terms.

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

	2022	2021
Fee income	1,424	3,293
Fee receivable	385	2,634
Fee payable	392	-
Securities sold under repurchase agreements	3,373	52,263
Funds under management	64,462	101,146
Investments	2,625	3,819
Placements	11,175	7,178
Borrowings	3,770	8,411

Key Management Personnel

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

Compensation to key management personnel is as follows:

	2022	2021
Salaries and short term benefits	3,382	3,186
Post-employment benefits	426	204
Equity compensation benefits	165	388
	3,973	3,778

Attendance fees and remuneration to Board members and other related expenses amount to BD 226 (2021: BD 292).

26. Employee Share Ownership Plan

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

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

26. Employee Share Ownership Plan (continued)

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

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

The Group has recognised an employee liability of BD 2,653 (2021: BD 2,636) on the shares granted until date. This liability has been determined on the value of the Group's net assets as at 31 December 2022 in accordance with the rules of the Scheme. This is considered as level 1 valuation of the fair value hierarchy.

The movement in the shares under the scheme is due to issue of stock dividend during the year. Total number of shares issued under the scheme is 20,880,797 (2021: 20,272,618).

27. Involvement in unconsolidated structured entities

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

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

	2022	2021
Investments in funds		
Khaleej Equity Fund	1,191	1,683
Bahrain Liquidity Fund Company	1,038	1,097
	2,229	**2,780**

28. Contingencies, commitments and memorandum accounts

Investment commitment

The Group has committed to invest in SICO Khaleej Equity Fund a minimum of 10% of the net assets value at any time throughout its life. The Group has other investment commitments of BD 725 (2021: BD 1,885) and margin lending draw-down commitments of BD 3,992 (2021: BD 1,488).

Assets under management (net asset value)	2022	2021
SICO Khaleej Equity Fund	27,639	28,165
SICO Gulf Equity Fund	4,371	3,257
Bahrain Liquidity Fund Company	35,646	37,666
SICO Kingdom Equity Fund	3,956	4,663
SICO Fixed Income Fund	4,251	4,642
Al Masha'ar REIT Fund	42,963	50,620
Al Qasr Real Estate Fund	12,345	31,698
Riyadh Real Estate Fund	8,136	8,012
Discretionary portfolio management accounts	1,439,122	1,379,630
Total Net Asset Value **	**1,578,429**	**1,548,353**

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

*** On a gross basis (including leverage of BD 216,430), SICO's total AUMs stands at BD 1,794,859 (2021: BD 1,701,226).*

	2022	2021
Assets under custody	3,302,805	3,105,858

The Group provides custodianship and nominee services in respect of securities and cash. At 31 December 2022, assets amounting to BD 3,302,805 (2021: BD 3,105,858) were held by the Group as custodian under Brokerage and Custodianship Contracts, out of which securities amounting to BD 777,971 (2021: BD 633,907) were registered in the name of the Bank.

Contingencies

The Group has letters of guarantee in the amount of BD 3,593 (31 December 2021: BD 3,593) in favor of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) in accordance with the requirements issued by the Securities and Commodities Authority.

29. Net open foreign currency positions

	2022	2021
QAR	113	463
US Dollar	23,248	20,477
JOD	9	21
KWD	249	445
SAR	12,314	15,874
GBP	1	1
AED	6,579	8,021
OMR	98	1,306
EUR	14	2
EGP	(1)	(2)

All GCC currencies except KWD are effectively pegged to US Dollar.

30. Earnings per share

	2022	2021
Profit for the year	3,551	6,391
Weighted average number of equity shares (in 000's)	441,342	441,342
Less: Employee share incentive scheme shares	(20,881)	(20,273)
Weighted average number of shares as at 31 December	420,461	421,069
Earnings per share (in fils)	8.45	15.18

The Bank does not have any dilutive instruments.

31. Maturity profile of assets and liabilities

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

31 December 2022	Less than 1 year	1 to 5 years	Above 5 years	Total
Assets				
Cash and bank balances	46,237	-	-	46,237
Treasury bills	14,338	-	-	14,338
Securities bought under repurchase agreements	155,886	-	-	155,886
Investments at fair value through profit or loss	8,214	4,903	10,002	23,119
Investments at fair value through other comprehensive income	-	5,137	5,107	10,244
Investments at amortised cost	2,972	7,110	4,582	14,664
Fees receivable	2,062	-	-	2,062
Other assets	9,659	-	-	9,659
Property and equipment	54	2,045	-	2,099
Intangible assets and goodwill	67	301	1,306	1,674
Total assets	**239,489**	**19,496**	**20,997**	**279,982**
Liabilities				
Short-term bank borrowings	5,048	-	-	5,048
Securities sold under repurchase agreements	162,989	-	-	162,989
Customer accounts	29,722	-	-	29,722
Other liabilities	9,822	-	-	9,822
Payable to other unit holders in consolidated funds	2,419	-	-	2,419
Total liabilities	**210,000**	**-**	**-**	**210,000**
Liquidity gap	**29,489**	**19,496**	**20,997**	**69,982**
Cumulative liquidity gap	**29,489**	**48,985**	**69,982**	

31 December 2021	Less than 1 year	1 to 5 years	Above 5 years	Total
Assets				
Cash and bank balances	74,831	-	-	74,831
Treasury bills	2,998	-	-	2,998
Securities bought under repurchase agreements	117,938	-	-	117,938
Investments at fair value through profit or loss	11,276	5,051	10,621	26,948
Investments at fair value through other comprehensive income	-	4,426	6,188	10,614
Investments at amortised cost	-	4,983	4,952	9,935
Investment property	-	-	-	-
Fees receivable	5,714	-	-	5,714
Other assets	12,431	-	-	12,431
Property and equipment	133	109	-	242
Intangible assets and goodwill	240	460	1,170	1,870
Total assets	**225,561**	**15,029**	**22,931**	**263,521**
Liabilities				
Short-term bank borrowings	8,411	-	-	8,411
Securities sold under repurchase agreements	125,210	-	-	125,210
Customer accounts	47,149	-	-	47,149
Other liabilities	9,054	-	-	9,054
Payable to other unit holders in consolidated funds	2,694	-	-	2,694
Total liabilities	**192,518**	**-**	**-**	**192,518**
Liquidity gap	33,043	15,029	22,931	71,003
Cumulative liquidity gap	33,043	48,072	71,003	

32. Accounting classification and fair values

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

31 December 2022	Fair value through profit or loss	Fair value through other comprehen-sive income	Liabilities at fair value	At amortized cost	Total carrying value
Cash and bank balances	-	-	-	46,237	46,237
Treasury bills	-	-	-	14,338	14,338
Securities bought under repurchase agreements	-	-	-	155,886	155,886
Investments at fair value through profit or loss	23,119	-	-	-	23,119
Investments at fair value through other comprehensive income	-	10,244	-	-	10,244
Investments at amortised cost	-	-	-	14,664	14,664
Fees receivable	-	-	-	2,062	2,062
Other assets	-	-	-	9,242	9,242
	23,119	**10,244**	**-**	**242,429**	**275,792**
Short-term bank borrowings	-	-	-	5,048	5,048
Securities sold under repurchase agreements	-	-	-	162,989	162,989
Customer accounts	-	-	-	29,722	29,722
Other liabilities	-	-	-	9,822	9,822
Payable to other unit holders in consolidated funds	-	-	2,419	-	2,419
	-	**-**	**2,419**	**207,581**	**210,000**

31 December 2021	Fair value through profit or loss	Fair value through other comprehen-sive income	Liabilities at fair value	At amortized cost	Total carrying value
Cash and bank balances	-	-	-	74,831	74,831
Treasury bills	-	-	-	2,998	2,998
Securities bought under repurchase agreements	-	-	-	117,938	117,938
Investments at fair value through profit or loss	26,948	-	-	-	26,948
Investments at fair value through other comprehensive income	-	10,614	-	-	10,614
Investments at amortised cost	-	-	-	9,935	9,935
Fees receivable	-	-	-	5,713	5,713
Other assets	-	-	-	12,094	12,094
	26,948	**10,614**	**-**	**223,509**	**261,071**
Short-term bank borrowings	-	-	-	8,411	8,411
Securities sold under repurchase agreements	-	-	-	125,210	125,210
Customer accounts	-	-	-	47,149	47,149
Other liabilities	-	-	-	9,245	9,245
Payable to other unit holders in consolidated funds	-	-	2,694	-	2,694
	-	**-**	**2,694**	**190,015**	**192,709**

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

(ii) Fair value hierarchy

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

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

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

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

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

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

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Assets				
Fair value through other comprehensive income investments:				
Equities	5,402	377	-	5,779
Debt securities	4,835	-	-	4,835
Fair value through profit or loss:				
Equities	8,182	-	-	8,182
Debt securities	8,304	-	-	8,304
Funds	8,328	-	2,134	10,462
	35,051	**377**	**2,134**	**37,562**

32. Accounting classification and fair values (continued)

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

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

	2022	2021
At 1 January	2,134	1,143
Total gain:		
- in income statement	(241)	712
- in other comprehensive income	-	-
Purchases	1,193	-
Settlements	-	-
Transfers into/ (out) of level 3	-	279
At 31 December	**3,086**	**2,134**

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

(iii) Valuation technique and significant unobservable input

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

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

33. Comparatives

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

34. Net stable funding ratio

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

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

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

	Unweighted values (before applying factors)				
31 December 2022	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available stable funding (ASF):					
Capital:					
Regulatory capital	69,183	-	-	94	69,277
Retail deposits and deposits from small business customers:					
Less stable deposits	-	11,804	-	-	10,624
Other liabilities:					
All other liabilities not included in above categories	-	200,299	-	-	2,709
Total ASF					**82,610**
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	32,526	-	-	-	2,546
Performing loans and securities:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	24,949	-	-	12,475
Other assets:					
All other assets not included in the above categories	12,989	198,528	-	-	45,506
Off-balance sheet items	8,310	-	-	-	416
Total RSF					**60,943**
NSFR %					136%

34. Net stable funding ratio (continued)

31 December 2021	Unweighted values (before applying factors) No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available stable funding (ASF):					
Capital:					
Regulatory capital	67,781	-	-	130	67,911
Retail deposits and deposits from small business customers					
Less stable deposits	-	13,451	-	-	12,106
Other liabilities:					
All other liabilities not included in above categories	-	175,441	2,993	-	4,406
Total ASF	-	-	-	-	**84,423**
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	20,592	-	-	-	2,155
Performing loans and securities:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	28,542	-	-	14,271
Other assets:					
All other assets not included in the above categories	7,915	194,000	-	-	44,076
Off-balance sheet items	6,966	-	-	-	348
Total RSF	**-**	**-**	**-**	**-**	**60,850**
NSFR %	-	-	-	-	139%

SICO REMUNERATION POLICY & RELATED DISCLOSURES

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

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

Remuneration strategy

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

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

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

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

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

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

NRCGC role and focus

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

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

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

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

NRCGC Member Name	Number of meetings attended
Mohammed Abdulla	3
Khurram Mirza	3
Dana Raees	3

The total amount of NRCG siting fees for 2022 is BD 9,000 [2021: BD 12,000]

External consultants

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

Scope of application of the remuneration policy

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

Board remuneration

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

Variable remuneration for staff

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

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

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

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

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

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

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

Remuneration of control functions

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

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

Variable compensation for business units

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

Risk assessment framework

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

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

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

Risk assessment framework (continued)

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

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

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

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

Risk adjustments

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

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

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

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

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

Malus and clawback framework

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

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

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

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

Components of variable remuneration
Variable remuneration has following main components:

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

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

Components of variable remuneration (continued)

Deferred compensation

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

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

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

Details of remuneration paid

(a) Board of Directors

BD 000'	2022	2021
• Sitting Fees	85	95
• Remuneration	141	197

(b) Employee remuneration

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

2021 BD 000'	Number Of staff	Total Fixed remuneration Cash	 Shares	Variable remuneration Upfront Cash	 Deferred Shares	Total Remuneration
Approved persons in business lines	12	1,027,334	40,695	478,300	233,700	1,780,029
Approved persons in control functions	14	834,855	31,482	217,600	87,400	1,171,337
Other material risk takers	30	779,848	24,510	154,000	44,000	1,002,358
Other employeers	42	788,839	26,700	259,000	118,000	1,192,539
Subsidiaries						
Business Line	6	278,719	7,203	32,418	14,854	333,194
Other employees	18	397,824	7,785	66,541	9,160	481,310
Total	**122**	**4,107,419**	**138,375**	**1,207,858**	**507,114**	**5,960,767**

Notes:

The amounts reported above represent actual awards for 2021 and 2020 rather than accruals and changes in value of prior period awards. Accordingly, the numbers and amounts above may not necessarily agree with numbers/ amounts reported in the financial statements.

(c) Deferred awards

2022 BD 000'	Shares	Amount
Opening Balance	20,991,293	3,400,589
Awarded during the period	1,970,969	315,353
Bonus Shares for vested shares	510,206	51,020
Paid out / released during the period	(4,833,734)	(744,395)
Service, performance and risk adjustment	-	-
Changes in Value of unvested opening awards	-	40,370
Closing balance	**18,638,734**	**2,982,197**

2021 BD 000'	Shares	Amount
Opening Balance	17,180,324	2,611,409
Awarded during the period	3,984,502	645,489
Paid out / released during the period	(173,533)	(26,377)
Service, performance and risk adjustment	-	-
Changes in Value of unvested opening awards	-	(170,068)
Closing balance	**20,991,293**	**3,400,589**

Notes :

1 .The above table summarises the movement in all categories of share awards (i.e. fixed and variable remuneration) issued by the Bank to its employees.

2 .The amounts and number of shares reported above include the gross value of awards and are not based on the proportion based charge recognized in the financial statements over the vesting period of awards.

Risk and Capital Management Disclosures

Executive summary

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

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

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

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

CONTENTS

1. Overview and Structure of Risk Management

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

The major risk types to which SICO is exposed are:

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

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

The stages in the risk management process are as follows:

- **Risk identification:** Identification of the risks that impact SICO's various business activities.
- **Quantification of risk and capital coverage:** This step involves quantifying the risks identified in the risk identification process. It creates the objective basis for decision-making and enables the Board and Senior Management to make decisions regarding SICO's risk-bearing capacity within this framework.
- **Aggregation:** Once risks have been identified and quantified, individual risks are aggregated to determine SICO's risk exposure and impact.
- **Ex ante control:** SICO has established various tolerance limits based on the overall risk strategy of the Bank. These limits are revised periodically, taking into account the changing market and economic conditions. SICO has established a comprehensive limit framework to monitor its exposure to all significant risks.
- **Risk monitoring and ex post control:** The risk monitoring process ensures that SICO's risk profile remains in line with its risk tolerance. In this context, there is a standardised procedure for dealing with increasing levels of limit utilisation and limit breaches.

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

2. RISK GOVERNANCE STRUCTURE

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

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

- **Board of Directors (BOD):** The BOD is primarily responsible for approving the Bank's risk strategy, risk appetite and risk policies to manage risks that arise from SICO's business activities. These policies are consistent with the Bank's broader business strategies, capital strength, management expertise and ability to control risk.
- **Board Audit, Risk & Compliance Committee (BARCC):** The BARCC is responsible for reviewing the Bank's accounting and financial practices to ensure integrity of the Bank's financial statements and adequacy of risk management, compliance and internal control frameworks. The committee also oversees the Internal Audit function. The committee provides active oversight on the risk management framework, approves risk policies and limits and ensures adequacy of risk controls.
- **Board Investment Committee (BIC):** The BIC is the second stage where decision making surrounding SICO's investment and credit activities is considered. This committee approves investments within its discretionary powers as delegated by the BOD, and in some cases the BIC recommends proposals to the BOD for approval.
- **Nominations, Remuneration and Corporate Governance Committee (NRCGC):** The NRCGC contributes to the control framework by nominating qualified Board Members and key management positions. It also approves the remunerations that factor in the risk taken by the business and oversees corporate governance-related issues.
- **Assets, Liabilities and Investment Committee (ALIC):** ALIC acts as the principal policy-making body at the management level which is responsible for overseeing the Bank's capital and financial resources. It is also responsible for managing the balance sheet and all proprietary investment activities, including investment strategy, and asset, country and sector allocations. The committee is specifically responsible for managing the balance sheet risk, capital and dividend planning, forecasting and monitoring interest rate risk positions, liquidity and fund management. The committee is also responsible for formulating and reviewing the Bank's investment policies (subject to approval by the BOD), strategies and performance measurement and assessment.
- **Assets Management Committee (AMC):** AMC is a management committee that oversees the fiduciary responsibilities carried out by the Asset Management unit in managing clients' discretionary portfolios as well as the funds operated and managed by SICO. It also reviews the investment strategy of the Bank's funds and portfolios and reviews asset allocations, subscriptions and redemptions and adherence to client guidelines.
- **Internal Control Committee (ICC):** The ICC is a management committee that oversees the internal control functions carried out by SICO's various departments. The remit of ICC is to strengthen the internal control culture throughout the company and to ensure adequacy of controls in the various processes followed in the Bank.
- **Risk Management Department (RMD):** RMD is responsible for establishing a sound risk management framework to assist the Bank in the realisation of its business objectives. It also provides oversight of risk management and risk controls across the organisation by coordinating and communicating with each business unit to manage the risks that arise for its business activities. It also ensures that the principles and requirements of managing risk are consistently adopted throughout the Bank.
- **Compliance Unit:** The unit is responsible for internal compliance, regulatory compliance and KYC and Anti Money Laundering functions. It ensures compliance with internal and external rules and regulations and is responsible for implementing the compliance framework across the entire Bank.
- **Internal Control Unit:** The unit is responsible for ensuring the internal control framework of the Bank's business units is adequate and recommends changes wherever deemed. The unit is also responsible for ensuring that all policies and procedures are followed correctly.
- **Internal Audit Unit:** The unit provides an additional line of defence within the Bank's risk management and control framework. Internal Audit is primarily responsible for providing independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Bank is appropriate and effectively applied by the business units, control functions and Senior Management.

3. CBB and Basel guidelines

CBB Rulebook

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

BASEL III Framework

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

Basel III measures aim to:

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

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

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

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

Pillar 1

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

Below are the approaches used for deriving the CAR:

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

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

Pillar 2

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

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

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

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

Pillar 3

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

Scope of Application

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

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

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

4. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

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

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

4.1 CAPITAL STRUCTURE

Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	44,134
Less: Employee stock incentive program funded by the bank (outstanding)	(2,263)
Less: Treasury Shares	-
General Reserve	3,217
Legal / Statutory reserves	8,582
Share Premium	761
Retained Earnings Brought forward	11,115
Current interim cumulative net income / losses	3,551
Securitisation exposures subject to deduction	-
Accumulated other comprehensive income and losses	885
Total minority interest in banking subsidiaries given recognition in CET1 capital	-
Less: Investment in financial entities where ownership is < 10% of issued common share capital (amount above 10% CET1a)	-
Less: Goodwill	(140)
Less: Intangibles other than mortgage servicing rights	(600)
Total Common Equity Tier 1 Capital (A)	**69,242**
Other Capital (AT1 & Tier 2)	
Instruments issued by parent company	-
Instruments issued by banking subsidiaries to third parties	-
Share premium	-
Assets revaluation reserve - property, plant, and equipment	-
General loan loss provisions	-
Expected Credit Losses (ECL) Stages 1 & 2	90
Total AT1 & Tier 2 (B)	**90**
Total Available Capital (C) = (A) + (B)	**69,332**
Credit risk weighted exposures	43,046
Market risk weighted exposures	22,123
Operational risk weighted exposures	26,737
Total Risk weighted exposures (D)	91,905
CET1 Capital Ratio (A) / (D)	75.34%
Total Capital Adequacy Ratio (C) / (D)	**75.44%**

4.2 CAPITAL ADEQUACY RATIO

Consolidated and subsidiaries above 5% of Group capital

Subsidiaries	Total capital adequacy ratio	Tier 1 capital ratio
SICO consolidated (Group)	75.44%	75.34%
SICO Fund Services Company BSC (c)	567.32%	567.32%
SICO Financial Brokerage LLC*	5.72	3.95
SICO Capital**	3.25	3.25

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

*** SICO Capital CAR has been computed by using the Capital Adequacy Model provided by Saudi's Capital Market Authority, wherein the minimum required ratio is 1.0.*

4.3 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

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

4.4 REGULATORY CAPITAL DISCLOSURES

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

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

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

5. CREDIT RISK

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

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

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

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

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

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

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

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

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

5.1 GROSS CREDIT EXPOSURES

As at 31st Dec 2022	Gross credit exposure	Eligible CRM	Credit exposure after CRM	Average Risk Weight	Credit Risk Weighted Assets	Capital requirement @ %12.5
Cash items	-	-	-	-	-	-
Claims on sovereigns	53,539	-	53,539	0%	-	-
Claims on Bahraini PSE	500	-	500	-	-	-
Claims on banks	127,213	81,053	46,160	31%	14,372	1,797
Claims on corporates	60,037	56,963	3,073	96%	2,955	369
Claims on Investment Firms	10,084	10,084	-	-	-	-
Regulatory retail portfolios	1,204	1,180	24	-	18	2
Investments in securities	9,917	-	9,917	109%	10,853	1,357
Holdings in real estate	3,871	-	3,871	200%	7,742	968
Other assets	12,472	5,367	7,105	100%	7,105	888
Total Funded	**268,752**	**144,563**	**124,189**		**43,046**	**5,381**
Off Balance Sheet exposures	5,952	-	5,952	100%	5,952	744

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

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

5.2 MATURITY PROFILE

As at 31st Dec 2022	Less than 1 year	Over 1 year to 5 years	5-10 years	10-20 years	Above 20 years	Total
Cash and cash balances	46,237	-	-	-	-	46,237
Treasury bills	14,338	-	-	-	-	14,338
Securities bought under repurchase agreements	155,886	-	-	-	-	155,886
Investments at fair value through profit or loss	8,214	11,034	2,879	-	991	23,119
Investments at fair value through other comprehensive income	-	9,860	383	-	-	10,244
Investments at amortized cost	2,970	7,112	3,808	-	774	14,664
Fees receivable	2,062	-	-	-	-	2,062
Other assets	9,659	-	-	-	-	9,659
Property and equipment	53	2,046		-	-	2,099
Intangible assets and Goodwill	66	301	1,307	-	-	1,674
Total gross credit exposures	**239,485**	**30,354**	**8,377**	**-**	**1,766**	**279,982**
Commitments	4,717	-	-	-	-	4,717
Contingents	3,593	-	-	-	-	3,593

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

5.3 SECTORAL DISTRIBUTION

As at 31st December 2022	Financial	Sovereign	Diversified Funds	Real Estate	Others	Total
Cash and Bank balances	46,225	12	-	-	-	46,237
Treasury bills	-	14,338	-	-	-	14,338
Placements with banks	-	-	-	-	-	-
Securities bought under repurchase agreements	134,133	19,162	-	135	2,456	155,886
Investments at fair value through profit or loss	8,495	2,813	3,286	2,752	5,772	23,119
Investments at fair value through other comprehensive income	2,391	5,415	-	1,255	1,182	10,244
Investments at amortized cost	-	14,664	-	-	-	14,664
Investment Property	-	-	-	-	-	-
Fees receivable	1,237	617	-	12	196	2,062
Other assets	776	1	-	26	8,857	9,659
Property and equipment	-	-	-	-	2,099	2,099
Intangible assets and goodwill	-	-	-	-	1,674	1,674
Total assets	**193,258**	**57,023**	**3,286**	**4,181**	**22,235**	**279,982**

5.4 GEOGRAPHICAL DISTRIBUTION

As at 31st December 2022	Middle East and Asia	North America	Europe	Total
Cash and bank balances	43,145	252	2,840	46,237
Treasury bills	14,338	-	-	14,338
Securities bought under repurchase agreements	150,108	-	5,778	155,886
Investments at fair value through profit or loss	15,108	4,876	3,135	23,119
Investments at fair value through other comprehensive income	10,143	101	-	10,244
Investments at amortized cost	14,664	-	-	14,664
Fees receivable	1,929	-	133	2,062
Other assets	9,431	5	223	9,659
Property and equipment	2,099	-	-	2,099
Intangible assets and goodwill	1,674	-	-	1,674
Total assets	**262,639**	**5,234**	**12,109**	**279,982**

5.5 LARGE EXPOSURE LIMITS

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

Counterparty	Country	Amount	Exposure as a % to eligible capital base
GFH + KHCB	Bahrain	81,925	118.2%
SAYACORP	Bahrain	43,508	62.8%
CBB	Bahrain	25,495	36.8%
AL SALAM BANK	Bahrain	13,165	19.0%

6. MARKET RISK

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

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

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

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

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

- Equity price risk
- Interest rate risk
- Currency risk

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

	Market Risk Weighted Assets			
	During the year to date period			
	Minimum	Maximum	As at 31-Dec-22	Capital Requirement @ 12.5%
Interest Rate Position Risk	750	880	752	94.00
Equities Position Risk	996	1,474	996	124.50
Foreign Exchange Risk	16	78	22	2.75
Total min capital required for market risk	-	-	1,770	221.25
Multiplier	-	-	13	12.50
Total	-	-	**22,123**	**2,765.63**

6.1 EQUITY PRICE RISK

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

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

	Gross Exposure	Risk Weighted Assets	Capital requirement @ %12.5
Equity investments			
- Listed	2182	2182	273
- Unlisted	-	-	-
Investment in rated funds	-	-	-
Investment in unrated funds - Listed/Unlisted	7,735	8,671	1,084
- Listed	5,863	5,863	733
- Unlisted	1,872	2,808	351
Total	**9,917**	**10,853**	**1,357**

6.2 INTEREST RATE RISK

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

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

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

6.2(a) INTEREST RATE RISK SENSITIVE ASSETS AND LIABILITIES

As at 31st December 2022	Effective Interest rate% p.a.	Within 1 year	Over 1 year	Non- interest sensitive	Total
Cash and Bank balances	-	-	-	22,062	**22,062**
Call deposits*	-	3,013	-	-	**3,013**
Treasury bills	5.04%	14,338	-	-	**14,338**
Short-term placements with banks	5.27%	21,162	-	-	**21,162**
Securities bought under repurchase agreements	5.45%	155,886	-	-	**155,886**
Investments at fair value through profit or loss	5.45%	174	7,102	15,843	**23,119**
Investments at fair value through other comprehensive income	6.81%	-	5,136	5,108	**10,244**
Investments at amortized cost**	6.56%	-	14,664	-	**14,664**
Fees receivable	-	-	-	2,062	**2,062**
Other assets	-	-	-	9,659	**9,659**
Property and Equipment	-	-	-	2,099	**2,099**
Intangible assets and goodwill	-	-	-	1,674	**1,674**
Total Assets	-	**194,573**	**26,902**	**58,507**	**279,982**
Short-term bank borrowings	4.85%	5,048	-	-	**5,048**
Securities sold under repurchase agreements	4.75%	162,989	-	-	**162,989**
Customer accounts	-	-	-	29,722	**29,722**
Other liabilities	-	-	-	9,822	**9,822**
Payable to unit holders in consolidated funds	-	-	-	2,419	**2,419**
Total Liabilities	**-**	**168,037**	**-**	**41,963**	**210,000**
Total Equity	**-**	**-**	**-**	**69,982**	**69,982**
Total Liability and Equity	**-**	**168,037**	**-**	**111,945**	**279,982**
Interest rate sensitivity Gap	-	26,536	26,902	(53,438)	**-**
Cumulative Interest rate sensitivity gap	-	**26,536**	**53,438**	**-**	**-**

*At 31 December 2022 the effective interest rate on Bahraini Dinar call deposits is 4.1% (2021: 1%) and on USD call deposits is 3.6% (2021: 1%).

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

6.2(b) INTEREST RATE RISK IN THE BANKING BOOK

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

Amount in BD '000					
50 bps increase	100 bps increase	200 bps increase	50 bps decrease	100 bps decrease	200 bps decrease
(288)	(575)	(1,151)	288	575	1,151

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

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

6.3 CURRENCY RISK

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

7. OPERATIONAL RISK

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

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

The operational risk weighted assets are computed as per the guidelines of the CBB, which are as follows:

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

	2019	2020	2021
Gross income	14,636	10,432	17,711
Average gross income (A)			14,260
Alpha (B)			15%
(C) = (A) * (B)			2,139
Risk weighted exposures (D) = (C) * 12.5			**26,737**
Capital requirement @ 12.5% of (D)			**3,342**

8. OTHER RISKS

8.1 CONCENTRATION RISK

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

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

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

8.2 LIQUIDITY RISK

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

The Bank's Treasury Unit manages this risk by monitoring settlement obligations and maintaining sufficient liquid assets, including call deposits and short-term placements. The Bank's liquidity position is monitored on a daily basis, and maturity mismatches of its maturity profile are also monitored and reported to the ALIC and Board. Moreover, the bank's investment book which is also majorly invested in liquid assets provides support to the Bank's liquidity profile. Liquidity risk is also managed through ensuring compliance with regulatory liquidity requirements. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are the ratios which the Bank follows as per CBB requirements.

8.3 FIDUCIARY RISKS

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

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

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

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

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

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

8.4 BUSINESS CONTINUITY

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

8.5 COMPLIANCE RISK

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

8.6 LEGAL RISK

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Currently, there are no on-going lawsuits against the company and based on our assessment, we do not consider the need for the creation of any provision in these consolidated financial statements with respect to the lawsuits.

APPENDIX 1

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

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

APPENDIX 2

Step 2: Reconciliation of published financial balance sheet to regulatory reporting.

	Published financial statements 31-Dec-22 BD '000	Consolidated PIR data* 31-Dec-22 BD '000
Assets		
Cash and cash equivalents	46,237	46,244
of which Cash and balances at central banks	25,075	25,075
of which Placements with banks and financial institutions	21,162	21,169
Treasury bills	14,338	14,338
Securities bought under repurchase Agreement	155,886	155,905
Investments at fair value through profit and loss	23,119	23,119
Investments at fair value through other comprehensive income	10,244	10,244
Investments at Amortized Cost	14,664	14,664
Fees receivable	2,062	2,062
Other assets	9,659	9,723
of which loans and advances (margin receivables)	5,867	5,931
of which interest receivable	1,909	1,909
of which other assets	1,883	1,883
Property and equipment	2,099	2,099
Intangible assets and goodwill	1,674	1,674
Total assets	**279,982**	**280,072**
Liabilities		
Short-term bank borrowings	5,048	5,048
Securities sold under repurchase agreement	162,989	162,989
Customer Accounts	29,722	29,722
Other liabilities	9,822	9,822
of which Interest payable	1,143	1,143
of which other liabilities	8,679	8,679
Payable to other unit holders (Other liabilities)	2,419	2,419
Total liabilities	**210,000**	**210,000**
Shareholders' Equity		
Share Capital - eligible for CET1	44,134	44,134
Shares under employee share incentive scheme	(2,263)	(2,263)
Treasury shares	-	-

	Published financial statements 31-Dec-22 BD '000	Consolidated PIR data* 31-Dec-22 BD '000
Statutory reserve	9,343	9,343
of which share premium	761	761
of which legal reserve	8,582	8,582
General reserve	3,217	3,217
Investments fair value reserve	885	885
of which unrealized gains from fair valuing equities	781	781
of which unrealized gains from other financial instruments	104	104
Retained earnings	14,666	14,666
of which retained earnings brought forward from previous year	11,115	11,115
of which net profits for the current period	3,551	3,551
Expected Credit Losses (Stages 1 & 2)	-	90
Total shareholder' equity	**69,982**	**70,072**
Total liabilities and equity	**279,982**	**280,072**

**The figures are gross of expected capital loss.*

APPENDIX 3

Step 3: Composition of Capital Common Disclosure Template as of 31st December 2022

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000)
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	41,871
2	Retained earnings	14,666
3	Accumulated other comprehensive income (and other reserves)	13,445
4	Not Applicable	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**69,982**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	140
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	600
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Investment in CET1 of subsidiaries	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-
	Investment in financial entities where ownership is < 10% of issued common share capital	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	**Total regulatory adjustments to Common equity Tier 1**	**-**
29	**Common Equity Tier 1 capital (CET1)**	**69,242**

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000)
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments	-
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: ...	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	**Additional Tier 1 capital (AT1)**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**68,025**
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	-
	Expected Credit Losses (Stage 1 & 2)	90
51	Tier 2 capital before regulatory adjustments	-
	Tier 2 capital: regulatory adjustments	
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000)
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
57	**Total regulatory adjustments to Tier 2 capital**	**90**
58	**Tier 2 capital (T2)**	**90**
59	**Total capital (TC = T1 + T2)**	**69,332**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-
	OF WHICH: Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible	-
60	**Total risk weighted assets**	**91,905**
	Capital ratios	
61	**Common Equity Tier 1 (as a percentage of risk weighted assets)**	**75.34%**
62	**Tier 1 (as a percentage of risk weighted assets)**	**75.34%**
63	**Total capital (as a percentage of risk weighted assets)**	**75.44%**
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement (N/A)	0%
67	of which: D-SIB buffer requirement (N/A)	0%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)**	**75.44%**
	National minima including CCB (if different from Basel 3)	
69	CBB Common Equity Tier 1 minimum ratio	9%
70	CBB Tier 1 minimum ratio	10.5%
71	CBB total capital minimum ratio	12.5%
	Amounts below the thresholds for deduction (before risk weighting)	
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	90
77	Cap on inclusion of provisions in Tier 2 under standardized approach (1.25% of Credit Risk weighted Assets)	-
78	NA	-
79	NA	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities	-

APPENDIX 4

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

	Disclosure template for main features of regulatory capital instruments	
1	Issuer	SICO BSC (c)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SICO BI EQUITY
3	(BLOOMBERG ID)	Commercial Companies Law, Bahrain
	Regulatory treatment	
4	Transitional CBB rules	NA
5	Post-transitional CBB rules	NA
6	Eligible at solo/group/group & solo	Yes
7	Instrument type (types to be specified by each jurisdiction)	Common shares
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	BD 41.87 million
9	Par value of instrument	100 fils per share
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1995
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA

	Disclosure template for main features of regulatory capital instruments	
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA