

**SICO BSC (c)**  
**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**  
**31 MARCH 2021**

Comprehensive investment services for the Bahrain and GCC securities market

Commercial registration : 33469

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

Hisham Al Kurdi  
*Vice Chairman of the Board & the Investment Committee*

Khalid Al Jassim  
*Member of the Investment Committee*

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

Khurram Ali Mirza  
*Vice Chairman of Nominations, Remuneration &  
Corporate Governance Committee*

Dana Raees  
*Member of Nominations, Remuneration &  
Corporate Governance Committee*

Tala Fakhro  
*Chairman of the Audit Committee*

Abdulla Kamal  
*Vice Chairman of the Audit Committee*

Naseema Haider  
*Member of the Audit Committee*

Chief Executive Officer : Najla M. Al Shirawi

Office : BMB Centre  
P.O. Box 1331, Kingdom of Bahrain  
Telephone 17515000, Fax 17514000

Bankers : Bank of Bahrain and Kuwait BSC

Auditors : KPMG Fakhro

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the period ended 31 March 2021**

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

10 May 2021

The Board of Directors  
SICO BSC (c)  
P.O. Box 1331  
Manama  
Kingdom of Bahrain

### Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial information of SICO BSC (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2021;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2021;
- the condensed consolidated statement of comprehensive income for the three-month ended 31 March 2021;
- the condensed consolidated statement of changes in equity for the ended 31 March 2021;
- the condensed consolidated statement of cash flows for the ended 31 March 2021; and
- notes to the condensed consolidated interim financial information.

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

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by the Central Bank of Bahrain.

## SICO BSC (c)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

Bahraini Dinars '000

	Note	31 March 2021 (reviewed)	31 December 2020 (audited)
<b>ASSETS</b>			
Cash and bank balances		73,472	54,393
Treasury bills		5,820	1,127
Securities bought under repurchase agreements		84,380	73,816
Investments at fair value through profit or loss ("FVTPL")	13	25,685	22,443
Investments at fair value through other comprehensive income ("FVOCI")	14	10,341	9,723
Investments at amortised cost		9,948	9,953
Investment property		183	427
Fees receivable		1,417	1,153
Other assets		8,072	7,323
Property, plant and equipment	15	342	627
Intangible assets and goodwill	16	1,982	795
<b>Total assets</b>		<b>221,642</b>	<b>181,780</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Short-term bank borrowings		8,868	7,400
Securities sold under repurchase agreements		88,698	74,406
Customer accounts		51,236	34,885
Other liabilities		6,157	5,426
Payable to other unit holders in consolidated funds		1,488	1,340
<b>Total liabilities</b>		<b>156,447</b>	<b>123,457</b>
<b>Equity</b>			
Share capital		42,849	42,849
Treasury shares		-	(5,322)
Shares under employee share incentive scheme		(2,263)	(2,263)
Statutory reserve		8,330	8,330
General reserve		3,217	3,217
Investments fair value reserve		1,231	992
Retained earnings		10,000	10,520
<b>Equity attributable to the shareholders of the Bank</b>		<b>63,364</b>	<b>58,323</b>
Non-controlling interest		1,831	-
<b>Total equity (page 5)</b>		<b>65,195</b>	<b>58,323</b>
<b>Total liabilities and equity</b>		<b>221,642</b>	<b>181,780</b>

The condensed consolidated interim financial information was approved by the Board of Directors on 10 May 2021 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 21 form an integral part of this condensed consolidated interim financial information.

## SICO BSC (c)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the three months ended 31 March 2021**

Bahraini Dinars '000

	Note	31 March 2021 (reviewed)	31 March 2020 (reviewed)
Net investment income	17	1,172	(2,039)
Net fee income		953	913
Brokerage and other income		745	826
Net interest income		405	374
Income from investment property		22	52
<b>Total income</b>		<b>3,297</b>	126
Staff cost		1,360	1,348
Other operating expenses		600	648
Share of profit/ (loss) of other unit holders in consolidated funds		120	(75)
<b>Total expenses</b>		<b>2,080</b>	1,921
<b>Profit / (loss) for the period</b>		<b>1,217</b>	(1,795)
Profit / (loss) attributable to non-controlling interests		-	-
<b>Profit / (loss) attributable to the shareholders of the Bank</b>		<b>1,217</b>	(1,795)
<b>Basic and diluted earnings per share (fils)</b>		3.23	(4.86)



Abdulla Bin Khalifa Al Khalifa  
Chairman



Hisham Al Kurdi  
Vice Chairman



Najla M. Al Shirawi  
Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the three months ended 31 March 2021**

Bahraini Dinars '000

	<b>31 March 2021 (reviewed)</b>	<b>31 March 2020 (reviewed)</b>
<b>Profit/ (loss) for the period</b>	<b>1,217</b>	<b>(1,795)</b>
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified to profit or loss in subsequent periods:</b>		
Net changes in fair value of FVOCI debt instruments	(13)	(722)
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>		
Net change in fair value of FVOCI equity instruments	252	(782)
<b>Total other comprehensive income for the period</b>	<b>239</b>	<b>(1,504)</b>
Total comprehensive income attributable to non-controlling interests	-	-
<b>Total comprehensive income / (loss) attributable to the shareholders of the Bank</b>	<b>1,456</b>	<b>(3,299)</b>

The accompanying notes 1 to 21 form an integral part of this condensed consolidated interim financial information.

## SICO BSC (c)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the three months ended 31 March 2021**

Bahraini Dinars '000

2021 (reviewed)

	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
<b>Profit for the period</b>	-	-	-	-	-	-	1,217	1,217	-	1,217
<b>Other comprehensive income:</b>										
Net change in fair value of FVOCI instruments	-	-	-	-	-	239	-	239	-	239
<b>Total other comprehensive income</b>	-	-	-	-	-	239	-	239	-	239
<b>Total comprehensive income for period</b>	-	-	-	-	-	239	1,217	1,456	-	1,456
Transfer to charitable donation reserve	-	-	-	-	-	-	(40)	(40)	-	(40)
<b>Transaction with owners recognised directly in equity:</b>										
Dividends paid for 2020 (note 10)	-	-	-	-	-	-	(2,142)	(2,142)	-	(2,142)
Acquisition of a subsidiary (note 20)	-	5,322	-	-	-	-	445	5,767	1,831	7,598
<b>Balance at 31 March 2021</b>	<b>42,849</b>	<b>-</b>	<b>(2,263)</b>	<b>8,330</b>	<b>3,217</b>	<b>1,231</b>	<b>10,000</b>	<b>63,364</b>	<b>1,831</b>	<b>65,195</b>

The accompanying notes 1 to 21 form an integral part of this condensed consolidated interim financial information.

SICO BSC (c)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the three months ended 31 March 2020** *(continued)*

Bahraini Dinars '000

2020 (reviewed)

	Share capital	Treasury Shares	Shares under employee share incentive scheme	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2020	42,849	(5,322)	(2,263)	8,034	3,217	891	11,958	59,364
Loss for the period	-	-	-	-	-	-	(1,795)	(1,795)
<i>Other comprehensive income:</i>								
Net change in fair value of FVOCI instruments	-	-	-	-	-	(1,504)	-	(1,504)
Net amount transferred to retained earnings on sale of FVOCI equity instruments	-	-	-	-	-	124	(124)	-
<i>Total other comprehensive income</i>	-	-	-	-	-	(1,380)	(124)	(1,504)
Total comprehensive income for period	-	-	-	-	-	(1,380)	(1,919)	(3,299)
Transfer to charitable donation reserve	-	-	-	-	-	-	(60)	(60)
Transaction with owners recognised directly in equity: Dividends declared for 2019	-	-	-	-	-	-	(3,899)	(3,899)
Balance at 31 March 2020	42,849	(5,322)	(2,263)	8,034	3,217	(489)	6,080	52,106

The accompanying notes 1 to 21 form an integral part of this condensed consolidated interim financial information.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the three months ended 31 March 2021**

Bahraini Dinars '000

	<b>31 March 2021 (reviewed)</b>	31 March 2020 (reviewed)
<b>Operating activities</b>		
Net interest received	830	735
Net purchase of investments at fair value through profit or loss	(882)	(312)
Net (purchase)/ sale of investments at fair value through other comprehensive income	(618)	1,092
Net sale of investments at amortised cost	5	4
Net decrease in investment property	157	10
Net increase in customer accounts	16,351	13,861
Securities bought under repurchase agreements	(10,564)	14,676
Securities sold under repurchase agreements	14,292	(18,415)
Dividends received	303	251
Net income from investment property	109	52
Movement in brokerage accounts and other receivables	2,410	2,394
Movement in other liabilities	405	138
Payments for staff and related expenses	(1,751)	(2,294)
Payments for other operating expenses	(243)	(2,125)
<b>Net cash generated from operating activities</b>	<b>20,804</b>	10,067
<b>Investing activities</b>		
Net capital expenditure on equipment and intangibles	(15)	(37)
Acquisition of subsidiary, net cash acquired	5,109	-
<b>Net cash generated from / used in investing activities</b>	<b>5,094</b>	(37)
<b>Financing activities</b>		
Net increase in short-term bank borrowings	-	2,930
Dividend paid	(2,142)	-
Contribution by other unit holders in consolidated funds	(5)	-
Distribution to other unit holders in consolidated funds	33	(5)
<b>Net cash used in / generated from financing activities</b>	<b>(2,114)</b>	2,925
<b>Net increase in cash and cash equivalents</b>	<b>23,784</b>	12,955
Cash and cash equivalents at the beginning of the period	55,520	60,816
<b>Cash and cash equivalents at the end of the period*</b>	<b>79,304</b>	73,771
Represented by:		
Cash and bank balances	73,472	72,474
Treasury bills	5,820	1,272
	<b>79,292</b>	73,746

\* Excludes ECL balance of BD 12 (2020: BD 25).

The accompanying notes 1 to 21 form an integral part of this condensed consolidated interim financial information.

**1. Reporting entity**

This condensed financial information is the reviewed condensed consolidated interim financial information (the “condensed consolidated interim financial information”) of SICO BSC (c) (“SICO” or the “Bank”) and its subsidiaries (the “Group”). The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain (the “CBB”).

During the period, the Bank has acquired 72.7% of the share capital of Muscat Capital Company (“MCC”), a Saudi Closed Joint Stock Company. The acquisition was completed on 15 March 2021 and the transaction is being accounted as per the requirements of IFRS 3 - *Business Combinations* (refer to note 20 for details).

**2. Basis of preparation**

The condensed consolidated interim financial information of the Group has been prepared in accordance with applicable rules and regulations issued by the CBB including the CBB circulars on regulatory concessionary measures in response to novel coronavirus (“COVID-19”). These rules and regulations require the adoption of all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for:

- (a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of the profit or loss account as required by IFRS issued by IASB. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of applicable IFRS. Please refer to note 4 for further details; and
- (b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of the profit or loss account as required by the IAS 20. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognised in the profit or loss account. Any other financial assistance is recognised in accordance with the requirements of IAS 20.

The above framework for the basis of preparation of the annual financial statements is hereinafter referred to as ‘IFRS as modified by the CBB’.

The condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’, using the IFRS as modified by the CBB framework. Hence, the framework used in the preparation of the condensed consolidated interim financial information of the Group is hereafter referred to as “IAS 34 as modified by the CBB”.

The adoption of the above framework did not have any impact on the Group’s reported amounts in the current and comparative periods as the Group’s financial assets were not subject to modification.

The condensed consolidated interim financial information is reviewed by the external auditors, not audited. The condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2020.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the three months ended 31 March 2021**

Bahraini Dinars '000

**3. Comparatives**

The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2020. Due to the outbreak of the COVID-19 in early 2020, the CBB had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their condensed consolidated interim financial information for the three-month period ended 31 March 2020. Accordingly, the comparatives for the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed management accounts of the Group for the three-month period ended 31 March 2020. The adoption of the modified framework referred to in note 2 did not require any adjustments to such reviewed management accounts.

Certain comparative figures have been re-grouped to agree with current year presentations. Such re-grouping did not affect the previously reported profit or total equity.

**4. COVID-19 impact**

On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation ("WHO"). It has rapidly evolved and continues to affect worldwide. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. The estimation uncertainty is associated with the extent and duration of the expected economic downturn and forecasts for key economic factors including gross domestic product ("GDP"), employment, oil prices, etc. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns.

Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The Government of Kingdom of Bahrain and other governments across the world have announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Group and its clients have received some benefits from these Packages to help sustain the impact of the crisis.

The pandemic as well as the resulting measures and policies are expected to have direct and/ or knock-on impact on the Group. Management and the Board of Directors have been closely monitoring the potential impact of the COVID-19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements, etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, management is of the view that the Group will continue as a going concern entity at least for the next 12 months from the date of this condensed consolidated interim financial information.

*Fair valuation*

The global capital and commodity markets have also experienced great volatility and a significant drop in prices. The Group's fair valuation exercise primarily relies on quoted prices from active markets for each financial instrument (i.e. Level 1 input) or using observable or derived prices for similar instruments from active markets (i.e. Level 2 input) and has reflected the volatility evidenced during the period and as at the end of the reporting date in its measurement of its financial assets and liabilities carried at fair value. Where fair value measurements was based in full or in part on unobservable inputs (i.e. Level 3), management has used its knowledge of the specific asset/ investee, its ability to respond to or recover from the crisis, its industry and country of operations to determine the necessary adjustments to its fair value determination process.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the three months ended 31 March 2021**

Bahraini Dinars '000

**5. Accounting policies**

The new accounting standards issued and effective as at 1 January 2021 do not have a significant impact on the Group's accounting policies. The condensed consolidated interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the Groups' audited consolidated financial statements for the year ended 31 December 2020 except for the adoption of the below on account of the acquisition of a subsidiary:

**(a) Business combination and goodwill**

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

IFRS 3 – Business Combinations allows for the fair value of assets, liabilities and equity interests to be reported on a provisional basis on the date of the business combination. If new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting are required to be done on a retrospective basis.

After initial recognition, goodwill and other intangibles are measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Intangibles with indefinite useful lives are subject to impairment testing at least on an annual basis. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the three months ended 31 March 2021**

Bahraini Dinars '000

**6. Estimates**

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the consolidated financial statements for the year ended 31 December 2020.

**7. Financial risk management**

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements and they should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2020. There have been no changes in the risk management department or in any risk management policies since 31 December 2020.

The regulatory ratios are as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Liquidity Coverage Ratio</b>	193%	263%
<b>Net Stable Funding Ratio (note 21)</b>	159%	170%
<b>Minimum required by CBB</b>	100%	80%

The average LCR for the three-months period ended 31 March 2021 was 233% (31 December 2020: 158%).

The Group continues to meet minimum required regulatory liquidity ratios and is also in compliance with the minimum required capital adequacy ratio ("CAR").

**8. Operating segments**

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

**9. Cyclicalities**

Due to nature of the Group's business, the three months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results. In particular, dividends and performance fee are not necessarily recognized in the same interim reporting periods each year and are dependent on actions and performances of the investee companies and portfolio performance.

**10. Appropriations**

At the shareholders Annual General Meeting for the year 2020 on 23 March 2021, the shareholders resolved to make the appropriations of the profit for the year ended 31 December 2020, which were effected during the first quarter of 2021. These include cash dividend of BD 2,142 representing 5% of the paid up capital and charitable donations of BD 40.

**11. Shares under employee share incentive scheme**

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2021

Bahraini Dinars '000

## 12. Contingencies, commitments and memorandum accounts

	31 March 2021	31 December 2020
Assets under custody	3,012,365	3,010,365
Assets under management	1,315,201	877,931
Guarantees	3,595	3,593
Other commitments	3,131	2,841

The recent acquisition of MCC (see note 20) has resulted in consolidation of assets under management amounting to BD 354,034. The results of the Group do not reflect the income from such assets under management due to the practical expedient for acquisition accounting and consolidation as explained in note 20.

## 13. Investments at fair value through profit or loss

	31 March 2021	31 December 2020
<b>Quoted equity securities – (listed)</b>		
- Parent	3,936	3,425
	4,174	3,667
<b>Funds</b>		
- Quoted	5,803	4,138
- Unquoted	2,888	2,528
<b>Quoted debt securities</b>		
- Parent	4,771	4,662
- Consolidated funds	4,113	4,023
	<b>25,685</b>	<b>22,443</b>

## 14. Investments at fair value through other comprehensive income

	31 March 2021	31 December 2020
<b>Equity securities</b>		
- Quoted	4,957	4,753
<b>Debt securities</b>		
- Quoted	5,384	4,970
	<b>10,341</b>	<b>9,723</b>

## 15. Property, plant and equipment

	31 March 2021	31 December 2020
Property, plant and equipment	79	425
Right-of-use of leased property	263	202
	<b>342</b>	<b>627</b>

Lease liabilities in relation to right-of-use of leased property are presented under interest payable and other liabilities and amounted to BD 157 as at 31 March 2021 (2020: BD 214). The depreciation charge on right-of-use asset during the period was BD 52 (2020: BD 39).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2021

Bahraini Dinars '000

## 16. Intangible assets and goodwill

	<b>31 March 2021</b>	31 December 2020
Intangibles – software	1,074	795
Goodwill	908	-
	<b>1,982</b>	795

## 17. Net investment income

	<b>Three months ended</b>	
	<b>31 March 2021</b>	31 March 2020
Net gain/ (loss) from investments at fair value through profit or loss	511	(2,654)
Realised gain on treasury bills	1	1
Interest income from debt instruments	357	363
Dividend income	303	251
	<b>1,172</b>	<b>(2,039)</b>

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

	<b>Three months ended</b>	
	<b>31 March 2021</b>	31 March 2020
Realised gain	34	83
Unrealised gain/ (loss)	477	(2,737)
	<b>511</b>	<b>(2,654)</b>

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 reporting period, or the transaction price if it was purchased in the current reporting period, and its sale or settlement price.

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

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#### 18. Related parties

The following are the related party transactions during the period. All of these transactions are in the ordinary course of business and on normal commercial terms.

Transactions with funds owned by the subsidiary companies namely SICO Funds Company BSC (c), SICO Funds Company III BSC (c), SICO Funds Company IV BSC (c), SICO Funds Company VI BSC (c), SICO Funds Company VIII BSC (c), SICO Ventures Company WLL and Muscat Capital are as follows:

	Three months ended	
	31 March 2021	31 March 2020
Fee income	119	149

  

	31 March 2021	31 December 2020
	Fee receivable	120
Funds under management	59,214	58,686
Investments in own funds	4,199	2,346

#### Transactions with shareholders:

	Three months ended	
	31 March 2021	31 March 2020
Fee income	83	133

  

	31 March 2021	31 December 2020
	Fee receivable	265
Funds under management	73,325	46,525
Placements	14,754	11,154
Borrowings	8,868	7,400
Securities sold under repurchase agreements	35,352	41,261

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



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## 19. Fair value

(i) Set out below is a comparison of the carrying amounts and fair values of financial instruments:

	31 March 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and bank balances	73,472	73,472	54,393	54,393
Treasury bills	5,820	5,820	1,127	1,127
Securities bought under repurchase agreements	84,380	84,555	73,816	74,046
Investments at fair value through profit or loss	25,685	25,685	22,443	22,443
Investments at fair value through other comprehensive income	10,341	10,341	9,723	9,723
Investments at amortised cost	9,948	11,076	9,953	11,327
<b>Total assets</b>	<b>209,646</b>	<b>210,949</b>	171,455	173,059
<b>Liabilities</b>				
Short-term bank borrowings	8,868	8,874	7,400	7,401
Securities sold under repurchase agreements	88,698	88,813	74,406	74,574
Payable to unit holders	3,217	3,217	1,340	1,340
<b>Total liabilities</b>	<b>100,783</b>	<b>100,904</b>	83,146	83,315

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

## (ii) Fair value hierarchy

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

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.

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## 19. Fair value (continued)

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

## As at 31 March 2021

## Assets

Investments at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
- Equity	8,110	-	-	8,110
- Debt securities	8,884	-	-	8,884
- Funds	6,763	-	1,928	8,691
Investment at fair value through other comprehensive income:				
- Equities	4,957	-	-	4,957
- Debt securities	5,384	-	-	5,384
	<b>34,098</b>	-	<b>1,928</b>	<b>36,026</b>

## As at 31 December 2020

## Assets

Investments at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
- Equity	7,092	-	-	7,092
- Debt securities	8,685	-	-	8,685
- Funds	5,523	-	1,143	6,666
Investment at fair value through other comprehensive income:				
- Equities	4,753	-	-	4,753
- Debt securities	4,970	-	-	4,970
	<b>31,023</b>	-	<b>1,143</b>	<b>32,166</b>

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

## At 1 January

Total loss:

- in income statement

- in other comprehensive income

Purchases

Settlements

Transfers into / (out) of level 3

## At 31 March

	Level 3 31 March 2021	Level 3 31 March 2020
	1,143	832
	(173)	(34)
	-	-
	-	-
	958	-
	<b>1,928</b>	<b>798</b>

**20. Business combination**

On 15 March 2021, the Bank acquired 72.7% stake in MCC 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 MCC. For practical purposes, the 31 March 2021 management accounts of MCC have been used as best estimate for the purposes of acquisition accounting and consolidation.

The acquisition of MCC 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.

*Purchase price consideration*

Management has assessed that the consideration amounted to BD 5,785 is provisionally the fair value of consideration transferred.

*Recognition of non-controlling interest*

Non-controlling interest in MCC has been estimated by applying the proportionate method of fair value of identifiable net assets.

*Acquisition related costs*

Transaction costs of BD 112 were expensed during 2020 and 2021 under other operating expenses

*Fair valuation of identifiable assets acquired and liabilities assumed*

The fair value of the identifiable assets and liabilities of MCC at the date of acquisition is summarised as below:

	<b>Fair value on acquisition date</b>
<b>Assets</b>	
Cash and bank balances	5,109
Investments at fair value through profit or loss ("FVTPL")	1,841
Fees receivable	287
Other assets	1,554
Property, plant and equipment	12
Intangible assets and goodwill (Intangible i.e. software on MCC books)	89
<b>Total assets</b>	<b>8,892</b>
<b>Liabilities</b>	
Short-term bank borrowings	1,468
Other liabilities	716
<b>Total liabilities</b>	<b>2,184</b>
<b>Identifiable net assets</b>	<b>6,708</b>

*Goodwill*

Goodwill arising from the acquisition has been recognised as follows:

Purchase price consideration	5,785
Non-controlling interest	1,831
Fair value of identifiable net assets	(6,708)
<b>Goodwill</b>	<b>908</b>

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*20. Business combination (continued)*

The above figures are provisional. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustment to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

*Impact on Group's results*

The acquisition of MCC resulted in increase in assets of the Group by BD 9,800, increase in liabilities of the Group by BD 2,184 and increase in off balance sheet items e.g. assets under management by BD 354,034. If MCC was consolidated since beginning of the reporting period, the incremental net profits would have amounted to BD 133.

For the purpose of these condensed consolidated interim statement of cash flows, net cash acquired on business combination amounted to BD 5,109.

**21. Net stable funding ratio**

In August 2018, the Central Bank of Bahrain 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 CBB Module LM, banks are required to meet the minimum NSFR of at least 100% on a continuous basis. This ratio was relaxed to 80% due to the pressures within the banking sector following the COVID-19 pandemic.

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21. Net stable funding ratio (continued)

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

31 March 2021	Unweighted values (before applying factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
<b>Available stable funding (ASF):</b>					
<b>Capital:</b>					
Regulatory capital	58,255	-	-	72	58,327
<b>Retail deposits and deposits from small business customers:</b>					
Less stable deposits		12,577			11,319
<b>Other liabilities:</b>					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in above categories	-	140,921	-	-	7,483
<b>Total ASF</b>					<b>77,129</b>
<b>Required stable funding (RSF):</b>					
<b>Total NSFR high-quality liquid assets (HQLA)</b>	<b>24,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319</b>
<b>Deposits held at other financial institutions for operational purposes</b>					
<b>Performing loans and securities:</b>					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	24,660	-	-	12,330
<b>Other assets:</b>					
All other assets not included in the above categories	4,728	152,819			33,570
Off-balance sheet items	6,876	-	-	-	344
<b>Total RSF</b>					<b>48,563</b>
<b>NSFR %</b>					<b>159%</b>

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*21. Net stable funding ratio (continued)*

31 December 2020	Unweighted values (before applying factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available stable funding (ASF):					
Capital:					
Regulatory capital	56,785	-	-	72	56,857
Retail deposits and deposits from small business customers:					
Less stable deposits	11,240	-	-	-	10,116
Other liabilities:					
All other liabilities not included in above categories	-	97,891	-	-	4,213
<b>Total ASF</b>					<b>71,186</b>
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	20,307	-	-	-	1,987
Performing loans and securities:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	23,269	-	-	11,635
Other assets:					
All other assets not included in the above categories	4,971	129,080	-	-	28,009
Off-balance sheet items	6,434	-	-	-	322
<b>Total RSF</b>					<b>41,953</b>
NSFR %					170%

**INTRODUCTION**

In accordance with the advice of the Central Bank of Bahrain vide its circular no. OG/259/2020 dated 14 July 2020, and in order to maintain transparency, the Bank discloses herewith additional information pertaining to the financial impact of Novel Coronavirus ("COVID-19") on its financial statements and the results of operations.

This assessment would be carried out on an ongoing basis and necessary supplementary information would be provided as part of the interim and annual financial statements.

The declaration by the World Health Organization of a pandemic due to the spread of COVID-19 around the world suddenly and unexpectedly has caused a major global economic crises and panic in financial markets. Financial Services industry like other industries had to manage and overcome multifaceted challenges in an environment of economic uncertainty and higher risk. The global fight to control the coronavirus spread is not over yet. Nonetheless, many countries have started witnessing reduced number of COVID-19 infections and have started to ease lockdown measures while economic and social activities resuming gradually, the threat of a second wave of infections still looms and the situation remains uncertain.

**CURRENT SITUATION**

The Bank, in ongoing basis and since the initial days of the crises has been assessing the impact of the crises on all lines of business in terms of revenues, liquidity and overall exposures. While the impact on the income stream is being reviewed on continuous basis due to the markets turmoil, the Management are also cognizant of the need to maintain business activities while ensuring staff safety and business continuity. The Management have communicated to the clients early in the crises all measures that are implemented giving them the additional comfort that the Bank is fully prepared and their business with SICO is safeguarded from all aspects. In the meantime, the Management have assessed that SICO does not face any imminent liquidity crisis.

The Government of Bahrain had announced various support measures to assist the corporates in these unprecedented situations. The Central Bank of Bahrain has also provided a number of support measures in terms of the reporting requirement timelines and also easing certain threshold requirements.

SICO has taken a number of steps in the business continuity planning and implementation process keeping in mind the overall safety and well-being of our staff members while ensuring no operational disturbances in running the business.

Overall, the Bank's financial performance for the first quarter of 2021 has improved considerably as compared the same period in 2020. The first quarter of 2020 witnessed depressed results due to the COVID-19 related economic shock and the extreme volatility experienced in the oil prices and its resultant impact on the market valuation of securities. However, the introduction of vaccines as well as other measures taken by countries in the region and across the World has contributed positively to the market valuations and the Bank's performance

The Bank achieved a net profit of BD 1.2 million for the period ended 31 March 2021 as against the loss of BD 1.8 million that was incurred in the same quarter of the previous year. Operating income for the three months ended 31 March 2021 was BD 3,297 as against BD 126 achieved in the same period previous year.

**Table of income components (BD '000):**

	<b>31-Mar-2021</b>	<b>31-Mar-2020</b>
Net investment income	1,172	(2,039)
Net fee income	953	913
Brokerage and other income	745	826
Net other interest income	405	374
Income from investment property	22	52
<b>Total</b>	<b>3,297</b>	<b>126</b>

In the first quarter of 2020, the **Proprietary book investment** portfolio took a significant hit due to the market conditions that prevailed during the first three to four months of 2020. The drop in market valuations were due to both the COVID-19 pandemic as well as the significant drop in the oil prices. A number of measures that includes revising asset allocations, implementing hedging strategies, have been put in place. The later part of 2020 witnessed some good recovery. The year 2021 witnessed good recovery in the market valuations that had led to a good performance as compared to the same period previous year.

**Fee based income** experienced a marginal increase of 4% when compared to 2019, mainly due to the improvements in the portfolio valuations

The market volatilities that existed in the first quarter of 2020 helped boost **Brokerage income**, The volatile market situation resulted in increased trading activities. In the short term, this volatility has created good trading opportunity for clients in both the equities and fixed income space.

**Other interest income** reflected a growth of 8% from previous year levels. This has been achieved due to the efficient management of the liquidity position as well an increase in the reverse repo based business activities.

**Others:**

- The Bank continues to meet the regulatory requirement of CAR, LCR and NSFR.
- A detailed analysis of the ECL provisioning requirements has been carried out and considering the nature of the exposures, the stressed economic situation has not resulted in the need for any increase to the existing ECL provisions.
- Strict cost control measures are in place; however due attention is given and necessary expenditure is incurred to ensure safety and well-being of staff personnel

**CLOSING NOTE**

The Management believes that ample measures have been taken by the Bank to handle the challenges of this uncertain situation. At this point, the priority is to ensure safety of our employees, clients, partners and all other stakeholders. The Bank will continue to maintain a resilient financial position and an attentive approach to dealing with all the clients.