

COMPASS

YOUR INSIDE GUIDE TO WHAT'S GOING ON IN SICO

SICO reports its most successful financial performance since 2007

SICO's financial performance in 2013 was its most successful since the record results of 2007. Net profit for the year increased by 76 per cent to BD 5.1 million compared with BD 2.9 million for 2012; while operating income grew by 41 per cent to BD 10.6 million from BD 7.5 million the previous year. Basic earnings per share rose by 86 per cent to 11.9 Bahraini fils from 6.71 Bahraini fils in 2012.

As at 31 December 2013, total balance sheet footings had increased by 20 per cent to BD 94.2 million from BD 78.4 million at the end of the previous year. Assets under management grew by 39 per cent to BD 317 million from BD 228 million at end-2012; while assets under custody with the Bank's wholly-owned subsidiary – SICO Funds Services Company – grew by 53 per cent to BD 1.26 billion from BD 824 million at the end of 2012.

Brokerage and other income for the full year increased to BD 1.3 million, along with net investment income which grew to BD 4 million. Net fee and commission income increased to BD 4 million, while net interest income remained largely unchanged at BD 1.3 million. Total operating expenses, which include staff overheads, general

administration and other expenses, were BD 5.3 million, compared with BD 4.5 million in 2012.

SICO continued to maintain a strong capital base, ending the year with shareholders' equity of BD 61.9 million, and a very strong consolidated capital adequacy ratio of 62.3 per cent, substantially higher than the Central Bank of Bahrain's requirement. SICO currently has 35 per cent (or BD 32.8 million) of its balance sheet in cash and deposits, compared with 41.5 per cent (or BD 32.5 million) at the end of 2012. Available-for-sale securities at the end 2013 increased to BD 32.7 million (end-2012: BD 21.8 million), while investments at fair value through profit or loss rose to BD 19.8 million (end-2012: BD 16.1 million).

All business lines contributed positively to the bottom line, with brokerage and other income increasing by 86 per cent, net investment income growing by 22 per cent, and assets under management rising by 39 per cent. In addition, SICO won important new mandates in the areas of discretionary portfolio management, agency brokerage, corporate finance, and custody and administration.

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Net profit
BD 5.1
million

Total assets
BD 94.2
million

20%
Balance sheet
growth

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Tony Mallis announces his retirement from the Bank



Chief Executive Tony Mallis has decided to retire from the Bank. He will continue in his present role until the Board formally appoints a successor by the end of March 2014. In May last year, the Board appointed Ms. Najla Al Shirawi as Deputy Chief Executive Officer, while currently retaining her role as Chief Operating Officer.

Shaikh Abdulla bin Khalifa Al-Khalifa, SICO's Chairman, said: "The Board of Directors accepted Tony's retirement request with great regret while understanding his reasons. He had discussed with me and the Board his contemplated retirement back in March 2013. The timing of his decision has enabled the Board and Management team to facilitate an orderly

transition of leadership without disruption to the Bank's operations".

Commenting on his decision to retire, Mr. Mallis said: "After 37 years in banking, it is time to conclude this chapter, relax, and pursue a number of alternative options. The past 13 years I have spent with SICO have been the most challenging and interesting of my career, thus it was a very difficult decision to make. However, I believe it is in the best interests of the Bank to hand over the baton to a fresh CEO, and an accomplished management team, to lead SICO through its next successful future phase.

"It has been a privilege to work alongside my fellow colleagues, an 'on-the-ball

Board', and our clients. My colleagues – 'the crew' – are among the most professional and knowledgeable people in the industry, and constitute an all-round team that has time and again displayed the ability to adapt to a challenging and demanding environment.

During my thirteen years' tenure, it has been particularly gratifying to witness SICO become a highly-respected and prominent regional investment bank and asset manager; and to thrive vigorously in a period through which many of its regional peers found it difficult to navigate," Mr. Mallis added.

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Chairman: "2013 a transformational year for SICO."



Commenting on SICO's 2013 financial results, the Bank's Chairman, Shaikh Abdulla bin Khalifa Al Khalifa, said: "In many ways, 2013 was a transformational year for the Bank. The best financial results since 2007 show that SICO benefited from a more temperate capital markets environment, and is now restoring its former earnings potential. In addition, the positive strategic, business and operational initiatives during the past years have set the basis for future growth.

"Financial highlights of 2013 include substantial increases in net profit and operating income with, significantly, all business lines contributing positively to the bottom line. In addition, SICO won important new mandates in the areas of discretionary portfolio management, agency brokerage, corporate finance, and custody and administration. It is particularly encouraging that fee and commission based income now account for 50 per cent

of total income, achieving the optimum 50:50 balance between proprietary income and fee and commission based revenue. Balanced and diversified revenue generators will enable the Bank to better accommodate market volatility."

Support infrastructure

Reviewing operational achievements, Shaikh Abdulla said: "During the year, we enhanced the Bank's highly-regarded independent research services with the launch of a new interactive research portal. This provides clients with convenient and flexible access to one of the most comprehensive research databases in the MENA region, through which to complement their investment decision-making process. In addition, we significantly strengthened the Bank's operating infrastructure through the successful testing, implementation and auditing of phase I of our new core banking system. A world-class support infrastructure is a critical success factor of SICO's vision to be a leading regional investment bank, operating at highest levels of efficiency, effectiveness and customer service.

"In 2013, we further strengthened the Bank's corporate governance and risk management framework in line with global best practice, and to ensure ongoing compliance with the latest regulatory requirements by the Central Bank of Bahrain

and the Bahrain Bourse. A significant development was the promotion of Chief Operating Officer Ms. Najla Al Shirawi to the newly-created position of Deputy Chief Executive Officer. This illustrates SICO's continuous commitment to enhancing its corporate structure and succession planning in preparation for a time when the baton is transferred to a younger generation. On behalf of the Board, I take this opportunity to congratulate Najla, who will add depth and continuity to the management team, and play an even closer role in SICO's evolving strategic development across the region."

Strategic progress

Shaikh Abdulla continued: "It is pleasing to note that the Bank continued to make encouraging progress in implementing its strategic expansion plans in the region, with our brokerage subsidiary – SICO UAE – completing its first full year of operations in 2013. We are currently looking at opportunities to replicate this development in other parts of the GCC, and also to expand the footprint of other core business lines. In line with our traditionally prudent approach, any future expansion will be conducted only if it makes sound business sense, and is aligned with the best interests of our shareholders and clients."

Looking ahead to 2014, the Chairman

pointed out: "We are optimistic about the new growth opportunities for SICO. Given the buoyant market conditions in the GCC – in contrast to the lacklustre performance of most major emerging markets – the Bank is well-positioned, God willing, to take advantage of the vast amount of liquidity in the system, and the likelihood of increased inflows to the region. SICO is well capitalised, highly liquid and largely unleveraged. We will maintain our prudent risk philosophy and disciplined business approach to honour our commitment to provide shareholders with acceptable risk-adjusted returns in a volatile economic and financial environment."

"Looking ahead to 2014, we are optimistic about the new growth opportunities for SICO."

SICO funds post another successful performance in 2013

SICO has released the 2013 performance results for its portfolio of regional equity, money market and fixed income funds, all of which are listed on the Bahrain Bourse. During the year, the Bank's funds continued to perform strongly against their respective benchmarks and peers.

SICO's flagship Khaleej Equity Fund, which invests in GCC listed equities, achieved a return of 28.4% for the year against its index return of 25%, and has outperformed its benchmark for eight consecutive years since its inception. It is the only fund in the region to be awarded both a 'Gold' fund grading and a '5-year Long-term' grading by Standard & Poor's Capital IQ.



The SICO Gulf Equity Fund, which invests in GCC-listed equities, but excluding Saudi Arabia, delivered a return of 32.4% for the year against a 27.4% return by its benchmark. The fund, which is graded 'Gold' by S&P Capital IQ, has produced a return of 43.3% since its launch in 2006, whereas its benchmark has dropped 33.2%.



Investing primarily in Saudi-listed equities, the SICO Kingdom Equity Fund delivered a

return of 33.1% in 2012 in comparison to a 25.5% return by its benchmark. Graded 'Silver' by S&P Capital IQ, the fund has generated an annualised return of 13.6% compared to 10.6% by its benchmark, since its launch in MARCH 2011.



The SICO Selected Securities Fund, which invests principally in Bahrain-listed equity and debt securities, achieved a return of 16.2% for the year, just slightly below its benchmark. Since its inception in 1998, the fund has produced a positive return of 133.2% whereas its benchmark is yet to reach its initial level.

The SICO Money Market Fund, which invests in regional investment grade money market instruments, recorded an annualised return of 1.16% in 2013 against its benchmark return of 0.26%. Since its inception in May 2010, the fund has consistently outperformed both the USD 2M LIBOR and the GCC 2M Average indices by considerable margins.

In April 2013, the SICO Fixed Income Fund – the first of its kind to be managed by a Bahrain-based fund manager – was launched and subsequently listed on the Bahrain Bourse. The Fund actively invests in government and corporate fixed income, sukuk, money market and other fixed income instruments for hedging purposes.

The primary objective is to generate income and seek capital appreciation over the medium- and long-term.

In 2013, SICO maintained its status as Bahrain's largest GCC public markets asset manager, with total assets under management increasing by 39 per cent to BD 317 million. These comprise SICO's own funds; funds sponsored by other institutions for which SICO acts as the investment manager; and fixed income and equity-oriented discretionary portfolio managed accounts. The latter continued to attract increased interest during the year.

The Bank won a number of new mandates from regional and international clients, including sovereign wealth funds and pension funds, for fixed income and GCC equities. SICO was also named "Best Asset Manager" at the 2013 MENA Fund Manager Performance Awards for the third successive year.

BD 317 million
Assets under management increase 39%

New corporate finance mandates

With M&A activity picking up in Bahrain's financial services sector in 2013, SICO secured a number of new corporate finance mandates during the course of the year. IPO activity also showed signs of improvement. Based on discussion with a number of institutions during the year, SICO expects several Bahrain-based issuers to test the IPO market in 2014. On the other hand, in the best interests of investors, SICO is adopting a highly selective approach to new mandates.

Regional IPOs set to increase

Regional IPO activity improved in 2013, with 11 companies listing, including two UAE companies on the London Stock Exchange, compared with nine companies in 2012. The Saudi market had the highest IPO activity, with five companies listing, followed by Oman with four. The IPO market has got off to a slow start in 2014, but is expected to pick up later in the year, with total offerings set to exceed US\$ 1 billion. Market sentiment has improved, with 30 companies in 2013 announcing their intention to list. Listings so far this year include Takaful Oman Insurance on the Muscat Securities Market; Saudi Marketing Company on Tadawul, and Mesaieed Petrochemical Holding on the Qatar Exchange.

SICO launches new interactive research portal

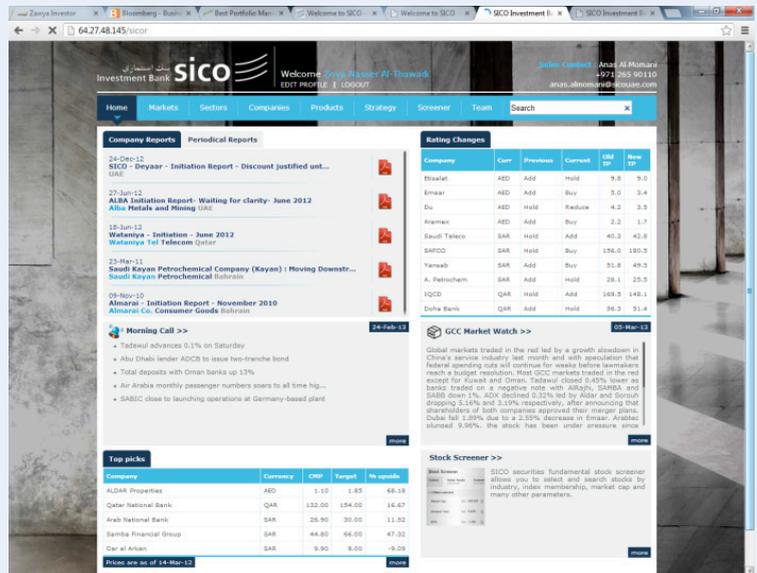
During 2013, SICO launched its new interactive research portal, which is the first of its kind in the region. Based on a leading-edge software system, the new portal has been designed to offer users convenient, flexible and interactive access to one of the most comprehensive research databases in the MENA region, through which to complement their investment decision-making process.

In-depth information is provided for approximately 50 major GCC-listed companies, offering stock recommendations, financial forecasts, company reports and peer comparisons. Users can track up-to-date analysis of latest news and developments and their impact on the GCC stock markets; including intra-day charts, major volume plays, top gainers and losers,

and current valuations. The portal enables downloading of key financial estimates and valuation multiples in an Excel spreadsheet format. Featuring a user-friendly equity screening function based on key financial metrics such as return on investment (ROE) and price-to-earnings ratio (PER), the portal also provides access to the entire range of SICO's research products.

New SICO website

The new research portal can be accessed via SICO's newly-revamped corporate website - www.sicobahrain.com - which has been fully redesigned and re-engineered to provide improved navigation and functionality. Incorporating the latest communications technology, it is fully compatible with all main browsers.



SICO signs institutional brokerage agreement with US advisory firm

In 2013, SICO and its subsidiary, SICO UAE, signed an institutional brokerage agreement with US-based Enclave Capital. The deal will provide the SICO with an important stepping stone into the US market, and open up significant new business opportunities with major institutional investors in the USA.

Under the terms of the agreement, SICO will provide research on GCC companies, and brokerage services for the purchase or sale of GCC securities; together with other related and ancillary services such as clearing and settlement of transactions.

Enclave Capital will be able to provide its institutional clients with access to companies whose principal executive offices are located in the GCC, and whose securities are traded on the Bahrain Bourse, Dubai Financial Market and Abu Dhabi Securities Exchange; together with execution services related to such securities.

Headquartered in New York, Enclave Capital is a leading US independent brokerage and capital markets advisory firm with over 90 analysts in five continents. The firm is registered as a broker-dealer with the US

Securities & Exchange Commission (SEC), and is a member of the Financial Industry Regulatory Authority (FINRA).

Brokerage and Research conduct US road show

In collaboration with Enclave Capital, a joint Brokerage and Research team from SICO conducted a road show in 2013 for AUB - Bahrain's largest listed bank, and Agthia Group - a major UAE food and beverages company, to meet major asset managers in New York and Boston.

SICO also showcased its research capabilities to institutional investors and fund managers who are interested in emerging and frontier markets in the GCC. Following the success of this initiative, which officially launched SICO in the USA, an analyst road show is planned for later in 2014 for the Bank to meet institutional investors in North America and Canada.

Another strong performance from Investments and Treasury

Proactive management and tactical asset allocation, combined with an opportunistic and risk-averse approach, resulted in SICO's net investment income growing to BD 4 million during 2013. Starting the year with an overweight position towards fixed income, the portfolio allocation was gradually shifted to being overweight in equities. SICO's treasury business posted another profitable performance during 2013. The Bank continued to adopt a cautious approach, maintaining deposits with high quality financial institutions on short-term placements, while adding new counterparties. Net interest income for the year was BD 1.3 million. The provision of repos and reverse repos, which comprise the majority of short-term funding, was expanded to clients.

SICO maintained a sound and liquid balance sheet, with a very strong capital adequacy ratio of 62.3%, which is considerably higher than the requirements of the Central Bank of Bahrain. At the end of the year, 35% or BD 32.8 million of the balance sheet was in cash and deposits.

35%

Balance sheet in cash & deposits

62.3%

Capital adequacy ratio (CAR)

BD 4

million

Net investment income

Assets under custody with SICO Funds Services Company exceed BD 1.26 billion

With a continued focus on quality and client service, the Bank's wholly-owned subsidiary - SICO Funds Services Company (SFS) - posted a successful performance in 2013, winning a number of new regional mandates, and continuing to contribute to the bottom line. Assets under custody with SFS increased by 53% to BD 1.26 billion at the end of the year compared with BD 824 million at the end of 2012. With a key fiduciary responsibility for safeguarding clients' assets, the Company's main activities comprise settlement of securities transactions, safekeeping of custody assets, securities servicing (corporate actions), comprehensive administration services

such as valuations and pricing, and client reporting. During the year, SFS also acted as custodian for a growing number of new regional fixed income issues.

BD 1.26

billion
Assets under custody grew by 53% in 2013

MENA
FUND MANAGER
PERFORMANCE
AWARDS
2013 WINNER

For the third consecutive year, SICO was named 'Best Asset Manager - Bahrain' at the 2013 MENA Fund Manager Performance Awards ceremony.

Life after SICO?

Compass attempts to get retiring CEO Tony Mallis to reveal his plans for the future

The office of Tony Mallis is surprisingly small and modest for the CEO of a leading regional financial institution. Located on the second floor of one of the earlier commercial buildings in the Diplomatic Area, there are no double-aspect windows affording panoramic views of the northern coastline of Manama. Nor is there a deep pile carpet, opulent wood panelling, leather furniture, or a football pitch-sized desk in oak or mahogany. This is in keeping with Tony's unassuming and conservative business approach; and underlines his philosophy that the Bank should be judged by what it delivers to clients, staff and shareholders rather than by appearances.



In fact, his office is not unlike the study of a university don. Cluttered with books and piles of the Financial Times, there are abstract paintings on the walls reflecting his passion for art, while jazz – his favourite music – plays gently in the background. He says it helps him to think. There is also a distinctive aroma of pipe and cigar smoke in the air. “My only vice,” he smilingly insists.

We finally get round to discussing the question on everyone's lips – what are his plans after he leaves SICO? “After 37 years in banking, I have decided to close this particular chapter of my working life and relax, and pursue a number of alternative options,” he answers. We wonder if this could include starting a consultancy; but he rules it out, emphasising that he wants a total change. “I'm fortunate that I don't need to work for a living anymore. And why continue working just for the sake of making more money? At the ripe old age of 60, I'm young enough to try something completely new, including ways of returning something back to the community.”

Taking time out to think about the future

In the meantime, he is going to take time out – perhaps a year – during which period some ideas might brew. Time out means doing all the things he has not had time for during his busy and demanding career, and includes, most definitely, not setting the alarm clock. “I want to wake up knowing that I no longer have to go into the office at a particular time; and that I can decide, on the spur of the moment, to do anything that springs to mind.” We wondered what this might include, and he reels off a list of possibilities without pausing.

“I've always wanted to ride horses on a ranch in Wyoming, so why not? I love music but don't play an instrument – don't know if I can – but I'd like to try the saxophone. And of course, visiting some real jazz clubs in New York and New Orleans comes high on my agenda. Maybe see China? And catch up on my reading – I have about seventy-five hard-back books at home which I have never had the time to look at.”

He stops to catch his breath and take a swig of tea – he's lost count of the number of cups he drinks each day – and turns serious for a moment. “That all sounds a bit selfish, but what is absolutely first on the list is spending some real time with my family.” Tony and his wife Amal, a Bahraini national, who have been married for over 33 years, have two sons and one daughter, none of whom have followed his footsteps into banking. “So we are planning to visit one of our sons – Rami – in Australia, who is in the media business, and walk along Sydney's Bondi beach, which is a stone's throw from his apartment. My wife also hears that shopping in Melbourne is great!”

“So, to answer your question,” smiles Tony, “I'm off to repot myself again. And who knows what might happen? That's what is really exciting, intriguing and challenging.”

Their other son – Sami – lives in the UK, and has recently initiated a career change, giving up architecture in favour of branding strategy. Tony and Amal have a house in Surrey, UK. The house is a handy base for the UK and Europe, and a stepping stone to the States; but we will always return to Bahrain, which has become much more than a second home to me,” he declares. Their daughter – Janine – who has just qualified as a solicitor, has recently moved to Dubai, which is a much easier journey, and they plan to visit her soon and help her settle in. Another item on Tony's list is taking Amal to Japan – he has been there twice (she's been there once) before and loved it – and show her again the gardens and, most importantly, enjoy some genuine sushi. “After all that,” he adds, “I might actually consider returning to university as a mature student – a very mature student – to read history or politics.”

Fond memories of the past 37 years

While closing the ‘banking chapter’ of his life, he will always have fond memories of the past 37 years. “It has been a wonderful experience. Citibank – which was a really different institution in those days – gave me the right foundations – a sound knowledge of banking, and the importance of prudence and conservative risk culture. My boss, a Swiss – Beat Kramer – was a phenomenal character,” he muses. “Bankers Trust Company was also an amazing place to work in – so many really brainy people – and an incredible way of managing their staff. Having hired the right people, they trusted that they were smart enough to do their own thing. At Credit Suisse First Boston Investment Management, which was the first time I was exposed to asset management, I had a wonderful CEO – a German by the name of Manfred Adami – who was an amazing person to report to. By the way both Beat and Manfred are still great friends.”

Tony stresses that this diverse experience provided him with the right set of tools, and then several very interesting and different opportunities to learn how to use them. Throughout it all, he is convinced that it was people who were his true source of inspiration. “Having absorbed all these lessons, I then had the opportunity to put them into practice at SICO; and it has paid dividends in the form of the highly capable and professional team we now have in place. I am leaving the Bank in very safe and capable hands.”



He moves across to his desk and picks up some papers. “By coincidence, this has just been published in the Stanford Business Review.” (Tony attended this leading US Business School's Senior Executive Program.) “It describes exactly what I had in mind when I decided a year ago to retire, and try something completely different.” What he shows us is an article entitled ‘Is it time to repot your career?’ This is a career strategy known as ‘repotting’ – a way to stay engaged and innovative. The authors describe it as the way to get a new bloom – when you have achieved one particular plan of accomplishment, you should be willing to start off again. The pillars of this strategy include: know when it's time to change; commit to a new direction; embrace uncertainty and tune out noise; and synthesize your experience to make a difference.

ABSENCE OF MALLIS



Over the past few years in my regular 'Mallis Aforethought' columns for SICO's Compass, I have attempted to share my views – and those of stimulating authors whose work I have had the pleasure to read – on a number of topical subjects that I felt would be of interest to readers, and help them to view things from a different perspective. A good source of knowledge and inspiration remains the Stanford Business magazine, to which I have subscribed ever since attending the Stanford Graduate Business School's Executive Program in 2006.

The two and half months spent in Palo Alto, California in 2006 proved to be seminal, and one of my personal high points of the past ten years. The program was exceedingly stimulating and thought-provoking; and enriched and enlivened by Stanford's policy of inviting guest speakers from different walks of life – including captains of industry, politicians, entrepreneurs and innovators – to share their respective 'recipes for success', and also talk about tough challenges faced. Interestingly, I noticed that a recent speaker was the American uber-chef, Thomas Keller, renowned not only for his culinary skills but also for his ability to motivate people. I have to admit that I am a person who likes his food, but what attracted my attention was, more interestingly, what he had to say. Chef Keller pointed out: "If you hire, train and mentor correctly, you'll have someone who is better than you are. If they're not, you haven't done your job."

Drivers of success

This gave me an idea for my swansong column – which the Editor has appropriately dubbed 'Absence of Mallis'. Looking back on my 37 years' experience in banking, including nineteen years spent working in Bahrain and the Gulf region, I found myself reflecting on what makes a successful organisation really tick. There are many factors, but the most important, in essence, are people and leadership.

I was fortunate to spend part of my career at Citibank, Bankers Trust Company and CS First Boston, which were amazing places to work

in – so many really intelligent people and an amazing array of processes and systems – with an incredible way of managing their employees. And for me, the freebee was that every day I learnt something new. Having hired the right people, they trusted that they were smart enough to do the right thing. They were great schools, all different in their focus and emphasis, but in the final conclusion, these banks all realised that the 'right' people were their most important asset.

Unfortunately, the management culture in much of the Gulf is to treat staff as subordinates, rather than as team members or partners. This reminds me of an anecdotal experience I first had when I joined. In a passing comment, I said during a board meeting with pride that "our company" had done something or other, when one of the board members jumped up and said "But it's not your company", getting really hot under the collar. It needed the then chairman to tell him that as a board they should be proud that employees (or partners as I prefer to call them), were taking pride and ownership in a company, that had had very little of both up to that point!

'Walk the talk'

I am aware of quite a few companies where employees tread in fear of the CEO/GM or department head, or even their PAs. In others, they rarely meet the 'big boss', who is closeted away at the top of the building in the hallowed and carpeted corridors of the 'executive management floor'. I have always made the effort to get to know all my co-workers – not just the management team – and to build a culture of teamwork, loyalty and ethical values, where employees can flourish with no glass ceilings. In SICO, we have had secretaries who have become department heads. As another invited Stanford speaker – United Airlines CEO Jeff Smisek – put it: "It's really important to get out and manage by walking around. Do not sit in your office." In other words, 'walk the talk'.

Another topic close to my heart is that of the role of a board of directors, and how a board needs to work closely with the management team in the best interests of all stakeholders – company, shareholders, staff and clients. There needs to be a strong alignment of interests between board and management; just as a rowing boat needs all its crew to be rowing in one direction. A board must be experienced and knowledgeable, and fulfil its responsibility for oversight and

guidance. It should avoid meddling in the day-to-day running of a company – which is the management team's role – and give management the necessary leeway to do their job in a volatile and uncertain world. If management fails, by all means replace its head, but let the person get on with the job of leading the company.

Another anecdote: when I first joined – I think it was the second board meeting and I was still on probation – I noticed that a small number of board members felt that their mandate was to micro-manage, with the CEO acting as an executor of their differing visions. When they started giving directives, I closed my file and said that it did not make sense for the company to be paying me a salary when they seemed to feel they could do a better job; and got up to walk out of the board room, to pack up and head back home. The chairman, a far-seeing person, who had been silent up to that moment, said that I should sit down, and that he would support me and my team in running the company, with the Board monitoring closely my actions. I don't think they were subsequently disappointed with our results.

But there is a very important lesson here – a board needs a strong and knowledgeable chairman, who can guide both the board and management into a common direction. SICO has been lucky to have had excellent chairmen since it was established.

In my experience, most company boards in Bahrain could benefit from being more vibrant and forward-looking. Too often, the focus is on achieving short-term profit rather than investing in long-term growth. A directorship should not be about prestige and personal benefit, but about contributing to the company's prudent development; and just as importantly, for the board to share their experience and open the company to new business vistas.

Boards and management

Recent regulations by the Central Bank of Bahrain regarding independent directors are a step in the right direction, but these directors need to be of the right calibre and experience. I have met exceptional Bahrainis from the business community, who would make ideal candidates for company boards, but unfortunately for one reason or another, their knowledge is not utilised. Likewise, an infusion of experienced GCC and foreign blood would help provide an external and more objective viewpoint. Many international and regional companies – Saudi Aramco, JP

Morgan, Toyota, Majid Al Futaim, Egypt's CIB, and others 'do it', to paraphrase the Nike ad. Suffice to say that diversity, and bringing in outside expertise in this globalised world, strengthens the DNA of a corporation.

As well as a dynamic board, every company needs a strong management team. This entails attracting, developing and retaining high-calibre committed professionals, while developing the right corporate culture. Once the right management team and culture are in place, they must be nurtured and cherished – afterwards they'll probably do wonders.

An all-round team

During my thirteen years' tenancy at SICO, I have been privileged to work alongside some very professional and knowledgeable colleagues. Many built that professionalism and experience in-house. My co-workers constitute an all-round team that has time and again displayed the ability to adapt flexibly to a challenging and ever-changing environment; and which has transformed 'our' SICO into a highly-respected and prominent regional investment bank, asset manager and custodian.

I wish the team the very best of luck. I am convinced that SICO will enjoy an even more successful and exciting future in the years ahead; and know that I am leaving the 'firm' in very safe and capable hands. To my successor, I offer the following advice from William Barrett, Professor of Business Leadership, Strategy & Organizations at Stanford Graduate Business School: "The leader's job is not to know the future. It is to create an organization that discovers the future."

As to my own future, I am reminded of the advice from Professor Anat Admati to the Class of 2013 at Stanford: "If you start something, don't view your destination as final. Create possible exit points." About a year ago, I decided to exit from this particular chapter of my life and try something completely different. After all, when you have achieved one particular plan of accomplishment, you should be willing to start off again.

So I'm off to transplant myself to a new pot, and see what might bloom.

Anthony C. Mallis
Chief Executive Officer

Brokerage posts strong performance

SICO's brokerage business posted a strong performance in 2013, with increased flows from clients across all product lines. These comprise direct brokerage services offered out of Bahrain and Abu Dhabi; nominee accounts across the GCC, plus Egypt and Jordan; and agency services covering all markets. Through its focus on serving active institutional investors with large trading books, SICO executed most of the major deals on the Bahrain Bourse during the year.

Large transactions include the buy/sell of 484 million shares of Bahrain Islamic Bank, and the sale of 45 million preferred shares of Ahli United Bank.

For the 15th consecutive year, SICO maintained its status as the leading broker on the Bourse, handling over 5,100 transactions involving more than one million shares with a total value of BD130 million.

SICO UAE launches new services

SICO UAE, the Bank's wholly-owned brokerage subsidiary based in Abu Dhabi, witnessed an active first full year of operations in 2013. The Company opened a number of new major accounts, including clients from Dubai and Kuwait. Following approval from the Emirates Securities & Commodities Authority (ESCA), and successful testing, SICO UAE launched its new online trading margin trading services, and implemented its DVP internal operating system.

Research output rises

SICO expanded its research output during 2013 with the publication of 661 reports, of which 594 were periodical reports; and 67 were detailed company, sector and strategy reports. The Research team expanded its coverage universe of close to 50 GCC-listed stocks. SICO's market cap under coverage increased by more than US\$ 85 billion during the year.

SICO people in the news



Najla Al Shirawi braves the snow at Davos

Deputy CEO and Chief Operating Officer, Ms. Najla Al Shirawi, was an invited member of the official Bahrain delegation to the World Economic Forum's recent annual meeting at Davos, Switzerland. She hailed the trip as a most timely opportunity to broaden her network with members of the regional and international business community; as SICO embarks upon a new era of growth with further expansion in the GCC region. She also found the theme of the meeting – "Reshaping the World: Consequences for Society, Politics and Business" – most illuminating from a private sector perspective, which highlighted the need for companies to strike a balance between their social responsibility and business goals.

New head of SICO Research

Nishit Lakhota has been promoted to Head of Research. Joining SICO Research in 2009 as a senior analyst, he was responsible for actively tracking the telecommunications, aviation, construction and cement sectors in the GCC. He has diversified investment experience in the fields of risk management, hedge funds, private equity and sell-side research. Prior to SICO, he worked for an Iceland-based private equity firm with a focus on the Indian infrastructure sector. 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 an MBA (specialising in Finance) from the Narsee Monjee Institute of Management Studies, Mumbai, India.



Tony Mallis recognised for his performance and support

Chief Executive Tony Mallis was presented with a special award at the 2013 MENA Fund Manager Performance Awards ceremony for "Outstanding Performance by an Individual". This follows his selection as one of top 10 industry leaders in the 2011 MENA Fund Manager Power 50, which recognises individuals who have demonstrated strong industry leadership, innovation, resilience and transparency; and who are held in high regard across the MENA region. Tony was also recently recognised by the CFA Bahrain Chapter for "his enduring support and encouragement".

Developing tomorrow's leaders

As part of its longstanding partnership with AIESEC Bahrain, SICO sponsored the organisation's 6th National Training Conference (NatCo) in 2013. A four-day event for local and international students, NatCo aims to challenge its members to take the next step in developing their leadership potential. Over 90 delegates gathered to set strategic plans, review initiatives, undergo functional training, and enhance their personal and professional networking. The world's largest non-profit student-run organisation, AIESEC is an international platform for young people to explore and develop their leadership potential, in order for them to make a positive impact on society.



New Team Members & Career Movers

Welcome to Abdulla Adel Al Mannaei who joined Brokerage, and Ayub Ansari who joined Research at SICO Bahrain; and Tariq Ahyyab and Leena Mohammed who joined SICO UAE. Ali Mohammed A. Karim transferred from Financial Control to Internal Audit.

Happy Staff Occasions

Congratulations to Hamad Al Hiddi from Risk Management on his marriage; Ali Mohammed A. Karim from Internal Audit on the birth of a baby boy, and to Aisha Al Balushi on the birth of a baby girl.

Philanthropy in Action

As part of its corporate social responsibility programme, SICO recently provided financial support to the Bahrain Down Syndrome Society, Al Noor Charity Welfare, UCP Parents Care Centre, Child Care Home, Muharraq Social Welfare Centre, and Busaiten Sports & Cultural Club.

Latest Headcount

At the end of 2013, headcount for the Group totalled 91 people compared with 90 at the end of the previous year. The breakdown is 70 for SICO HQ, 11 for SICO UAE and 10 for SFS.

Professional Accreditations

Congratulations to the following staff:

Hussain Najati from Investments & Treasury for achieving an ACI Dealing Certificate. The ACI is a leading worldwide association of wholesale financial market professionals, with some 13,000 international members from more than 60 countries.

Khalil Shamsi from Financial Control on his accreditation as a CPA by the American Institute of Certified Public Accountants, the world's largest member association representing the accounting profession.