SICO BSC (c)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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 Board & the Investment Committee*
		Waleed Al-Hashar *Member of the Board & the Investment Committee*
		Mohammed Abdulla *Member of the Board & Chairman of the Nominations, Remuneration & Corporate Governance Committee*
		Khurram Ali Mirza *Member of the Board & Vice Chairman of Nominations, Remuneration & Corporate Governance Committee*
		Dana Raees *Member of the Board & the Nominations, Remuneration & Corporate Governance Committee*
		Tala Fakhro *Member of the Board & Chairperson of the Audit, Risk and Compliance Committee*
		Abdulla Kamal *Member of the Board & Vice Chairman of the Audit, Risk and Compliance Committee*
		Naseema Haider *Member of the Board & the Audit, Risk and Compliance Committee*
Chief Executive Officer	:	Najla M. Al Shirawi
Office	:	Bahrain World Trade Center Isa Al Kabeer Avenue 365, Block 316, Kingdom of Bahrain Telephone 17515000, Fax 17514000
Bankers	:	BBK BSC
Auditors	:	KPMG Fakhro

CONTENTS Page

CHAIRMAN'S REPORT
For the year ended 31 December 2022

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 from15.18 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 boarder 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.

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.

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 Executives remuneration in BD

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 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					End-of-service award	Aggregate amount	Expenses Allowance
	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		(Does not include expense 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 [1]	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

KPMG Fakhro
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: home.kpmg/bh
CR No. 6220-2

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	– Our procedures included: • Agreeing the valuation of investments in the portfolio to the externally quoted prices;

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.	• 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

SICO BSC (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

Bahraini Dinars '000

	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 Bahraini Dinars '000

	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

Bahraini Dinars '000

	2022	2021
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 Bahraini Dinars '000

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.

SICO BSC (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021 *(continued)*

Bahraini Dinars '000

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 Bahraini Dinars '000

	Note	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.

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

2. Basis of preparation (continued)

(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.

(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.

3. Significant accounting policies (continued)

(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.

3. Significant accounting policies (continued)
(e) Investment securities (continued)

(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.

(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.

3. Significant accounting policies (continued)

(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.

3. Significant accounting policies (continued)
(k) Leases (continued)

(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.

(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.

3. Significant accounting policies (continued)
(m) Repurchase agreements (continued)

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.

3. Significant accounting policies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(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.

For the year ended 31 December 2022 Bahraini Dinars '000

4. Financial risk management (continued)

(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.

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.

4. Financial risk management (continued)
(ii) Management of credit risk (continued)

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".

For the year ended 31 December 2022 Bahraini Dinars '000

4. *Financial risk management (continued)*

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**

For the year ended 31 December 2022 Bahraini Dinars '000

4. Financial risk management (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

For the year ended 31 December 2022 Bahraini Dinars '000

4. Financial risk management (continued)

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	10,392
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.

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.

For the year ended 31 December 2022 Bahraini Dinars '000

4. Financial risk management (continued)

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.

4. Financial risk management (continued)
(d) Market risk (continued)

(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. 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.

For the year ended 31 December 2022 Bahraini Dinars ‘000

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**	**-**	**-**

For the year ended 31 December 2022 Bahraini Dinars '000

4. Financial risk management (continued)
(ii) Interest rate risk (continued)

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.

For the year ended 31 December 2022 Bahraini Dinars '000

4. Financial risk management (continued)
(f) Capital management (continued)

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.

For the year ended 31 December 2022 Bahraini Dinars '000

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 incorporation	Country of incorporation	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.

For the year ended 31 December 2022 Bahraini Dinars '000

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
	2,419	2,694
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

For the year ended 31 December 2022 Bahraini Dinars '000

6. Payable to other unit holders in consolidated funds (continued)

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.

For the year ended 31 December 2022 Bahraini Dinars '000

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
	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

For the year ended 31 December 2022 Bahraini Dinars '000

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.

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

For the year ended 31 December 2022 Bahraini Dinars '000

13. Short-term bank borrowings and securities sold under repurchase agreements (continued)

(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.

For the year ended 31 December 2022 Bahraini Dinars '000

16.Share capital (continued)

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

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.

For the year ended 31 December 2022 Bahraini Dinars '000

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

For the year ended 31 December 2022 Bahraini Dinars '000

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

For the year ended 31 December 2022 Bahraini Dinars '000

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.

For the year ended 31 December 2022 Bahraini Dinars '000

25. Related party transactions (continued)

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.

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

For the year ended 31 December 2022 Bahraini Dinars '000

27. Involvement in unconsolidated structured entities (continued)

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 drawdown 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.

For the year ended 31 December 2022 Bahraini Dinars '000

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	

For the year ended 31 December 2022 Bahraini Dinars '000

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 comprehensive 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**

For the year ended 31 December 2022 Bahraini Dinars '000

32. Accounting classification and fair values (continued)

31 December 2021	Fair value through profit or loss	Fair value through other comprehensive 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.

For the year ended 31 December 2022 Bahraini Dinars '000

32. Accounting classification and fair values (continued)

(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

For the year ended 31 December 2022 Bahraini Dinars '000

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.

For the year ended 31 December 2022 Bahraini Dinars '000

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.

31 December 2022	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	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%

For the year ended 31 December 2022 Bahraini Dinars '000

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%