SICO
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Informed Financial Services

2021 Annual Report

Delivering for Our
People, Clients, and Community

20
21 Annual Report

DELIVERING FOR OUR PEOPLE, CLIENTS, AND COMMUNITY

SICO takes pride in being able to create value for all of its stakeholders. Our success is measured by more than just financial and operational performance; it is about the positive impact that we have on our community at large.

His Majesty King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness Prince Salman bin Hamad Al Khalifa

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

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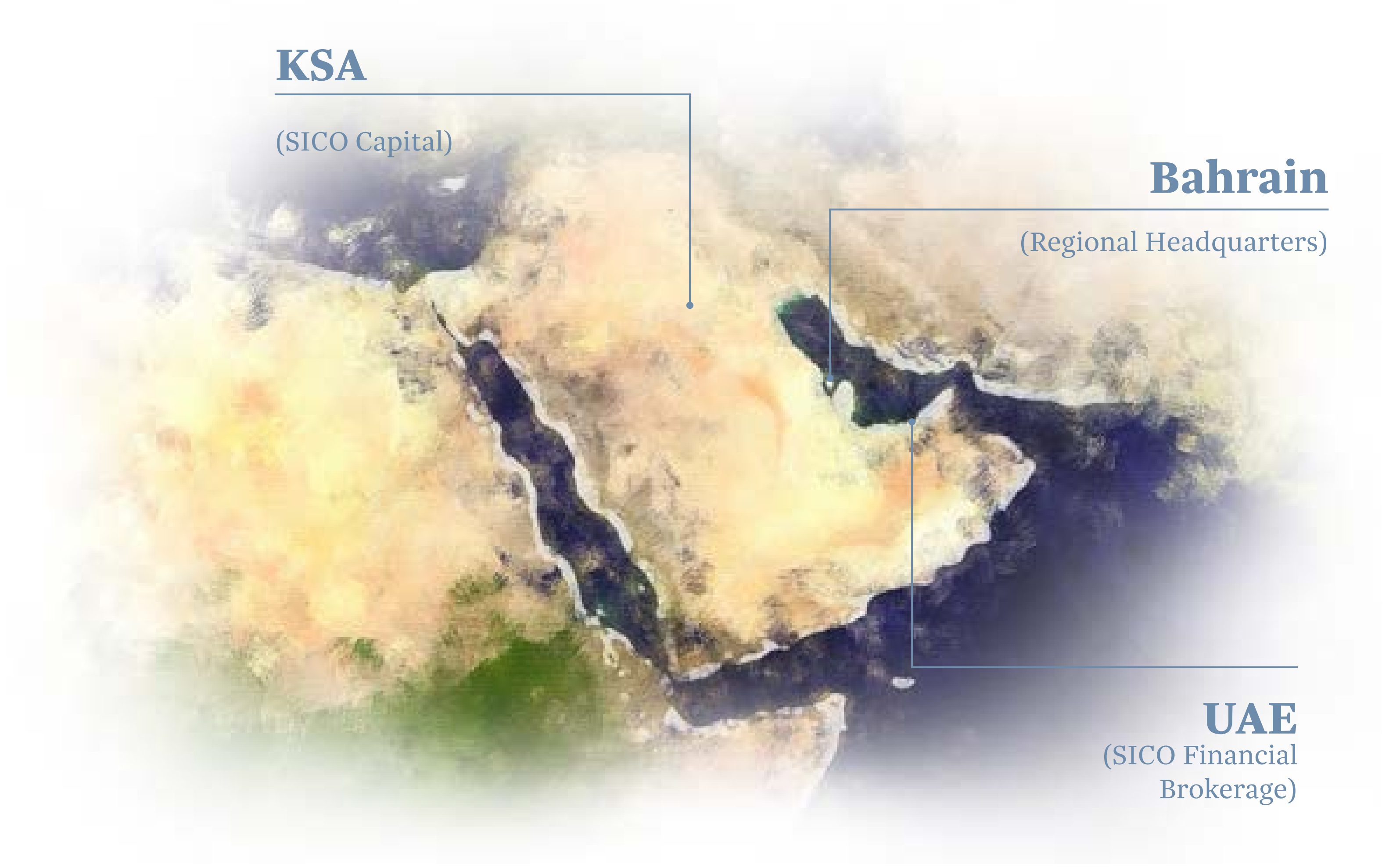
About SICO

SICO is a leading regional asset manager, broker, market maker, and investment bank with USD 4.5 billion in gross assets under management (AUM) and USD 4.1 billion in net AUM. Today, SICO operates under a wholesale banking license from the Central Bank of Bahrain and oversees two wholly-owned subsidiaries, an Abu Dhabi-based brokerage firm, SICO Financial Brokerage, and a specialized regional custody and fund administration house, SICO Fund Services Company (SFS), as well as a majority-owned, full-fledged capital markets services firm, SICO Capital, based in Saudi Arabia (KSA).

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

Regional Presence



Since inception in 1995, SICO has consistently outperformed the market and developed a solid base of retail and institutional clients. Going forward, SICO is continuing to invest in both digitalization and regional talent to scale its business and seek sustainable growth opportunities in regional markets where the Bank can leverage its expertise as an advisor on some of the region's most high-profile and complex deals.

Mission

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

Vision

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

Values

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

Our Strategy

Creating Value for Multiple Stakeholders

SICO is embarking on an ambitious journey that will see the Bank seeking to expand its footprint and create value for multiple stakeholders. The Vision 2025 strategy stems from the strong foundation that the Bank has built over the years and aims to leverage its consistent track record, proven capabilities, and expanded regional presence. The Bank will continue to focus on three key enablers—capital base, people, and technology—to achieve the ambitious growth targets that have been set as part of Vision 2025.

We Want our Success to be Collective

To ensure that our success is collective and that we continue to create sustainable value for all stakeholders, we are currently working toward integrating ESG into the investment decision-making process and designing an ESG policy to drive our approach to responsible investment.

We are **investing in human capital** by focusing on women's empowerment, diversity and inclusion, education, and giving access to employment opportunities

We are **minimizing our carbon footprint** and integrating environmental awareness into our operations in line with Bahrain's commitment to net zero carbon emissions in 2060

We are **adhering to the highest standards of Corporate Governance** and striving to integrate ESG into the investment process

Here is How We Aim to **Create Value**

Accelerate

business line mix to generate more durable revenues

Enhance

reach and capabilities through joint ventures and partnerships

Focus

on high growth markets while preserving our lead in Bahrain

Deploy

fintech to diversify and grow client base

Reinvent

distribution and shift to an advisory model for investment and financial solutions

2021 Milestones

January

- SICO retains status as the leading broker on the BHB for the 22nd consecutive year.

March

- SICO acquires a majority stake amounting to 72.7% in Saudi-based Muscat Capital, marking the successful completion of a landmark acquisition that will give SICO full access to the Saudi capital market.

May

- SICO Investment Banking completes Investcorp cash share repurchase offer and delisting from the BHB.

June

- SICO appoints Hassan AlShuaiby as the Chairman of the Board and Sultan Al Nugali as new CEO, at SICO Capital.

September

- SICO unveils newly rebranded subsidiary, SICO Capital, a full-fledged capital markets services provider based in KSA.

October

- Bank Muscat increases shareholding in SICO to 10.38%.

November

- SICO releases the results of its inaugural investor return assessment survey, a first-of-its-kind look into the economic and return expectations of investors across the GCC.

December

- SICO exits Al Qasr Real Estate Fund with an average annual return of 11%.
- SICO AUM reaches USD 4.5 bn gross and USD 4.1 bn net.

> "In 2021, SICO established presence in KSA, doubled its AUM, and continued on a steady path of digitalization and institutionalization.

2021 Awards

Maintaining a track record of excellence

Best Investment Bank in Bahrain 2021

Euromoney Awards

Bahrain's Best Investment Bank 2021

Global Finance

MENA Sukuk Manager of the Year

Global Investor Group MENA Awards

Bahrain's Asset Manager of the Year

Global Investor Group MENA Awards

Bahrain's Broker of the Year

Global Investor Group MENA Awards

Equities Asset Manager of the Year

Global Investor Group MENA Awards

Bahrain's Asset Management Company of the Year

Global Banking & Finance Review MENA Awards

Best Investment Bank Bahrain

Global Banking & Finance Review MENA Awards

Best Securities Brokerage Bahrain

Global Banking & Finance Review MENA Awards

Best Fund Administration Company in Bahrain (SFS)

Global Banking & Finance Review MENA Awards

Best Asset Manager Bahrain

EMEA Finance

Best Broker Bahrain

EMEA Finance

Best M&A House Bahrain

EMEA Finance

The Middle East's 30 Biggest Asset Managers

Forbes Middle East

The Next 100 Global Awards 2021 Banking Group

Global Banking & Finance Review MENA Awards

The Next 100 Global Awards 2021 Investment Bank

Global Banking & Finance Review MENA Awards

5 Star rating SICO Financial Brokerage (SFB)

DFM

Number One Broker on the Bahrain Bourse

"2021 was a record year for SICO; the Bank garnered recognition from prestigious award programs for its regional leadership across all of its lines of business.

DELIVERING WITH DIVERSE LEADERSHIP

Chairman's Statement

"In 2021, we continued to innovate, grow, and focus on expanding our horizons across all areas of the business.

Abdulla bin Khalifa Al Khalifa
Chairman of the Board

The year 2021 began with much hope and optimism. New vaccines against COVID-19 were becoming widely available signaling a possible end to the pandemic, oil prices were rebounding ushering in a period of recovery for the GCC, and financial markets were stabilizing globally—all indications that the year was shaping up to be one of recovery and renewal.

But as the year unfolded, it became clear that the challenges of 2020 were not entirely behind us. As new variants cropped up and case numbers took an upward trajectory, we became reluctantly accepting of the fact that COVID-19 was going to remain a part of our lives for some time to come. The difference this time around was that we were better equipped to deal with the difficulties, and we knew how to live with the uncertainty.

Despite the unforeseen challenges of the past two years, there has been a learning curve, and there is no denying that some positive changes have come about as a result of the turbulence. From the shift in focus on personal, professional, and financial wellbeing, to changes in the way we work and interact with our communities, having to deal with a collective problem of this magnitude has made businesses across the globe revisit their strategies to ensure that their approach to value creation is fair, inclusive, and sustainable.

At SICO, we have given much thought and attention to the crafting of a strategy that will take us to where we want to go in the coming years while keeping in mind the crucial pillars of fairness, inclusivity, and sustainability. Our strategy is a holistic approach that leverages our key strengths as an organization and our ability to create value to expand regionally in high-growth markets while preserving our lead in Bahrain.

Our 2021 results already prove that we are well on our way to achieving our goals. We have successfully implemented our growth strategy despite the challenges brought about by the pandemic, and we have captured opportunities that were presented by the market recovery, cementing our reputation as a leading regional financial services provider.

The acquisition of SICO Capital in KSA is one of our notable achievements this year; it not only gives us access to the highly promising Saudi market but also serves as a springboard for further regional growth. With the official launch of operations at our full-fledged financial services subsidiary, SICO Capital, we look forward to exploring new opportunities and offering a wider suite of products and services to an aspirational client base across the region.

Our KSA acquisition has unfolded over the course of the past two years, which have been characterized by volatility, making the acquisition particularly difficult to navigate. Credit is due to our exceptional leadership team for expertly structuring and closing the acquisition in an efficient and timely manner under such trying conditions. Post-acquisition, we are extremely pleased with the contribution and efforts exerted by all of our divisions and the management team on the ground at SICO Capital to enhance and streamline systems and procedures in a manner that will ensure operational alignment and the maximization of synergies across the board.

Our financial results for the year have been impressive with BD 6.4 million (USD 17 million) in net profit, an increase of 116% year-on-year from the BD 3.0 million (USD 7.8 million) recorded at year-end 2020. We experienced strong bottom line growth with net fee income climbing 142% and investment income nearly doubling. Earnings per share increased by nearly 100% to 15.96 Bahraini fils during the year from 8.00 Bahraini fils in 2020.

Strong performances across SICO's lines of business maintained the Bank's growth momentum throughout the year, with a further boost from strong results by our subsidiaries at SICO Capital and SFS. SICO's assets under management (AUM) increased substantially during the year on the back of new mandates and the introduction of new products, coupled with the consolidation of SICO Capital AUM. On a gross basis (including leverage), SICO's total AUM increased by 80% to BD 1.7 billion (USD 4.5 billion) in 2021 compared with the BD 946.1 million (USD 2.5 billion) recorded on 31 December 2020. This growth in AUM exceeded our expectations and reinforced our ability to successfully leverage our core strengths to drive solid growth and deliver value to our stakeholders.

Our 2021 operational and financial results paint a clear picture of an organization that has demonstrated its resilience and come out on top during a particularly challenging period.

As the new year unfolded, we were extremely pleased to announce that we expanded the size of our Board of Directors from nine to ten members to welcome our newest Executive Director, Shaikh Waleed Khamis Al Hashar, the CEO of Bank Muscat,

17 USD MN

in net profit 2021 an increase of 116% Y-o-Y

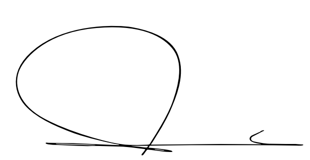
which now owns a 10.38% stake in SICO. As Bank Muscat's representative on SICO's Board, we will benefit greatly from Shaikh Waleed's regional expertise and decades of experience as we grow and expand our businesses regionally in the coming years. We look forward to working with Shaikh Waleed and strengthening the fruitful partnership that we have with Bank Muscat.

To my fellow Board Members, kindly allow me to take this opportunity to extend my thanks and appreciation for the effort and dedication that you have demonstrated over the past year. I am extremely proud and honored to work alongside such a talented, diverse, and knowledgeable group of ladies and gentlemen. Your input has been invaluable.

No matter what the year ahead brings, I am confident that our senior management team at SICO is more than capable of capturing the upside and catapulting us to new heights. With exceptional leadership, a clear vision, a strong sense of purpose, and a talented team of professionals, SICO has the reputation, track record, and regional presence required to optimally deploy our capabilities and go from strength to strength across our lines of business and subsidiaries.

We look forward to capturing new opportunities regionally and, of course, in our home market of Bahrain as the government rolls out their new national economic growth and fiscal balance plan, one of Bahrain's largest economic reform programs to date that aims to enhance our economy's long-term competitiveness and support post-COVID recovery.

On behalf of the Board and the entire team at SICO, we wish to express our gratitude and appreciation to His Majesty the King and His Royal Highness the Crown Prince and the Prime Minister of Bahrain, Salman bin Hamad Al Khalifa. We would also like to convey our thanks and appreciation to the Ministry of Finance and National Economy, the Central Bank of Bahrain, and the Bahrain Bourse (BHB) for their steadfast support.



Abdulla bin Khalifa Al Khalifa
Chairman of the Board

SICO's Executive remuneration in BD '000

Executive management	Total paid salaries and allowances	Total paid remunerations (Bonus)	Any other cash/in kind remuneration for 2021	Aggregate Amount
Top six remunerations for executives, including CEO and CFO	765	157	129	1,051

Details of SICO's Board remuneration in BD '000

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	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			
Independent Directors:													
Tala Fakhro	18	8	-	-	26	-	-	-	-	-	-	26	-
Non-Executive Directors:													
Naseema Haider [1]	18	8	-	-	26	-	-	-	-	-	-	26	-
Khalid Al-Jassim	18	8	-	-	26	-	-	-	-	-	-	26	-
Executive Directors:													
Shaikh Abdulla bin Khalifa Al Khalifa [2]	36	8	-	-	44	-	-	-	-	-	-	44	-
Hisham Alkurdi [1]	18	8	-	-	26	-	-	-	-	-	-	26	-
Mohammed Abdulla Isa [1]	18	8	-	-	26	-	-	-	-	-	-	26	-
Khurram Ali Mirza [2]	18	8	-	-	26	-	-	-	-	-	-	26	-
Dana Raees [2]	18	8	-	-	26	-	-	-	-	-	-	26	-
Abdulla Kamal [2]	18	8	-	-	26	-	-	-	-	-	-	26	-
Total	180	72	-	-	252	-	-	-	-	-	-	252	-

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

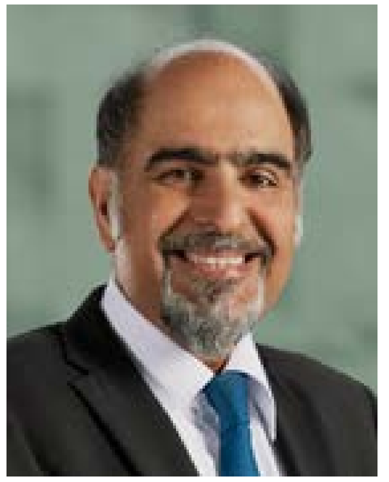
2: Remuneration is paid to the account of the shareholder being represented by the respective Director

Board of Directors

Shaikh Abdulla bin Khalifa Al Khalifa

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

- Chairman of SICO Board Investment Committee
- Chief Executive Officer, Osool Asset Management BSC (c)
- Chairman: Batelco Company
- Board Director: BBK
- Professional experience: 22 years
- Education: Bachelor of Science in Business Administration, George Washington University, Washington DC, USA



Mohammed Abdulla Isa

Executive Director since 2009, representing BBK BSC – Bahrain

- Chairman of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Group Chief Financial Officer, BBK BSC
- Board Director, Bahrain Credit
- Professional experience: 31 years
- Education: Certified Public Accountant, American Institute of Certified Public Accountants, Delaware State Board of Accountancy (2001), USA

Hisham Alkurdi

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

- Member of SICO Board Investment Committee
- Chief Executive, Corporate and Institutional Investment Banking, National Bank of Bahrain, BSC
- Professional experience: 24 years
- Education: Bachelor of Science in Engineering in Systems Control, the University of Huddersfield, UK

Tala Fakhro

Independent Director since 2020

- Chairperson of SICO Board Audit, Risk, and Compliance Committee
- Chief Project Officer, Bahrain Economic Development Board (EDB)
- Board Director: Bahrain Development Bank
- Professional experience: 25 Years
- Education: a Juris Doctor, Georgetown University Law Center, Washington, and a Bachelor of Arts in Economics, Smith College in Northampton

Khurram Ali Mirza

Executive Director since 2017, representing Social Insurance Organization – Bahrain

- Member of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Chief Investment Officer, Osool Asset Management BSC (c)
- Board Director, Amlak Social Insurance Organization Development Company
- Professional Experience: 29 years
- Education: Fellow, Institute and Faculty of Actuaries, UK; Bachelor of Science in Actuarial Science and Master of Science in Mathematical Trading and Finance from Cass Business School, University of London, UK

Dana Raees

Executive Director since 2020, representing Social Insurance Organization – Bahrain

- Member of SICO Board Nomination, Remuneration, and Corporate Governance Committee
- Head of Legal, Osool Asset Management BSC (c)
- Professional experience: 15 years
- Education: Bachelor of Laws (LLB) from the University of Warwick, UK, and LPC from the University of Law, London

Abdulla Kamal

Executive Director since 2020, representing Social Insurance Organization – Bahrain

- Member of SICO Board Audit, Risk and Compliance Committee
- Chief Operating Officer, Osool Asset Management BSC (c)
- Board Director: Bahrain Car Parks Company BSC.; Amlak Social Insurance Organization Development Company; Osool Pension Fund BSC;
- Professional experience: 18 Years
- Education: Bachelor of Science in Accounting, University of Bahrain, Certified Internal Auditor (CIA), Associate Chartered Certified Accountant (ACCA), and Associate Professional Risk Manager (APRM)

Naseema Haider

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

- Member of SICO Board Audit, Risk, and Compliance Committee
- Head of Private Banking, Ahli United Bank BSC
- Professional experience: 24 Years
- Education: Bachelor of Science in Accounting, University of Bahrain

Khalid Al-Jassim

Non-Executive Director since 2020

- Member of SICO Board Investment Committee
- Chairman and Managing Director, Afkar Holding Limited
- Board Director: Bahrain Islamic Bank; Bahrain Flour Mills
- Professional experience: 31 Years
- Education: Bachelor of Science in Computer Science and Mathematics from California State University, Long Beach as well as an Executive MBA from Pepperdine University

Shaikh Waleed K Al Hashar

Executive Director since January *2022, represnting Bank Muscat – Oman*

- Member of SICO Board Investment Committee
- Chief Executive Officer: Bank Muscat
- Board Member: Oman Center for Governance and Sustainability, The College of Banking and Financial Studies, and the Oman Banks Association
- Professional experience: 28 Years
- Education: postgraduate diploma in General Management, Harvard Business School; Bachelor of Science and Master's Degree in Business Administration, California State University, Sacramento, USA

CEO's Note

Delivering for Our People, Clients, and Community

> "We are optimistic about the future opportunities that we can bring to new and existing clients.

Najla M. Al Shirawi
Chief Executive Officer

Throughout these past couple of years, we have lived and operated our businesses under conditions that could have never been imagined before. It has been the challenge of a lifetime, but it also unraveled as the wake-up call that made businesses across the globe reassess their purpose and reprioritize their goals to ensure that people and communities are at the heart of their value creation model and long-term strategy.

SICO has been in the business of creating value since inception, but in recent years, we have started looking at value creation in the broader sense of the word. Beyond the value we create for our clients and shareholders, we chose to take a look at the value that we create for our community. Benefiting communities is more than just allocating an annual budget for philanthropy and charitable contributions—we need to look at where the funding is spent; how we can help improve all aspects of people's lives, financial and non-financial; and how we can make it all sustainable. And as such, we asked ourselves how we as a business are working to advance sustainable economic development for our people, our country, and our region.

The answer is clear. SICO is helping Bahraini companies grow and Bahraini nationals develop the skills they need to become active participants in that growth. Even though Bahrain is not yet an emerging market from an international indices standpoint, the work that we do as an asset manager, an investment bank, a research house, and a broker helps position Bahrain as an investment destination. The insight that we give to regional and international investors on the GCC through our fundamental research is crucial, and it is making a difference. We are also extremely proud of our legacy as an active player in the promotion of Bahraini capital markets for both debt and equity issues, and we look forward to replicating that model as we expand to new markets, such as KSA.

As we look back on the developments that took place in 2021, I believe we can classify the past 12 months as a period of recovery, not just for the financial sector but for all sectors of the economy. It is indeed true that the supply chain crisis, the emergence of the new Omicron variant, inflation worries, and the FED's upcoming interest rate hikes are putting a strain on markets, but we are still confident that the recovery that was set in motion in 2021 will continue presenting opportunities for investors. Supporting our country, our customers, our communities, and our shareholders, and helping them identify those opportunities, is something that gives me and the entire team at SICO a great sense of pride and accomplishment. Be it on the asset management side, the brokerage side, or the investment banking side, identifying opportunities is our edge in the market.

Three years ago, we set out to expand our regional presence by identifying strategic opportunities and partnerships, particularly in markets where we see vast potential, such as KSA. One year later, in December 2020, we signed a landmark agreement with Bank Muscat to acquire a majority stake amounting to 72.7% in their subsidiary, Saudi-based Muscat Capital via share swap. In 2021, we closed the acquisition and rebranded our newest subsidiary as SICO Capital. Today, we are well on our way with the implementation of our post-acquisition strategy, which will give us a fast track into the region's largest capital market and solidify our position as a leading provider of financial services across the GCC. This expansion is our greatest achievement of the year.

We are optimistic about the future opportunities that we can bring to new and existing clients as we work to build our new team in KSA and integrate SICO Capital into our existing structure. We firmly believe in KSA as a growth market. In 2021, we witnessed remarkable growth rates in the Kingdom with the non-oil economy expanding 6.2% year-on-year in the third quarter of the year—its fastest pace in nearly a decade. It was also a phenomenal year for IPOs; a record USD 600 billion was raised globally in 2021, with KSA leading the pack in the region with successful listings from companies like ACWA Power, STC Solutions, and Tadawul Group.

With more than 50 applications from companies looking to list in KSA next year, the IMF expecting the Saudi economy to grow at a rate of 4.8% in 2022, and the ongoing implementation of the government's reform agenda, we are optimistic about the future and confident in SICO's ability to capture the upside as a full-fledged capital markets service provider, with an on-the-ground presence in the region's largest and fastest-growing economy.

Market Background

2021 proved to be a strong year for regional equity markets with the S&P GCC markets total return coming in at a formidable 35% led by KSA and Abu Dhabi. The market rally was fueled by optimism as the COVID-19 vaccination rollout gained traction and economies gradually opened up. Oil continued to gain strength with Brent increasing 50% during the course of the year—a factor that positively impacted regional equity market sentiment in 2021. Additionally, primary markets were active, particularly in KSA and the UAE, where a flurry of successful IPOs demonstrated healthy investor appetite.

The GCC fixed income market experienced a strong end-of-year rally, closing the year at 1.2% as 10-year treasuries rose nearly 60 bps to 1.51% reflecting strong COVID-19 recovery, a better economic outlook as well as the more hawkish view from the FED aiming for 3–4 rate hikes in 2022. The biggest theme in 2021 was rising inflation, mainly lead by higher commodity prices as well as supply bottlenecks that are likely to persist. COVID-19 variants also dominated market volatility, particularly at year end.

While we do not expect a repeat of 2021 for GCC equity markets, there are sectors that will continue to benefit from high oil and commodity prices, as well as rising interest rates. Banks in particular would benefit from net interest margin (NIM) expansion, which will drive their earnings. However, valuations are now elevated, and selective stock picking will be important, as we expect market volatility to remain high during the year. Furthermore, the bond outlook remains challenging for fixed income investors on the back of higher interest rates and inflation, where we believe a dynamic duration strategy will be more optimal in the current environment.

Operational Highlights

In 2021, SICO successfully navigated obstacles and continued to demonstrate its strength and resilience as an organization by achieving on all operational targets. 2021 witnessed us make significant progress on our KPIs across our lines of business, increase our revenue lines, and successfully increase our AUM organically and inorganically by 76% to reach USD 4.1 billion net AUM at year-end 2021, compared with USD 2.3 billion recorded at year-end 2020.

In addition to doubling AUM, the Asset Management division delivered marked growth in net fee income driven by newly secured mandates and by the strong performance of its AUM, including SICO's funds and portfolios that invest across all asset classes, including equities, fixed-income, revenue generating real estate, and short-term money market instruments. Our unparalleled team of experts, who have developed a regional reputation as best-in-class, continued to break records and win regional asset management awards for their consistent outperformance of the market. The diversity of our institutional client base is also notable and now includes a healthy mix of SWFs, family offices, corporates, and high-net-worth individuals. This diversity in terms of both clients and asset classes is a hallmark of our Asset Management division. It helps us diversify risk and remain resilient even during downturns. We witnessed growth across the board with all asset classes, including real estate, which allowed us to achieve a new record for SICO amounting to USD 4.1 billion in net AUM and USD 4.5 billion in gross AUM.

Investment Banking had an active year. The team was heavily involved with the structuring and closing of our landmark acquisition of Muscat Capital, which was executed seamlessly due in large part to the diligence and expertise of our Investment Banking team. They continue to handle a high volume of complex, multi-year advisory mandates for clients in a diverse number of sectors, including an advisory mandate for Mumtalakat Holding Company that began in 2020 and continued throughout 2021 on the merger of their wholly-owned subsidiary, General Poultry Company and Delmon Poultry Company.

SICO Investment Banking also acted as the receiving and delisting agent for Investcorp on their delisting from the BHB, a mandate that involved a high level of coordination and communication with multiple entities regionally and globally.

2021 was another year of growth for SICO's Brokerage division as market volatility decreased and IPO activity reached record levels in the GCC. The Brokerage division expanded its client base both in the MENA region and the international market in fixed income, equity, ETFs, derivatives, and alternative investments. We are very proud to have been able to maintain our position as the number one broker in Bahrain for more than two decades and our UAE numbers have also shown significant progress this year. While it's still premature to talk about our Saudi brokerage, we look forward to rebuilding the team at SICO Capital in Riyadh and achieving new milestones in the years to come.

Throughout the year, the Brokerage team worked to facilitate client access to the region's most lucrative IPOs, not just through the execution of trades but, more importantly, by granting clients insight into the companies that they are investing in. Through our fundamental Research division, we are able to present clients with a "SICO View" that helps them make informed decisions about their investments. While brokerage is a non-discretionary, non-advisory business, "the view" that comes with our service is very important, and it is what differentiates us from other brokers in the region. SICO's Research division has truly distinguished itself in the region with reliable and consistent fundamental research on economies, markets, sectors, and companies.

SICO continued to distinguish itself as the top market maker in Bahrain, delivering a solid performance as a liquidity provider for large companies that are listed on the BHB. Our signature market making fund, the Bahrain Liquidity Fund (BLF), now in its sixth year, represented 34% of the total average daily traded volume (ADTV) on the BHB and generated an annual return of 11.37%, its highest return since inception.

We were able to deliver positive results with our proprietary investments this year without having to take excessive market risk. Our portfolio is not entirely correlated to the market, and as such, we aim for stable, uncorrelated returns with some protection from volatility.

Our Treasury division has also done well given the fact that 2021 was a year that witnessed a significant drop in rates globally. Our balance sheet is quite liquid on both the cash and investment sides because we invest in liquid assets.

In terms of our custody and fund administration solutions subsidiary, SICO Funds Services (SFS), we have made great achievements in 2021. The company has completely revamped its business model and has become a full-fledged securities service provider with a new core system that has fully automated client services and deliverables. The new core system is part of SICO's overall digitization plan, which aims to develop a simple agile infrastructure that will improve reporting and access to data while enhancing the overall client experience across all our lines of business.

Across all our subsidiaries and different lines of business, SICO has been gradually revamping its digital operating model so that we can optimize our customer experience. Significant progress has been made toward our digital transformation journey. SICO now offers clients a fully integrated digital experience with a new Digital Customer Onboarding feature; the ability to execute digital transactions, including internal and external cash transfers; and an eKYC platform. Asset Management has also introduced a segregated middle office function that will ultimately make us more efficient and enhance our service to clients.

Institutional Capacity

While there have been no changes to our Board in 2021, I would like to highlight the exceptionally high level of engagement that we have had from our Board Members. The numbers speak for themselves; whether in person or virtually, attendance at our board and board committee meetings stood at 100%. We are also very proud of the diversity of the current Board, which includes three female Board Members. At 33%, our female representation is higher than the national average for Bahrain, the

MENA region, and even globally where female representation on boards usually stands at around 20%.

During the year, we appointed Sultan Al Nugali as the Chief Executive Officer of SICO Capital in KSA. He has more than 20 years of experience in the Saudi Capital markets working for a number of prominent institutions in leadership roles, and we are thrilled to have him lead our team and grow our business in KSA. Mohamed Abdulaziz Alabbas has taken on a new role as Head of Distribution and Business Development. With more than 16 years of experience in the banking sector across the region, Mohamed has been part of SICO's team for many years, and we are confident that his skills and expertise will allow him to add tremendous value.

We have also added to the responsibilities of two of our Senior Managers. Jithesh K. Gopi, our Head of Proprietary Investments, has become our Head of Strategy and Investments because our capital management and strategy require a high degree of alignment. As ESG becomes an increasingly important component of our business, we have formally handed over the ESG mandate to Nadeen Oweis who has become our Head of Corporate Communications and Sustainability. Mohammed, Jithesh, and Nadeen are just three examples of SICO's strong belief in career development and promoting from within, as we continue to prepare our employees to advance and achieve leadership positions.

ESG

As ESG continues to gain traction in the region, mainly driven by a need to incorporate ESG reporting and disclosures as regulatory requirements, SICO aims to be ahead of the curve by aligning with international best practices, as well as global and regional peers who are working to become responsible Investors and integrating ESG considerations into their investment process.

For the past two years, we have been working to embed sustainability and ESG principles into our business model and strategy, not only with corporate practices but also in terms of products and raising awareness amongst our clients about new instruments and opportunities that we are planning to make available at SICO. We are currently looking into the development of new investment products and strategies aligned to ESG principals.

Coming up with a comprehensive ESG framework as defined by the UNPRI, the world's leading proponent of Responsible Investment, is very important for an entity like SICO. As a broker, a custodian, and an asset manager, we deal with large pools of clients on a daily basis, unlike some fund management companies that only deal with clients during redemption and subscription periods. Having the right environmental, social, and governance proposition in place will lead to higher value creation for all our stakeholders. It will address the multiple relationships that we have and allow us to govern our internal systems, controls, and procedures more effectively.

For our internal stakeholders, we are improving benefits with the introduction of a new, ring-fenced employee savings scheme. This year, we also rolled out our first annual Employee Engagement Survey. Our overall engagement index score stood at 4.33 on a five-point scale. This score places us well above the 75th percentile, which is something that gives us a great deal of satisfaction. The detailed results of the survey will be used to help us close gaps in the coming year.

We have also been very active on the environmental front. One initiative that I am particularly proud of is the planting of 1,000 trees along one of Bahrain's main highways, which was achieved in cooperation with the Southern Area Municipality and the National Initiative for Agricultural Development (NIADBH). This is an idea that we came up with internally to help cultivate a healthier, cleaner, and safer environment for our community. I am very pleased to report that the initiative has made a big difference. Other banks have followed our lead, and the Bahrain Bankers Association has organized a special event to sponsor the planting of additional trees. This is precisely the kind of impact that fills me with pride. Tackling the climate crisis and reaching the government of Bahrain's goal of net zero carbon emissions in 2060 will require collective action of the nature going forward. At SICO, we will continue to identify and implement new initiatives that will see us minimize our carbon footprint and raise environmental awareness amongst our community.

The Year Ahead

We are positive that, today, we have the team, the reputation, and the regional presence required to leverage our capabilities and grow from one strength to another across our lines of business. Despite the lingering pandemic, political uncertainty, tapering, rising interest rates, and inflation, I am more confident than ever. All of these challenges are very real issues that we must deal with, but we are confident that we have the right mix of products and services to overcome said challenges, and as of today, the presence we need to capture new opportunities and drive sustainable growth.

SICO has proven time and again that we are resilient during bad times and have the ability to maximize opportunities during good times. With the help of our clients who believe in us and believe that SICO can provide them with the best investment and financial solutions, we look forward to the next stage of our growth and development and to leveraging our regional presence in the UAE and KSA.

Once again, I would like to express my ongoing appreciation to our Chairman, Shaikh Abdullah bin Khalifa Al Khalifa, and to the entire Board for their support and guidance. I would like to extend my warmest welcome to our newest Board Member, Shaikh Waleed Khamis Al Hashar, the CEO of Bank Muscat, who has recently joined us as a Non-Independent Executive Director and the 10th member of our Board. Each and every member of our esteemed Board of Directors has been engaged, proactive, and given their all to the organization this past year. It is acknowledged and highly appreciated. We are truly fortunate to be working with such a reputable team of diverse individuals who ensure that we always maintain the highest levels of governance at SICO.

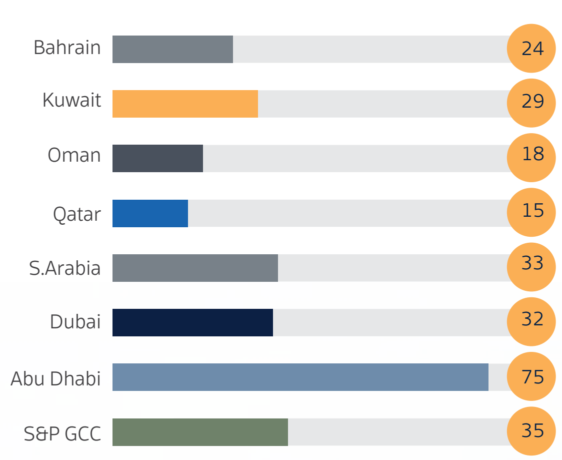
To our clients, shareholders, and partners, as well as the Central Bank of Bahrain and the Bahrain Bourse, it is a privilege to work alongside a community that has placed their trust in us. We vow to continue creating tangible value and working toward inclusive growth that will be of benefit to us all. And last but not least, I would like to express my deepest thanks and appreciation to our one-of-a-kind team at SICO. Your loyalty and dedication is truly inspirational. I hope that we will continue to achieve great things together and learn from one another in the process.

Najla M. Al Shirawi
Chief Executive Officer

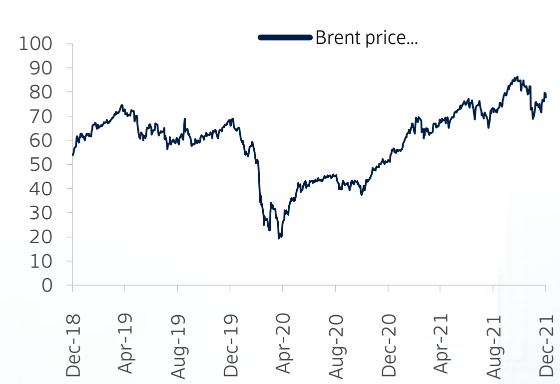
GCC Market Snapshot

GCC markets had a strong bull run in 2021 with the S&P GCC total return index gaining 35% during the year led by positive sentiments from the reopening of economies and COVID-19 vaccination rollout. The rally was also supported by strength in crude oil, with Brent increasing 50% during the year and closing at USD 78/bbl. Not surprisingly, CDS spreads in the region remained low during the year with the exception of Bahrain, which increased toward the latter part of FY21. Abu Dhabi was the best performing market, rallying 75% during the year on high turnover. The outperformance of a few stocks had a particularly positive impact on the ADSM index. Nevertheless, all other GCC markets also delivered strong double digit returns, with KSA and Dubai benchmarks returning 33% and 32% respectively.

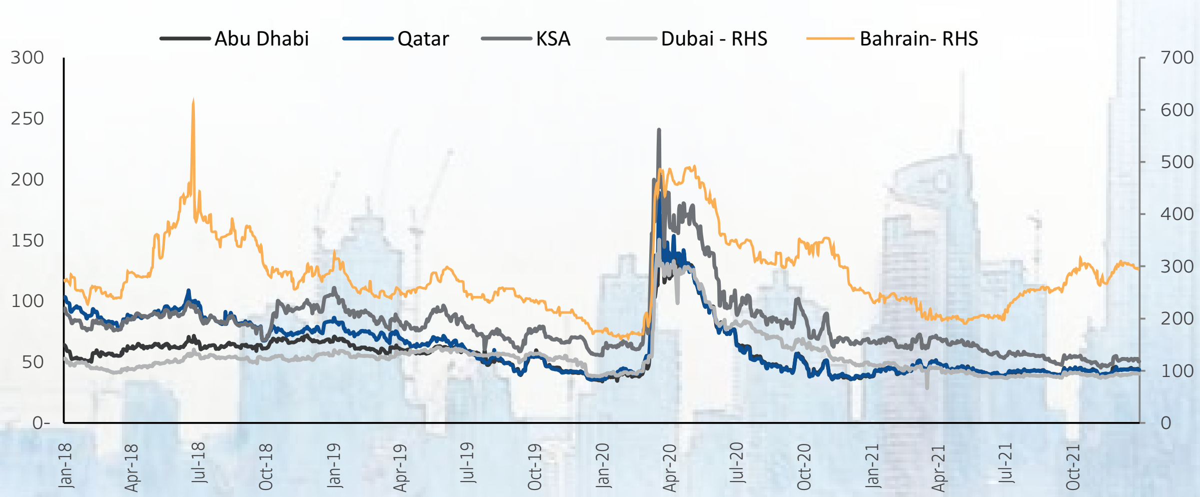
Index Returns in 2021 (%)



Brent Price (USD/bbl)

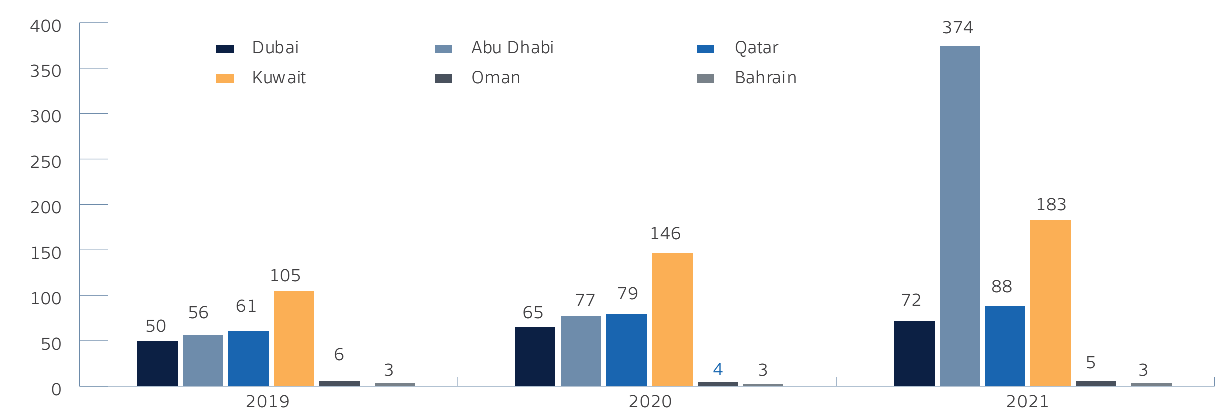


CDS Spreads (2018–2021)



> The IPO market gained traction in 2021 with multiple IPOs and successful listings in KSA and Abu Dhabi.

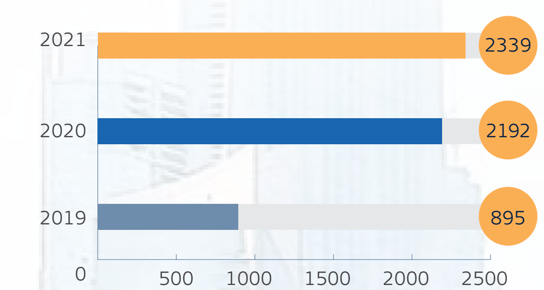
GCC Average Daily Turnover (USD mn)



The IPO market also gained traction, particularly in 2H21, with multiple IPOs and successful listings in KSA (both main and Nomu market) and Abu Dhabi. High commodity prices and accompanying inflation, supply chain disruptions, and a resurgence in demand as economies began opening up were the key themes driving stocks and broader markets.

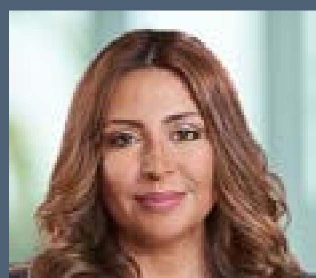
While 2021 ended on a high note, market volatility increased toward year-end as markets braced for a hawkish Fed stance and subsequent tightening. Looking ahead, oil remains strong on the continuation of an OPEC+ agreement on a gradual production increase at a time when demand side dynamics remain favorable. This should give reasonable fiscal room for GCC governments to continue stimulating their economies. Accordingly, GCC markets will remain in a relatively better position than many of their global peers.

Saudi Average Daily Turnover (USD mn)



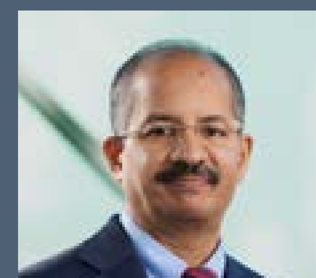
More IPOs across the region are expected to capitalize on this window of opportunity in 2022. While overall equity returns may not match FY21 levels, GCC markets are likely to provide interesting investment opportunities for active investors to generate alpha.

Management Team



Najla Al Shirawi
Chief Executive Officer

Fadhel Makhlooq
Chief Capital Markets Officer

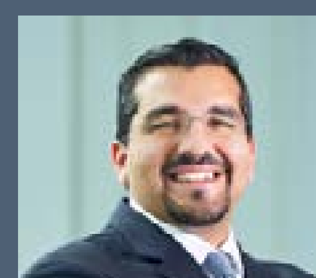


Anantha Narayanan
Chief Operating Officer

K. Shyam Krishnan
Chief Financial Officer

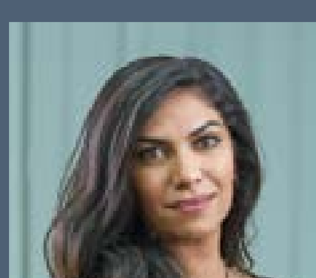
Shakeel Sarwar
Head of Equities Asset Management

Ali Marshad
Head of Fixed Income Asset Management



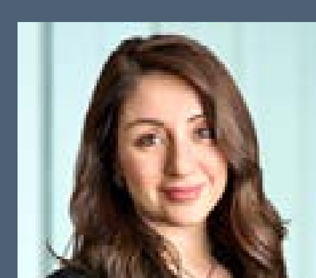
Wissam Haddad
Head of Investment Banking and Real Estate

Jithesh K. Gopi
Head of Strategy and Proprietary Investments



Mariam Isa
Head of Brokerage

Salman Al Sairafi
Head of Global Markets



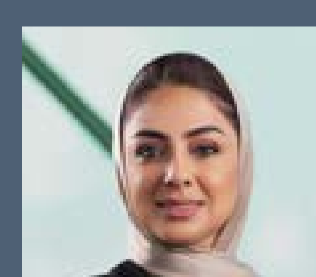
Shaikha M. Kamal
Head of Market Making

Nishit Lakhotia
Head of Research

Husain Najati
Head of Treasury

Nadeen Oweis
Head of Corporate Communications and Sustainbility

Mohamed Alabbas
Head of Distribution and Business Development



Fatima Mansoor
Head of Client Relations

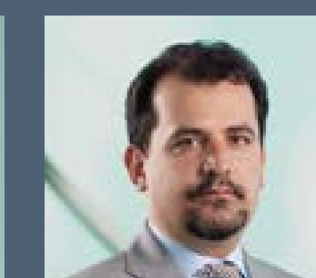
“

The team at SICO has the experience, track record, and regional expertise to guide the organization in its next phase of growth.

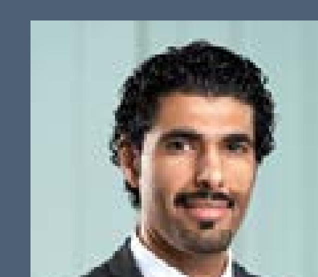
Nadia Albinkhalil
Head of HR and Administration

Husain Ahmed
Head of Operations

Mohammed Ibrahim
Head of Information Technology



Simone Del Nevo
Head of Legal and Board Secretary



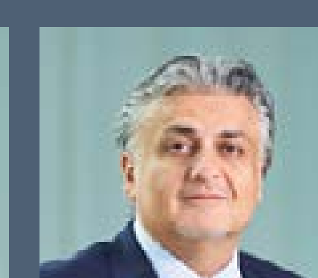
Mohammed Juma
Head of Compliance and MLRO

Joseph Thomas
Head of Internal Audit

Srikanth Sethuraman
Acting Head of Risk

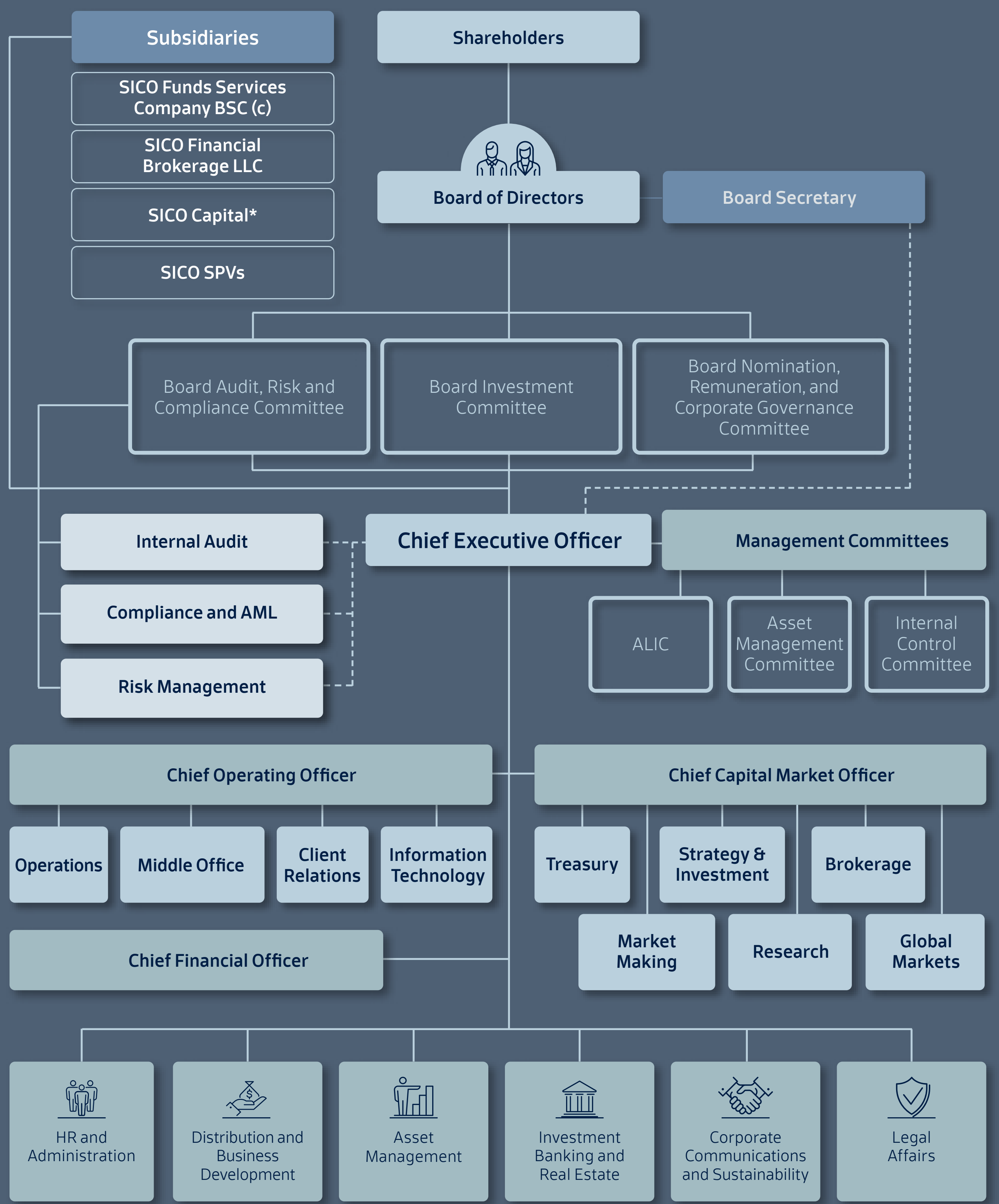
Sultan Al Nugali
Chief Executive Officer, SICO Capital

Naser Obaid
Chief Executive Officer, SICO Funds Services BSC (c)



Bassam A. Khoury
General Manager, SICO Financial Brokerage LLC

Organization Chart



*Subsidiary converted to SICO Capital following March 2021 acquisition of Muscat Capital

DELIVERING PROFITABILITY

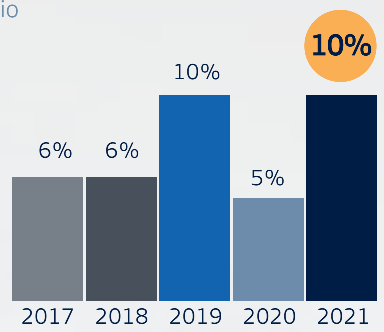
2021 Financial Performance

SICO delivered strong financial results in 2021 with both organic and non-organic growth that resulted in strong bottom line performance and a near doubling of investment income.

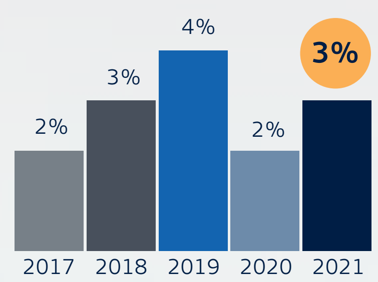
2021 Financial Highlights

Asset Management Income and Other Fee Income	Net Investment Income	Net Interest Income	Brokerage Income	Other Income	Investment Banking Income
8.39 BD/MN	4.44 BD/MN	1.84 BD/MN	1.65 BD/MN	1.04 BD/MN	362 BD/K
3.46 BD/MN 2020	2.24 BD/MN 2020	1.45 BD/MN 2020	1.70 BD/MN 2020	1.42 BD/MN 2020	163 BD/K 2020

Return on Average Equity
Annual Ratio



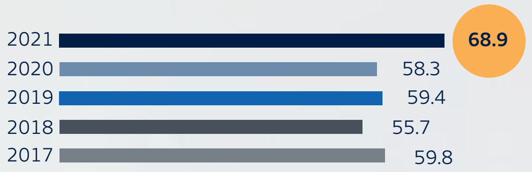
Return on Average Assets
Annual Ratio



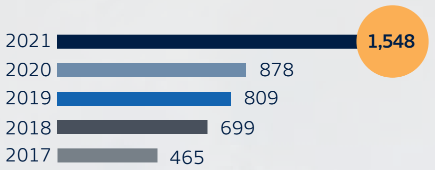
Earnings per Share (Fils)

Dividends per Share (Fils)

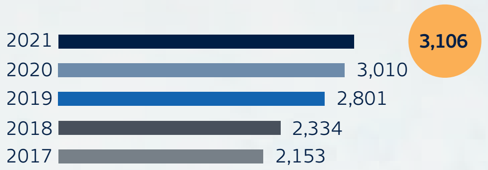
Shareholders' Equity BD mn



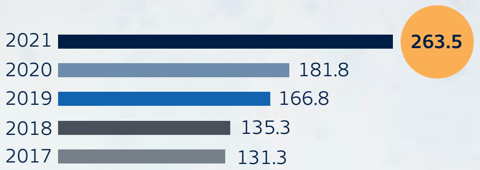
Net Assets Under Management BD mn



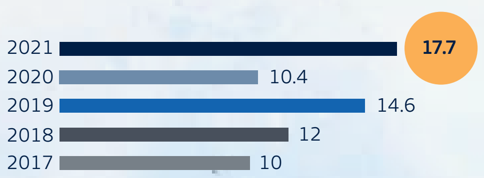
Assets Under Custody BD mn



Total Assets BD mn



Total Revenues BD mn



Management Discussion and Analysis

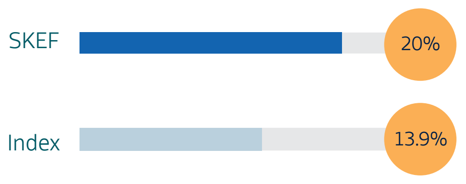
SICO reported a consolidated net profit attributable to shareholders of BD 6.4 million (USD 17 million) in 2021, an increase of 116% from the BD 3.0 million (USD 7.8 million) recorded at year-end 2020. This bottom-line expansion was driven by a year-on-year increase of 70% in SICO's net operating income, which booked BD 17.7 million for 2021. SICO's financial performance for the year was driven by a broad-based operational expansion witnessed across the Bank's divisions, which successfully leveraged the recovery in regional markets to drive business growth. SICO recorded a total comprehensive income of BD 7.1 million (USD 18.8 million) for 2021, an increase of 142% from the BD 2.9 million (USD 7.7 million) booked one year previously. Earnings per share amounted to 15.96 Bahraini fils per share for 2021, up by nearly double from the 8.00 Bahraini fils per share recorded for 2020.

I. Appropriations

SICO's Board of Directors has recommended a dividend of 8% of the share capital, (5% cash dividends and 3% stock dividends) aggregating to BD 3.4 million (USD 9.02 million), equivalent to 8 Bahraini fils per share, subject to the approval of the Central Bank of Bahrain and the General Assembly. The amount proposed by the Board of Directors for 2021 marked an increase from the cash dividend of 5 fils per share distributed for 2020, up by 3% as a proportion of SICO's share capital.

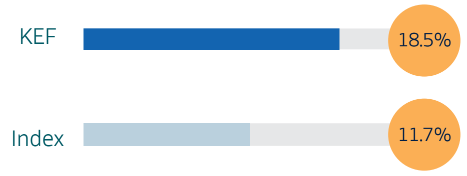
SICO Kingdom Equity Fund

5-Year Annualized Gross Return



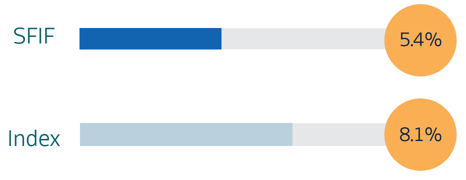
Khaleej Equity Fund

5-Year Annualized Gross Return



SICO Fixed Income Fund

3-Year Annualized Return



II. Asset Management

SICO's assets under management (AUM) increased substantially during the year. On a gross basis (including leverage), SICO's total AUM increased by 80% to USD 4.5 billion in 2021 compared to the USD 2.5 billion recorded on 31 December 2020. On a net basis (excluding leverage), total AUM increased by 76% to USD 4.1 billion in 2021, compared to the USD 2.3 billion recorded on 31 December 2020. This increase reflects the recovery in regional capital markets during the year, the addition of new client mandates, the introduction of new products, as well as the consolidation of AUM at SICO Capital following its acquisition in March, which has expanded SICO's exposure to KSA's dynamic real estate market. Rapid growth in AUM during 2021 further reflects the asset management team's consistent strong performance.

SICO's flagship Khaleej Equity Fund booked returns

116%

increase in consolidated net profit y-o-y

of 37.6% for 2021, maintaining its place as one of the best-performing GCC-focused funds.
By year-end 2021, the Khaleej Equity Fund had yielded a five-year gross return of 133.3%, outperforming the benchmark by 74.2% and ranking it the best-performing GCC fund over the period. Meanwhile, SICO's Kingdom Equity Fund, which invests in Saudi-listed equities, generated a return of 36.7% for the year, markedly outperforming the wider market. The Kingdom Equity fund has achieved a five-year annualized gross return of 20%, significantly exceeding the annualized benchmark return of 13.9% for the period.

SICO's Fixed Income Fund fared exceptionally well in 2021, closing the year at 1.5% ahead of the Bloomberg GCC Bond Index, which increased by 1.2% in 2021, driven by the solid recovery in GCC fixed income activity that began during the second half of the year. Several of SICO's discretionary fixed income funds have also significantly outperformed benchmark indices in 2021, placing SICO Asset Management as the best-performing fund manager in the MENA sukuk space.

Management fees booked BD 4.2 million in 2021, up from BD 3 million one year previously, and performance fees also increased to BD 3.6 million in 2021, up from BD 69 thousand in 2020.

III. Brokerage

SICO Brokerage leveraged the recovery in GCC markets, the vibrancy in primary markets, and the uptick in IPO activity during 2021 to further develop its product portfolio and expand its client base, drive strong performance for the year. SICO Brokerage maintained its first-place ranking on the BHB for the twenty-third consecutive year, with its market share of traded value coming in at 59.6% in 2021 against 56% one year previously.

Operating across both the equity and fixed income spaces, SICO offers brokerage services out of Bahrain and through its fully owned subsidiary SICO Financial Brokerage (SFB), based in Abu Dhabi, UAE. SFB continued to expand SICO's presence in the UAE market during 2021, while the acquisition of SICO Capital in KSA has given SICO a foothold in the Kingdom's brokerage market.

SICO Brokerage's fixed income operation recorded transaction volumes of USD 2.3 billion in 2021, reflecting an increase of 65% against the USD 1.4 billion booked in 2020 driving strong performance for the year. SICO Brokerage's new Global Markets division completed its first full year of operations, providing clients with access to international stocks, bonds, ETFs, options, and other liquid tradeable asset classes spanning more than 33 countries and over 135 exchanges. SICO LIVE Global, the division's international trading platform, continued to drive business in 2021, providing diversified and direct exposure to a variety of international asset classes.

IV. Investment Banking and Real Estate

SICO Investment Banking continued to consolidate the Bank's position as an adviser of choice and a regional leader in the provision of innovative value-added services and solutions. The investment banking team continued to handle a large volume of complex, multiyear advisory mandates for clients in a diverse number of sectors. Additionally, SICO Investment Banking continued to deepen its market dominance as an adviser of choice on high-profile Bahraini deals.

The year saw SICO Investment Banking continue to execute its mandate as financial adviser to Mumtalakat Holding Company on the merger of the company's wholly-owned subsidiary, General Poultry Company, with Delmon Holding Company, a landmark transaction in the Bahraini poultry industry. Meanwhile, 2021 saw SICO Investment Banking act as the receiving and delisting agent for Investcorp, a global investor manager, in its delisting from the BHB, a mandate involving a high level of coordination and cooperation with several regional and global entities.

The diligence and expertise of SICO's investment banking team was on full display during SICO's acquisition of SICO Capital in KSA early in 2021. SICO Investment Banking was involved in the structuring and closing of this landmark transaction, seamlessly executing its role and helping establish a major presence for SICO in one of the region's largest and most dynamic markets.

V. Proprietary Investments

SICO's proprietary investments are classed under three components: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortized cost (AC). Proprietary investments generated net investment income of BD 4.4 million in 2021 against BD 2.2 million one year previously, with continued positive results helping insulate SICO from prospective market volatility. Strong performance of proprietary investments reflects SICO's strategic allocation of funds, along with tactical hedges and derivative purchases.

VI. Treasury

Despite a significant decrease in global interest rates in 2021 as central banks sought to loosen monetary conditions, SICO's Treasury Division successfully continued to ensure the liquidity of the Bank's balance sheet. Treasury booked net interest income of BD 1.8 million in 2021, an increase of 27% from the BD 1.4 million booked one year previously. FX income contributed BD 760 thousand to overall Treasury income for the year, which stood at BD 1.43 million. The strength and liquidity of SICO's balance sheet was evident in the Bank's capital adequacy ratio of 57.7% booked at year-end 2021.

> “SICO's financial performance for the year was driven by a broad-based operational expansion witnessed across the Bank's divisions, which successfully leveraged the recovery in regional markets to drive business growth.

VII. Market Making

SICO continued to distinguish itself as the BHB's leading market maker in 2021, continuing to provide liquidity for large listed companies in its home market. SICO registered a participation rate of approximately 52% of the total traded value in the Bourse, down from 56% one year previously. The Bank's signature market making fund, the Bahrain Liquidity Fund (BLF), represented 34% of the total average daily traded volume (ADTV) on the BHB, generating an annual return of 11.4% in 2021. SICO received regulatory renewals for most of market making mandates in the Bahraini market. The Bank recorded total market making income of BD 459 thousand in 2021, down from BD 501 thousand in 2020.

DELIVERING GROWTH

2021 Operational Review

Asset management doubled AUM and delivered impressive growth in net fee income, brokerage retained its first-place ranking on the BHB, and investment banking structured and closed SICO's landmark acquisition in KSA.

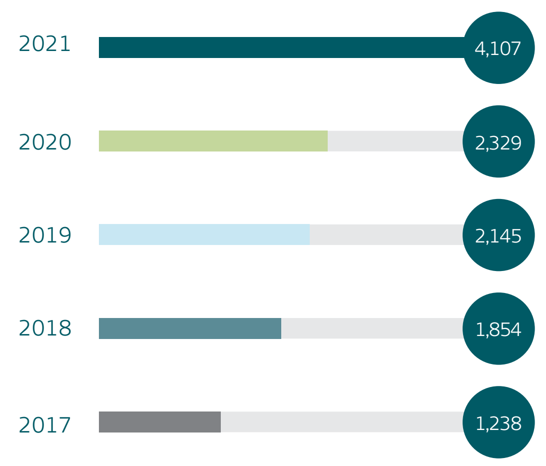
Asset Management

SICO's Asset Management division maintained strong growth momentum across its equity and fixed income operations, capturing the upside of the market recovery in 2021

SICO's Asset Management is a regional flagship boutique asset manager with a strong focus on GCC and MENA mandates and capital markets. Supported by a team of renowned, highly experienced industry experts with over 50+ years of combined GCC/MENA market knowledge, the division consistently works toward enriching its investment strategies with innovation and diversity, as well as a vision to expand on its regional and international footprint. The majority of SICO's key investment professionals have worked together for more than a decade, and most analysts have been covering their respective sectors for more than five years.

SICO's Asset Management mutual funds and discretionary portfolios cater for a unique investor base

Net AUM Growth
USD mn



NET AUM by Asset Class

- Equity 50%
- Fixed Income 33%
- Real Estate 6%
- Others 11%

Net AUM by Client Type

- Institutional 92%
- Retail 8%

Net Composition of AUM

- Pension Fund 26%
- Sovereign Wealth Fund 14%
- Financial Institutions 18%
- Endowment 6%
- Corporate 7%
- Government 7%
- Mutual Funds 7%
- Individual 8%
- Insurance 1%
- REIT 6%

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

> "AUM increased substantially on the back of new mandates, new products, and the consolidation of AUM at SICO Capital.

2021 Asset Management Highlights

- AUM increased significantly in FY2021 following the strong pickup in GCC markets, closing the year with a two-fold increase Y-o-Y
- Flagship equities fund achieved 5-year gross annualized returns of 18.5%
- Flagship fixed income fund achieved 5-year gross annualized returns of 4.41%
- Significant progress was made in the establishment of first standalone middle office, aimed at serving the division's equity and fixed income functions
- SICO Capital exits Al Qasr Real Estate Fund with an average annual return of 11%

USD/BN **4.10** Total Net AUM	USD/BN **4.51** Total Gross AUM
USD/BN **2.03** Equity Net AUM	USD/BN **2.03** Equity Gross AUM
USD/BN **1.35** Fixed Income Net AUM	USD/BN **1.67** Fixed Income Gross AUM
USD/BN **0.24** Real Estate Net AUM	USD/BN **0.33** Real Estate Gross AUM
USD/BN **0.48** Other Net AUM	USD/BN **0.48** Other Gross AUM

> In addition to doubling AUM in 2021, the division delivered impressive growth in net fee income.

76%

increase in total net AUM

comprised of large institutions, including pension funds, sovereign wealth funds, endowments, family offices, and private banks. By offering customized, value-added services that vary according to different risk profiles and investment objectives, SICO has consistently grown its AUM over the course of a successful track record of more than 20 years, the longest consistent track record in the GCC market.

The Asset Management division's investment methodology prioritizes healthy, risk-adjusted returns, targeting assets with robust fundamental profiles, significant safety margins, and minimal downside risk. The team's exemplary performance over the years is a reflection of their long-term investment approach. As fundamental investors, the team ensures that they have a good grasp of the underlying fundamentals of both the businesses and the industries that they invest in, placing greater emphasis on downside risk than upside gains.

This has helped SICO preserve capital in times of market weakness, which has, in turn, reflected on long-term outperformance compared to peers.

SICO Asset Management's mandates cover conventional and Sharia-compliant equities, fixed and money market securities, as well as real estate investment trusts (REITs) and private real estate funds. Various external funds are also managed on behalf of leading regional financial institutions. SICO's mutual funds and discretionary portfolios consistently outperform their respective benchmarks, maintaining the highest ranking across a variety of league tables.

> The SICO Capital acquisition has expanded Asset Management's operational footprint into the highly promising Saudi market.

Brokerage

SICO Brokerage's network covers all MENA markets and enables clients to receive unrivaled access to markets and exchanges across developed and emerging markets, supported by top-notch sell-side research capabilities that have cemented SICO as the number one brokerage in Bahrain for over 20 years

For 23 consecutive years, SICO Brokerage has successfully managed to fortify its position as Bahrain's leading broker. Backed by a highly experienced team, top-notch in-house research capabilities, and a seamless technology platform. SICO Brokerage has been the undisputed leader on the Bahrain Bourse (BHB), giving access to equities, fixed income securities and T-bills to a wide range of high-profile institutional and individual clients spread out across the region.

SICO is the broker of choice for institutional clients, as well as high-net-worth individuals, who capitalize on SICO's unrivaled capabilities and comprehensive service offerings in the T-bills, fixed income and equities markets. SICO continues to grow its value proposition, consistently unlocking lucrative trading prospects for its clients.

Since 2012, SICO has operated a second brokerage arm, and its first regional presence in Abu Dhabi, through its wholly-owned subsidiary SICO Financial Brokerage (SFB), offering equities brokerage services with access to multiple UAE markets, including the Dubai Financial Market, Abu Dhabi Stock Exchange, and NASDAQ Dubai. In 2021, SFB continued to generate profits for the second straight year, as commission revenue surpassed AED 4,300,000, a small improvement from 2020. Interest revenues from margin activity was AED 3,300,000 million in 2021, reflecting a drop of AED 500,000 from 2020. Expenses were kept in check and reduced by AED 500,000 from 2020.

The recent acquisition of SICO Capital in KSA is also off to an excellent start with a growing market share and client base.

The Brokerage Division continued to enhance functionality on its regional online trading platform, SICO LIVE, which gained traction and saw a significant surge in the number of active clients. In 2021, SICO LIVE saw a 21.7% increase in the total number

2021 Highlights

- Achieved strong results amid market recovery
- Maintained market share
- Enhanced regional platform, SICO LIVE

55.7%

increase in total order value on

SICO LIVE

SICO Performance on BHB	Amount	Market Share	Ranking
Total value of shares traded	BD 233.3 million	59.6%	1
Total volume of shares traded	1.07 billion	52.6 %	1
Total number of transactions	19,245	45.8 %	1

59.6%

market share

SICO maintained its position as the leading broker in Bahrain for the 23rd consecutive year

of orders and a 55.7% increase in total order value. The platform provides an essential digital channel for clients seeking multi-market access in the GCC and Egypt. With SICO LIVE, clients have the ability to trade in real time, and access SICO's unrivaled research products on their digital devices from anywhere in the world.

Global Markets brokerage provides access to a plethora of international stocks, bonds, and ETFs spanning more than 33 countries, including the US, UK, and Europe, and over 135 exchanges in developed and emerging markets. SICO's brokerage division implements a client-centric approach, with its exceptional team of relationship managers and trading experts working alongside clients as trusted partners to help them attain investment objectives that cater to their individual preferences and risk profiles.

The launch of SICO's global brokerage platform, SICO LIVE GLOBAL was a major milestone for Global Markets. The Platform was created to enable SICO's institutional and individual clients to trade and invest in a myriad of asset classes present across international markets.

With a multi-asset class and a multi-market offering, SICO has now broken new ground by building a suite that houses the widest ranging and most diversified offerings of any investment bank in the region.

Investment Banking

As capital markets began to recover from the disruptions and volatility of the previous year, SICO's investment banking division generated healthy returns from its advisory services

SICO Investment Banking is a market leader in the Kingdom of Bahrain, backed by a team of highly experienced professionals delivering a comprehensive suite of tailored financial services. For over two decades, SICO Investment Banking has been the trusted partner of regional corporations and key public sector clients due to its unmatched on-the-ground knowledge of the Bahraini market and investment landscape.

Having executed deals across a wide spectrum of sectors, including construction, tourism, real estate, telecoms, banking, insurance, consumer finance, and education, SICO Investment Banking is considered the Bahraini market's advisor of choice for equity and debt capital market transactions, IPOs, M&A deals, and advisory services. From arranging primary and secondary issuances to deal structuring, valuations, and corporate and family business advisory services, SICO Investment Banking offers unparalleled insights, textbook execution, and a flexible platform that provides innovative and fit-for-purpose solutions.

With oil prices approaching three-year highs and a substantial easing of COVID-19 restrictions up until the end of 2021, it was a year of recovery for both global and regional markets, which has translated into several highly successful regional IPOs coming out of KSA and the UAE. In the smaller market of Bahrain however, delistings were the trend, as exhibited by the departure of asset manager, Investcorp from the BHB. Throughout the year, SICO Investment Banking managed to capture new opportunities and build on its pipeline of deals for 2022.

SICO Investment Banking was the receiving and delisting agent for Investcorp on their July 5, 2021 delisting from the BHB. The execution of the transaction involved working closely with Investcorp and the Central Bank of Bahrain (CBB) and deploying the share buyback offer to Investcorp's shareholders across the region and globally. SICO's strong capital markets exposure and the Investment Banking Team's ability to reach investors and to effectively articulate the share offer process placed them in a strong position to execute the mandate seamlessly and efficiently. The team was also involved in receiving and processing applications from shareholders, reporting results to Investcorp, and collaborating with the BHB on the overall delisting process.

In 2021, Investment Banking became engaged in the process of creating, structuring, and negotiating the terms of a new sukuk fund in partnership with a prominant Kuwaiti financial institution that will invest in sharia-complaint fixed income securities in the GCC. Investment Banking's role for SICO will be to structure and launch this fund, which will subsequently be managed by SICO's Fixed Income team. As a CBB regulated "Exempt" fund, the Fund will be open to accredited investors with an opening ticket size starting at USD 100,000. The open-ended fund will focus on Islamic fixed income securities targeting yield distributions and capital gains. SICO plans to market the fund regionally with the aim of expanding its size to over USD 100 million, which would make it one of the largest sukuk funds in the region. With SICO's new on-the-ground presence in KSA through SICO Capital and the Kuwaiti partnership, SICO will be well-positioned to achieve the ambitious goal.

SICO Capital's Investment Banking team will also be targeting mid-market deals, as well as listings and public offerings on both Saudi Arabia's main market and alternative market.

Investment Banking's 2020 advisory mandate for Mumtalakat Holding Company on the merger of their wholly-owned subsidiary, General Poultry Company, and Delmon Poultry Company continued throughout 2021 with a phased approached. After pitching the board of Delmon Poultry on the idea of a merger, the Investment Banking team engaged in more in-depth discussions and conducted a preliminary valuation. The active mandate will also include conducting due diligence and final negotiations on a share swap in 2022.

During the year, the team carried out their advisory mandate for Bahrain's leading private technical university. The Team successfully completed a detailed independent valuation for the university and are targeting the sale of a significant minority stake to new strategic investors in 2022. The team also carried out a sell-side mandate for United Cement Company, which owns a stake in a local Bahraini logistics company. SICO Investment Banking was appointed to conduct a valuation and secure a buyer.

2021 Highlights

- Investcorp share buyback and delisting from the BHB
- General Poultry and Delmon Poultry preliminary assessments for a potential consolidation
- Private placement deal for Innova Healthcare in Saudi Arabia

The division continued to successfully carry out its role as the placement agent for Carlyle, one of the world's largest asset management firms, for the launch of one of their new funds—a mandate that has been ongoing since 2016. Also ongoing from 2020 was a mandate for fund reporting for an insurance company pertaining to their policy holders' investments in third party funds.

The Investment Banking team played an important role in identifying and structuring the SICO Capital acquisition in KSA which was carried out through a share swap agreement.

The acquisition was valued at BD 5.5 million, with 38,563,894 of SICO's treasury shares swapped for a majority stake amounting to 4,362,491 shares of Muscat Capital's 6,000,000 total outstanding shares.

Strategy and Proprietary Investments

SICO's Strategy and Proprietary Investments department manages the Bank's proprietary capital in accordance with clearly defined investment objectives and processes. The department's mandate was broadened last year to assist the CEO and the management to identify and execute growth opportunities for SICO. The mandate also includes interpreting long-term strategy into short-term projects, communicating and monitoring executions of such projects and progress in achieving the long-term strategy. As part of the capital deployment, the department also provides seed capital to support different initiatives, such as new product launches and investment ideas that are undertaken by SICO's various business units. SICO's prop book aims to generate sustainable returns by following a well-diversified asset allocation strategy while continuously seeking new opportunities for effective deployment of the firm's capital to grow SICO's core and new business lines.

It was a good year for SICO's proprietary book as regional and global markets continued their strong performances after the highly volatile period that was experienced during year one of the COVID-19 pandemic. The investment team continued to follow a balanced approach with a focus on absolute returns, which has allowed them to contribute positively to SICO's bottom line.

Positive performance during the year was primarily driven by strategic and tactical asset allocations. Regionally, the department also benefited from the strong recovery in oil prices, leading to strong regional equity market performances and a streak of successful IPOs in KSA and Abu Dhabi.

In accordance with IFRS 9 standards, SICO's investment portfolio comprises three components: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortized cost (AC). Under the FVTPL portfolio, SICO invests across asset classes (equity, fixed income, and alternative assets), both directly and through third- party managers, following multiple strategies that align the portfolio with its risk-return and diversification objectives.

During 2021, SICO continued its hedging strategy, mainly in global markets, to limit downside risks during volatile periods. Although the markets ended with strong performances, they were not free from bouts of volatility as concerns about new COVID-19 variants and inflationary concerns affected investor sentiments.

The FVOCI portfolio, which mainly includes regional equity, REITs, and debt securities, continued to perform as per the mandate. Given the improvement in economic conditions and operating results, visibility on dividend payouts by companies improved, while debt securities began to face challenges with the expected change in rate cycle. Nevertheless, the portfolio continued to generate a healthy income, helping to achieve more stable and sustainable returns.

SICO's high-yielding amortized cost portfolio is mainly composed of exposure to the local sovereign bond market and provides a stable income.

The department's investment strategy, which is focused on absolute returns driven by strategic asset allocation, enabled the Bank to generate strong returns and benefit from the broader markets. Diversification of the portfolio and tactical movements in line with economic and market outlook continue to further support the Bank's performance. The proprietary book generated a net investment income of BD 4.4 million in 2021 compared with BD 2.2 million in 2020.

The successful closure of SICO Capital's acquisition was a key achievement during the year, and it is also a major strategic milestone for the Group, as it provides direct presence in the largest regional market with the entire range of capital market licenses. A post-acquisition strategic plan was successfully implemented to further broaden and strengthen SICO Capital's capabilities. After the successful completion of the previous strategy cycle in 2021, work on a new ambitious strategy cycle, "Vision 2025" was launched during the year.

2021 Highlights

- Strong performance driven by strategic and tactical asset allocations
- Benefitted from positive performance of regional and global equity markets
- Continued focus on absolute return strategy with sustainable returns
- Successful closure of SICO Capital acquisition and commenced new strategy cycle for SICO Group

Treasury

SICO's Treasury division manages the Bank's liquidity while employing a client-focused approach to provide value-added services for clients across the GCC. In an effort to provide attractive sources of funding to pursue market opportunities, the Treasury division offers services including short-term money market, liquidity and hedging solutions, treasury bills, foreign exchange, collateralized lending through margin facilities for equities, and repos for fixed income. The Bank's foreign currency services are diverse, with SICO acting as a settlement agent for its clients' transactions across markets for cost efficient trading.

The Treasury division delivered a solid performance in 2021, achieving a total income of BD 1.43 million, net interest income of BD 678 thousand, and FX revenues of BD 759 thousand during the year. SICO continued to maintain a sound and liquid balance sheet throughout the year, with a capital adequacy ratio exceeding 57.7%, well above the CBB's minimum requirement.

2021 Highlights

- Maintained a highly liquid balance sheet
- Grew and enhanced relationships with counterparties
- Continued to address client needs and requirements

Market Making

As a pioneer market maker for a number of large-scale, BHB-listed entities, SICO creates liquidity that builds the foundation for investor confidence, volumes, valuations, and performance in the market. With a robust track record of over 27 years of successful market making experience, the division actively participates in bid and offer sides, narrows down price spreads, and creates a market for select stocks, post-IPO listings, cross listings, and matured listings, maintaining its role as the top market maker in Bahrain. In 2018, SICO was also awarded new licenses to act as a market maker on both UAE exchanges, the DFM and ADX.

In 2016, SICO launched and co-seeded the Bahrain Liquidity Fund (BLF), valued at BD 41 million, with an eye on enhancing liquidity and market depth. The BLF also aims to create absolute returns for investors around the level of market returns. Since its inception, the Fund has gained traction and positive investment response, and it continues to incur positive impact on market volumes, valuation, and performance.

It was a predictably challenging year for Market Making, which is a function that is, by definition, cyclical. As market making mandates achieve their desired liquidity objectives, it is inevitable that they will run their course. Despite significant client redemptions and a drop in overall market liquidity in 2021, SICO Market Making still delivered a solid performance in terms of the team's capabilities as a liquidity provider.

11.37%

BLF annual return on capital in 2021

The BLF, now in its sixth year, remained a proactive participant and liquidity provider in the market despite its reduced size, a development that came about because of cash paybacks to fund shareholders in an amount equivalent to 20% of the fund size. BLF transactions in 2021 represented 34% of the total ADTV on the BHB compared with the 30% recorded in 2020. The increase in the participation rate over the past year is a clear manifestation of the important role that the Fund fulfills as a liquidity provider, even during downturns. The BLF performed well in 2021 with an annual return on capital of 11.37%, its highest return since inception. The return includes cash paid back to Fund unitholders.

Research

SICO Research continues to produce in-depth products that are utilized by a broad spectrum of clients within and beyond the GCC region. The division produces high quality research that covers over 80 companies across 13 key regional sectors. Through its offerings, the division also provides clients with insightful and timely advice that assists in strategic decision-making processes.

SICO Research maintained robust operations in 2021, as evidenced through its publishing of 14 products, including research reports, company analyses, newsletters, and periodicals. As the world gradually recovered from the initial hit of the pandemic and earnings grew less volatile, the division's analysts continued their insightful observations, revisions, and prudent viewpoints throughout the year.

SICO Research's highly regarded monthly Top-20 Picks newsletter, which lists the top 20 GCC stocks, achieved returns of over 39% in 2021 compared with the 35% return of the S&P GCC total return index. On a cumulative basis the Top-20 product has returned c. 124% compared with the 78% return of S&P GCC since the product launched in November 2017.

SICO Research invested in supporting client queries and requests regarding investment fundamentals, value, and market volatility. As part of its contribution to the investment community, the Research team also conducted a seminar on the BHB on how to conduct quality investment research.

2021 also marked the inaugural annual investor return assessment survey for SICO Research, a first-of-its-kind look into the economic and return expectations of investors across the GCC. This new product will serve as a point of reference, delivering empirical data and analysis for regional investor sentiment and expectations that will provide the division with an important pulse on the economies of the region.

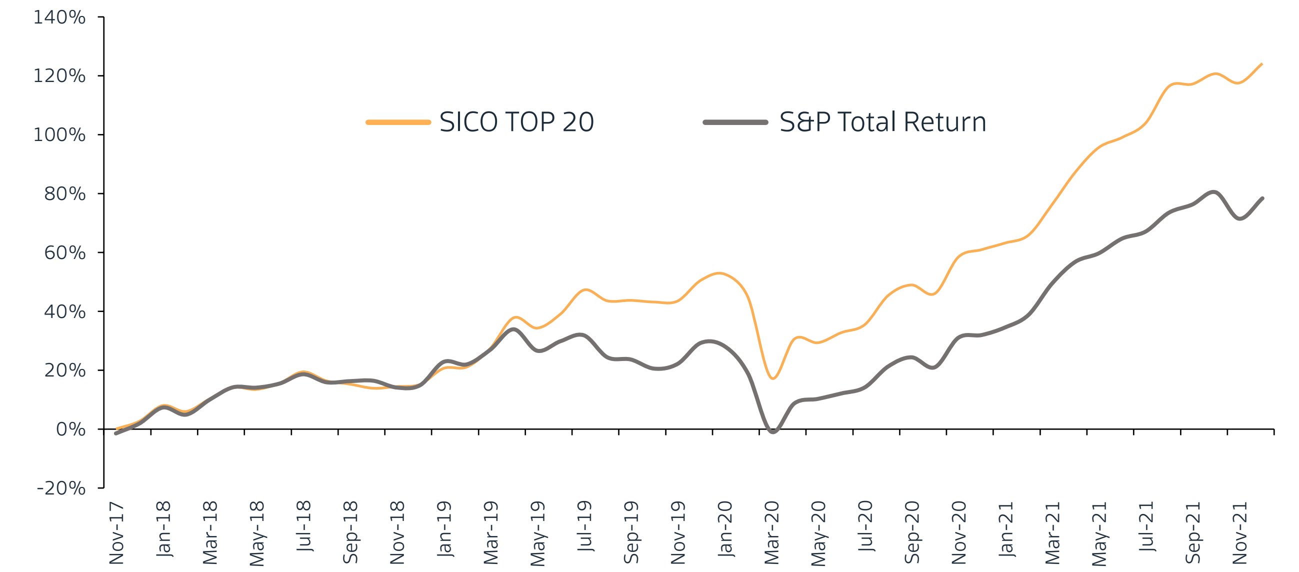
39.3%

Top-20 product total return in 2021 versus 35.2% S&P GCC benchmark

SICO Research's Environmental, Social, and Governance (ESG) ratings service, launched in 2020, offers clients added value by displaying the ESG metrics for companies under coverage, a feature that has become increasingly central to the strategy of many companies. The Research division also participated in an investor relations webinar during the year to promote IR best practices in the domestic capital market.

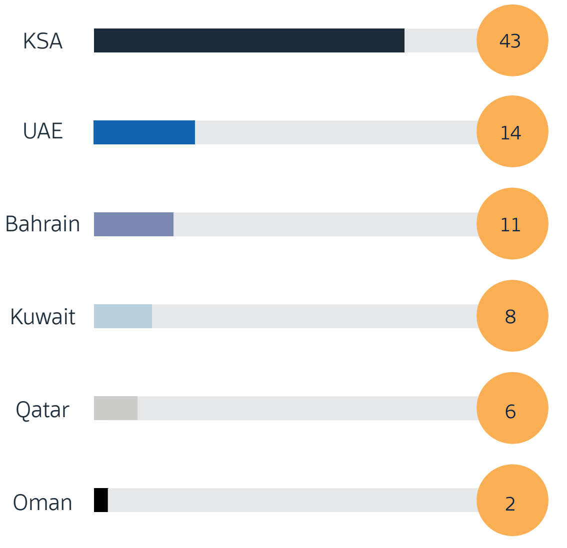
The division expanded its coverage universe during the past year, adding nine new companies in 2021, in the building materials, banking, and consumer goods sectors, and it continued to successfully host analyst and investor conference calls for listed companies across the GCC.

Cumulative Returns



SICO Research Coverage by Sector

SICO Research Coverage by Country



Reports Published

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

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

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

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

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

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

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

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

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

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

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

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

Investor Return Requirements in the GCC Survey Results

In Q4 2021 SICO surveyed a group of C-Suite executives, investment and fund managers, and institutional investors on their expectations regarding returns for various asset classes.

Asset Class	Saudi Arabia	UAE	Qatar	Kuwait	Oman	Bahrain
Listed Equities	6-8%		9-11%	3-11%*	6-8%	
USD Government Bonds	3-5%				6-8%	
Real Estate	6-8%	9-11%		6-8%	9-11%	6-8%
Private Equity	Over 14%					
Cash Deposits	Under 3%					≤3%

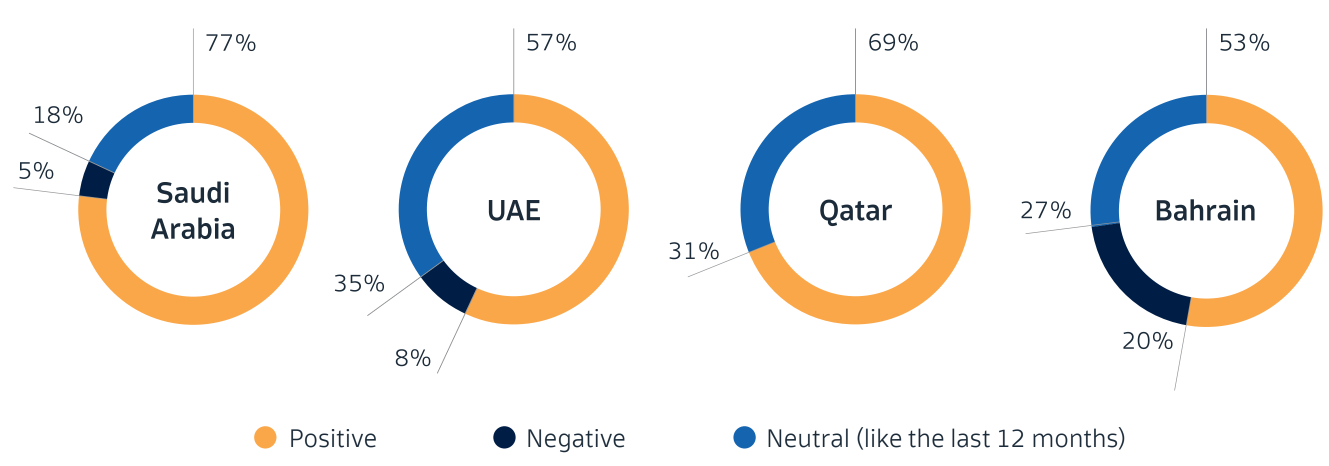
9-11%

Investor required annual returns for listed equities in **Qatar**

6-8%

Investor required annual returns for 10-year government bonds in **Bahrain and Oman**

Investors were positive about the overall economic outlook for the region



SICO Funds Services (SFS)

2021 was an active year for SFS; the company has transformed into a full-fledged service provider with new middle- and back-office services and an "Operator" license with initiative to fully automate the process for all client services

SICO Funds Services (SFS) is a leading regional fund service provider licensed by the Central Bank of Bahrain, established in 2004 as a wholly-owned subsidiary of SICO. SFS is a one-stop-shop that provides a full range of integrated services for investment funds, portfolios, sukuk, and various structured financial instruments designed to eliminate administrative overhead and help clients focus on their core business. With a proven track record spanning nearly two decades, SFS has been supporting its expanding client base with high-quality bespoke solutions and tailored reporting for investment funds, private portfolios, and other financial structured products. SFS's new middle- and back-office services offering allows investment managers to outsource their administrative overheads and enhance efficiencies.

As one of the GCC's most successful and highly regarded fund service providers, the company anchors its success in its client-centric approach and utilization of technology tools, processes, and delivery platforms. This winning formula enables SFS to offer clients an innovative, flexible, and fully automated service offering. SFS is backed by SICO's long-standing brand equity in the region and it operates independently with its own executive management and Board of Directors.

"With the introduction of middle- and back-office services to the mix, SFS has become a one-stop shop with a complimentary bouquet of fully automated services.

Support Functions

Operations

The Operations department at SICO is tasked with overseeing all transactions processed by the Bank's business lines, from opening accounts to handling payments and other daily transactions. Throughout 2021, an expert team made strides in the improvement of systems across the board through automation and efficiency enhancement.

The automation of internal processes and digital transformation have been the major theme for SICO operations with significant progress achieved on several fronts. The system was upgraded to empower management to take more informed steps by streamlining reporting between the Bank's various business units. Management can now receive daily updates and access adhoc data all on one platform so that they may properly analyze and filter relevant information. Through technological upgrade and digitization, SICO has also updated its internal processes and procedures and upgraded its AML system in order to ensure that clients are better protected from fraud risk.

Asset Management Middle Office

As part of SICO's efforts to continually improve its operating model, enhance the robustness of its organizational structure, and further institutionalize its business by adopting global best practice standards, the Bank recently carried out a number of enhancements to upgrade its Asset Management capabilities, including; the allocation of additional investment and the ongoing implementation of an Analytical AM tool (Factset) to support Performance Measurement and Attribution Analysis of client portfolios. Upon introduction of this fully automated and integrated system, both middle office and front office client reporting and servicing capabilities will improve exponentially.

Simultaneously, a separate middle office function, that is independent of front office management activities, has also been introduced. This new segregated institutional approach will align operations with international best practices and help Asset Management become more efficient and deliver better service to clients.

Client Relations

The team of dedicated and experienced professionals that make up SICO's Client Relations department work to oversee requests, respond to inquiries, and provide guidance to both existing and potential clients. The department also prioritizes customer experience by making gradual and measurable changes. The main purpose of the department is to build sustainable, long-term, and professional relationships with the Bank's customers. Client Relations has a wide and varied scope of activities, including managing and advocating for clients' needs with the Bank's different business lines; the on-boarding of new accounts as well as completing and updating all client KYC details to ensure full compliance with CBB regulations.

Going forward, SICO's Client Relations department will continue to tread fast on its automation trajectory, empowering clients to execute on more exchanges and transactions digitally.

Information Technology

Transitioning to being Cloud-based has been a main tenet of SICO's strategy for 2021. The IT department has made major strides in Cloud computation over the past 12 months, with the successful transfer of SICO's internal systems and projects to the Cloud. IT utilized Microsoft Cloud in implementing Office 365 for emails and collaborations, and the Research ERP system has also been moved to Microsoft Cloud. The department is currently working on having the intranet on Microsoft Cloud.

The transformation of SICO's new Saudi subsidiary from Muscat Capital into SICO Capital post acquisition involved setting up a new IT infrastructure for the company, which was executed in a wholly Cloud-based approach. The mailing system, the documents management system, and the CORE banking system are all now on the Cloud, with plans to add more systems, such as HR and CRM, there as well.

Another major achievement in digitization in 2021 was the Digital Customer Onboarding for the online trading platform, SICO LIVE. Customers can now seamlessly register on SICO LIVE without the necessity for in-person visits or interactions. Plans are also in the works to enhance automatic customer onboarding by introducing electronic identification and verification, in addition to integration with the national e-KYC that will allow Bahraini nationals and residents to retrieve their KYC information seamlessly from the government database. These enhancements are being finalized and will be ready to launch in the first half of 2022. Further expansions will be made in the future to incorporate all GCC customers so that SICO may ultimately be able to offer clients a fully integrated experience through SICO LIVE.

Massive progress has been made on the new IT system for SICO's subsidiary, SFS. The new integrated CORE structure for custody, fund administration, and registrar services will completely automate customer service processes. This project will be entirely on the Cloud through Amazon Web Services (AWS), marking a critical milestone in SICO's digitization journey.

The enhancement of all of SICO's cyber security is a pillar of the IT department, and many advancements have been made in 2021 to cyber security controls to ensure the safety and protection of all systems. This includes the revision of SICO's framework in alignment with market standards, the expansion of scope in terms of information security officers, and the upgrade of anti-money laundering controls. The department is currently in talks with reputable parties for a cyber security operations center (SOC) and there will be a dedicated professional and highly experienced team in place by early 2022 for monitoring SICO's IT infrastructure and systems around the clock using the latest machine learning technologies.

Control Functions

Compliance and Anti-Money Laundering

As a Licensed Conventional Wholesale and Listed Bank, SICO has put in place comprehensive policies and procedures to ensure full compliance with all relevant rules and regulations by the CBB, the BHB, and other regulatory authorities. In keeping with Basel and CBB guidelines, the Bank has established an Independent Compliance Department, which acts as the central coordinator for all matters related to regulatory reporting and other requirements. The department is also responsible for ensuring compliance with CBB regulations for anti-money laundering (AML) and counter-terrorism financing (CFT), which are managed by a designated Money Laundering Reporting Officer (MLRO) and Deputy MLRO. During 2021, SICO remained compliant with the latest regulatory requirements by the CBB and BHB. An overview of SICO's corporate governance framework, as well as a report of key developments during the year, are covered in the Corporate Governance Review section of this annual report.

Risk Management

SICO's Risk Management Department is responsible for establishing the risk management framework and appropriate risk guidelines to assist the Bank in achieving its strategic and business objectives. The department provides leadership, direction, and coordination in implementing the risk management framework across the entire organization. This entails a systematic process of identifying, assessing, and mitigating the principal business risks facing SICO by establishing appropriate controls to manage these risks, as well as ensuring that appropriate monitoring and reporting processes are in place. The Bank has established a risk management function that is independent of its risk-taking (business units) functions and reports directly to the Board Audit, Risk and Compliance Committee. During 2021, Risk Management continued to play a pivotal role in ensuring that SICO remains strong, methodical, and consistent in the face of economic uncertainty. The department also carried out updates of all the relevant risk management frameworks in light of the changes in business, and it also ensured compliance with the applicable regulatory requirements. An overview of SICO's risk management framework and the governance structure are covered in the Risk and Capital Management section of this annual report.

Internal Audit

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

During 2021, the department met quarterly with the BARC and presented the results of internal audits performed in line with the Board-approved, risk-based internal audit plan. As outlined by the approved audit plan, key operational, business, and management processes and divisions, including the subsidiaries, SICO SFS and SICO Financial Brokerage UAE were audited/reviewed. Internal Audit also carried out spot check reviews on an ad-hoc basis covering various areas based on Management's request, with the results being presented to the Senior Management/BARCC. In support of the Bank's strategy and initiatives in the acquisition and integration of SICO's Saudi Subsidiary, SICO Capital, the department is also working with relevant management teams in KSA on their activities for the establishment of internal audit arrangements at SICO Capital.

During the year, the department fully revised and updated its policy and procedure framework and Charter, and it is also working on its newly implemented internal audit management software. The department also significantly enhanced and made changes to internal audit reporting and formats.

Throughout the year, the department also assisted with various consulting assignments, contributing with inputs and reviews at various stages for a number of the Bank's additional projects, such as the update of policies and procedures for Asset Management and middle office, and software implementation projects, such as for SFS etc., all while keeping adequate safeguards in place in line with IIA standards.

Financial Control

The Financial Control Department, which comprises the Accounting and Reporting Unit (ARU) and the Internal Controls and Value-Added Tax (ICU and VAT) Unit, is responsible for all aspects of accounting, VAT, and internal controls at SICO. ARU is responsible for ensuring the Bank's financial accounts and regulatory reporting standards are in good order. The ICU and VAT unit is responsible for all aspects of complying with VAT regulations as promulgated by the National Bureau of Revenue in the Kingdom of Bahrain. In addition, the unit performs key internal control functions across the various finance and accounting tasks that are in place.

During 2021, ARU produced MIS and regulatory reports and prepared consolidated financial statements in accordance with international accounting standards. ARU also adapted itself in a seamless and efficient manner to changes in the working styles as warranted by the COVID-19 situation. Paperless processing of payments was introduced, electronic authorization was put in place, and uninterrupted working from home was carried out in a highly effective and productive manner. The regulatory requirements of additional reporting and disclosures that were warranted to explain the effects of the COVID-19 pandemic were successfully implemented.

The ICU and VAT unit continues to play a key role in ensuring relevant frameworks were set and implemented throughout SICO to comply with VAT. The unit in particular ensured that the Bank complied with regulatory requirements to issue tax invoices, that it filed tax returns in a timely manner, and that VAT was paid on a periodic basis, with amendments to regulations and requirements being handled in a timely fashion. Necessary changes to the systems and processes were carried out to address the increase to the VAT rate in the Kingdom.

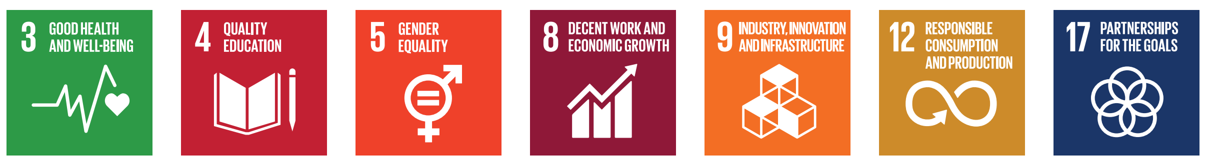
DELIVERING VALUE

Environmental, Social, Governance (ESG)

SICO aims to be ahead of the curve by aligning with international best practices to become a responsible investor that integrates ESG considerations into the investment process.

Making a Difference

SICO is working toward becoming a responsible investor that integrates ESG into its investment decision process



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

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

Supporting Our People

SICO is an equal opportunity employer with a diverse workforce and a culture that empowers women. Since 2014, the Bank has been led by its first female CEO, Najla Al-Shirawi, and SICO takes pride in the fact that its Board of Directors and senior management team includes women in leadership roles. SICO's Board of Directors includes three female Board Members, amounting to more than a 30% representation. Additionally, 39% of SICO's total workforce is made up of women, with nine women currently in leadership positions. The Bank's initiatives are spearheaded by an Equal Opportunity committee, created in 2017 to ensure equal employment opportunities and an ongoing enhancement of policies, procedures, and practices to promote gender inclusion and diversity.

In 2021, SICO successfully conducted a four-day, interactive, online diversity and inclusion training for members of its management team to create awareness about the team's unique qualities and attributes and to highlight the fact that a diverse and inclusive workforce leads to improved performance, a healthier workplace, increased employee satisfaction, and better innovation across the organization. A second staff-wide session on diversity was also conducted in cooperation with Bloomberg. Both initiatives were a part of SICO's ongoing strategy to incorporate inclusive policies and practices that empower and create equal opportunities for its employees.

SICO also rolled out its first annual Employee Engagement Survey with LAWES, a globally renowned survey designed to measure engagement. The survey allowed SICO to take an in-depth look at criteria specific to the organization and to identify strengths and weaknesses. SICO's overall engagement index score stood at 4.33 on a five-point scale, which places the Bank well above the 75th percentile. The excellent score revealed that SICO's staff is highly engaged, which generally translates into higher levels of growth, profitability, and innovation across the organization.

As part of SICO's ongoing desire to improve employee benefits, the Bank is introducing a new employee savings scheme (ESS), which is expected to officially launch in Q2 2022. The best-in-class savings scheme will be an added benefit that can further boost the Bank's ability to attract and retain world-class talent.

Mentoring and developing talent and promoting from within the organization remain a top priority at SICO. CFA and higher education support was provided. Additionally, training courses covering everything from banking and finance to soft skills and topics related to leadership and management, risk, anti-money laundering, and diversity and inclusion were conducted throughout the year in cooperation with leading global and local experts, such as the Bahrain Institute of Banking and Finance (BIBF), Roshcomm, Bloomberg, PRI Academy, and Thomson Reuters Compliance Learning, among others.

SICO participated as a mentor in two "Bloomberg Vision" events, as part of Bloomberg's GCC gender diversity initiative, "A Fair Share." As part of the initiative, SICO was able to mentor 25 female students in KSA and to participate in networking sessions that matched female fellows with finance professionals.

SICO employees also participated in the CFA Society Bahrain's Qodwa Mentorship Program, which pairs candidates with experienced charter holders as mentors who can help them achieve their academic and professional goals. The program, which is currently in its fourth round, has been running successfully and has thus far delivered more than 45 hours of valuable training and 50+ fruitful mentorships.

SICO continued to prioritize the health and safety of its people during year two of the COVID-19 pandemic. The Bank conducted a health checkup for all employees aged 35 and above for women and aged 40 and above for men.

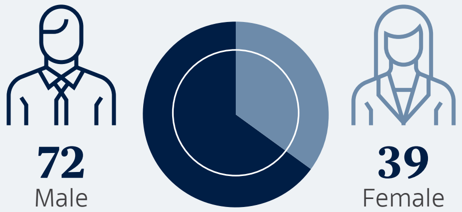
SICO is committed to promoting a flexible work environment for the wellbeing of all its employees. In an effort to provide the best support for staff and ensure optimal work-life balance, SICO is offering Work From Home (WFH) options. SICO's WFH Policy aims to improve employee wellbeing, increase job satisfaction, improve productivity, and ensure that SICO continues to retain employees and attract talented new applicants.

Strict precautionary measures were taken throughout the year to sanitize offices and provide sanitizers, gloves, and masks for all employees during working hours. Social distancing and masking rules continued to be enforced in order to ensure a safe workspace with all guidelines and policies clearly communicated on email and around-the-clock communication channels available to all employees for guidance and assistance in case of emergency.

In an effort to promote and facilitate open communication between staff and management, SICO held its first virtual town hall meeting in the first quarter of the year where CEO Najla Al-Shirawi shared key updates on the business and thanked the entire team for their resilience and adaptability during the toughest months of the COVID-19 pandemic.

SICO is an equal opportunity employer, with a diverse workforce, and a culture that empowers women

Total Number of Employees	Number of Nationalities	Average Age
111	10	37 years



72 Male

39 Female

30%
Female representation on SICO's Board

36% of workforce is made up of women

9 Females in leadership positions

73% Bahraini Nationals

Developing talent, mentoring, and promoting from within the organization is a top priority at SICO

78 Employees

45 Participated in training sessions

For a total of
1,900 training hours

35 Employees Participated in

15 Conferences, Seminars and Forums

For a total of
235 hours

Addressing Climate Challenge

SICO is committed to doing its part to help limit climate change and reach the government of Bahrain's goal of net zero carbon emissions in 2060. We fully recognize that making a positive impact will require collective action, which is why we are working diligently with like-minded entities to promote environmental preservation among our peers and the community at large. We are taking steps to implement green policies with the aim of fostering a healthy, clean, and safe environment.

In 2021, SICO was active with a number of key initiatives that are already starting to have a multiplier effect and make a difference. One of the major environmental initiatives of the year was our support for Bahrain's national afforestation campaign "Forever Green". SICO was the first Bank in Bahrain to launch this type of initiative and, as such, management was keen to build on the success of their first project in 2020 to plant trees on 16th December Avenue in collaboration with the National Initiative for Agricultural Development (NIADBH) and the Northern Municipality. The "Forever Green" campaign aims to plant more than 50,000 trees at 27 sites in various governorates on a total area that covers more than 70,000 sqm at a total cost of more than BD 500,000.

SICO also launched an electronic e-waste initiative in partnership with Crown Industries, a recycling operation in Bahrain. The initiative involved the collection and recycling of discarded electronics, such as mobile phones, computers, and televisions and other personal electronic equipment. Such an initiative not only saves space and reduces storage costs, but also offsets the negative impact of e-waste on the environment.

SICO will continue with both internal green initiatives and the planting of trees in 2022. The Bank is also in the process of conducting its first carbon footprint assessment, scheduled to be complete in Q1 2022.

Developing Our Communities

Education

SICO has always been a firm believer in making quality education available for all. Since establishment, SICO has sponsored multiple education and career development initiatives in partnership with a number of local sponsors, including the BHB, the CFA Society, and the Bahrain Institute of Banking and Finance (BIBF). A key pillar of SICO's corporate social responsibility program is to provide hands-on training for young Bahrainis that is in sync with the future needs of the job market.

In 2021, SICO signed a new agreement with BIBF to deliver a "Digital Ambassadors" program to provide Bahraini youth with the digital knowledge and skills they need to tackle the professional challenges of the digital transformation. The three-week training program for students in their final year of university introduces them to practical digital tools, skills, and concepts that they will need to enter the workforce.

SICO continued to sponsor the BHB's TradeQuest Program, a competitive financial simulation that is geared to provide university and high school students with real-life experiences simulating the local and international financial markets. Participants form investment teams consisting of 7–8 members are given virtual portfolios worth BD 500,000 and USD 4 million to invest in companies listed on the BHB and New York Stock Exchange (NYSE). Students are then asked to trade both markets during specified trading sessions via an electronic trading platform on BHB's website. Students are provided with mentors throughout the process and then evaluated based on their team strategy and the financial performance of their portfolio.

SICO also sponsored the Ibn Khuldoon National School's 8th annual Model United Nations (MUN) Conference. The conference brings together students to roleplay as UN delegates and simulate

UN committees. MUN participants significantly improve their leadership, public speaking, teamwork, and negotiation skills, while also expanding their vision on contemporary global issues.

In addition, SICO sponsors some of Bahrain's flagship educational programs, including the Al Mabarrah Al Khalifia Foundation and the Crown Prince's International Scholarship Program (CPISP). The CPISP is a program established by Bahrain's Prime Minister and Crown Prince, HRH Prince Salman bin Hamad Al Khalifa, operated through funding by the Crown Prince and a number of local and international sponsors, and it seeks to support talented individuals in their academic journey. SICO has worked with CPISP since 2006 and has supported more than 140 scholars in pursuing higher education degrees at some of the world's leading educational institutions.

Healthcare and Social Services

SICO has been involved in a number of initiatives over the years aimed at improving healthcare and social services in Bahrain, attesting to the value it places on improving the wellbeing of our community. The Bank regularly extends support to a number of organizations and initiatives. Among the organizations it has previously supported are:

- Smile Bahrain
- Think Pink
- Alia Early Intervention

In addition, SICO sponsors a number of initiatives with the aim of promoting good health and wellbeing among the local community. The Bank has spearheaded multiple initiatives, including blood drives, sponsorships of Movember activities, and breast cancer awareness, and it has also offered support to local football teams in order to promote the revitalization of Bahrain's sports sector and youth athletics.

In 2021, SICO supported the efforts of the Founder and Chairperson of the Board of the Shaikh Ebrahim bin Mohammed Center for Culture and Research (Shaikh Ebrahim Center), H.E. Shaikha Mai Bint Mohammed Al-Khalifa. The Shaikh Ebrahim Center was established in 2002 as a forum for dialogue on philosophy, literature, poetry, culture, and the arts. Since its inauguration, it has hosted over 400 speakers, philosophers, poets, and thinkers who have presented their thoughts in the center's weekly lecture program. Additionally, the center has also restored traditional Bahraini houses in Muharraq and Manama.

SICO allocated resources to support the efforts of Bahrain-based non-profit Shamsaha, the Middle East's only crisis response center for women in search of empowerment, independence, and safety. The funding was targeted toward empowering women who have experienced domestic abuse through covering different expenses, such as medical bills, transportation, and emergency food and shelter, as well as expense related to skills development, microfinance loans, employment, and legal aid. The initiative falls in line with SICO's longstanding commitment to giving back to its local community and supporting women and vulnerable segments of the society.

SICO also signed an MOU with Warsha Consultancy and Development, Bahrain-based social enterprise, to establish a framework for collaboration on the "Support and Accelerate Women's Inclusion" (SAWI) project. SAWI is a two-year project funded by the US State Department and the Middle East Partnership Initiative (MEPI) that aims to partner with 10 transnational Bahraini employers from the higher education, STEM, healthcare, and banking sectors to develop, improve, and implement inclusive policies and practices for improved recruitment, retention, and promotion of women. The MOU outlines the basis for collaboration regarding the improvement of inclusive HR polices at both SICO and in the Kingdom of Bahrain. It tasks both parties with working closely to draft and improve new and existing policies that focus on improving the recruitment, retention and promotion of women, and removing barriers that stand in the way of women's employment. The collaboration also entails the proposal of concrete initiatives that will support the implementation of such policies.

SICO supported a nationwide public awareness campaign on fraud spearheaded by the Bahrain Association of Banks (BAB) to create awareness of electronic fraud operations targeting financial services.

The campaign's messages, delivered under the hashtag (#Be_Alert), were communicated on various digital channels to users of financial services in Bahrain in an effort to help combat and curb the spread of fraudulent activities.

Corporate Governance

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

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

Shareholder Information
The Bank's shares are listed on the BHB as a closed company. As of 31 December 2021, the Bank had issued 428,487,741 ordinary shares of Bahraini fils 100 each. The last Annual General Meeting was held on 23 March 2021.

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

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

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

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

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

Board Composition and Election
The Board's composition is guided by the Bank's Articles of Association. As of 31 December 2021, the Board consisted of nine Directors, one of which is an Independent Director, two are Non-Executive Directors, and six are Executive Directors, including the Chairman and Vice-Chairman. The Bank recognizes the need for Board composition to reflect a range of skills and expertise. The profiles of Board Members are listed later in this Review. The Company Secretary is Simone Del Nevo. The classification of Executive, 'Non-executive, and Independent Directors is per the definitions stipulated by the CBB. Directors are elected by the shareholders at the AGM, subject to prior approval by the CBB, for a period of three years, after which they shall be eligible for re-election for a further three-year period.

Independence of Directors
In line with the requirements of the CBB's HC Module, the Bank has put in place Board-approved criteria to determine "Test of Independence" using formal requirements as specified in the CBB rule book and other relevant requirements as assessed by the Board of SICO. The purpose of the test is to determine whether the Director is "Independent" of management, and any business or other relationships, that could materially interfere with the Director's ability to exercise objective, unfettered, or independent judgment. The test also assesses the Director's ability to act in the best interests of SICO. Based on an assessment carried out in 2021, the Board of Directors resolved that one of the Non-executive Directors of SICO met the relevant requirements of the "Test of Independence", and accordingly, the Director was classified as an "Independent" Director.

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

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

Board Meetings and Attendance
According to the Bahrain Commercial Companies Law and CBB rules, Board meetings will be conducted at least four times a year (on a quarterly basis). All Board members must attend at least 75% of all Board meetings within a calendar year. At least five Directors must attend each Board meeting, including the Chairman or the Vice-Chairman. During 2021, four Board meetings were held in Bahrain.

Directors' Attendance – January to December 2021

Board Meetings

Board members	#144, 25 Feb 2021 – Video Conf.	#145, 20 May 2021 – Video Conf.	#146, 15 Sep, 2021 – SICO	#147, 11 Nov, 2021 – SICO
Shaikh Abdulla bin Khalifa Al Khalifa (Chairman)	✓	✓	✓	✓
Hisham AlKurdi (Vice Chairman)	✓	✓	✓	✓
Mohammed Abdulla Isa	✓	✓	✓	✓
Tala Fakhro	✓	✓	✓	✓
Khurram Ali Mirza	✓	✓	✓	✓
Dana Raees	✓	✓	✓	✓
Abdulla Kamal	✓	✓	✓	✓
Naseema Haider	✓	✓	✓	✓
Khalid Al-Jassim	✓	✓	✓	✓

Investment Committee Meetings

Board members	#38, 25 Jan 2021 – SICO	#39, 27 Apr 2021 – Video Conf.	#40, 06 July 2021 – Video Conf.	#41, 03 Nov 2021 – SICO
Shaikh Abdulla bin Khalifa Al Khalifa (Chairman of Investment Committee)	✓	✓	✓	✓
Hisham AlKurdi	✓	✓	✓	✓
Khalid Al-Jassim	✓	✓	✓	✓

Audit, Risk, and Compliance Committee Meetings

Board members	#69, 17 Feb 2021 – Video Conf.	#70, 06 May 2021 – Video Conf.	#71, 14 Sep 2021 – SICO	#72, 10 Nov 2021 – SICO
Tala Fakhro (Chairperson of the Audit, Risk, and Compliance Committee)	✓	✓	✓	✓
Abdulla Kamal	✓	✓	✓	✓
Naseema Haider	✓	✓	✓	✓

Nomination, Remuneration, and Corporate Governance Committee Meetings

Board members	#34, 27 Jan 2021 – Video Conf.	#35, 18 Feb 2021 – Video Conf.	#36, 15 Jun 2021 – Video Conf.	#37, 16 Sep 2021 – SICO
Mohamed Abdulla Isa (Chairman of Nomination, Remuneration, and Corporate Governance Committee)	✓	✓	✓	✓
Khurram Ali Mirza	✓	✓	✓	✓
Dana Raees	✓	✓	✓	✓

Board Committees

Investment Committee

Objective –

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

Audit, Risk, and Compliance Committee

Objective –

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

Nomination, Remuneration, and Corporate Governance Committee

Objective –

- Identify and screen suitable and qualified candidates as members of the Board of Directors, or for the roles of Chief Executive Officer, Chief Financial Officer, Corporate Secretary, and any other officers of the Bank considered appropriate by the Board. If and when such positions become vacant, with the exception of the appointment of the Heads of Internal Auditor, Compliance, and Risk Management, which shall be the responsibility of the Audit, Risk, and Compliance Committee.
- Submit its recommendations, including candidates for Board membership, to the whole Board of Directors, which should, in turn, include them in the agenda for the following Annual Shareholder Meeting.
- Review the Bank's remuneration policies for the approved persons and material risk-takers, which

must be approved by the shareholders and be consistent with the Bank's corporate values and strategy.
- Approve the remuneration policy and amounts for approved persons and material risk-takers, as well as the total variable remuneration to be distributed, taking account of total remuneration, including salaries, fees, expenses, bonuses, and other employee benefits.
- Approve, monitor, and review the remuneration system to ensure the system operates as intended.
- Recommend Board Members' remuneration based on their attendance and performance, and in compliance with Article 188 of the Company Law.
- Review the Bank's existing Corporate Governance policies and framework.
- Advise the Board on the Bank's public reporting of information on Corporate Governance practices and issues.
- Provide a formal forum for communication between the Board and Management on Corporate Governance issues.

Management

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

Management committees

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

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

Asset Management Committee

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

Assets, Liabilities, and Investments Committee (ALIC)

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

Internal Control Committee (ICC)

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

Management Profiles

Najla Al Shirawi

Chief Executive Officer

Najla Al Shirawi has more than 24 years of investment banking experience. Having been part of SICO since 1997, she was appointed CEO in 2014, following her appointment as deputy CEO in 2013. Najla served with Geneva-based Dar Al-Maal Al-Islami Trust, where she established private banking operations for the Group in the Gulf region. Najla is a Board member at the Bahrain Economic Development Board (EDB); a Chairperson on the Board of Directors for two SICO subsidiaries, SICO Funds Services Company (SFS) in Bahrain and SICO Financial Brokerage in Abu Dhabi, UAE; and the Vice Chairperson of SICO Capital in Riyadh, KSA. She is also an Independent Board Member of Eskan Bank BSC(c), Bahrain, and a Board Member of the Deposit Protection Scheme, Bahrain; the Future Generations Reserve Council; the Bahrain Associations of Banks; and the Bahrain Institute of Banking and Finance. She holds a Master of Business Administration and Finance from the American College in London and a Bachelor's Degree in Civil Engineering from the University of Bahrain.

Fadhel Makhlooq

Chief Capital Markets Officer

With over 39 years of professional experience, Fadhel Makhlooq joined SICO in 2004 as Head of Brokerage before being appointed Head of Investments and Treasury in 2008. He was re-appointed Head of Brokerage in 2010 and then assumed the position of Chief Capital Markets Officer in 2018. Prior to joining SICO, he worked for a number of leading financial institutions, including Investcorp and Chemical Bank (now JPM Morgan Chase). He currently also serves as a Board Member of SICO Financial Brokerage in UAE and SICO Capital in KSA. Fadhel holds a Master of Business Administration from the University of Glamorgan, UK.

Anantha Narayanan

Chief Operating Officer

With over 31 years of diversified experience in the areas of operations, audit, and risk in the banking industry, Anantha joined SICO in 2008. Prior to joining SICO, he worked for Credit Agricole, BBK, Commercial Bank of Oman/Bank Muscat, and Pricewaterhouse-Coopers. He is currently the Vice Chairman of SICO Financial Brokerage, UAE, and a Board Member at SFS. Anantha is a Chartered Accountant and Cost Accountant (India), a Certified Information Systems Auditor (USA), Financial Risk Manager (USA), and an Associate Member of the Institute of Financial Studies (UK). He holds a Bachelor of Science (Honours) from the University of Manchester, UK.

K. Shyam Krishnan

Chief Financial Officer

K. Shyam Krishnan has 31 years of experience in finance, accounting, audit, investments, and risk management, with the majority of his career spent in conventional and Sharia-compliant banking. Shyam currently also serves as a Board Member at SICO Financial Brokerage, UAE. Prior to joining SICO in 2015, he was Group Head of Finance at Al Salam Bank-Bahrain. Before this, he was Head of Hedge Funds' Operational Risk Management at Investcorp, Bahrain, and Audit Supervisor at the Bahrain office of Ernst & Young. He is a Chartered Accountant and Management Accountant from India and a Chartered Financial Analyst, Certified Internal Auditor, and a Certified Information Systems Auditor. He holds a Bachelor of Commerce from Madras University, India.

Shakeel Sarwar

Head of Equities Asset Management

Shakeel Sarwar joined SICO in 2004 and, over the length of his career, has accumulated over 27 years of investment industry experience in the UK, Pakistan, and the Middle East. Prior to joining SICO, he worked with Riyad Bank's Asset Management Division and was part of a team that managed over USD 3 billion in Saudi equities. He has also held positions with ABN Amro Asia Securities in the UK and Pakistan. Shakeel holds a Master of Business Administration in Banking and Finance from IBA, Karachi, Pakistan.

Ali Marshad

Head of Fixed Income Asset Management

Ali Marshad has over 16 years of experience in asset management, investments, treasury and brokerage. After joining SICO in 2008 as an Analyst in the Investments and Treasury division, Ali then headed up the newly established Fixed Income Desk in 2012 before being promoted to Head of Fixed Income in 2015. Prior to joining SICO, he worked in the UK as an Analyst with Mercer Investment Consulting and as a Performance Analyst with UBS Global Asset Management, London. A Chartered Financial Analyst, Ali holds a Bachelor of Science (Honours) in Banking, Finance, and Management from Loughborough University, UK.

Wissam Haddad

Head of Investment Banking and Real Estate

Wissam Haddad has 20 years of experience in investment banking, private equity, and corporate finance. Prior to joining SICO in 2014, he was a Director with Gate Capital in Dubai and had previously held senior positions with UAE-based Najd Investments, Unicorn Capital, Emirates NBD's NBD Sana Capital, Saudi National Commercial Bank's NCB Capital, and Eastgate Capital, among others. Wissam holds a Bachelor of Commerce from Concordia University, Canada.

Jithesh K. Gopi

Head of Strategy and Proprietary Investments

Jithesh Gopi has over 27 years of experience in investment management, research, and analytics. Since 2013, he has worked with Al Rajhi Capital in Riyadh as Head of Research, Head of Asset Management, Director of Research and Financial Institutions, and Director of Corporate Development and Proprietary Investments. In 2006, he joined SICO as Senior Analyst and as Head of Research, covering over 50 companies in major sectors, and he is currently a Board Member at SICO Capital, KSA. Jithesh holds a Bachelor of Science in Mechanical Engineering from the College of Engineering, Trivandrum, India, and a Master of Business Administration from the Asian Institute of Management in Manila, Philippines. He is also a CFA charterholder, and he has completed the Asian International Executive Program at INSEAD Singapore.

Mariam Isa

Head of Brokerage

Mariam Isa has 17 years of experience in regional equity trading and sales. She joined SICO in 2005. Before becoming the Head of Brokerage, she held the position of Chief Broker. Mariam has also worked as a Senior Officer in the Placement Department at Gulf Finance House. She holds a Master of Business Administration in Islamic Finance from the University College of Bahrain, an Associate Diploma in Accounting from the University of Bahrain, and a Treasury and Capital Market Diploma from BIBF. She has also completed the Leadership Development Program at the University of Virginia, USA.

Salman Al Sairafi

Head of Global Markets

With more than 19 years of experience in financial services and technology, Salman Al Sairafi joined SICO in 2020 as the Head of the newly established Global Markets division. Prior to joining SICO, he held the role of Chief Investment Officer and Board Member at Capital Growth Management in Bahrain and was a Senior Investment Advisor at United Consulting Group in KSA. Prior to that, he headed the Fixed Income and Money Markets desk at NCB Capital in KSA. Salman has also held various other positions in Bahrain and the UK in the fields of consulting and R&D. Salman is Chairman of the Board at Dar Al Ma'rifa in Bahrain and is both a Chartered Financial Analyst and a Chartered Alternative Investment Analyst. A former Chevening Scholar, Salman holds a Bachelor of Engineering in Information Systems Engineering and a Master of Science in Advanced Computing from Imperial College London.

Shaikha Mohammed Kamal

Head of Market Making

Shaikha Kamal has over 18 years of professional experience in Treasury at SICO, which she leverages in her current role as Head of Market Making. Shaikha joined SICO in 2004 as a Senior Dealer with the Treasury Department before being appointed Portfolio Manager in 2011. Her responsibilities include proprietary investment, where she specialized in various asset classes, such as equities and fixed income in addition to the Market Making function, managing various mandates and proposed services to several clients across the GCC region. She holds a Master of Science in Finance from DePaul University in Chicago and a Bachelor of Science in Business Information System from the University of Bahrain.

Nishit Lakhotia

Head of Research

Nishit Lakhotia has nearly 18 years of experience in the fields of investment research, risk management, hedge funds, and private equity. He has been involved in sell side Research in SICO since 2009, actively covering sectors such as telecommunications, consumers, aviation, and construction across the GCC. Previously, Nishit worked for an Iceland-based private equity firm focusing on India's infrastructure sector and a US-based global hedge fund. Nishit is a Chartered Financial Analyst, a Chartered Alternative Investment Analyst, and a Financial Risk Manager from the Global Association of Risk Professionals. He holds a Master of Business Administration in Finance from the Narsee Monjee Institute of Management Studies, Mumbai, India.

Husain Najati

Head of Treasury

Husain Najati has over 17 years of experience in financial control, fixed income, and foreign exchange trading. Husain joined SICO in 2006 as a Financial Controller, a role in which he was responsible for accounting support for operational management. In 2008, Husain became a Senior Dealer in the Investment and Treasury Department, responsible for money market, FX, and fixed income management and monitoring investments across primary and secondary markets. Husain holds a Dealing Certificate from the ACI Financial Markets Association in addition to a Treasury and Capital Markets Diploma from the Bahrain Institute for Banking and Finance. He also holds a Bachelor of Science in Banking and Finance form the University of Bahrain.

Nadeen Oweis

Head of Sustainability and Corporate Communications

Nadeen Oweis joined SICO in 2008 and has accumulated over 21 years of professional experience. Prior to joining SICO, Nadeen oversaw corporate communications and public relations for Microsoft in Bahrain. Before this, she handled regional accounts for Lowe Contexture. She also held posts at Procter and Gamble in Jordan and managed the advertising and promotions account for Radio Fann FM in Jordan. Nadeen holds a Master's Degree in Diplomatic Studies from the Jordan Institute of Diplomacy, a Bachelor's Degree in Law from the University of Jordan, and a Certificate of Digital Marketing from Columbia Business School.

Mohamed Alabbas

Head of Distribution and Business Development

Mohamed Alabbas has more than 15 years of experience in the banking sector across the region. He joined SICO in 2015 as Senior Research Manager before becoming Head of Distribution. Prior to joining SICO, Mohamed served as Head of Client Relationship Management at Tamkeen. He also held positions at several established institutions, including Director of Business Development at Clearview M&A Advisors, Private Banker (Head of Qatar Market) at Oasis Capital Bank, and Branch Manager at BBK, among others. Mohamed holds a Bachelor's Degree in Business Economics and a minor in Human Relations from St. Cloud State University, Minnesota. He also holds the International Wealth Manager certification from the Chartered Institute for Securities & Investment, as well as a CFA Level II certificate.

Fatima Mansoor

Head of Client Relations

With more than 16 years of experience in regional equity trading and client relations, Fatima Mansoor joined SICO in 2006 as a Broker, assuming the role of Senior Broker in 2008. She moved to the Client Relations Department in 2017 and was appointed Head of the department in 2019. Fatima holds a Bachelor of Science in Banking and Finance from the University of Bahrain and a Master of Business and Administration in Finance from the New York Institute of Technology.

Nadia Albinkhalil

Head of HR and Administration

Nadia Albinkhalil has more than 27 years of experience, and she has been with SICO since inception, during which time she established the HR and Administration Department and had been responsible for Board meeting administration. Prior to joining SICO, she provided administrative support for the Private Banking Unit of Chase Manhattan Bank. Nadia holds a Diploma in Office Management from the University of Bahrain.

Husain Ahmed

Head of Operations

Husain has 16 years of banking experience, having joined SICO in 2006. Before becoming Acting Head of Operations in 2019, he held the position of Vice President of Operations at SICO. Husain holds a Master of Business Administration from Arabian Gulf University and a Bachelor of Science in Business Informatics from AMA University. Husain has also received numerous anti-money laundering and back office operation training certifications.

Mohammed Ibrahim

Head of Information Technology

Mohammed Ibrahim has over 21 years of experience in the field of information technology (IT), including IT project management, business analysis, complex system builds and interfaces, business continuity planning, and information security. Prior to joining SICO in 2007, he was Training Head and Technical Consultants Team Lead at the Bahrain Institute of Technology and Technical and Training Manager at YAT Group, Egypt. Mohammed is a Certified Information Systems Security Professional (CISSIP), a Master Certified Internet Web Professional (MCIW), a Microsoft Certified Solutions Expert, and a Microsoft Certified Trainer. He holds a Bachelor of Science and Education degree and a Postgraduate Diploma in Science and Education from Alexandria University, Egypt.

Simone Del Nevo

Head of Legal and Board Secretary

Simone Del Nevo has 14 years of experience in law, and he joined SICO as Head of Legal in 2018. Before joining SICO, Simone was an Associate with international law firm Baker & McKenzie in Europe and Japan where he specialized in banking, finance, and securities law. In 2012, he practiced as in-house Finance Counsel to a major European gas infrastructure company in an award-winning multi-billion-Euro refinancing. Simone relocated to Bahrain in 2014 working as Senior Associate in the leading regional firm ASAR - Al Ruwayeh and Partners. He received his Law Degree from Bocconi University of Milan in 2004 and was admitted to the Milan Bar Association as a qualified lawyer in 2007.

Mohammed Juma

Head of Compliance and MLRO

Mohammed Juma has over 18 years of experience in compliance, investment, and operations management. Mohammed joined SICO in 2016 as Head of Compliance and MLRO, assuming responsibility for monitoring SICO Group's operational adherence with the guidelines of regulatory authorities. Previously, Mohammed was Head of Compliance and MLRO with the International Investment Bank and JS Bank Limited in Bahrain. Mohammed holds a Bachelor's Degree in Banking and Finance from the University of Bahrain and has completed the Leadership Grooming Executive Program with the Ivy Business School in Canada and Hong Kong. He is a Certified Compliance Professional and a Certified Anti-Money Laundering Specialist.

Joseph Thomas

Head of Internal Audit

Joseph Thomas has over 19 years of experience in internal audits, assurance engagements, and other financial advisory services. Joseph joined SICO in 2015 after having been Head of Internal Audit at Global Banking Corporation and holding a post with the Risk Consulting division of KPMG Bahrain. He began his career with Bharat Overseas Bank in India, followed by an internal audit role at the South Indian Bank. He later served as Audit Manager and Partner at a Dubai-based auditing firm. Joseph is a Chartered Accountant and a Certified Internal Auditor. He holds a Bachelor of Commerce from Mahatma Gandhi University, India.

Srikanth Sethuraman

Acting Head of Risk

Srikanth Sethuraman has over 27 years of experience in Risk Management, Finance, accounting, and audit, with the majority of his career spent in credit, operational, and market risk management. Prior to joining SICO in September 2019, he was Head of Finance and Credit Operations at Standard Chartered Global Finance Services, India. Prior to that, he was Head of Alternative Investments' Risk Information Management at Investcorp, Bahrain, and Audit Supervisor at the Bahrain office of Ernst & Young. He is a Chartered Accountant and Management Accountant from India and a Chartered Financial Analyst and also a Certified Information Systems Auditor. He holds a Bachelor of Commerce from Madras University, India.

Naser Obaid
Chief Executive Officer
SICO Funds Services Company (SFS)
Naser Obaid has over 26 years of experience in the financial services industry across the region. Prior to joining SFS in 2019, he was a Financial Advisor to the Chairman at NBB Capital and BBIH Group. Naser previously held positions at a number of leading trust and fund service providers, including Chief Executive Officer at Crestbridge Bahrain, Executive Director and Member of Senior Management at Ohad Trust, and Assistant Vice President at TAIB Bank. He has also held positions in Deloitte & Touché in Bahrain and KPMG in Yemen. Naser holds a BA in Commerce from Osmania University as well as an MA in Accountancy and Management Audit from Bangalore University.

Bassam A. Khoury
General Manager
SICO Financial Brokerage LLC, UAE
Bassam has over 37 years of international experience in brokerage, investments, and financial consultancy. He joined SICO in 2008 as Head of Brokerage before leaving in 2010 to join QInvest, Qatar, as Head of Regional Brokerage. Prior to re-joining SICO in 2013 as General Manager of SICO Financial Brokerage in UAE, Bassam was Chief Executive Officer of Bahrain-based ABC Securities. Previously, he worked with Banque Saudi Fransi in KSA, BMB Investment Bank and Lehman Brothers in Bahrain, a private family office in Paris, and M Sternberg & Company in the USA. Bassam holds a Bachelor of Science in Business Administration and Economics from King's College, New York, USA.

Sultan Al Nugali
Chief Executive Officer
SICO Capital, KSA
Sultan Al Nugali has more than 21 years of experience in the Saudi Capital markets, having worked for a number of prominent institutions in leadership roles. Prior to joining SICO Capital in KSA, Sultan's last role was with Itqan Capital where he was the Deputy Chief Executive Officer responsible for the Asset Management, Investment Banking, Custody, and Principal Dealing businesses. Prior to this, Sultan was the Head of Asset Management at Albilad Capital and was instrumental in growing the business by launching new products and expanding the client base. He also spent about five years at Saudi Fransi Capital as Head of Fixed Income and Real Estate. Sultan started his career with HSBC KSA, spending 11 years at the bank, and he was one of the founding members of the KSA entity when it was established in 2000. Sultan holds a Master of Science in Finance and a Bachelor's Degree in Business Administration from King Saudi University.

Governance Framework

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

Code of Business Conduct

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

Compliance and Anti-Money Laundering

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

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

Corporate Communications

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

Related Party Transactions and Conflict of Interest

The Directors make every practicable effort to arrange their personal and business affairs to avoid a conflict of interest with the Bank. The Directors disclose their interests in other entities or activities to the NRCG Committee on an annual basis, inform the Bank of any conflict of interest whenever it arises, and abstain from voting on any related subject matter. The Bank reviewed all such transactions during 2021, and there were no transactions involving potential conflicts of interest that need to be brought to the shareholders' attention. The related party transaction details are disclosed in Note 27 of the Consolidated Financial Statements.

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

The remuneration paid to Board members and senior management personnel are disclosed in Note 27 of the Consolidated Financial Statements. The information on fees paid to External Auditors for audit and other services will be available to the CBB and shareholders upon request, provided such disclosure does not impact the interest of the Bank.

Compliance with the CBB's High-Level Controls Module

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

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

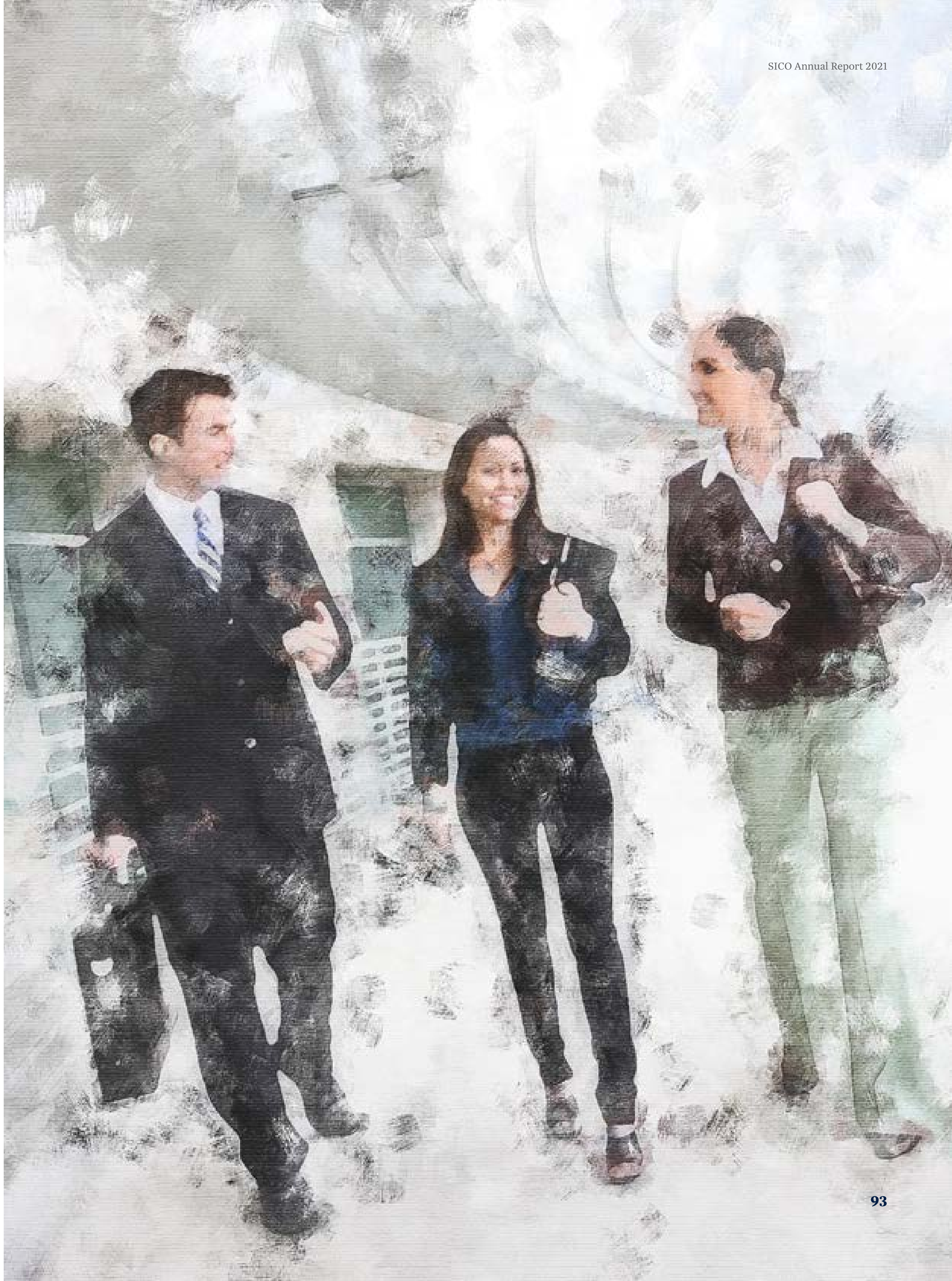
HC-1.4.6 and HC-1.4.8, which stipulate that the Chairman of the Board of Directors should be an Independent Director. SICO Chairman Shaikh Abdulla bin Khalifa Al Khalifa is considered an Executive Director, as he represents SICO's major shareholder. However, this does not compromise the high standards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

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

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

HC-6.5.49 stipulates that every five years, the Audit Committee must commission an independent, external quality assurance review of the internal audit function. SICO has commenced the process for external review and has recently appointed an external firm to perform the review, the results of which shall be reported to the Audit Committee.

> “SICO is committed to implementing policies and measures to ensure compliance with CBB’s Controls Module and prevent conflict of interests.



DELIVERING RESULTS

Regulatory Disclosures

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

SICO BSC (c)
PO Box 1331
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 2021, the consolidated statements of profit, 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as modified by the Central Bank of Bahrain.

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 4(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 14% of the Group's total assets (by value) and is considered to be one of the key drivers of operations and performance results. We do not consider these investments to be at high risk of significant misstatements, or to be subject to significant risk of judgement because they comprise liquid, quoted investments. However, due to the materiality in the context of the consolidated financial statements as a whole and the impact on the Group's performance, they are considered to be one of the areas which has the greatest impact on our overall audit strategy and allocation of resources in the planning and completing our audit.	**Our procedures included:** • Agreeing the valuation of investments in the portfolio to the externally quoted prices; • Agreeing investments holding in the portfolio to independently received third party confirmations; and • Evaluating the adequacy of the Group's disclosure by reference to the requirements of the relevant accounting standards.

Business Combination

See Note 36 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year, the Bank acquired 72.7% of the share capital of Muscat Capital Company ("MCC"), a Saudi Closed Joint Stock Company, which has been subsequently rebranded as SICO Capital ("SCC"). As a result, SCC is now a subsidiary of the Bank. This is considered as a key audit matter due to: • complexity associated with application of acquisition accounting principles; and • significant estimates and judgement is involved in determining fair value of identifiable assets and liabilities and the resultant goodwill.	We evaluated and challenged the appropriateness of the methodology, assumptions and valuation techniques used to value identifiable assets and liabilities and the appropriateness of the useful lives assigned to the identified intangible assets, having regard to the expected use of these assets. **Our audit procedures, amongst others, included:** • validation of fair value adjustment recognized by the management on the acquired assets and liabilities to ascertain that they are in accordance with the requirements of IFRS 3; • challenging management's basis and assumptions used in the recognition and measurement of goodwill and intangible assets; • assessing management's assumptions used i.e. cash flow projections, growth rate and discount rate in relation to the accounting for the transaction in accordance with the requirements of relevant accounting standards; • testing the process and controls put in place over consolidation of the financial position and results of the subsidiary from the date of acquisition, including assessing consistency of accounting policies used; and • evaluating the appropriateness and adequacy of disclosures in relation to the business combination by reference to 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 the 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 as modified by the Central Bank of Bahrain, 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 rulebook issued by the Central Bank of Bahrain (CBB), 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 or 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 requestss.

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

KPMG Fakhro
Partner registration number 213
22 February 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	Bahraini Dinars '000 2021	2020
Assets			
Cash and bank balances	8a	74,831	54,393
Treasury bills	8a	2,998	1,127
Securities bought under repurchase agreements	8b	117,938	73,816
Investments at fair value through profit or loss	9	26,948	22,443
Investments at fair value through other comprehensive income	10	10,614	9,723
Investments at amortized cost		9,935	9,953
Investment property	11	-	427
Fees receivable	12	5,714	1,153
Other assets	13	12,431	7,323
Property and equipment		242	627
Intangible assets and goodwill	14	1,870	795
Total assets		**263,521**	**181,780**
Liabilities and equity			
Liabilities			
Short-term bank borrowings	15a	8,411	7,400
Securities sold under repurchase agreements	15b	125,210	74,406
Customer accounts	16	47,149	34,885
Other liabilities	17	9,245	5,426
Payable to other unit holders in consolidated funds	7	2,694	1,340
Total liabilities		**192,709**	**123,457**
Equity			
Share capital	18	42,849	42,849
Treasury shares	18	-	(5,322)
Shares under employee share incentive scheme	18	(2,263)	(2,263)
Statutory reserve	19	8,982	8,330
General reserve	20	3,217	3,217
Investments fair value reserve		1,540	992
Retained earnings		14,540	10,520
Equity attributable to the shareholders of the Bank		**68,865**	**58,323**
Non-controlling interests		1,947	-
Total equity		**70,812**	**58,323**
Total liabilities and equity		**263,521**	**181,780**

The consolidated financial statements were approved by the Board of Directors on 22 February 2022 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 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	Bahraini Dinars '000 2021	2020
Net investment income	21	4,438	2,238
Net fee income	22	8,752	3,619
Brokerage and other income	23	2,680	3,229
Net interest income	24	1,841	1,447
Loss from investment property	11	-	(101)
Total income		**17,711**	**10,432**
Staff cost	25	(7,190)	(5,088)
Other operating expenses	26	(3,593)	(2,847)
Share of (profit) / loss of non-controlling unit holders in consolidated funds	7	(389)	464
Allowance for expected credit loss		(19)	(2)
Profit for the year		**6,520**	**2,959**
Profit attributable to:			
Shareholders of the Bank		**6,391**	**2,959**
Non-controlling interests		**129**	**-**
		6,520	**2,959**
Basic and diluted earnings per share (fils)	**32**	**15.96**	**8**

Abdulla Bin Khalifa Al Khalifa
Chairman

Hisham Al Kurdi
Vice Chairman

Najla M. Al Shirawi
Chief Executive Officer

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Bahraini Dinars '000	
	2021	2020
Profit for the year	**6,520**	**2,959**
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	(134)	99
Items that will not be reclassified to profit or loss in subsequent periods:		
- Net change in fair value of FVOCI equity instruments	682	(140)
Total other comprehensive income for the year	**548**	**(41)**
Total comprehensive income for the year	**7,068**	**2,918**
Total comprehensive income attributable to:		
Shareholders of the Bank	6,939	2,918
Non-controlling interests	129	-
	7,068	**2,918**

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	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
Comprehenwsive 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
Transfer to charitable donation reserve	-	-	-	-	-	-	(40)	(40)	-	(40)
Transaction with owners recognised directly in equity:										
Transfer to statutory reserve	-	-	-	652	-	-	(652)	-	-	-
Dividends paid for 2021 (note 18)	-	-	-	-	-	-	(2,142)	(2,142)	-	(2,142)
Acquisition of a subsidiary (note 36)	-	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 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (continued)

2020	Share capital	Treasury shares	Shares under employee share incentive scheme	Statutory reserve	General reserve	Investments fair value reserve	Retained earnings	Total equity
								Bahraini Dinars '000
Balance at 1 January 2020	42,849	(5,322)	(2,263)	8,034	3,217	891	11,958	59,364
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	2,959	2,959
Other comprehensive income:								
Net change in fair value of FVOCI instruments	-	-	-	-	-	(41)	-	(41)
Net amount transferred to retained earnings on sale of FVOCI equity instruments	-	-	-	-	-	142	(142)	-
Total other comprehensive income	-	-	-	-	-	101	(142)	(41)
Total comprehensive income for the year	-	-	-	-	-	101	2,817	2,918
- Transfer to charitable donation reserve	-	-	-	-	-	-	(60)	(60)
Transaction with owners recognised directly in equity:								
- Transfer to statutory reserve	-	-	-	296	-	-	(296)	-
- Dividends paid	-	-	-	-	-	-	(3,899)	(3,899)
Balance at 31 December 2020	42,849	(5,322)	(2,263)	8,330	3,217	992	10,520	58,323

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021	2020
		Bahraini Dinars '000	
Operating activities			
Net interest received		3,277	2,870
Net sale / (purchase) of investments at fair value through profit or loss		408	(2,094)
Net purchase of investments at fair value through other comprehensive income		(891)	(595)
Movement in investments at amortized cost		18	18
Net decrease in investment property		427	1,401
Net increase / (decrease) in customer accounts		12,264	(6,455)
Securities bought under repurchase agreements		(44,122)	(22,710)
Securities sold under repurchase agreements		50,804	18,858
Dividends received		640	524
Net income / (loss) from investment property		-	(101)
Movement in brokerage accounts and other receivables		6,357	10,690
Movement in other liabilities		1,326	(349)
Payments for staff and related expenses		(5,301)	(5,509)
Payments for other operating expenses		(1,788)	(2,487)
Net cash generated from / (used in) operating activities		**23,419**	**(5,939)**
Investing activities			
Net capital expenditure on furniture and equipment		(295)	(285)
Acquisition of subsidiary, net cash acquired		5,109	-
Net cash generated from / (used in) investing activities		**4,814**	**(285)**
Financing activities			
Net (decrease) / increase in short-term bank borrowings		(3,700)	3,630
Net increase in placements		(1,039)	-
Dividend paid		(2,142)	(3,899)
Contribution by other unit holders in consolidated funds		990	1,190
Distribution to other unit holders in consolidated funds		(25)	(8)
Net cash (used in) / generated from financing activities		**(5,916)**	**913**
Net increase / (decrease) in cash and cash equivalents		**22,317**	**(5,311)**
Cash and cash equivalents at the beginning of the year		55,530	60,841
Cash and cash equivalents at the end of the year*	8	**77,847**	**55,530**

* Excludes expected credit loss of BD 18 (2020: BD 10)

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Notes to the 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.

During the year, the Bank has acquired 72.7% of the share capital of Muscat Capital Company ("MCC"), a Saudi Closed Joint Stock Company, which has been subsequently rebranded as SICO Capital ("SCC"). The acquisition was completed on 15 March 2021 and the transaction is being accounted as per the requirements of IFRS 3 Business Combinations (refer to note 36 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 applicable rules and regulations issued by the Central Bank of Bahrain (the "CBB") including the CBB circulars issued during the year on regulatory concessionary measures in response to COVID-19. These rules and regulations require the adoption of all International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), except for:

i. recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of the profit or loss account as required by IFRS issued by IASB. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of applicable IFRS. Please refer to note 3 for further details; and

ii. recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of the profit or loss account as required by the IAS 20. This will only be to the extent of any modification loss recorded in equity as a result of (i) above, and the balance amount to be recognised in the profit or loss account. Any other financial assistance is recognised in accordance with the requirements of IAS 20. Please refer to note 3 for further details.

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

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

(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 4 (d).

(d) New accounting policy, standards, amendments and interpretations effective from 1 January 2021

The following relevant amendments to existing standards and framework did not have any significant impact on the Group's financial information.

Description	Effective from
Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021

The new accounting policy adopted on account of the acquisition of a subsidiary:

Business combination and goodwill

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

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus

2. Basis of preparation (continued)

(d) New accounting policy, standards, amendments and interpretations effective from 1 January 2021 (continued)

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

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

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

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

(e) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. The new standards and amendments to standards are not expected to have a significant impact on the Group's consolidated financial statements.

3. COVID-19 impact

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

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

The pandemic as well as the resulting measures and policies are expected to have direct and/ or knock-on impact on the Group. Management and the Board of Directors have been closely monitoring the potential impact of the COVID-19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous

contracts and debt covenants, outsourcing arrangements, etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, management is of the view that the Group will continue as a going concern entity at least for the next 12 months from the date of these consolidated financial statements.

Government assistance and subsidies

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilise economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes to support businesses in these challenging times.

During 2020, the Bank has received financial assistance amounting to BD 312 (representing specified reimbursement of a portion of staff costs) from the government, in response to its COVID-19 support measures which has been recognised as income and captured in the brokerage and other income account line in the period ending 31 December 2020.

Fair valuation

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

4. 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.

(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.

(ii) Judgments

Classification of investments

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

Determination of control over investees – Investment funds

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

(e) Investment securities

(i) Classification

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

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

(ii) Recognition and de-recognition

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

(iii) Measurement

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

4. Significant accounting policies (continued)

(e) Investment securities (continued)

(iii) Measurement (continued)

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.

(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.

The new definition of a lease under IFRS 16 has been applied for contracts entered into, or changed, on or after 1 January 2019.

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.

4. 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.

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) Investment property

Investment property comprise buildings that are occupied substantially for use by third parties and are held by the group to earn rentals or for capital appreciation or both.

(i) Recognition and Measurement

An investment property is recognised initially at cost of acquisition including any transaction cost and is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

(ii) Depreciation

Depreciation is calculated to write off the cost of items of investment property less their estimated residual values using the straight-line method over their estimated useful lives of 25 years, and is recognised in profit or loss. Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

(iii) Derecognition

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of investment property are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

(p) 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.

4. Significant accounting policies (continued)

(p) Employee benefits (continued)

(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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) Dividend income

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

(z) 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.

(aa) 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.

(ab) 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.

(ac) General reserve

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

(ad) 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. Significant accounting policies (continued)

(ae) Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Grants are recognised as other income in profit or loss on a systematic basis as the Group recognises as expenses the costs that the grants are intended to compensate. Grants that relate to the acquisition of an assets are recognised in profit or loss as the assets is depreciated or amortised.

5. Financial risk management

(a) Introduction and overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

(i) Investments in debt securities

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

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

(ii) Management of credit risk

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

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

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

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

Exposure to credit risk

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

	2021	2020
Bank balances	74,831	54,393
Treasury bills	2,998	1,127
Securities bought under repurchase agreements	117,938	73,816
FVTPL debt securities	8,304	8,685
FVOCI debt securities	4,835	4,970
Fee receivable	5,714	1,153
Other assets	12,094	6,947
	226,714	**151,091**

Currently the margin trading lending on the GCC Stock Exchange and Reverse 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

5. Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

(ii) Management of credit risk (continued)

is held as collateral against the amount lent to the customer. Such shares are marked-to-market on a daily basis. If there is any deficit in the minimum equity ratio, then a maintenance margin call is issued.

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

Reverse 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 2021 was BD 39,974 (2020: BD 34,972), relating to securities bought under repurchase agreements and cash equivalents.

Geographical exposure distribution

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

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	124,326	-	884	125,210
Customer accounts	35,853	10,390	906	47,149
Other liabilities	9,245	-	-	9,245
Payable to other unit holders in consolidated funds	2,694	-	-	2,694
Total liabilities	**180,529**	**10,390**	**1,790**	**192,709**

5 Financial risk management (continued)

(ii) Management of credit risk (continued)

Risk exposure concentration (continued)

2020	Middle East & Asia countries	North America	Europe	Total
Assets				
Cash and bank balances	51,470	442	2,481	54,393
Treasury bills	1,127	-	-	1,127
Securities bought under repurchase agreements	67,475	-	6,341	73,816
Investments at fair value through profit or loss	14,323	5,247	2,873	22,443
Investments at fair value through other comprehensive income	9,723	-	-	9,723
Investments at amortized cost	9,953	-	-	9,953
Investments property	-	427	-	427
Fees receivable	1,107	-	46	1,153
Other assets	7,291	19	13	7,323
Property and equipment	627	-	-	627
Intangible assets & Goodwill	795	-	-	795
Total assets	**163,891**	**6,135**	**11,754**	**181,780**
Liabilities				
Short-term bank borrowings	7,400	-	-	7,400
Securities sold under repurchase agreements	68,277	-	6,129	74,406
Customer accounts	33,182	134	1,569	34,885
Other liabilities	5,416	-	10	5,426
Payable to other unit holders in consolidated funds	1,340	-	-	1,340
Total liabilities	**115,615**	**134**	**7,708**	**123,457**

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

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

2020	Financial services	Others	Total
Total assets	127,725	54,055	181,780
Total liabilities	**99,729**	**23,728**	**123,457**

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

	2021			2020		
Particulars	Gross exposure	ECL	Net exposure	Gross exposure	ECL	Net exposure
Bank balances	74,849	18	74,831	54,403	10	54,393
Securities bought under repurchase agreements	117,960	22	117,938	73,855	39	73,816
Investment securities	10,617	6	10,611	9,729	6	9,723
Other assets (margin lending)	10,464	69	10,395	7,086	17	7,069
Total	**213,890**	**115**	**213,775**	**145,073**	**72**	**145,001**

ECL on Investments in debt securities classified as FVOCI 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 subsidiaries.

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.

5. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk

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

The residual contractual maturity of financial liabilities is as follows:

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**

2020	Less than 1 year	Gross outflow	Carrying value
Short-term bank borrowings	7,401	7,401	7,400
Securities sold under repurchase agreements	74,574	74,574	74,406
Customer accounts	34,885	34,885	34,885
Other liabilities	5,426	5,426	5,426
Payable to other unit holders in consolidated funds	1,340	1,340	1,340
	123,626	**123,626**	**123,457**

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 2021	As of 31 December 2020
Liquidity Coverage Ratio	170%	263%
Net Stable Funding Ratio	139%	170%

The average LCR for the year ended 31 December 2021 was 212% (31 December 2020: 158%).

(d) Market risk

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

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

(i) Equity price risk

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

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

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

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

Equity price risk – sensitivity

All of the Group's listed equity investments are listed on recognized regional and global stock exchanges. For such investments classified at FVOCI, a 1% increase in the fair value at the reporting date would have increased equity by BD 58 (2020: BD 48); an equal change in the opposite direction would have decreased equity by BD 58 (2020: a decrease of BD 48). 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 82 (2020: BD 71). An equal change in the opposite direction would have decreased profit or loss by BD 82 (2020: BD 71).

(ii) Interest rate risk

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

5. Financial risk management (continued)
(d) Market risk (continued)
(ii) Interest rate risk (continued)

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.

The Bank engaged the services of an external consultant who worked with our designated Libor transition committee consisting of members of senior management to evaluate the impact of the LIBOR transition. Based on the detailed assessment carried out, it was concluded that there is no impact on any of the current products offered by the bank on account of LIBOR transition. However, the Bank is currently in the process of upgrading the version of core-banking system, where the latest version can readily cater to any product linked to Libor that may be launched in the future.

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

Interest rate re-pricing profile

2020	Effective interest rate % p.a.	Within 1 year	Over 1 year	Non-interest sensitive	Total
Bank balances		-	-	39,951	39,951
Call deposits*		1,988	-	-	1,988
Treasury bills		1,127	-	-	1,127
Short-term placements with banks	2.46%	12,454	-	-	12,454
Securities bought under repurchase agreements	2.00%	73,816	-	-	73,816
Investments at fair value through profit or loss	5.70%	1,323	7,362	13,758	22,443
Investments at fair value through other comprehensive income	6.79%	-	4,970	4,753	9,723
Investments at amortised cost	6.65%	-	9,953	-	9,953
Investment property		-	-	427	427
Fees receivable		-	-	1,153	1,153
Other assets		-	-	7,323	7,323
Property and equipment		-	-	627	627
Intangible assets and goodwill		-	-	795	795
Total assets		**90,708**	**22,285**	**68,787**	**181,780**
Short-term bank borrowings	1.18%	7,400	-	-	7,400
Securities sold under repurchase agreements	1.52%	74,406	-	-	74,406
Customer accounts		-	-	34,885	34,885
Other liabilities		-	-	5,426	5,426
Payable to other unit holders in consolidated funds		**-**	**-**	**1,340**	**1,340**
Total liabilities		**81,806**	**-**	**41,651**	**123,457**
Equity		**-**	**-**	**58,323**	**58,323**
Total liabilities and equity		**81,806**	**-**	**99,974**	**181,780**
Interest rate sensitivity gap		**8,902**	**22,285**	**(31,187)**	**-**
Cumulative interest rate sensitivity gap		**8,902**	**31,187**	**-**	**-**

** At 31 December 2021 the effective interest rate on Bahraini Dinar call deposits is 1% (2020: 1%) and on USD call deposits is 1% (2020:1%).*

5. Financial risk management (continued)

(d) Market risk (continued)

(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.

(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. The Bank upgraded the core banking system and has used office automation since 2013.

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

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

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

(f) Capital management

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

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

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

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

Based on year end balances

	2021	2020
Risk weighted exposure		
Credit risk	66,860	40,885
Market risk	28,365	27,150
Operational risk	23,186	23,803
Total risk weighted assets	**118,411**	**91,838**
Common Equity (CET 1)	68,111	58,317
Additional Tier 1	111	72
Total regulatory capital	**68,222**	**58,389**
Capital adequacy ratio	**57.61%**	**63.58%**

The capital adequacy ratio as at 31 December 2021 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.

6. Group subsidiaries and consolidated funds

Set out below are the Group's principal subsidiaries at 31 December 2021. 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.

6. 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 Financial Brokerage LLC	100%	2011	UAE	Brokerage services
9. SICO Kingdom Equity Fund	70%	2011	Bahrain	Investment in listed equity securities in the Kingdom of Saudi
10. SICO Fixed Income Fund	72%	2013	Bahrain	Investment in listed debt securities comprising bonds and sukuks
11. SICO Capital	72.71%	2008	Saudi Arabia	Brokerage services, Investment Banking, Asset Management & Custodial Services

7. 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.

	2021	2020
Payables to other unit holders in the consolidated funds:		
SICO Fixed Income Fund	1,283	640
SICO Kingdom Equity Fund	1,411	700
	2,694	**1,340**
Share of profit/ (loss) on non-controlling unit holders in consolidated funds		
SICO Fixed Equity Fund	17	25
SICO Kingdom Equity Fund	372	(489)
	389	**(464)**

SICO Fixed Income Fund

	2021	2020
Other unit holders' share	28%	16%
Cash and cash equivalents	925	522
Investment at fair value through profit or loss	4,580	4,023
Other assets	66	58
Short-term bank borrowings	(914)	(540)
Other liabilities	(14)	(12)
Net assets	**4,643**	**4,051**
Carrying amount of payable to other unit holders	**1,283**	**640**
Investment income	105	221
Net interest income	12	(8)
Profit	61	160
Total comprehensive income	**61**	**160**
Profit allocated to other unit holders	**17**	**25**
Cash flows from operating activities	(128)	49
Cash flows used in financing activities	531	(120)
Net increase / (decrease) in cash and cash equivalents	**403**	**(71)**

SICO Kingdom Equity Fund

	2021	2020
Other unit holders' share	30%	20%
Cash and cash equivalents	189	6
Investment at fair value through profit or loss	4,523	3,425
Other assets	-	5
Short-term bank borrowings	-	-
Other liabilities	49	(19)
Net assets	**4,761**	**3,417**
Carrying amount of payable to other unit holders	**1,411**	**700**
Investment income	1,326	(85)
Interest income	-	-
Profit & Loss	1,230	(204)
Total comprehensive income	**1,230**	**(204)**
Profit/ (loss) allocated to other unit holders	**372**	**(489)**
Cash flows from operating activities	46	(206)
Cash flows used in financing activities	127	4,312
Net increase in cash and cash equivalents	**173**	**4,106**

8. (a) Cash and bank balances

	2021	2020
Cash and bank balances	48,694	39,951
Call deposits	1,028	1,988
Short-term placements with banks	25,127	12,464
Less:		
Expected credit loss	(18)	(10)
Total	**74,831**	**54,393**
Treasury bills	2,998	1,127
Total cash and cash equivalents for cash flow purposes	**77,829**	**55,520**

Cash and bank balances include bank balances amounting to BD 17,054 (2020: BD 14,968) held on behalf of discretionary customer accounts.

(b) Securities bought under repurchased agreements

Reverse repurchase agreements have been entered with clients amounting to BD 117,938 (2020: BD 73,816) for which client owned securities of BD 152,838 (2020: BD 95,587) are pledged as collateral.

9. Investments at fair value through profit or loss

	2021	2020
Quoted equity securities		
- Parent	3,659	3,667
- Consolidated funds	4,523	3,425
Funds		
- Quoted	8,328	4,138
- Unquoted	2,134	2,528
Quoted debt securities		
- Parent	3,724	4,662
- Consolidated funds	4,580	4,023
	26,948	**22,443**

10. Investments at fair value through other comprehensive income

	2021	2020
Equity securities		
- Quoted	5,779	4,753
	5,779	**4,753**
Debt securities	4,835	4,970
- Quoted	4,835	4,970
	10,614	**9,723**

11. Investment property

Investment property represent properties in the USA acquired in 2018 through a fund structure. In 2019, the fund structure was dissolved and the properties were transferred to SICO US Real Estate Corp., a wholly owned subsidiary of the Bank. During 2020, the Group sold three of the five investment properties and in the year 2021, the remaining two properties were also sold and the SICO US Real Estate Corp is in the process of being liquidated. Accordingly the gain / loss on sale of properties have been accounted for in the consolidated statement of profit or loss.

12. 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.

	2021	2020
Management fees	1,394	992
Performance fees	4,119	75
Custody fees	98	86
Others	103	-
	5,714	**1,153**

13. Other assets

	2021	2020
Receivables from clients	10,328	5,355
Guarantee deposit with the Bahrain Bourse	500	500
Prepaid expenses	337	376
Interest receivable	682	713
Other receivables	584	379
	12,431	**7,323**

14. Intangible assets and goodwill

	2021	2020
Intangibles – software	1,030	795
Goodwill and other intangibles (note 36)	840	-
	1,870	**795**

Goodwill and other intangibles is net of BD 100 of amortization during the year.

15. Short-term bank borrowings and securities sold under repurchase agreements

(a) The following represents the movement in short-term bank borrowings:

At 1 January 2021	7,400
Borrowings made during the year	8,481
Borrowings settled during the year	(7,470)
At 31 December 2021	**8,411**

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

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

Repurchase agreements have been entered into on behalf of clients for which client owned securities of BD 150,591(2020: BD 92,202) are pledged as collateral.

The carrying value of the investments at amortised cost pledged as collateral amounts to BD 7,628 (2020: Nil)

16. Customer accounts

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

17. Other liabilities

	2021	2020
Accrued expenses	3,734	1,295
Provision for employee leaving indemnities	1,168	926
Employee share incentive scheme liability	2,636	2,318
Other payables	1,707	887
	9,245	**5,426**

18. Share capital

	2021	2020
Authorised share capital		
1,000,000,000 (2020: 1,000,000,000) shares of 100 fils each	100,000	100,000

	2021	2020
Issued and fully paid		
428,487,741 ordinary shares of 100 fils each	42,849	42,849

Proposed appropriations

The Board of Directors proposed, subject to shareholders and regulatory approvals, a cash dividend of five fils per share or 5% (2020: 5%) of the par value of BD 0.100 per share and 3% of the paid up capital to be paid by issue of bonus shares (1 share for every 33.33 shares held). This amounts to BD 3,428 thousand (2020: BD 2,142 thousand).

The shareholders are:	Nationality	2021		2020	
		Capital	% holding	Capital	% holding
Social Insurance Organisation	Bahrain	21,588.50	50.38	21,588.50	50.38
National Bank of Bahrain BSC	Bahrain	5,362.50	12.52	5,362.50	12.52
Bank Muscat SAOG	Oman	4,448	10.39	-	-
Ahli United Bank BSC	Bahrain	3,667	8.56	3,667	8.56
BBK BSC	Bahrain	3,390	7.91	3,390	7.91
Arab Banking Corporation BSC	Bahrain	2,366	5.52	2,366	5.52
Employee Stock Ownership Plan	Bahrain	2,027	4.73	2,027	4.73
Al Salam Bank - Bahrain BSC	Bahrain	-	-	591	1.38
SICO BSC (c) (Treasury shares)*	Bahrain	-	-	3,857	9
		42,849	**100**	**42,849**	**100**

** During the year, the treasury shares were swapped with Bank Muscat SAOG to acquire a majority stake in SCC. (refer to note 36 for details).*

18. Share capital (continued)

Treasury shares and shares under employee share incentive scheme

	2021		2020	
	Number of shares	Amount	Number of shares	Amount
Treasury shares	-	-	38,563,893	5,322
Employee share incentive scheme (refer to note 28)	20,272,618	2,263	20,272,618	2,263
	20,272,618	**2,263**	**58,836,511**	**7,585**

19. 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 652 (2020: BD 296).

20. 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 2021, no appropriations to general reserve are recommended.

21. Net investment income

	2021	2020
Net gain on investments at fair value through profit or loss*	2,322	212
Interest income from debt instruments	1,468	1,502
Dividend income	648	524
	4,438	**2,238**

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

	2021	2020
Realised gain / (loss) on sale	1,132	(379)
Unrealised fair value gain	1,190	591
	2,322	**212**

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.

22. Net fee income

	2021	2020
Fee income from trust or other fiduciary activities		
- Management fee	4,248	2,971
- Performance fee	3,621	69
- Custody fee	568	462
- Advisory & Underwriting fee	362	163
	8,799	**3,665**
Fee expense		
- Custody fee	(47)	(46)
Net fee income	**8,752**	**3,619**

23. Brokerage and other income

	2021	2020
Brokerage income	1,645	1,704
Foreign exchange gain	760	926
Government grant	-	312
Other income	275	287
	2,680	**3,229**

24. Net interest income

	2021	2020
Interest income from:		
Placements, call deposits and reverse repos	2,249	2,189
Margin lending	531	417
	2,780	**2,606**
Interest expense on:		
Bank borrowings and repos	(939)	(1,159)
Net interest income	**1,841**	**1,447**

25. Staff cost

	2021	2020
Salaries, allowances and bonus	6,021	4,147
Post-employment benefit	177	215
Share based payments	246	128
Social security costs	245	213
Other costs	501	385
	7,190	**5,088**

As at 31 December 2021, the Group employed 74 (2020: 73) Bahrainis and 56 (2020: 37) expatriates.

The Group's contributions for the year to the Social Insurance Organization in respect of its employees amounted to BD 244 (2020: BD 213).

26. Other operating expenses

	2021	2020
Occupancy expenses	225	196
Communication expenses	63	59
Marketing expenses	150	109
Professional fees	431	193
Technology related expenses	1,056	768
Depreciation	661	534
Other operating expenses	1,007	988
	3,593	**2,847**

27. Related party transactions

Transactions with funds owned by the subsidiary companies
The following are the related party transactions during the period. All of these transactions are in the ordinary course of business and on normal commercial terms.

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

	2021	2020
Fee income	1,350	478
Fee receivable	949	197
Securities bought under repurchase agreements	2,775	-
Investment in own funds	2,780	2,346
Funds under management	75,436	58,686

The details of the own funds under management are in note 29.

Transactions with shareholders

The Group obtained short-term borrowings from its bank shareholders for a total of BD 8,411 (2020: BD 7,400). During the year ended December 31, 2021 the Group entered into Repos with its bank shareholders and as of 31 December 2021, had 52,264 (2020: BD 41,261) 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 share-holders 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 com-mercial terms.

	2021	2020
Fee income	3,293	409
Fee receivable	2,634	103
Securities sold under repurchase agreements	52,263	41,261
Investment	3,819	3,005
Funds under management	101,146	46,525
Placements	7,178	11,154
Borrowings	8,411	7,400

27. Related party transactions (continued)

Key Management Personnel

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

Compensation to key management personnel is as follows:

	2021	2020
Salaries and short term benefits	2,409	1,944
Post-employment benefits	106	72
Equity compensation benefits	388	181
	2,904	**2,197**

Attendance fees and remuneration to Board members and other related expenses amount to BD 292 (2020: BD 155).

28. 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 2,636 (2020: BD 2,318) on the shares granted until date. This liability has been determined on the value of the Group's net assets as at 31 December 2021 in accordance with the rules of the Scheme. This is considered as level 1 valuation of the fair value hierarchy.

There has been no movement in the shares under the scheme during the year. Total number of shares issued under the scheme is 20,272,618 (2020: 20,272,618).

29. Involvement in unconsolidated structured entities

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

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

	2021	2020
Investments in funds		
Khaleej Equity Fund	1,683	1,264
Bahrain Liquidity Fund Company	1,097	1,082
	2,780	**2,346**

30. 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 1,885 (2020: BD 1,056) and margin lending drawdown commitments of BD 1,488 (2020: BD 1,785).

Assets under management (net asset value)	2021	2020
SICO Khaleej Equity Fund	28,165	19,002
SICO Gulf Equity Fund	3,257	2,512
Bahrain Liquidity Fund Company	37,666	37,172
SICO Kingdom Equity Fund	4,663	3,417
SICO Fixed Income Fund	4,642	4,051
Al Masha'ar REIT Fund	50,620	-
Al Qasr Real Estate Fund	31,698	-
Riyadh Real Estate Fund	8,012	-
Discretionary portfolio management accounts	1,379,630	811,777
Total Net Asset Value **	**1,548,353**	**877,931**

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 152,873), SICO's total AUMs stands at BD 1,701,226 (2020: BD 951,762).*

30. Contingencies, commitments, and memorandum accounts (continued)
Investment commitment (continued)

	2021	2020
Assets under custody	**3,105,858**	**3,010,365**

The Group provides custodianship and nominee services in respect of securities and cash. At 31 December 2021, assets amounting to BD 3,105,858 (2020: BD 3,010,365) were held by the Group as custodian under Brokerage and Custodianship Contracts, out of which securities amounting to BD 633,907 (2020: BD 568,926) were registered in the name of the Bank.

Contingencies
The Group has letters of guarantee in the amount of BD 3,593 (31 December 2020: 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.

31. Net open foreign currency positions

	2021	2020
QAR	463	(13)
US Dollar	20,477	43,520
JOD	21	52
KWD	445	923
SAR	15,874	6,132
GBP	1	1
AED	8,021	7,048
OMR	1,306	645
EUR	2	3
EGP	(2)	(23)

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

32. Earnings per share

	2021	2020
Profit for the year	**6,391**	**2,959**
Weighted average number of equity shares (in 000's)	420,796	428,487
Less: Employee share incentive scheme shares	(20,272)	(20,272)
Add / (less): Treasury shares*	-	(38,564)
Weighted average number of shares as at 31 December	400,524	369,651
Earnings per share (in fils)	**15.96**	**8**

The Bank does not have any dilutive instruments.

33. 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-Dec-21	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
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**	**-**

33. Maturity profile of assets and liabilities (continued)

31-Dec-20	Less than 1 year	1 to 5 years	Above 5 years	Total
Assets				
Cash and bank balances	54,393	-	-	54,393
Treasury bills	1,127	-	-	1,127
Securities bought under repurchase agreements	73,816	-	-	73,816
Investments at fair value through profit or loss	8,441	6,084	7,918	22,443
Investments at fair value through other comprehensive income	-	4,538	5,185	9,723
Investments at amortised cost	-	1,169	8,784	9,953
Investment property	-	-	427	427
Fees receivable	1,153	-	-	1,153
Other assets	7,323	-	495	7,818
Property and equipment	170	214	-	384
Intangible assets and goodwill	1	542	-	543
Total assets	**146,424**	**12,547**	**22,809**	**181,780**
Liabilities				
Short-term bank borrowings	7,400	-	-	7,400
Securities sold under repurchase agreements	74,406	-	-	74,406
Customer accounts	34,885	-	-	34,885
Other liabilities	5,426	-	-	5,426
Payable to other unit holders in consolidated funds	1,340	-	-	1,340
Total liabilities	**123,457**	**-**	**-**	**123,457**
Liquidity gap	**22,967**	**12,547**	**22,809**	**58,323**
Cumulative liquidity gap	**22,967**	**35,514**	**58,323**	**-**

34. Accounting classification and fair values

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

31-Dec-21	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 amortized 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**

34. Accounting classification and fair values (continued)

31-Dec-20	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	-	-	-	54,393	54,393
Treasury bills	-	-	-	1,127	1,127
Securities bought under repurchase agreements	-	-	-	73,816	73,816
Investments at fair value through profit or loss	22,443	-	-	-	22,443
Investments at fair value through other comprehensive income	-	9,723	-	-	9,723
Investments at amortised cost	-	-	-	9,953	9,953
Investment property	-	-	-	427	427
Fees receivable	-	-	-	1,153	1,153
Other assets	-	-	-	6,947	6,947
	22,443	**9,723**	**-**	**147,816**	**179,982**
Short-term bank borrowings	-	-	-	7,400	7,400
Securities sold under repurchase agreements	-	-	-	74,406	74,406
Customer accounts	-	-	-	34,885	34,885
Other liabilities	-	-	-	5,426	5,426
Payable to other unit holders in consolidated funds	-	-	1,340	-	1,340
	-	**-**	**1,340**	**122,117**	**123,457**

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

(ii) Fair value hierarchy

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

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

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

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

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

As at 31 December 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**

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Assets				
Fair value through other comprehensive income investments:				
- Equities	4,753	-	-	4,753
- Debt securities	4,970	-	-	4,970
Fair value through profit or loss:				
- Equities	7,092	-	-	7,092
- Debt securities	8,685	-	-	8,685
- Funds	5,523	-	1,143	6,666
	31,023	**-**	**1,143**	**32,166**

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:

	2021	2020
At 1 January	1,143	832
Total gain:		
- in income statement	712	(101)
- in other comprehensive income	-	-
Purchases	-	-
Settlements	-	-
Transfers into/ (out) of level 3	279	412
At 31 December	**2,134**	**1,143**

34. Accounting classification and fair values (continued)

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.

(i) 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			
Equity and Debt	Adjusted net asset value and market comparison technique: The valuation is based on observable market multiples derived from quoted prices of comparable 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.

35. 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.

36. Business combination

On 15 March 2021, the Bank acquired 72.7% stake in SCC 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 SCC will broaden SICO's regional presence and service offerings in the region's largest market, Saudi Arabia. The business combination has been accounted for using the acquisition method.

Purchase price consideration

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

Recognition of non-controlling interest

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

Acquisition related costs

Transaction costs of BD 138 were expensed during 2020 and 2021 under other operating expenses.

Fair valuation of identifiable assets acquired and liabilities assumed

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

Assets	Fair value on acquisition date
Cash and bank balances	284
Investments at fair value through profit or loss ("FVTPL")	1,837
Fees receivable	287
Other assets	6,375
Property, plant and equipment	12
Intangible assets (intangible i.e. software)	89
Total assets	**8,884**
Liabilities	
Short-term bank borrowings	1,472
Other liabilities	749
Total liabilities	**2,221**
Identifiable net assets	**6,663**
Non-controlling interest	1,818
Purchase price consideration	5,785
Fair value of the consideration	**7,603**
Intangible assets and goodwil	**940**

As per IFRS 3 – Business Combinations, adjustments are allowed for a period of one year following the acquisition date if related to facts and circumstances that existed as of that date. During the year goodwill has increased by BD 32 from the first reported period.

Identifiable intangibles assets

The intangibles that were identified as part of this acquisition transaction are the license values and the values that are attributable to the existing client relationship.

36. Business combination (continued)

Identifiable intangibles assets (continued)

The acquisition broadens SICO's regional presence and provides the ability to actively penetrate the markets in the Kingdom of Saudi Arabia while being in compliance with the regulatory requirements. A value of BD 500 has been assigned to the various licenses that are currently being held by SCC. The value has been arrived at based on the replacement cost methodology. There is no foreseeable limit to the period over which the license is expected to generate cash inflows and thus this would have an indefinite life.

With respect to the existing client relationship, assuming a churning of the relationship under the new management over the next three years, a value of BD 300 has been arrived at by considering the net cash flows over the next three years and discounted to the present value. This intangible value would be amortised over the period of three years from the date of acquisition.

Impact on Group's results

The acquisition of SCC resulted in increase in assets of the Group by BD 13,172, increase in liabilities of the Group by BD 5,997 and increase in off balance sheet items e.g. assets under management by BD 250,616. If SCC was consolidated since beginning of the reporting period, the incremental net profits would amount to BD 606.

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 five 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.

37. 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. This ratio was relaxed to 80% due to the pressures within the banking sector following the COVID-19 pandemic.

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

	Unweighted values (before applying factors)				
31 December 2021	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%**

37. Net stable funding ratio (continued)

	Unweighted values (before applying factors)				
31 December 2020	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	56,785	-	-	72	56,857
Retail deposits and deposits from small					
business customers:					
Less stable deposits	-	11,240	-	-	10,116
Other liabilities:					
All other liabilities not included in above categories	-	111,844	-	-	4,213
Total ASF					**71,186**
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	20,307	-	-	-	1,987
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:					
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	23,269	-	-	11,635
Other assets:					
All other assets not included in the above categories	4,971	129,080	-	-	28,010
Off-balance sheet items	6,434	-	-	-	322
Total RSF					**41,954**
NSFR %					**170%**

Supplementary Disclosures – Financial Impact of COVID-19 (Unaudited) For the period ended 31 December 2021

INTRODUCTION

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

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

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

CURRENT SITUATION

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

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

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

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

The Bank achieved a net profit of BD 6.5 million for the year ended 31 December 2021 against BD 3 million achieved in the previous year. Operating income for the year ended 31 December 2021 was BD 17,711 thousand as against BD 10,432 thousand achieved in the previous year.

Supplementary Disclosures – Financial Impact of COVID-19 (Unaudited) For the period ended 31 December 2021 (continued)

Table of income components (BD '000):

	31-Dec-21	31-Dec-20
Net investment income	4,438	2,238
Net fee income	8,752	3,619
Brokerage and other income	2,680	3,229
Net other interest income	1,841	1,447
Loss from investment property	-	(101)
Total	**17,711**	**10,432**

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

Fee based income experienced an increase of 142% when compared to the previous year, mainly due to increase in the Assets under Management and the improvements in the portfolio valuations which resulted in booking good management and performance fees.

The market volatilities that existed in the first half of 2020 resulted in increase in Brokerage income in the previous year. In the short term, this volatility had created good trading opportunity for clients in both the equities and fixed income space.

Interest income reflected a growth of 27% from previous year levels. This has been achieved due to the efficient management of the liquidity position as well an increase in the reverse repo based business activities.

Others:

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

CLOSING NOTE

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

SICO REMUNERATION POLICY & RELATED DISCLOSURES

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

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

Remuneration strategy

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

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

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

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

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

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

NRCGC role and focus

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

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

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

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

NRCGC Member Name	Number of meetings attended
Mohammed Abdulla	4
Khurram Mirza	4
Dana Raees	4

The total amount of NRCG siting fees for 2021 is BD 12,000 [2020: BD 9,000].

External consultants

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

Scope of application of the remuneration policy

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

Board remuneration

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

Variable remuneration for staff

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

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

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

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

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

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

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

Remuneration of control functions

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

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

Variable compensation for business units

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

Risk assessment framework

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

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

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

Risk assessment framework (continued)

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

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

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

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

Risk adjustments

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

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

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

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

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

Malus and clawback framework

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

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

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

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

Components of variable remuneration

Variable remuneration has following main components:

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

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

Components of variable remuneration (continued)

Deferred compensation

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

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

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

Details of remuneration paid

(a) Board of Directors

BD 000's	2021	2020
• Sitting Fees	95	84
• Remuneration	197	71

(b) Employee remuneration

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

2020 BD 000'	Number Of staff	Total Fixed remuneration		Variable remuneration		Total Remuneration
		Cash	Shares	Upfront Cash	Deferred Shares	
Approved persons in business lines	12	984,848	37,800	206,200	89,300	1,318,148
Approved persons in control functions	15	783,026	30,165	85,560	26,640	925,391
Other material risk takers	27	748,683	23,910	104,200	24,600	901,393
Other employeers	38	753,950	26,286	66,360	14,140	860,736
Subsidiaries						
Business Line	6	326,633	7,063	28,799	8,760	371,255
Other employees	18	389,628	8,400	46,522	4,900	449,450
Total	**116**	**3,986,768**	**133,624**	**537,641**	**168,340**	**4,826,373**

Notes:

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

(c) Deferred awards

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

2020 BD 000'	Shares	Amount
Opening Balance	17,094,984	2,632,628
Awarded during the period	1,986,603	301,964
Paid out / released during the period	(1,901,263)	(292,795)
Service, performance and risk adjustment	-	-
Changes in Value of unvested opening awards	-	30,387
Closing balance	**17,180,324**	**2,611,409**

Notes :

1. The above table summarises the movement in all categories of share awards (i.e. fixed and variable remuneration) issued by the Bank to its employees.
2. The amounts and number of shares reported above include the gross value of awards and are not based on the proportion based charge recognized in the financial statements over the vesting period of awards.

Risk and Capital Management Disclosures

Executive summary

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

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

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

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

CONTENTS

1. Overview and Structure of Risk Management

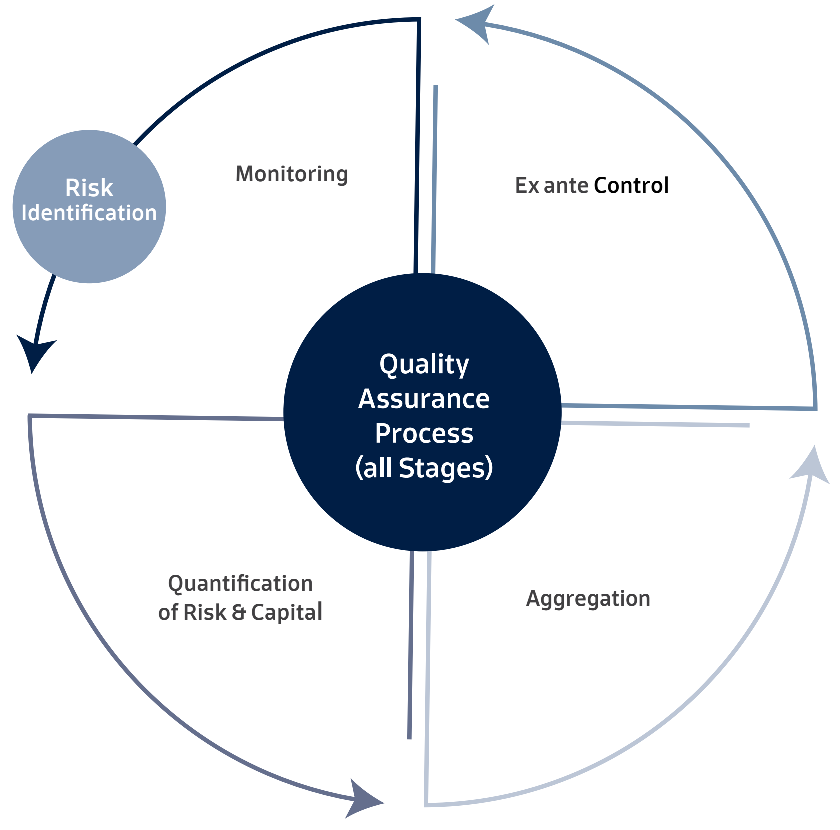
Risk management is the systematic process of identifying, assessing and mitigating the risks to which SICO is exposed. Risk management is essential to the Bank's success, as risk is inherent in its activities, and risks are mitigated by establishing appropriate controls and ensuring that effective monitoring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

The major risks types to which SICO is exposed are:

- Credit risk
- Concentration risk
- Market risk
- Operational risk
- Liquidity risk
- Fiduciary risk
- Compliance and reputational risk
- Legal and regulatory risk

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

The stages in the risk management process are as follows:



1. Overview and Structure of Risk Management (continued)

- **Risk identification:** Identification of the risks that impact SICO's various business activities.

- **Quantification of risks and capital coverage:** This step involves quantifying the risks identified in the risk identification process. It creates the objective basis for decision-making and enables the Board and Senior Management to make decisions regarding SICO's risk-bearing capacity within this framework.

- **Aggregation:** Once risks have been identified and quantified, individual risks are aggregated to determine SICO's risk exposure and impact.

- **Ex ante control:** SICO has established various tolerance limits based on the overall risk strategy of the Bank. These limits are revised periodically, taking into account the changing market and economic conditions. SICO has established a comprehensive limit framework to monitor its exposure to all significant risks.

- **Risk monitoring and ex post control:** The risk monitoring process ensures that SICO's risk profile remains in line with its risk tolerance. In this context, there is a standardised procedure for dealing with increasing levels of limit utilisation and limit breaches.

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

2. Risk governance structure

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

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

2. Risk governance structure (continued)

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

3. CBB and Basel guidelines

CBB Rulebook

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

BASEL III Framework

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

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

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

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

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

3. CBB and Basel guidelines (continued)

Pillar 1

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

Below are the approaches used for deriving the CAR

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

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

Pillar 2

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

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

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

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

Pillar 3

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

Scope of Application

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

The principal subsidiaries that are fully consolidated in the SICO's financial statements are SICO Funds Services Company BSC (c) ("SFS"), incorporated in Bahrain and providing custody and fund administration services; SICO Financial Brokerage LLC, incorporated in Abu Dhabi and providing brokerage services in the UAE.

The Bank has controlling interest in SICO Fixed Income Fund ("SFIF") and SICO Kingdom Equity Fund ("SKEF"); and therefore consolidates the SKEF and SFIF financials as per requirements of IFRS 10. In addition, the Bank has acquired 72.7% of the share capital of Muscat Capital Company ("MCC"), a Saudi Closed Joint Stock Company, which has been subsequently rebranded as SICO Capital Company ("SCC"). The acquisition was completed on 15 March 2021 and the transaction is being accounted as per the requirements of IFRS 3 Business Combinations.

4. Capital structure and capital adequacy

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

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

4. Capital structure and capital adequacy (continued)

4.1. Capital structure

Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	42,849
Less: Employee stock incentive program funded by the bank (outstanding)	(2,263)
Less: Treasury Shares	-
General Reserve	3,217
Legal / Statutory reserves	8,221
Share Premium	761
Retained Earnings Brought forward	8,149
Current interim cumulative net income / losses	6,391
Securitisation exposures subject to deduction	-
Accumulated other comprehensive income and losses	1,540
Total minority interest in banking subsidiaries given recognition in CET1 capital	86
Less: Investment in financial entities where ownership is < 10% of issued common share capital (amount above 10% CET1a)	-
Less: Goodwill and intangibles	(840)
Total Common Equity Tier 1 Capital (A)	**68,111**
Other Capital (AT1 & Tier 2)	
Instruments issued by parent company	-
Instruments issued by banking subsidiaries to third parties	-
Share premium	-
Assets revaluation reserve - property, plant, and equipment	-
General loan loss provisions	-
Expected Credit Losses (ECL) Stages 1 & 2	111
Total AT1 & Tier 2 (B)	**111**
Total Available Capital (C) = (A) + (B)	**68,222**
Credit risk weighted exposures	66,860
Market risk weighted exposures	28,365
Operational risk weighted exposures	23,186
Total Risk weighted exposures (D)	118,411
CET1 Capital Ratio (A) / (D)	57.52%
Total Capital Adequacy Ratio (C) / (D)	**57.61%**

4.2. Capital adequacy ratio

Consolidated and subsidiaries above 5% of Group capital

Subsidiaries	Total capital adequacy ratio	Tier 1 capital ratio
SICO consolidated (Group)	57.61%	57.52%
SICO Fund Services Company BSC (c)	520.14%	520.14%
SICO Financial Brokerage LLC*	5.66	3.89
SICO Capital**	2.05	2.05

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

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

4.3. Internal capital adequacy assessment process

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

4.4. Regulatory capital disclosures

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

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

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

5. Credit risk

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

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

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

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

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

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

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

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

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

5.1. Gross credit exposures

As at 31st December 2021	Gross credit exposure	Eligible CRM	Credit exposure after CRM	Average Risk Weight	Credit Risk Weighted Assets	Capital requirement @ 12.5%
Cash items	-	-	-	-	-	-
Claims on sovereigns	39,714	-	39,714	23%	9232	1154
Claims on Bahraini PSE	500	-	500	-	-	-
Claims on banks	110,766	39,003	71,763	31%	22,225	2,778
Claims on corporates	66,807	58,004	8,803	100%	8,815	1,102
Regulatory retail portfolios	10,084	10,084	-	-	-	-
Investments in securities	12,853	-	12,853	106%	13,609	1,701
Holdings in real estate	3,390	-	3,390	200%	6,780	847
Other assets	6,200	-	6,200	100%	6,200	775
Total Funded	**250,314**	**107,090**	**143,224**		**66,860**	**8,358**
Off Balance Sheet exposures	5,280		5,280	100%	5,280	660

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

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

5. Credit risk (continued)

5.2. Maturity profile

As at 31st December 2021	Less than 1 year	Over 1 year to 5 years	5-10 year	10-20 years	Above 20 years	Total
Cash and cash 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	11,167	5,039	3,223	-	7,520	26,948
Investments at fair value through other comprehensive income	-	10,205	409	-	-	10,614
Investments at amortized cost	-	4,983	4,952	-	-	9,935
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 gross credit exposures	**225,452**	**20,795**	**9,754**	**-**	**7,520**	**263,521**
Commitments	3,373					3,373
Contingents	3,593					3,593

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

5.3. Sectoral Distribution

As at 31st December 2021	Financial	Sovereign	Diversified Funds	Real Estate	Others	Total
Cash and Bank balances	74,661	171	-	-	-	74,831
Treasury bills	-	2,998	-	-	-	2,998
Placements with banks	-	-	-	-	-	0
Securities bought under repurchase agreements	82,162	22,284	-	-	13,493	117,938
Investments at fair value through profit or loss	10,369	3,041	4,949	1,528	7,060	26,948
Investments at fair value through other comprehensive income	3,829	4,049	-	947	1,790	10,614
Investments at amortized cost	-	9,935	-	-	-	9,935
Fees receivable	3,214	2,075	-	-	426	5,714
Other assets	1,393	-	-	-	11,038	12,431
Property and equipment	-	-	-	-	242	242
Intangible assets and goodwill	-	-	-	-	1,870	1,870
Total assets	**175,628**	**44,552**	**4,949**	**2,475**	**35,918**	**263,521**

5.4. Geographical distribution

As at 31st December 2021	Middle East and Asia	North America	Europe	Total
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 and goodwill	1,870	-	-	1,870
Total assets	**243,779**	**4,620**	**15,122**	**263,521**

5.5. Large exposure limits

The following exposures were in excess of the 15% large exposure limit as defined in the Credit Risk Management Module of the CBB's rule book. However, these exposures qualified to be considered as exempt from the large exposure limits of CBB, on account of their short term tenor (of less than 3 months), lending collateralized by GCC Government securities and inter-bank nature. These exposures have been pre-notified to the CBB in accordance with the requirements of rule CM-5.6.2 of the Credit Risk Management module of the Rulebook.

Counterparty	Country	Amount	Exposure as a % to eligible capital base
GFH – KHCB	Bahrain	39,974	58.6%
SAYACORP	Bahrain	24,960	36.6%
BBK	Bahrain	13,558	19.9%
CBB	Bahrain	13,179	19.3%
KFH	Bahrain	13,023	19.1%
DPM Client	KSA	12,487	18.3%

6. Market risk

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

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

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

6. Market risk (continued)

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

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

- Equity price risk
- Interest rate risk
- Currency risk

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

	Market Risk Weighted Assets			
	During the year to date period			
	Minimum	Maximum	As at 31-Dec-21	Capital Requirement @ 12.5%
Interest Rate Position Risk	923	991	923	115
Equities Position Risk	1,300	1,374	1,309	164
Foreign Exchange Risk	38	67	38	5
Total min capital required for market risk			**2,269**	**284**
Multiplier			12.5	12.5
Total			**28,365**	**3,546**

6.1. Equity price risk

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

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

Equity Positions in the Banking Book

	Gross Exposure	Risk Weighted Assets	Capital requirement @ 12.5%
Equity investments			
- Listed	3,723	3,723	465
- Unlisted	-	-	-
Investment in rated funds	-	-	-
Investment in unrated funds - Listed/Unlisted	9,130	9,886	1,236
TOTAL	**12,853**	**13,609**	**1,701**

6.2. Interest rate risk

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

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

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

The Bank engaged the services of an external consultant who worked with our designated Libor transition committee consisting of members of senior management to evaluate the impact of the LIBOR transition. Based on the detailed assessment carried out, it was concluded that there is no impact on any of the current products offered by the bank on account of LIBOR transition. However, the Bank is currently in the process of upgrading the version of core-banking system, where the latest version can readily cater to any product linked to Libor that may be launched in the future.

6. Market risk (continued)

6.2. Interest rate risk (continued)

6.2(a). Interest rate risk semsitive assets and liabilities

As at 31st December 2021	Effective Interest rate% p.a.	Within 1 year	Over 1 year	Non- interest sensitive	Total
Cash and Bank balances	-	-	-	48,693	**48,693**
Call deposits*	-	1,028	-	-	**1,028**
Treasury bills	-	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 amortized 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 unit holders in consolidated funds	-	-	-	2,694	**2,694**
Total Liabilities		**133,621**	**-**	**59,088**	**192,709**
Total Equity				**70,812**	**70,812**
Total Liability 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 2021 the effective interest rate on Bahraini Dinar call deposits is 1% (2020: 1%) and on USD call deposits is 1% (2020: 1%).*

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

6.2(b) Interest rate risk in the banking book

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

Amount in BD '000					
50 bps increase	100 bps increase	200 bps increase	50 bps decrease	100 bps decrease	200 bps decrease
(274)	(549)	(1,098)	274	549	1,098

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

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

6.3. Currency risk

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

7. Operational risk

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

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

7. Operational risk (continued)

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

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

	2018	2019	2020
Gross income	12,029	14,636	10,432
Average gross income (A)			12,366
Alpha (B)			15%
(C) = (A) * (B)			1,855
Risk weighted exposures (D) = (C) * 12.5)			**23,186**
Capital requirement @ 12.5% of (D)			**2,898**

8. Other risks

8.1. Concentration risk

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

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

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

8.2. Liquidity risk

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

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

8.3. Fiduciary risks

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

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

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

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

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

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

8.4. Business continuity

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

8.5. Compliance risk

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

8.6. Legal risk

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Currently, there are no on-going lawsuits against the company and based on our assessment, we do not consider the need for the creation of any provision in these consolidated financial statements with respect to the lawsuits.

APPENDIX 1

Step 1: Balance sheet under the regulatory scope of consolidation.

This step in not applicable to the Bank since there is no difference between the regulatory consolidation and the accounting consolidation, as they are identical.

APPENDIX 2

Step 2: Reconciliation of published financial balance sheet to regulatory reporting.

	Published financial statements 31-Dec-21 BD '000	Consolidated PIR data* 31-Dec-21 BD '000
Assets		
Cash and cash equivalents	74,831	74,849
of which Cash and balances at central banks	171	171
of which Placements with banks and financial institutions	25,110	25,127
Treasury bills	2,998	2,998
Securities bought under repurchase Agreement	117,938	117,960
Investments at fair value through profit and loss	26,948	26,948
Investments at fair value through other comprehensive income	10,614	10,614
Investments at Amortized Cost	9,935	9,935
Fees receivable	5,714	5,714
Other assets	12,431	12,503
of which loans and advances (margin receivables)	10,320	10,392
of which interest receivable	682	682
of which other assets	1,429	1,429
Property, plant and equipment	242	242
Intangible assets and goodwill	1,870	1,870
Total assets	**263,521**	**263,632**
Liabilities		
Short-term bank borrowings	8,411	8,411
Securities sold under repurchase agreement	125,210	125,210
Customer Accounts	47,149	47,149
Other liabilities	9,245	9,245
of which Interest payable	177	177
of which other liabilities	9,068	9,068
Payable to other unit holders (Other liabilities)	2,694	2,694
Total liabilities	**192,709**	**192,709**

	Published financial statements 31-Dec-21 BD '000	Consolidated PIR data* 31-Dec-21 BD '000
Shareholders' Equity		
Share Capital - eligible for CET1	42,849	42,849
Shares under employee share incentive scheme	(2,263)	(2,263)
Treasury shares	-	-
Statutory reserve	8,982	8,982
of which share premium	761	761
of which legal reserve	8,221	8,221
General reserve	3,217	3,217
Investments fair value reserve	1,540	1,540
of which unrealized gains from fair valuing equities	1,172	1,172
of which unrealized gains from other financial instruments	368	368
Retained earnings	14,540	14,540
of which retained earnings brought forward from previous year	8,149	8,149
of which net profits for the current period	6,391	6,391
NCI	1,947	1,947
Expected Credit Losses (Stages 1 & 2)	-	111
Total shareholder' equity	**70,812**	**70,923**
Total liabilities and equity	**263,521**	**263,632**

**The figures are gross of expected capital loss.*

APPENDIX 3

Step 3: Composition of Capital Common Template (transition)

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000s)
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	40,586
2	Retained earnings	14,540
3	Accumulated other comprehensive income (and other reserves)	13,739
4	Not Applicable	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**68,865**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	140
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	700
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Investment in CET1 of subsidiaries	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-
	Investment in financial entities where ownership is < 10% of issued common share capital	-

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000s)
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	**Total regulatory adjustments to Common equity Tier 1**	**-**
29	**Common Equity Tier 1 capital (CET1)**	**68,025**
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments	-
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: ...	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	**Additional Tier 1 capital (AT1)**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**68,025**
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	-
	Expected Credit Losses (Stage 1 & 2)	111
51	Tier 2 capital before regulatory adjustments	-
	Tier 2 capital: regulatory adjustments	
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-

APPENDIX 3 (continued)

Step 3: Composition of Capital Common Template (transition) (continued)

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000s)
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
57	**Total regulatory adjustments to Tier 2 capital**	**111**
58	**Tier 2 capital (T2)**	**111**
59	**Total capital (TC = T1 + T2)**	**68,136**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-
	OF WHICH: Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible	-
60	**Total risk weighted assets**	**118,411**
	Capital ratios	
61	**Common Equity Tier 1 (as a percentage of risk weighted assets)**	**1**
62	**Tier 1 (as a percentage of risk weighted assets)**	**1**
63	**Total capital (as a percentage of risk weighted assets)**	**1**
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	0
65	of which: capital conservation buffer requirement	0
66	of which: bank specific countercyclical buffer requirement (N/A)	0
67	of which: D-SIB buffer requirement (N/A)	0
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)**	**1**
	National minima including CCB (if different from Basel 3)	
69	CBB Common Equity Tier 1 minimum ratio	0
70	CBB Tier 1 minimum ratio	0
71	CBB total capital minimum ratio	0
	Amounts below the thresholds for deduction (before risk weighting)	
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	111
77	Cap on inclusion of provisions in Tier 2 under standardized approach (1.25% of Credit Risk weighted Assets)	-
78	NA	-

	Composition of capital and mapping to regulatory reports	Component o regulatory capital (BD '000s)
79	NA	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities	-

APPENDIX 4

Disclosure template for main feature of regulatory capital instruments

	Disclosure template for main features of regulatory capital instruments	
1	Issuer	SICO BSC (c)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SICO BI EQUITY (BLOOMBERG ID)
3	Governing law(s) of the instrument	Commercial Companies Law, Bahrain
	Regulatory treatment	
4	Transitional CBB rules	NA
5	Post-transitional CBB rules	NA
6	Eligible at solo/group/group & solo	Yes
7	Instrument type (types to be specified by each jurisdiction)	Common shares
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	BD 40.59 million
9	Par value of instrument	100 fils per share
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1995
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA

APPENDIX 4 (continued)

Disclosure template for main feature of regulatory capital instruments (continued)

	Disclosure template for main features of regulatory capital instruments	
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type	NA
	immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA