

COMPASS

YOUR INSIDE GUIDE TO WHAT'S GOING ON IN SICO

SICO's net profit for 2014 increases by 11.3 per cent

Securities & Investment Company (SICO) posted a strong financial performance for the fiscal year ended 31 December 2014. Net consolidated profit increased by 11.3 per cent to BD 5.4 million, compared with BD 4.9 million in 2013; while operating income grew by 17 per cent to BD 12.4 million from BD 10.6 million the previous year. Basic earnings per share rose to Bahraini fils 12.68 from 11.41 fils in 2013.

Brokerage and other income for the year increased by 110 per cent to BD 2.6 million. Net fee and commission income grew by 10.7 per cent to BD 4.4 million; while net investment income and net interest income remained largely unchanged from last year at BD 3.9 million and BD 1.4 million, respectively. Total operating expenses, which include staff overheads, general administration and other expenses, were BD 6.4 million compared with BD 5.4 million in 2013.

As at 31 December 2014, total balance sheet footings had increased by 24.5 per

cent to BD 117.3 million compared with BD 94.2 million at the end of the previous year. Assets under management grew by 6.9 per cent to BD 339 million from BD 316.9 million at the end of 2013; while assets under custody with the Bank's wholly-owned subsidiary – SICO Funds Services Company – grew by 30 per cent to BD 1.64 billion from BD 1.26 billion at end-2013.

SICO continued to maintain a strong capital base, ending the year with shareholders' equity of BD 62.7 million, and a strong consolidated capital adequacy ratio of 63.65 per cent. Available-for-sale securities at the end of 2014 declined to BD 28.8 million (end-2013: BD 32.7 million), while investments at fair value through profit or loss dropped to BD 17.3 million (end-2013: BD 19.8 million).

Total operating income for the final quarter of 2014 was BD 671 thousand compared to BD 3.5 million for the corresponding period in 2013. Net consolidated loss for the fourth quarter of 2014, which includes provisions

for impairment of BD 366 thousand, was BD 1.4 million compared with BD 1.6 million net profit for the same period in 2013. These results reflect the severe volatility in GCC markets during the fourth quarter of the year following the decline in oil prices.

BD5.4
million
Net profit in 2014

24.5%
Growth in balance sheet footings

Waleed Al-Braikan appointed to SICO Board as an Independent Director



Mr. Waleed Al-Braikan joined the SICO Board in August 2014 as an independent and non-executive director, and was appointed a Member of the Audit Committee. He replaces Mr. Meshari Al-Judaimi, who served on the Board since 2009 as the representative of Gulf Investment Corporation (GIC). Mr. Al-Braikan is Director - GCC Equities Division at GIC, supervising all management activities related to listed GCC equities. Prior to joining GIC in 1996, he spent 11 years with Kuwait Foreign Trading Contracting & Investment Company.

Mr. Al-Braikan is a Board Member of Ithmar Capital, UAE and has 30 years' professional experience, a BA degree in Finance from Kuwait University. SICO Chairman Shaikh Abdulla bin Khalifa Al Khalifa, thanked outgoing director Mr. Meshari Al-Judaimi "for his valuable contribution over the past six years"; and welcomed Mr. Waleed Al-Braikan "who brings with him extensive experience in international and regional investment banking."

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year for SICO"**

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Chairman's review of 2014: A very exciting year



Shaikh Abdulla bin Khalifa Al Khalifa
Chairman of the Board

According to Shaikh Abdulla bin Khalifa Al Khalifa, Chairman of Securities & Investment Company: "Fiscal 2014 proved to be a very exciting year for SICO, highlighted by a smooth transition of leadership, strong financial results and a robust business performance. At the same time, we continued to focus on strengthening and expanding the institutional capability of the Bank."

Financial results

Commenting on SICO's 2014 financial results, Shaikh Abdulla said: "Despite severe volatility in GCC markets during the fourth quarter following the decline in oil prices, which affected SICO's 4th quarter profitability, I am pleased to report that the Bank posted a strong financial performance in 2014. Net profit increased by 11.3 per cent to BD 5.4 million compared with BD 4.9 million the previous year; while operating income rose to BD 12.4 million from BD 10.6 million in 2013.

"The Bank's results for 2014 reflect the strong performance by all core business lines, which exceeded our expectations. This was underlined by the receipt of new mandates in the areas of asset management, brokerage, corporate finance, and custody and administration. In particular, assets under management

increased by 6.9 per cent to US\$ 899 million, reinforcing SICO's growing reputation as a leading institutionally-focused GCC public markets asset manager. It is also extremely encouraging that fee, commission and brokerage income now accounts for 57 per cent of total income. Balanced and diversified revenue generators will enable SICO to better withstand market volatility.

Institutional capability

Reviewing SICO's operational achievements, the Chairman commented: "Building a solid and sustainable financial institution remains a key strategic objective, and in 2014 we took a number of steps to expand the Bank's institutional capability. A world-class operating infrastructure is a critical success factor of SICO's vision to be a leading regional investment bank, operating at highest levels of efficiency, effectiveness and customer service. Accordingly, we regrouped all control and support functions under a newly-appointed Chief Operating Officer; invested further in technology and further strengthened our human capital framework. We also enhanced the Bank's corporate governance and risk management frameworks in line with global best practice. This will ensure ongoing compliance with the latest regulatory requirements by the Central Bank of Bahrain, Bahrain Bourse, Emirates Securities & Commodities

Authority, and other relevant regulatory bodies."

Strategic Focus

Regarding SICO's strategy, Shaikh Abdulla said: "Our prudent and consistent strategy remains on course. This entails a firm focus on serving the GCC region and selective MENA markets; growing and diversifying our business lines and revenue streams; pursuing a best-in-class, client-focused business model; and maintaining a disciplined approach to managing our costs, risk and capital. Following SICO's entry into the UAE, we are continuously examining opportunities to extend our presence in the region and grow our market share. In line with our traditionally prudent approach, any future expansion will be conducted only if it makes sound business sense, and is aligned with the best interests of our shareholders and clients."

Change in Leadership

The Chairman continued: "At the annual general meeting held on 24 APRIL 2014, the Board and shareholders of SICO approved the appointment of Ms. Najla Al Shirawi as the Bank's new Chief Executive Officer; and expressed their trust and confidence in her ability to lead our team in implementing the next phase of SICO's strategic evolution. I would like to pay tribute to Najla's

phenomenal performance since taking over at the helm, which has more than repaid the trust placed in her. With her distinctive hands-on approach – and her very high standards of integrity and professionalism – Najla has introduced a new energy and discipline to the business, and enhanced the esprit de corps of the entire SICO team."

Future outlook

Looking ahead to 2015, Shaikh Abdulla pointed out: "We are confident about the future outlook for SICO. The IMF has forecast GDP growth of around 3.5 per cent in 2015 for the GCC, despite risks arising from the decline in oil prices. The Board has full confidence in the ability of our high-calibre management team to capture attractive new business opportunities and address all future challenges. SICO is strongly capitalised, highly liquid and largely unleveraged; while our client base is predominantly institutional, which is more predictable and stable in nature. We will maintain our prudent risk philosophy and disciplined business philosophy to honour our commitment to provide shareholders with acceptable risk-adjusted returns in a volatile economic and financial environment. As such, we remain cautiously optimistic about SICO's prospects in 2015."

Net investment and net interest income remained strong in 2014

Investments

Proactive management and tactical asset allocation, combined with an opportunistic and risk-averse approach, enabled SICO to respond successfully to market volatility during the year. The Bank demonstrated its commitment to protecting shareholders' interests by minimising risk and diversifying investments. The proprietary book was de-risked by exiting from certain hedge fund and private equity investments; increasing the cash position; and gradually building up the available-for-sale book in value stocks with solid fundamentals. Exposure to fixed income was maintained, and the composition of the FI book was changed to include more floaters; as well as reducing the portfolio's overall duration. Asset allocation exposure was balanced between the GCC and international markets such as the USA, Europe and Asia; with emphasis on economies exhibiting growth, or where central banks were seen to be taking concerted actions on quantitative easing to

improve liquidity. Net investment income in 2014 remained strong at BD 3.9 million, largely unchanged from the previous year. At the year-end, 35 per cent of the book was invested in GCC and global equities, while fixed income through direct and indirect investment accounted for 34 per cent of the overall book.

Treasury

The Bank's robust Treasury function posted another profitable performance in 2014. SICO's interbank business was further enhanced through strengthening existing counterparty relationships and establishing new lines. Due to the Bank's cautious approach of maintaining deposits with high-quality financial institutions on short-term placements, net interest income for 2014 amounted to BD 1.4 million, on par with the previous year. SICO maintained a sound and liquid balance sheet, with a capital adequacy ratio of 63.6 per cent, which is considerably higher than the requirements of the Central Bank of Bahrain.

SICO signs internship agreement with CFA Society Bahrain

SICO has signed an agreement with CFA Society Bahrain to provide six-month internships for winning students of the Society's Mutamahin (Apprentice) Graduate Development Programme. Developed to create a new generation of ethical, dedicated and seasoned investment professionals, the programme will enable up to 60 students to showcase their capabilities to potential future employers by competing, testing and developing their skills during a 12-week period of intensive training.

The CFA Society Bahrain has an enduring commitment to promote the highest standards of professional excellence and integrity in the financial industry; and to contribute to the development of local capital markets. SICO currently has eight CFA charter holders, the second-highest number for Bahrain-based banks.

BD 3.9
million
Net investment income in 2014

BD 1.4
million
Net interest income in 2014

Brokerage posts strong performance in 2014

With regional markets remaining buoyant for most of the year, SICO's brokerage business posted a strong performance in 2014. Income grew by 128 per cent due to increased flows from clients. Business growth resulted from an increase in institutional sales through a dedicated team with a growing regional focus; more business from existing clients; and an expanded client base. Capitalising on continued market volatility, SICO expanded its provision of value-added advisory services to clients, including in-depth research into GCC equities, which witnessed significant growth during the year.

Through its focus on serving active institutional investors with large trading books, SICO maintained its status as the leading broker on the Bahrain Bourse for the 16th consecutive year. The Bank continues to be the preferred broker for large trades, and executed most of the major deals on the

Bourse during the year. SICO handled over 5,400 transactions involving more than 700 million shares with a total value of BD 213 million, constituting a market share of 39.5 per cent.

128%
Growth in
Brokerage income

Number 1
Leading broker on
Bahrain Bourse for
16th consecutive year

The Agency Brokerage Desk, established in 2010 and still one of the very few in the GCC, witnessed a very busy year in 2014, with a sharp increase in volumes. SICO expanded its regional network of correspondent brokers, and signed up new accounts. The Desk enables clients to execute trades on all MENA stock exchanges. Having established a significant share of overall GCC market trades, SICO is now firmly placed among the leading brokers in the region.

SICO UAE revises strategy

In 2014, the Bank's Abu-Dhabi-based brokerage subsidiary – SICO UAE – revised its strategy with a greater focus on institutional clients. To support this new business focus, the team was expanded with the recruitment of additional professionals with institutional

backgrounds. At the same time, control and support units were strengthened, and online trading was extended to institutional clients. Despite a very competitive environment marked by contracting margins, SICO UAE was successful in increasing its client base and rising in the ranking of UAE-based brokers during 2014.

Market making very active

Since pioneering the market making concept on the Bahrain Stock Exchange in 1997, SICO has maintained its status as the sole official market maker on the Bourse. SICO continued to improve spreads and boost liquidity on select stocks listed on the Bahrain Bourse. During the year, the Bank was mandated as market maker by Zain, following completion of its IPO in October.

SICO expands research coverage universe

SICO's coverage universe was expanded by 12 per cent during the year with the addition of new companies in the banking, telecoms, petrochemicals and consumer sectors; while the number of published reports increased to 767. In addition, SICO facilitated company conference calls with investors and analysts. The results of a client survey conducted in 2014 revealed that over 98 per cent of

respondents found SICO Research output to be helpful in meeting their investment objectives; while 80 per cent of users of the new research portal rated its usefulness at above average or higher.

12%
Expansion of coverage by
SICO Research

767
Research reports
published in 2014

Fixed Income department established

A new dedicated Fixed Income department was established during 2014. Responsible for all fixed income activities previously undertaken by SICO's Fixed Income Desk, it provides clients with a range of advisory, discretionary management, trading and repo services – both conventional and Sharia-compliant – to partner with clients in pursuing opportunities and delivering market-leading results. In a particularly active year, SICO won a number of new mandates, and almost doubled fixed income assets under management. The Bank's growing strength in this area stems from a skilled and experienced team backed by a comprehensive in-house research capability. Its cost-effective platform delivers a one-stop-shop service that provides end-to-end solutions for an increasing number of sukuk and fixed income investors. With a growing range of products and services, SICO has developed into a full-fledged regional fixed income player, with distinctive capabilities in MENA and Turkish fixed income; as well as providing a gateway to European, Asian and US markets.

Fixed Income Fund dividends distribution

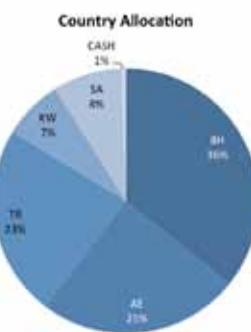
The SICO Fixed Income Fund outperformed its respective benchmark and peers during 2014. In its first full year of operations, the Fund delivered a return of 8.7 per cent compared with 6.9 per cent by its benchmark, the Barclays Emerging Markets GCC Bond Index; while the annualised return was 4.8 per cent versus 3.6 per cent. Since inception, the return has been 7.8 per cent, outperforming the index by 1.4 per cent net of fees. The Fund paid its first dividend in

2014 at US\$ 2.25 per unit. Launched in April 2013 as the first of its kind to be managed by a Bahrain-based bank, the SICO Fixed Income Fund actively invests in government and corporate fixed income, sukuk, repo, money market instruments, and other fixed income-related instruments.

Although registered as a conventional fund, Sharia-compliant holdings in the form of sukuk comprised 38 per cent of the portfolio at the end of 2014. The Sharia-

compliant mandates managed by SICO on a discretionary basis have outperformed their benchmarks. During the year, SICO received approval from the Central Bank of Bahrain for the Fund to launch a new 'C' share class to cater for smaller ticket sizes. The new share class has a minimum subscription of US\$ 10,000 for individual and institutional investors, compared with the previous minimum ticket size of US\$ 100,000.

SICO Fixed Income performance since inception



Assets under management continue strong growth trend

As a result of additional new mandates from regional institutions, net fee and commission income increased by 10.7 per cent to BD 4.4 million, reflecting the 6.5 per cent growth in assets under management to US\$ 899 million. This achievement positions the Bank as one of the largest boutique investment managers in the region outside Saudi Arabia focused on managing GCC equities and fixed income. Regional and international institutions account for over 99 per cent

of total assets under management. These comprise pension funds, financial institutions, sovereign wealth funds, endowments and insurance funds. SICO's equity funds continued to perform strongly against their peers and respective benchmarks and peers during 2014 (see table).

During 2014, the Discretionary Portfolio Management Accounts offered by SICO continued to attract increased interest. The

Bank won a number of new mandates from regional and international clients, including sovereign wealth funds and pension funds, for GCC equities and fixed income. A new hybrid discretionary portfolio service – offering both equities and fixed income under the same portfolio – was launched during the year to meet the needs of more conservative clients. This new portfolio is designed to provide consistent recurring revenue and less volatility in returns.

**US\$
899
million
Assets under
management**

SICO Fund and Benchmark Index Returns for 2014

SICO Fund	Fund Return	Benchmark Index	Benchmark Return
Khaliej Equity Fund	4.7 %	S&P GCC	-2.5 %
Gulf Equity Fund	4.2 %	S&P CGG Ex Saudi	3.2 %
Selected Securities Fund	13.3 %	Bahrain All Share	14.2 %
Kingdom Equity Fund	8.9 %	Tadawul	-2.4 %
Fixed Income Fund	8.7 %	Barclays EM GCC Bond	6.9 %

Active year for corporate finance

Taking advantage of improved market conditions and corporate sentiment in 2014, SICO's corporate finance business enjoyed one of its busiest years to date, winning several new mandates and establishing a very healthy pipeline of business. The focus during the year was on providing Bahrain-based clients such as diversified conglomerates (including family businesses), with advice on restructuring, swapping or consolidating assets; together with advising quasi-government entities on partial privatisation opportunities.

During the year, SICO took steps to broaden its product portfolio in order to generate recurring income through retainer and success fees from origination deals rather than just one-off advisory fees. This involves introducing new products and services in the private equity domain, where the Bank can tap its extensive experience and expertise. SICO has identified interesting opportunities in both the private and public sector, including real estate, hospitality, telecoms, banking and insurance, industry and government.

Assets under custody increase

With a continued focus on quality and client service, the Bank's custody and administration subsidiary – SICO Funds Services Company (SFS) – posted another successful performance in 2014. New regional mandates, together with stock market appreciation, resulted in total assets under custody with SFS increasing by 30 per cent to US\$ 4.34 billion. With a key fiduciary responsibility for safeguarding clients' assets, the Company's main activities comprise settlement of securities transactions; safekeeping of custody assets and securities servicing (corporate actions); and comprehensive administration services such as valuations and pricing.

**US\$
4.34
billion
Assets under custody**

30%
Increase in assets under custody

SICO strengthens its institutional capability

Human resources initiatives

SICO introduced a number of new human resources (HR) initiatives in 2014. A comprehensive review of HR policies and procedures was finalised and approved; while the revised performance management system (PMS) was implemented. This incorporates updated job descriptions and key performance indicators for individuals and departments. A fully-automated version of PMS will form part of the new human resource management system that is planned to be implemented in 2015.

Another key HR development involved the completion of a new remuneration system for employees, which features a variable pay structure linking objectives, risks and rewards. The system forms an important element of the Bank's required compliance with the Sound Remuneration Policy issued by the Central Bank of Bahrain. A revised succession planning policy was also completed and

approved. The validity of SICO's succession planning was illustrated during 2014 with the appointment of a new Chief Executive Officer and Chief Operating Officer from within the Bank.

SICO maintained its substantial investment in recruitment and human capital development. The total headcount of the Group increased to 96 employees at year-end from 91 at the end of the previous year, comprising 71 staff for SICO HQ, 10 for SFS and 15 for SICO UAE. Comprehensive training opportunities continued to be provided, including technical training at the Bahrain Institute of Banking & Finance; selected external development courses; mandated regulatory-related training; and the achievement of professional qualifications such as CFA and CPA. The Bank is the second-highest CFA employer in Bahrain, with a total of eight charter holders. The SICO Executive Training Programme continued to make

excellent progress, with two trainees being hired by business and support divisions in 2014, and additional high-calibre university graduates joining the programme during the year.

Latest IT developments

Throughout 2014, SICO continued to invest in further strengthening its information technology systems. Following the successful implementation of the first phase of the new core banking system in 2013, priority was placed on stabilising and enhancing system functionality, and continuing to develop customised solutions for the business and clients using internal and external resources. Key developments during the year include the short-listing of potential vendors for a new human resources management system (HRMS) for introduction in 2015. This comprehensive and fully-automated system will cover key applications such as personnel management and payroll; training

and career development; and a performance management system in line with requirements of the Central Bank of Bahrain (CBB). In addition, a request-for-proposal was issued for a new order management system (OMS) for the brokerage business that will provide an online trading facility for clients, through robust automated front office trading integrated with back office operations.

During the year, SICO's disaster recovery site was tested as part of the business continuity planning process and CBB regulations. A dry run and live test, involving people, data and systems, were conducted successfully, with full restoration of normal operations within a few hours being verified by an internal audit. In addition, penetration testing of the Bank's information security systems was carried out; and plans were finalised for an external vulnerability assessment test in 2015.

New senior management appointments



Anantha Narayanan - Chief Operating Officer

As Chief Operating Officer, Mr. Anantha Narayanan is responsible for the areas of compliance, risk management, operations, information technology, and client relations. A seasoned professional, he has over 24 years' international experience in audit and risk management in the banking industry. Prior to joining SICO in 2008 as Head of Internal Audit, he worked for Credit Agricole Corporate & Investment Bank, BBK, Commercial Bank of Oman/Bank Muscat, and PricewaterhouseCoopers. Mr. Narayanan is a Chartered Accountant and Cost Accountant (India); a Certified Information Systems Auditor and Financial Risk Manager (USA); and an Associate Member of the Institute of Financial Studies (UK). He holds a BSc Honours degree from the University of Manchester, UK.



Joseph Thomas - Head of Internal Audit

Mr. Joseph Thomas has over 12 years' experience in internal audits, assurance engagements and other financial advisory services. Prior to joining SICO, he was Head of Internal Audit at Global Banking Corporation. Before this, he worked with the Risk Consulting division of KPMG Bahrain, where he led risk-based internal audits for conventional and Sharia-compliant investment firms and other entities. He began his career with Bharat Overseas Bank in India, followed by an internal audit role at the South Indian Bank. He later led assurance engagements as Audit Manager for a Dubai-based auditing firm, and also held the position of Partner in their Bahrain office. Mr. Thomas is a Chartered Accountant, a Certified Internal Auditor, and a Member of the Institute of Internal Auditors (USA); and holds a Bachelor of Commerce degree.



Wissam F. Haddad - Head of Corporate Finance

Mr. Wissam Haddad has more than 12 years' experience in conventional and Sharia-compliant investment banking in the GCC, with a particular focus on corporate and structured finance, private equity and advisory. Prior to joining SICO, he was a Director with Gate Capital in Dubai. Previously, he held senior positions with UAE-based Najd Investments, Unicorn Capital/Quest Capital, NCB Sana Capital, and NCB Capital/Eastgate Capital. He also worked with Gulf Finance House, Shamil Bank and BDO Jawad Habib in Bahrain during the early part of his career. Mr. Haddad holds a BCom degree in Management Information Systems from Concordia University, Canada; and a BSc degree in Business Information Systems from the University of Bahrain.

Corporate social responsibility programme update



Special outing for children with cancer

SICO hosted 50 children and their families from hospitals in Bahrain suffering from cancer to a special day out at Studio Ceramics in Seef Mall. The children decorated pottery pieces and were treated to a special Mad Science educational experience, and interacted very well with the event. After the show, the children had lunch and were given special gifts.

SICO staff participate in Injaz Programme

Two staff members of SICO – Ms. Nadeen Oweis, Head of Corporate Communications; and Ms. Fatema Al Doseri, Senior Research Analyst – acted as volunteers for the Injaz Bahrain Schools Training Programme in 2014. Injaz partners with businesses and educators to provide students in intermediate and secondary schools with a business-oriented outlook; and the knowledge, skills, tools and hands-on experience to participate in the real world.



Alia for Early Intervention School's Graduation Ceremony

SICO sponsored the graduation ceremony of Alia for Early Intervention School, which was established by the Bahrain Society for Children with Behavioural and Communications Difficulties. Education, advocacy, public awareness and research are the cornerstones of the Society's efforts to help children with these difficulties become full participating members of their local community.



in the form of short, powerful talks. The TEDx Programme was created to support independent organisers who want to create a TED-like event in their own community, designed to spark conversation and connection at a local level.

Bahrain International Triathlon

SICO sponsored Bahraini Yusuf Alireza's 'Ironman' participation in the first Bahrain International Triathlon to raise funds for the Bahrain-based Think Inc Foundation, which provides therapeutic and teaching services for children with social, developmental or behavioural difficulties.

Financial industry event sponsorship / participation

- Bahrain Economic Development Board's Business Delegation to Russia
- ARINDON's Annual Capital Markets & Investor Relations Conference
- 10th Annual World Islamic Funds & Financial Markets Conference
- 2nd Annual Thomson Reuters MENA Asset Management Conference
- Bahrain Association of Banks CEO Quarterly Luncheon

TEDx Event at Ahlia University

SICO sponsored a 'Re-' initiative by students from Ahlia University, based on the idea of recreating, reinventing, redesigning, reinterpreting and even rewriting current ideas. TED (Technology, Entertainment and Design) is a worldwide non-profit organisation devoted to spreading ideas, usually

MESSAGE FROM THE CEO

Exceeding expectations



The Bank's excellent financial performance in 2014 reflects the strong contribution from the entire SICO team – business lines, support departments and control functions – which saw everyone working harmoniously together throughout the year to achieve results that exceeded expectations.

An increased contribution from our core business activities underlined SICO's strong financial performance

in 2014. Brokerage income grew by 128 per cent due to increased flows from clients. Business growth resulted from an increase in institutional sales through a dedicated team with a growing regional focus; more business from existing clients; and an expanded client base. Capitalising on continued market volatility, SICO expanded its provision of value-added advisory services to clients, including in-depth research into GCC equities, which witnessed significant growth during the year.

Income from Asset Management grew by 11.6 per cent, underlining another strong performance by the team, and reflecting clients' confidence in SICO's prudent investment strategy. Total assets under management grew by 6.9 per cent to US\$ 898 million, reinforcing SICO's growing reputation as a leading institutionally-focused GCC public markets asset manager. Corporate Finance income grew by 5.4 per cent, with the team enjoying one of its busiest years to date, winning several new mandates and establishing a very healthy pipeline of business. New advisory and equity raising mandates involved assisting clients to fulfil their needs in current market conditions and valuations.

With a continued focus on quality and client service, the Group's subsidiary – SICO Funds Services Company (SFS) – won a number of new regional mandates, which helped total assets under custody increase by 30 per cent to US\$ 4.34 billion. Net investment income and net interest income remained largely unchanged from the high levels of the previous year. This illustrates the proactive and prudent management of the proprietary book, which enabled SICO to respond successfully to the market volatility in 2014.

We continued to expand SICO's institutional capability during the year. This included streamlining the organisation with the integration of control and support functions under a newly-appointed Chief Operating Officer COO, who is responsible for Compliance, Risk Management, Operations, Information Technology, and Client Relations. At the same time, we further enhanced our human capital and strengthened our IT systems.

Delivering the highest levels of client service and satisfaction is a key priority for SICO. We value highly the ongoing trust and confidence placed in us by our loyal clients, who play a critical role in the continued success of the Bank. During 2014, we continued to enhance the provision of customised products and services to meet their requirements, and maintained our policy of proactively staying in touch with our client base. Encouragingly, the majority of calls handled by the Client Relations Unit during the year were about providing clients with information about SICO's products and services as well as clients' own accounts, while the number of complaints remained extremely low at 3 per year when compared with service-oriented market norms of 3 per month.

Building on our solid achievements in 2014, our future focus will be on continuing to do what we do best, but doing it even better and smarter. This entails adopting a more determined, disciplined and performance-oriented approach. We will continue to develop new products and services, and online delivery channels; and focus on increasing our fee-generation business. In line with our consistent GCC-focused strategy, we are looking to extend our activities across the region, not just in terms of physical presence as in the UAE, but also through mutually-beneficial partnerships in different markets. To achieve these objectives, we have set our various teams clear and ambitious business targets, which are linked closely to remuneration.

We expect markets to remain jittery. In the longer run; however, the outlook remains positive since cheaper markets will offer value buying opportunities for investors. Looking ahead, we expect volatility levels to be elevated; and that the kind of returns for the past three years will not be repeated for some asset classes, especially equities. Nevertheless, there are still attractive issues in fixed income, which helped markets this year; and key GCC fixed names should remain resilient to the drop in oil prices. Having built up substantial financial reserves in recent years, regional governments will be able to ride out the downturn in the short-term; while the long-term outlook for GCC countries remains positive.

Najla M. Al Shirawi
Chief Executive Officer

Farewell dinner for board member

The Board of Directors and Management of SICO hosted a farewell dinner at Trader Vic's restaurant in Bahrain for Mr. Meshari Al-Judaimi, to mark his end of service as GIC representative on SICO's board in July 2014. Mr. Al-Judaimi served on the Board as an independent and non-executive director from 2009 as the representative of Gulf Investment Corporation, and was also Vice Chairman of the Audit Committee. He is a Board Member of Gulf Reinsurance and Rasameel Structured Finance Company in the UAE; and Ras Laffan Power Company in Qatar. A CFA charter holder, he received his MBA from Emory University, Georgia, USA; and his BSc in Mechanical Engineering from Kuwait University. SICO Chairman, Shaikh Abdulla bin Khalifa Al Khalifa, paid tribute to Mr. Al-Judaimi's considerable expertise and experience, and his valuable contribution to the Board over the past six years.



SICO people in the news

CFA Bahrain Annual Forecast Dinner & Charter Award Ceremony



SICO Chief Executive Officer, Ms. Najla Al Shirawi, was guest speaker at the 2014 CFA Bahrain Annual Forecast Dinner & Charter Award Ceremony. She spoke about the challenges facing the future growth and competitiveness of the Bahrain Bourse; potential initiatives to address current challenges; and the encouraging measures being undertaken by the Bourse to enhance liquidity. She concluded by congratulating this year's new charter holders. "Securing this qualification is a great achievement, involving hard work and dedication. The Kingdom of Bahrain and the financial industry need the

expertise of highly-qualified and experienced professionals, so the benefits will remain with these charter holders throughout their careers. I would also like to pay tribute to the CFA Society Bahrain for its enduring commitment to promoting the highest standards of professional excellence and integrity, and contributing to the development of local capital markets. SICO is a long-standing supporter of the Society, and has recently signed an agreement to provide six-month internships for winning students of the Mutamahin (Apprentice) Graduate Development Programme," Ms. Al Shirawi said.

CEO appointed as board member of Eskan Bank

The Chief Executive Officer of SICO, Ms. Najla M. Al Shirawi, has been appointed to the Board of Directors of Eskan Bank as an independent and non-executive member. Her appointment follows the issuance of Edict 14/2015 by HRH Prince Khalifa bin Salman Al Khalifa, the Prime Minister. Eskan Bank was established in 1979 with a unique social role to provide mortgages for citizens of the Kingdom of Bahrain on low-to-medium incomes, and also to engage in community-related property development activities. Since 2005, the Bank has expanded its activities and now offers investment banking, retail banking, Shari'a-compliant financing, property development, property management, and treasury and capital management services. Today, Eskan Bank is the Kingdom's leading provider of residential mortgages, and a significant player in the property development market.

Happy staff occasions

Congratulations to the following staff who celebrated births: Khalil Shamsi from Financial Control (baby boy); Faisal Jiwani from Asset Management (baby boy); and Sanjeeb Subudhi and Hasan Ali from Information Technology (both baby girls).

Latest headcount

	SICO	SFS	SICO UAE	Total
2014	71	10	15	96
2013	68	10	11	89

Professional qualifications

congratulations to Ayub Ansari from SICO Research on passing the CFA Level 3 examination. Currently, six SICO employees are studying for CFA Levels 1, 2 and 3.

Internships

SICO provided seven university students with summer internships and placements during the year, during which they spent time with Asset Management, Research, Operations, Financial Control and Information Technology. The trainees were either students with the University of Bahrain, or part of the Bahrain Association of Banks annual placement programme.

Recent joiners

welcome to Wissam Haddad who joined as Head of Corporate Finance, Joseph Thomas as Head of Internal Audit, and Safeya Al Alawi as a Senior Analyst in Asset Management.

SICO executive training programme

There were four students participating in the programme in 2014 – Sara A. Qader, Mohammed Al Shafei, Batool Al Hussaini and Amina Al Maskati. During the year, Sara A. Qader and Mohammed Al Shafei were subsequently hired as permanent employees by SICO, and joined Financial Control and Brokerage, respectively.