

## SICO Supplementary Public Disclosure – Financial Impact of COVID-19 (Un-reviewed) At 31 March 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 a second wave of infections still looms and the situation remains uncertain.

### CURRENT SITUATION

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

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

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

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

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

Table of income components (BD '000):

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

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

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

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

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

Others:

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

#### CLOSING NOTE

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