

**Liquidity Management Centre B.S.C. (c)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 March 2021**

## **REVIEW REPORT TO THE BOARD OF DIRECTORS OF LIQUIDITY MANAGEMENT CENTRE B.S.C. (c)**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Liquidity Management Centre B.S.C. (c) (the "Bank") and its subsidiary (the "Group") comprising the interim statement of financial position as at 31 March 2021 and the related interim statements of income, changes in owners' equity and cash flows for the three-month period then ended and explanatory notes. The Management of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the basis of preparation and accounting policies as set out in Note 2.

### **Other matter**

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of interim condensed consolidated financial statements for the three-month period ended 31 March 2020. We have not reviewed the comparative information for the three-month period ended 31 March 2020 presented in these interim condensed consolidated financial statements which have been extracted from management accounts and, we do not express any review conclusion on them.



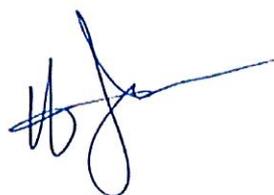
9 May 2021  
Manama, Kingdom of Bahrain

Liquidity Management Centre B.S.C. (c)

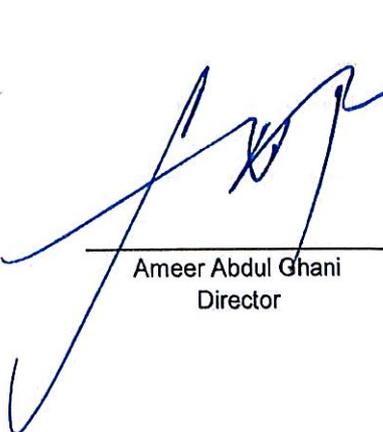
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	<i>Reviewed 31 March 2021 US\$ '000</i>	<i>Audited 31 December 2020 US\$ '000</i>
<b>ASSETS</b>			
Cash and balances with banks		8,506	3,521
Investment in sukuk	3	11,540	16,332
Investment in equities and funds	3	4,320	4,320
Equipment		198	141
Other assets		786	709
Investment in real estate	4	19,421	19,421
<b>TOTAL ASSETS</b>		<b>44,771</b>	<b>44,444</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Staff payables		571	1,187
Other liabilities		978	931
<b>Total liabilities</b>		<b>1,549</b>	<b>2,118</b>
<b>Owners' Equity</b>			
Share capital	6	59,039	59,039
Accumulated losses		(24,099)	(24,995)
Reserves		8,282	8,282
<b>Total owners' equity</b>		<b>43,222</b>	<b>42,326</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>44,771</b>	<b>44,444</b>



Hassan Amin Jarrar  
Chairman



Ameer Abdul Ghani  
Director



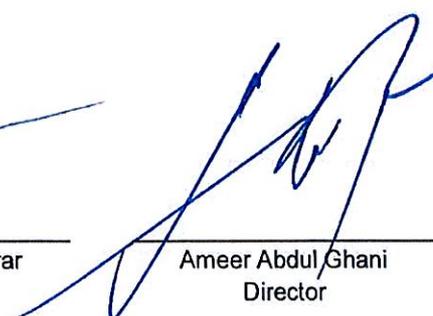
Bader Al Abbasi  
Acting Chief Executive  
Officer

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

Liquidity Management Centre B.S.C. (c)  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021	2020
		Reviewed US\$ '000	Not reviewed (Restated) US\$ '000
<b>Income from:</b>			
Investment in sukuk	7	391	194
Investment in equities and funds		5	-
Due from banks		-	6
		<b>396</b>	<b>200</b>
Investment banking fees		3	84
Ijarah income		378	328
Other income		408	104
Foreign exchange loss		(3)	-
<b>OPERATING INCOME</b>		<b>1,182</b>	<b>716</b>
Staff costs		230	241
Depreciation		1	1
Other general and administrative expenses	8	284	240
<b>OPERATING EXPENSES</b>		<b>515</b>	<b>482</b>
<b>NET PROFIT FOR THE PERIOD BEFORE NET REVERSAL (CHARGE) FOR EXPECTED CREDIT LOSSES AND FAIR VALUE CHANGES IN INVESTMENT PROPERTIES</b>		<b>667</b>	<b>234</b>
Net reversal of (charge for) expected credit losses	5	229	(280)
Unrealised fair value loss on investment properties		-	(156)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>896</b>	<b>(202)</b>

  
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Hassan Amin Jarrar  
Chairman

  
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Ameer Abdul Ghani  
Director

  
\_\_\_\_\_  
Bader Al Abbasi  
Acting Chief Executive Officer

Liquidity Management Centre B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2021

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<i>2020</i>
	<b>Reviewed</b>	<i>Not reviewed</i>
		<i>(Restated)</i>
<i>Notes</i>	<b>US\$ '000</b>	<i>US\$ '000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit (loss) for the period	<b>896</b>	(202)
Adjustments for:		
Depreciation	<b>1</b>	1
Unrealised fair value loss on investment properties	-	156
Amortisation of discount on investments	-	(1)
Gain from sale of investments at amortised cost	<b>7</b>	-
(Reversal of) / charge for expected credit losses	<b>5</b>	280
Other income	<b>(408)</b>	-
Operating profit (loss) before changes in operating assets and liabilities	<b>56</b>	234
Changes in:		
Other assets	<b>(77)</b>	(285)
Staff payables	<b>(616)</b>	30
Other liabilities	<b>47</b>	(142)
Sale proceeds of investments at amortised cost	<b>5,225</b>	-
Net cash flows from (used in) operating activities	<b>4,635</b>	(163)
<b>INVESTING ACTIVITY</b>		
Other income	<b>408</b>	-
Purchase of equipment	<b>(58)</b>	-
Net cash flows from investing activities	<b>350</b>	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	<b>4,985</b>	(163)
Cash and cash equivalents at 1 January	<b>3,521</b>	3,233
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>8,506</b>	3,070
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with banks	<b>8,506</b>	2,070
Due from banks with original maturity of 90 days or less	-	1,000
	<b>8,506</b>	3,070

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

Liquidity Management Centre B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2021

	<i>Reserves</i>					<i>Accumulated losses</i> US\$ '000	<i>Total owners' equity</i> US\$ '000
	<i>Share capital</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>General reserve</i> US\$ '000	<i>Investment fair value reserve</i> US\$ '000	<i>Total reserves</i> US\$ '000		
<b>Balance as of 1 January 2021</b>	<b>59,039</b>	<b>3,881</b>	<b>2,226</b>	<b>2,175</b>	<b>8,282</b>	<b>(24,995)</b>	<b>42,326</b>
Net profit for the period (Reviewed)	-	-	-	-	-	<b>896</b>	<b>896</b>
<b>Balance at 31 March 2021 (Reviewed)</b>	<b>59,039</b>	<b>3,881</b>	<b>2,226</b>	<b>2,175</b>	<b>8,282</b>	<b>(24,099)</b>	<b>43,222</b>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Investment fair value reserve</i>	<i>Total reserves</i>	<i>Accumulated losses</i>	<i>Total owners' equity</i>
	<i>Not reviewed</i>	<i>Not reviewed</i>	<i>Not reviewed</i>	<i>Not reviewed</i>	<i>Not reviewed</i>	<i>Not reviewed</i>	<i>Not reviewed</i>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2020	59,039	3,881	2,226	2,175	8,282	(17,778)	49,543
Net loss for the period (Not reviewed)	-	-	-	-	-	(202)	(202)
<b>Balance at 31 March 2020 (Not reviewed)</b>	<b>59,039</b>	<b>3,881</b>	<b>2,226</b>	<b>2,175</b>	<b>8,282</b>	<b>(17,980)</b>	<b>49,341</b>

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

## 1 INCORPORATION AND ACTIVITIES

Liquidity Management Centre B.S.C. (c) (the "Bank") is a closed joint stock company incorporated in the Kingdom of Bahrain on 31 July 2002, under Commercial Registration (CR) number 49092. The Bank operates under an Islamic Wholesale Banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is Building 852, Road 3618, Block 436, Seef District, Kingdom of Bahrain.

The principal activities of the Bank and its wholly owned subsidiary (together the "Group") include the following:

- Facilitating the creation of an Islamic inter-bank money market that will allow Islamic Financial Services Institutions ("IFSI") to effectively manage their assets and liabilities;
- Providing short-term liquid, tradable asset-backed treasury instruments (Sukuk) based on Islamic Shari'a principles where IFSI can invest their surplus liquidity; and
- Providing short-term investment opportunities based on Islamic Shari'a principles.

The Bank is regulated by the CBB and supervised by the Shari'a Supervisory Board for compliance with Shari'a rules and principles.

The Group's total equity as at 31 March 2021 is US\$ 43.222 million (31 December 2020: US\$ 42.326 million) which is less than the minimum capital requirement of US\$ 100 Million required under LR Module of Volume 2 of the Central Bank of Bahrain (CBB) rule book (LR- 2.5.2B), and the Shareholders of the Bank, in their Extraordinary General Meeting ("EGM") held on 27 April 2020, passed a resolution approving the conversion of the Bank's license from an Islamic Wholesale Bank to a Bahrain Shareholding Company subject to CBB approval.

### *Impact of COVID-19*

The outbreak of coronavirus ("COVID-19") pandemic across the globe has caused disruption to business and economic activities and uncertainties in the global economic environment. The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. While these developments continue to impact the Group's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Group's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

The interim condensed consolidated financial statements have been authorised for issue by the Board of Directors on 9 May 2021.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB") including the CBB circulars issued on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) with two exceptions which are set out below. In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI".

The two exceptions mentioned above are as follows:

(a) 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 as required by FAS issued by AAOIFI. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of FAS issued by AAOIFI; and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 Basis of preparation (continued)**

(b) recognition of financial assistance received from the government and regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the relevant requirements of FAS issued by AAOIFI.

The interim condensed consolidated financial statements of the Group has been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’ using FAS issued by AAOIFI as modified by the CBB framework.

Except for the adoption of new standards (as set out in note 2.4 below) and the change in accounting policy (as set out in note 4 below), all other accounting policies remain the same as used in the preparation of the financial statements for the year ended 31 December 2020 and have been consistently applied in these interim condensed consolidated financial statements. The impact of the retrospective application of the change in accounting policy are mentioned in note 4.

The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results for the three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

These interim condensed consolidated financial statements are reviewed, not audited. Due to the outbreak of the novel coronavirus (COVID-19), the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their interim condensed consolidated financial statements for the three-month period ended 31 March 2020. Accordingly, the comparatives for the interim consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2020 while the comparatives for the interim consolidated statements of income, cash flows and changes in owners' equity and related notes have been extracted from the management accounts for the three month period ended 31 March 2020. Further, the comparative information included in the interim consolidated statements of income, cash flows and changes in owners' equity and related notes are not reviewed by external auditors.

**2.2 Accounting convention**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity type instruments carried at fair value through equity, equity type instruments carried at fair value through statement of income and investment in real estate that have been measured at fair value. The interim condensed consolidated financial statements have been presented in United States Dollar ("US\$"), being the functional currency of the Bank. All values are rounded to the nearest thousand (US\$ '000) unless otherwise indicated.

**2.3 Basis of consolidation**

These interim condensed consolidated financial statements comprise the financial statements of the Group for the three month period ended 31 March 2021. The financial statements of the subsidiary are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The Bank has the following subsidiary:

	<i>Ownership 2021 and 2020</i>	<i>Year and country of incorporation</i>	<i>Activity</i>
The Short Term Sukok Center B.S.C. (c)	100%	2003 Kingdom of Bahrain	Investment in Sukok

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.3 Basis of consolidation (continued)**

The subsidiary is consolidated in these interim condensed consolidated financial statements based on unaudited management accounts for the three month period ended 31 March 2021.

**2.4 Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2020, except for the changes due to adoption of new standards as mentioned below as well as the change in accounting policy as set out in note 4.

**FAS 32 Ijarah**

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". FAS 32 sets out the principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard is effective for the years beginning on or after 1 January 2021.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability). Further, the net Ijarah liability should be netted-off against the advance rental payments made prior to the commencement of lease term.

The Group's assessment indicates the above accounting standard does not have any impact on the Group's interim condensed consolidated financial statements as the Group does not act as a lessee.

**3 INVESTMENTS**

	<i>Reviewed</i>			<i>Total</i>
	<i>31 March 2021</i>			
	<i>Amortised cost</i>	<i>Fair value through equity</i>	<i>Fair value through statement of income</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b><i>Debt type</i></b>				
Quoted investments - Sukuk	11,551	-	-	11,551
<b><i>Equity type</i></b>				
Unquoted investments - Equity shares and funds	-	27	4,650	4,677
	11,551	27	4,650	16,228
Less: Allowance for credit losses / impairment / fair value movement	(11)	-	(357)	(368)
<b>At 31 March 2021</b>	<b>11,540</b>	<b>27</b>	<b>4,293</b>	<b>15,860</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

## 3 INVESTMENTS (continued)

	<i>Audited</i>			<i>Total</i> <i>US\$ '000</i>
	<i>31 December 2020</i>			
<i>Debt type</i>	<i>Amortised</i> <i>cost</i> <i>US\$ '000</i>	<i>Fair value</i> <i>through</i> <i>equity</i> <i>US\$ '000</i>	<i>Fair value</i> <i>through</i> <i>statement</i> <i>of income</i> <i>US\$ '000</i>	
Quoted investments - Sukuk	16,572	-	-	16,572
<i>Equity type</i>				
Unquoted investments - Equity shares	-	27	4,650	4,677
	16,572	27	4,650	21,249
Less: Allowance for credit losses / impairment	(240)	-	(357)	(597)
At 31 December 2020	16,332	27	4,293	20,652

The Group's investments in quoted sukuk held at amortised cost have a fair value of US\$ 12 million (31 December 2020: US\$ 17 million).

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 27 thousand (31 December 2020: US\$ 27 thousand) which are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period-end stage classification for investments held at amortised cost. The amounts presented are gross of impairment allowances.

	<i>Reviewed</i>			<i>Total</i> <i>US '000</i>	<i>Year ended</i>
	<i>Three months ended</i>				<i>31 December</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>2020</i>
	<i>US '000</i>	<i>US '000</i>	<i>US '000</i>	<i>US '000</i>	<i>US '000</i>
Good (1-4)	-	-	-	-	-
Satisfactory (5-7)	-	11,551	-	11,551	16,572
Default (8-10)	-	-	-	-	-
	-	11,551	-	11,551	16,572

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

**3 INVESTMENTS (continued)****3.1 Movements in allowance for credit losses on investments at amortised cost**

	<i>Reviewed</i> <i>Three months ended</i> <i>31 March 2021</i>			<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2020</i>	
	<i>Stage 1: 12- month ECL</i>	<i>Stage 2: Lifetime ECL not credit- impaired</i>	<i>Stage 3: Lifetime ECL credit- impaired</i>	<i>Total ECL</i>	<i>Total</i>
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
<b>Balance at 1 January</b>	-	240	-	240	10
Net remeasurement of 'loss allowance	-	11	-	11	230
Reversals	-	(240)	-	(240)	-
Amounts written off	-	-	-	-	-
<b>Balance at the end of the period/ year</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>240</b>

The maturities of these investments range from 1 to 5 years and the effective profit rate on these investments range between 4.0 % to 5.3 % per annum (31 December 2020: 4.0 % to 5.3 % per annum).

**4 INVESTMENT IN REAL ESTATE**

This mainly represents the Bank's headquarters building, the majority of which is leased under an operating Ijarah:

	<i>Reviewed</i> <i>31 March</i> <i>2021</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2020</i> <i>US\$ '000</i>
At 1 January	19,421	32,457
Accumulated fair value loss (see note below)	-	(13,036)
	<b>19,421</b>	<b>19,421</b>

During the period ended 31 March 2021, management voluntarily changed the accounting policy for the recognition and measurement of investment properties from cost model to the fair value model as allowed under the applicable financial reporting standards. Such a change in accounting policy has been applied retrospectively and the retrospective application of the accounting policy has resulted in the changes mentioned below with no impact on the opening retained earnings as at 1 January 2020, results for the comparative period and total assets as at 1 January and 31 December 2020.

	<i>31 March</i> <i>2020</i> <i>US\$ '000</i>
Decrease in depreciation expense	156
Increase in unrealised fair value loss on investment properties	156

As a result of change in accounting policy stated above, the depreciation of US\$ 266 thousand was not charged during the quarter ended 31 March 2021 which had an equivalent impact on the results for the period ended 31 March 2021 and accordingly the value of investment property as at that date was not changed from the value as at 31 December 2020.

(The investment property was measured at cost less accumulated depreciation and accumulated impairment losses under the cost model. Transition to the fair value model results in the investment property being measured at its fair value as at reporting date).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

**5 EXPECTED CREDIT LOSSES**

The reversal of (charge for) expected credit losses in the statement of income is as follows:

	<i>Reviewed</i>	<i>Not reviewed</i>
	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Financing receivables	-	(280)
Investment in sukuk	<b>229</b>	-
	<b>229</b>	(280)

**6 SHARE CAPITAL**

	<i>Reviewed</i>	<i>Audited</i>
	<b>31 March</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Authorised:</b>		
200,000,000 ordinary shares of US\$ 1 each	<b>200,000</b>	200,000
<b>Issued, subscribed and paid-up:</b>		
59,038,875 (2020: 59,038,875)		
ordinary shares of US\$ 1 (2020: US\$ 1) each	<b>59,039</b>	59,039

**7 INCOME FROM INVESTMENT IN SUKUK**

	<i>Reviewed</i>	<i>Not reviewed</i>
	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Income from sukuk	<b>187</b>	194
Gain on sale of sukuk	<b>204</b>	-
	<b>391</b>	194

**8 OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Reviewed</i>	<i>Not reviewed</i>
	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Legal and professional fees	<b>84</b>	87
Premises expenses	<b>74</b>	37
Others	<b>126</b>	116
	<b>284</b>	240

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties comprise major shareholders, directors, Shari'a supervisory board, external auditors and executive management of the Group entities over which they exercise control and significant influence.

The related party balances included in these interim condensed consolidated financial statements are as follows:

	<i>Reviewed</i> 31 March 2021			<i>Audited</i> 31 December 2020		
	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i> US\$ '000	<i>Significant shareholders/entities in which directors are interested</i> US\$ '000	<i>Total</i> US\$ '000	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i> US\$ '000	<i>Significant shareholders/entities in which directors are interested</i> US\$ '000	<i>Total</i> US\$ '000
<b>Assets</b>						
Cash and balances with banks	-	170	170	-	107	107
<b>Liabilities</b>						
Staff payables	145	-	145	718	-	718
Other liabilities	255	-	255	213	-	213

The related party transactions included in these interim condensed consolidated financial statements are as follows:

	<i>Reviewed</i> 31 March 2021			<i>Not reviewed</i> 31 March 2020		
	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i> US\$ '000	<i>Significant shareholders/entities in which directors are interested</i> US\$ '000	<i>Total</i> US\$ '000	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i> US\$ '000	<i>Significant shareholders/entities in which directors are interested</i> US\$ '000	<i>Total</i> US\$ '000
<b>Expenses</b>						
Staff costs	155	-	155	127	-	127
General and administrative expenses	81	-	81	82	-	82

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

**9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Key management personnel of the Group comprise of the key members of management having authority and responsibility for planning, directing and controlling the activities of the Bank. The key management personnel compensation is as follows:

	<i>Reviewed</i>	<i>Not reviewed</i>
	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Salary and other benefits	<b>155</b>	<b>127</b>

**10 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

*Fair value hierarchy*

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 March 2021 and 31 December 2020:

	<i>Reviewed</i>			<i>Audited</i>		
	<i>31 March 2021</i>			<i>31 December 2020</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Investments carried at fair value through statement of income</b>						
Equities and funds	<b>4,293</b>	-	<b>4,293</b>	4,293	-	4,293
Investment in real estate	-	<b>19,421</b>	<b>19,421</b>	-	19,421	19,421
	<b>4,293</b>	<b>19,421</b>	<b>23,714</b>	4,293	19,421	23,714

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 27 thousand (31 December 2020: US\$ 27 thousand) which are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments (note 3).

Except as disclosed in note 3 for investments in Sukuk, the fair values of the Group's other financial instruments are not significantly different from their carrying values as at 31 March 2021 and 31 December 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

## 11 SEGMENTAL INFORMATION

## (a) Industry sector

The industrial distribution of the Group's assets and liabilities as of 31 March 2021 is as follows:

	<i>Reviewed</i>					
	<i>31 March 2021</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>ECL</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Assets</b>						
Cash and balances with banks	8,501	-	-	5	-	8,506
Investment in sukuk	-	11,551	-	-	(11)	11,540
Investment in equities and funds	-	-	4,320	-	-	4,320
Equipment	-	-	-	198	-	198
Other assets	29	328	339	90	-	786
Investment in real estate	-	-	19,421	-	-	19,421
<b>Total assets</b>	<b>8,530</b>	<b>11,879</b>	<b>24,080</b>	<b>293</b>	<b>(11)</b>	<b>44,771</b>
<b>Liabilities</b>						
Staff payables	-	-	-	571	-	571
Other liabilities	-	49	-	929	-	978
<b>Total liabilities</b>	<b>-</b>	<b>49</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>1,549</b>

The industrial distribution of the Group's income and expenses as of 31 March 2021 is as follows:

	<i>Reviewed</i>					
	<i>31 March 2021</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>Total</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Income</b>						
Income from:						
Investment in sukuk	-	126	-	265	-	391
Investment in equities and funds	5	-	-	-	-	5
Investment banking fees	-	-	-	3	-	3
Ijarah income	-	267	-	111	-	378
Other income	408	-	-	-	-	408
Foreign exchange loss	(3)	-	-	-	-	(3)
<b>Total income</b>	<b>410</b>	<b>393</b>	<b>-</b>	<b>379</b>	<b>-</b>	<b>1,182</b>
<b>Expenses</b>						
Staff costs	-	-	-	230	-	230
Depreciation	-	-	-	1	-	1
Other general and administrative expenses	27	14	-	243	-	284
<b>Total expenses</b>	<b>27</b>	<b>14</b>	<b>-</b>	<b>474</b>	<b>-</b>	<b>515</b>
Net reversal of (charge for) expected credit losses	-	(11)	-	240	-	229

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

## 11 SEGMENTAL INFORMATION (continued)

## (a) Industry sector (continued)

The industrial distribution of the Group's assets and liabilities as of 31 December 2020 is as follows:

	<i>Audited</i>					
	<i>31 December 2020</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>ECL</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Assets</i>						
Cash and bank balances	3,517	-	-	4	-	3,521
Investment in sukuk	-	11,551	-	5,021	(240)	16,332
Investment in equities and funds	-	-	4,320	-	-	4,320
Equipment	-	-	-	141	-	141
Other assets	-	237	325	147	-	709
Investment in real estate	-	-	19,421	-	-	19,421
<b>Total assets</b>	<b>3,517</b>	<b>11,788</b>	<b>24,066</b>	<b>5,313</b>	<b>(240)</b>	<b>44,444</b>
<i>Liabilities</i>						
Staff payables	-	-	-	1,187	-	1,187
Other liabilities	-	46	-	885	-	931
<b>Total liabilities</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>2,072</b>	<b>-</b>	<b>2,118</b>

The industrial distribution of the Group's income and expenses as of 31 March 2020 is as follows:

	<i>Not reviewed (Restated)</i>					
	<i>31 March 2020</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>Total</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Income</i>						
Income from:						
Investment in sukuk	-	130	-	64	-	194
Due from banks	6	-	-	-	-	6
Investment banking fees	-	-	81	3	-	84
Ijarah income	-	205	-	123	-	328
Other income	-	-	-	104	-	104
<b>Total income</b>	<b>6</b>	<b>335</b>	<b>81</b>	<b>294</b>	<b>-</b>	<b>716</b>
<i>Expenses</i>						
Staff costs	-	-	-	241	-	241
Depreciation	-	-	-	1	-	1
Other general and administrative expenses	11	16	-	213	-	240
<b>Total expenses</b>	<b>11</b>	<b>16</b>	<b>-</b>	<b>455</b>	<b>-</b>	<b>482</b>
Net reversal of (charge for) expected credit losses	(280)	-	-	-	-	(280)
Unrealised fair value loss on investment properties	-	-	-	(156)	-	(156)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

## 11 SEGMENTAL INFORMATION (continued)

## (b) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 31 March 2021 is as follows:

	<i>Reviewed</i>				<i>Total</i>
	<i>31 March 2021</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</i>	<i>Others</i>	<i>ECL</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Assets</b>					
Cash and balances with banks	6,269	-	2,237	-	8,506
Investment in sukuk	11,551	-	-	(11)	11,540
Investment in equities and funds	4,293	27	-	-	4,320
Equipment	198	-	-	-	198
Other assets	724	50	12	-	786
Investment in real estate	19,421	-	-	-	19,421
<b>Total assets</b>	<b>42,456</b>	<b>77</b>	<b>2,249</b>	<b>(11)</b>	<b>44,771</b>
<b>Liabilities</b>					
Staff payables	571	-	-	-	571
Other liabilities	978	-	-	-	978
<b>Total liabilities</b>	<b>1,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,549</b>

The geographical distribution of the Group's income and expenses as of 31 March 2021 is as follows:

	<i>Reviewed</i>				<i>Total</i>
	<i>31 March 2021</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</i>	<i>Others</i>	<i>ECL</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Income</b>					
Income from:					
Investment in sukuk	-	126	265	-	391
Investment in equities and funds	-	-	-	5	5
Investment banking fees	3	-	-	-	3
Ijarah income	378	-	-	-	378
Other income	-	408	-	-	408
Foreign exchange loss	(3)	-	-	-	(3)
<b>Total income (loss)</b>	<b>504</b>	<b>673</b>	<b>5</b>	<b>-</b>	<b>1,182</b>
<b>Expenses</b>					
Staff costs	230	-	-	-	230
Depreciation	1	-	-	-	1
Other general and administrative expenses	272	-	12	-	284
<b>Total expenses</b>	<b>503</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>515</b>
Net allowance for credit losses	(11)	240	-	-	229

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2021

## 11 SEGMENTAL INFORMATION (continued)

## (b) Geographic sector (continued)

The geographical distribution of the Group's assets and liabilities as of 31 December 2020 is as follows:

	<i>Audited</i>				
	<i>31 December 2020</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</i>	<i>Others</i>	<i>ECL</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Assets</i>					
Cash and bank balances	620	-	2,901	-	3,521
Investment in sukuk	11,551	5,021	-	(240)	16,332
Investment in equities and funds	4,293	27	-	-	4,320
Equipment	141	-	-	-	141
Other assets	621	88	-	-	709
Investment in real estate	19,421	-	-	-	19,421
<b>Total assets</b>	<b>36,647</b>	<b>5,136</b>	<b>2,901</b>	<b>(240)</b>	<b>44,444</b>
<i>Liabilities</i>					
Staff payables	1,187	-	-	-	1,187
Other liabilities	931	-	-	-	931
<b>Total liabilities</b>	<b>2,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,118</b>

The geographical distribution of the Group's income and expenses as of 31 March 2020 is as follows:

	<i>Not reviewed</i>				
	<i>(Restated)</i>				
	<i>31 March 2020</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</i>	<i>Others</i>	<i>Total</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Income</i>					
Income from:					
Investment in sukuk	130	64	-	-	194
Investment in equities and funds	-	-	-	-	-
Due from banks	6	-	-	-	6
Investment banking fees	72	12	-	-	84
Ijarah income	328	-	-	-	328
Other income	104	-	-	-	104
Foreign exchange loss	-	-	-	-	-
<b>Total income</b>	<b>640</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>716</b>
<i>Expenses</i>					
Staff costs	241	-	-	-	241
Depreciation	1	-	-	-	1
Other general and administrative expenses	229	-	11	-	240
<b>Total expenses</b>	<b>471</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>482</b>
expected credit losses	-	(280)	-	-	(280)
Unrealised fair value loss on investment properties	-	-	(156)	-	(156)

**The attached financial information does not form part of the interim condensed consolidated financial statements**

At 31 March 2021

**Liquidity Management Centre Supplementary Public Disclosure – Financial Impact of COVID-19**

Following the Coronavirus outbreak, the World Health Organization (WHO) declared COVID-19 as a pandemic on 11th March 2020.

The Central Bank of Bahrain (CBB) in their circular dated 17th March 2020 (OG/106/2020) launched various set of measures to all concerned licensees to ease the liquidity conditions in the economy as well as assisting banks in complying with regulatory requirements.

In response, The government of Kingdom of Bahrain, in their efforts to combat the effects of COVID-19 negative outcomes, also announced a group of stimulus grants to support businesses during these challenging conditions represented in specified reimbursements of a portion of staff cost, waiver of fees levies and utility charges which the group has received.

Due to the Bank's current situation the Bank is not required to recognize any modification losses as the Bank does not have credit facilities extended to customers in Bahrain. Therefore, the government grant received amounting to USD 160 thousand has been recognized during 2020 in Other Income in the Interim Statement of Profit and Loss in accordance with the requirements of IAS 20.

- As part of the precautionary actions and to reflect the deterioration in the global markets resulting from the COVID-19 pandemic, the Group has recognized expected credit losses allowances (ECL) extended to sovereign Sukuk investments amounting to USD 11 thousand.
- Due to COVID-19, there is a high level of uncertainty and the situation is still evolving. Accordingly, the impact of the pandemic is based on the information available as of the date of this supplementary disclosure. Circumstances may change, however due to the lack of current data available related to the impact of COVID-19 on the local real estate market, the Group will continue to collect factual information with respect to any impact on its direct and / or indirect real estate investments based on market reviews issued by the relevant asset managers and specialized real estate advisory professionals and will remain extremely conservative with regards to its assets fair valuing and provisioning approach. In addition, during the year 2020, the bank had recorded an amount of USD 357 thousand as fair value losses on indirect real estate investments and USD 273 thousand on direct investment in real estate.
- Following on from the above and in light of the current market conditions, the management and the Board of Directors have taken a prudent approach towards fair valuation with regards to its Headquarter Building in order to mitigate the risks related to various factors such as occupancy levels, average rental rates and the ability to retain tenants at lower rental rates. Such approach had resulted in recording USD 5.7 million of fair value loss by the year ended December 2020.
- Given the conservative and precautionary actions taken by the Group in the recent past, including the repayment of all repo related and interbank liabilities and the effective management of the Liquid Sukuk through adjusted stress testing scenarios for the Expected Credit Loss (ECL); the Group has effectively managed its liquidity in light of the impact of current pandemic on the global economy.
- In complying with the Government directives, the Group has taken several steps toward providing its staff with safe and proper work environment while implementing a remote working policy.
- The Group has also taken proactive measures to maintain the safety for the tenants and customers residing in LMC's building by undertaking regular disinfection procedures.

The above supplementary information is provided to comply with the CBB Circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14th July 2020. This information should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of the date of the preparation of this information. Circumstances may change which may result in this information to be out of date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.