

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 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 consolidated statement of financial position as at 30 September 2021 and the related interim consolidated statement of income for the three and nine months period then ended and the interim consolidated statements of cashflows and changes in owners' equity for the nine-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 basis of preparation and the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated 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.



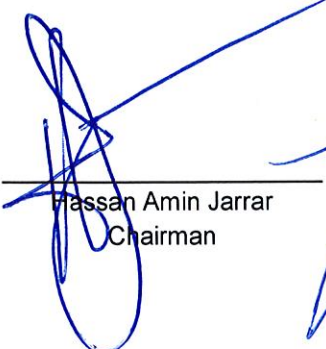
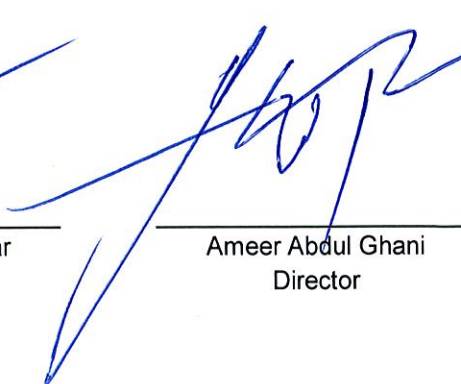

14 November 2021
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		2021	2020
		Reviewed	Audited
		30 September	31 December
	<i>Notes</i>	US\$ '000	US\$ '000
ASSETS			
Cash and balances with banks		1,877	3,521
Due from banks	3	7,491	-
Investment in sukuk	4	11,540	16,332
Investment in equities and funds	4	4,293	4,320
Equipment		198	141
Other assets		794	709
Investment in real estate	5	19,421	19,421
TOTAL ASSETS		45,614	44,444
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Staff payables		576	1,187
Other liabilities		899	931
Total liabilities		1,475	2,118
Owners' Equity			
Share capital	7	59,039	59,039
Accumulated losses		(23,182)	(24,995)
Reserves		8,282	8,282
Total owners' equity		44,139	42,326
TOTAL LIABILITIES AND OWNERS' EQUITY		45,614	44,444

 <hr style="width: 80%; margin: 0 auto;"/> <p>F Hassan Amin Jarrar Chairman</p>	 <hr style="width: 80%; margin: 0 auto;"/> <p>Ameer Abdul Ghani Director</p>	 <hr style="width: 80%; margin: 0 auto;"/> <p>Bader Al Abbasi Acting Chief Executive Officer</p>
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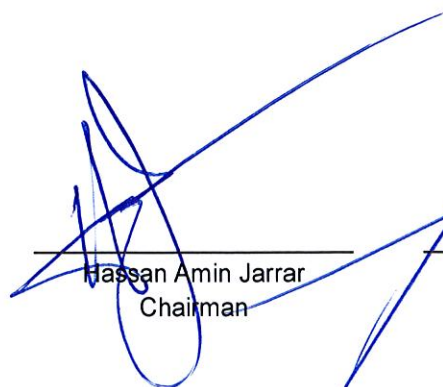
The attached explanatory notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

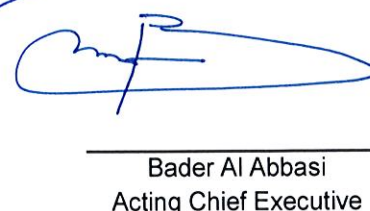
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 Reviewed US\$ '000	2020 Reviewed (Restated) US\$ '000	2021 Reviewed US\$ '000	2020 Reviewed (Restated) US\$ '000
Income from:					
Investment in sukuk	8	129	195	649	584
Investment in equities and funds		-	-	6	-
Due from banks		16	1	16	11
		145	196	671	595
Investment banking fees		-	84	5	251
Ijarah income		315	348	979	991
Other income		818	63	1,255	427
Foreign exchange loss		-	-	(3)	-
OPERATING INCOME		1,278	691	2,907	2,264
Staff costs		105	254	430	739
Depreciation		4	1	11	3
Other general and administrative expenses	9	268	217	843	639
OPERATING EXPENSES		377	472	1,284	1,381
NET PROFIT FOR THE PERIOD BEFORE NET REVERSAL (CHARGE) FOR CREDIT LOSSES AND IMPAIRMENT AND FAIR VALUE CHANGES IN INVESTMENT PROPERTIES		901	219	1,623	883
Net (charge for) reversal of credit losses	6	(11)	-	217	(790)
Unrealised fair value loss on investment properties	5	-	(314)	-	(627)
Reversal of impairment / (Impairment provision) on investments		-	14	(27)	(1,986)
NET PROFIT (LOSS) FOR THE PERIOD		890	(81)	1,813	(2,520)


Hassan Amin Jarrar
Chairman


Ameer Abdul Ghani
Director


Bader Al Abbasi
Acting Chief Executive

The attached explanatory notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2021

		<i>Nine months ended</i>	
		<i>30 September</i>	
		2021	2020
		Reviewed	Reviewed
			(Restated)
<i>Notes</i>		US\$ '000	US\$ '000
OPERATING ACTIVITIES			
	Net profit (loss) for the period	1,813	(2,520)
	Adjustments for:		
	Depreciation	11	3
	Unrealised fair value loss on investment properties	-	627
	Amortisation of discount on investments	-	(2)
8	Gain on sale of sukuk	(204)	-
6	(Reversal of) / charge for credit losses	(217)	790
	Other income	(1,121)	-
	Impairment provisions on investments	27	1,986
	Operating profit before changes in operating assets and liabilities	309	884
	Changes in:		
	Other assets	(85)	(475)
	Staff payables	(611)	88
	Other liabilities	(32)	(217)
	Sale proceeds of investments at amortised cost	5,225	28
	Net cash flows from operating activities	4,806	308
INVESTING ACTIVITIES			
	Other income	1,121	-
	Purchase of equipment	(68)	(11)
	Net cash flows from / (used in) investing activities	1,053	(11)
NET CHANGE IN CASH AND CASH EQUIVALENTS		5,859	297
	Cash and cash equivalents at 1 January	3,521	3,233
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		9,380	3,530
Cash and cash equivalents comprise:			
	Cash and balances with banks	1,877	3,530
	Due from banks with original maturity of 90 days or less	7,503	-
		9,380	3,530

The attached explanatory notes 1 to 12 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 nine months ended 30 September 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		
Balance as of 1 January 2021	59,039	3,881	2,226	2,175	8,282	(24,995)	42,326
Net profit for the period	-	-	-	-	-	1,813	1,813
Balance at 30 September 2021	59,039	3,881	2,226	2,175	8,282	(23,182)	44,139
	<i>Share capital</i> Not reviewed US\$ '000	<i>Statutory reserve</i> Not reviewed US\$ '000	<i>General reserve</i> Not reviewed US\$ '000	<i>Investment fair value reserve</i> Not reviewed US\$ '000	<i>Total reserves</i> Not reviewed US\$ '000	<i>Accumulated losses</i> Not reviewed US\$ '000	<i>Total owners' equity</i> Not reviewed 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	-	-	-	-	-	(2,520)	(2,520)
Balance at 30 September 2020	59,039	3,881	2,226	2,175	8,282	(20,298)	47,023

The attached explanatory notes 1 to 12 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 30 September 2021 is US\$ 44.139 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. Given the on-going conversion, the Group has requested CBB to allow extension of time to meet the minimum capital requirement and certain other requirements and based on past experience with CBB on the extension requests it is expected that the extension would be approved.

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 10 November 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group are 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 30 September 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) and the change in accounting policy (as set out in note 5), all other accounting policies remain the same as used in the preparation of the consolidated financial statements for the year ended 31 December 2020 and have been consistently applied in these interim condensed consolidated financial statements. The impacts of the retrospective application of the change in accounting policy are mentioned in note 5.

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 nine month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 Bank and its subsidiary for the nine month period ended 30 September 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:

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

*On 3 August 2021, the aforementioned subsidiary was liquidated and operations were ceased.

The subsidiary is consolidated in these interim condensed consolidated financial statements based on unaudited management accounts for the nine month period ended 30 September 2021. The basis of consolidation used in the preparation of these interim condensed consolidated financial statements is similar to that used in the preparation of the consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**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 5.

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.

FAS 33 Investment in sukuk, shares and similar instruments

This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Shari'ah compliant investments and the primary accounting treatments commensurate to the characteristics and business model of institution under which the investments are made, managed and held. This standard supersedes FAS 25 "Investment in Sukuk" and is effective for financial years beginning or after 1 January 2021 with early adoption permitted. For the purpose of this standard, each investment is to be categorized as one of the below investment categories depending on its nature:

- Monetary Debt-type instrument;
- Non-monetary Debt-type instrument;
- Equity-type instrument; and
- Other investment instruments.

The Group has adopted the standard retrospectively and the adoption of the above accounting standard did not have a material impact on the interim condensed consolidated financial statements.

3 DUE FROM BANKS

	Reviewed				<i>Audited</i>
	30 September 2021				31 December
	Stage 1	Stage 2	Stage 3	Total	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due from banks	-	7,503	-	7,503	-
Less: Allowance for credit losses	-	(12)	-	(12)	-
	-	7,491	-	7,491	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

4 INVESTMENTS

	<i>Reviewed</i>			<i>Total</i> <i>US\$ '000</i>
	<i>30 September 2021</i>			
	<i>Amortised cost</i> <i>US\$ '000</i>	<i>Fair value through equity</i> <i>US\$ '000</i>	<i>Fair value through statement of income</i> <i>US\$ '000</i>	
<i>Debt type</i>				
Quoted investments - Sukuk	11,551	-	-	11,551
<i>Equity type</i>				
Unquoted investments - Equity shares	-	-	4,650	4,650
	11,551	-	4,650	16,201
Less: Allowance for credit losses / impairment / fair value movement	(11)	-	(357)	(368)
At 30 September 2021	11,540	-	4,293	15,833
	<i>Audited</i>			
	<i>31 December 2020</i>			
	<i>Amortised cost</i> <i>US\$ '000</i>	<i>Fair value through equity</i> <i>US\$ '000</i>	<i>Fair value through statement of income</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
<i>Debt type</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 Nil (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.

The Group's investment in quoted sukuk held at amortised cost were all under Stage 2 as at 30 September 2021 and 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

4 INVESTMENTS (continued)

4.1 Movements in allowance for credit losses on investments at amortised cost

	<i>Reviewed</i>			<i>Total ECL</i> <i>USD '000</i>
	<i>Nine months ended</i>			
	<i>30 September 2021</i>			
	<i>Stage 1: 12-</i>	<i>Stage 2:</i>	<i>Stage 3:</i>	
<i>month ECL</i>	<i>Lifetime ECL</i>	<i>Lifetime ECL</i>		
<i>USD '000</i>	<i>not credit-</i>	<i>credit-</i>		
	<i>impaired</i>	<i>impaired</i>		
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	
Balance at 1 January	-	240	-	240
Net remeasurement of loss allowance	-	11	-	11
Reversals	-	(240)	-	(240)
Balance at the end of the period	-	11	-	11

	<i>Audited</i>			<i>Total ECL</i> <i>USD '000</i>
	<i>Year ended</i>			
	<i>31 December 2020</i>			
	<i>Stage 1: 12-</i>	<i>Stage 2:</i>	<i>Stage 3:</i>	
<i>month ECL</i>	<i>Lifetime ECL</i>	<i>Lifetime ECL</i>		
<i>USD '000</i>	<i>not credit-</i>	<i>credit-</i>		
	<i>impaired</i>	<i>impaired</i>		
	<i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>	
Balance at 1 January	10	-	-	10
Net remeasurement of loss allowance	-	230	-	230
Transfer	(10)	10	-	-
Balance at the end of the year	-	240	-	240

The maturities of these investments range from 2 months to 4 years (31 December 2020: 1 to 7 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).

5 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>Audited</i>
	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January	19,421	32,457
Accumulated fair value loss (see note below)	-	(13,036)
	19,421	19,421

During 2020, a fair value loss of US\$ 2,000 was recognised against the carrying value of Head Office Building.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

5 INVESTMENT IN REAL ESTATE (continued)

During the current period, 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 had been applied retrospectively 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. Following are the impacts of the change in accounting policy as stated above.

	<i>Three months ended</i>	<i>Nine months ended</i>
	30 September 2020	30 September 2020
	US\$ '000	US\$ '000
Decrease in depreciation expense	314	627
Increase in unrealised fair value loss on investment properties	314	627

As a result of change in accounting policy stated above, the depreciation of US\$ 314 thousand for the three month period ended 30 September 2020 and the depreciation of US\$ 627 thousand for the nine month period ended 30 September 2020 were not charged during the period ended 30 September 2021 which had an equivalent impact on the results for the period ended 30 September 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).

6 CREDIT LOSSES

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

	<i>Reviewed Three months ended 30 September</i>	<i>Reviewed 2020</i>	<i>Reviewed Nine months ended 30 September</i>	<i>Reviewed 2020</i>
	2021	2020	2021	2020
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due from banks	(11)	-	(12)	-
Financing receivables	-	-	-	(560)
Investment in sukuk	-	-	229	(230)
	(11)	-	217	(790)

7 SHARE CAPITAL

	<i>Reviewed 30 September 2021</i>	<i>Audited 31 December 2020</i>
	US\$ '000	US\$ '000
Authorised:		
200,000,000 ordinary shares of US\$ 1 each	200,000	200,000
Issued, subscribed and paid-up:		
59,038,875 (2020: 59,038,875) ordinary shares of US\$ 1 (2020: US\$ 1) each	59,039	59,039

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

8 INCOME FROM INVESTMENT IN SUKUK

	<i>Reviewed</i> <i>Three months ended</i> <i>30 September</i>	<i>Reviewed</i> <i>Three months ended</i> <i>30 September</i>	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>
	2021	2020	2021	2020
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from sukuk	129	195	445	584
Gain on sale of sukuk	-	-	204	-
	129	195	649	584

9 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Reviewed</i> <i>Three months ended</i> <i>30 September</i>	<i>Reviewed</i> <i>Three months ended</i> <i>30 September</i>	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>
	2021	2020	2021	2020
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Legal and professional fees	75	60	249	189
Premises expenses	71	54	215	155
Others	122	103	379	295
	268	217	843	639

10 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> <i>30 September 2021</i>			<i>Audited</i> <i>31 December 2020</i>		
	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i>	<i>Significant shareholders/entities in which directors are interested</i>	<i>Total</i>	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i>	<i>Significant shareholders/entities in which directors are interested</i>	<i>Total</i>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets						
Cash and balances with banks	-	780	780	-	107	107
Liabilities						
Staff payables	335	-	335	718	-	718
Other liabilities	196	-	196	213	-	213

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<i>Reviewed</i> 30 September 2021			<i>Reviewed</i> 30 September 2020		
	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i>	<i>Significant shareholders/entities in which directors are interested</i>	<i>Total</i>	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i>	<i>Significant shareholders/entities in which directors are interested</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>
Expenses						
Staff costs	238	-	238	377	-	377
General and administrative expenses	189	-	189	184	-	184

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>Nine months ended</i> 30 September 2021 US\$ '000	<i>Reviewed</i> <i>Nine months ended</i> 30 September 2020 US\$ '000
Salary and other benefits	238	377

11 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy at 30 September 2021 and 31 December 2020:

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 September 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>
Investments carried at fair value through statement of income:						
Equities and funds	4,293	-	4,293	4,293	-	4,293
Investment in real estate	-	19,421	19,421	-	19,421	19,421
	4,293	19,421	23,714	4,293	19,421	23,714

Under unquoted investments which are held at fair value through equity are investments amounting to Nil (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 4).

Except as disclosed in note 4 for investments in Sukuk, the fair values of the Group's other financial instruments are not significantly different from their carrying values as at 30 September 2021 and 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

12 SEGMENTAL INFORMATION

(a) Industry sector

The industrial distribution of the Group's assets and liabilities as of 30 September 2021 is as follows:

	<i>Reviewed</i>					<i>Total</i>
	<i>30 September 2021</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>Allowance for credit losses</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>	
Assets						
Cash and balances with banks	1,873	-	-	4	-	1,877
Due from banks	7,503	-	-	-	(12)	7,491
Investment in sukuk	-	11,551	-	-	(11)	11,540
Investment in equities and funds	-	-	4,293	-	-	4,293
Equipment	-	-	-	198	-	198
Other assets	10	440	339	5	-	794
Investment in real estate	-	-	19,421	-	-	19,421
Total assets	9,386	11,991	24,053	207	(23)	45,614
Liabilities						
Staff payables	-	-	-	576	-	576
Other liabilities	-	48	1	850	-	899
Total liabilities	-	48	1	1,426	-	1,475

The industrial distribution of the Group's income and expenses as of 30 September 2021 is as follows:

	<i>Reviewed</i>					<i>Total</i>
	<i>30 September 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>	
Income						
Income from:						
Investment in sukuk	-	384	-	265	-	649
Investment in equities and funds	5	-	1	-	-	6
Investment banking fees	-	-	-	5	-	5
Ijarah income	-	647	-	332	-	979
Other income	-	-	-	1,255	-	1,255
Foreign exchange loss	(3)	-	-	-	-	(3)
Due from banks	16	-	-	-	-	16
Total income	18	1,031	1	1,857	-	2,907
Expenses						
Staff costs	-	-	-	430	-	430
Depreciation	-	-	-	11	-	11
Other general and administrative expenses	79	84	-	680	-	843
Total expenses	79	84	-	1,121	-	1,284
Net (charge for) reversal of credit losses	-	(22)	-	239	-	217
Reversal of provision / (Impairment provision) on investments	-	-	(27)	-	-	(27)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

12 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>Total</i>
	<i>31 December 2020</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>Allowance for credit losses</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
Total assets	3,517	11,788	24,066	5,313	(240)	44,444
<i>Liabilities</i>						
Staff payables	-	-	-	1,187	-	1,187
Other liabilities	-	46	-	885	-	931
Total liabilities	-	46	-	2,072	-	2,118

The industrial distribution of the Group's income and expenses as of 30 September 2020 is as follows:

	<i>Reviewed</i>				
	<i>30 September 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>Income</i>					
Income from:					
Investment in sukuk	-	391	-	193	584
Due from banks	11	-	-	-	11
Investment banking fees	-	-	244	7	251
Ijarah income	-	613	-	378	991
Other income	-	160	-	267	427
Total income	11	1,164	244	845	2,264
<i>Expenses</i>					
Staff costs	-	-	-	739	739
Depreciation	-	-	-	3	3
Other general and administrative expenses	8	83	-	548	639
Total expenses	8	83	-	1,290	1,381
Net charge for credit losses	560	-	-	230	790
Unrealised fair value loss on investment properties	-	-	627	-	627
Impairment provision on investments	-	-	1,986	-	1,986

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

12 SEGMENTAL INFORMATION (continued)

(b) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 30 September 2021 is as follows:

	<i>Reviewed</i>				<i>Total</i>
	<i>30 September 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>	<i>US\$ '000</i>
Assets					
Cash and balances with banks	1,105	-	772	-	1,877
Due from banks	7,503	-	-	(12)	7,491
Investment in sukuk	11,551	-	-	(11)	11,540
Investment in equities and funds	4,293	-	-	-	4,293
Equipment	198	-	-	-	198
Other assets	792	-	2	-	794
Investment in real estate	19,421	-	-	-	19,421
Total assets	44,863	-	774	(23)	45,614
Liabilities					
Staff payables	576	-	-	-	576
Other liabilities	899	-	-	-	899
Total liabilities	1,475	-	-	-	1,475

The geographical distribution of the Group's income and expenses as of 30 September 2021 is as follows:

	<i>Reviewed</i>				<i>Total</i>
	<i>30 September 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>	<i>US\$ '000</i>
Income					
Income from:					
Investment in sukuk	384	265	-	-	649
Investment in equities and funds	-	1	5	-	6
Investment banking fees	5	-	-	-	5
Ijarah income	979	-	-	-	979
Other income	105	1,150	-	-	1,255
Foreign exchange loss	(3)	-	-	-	(3)
Due from banks	16	-	-	-	16
Total income (loss)	1,486	1,416	5	-	2,907
Expenses					
Staff costs	430	-	-	-	430
Depreciation	11	-	-	-	11
Other general and administrative expenses	790	-	53	-	843
Total expenses	1,231	-	53	-	1,284
Net (charge for) reversal of credit losses	(22)	239	-	-	217
Impairment provision on investments	-	(27)	-	-	(27)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021

12 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>Total</i>
	<i>31 December 2020</i>				
	<i>Kingdom of Bahrain US\$ '000</i>	<i>Other GCC countries US\$ '000</i>	<i>Others US\$ '000</i>	<i>ECL 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
Total assets	36,647	5,136	2,901	(240)	44,444
<i>Liabilities</i>					
Staff payables	1,187	-	-	-	1,187
Other liabilities	931	-	-	-	931
Total liabilities	2,118	-	-	-	2,118

The geographical distribution of the Group's income and expenses as of 30 September 2020 is as follows:

	<i>Reviewed</i>			
	<i>30 September 2020</i>			
	<i>Kingdom of Bahrain US\$ '000</i>	<i>Other GCC countries US\$ '000</i>	<i>Others US\$ '000</i>	<i>Total US\$ '000</i>
<i>Income</i>				
Income from:				
Investment in sukuk	391	193	-	584
Due from banks	11	-	-	11
Investment banking fees	214	37	-	251
Ijarah income	991	-	-	991
Other income	427	-	-	427
Total income	2,034	230	-	2,264
<i>Expenses</i>				
Staff costs	739	-	-	739
Depreciation	3	-	-	3
Other general and administrative expenses	604	-	35	639
Total expenses	1,346	-	35	1,381
Net charge for credit losses	-	790	-	790
Unrealised fair value loss on investment properties	627	-	-	627
Impairment provision on investments	2,000	(14)	-	1,986

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

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 did not 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 Consolidated Statement of Income.

- 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 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 during 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.