

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 September 2020**

## **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") as at 30 September 2020, comprising of the interim consolidated statement of financial position as at 30 September 2020, the related interim consolidated statement of income for the three and nine-month period then ended and the related interim consolidated statement of cash flows and changes in owners' equity for the nine-month period then ended and other explanatory information. The Board of Directors 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 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.



10 November 2020  
Manama, Kingdom of Bahrain

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

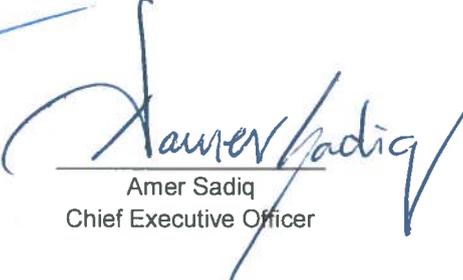
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		<i>Reviewed</i> <b>30 September</b> <i>2020</i> <b>US\$ '000</b>	<i>Audited</i> <i>31 December</i> <i>2019</i> <b>US\$ '000</b>
<b>ASSETS</b>			
Cash and balances with banks		<b>3,530</b>	2,233
Due from banks	3	-	1,000
Financing receivables	4	-	560
Investment in sukuk	5	<b>16,332</b>	16,560
Investment in equities and funds	5	<b>4,677</b>	4,691
Equipment		<b>142</b>	135
Other assets		<b>863</b>	388
Investment in real estate	6	<b>23,240</b>	25,866
<b>TOTAL ASSETS</b>		<b>48,784</b>	<b>51,433</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Staff payables		<b>1,342</b>	1,254
Other liabilities		<b>419</b>	636
<b>Total liabilities</b>		<b>1,761</b>	1,890
<b>Owners' Equity</b>			
Share capital	8	<b>59,039</b>	59,039
Accumulated losses		<b>(20,298)</b>	(17,778)
Reserves		<b>8,282</b>	8,282
<b>Total owners' equity</b>		<b>47,023</b>	49,543
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>48,784</b>	<b>51,433</b>

  
Hassan Amin Jarrar  
Chairman

  
Ameer Abdul Ghani  
Director

  
Amer Sadiq  
Chief Executive Officer

The attached explanatory notes 1 to 14 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 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Income from:</b>					
Investment in sukuk	9	195	175	584	234
Investment in equities and funds		-	11	-	89
Due from banks and Murabaha receivables		1	38	11	132
Financing receivables		-	19	-	19
Mudaraba receivables		-	-	-	16
Less: Return to short term sukuk investors and banks		-	(72)	-	(823)
		<b>196</b>	<b>171</b>	<b>595</b>	<b>(333)</b>
Investment banking fees		84	71	251	215
Ijarah income		348	336	991	973
Other income		63	-	427	2
Foreign exchange loss		-	-	-	(1)
<b>OPERATING INCOME</b>		<b>691</b>	<b>578</b>	<b>2,264</b>	<b>856</b>
Staff costs		254	543	739	2,049
Depreciation		315	173	630	533
Other general and administrative expenses	10	217	288	639	881
<b>OPERATING EXPENSES</b>		<b>786</b>	<b>1,004</b>	<b>2,008</b>	<b>3,463</b>
<b>NET (LOSS) PROFIT FOR THE PERIOD BEFORE IMPAIRMENT PROVISION</b>		<b>(95)</b>	<b>(426)</b>	<b>256</b>	<b>(2,607)</b>
Net allowance for credit losses	7	-	-	(790)	-
Impairment (provision) recoveries on investments (including investment in real estate)	5, 6	14	-	(1,986)	48
<b>NET (LOSS) FOR THE PERIOD</b>		<b>(81)</b>	<b>(426)</b>	<b>(2,520)</b>	<b>(2,559)</b>

  
Haasan Amin Jarrar  
Chairman

  
Ameer Abdul Ghani  
Director

  
Amer Sadiq  
Chief Executive Officer

The attached explanatory notes 1 to 14 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 2020

	Notes	Nine months ended 30 September	
		2020 US\$ '000	2019 US\$ '000
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		(2,520)	(2,559)
Adjustments for:			
Depreciation		630	533
Amortisation of discount on investments		(2)	19
Net loss from sale of investments at amortised cost	9	-	984
Impairment provision (recoveries) on investments (including investment in real estate)	5, 6	1,986	(48)
Net allowance for credit losses	7	790	-
Operating profit (loss) before changes in operating assets and liabilities		884	(1,071)
Changes in:			
Mudaraba receivables		-	2,497
Financing receivables		-	-
Other assets		(475)	524
Due to short term sukuk investors and banks		-	(74,271)
Staff payables		88	(597)
Other liabilities		(217)	(54)
Sale proceeds of investments at amortised cost		-	56,108
Capital redemption / sale of investments at fair value through equity		28	128
Net cash flow from (used in) operating activities		308	(16,736)
<b>INVESTING ACTIVITY</b>			
Purchase of equipment		(11)	-
Cash used in investing activity		(11)	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
		297	(16,736)
Cash and cash equivalents at 1 January		3,233	19,210
<b>CASH AND CASH EQUIVALENTS AT 30 September</b>		<b>3,530</b>	<b>2,474</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and balances with banks		3,530	1,474
Due from banks with original maturity of 90 days or less		-	1,000
		<b>3,530</b>	<b>2,474</b>

The attached explanatory notes 1 to 14 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 2020

	<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 2020</b>	<b>59,039</b>	<b>3,881</b>	<b>2,226</b>	<b>2,175</b>	<b>8,282</b>	<b>(17,778)</b>	<b>49,543</b>
Net loss for the period	-	-	-	-	-	(2,520)	(2,520)
<b>Balance at 30 September 2020</b>	<b>59,039</b>	<b>3,881</b>	<b>2,226</b>	<b>2,175</b>	<b>8,282</b>	<b>(20,298)</b>	<b>47,023</b>
Balance at 1 January 2019	59,039	3,881	2,226	2,175	8,282	(15,174)	52,147
Net loss for the period	-	-	-	-	-	(2,559)	(2,559)
Balance at 30 September 2019	59,039	3,881	2,226	2,175	8,282	(17,733)	49,588

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

## 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 2020 is US\$ 47.023 million (31 December 2019: US\$ 49.543 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*

During the period ended 30 September 2020, there was an outbreak of coronavirus (COVID-19). 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 Bank'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 8 November 2020.

## 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 recently issued CBB circulars 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 account 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. Please refer to note 14 for further details; and

(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. Please refer to note 14 for further details.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

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

**2.1 Basis of preparation (continued)**

FAS issued by AAOIFI alongwith the two exceptions is referred to as “FAS issued by AAOIFI as modified by the CBB” and has been applied retrospectively and did not result in any change to the financial information reported for the comparative period. 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.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2019 were in accordance with FAS as issued by AAOIFI. However, except for the above-mentioned modifications to accounting policies and the adoption of new standards (as set out in note 2.4 below) that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in this interim condensed consolidated financial statement. The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

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 2019. In addition, results for the nine month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

**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 and equity type instruments carried at fair value through statement of income 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 nine month period ended 30 September 2020. 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><b>Ownership 2020 and 2019</b></i>	<i><b>Year and country of incorporation</b></i>	<i><b>Activity</b></i>
The Short Term Sukok Center B.S.C. (c)	100%	2003 Kingdom of Bahrain	Investment in Sukok

The subsidiary is consolidated in these interim condensed consolidated financial statements based on unaudited management accounts for the six month period ended 30 September 2020.

**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 2019, except for the modification mentioned above and the changes due to adoption of new standards as mentioned below:

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 Significant accounting policies (continued)****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 characteristic and business model of institution under which the investments are made, managed and held.

The Groups's assessment indicates the above accounting standard does not have an impact on the Group's interim condensed consolidated financial statements.

**FAS 34 Financial Reporting for Sukuk -holders**

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective from the financial periods beginning on or after 1 January 2020, with early adoption permitted.

The Groups's assessment indicates the above accounting standard does not have an impact on the Group's interim condensed consolidated financial statements as the Group does not have any sukuk issued.

**FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)**

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2020, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

The Groups's assessment indicates the above accounting standard does not have an impact on the Group's interim condensed consolidated financial statements.

**3 DUE FROM BANKS**

	<i>Reviewed</i>				<i>Audited</i>
	<i>30 September 2020</i>				<i>31 December</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>2019</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Due from banks	-	-	-	-	1,000
Less: Allowance for credit losses	-	-	-	-	-
	-	-	-	-	1,000

**4 FINANCING RECEIVABLES**

	<i>Reviewed</i>				<i>Audited</i>
	<i>30 September 2020</i>				<i>31 December</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>2019</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha receivable	-	-	-	-	2,800
Less: Allowance for credit losses	-	-	-	-	(2,240)
	-	-	-	-	560

During the period ended 30 September 2020, the above Murabaha receivable has been written off.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

## 5 INVESTMENTS

	<i>Reviewed</i>			<i>Total</i> <i>US\$ '000</i>
	<i>30 September 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>	
<b>Debt type</b>				
Quoted investments - Sukuk	16,572	-	-	16,572
<b>Equity type</b>				
Unquoted investments - Equity shares and funds	-	27	4,650	4,677
	<b>16,572</b>	<b>27</b>	<b>4,650</b>	<b>21,249</b>
Less: Allowance for credit losses / impairment	(240)	-	-	(240)
<b>At 30 September 2020</b>	<b>16,332</b>	<b>27</b>	<b>4,650</b>	<b>21,009</b>
	<i>Audited</i>			
	<i>31 December 2019</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>
<b>Debt type</b>				
Quoted investments - Sukuk	16,570	-	-	16,570
<b>Equity type</b>				
Unquoted investments - Equity shares	-	55	4,650	4,705
	16,570	55	4,650	21,275
Less: Allowance for credit losses / impairment	(10)	(14)	-	(24)
<b>At 31 December 2019</b>	<b>16,560</b>	<b>41</b>	<b>4,650</b>	<b>21,251</b>

During the period ended 30 September 2020, an impairment provision of US\$ 14 thousand has been recovered.

The Group's investments in quoted sukuk held at amortised cost have a fair value of US\$ 17 million (31 December 2019: US\$ 17 million).

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 27 thousand (31 December 2019: US\$ 41 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>30 September 2020</i>				<i>31 December 2019</i>
	<i>Stage 1</i> <i>US '000</i>	<i>Stage 2</i> <i>US '000</i>	<i>Stage 3</i> <i>US '000</i>	<i>Total</i> <i>US '000</i>	<i>Total</i> <i>US '000</i>
Good (1-4)	-	-	-	-	-
Satisfactory (5-7)	-	16,572	-	16,572	16,570
Default (8-10)	-	-	-	-	-
	<b>-</b>	<b>16,572</b>	<b>-</b>	<b>16,572</b>	<b>16,570</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

**5 INVESTMENTS (continued)****5.1 Movements in allowance for credit losses on investments at amortised cost**

	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September 2020</i>			<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2019</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>	10	-	-	10	21,711
Net remeasurement of loss allowance	-	230	-	230	1
Transfer	(10)	10	-	-	-
Reversals	-	-	-	-	(267)
Amounts written off	-	-	-	-	(21,435)
<b>Balance at the end of the period/ year</b>	<b>-</b>	<b>240</b>	<b>-</b>	<b>240</b>	<b>10</b>

During the period ended 30 September 2020, an exposure of US\$ 5,021 thousand and related allowance for credit losses of US\$ 10 thousand moved from stage 1 to stage 2.

The maturities of these investments range from 1 to 7 years and the effective profit rate on these investments range between 4.0 % to 5.3 % per annum (31 December 2019: 4.0 % to 5.3 % per annum).

**6 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>30 September</i> <i>2020</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>US\$ '000</i>
Cost	31,963	31,963
Accumulated depreciation and impairment (see note below)	(8,723)	(6,097)
	<b>23,240</b>	<b>25,866</b>

An impairment provision of US\$ 2,000 thousand has been recognised against the carrying value of Head Office building during the current period (2019: US\$ Nil).

During the period ended 30 September 2020, the depreciation method has been changed from the straight line method to the double declining method which resulted in an increase in the depreciation charge of USD 158 thousand for the current period and is expected to result in further additional depreciation charge for the next quarter amounting to USD 152 thousand and an additional depreciation charge of USD 543 thousand next year. The change in depreciation method from the previously used straight line method to the double declining method is expected to result in increased depreciation charge in the next few years with a reduction in annual depreciation charge for the rest of the useful life of the Head Office building.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

**7 NET ALLOWANCE FOR CREDIT LOSSES**

The impairment allowance (charged) reversed in the statement of income is as follows:

	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>	
	<b>2020</b>	<b>2019</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Mudaraba receivables	-	1
Financing receivables	(560)	(2)
Investment in sukuk	(230)	1
	<b>(790)</b>	<b>-</b>

**8 SHARE CAPITAL**

	<i>Reviewed</i> <b>30 September</b> <b>2020</b> <b>US\$ '000</b>	<i>Audited</i> <i>31 December</i> <b>2019</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 (2019: 59,038,875) ordinary shares of US\$ 1 (2019: US\$ 1) each	<b>59,039</b>	59,039

**9 INCOME FROM INVESTMENT IN SUKUK**

	<i>Reviewed</i> <i>Three months ended</i> <i>30 September</i>		<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Income from sukuk	<b>195</b>	201	<b>584</b>	1,218
Loss on sale of sukuk	-	(26)	-	(984)
	<b>195</b>	175	<b>584</b>	234

**10 OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Reviewed</i> <i>Three months ended</i> <i>30 September</i>		<i>Reviewed</i> <i>Nine months ended</i> <i>30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Legal and professional fees	<b>60</b>	70	<b>189</b>	262
Premises expenses	<b>54</b>	51	<b>155</b>	151
Others	<b>103</b>	167	<b>295</b>	468
	<b>217</b>	288	<b>639</b>	881

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

## 11 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> 30 September 2020			<i>Audited</i> 31 December 2019		
	<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	-	124	124	-	138	138
<b>Liabilities</b>						
Staff payables	787	-	787	743	-	743
Other liabilities	166	-	166	208	-	208

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

	<i>Reviewed</i> 30 September 2020			<i>Reviewed</i> 30 September 2019		
	<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>Income</b>						
Income from						
in investments sukuk	-	-	-	-	90	90
Return to short term sukuk investors and banks	-	-	-	-	25	25
<b>Expenses</b>						
Staff costs	377	-	377	1,478	-	1,478
General and administrative expenses	184	-	184	228	-	228

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

**11 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>Nine months ended</i> <i>30 September</i>	
	<b>2020</b>	<b>2019</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Salary and other benefits	<b>377</b>	1,478

**12 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 30 September 2020 and 31 December 2019:

	<i>Reviewed</i> <i>30 September 2020</i>		<i>Audited</i> <i>31 December 2019</i>	
	<i>Level 2</i>	<i>Total</i>	<i>Level 2</i>	<i>Total</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	4,650	4,650	4,650	4,650
	<b>4,650</b>	<b>4,650</b>	4,650	4,650

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 27 thousand (31 December 2019: US\$ 41 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 5).

Except as disclosed in note 5 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 2020 and 31 December 2019.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

## 13 SEGMENTAL INFORMATION

## (a) Industry sector

The industrial distribution of the Group's assets and liabilities 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>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	3,525	-	-	5	-	3,530
Investment in sukuk	-	11,551	-	5,021	(240)	16,332
Investment in equities and funds	-	-	4,677	-	-	4,677
Equipment	-	-	-	142	-	142
Other assets	-	327	219	317	-	863
Investment in real estate	-	-	23,240	-	-	23,240
<b>Total assets</b>	<b>3,525</b>	<b>11,878</b>	<b>28,136</b>	<b>5,485</b>	<b>(240)</b>	<b>48,784</b>
<b>Liabilities</b>						
Staff payables	-	-	-	1,342	-	1,342
Other liabilities	-	44	-	375	-	419
<b>Total liabilities</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>1,717</b>	<b>-</b>	<b>1,761</b>

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>US\$ '000</i>
<b>Income</b>						
income from:						
Investment in sukuk	-	391	-	193	-	584
Due from banks and Murabaha receivables	11	-	-	-	-	11
Investment banking fees	-	-	244	7	-	251
Ijarah income	-	613	-	378	-	991
Other income	-	160	-	267	-	427
<b>Total (loss) income</b>	<b>11</b>	<b>1,164</b>	<b>244</b>	<b>845</b>	<b>-</b>	<b>2,264</b>
<b>Expenses</b>						
Staff costs	-	-	-	739	-	739
Depreciation	-	-	-	630	-	630
Other general and administrative expenses	8	83	-	548	-	639
<b>Total expenses</b>	<b>8</b>	<b>83</b>	<b>-</b>	<b>1,917</b>	<b>-</b>	<b>2,008</b>
Net allowance for credit losses	560	-	-	230	-	790
Impairment provision on investments (including investment in real estate)	-	-	1,986	-	-	1,986

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

## 13 SEGMENTAL INFORMATION (continued)

## (a) Industry sector (continued)

The industrial distribution of the Group's assets and liabilities as of 31 December 2019 is as follows:

	<i>Audited</i>					
	<i>31 December 2019</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	2,222	-	-	11	-	2,233
Due from banks	1,000	-	-	-	-	1,000
Financing receivables	2,800	-	-	-	(2,240)	560
Investment in sukuk	-	11,547	-	5,023	(10)	16,560
Investment in equities and funds	-	-	4,691	-	-	4,691
Equipment	-	-	-	135	-	135
Other assets	-	209	5	174	-	388
Investment in real estate	-	-	25,866	-	-	25,866
<b>Total assets</b>	<b>6,022</b>	<b>11,756</b>	<b>30,562</b>	<b>5,343</b>	<b>(2,250)</b>	<b>51,433</b>
<i>Liabilities</i>						
Staff payables	-	-	-	1,254	-	1,254
Other liabilities	-	42	-	594	-	636
<b>Total liabilities</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>1,848</b>	<b>-</b>	<b>1,890</b>

The industrial distribution of the Group's income and expenses as of 30 September 2019 is as follows:

	<i>Reviewed</i>					
	<i>30 September 2019</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>						
(Loss) Income from:						
Investment in sukuk	(308)	406	91	45	234	
Investment in equities and funds	42	-	47	-	89	
Due from banks and Murabaha receivables	132	-	-	-	132	
Financing receivables	19	-	-	-	19	
Mudaraba receivables	16	-	-	-	16	
Less: Return to short term sukuk investors and banks	(823)	-	-	-	(823)	
Investment banking fees	-	-	206	9	215	
Ijarah income	-	610	-	363	973	
Foreign exchange loss	(1)	-	-	-	(1)	
Other income	-	-	-	2	2	
<b>Total income</b>	<b>(923)</b>	<b>1,016</b>	<b>344</b>	<b>419</b>	<b>856</b>	
<i>Expenses</i>						
Staff costs	-	-	-	2,049	2,049	
Depreciation	-	-	-	533	533	
Other general and administrative expenses	17	30	-	834	881	
<b>Total expenses</b>	<b>17</b>	<b>30</b>	<b>-</b>	<b>3,416</b>	<b>3,463</b>	
Impairment recoveries on investments - net	-	-	48	-	48	

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

## 13 SEGMENTAL INFORMATION (continued)

## (b) Geographic sector

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

	<i>Reviewed</i>				<i>Total</i>
	<i>30 September 2020</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	594	-	2,936	-	3,530
Investment in sukuk	11,551	5,021	-	(240)	16,332
Investment in equities and funds	4,650	27	-	-	4,677
Equipment	142	-	-	-	142
Other assets	756	103	4	-	863
Investment in real estate	23,240	-	-	-	23,240
<b>Total assets</b>	<b>40,933</b>	<b>5,151</b>	<b>2,940</b>	<b>(240)</b>	<b>48,784</b>
<b>Liabilities</b>					
Staff payables	1,342	-	-	-	1,342
Other liabilities	419	-	-	-	419
<b>Total liabilities</b>	<b>1,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,761</b>

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

	<i>Reviewed</i>				<i>Total</i>
	<i>30 September 2020</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 (loss) from:					
Investment in sukuk	391	193	-	-	584
Due from banks and Murabaha receivables	11	-	-	-	11
Investment banking fees	214	37	-	-	251
Ijarah income	991	-	-	-	991
Other income	427	-	-	-	427
<b>Total income (loss)</b>	<b>2,034</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>2,264</b>
<b>Expenses</b>					
Staff costs	739	-	-	-	739
Depreciation	630	-	-	-	630
Other general and administrative expenses	604	-	35	-	639
<b>Total expenses</b>	<b>1,973</b>	<b>-</b>	<b>35</b>	<b>-</b>	<b>2,008</b>
Net allowance for credit losses	-	790	-	-	790
Impairment provision on investments (including investment in real estate)	2,000	(14)	-	-	1,986

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

**13 SEGMENTAL INFORMATION (continued)****(b) Geographic sector (continued)**

The geographical distribution of the Group's assets and liabilities as of 31 December 2019 is as follows:

	<i>Audited</i>				<i>Total</i>
	<i>31 December 2019</i>				
	<i>Kingdom of</i>	<i>Other GCC</i>	<i>Others</i>	<i>ECL</i>	
	<i>Bahrain</i>	<i>countries</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	417	-	1,816	-	2,233
Due from banks	1,000	-	-	-	1,000
Financing receivables	-	2,800	-	(2,240)	560
Investment in sukuk	11,547	5,023	-	(10)	16,560
Investment in equities and funds	4,650	41	-	-	4,691
Equipment	135	-	-	-	135
Other assets	342	43	3	-	388
Investment in real estate	25,866	-	-	-	25,866
<b>Total assets</b>	<b>43,957</b>	<b>7,907</b>	<b>1,819</b>	<b>(2,250)</b>	<b>51,433</b>
<i>Liabilities</i>					
Staff payables	1,254	-	-	-	1,254
Other liabilities	636	-	-	-	636
<b>Total liabilities</b>	<b>1,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,890</b>

The geographical distribution of the Group's income and expenses as of 30 September 2019 is as follows:

	<i>Reviewed</i>			
	<i>30 September 2019</i>			
	<i>Kingdom of</i>	<i>Other GCC</i>	<i>Others</i>	<i>Total</i>
	<i>Bahrain</i>	<i>countries</i>		
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Income</i>				
(Loss) Income from:				
Investment in sukuk	408	(55)	(119)	234
Investment in equities and funds	46	1	42	89
Due from banks and Murabaha receivables	88	-	44	132
Financing Receivables	-	19	-	19
Mudaraba receivables	16	-	-	16
Less: Return to short term sukuk investors and banks	(270)	(25)	(528)	(823)
Investment banking fees	215	-	-	215
Ijarah income	973	-	-	973
Other income	(1)	-	-	(1)
Foreign exchange loss	2	-	-	2
<b>Total income</b>	<b>1,477</b>	<b>(60)</b>	<b>(561)</b>	<b>856</b>
<i>Expenses</i>				
Staff costs	2,049	-	-	2,049
Depreciation	533	-	-	533
Other general and administrative expenses	835	-	46	881
<b>Total expenses</b>	<b>3,417</b>	<b>-</b>	<b>46</b>	<b>3,463</b>
Impairment recoveries on investments - net	-	48	-	48

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS

At 30 September 2020

**14 GOVERNMENT GRANT**

Government assistance amounting to USD 160 thousand is recorded in profit or loss during the current period as the Bank had no modification losses to be recorded in equity (in line with note 2). The amount was recorded as other income in the interim statement of profit or loss.

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

Liquidity Management Centre B.S.C. (c)  
**SUPPLEMENTARY FINANCIAL INFORMATION**

At 30 September 2020

**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.

The abovementioned measures have had the following effects upon the Group:

Due to the Bank's current situation the Bank is not require 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 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 further expected credit losses allowances (ECL) to the Sukuk investments.
- 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 real estate investments based on market reviews issued by the relevant asset managers and specialized real estate advisory professionals. 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 impairment provisioning 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.
- 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

Financial summary of net impact on the Group's financial results: -

		Net Impact on the consolidated statement of Income	Net Impact on the consolidated statement of financial position
		US\$ '000	US\$ '000
Impairment provision on investment in real estate		(2,000)	(2,000)
ECL Allowances		(230)	(230)
General & Admin expenses		(1)	
Capital Exensitures		-	11
Government Support		160	-
<b>Total</b>		<b>(2,071)</b>	<b>(2,219)</b>

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.