

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)

SHARI'AH SUPERVISORY BOARD REPORT,
REPORT OF THE BOARD OF DIRECTORS,
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)

Information about the Bank

Commercial Registration Number

49092-1

Chairman

Mr. Mohamed Al Sharif

Board of Directors

Dr. Adnan Chilwan
Mr. Ameer A.Ghani
Mr. Khalid Al Shami
Dr. Mohamed Chatti
Mr. Ali Mamoun
Ms. Fatema Al Alawi (Appointed 7th of May 2025)
Mr. Rashid Al Zayani (Appointed 7th of May 2025)
Mr. Amer Sadeq (Resigned 2nd Feb 2025)

Acting Chief Executive Officer

Mr. Bader Al Abbasi

Registered Office

Flat 1
Building 852
3618 Road 2831
Block 436
Manama – Al Seef
Kingdom of Bahrain

Principal Bankers

Bahrain Islamic Bank B.S.C
Khaleeji Bank B.S.C

Auditor

Deloitte & Touche – Middle East
P.O. Box 421
Manama
Kingdom of Bahrain

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)

CONTENTS

	<u>Page(s)</u>
Shari'ah Supervisory Board report	1 to 2
Board of Directors' report	3 to 5
Independent auditor's report	6 to 8
Statement of financial position	9
Statement of income	10
Statement of changes in owners' equity	11
Statement of cash flows	12
Notes to the financial statements	13 to 44

In the name of Allah, the most compassionate and the most merciful
SHARI'A SUPERVISORY BOARD
On the Liquidity Management Centre activities for the year ended on 31st December, 2025

To M/s: The stakeholders of Liquidity Management Centre B.S.C. (Closed)

Thanks to all mighty Allah and prayers and peace be upon our last prophet Mohammed and his relatives and comrades.

Based on the standard principles and the assigning of Fatwa and Shari'a Supervisory Board to supervise the group's activities and investments, the Fatwa and Sharia'a Supervisory Board present's the following report:

1. Fatwas and Resolutions:

The Board has answered the queries and questions received from the group's management, and accordingly, the Board issued the suitable fatwas and resolutions required, which the group abided to eventually.

2. Structured Finance and Documents Preparation:

The Board reviews and approves all of the group's structured financing related transactions documents and contracts as and when submitted within the said year.

3. Approval of amendments to Sukuk & Syndicated Facilities:

The Board reviews and approves the group's preparations /co- preparations for any amendments to investment sukuk and syndicated facilities as and when submitted within the said year.

4. Compliance and Legislative Auditing:

The Board legislatively reviews any transaction submitted within the said year and provides their necessary comments accordingly.

5. Reviewing the Balance Sheet:

The Board has reviewed the group's balance sheet, the related statements and detailed notes. Accordingly, the board concluded that this balance sheet, based on the data and information provided by the group's management truly represents the group's assets and income.

6. Zakat:

The management is not authorized to pay the Zakat on behalf of the shareholders, and as such the responsibility for payment of the Zakat lies with the shareholders in accordance with the Zakat calculation approved by the Sharia Supervisory Board, which is USD 0.012 per share.

7. The Board Overall Conclusion:

The Board confirm that the group has abided towards the compliance of shari'a and committing on executing the Boards' fatwas within all the group's activities, and based on the received transactions, collected data, commenting and truthful response by the group in terms of abiding to the Board comments, the Board according to it's authorization has concluded that the group's accomplished activities and transactions within the said year are in total compliance with Islamic sharia'a terms as well as the Board's fatwas.

We all to call Allah the almighty to realize for us the right guidance and the good achievements as he likes and accepts,

Peace is upon all of you, as well as God's mercy and blessings.



Sayed Mohamed Muheedin Mohamed Abduljalil

Shari'a Supervisory Board Member

In the name of Allah, the Most Compassionate, the Most Merciful, Praise be to Allah who takes all things towards perfection; Prayers and peace be upon Mohammed, His Last Prophet.

On behalf of the Board of Directors of Liquidity Management Centre B.S.C. (c) ("**LMC**" or the "**Bank**"), I am pleased to present the Report of the Board of Directors for the year ended 31st December 2025.

2025 RESULTS AND PERFORMANCE

In 2025, the global economy experienced a slower growth rate, marked by geopolitical tensions. Nevertheless, growth in the Gulf Cooperation Council (GCC) countries remained remarkably resilient.

Bahrain's economy in 2025 maintained positive momentum with a projected real GDP growth of 2.7%, driven by a robust non-oil sector expanding by over 3%. While oil sector activities saw a decline, diversification efforts spurred growth in financial services, manufacturing, and tourism. Inflation remains low, and the banking sector remains strong.

The positive results were further outperformed in 2025 and the Bank posted a net income of USD 2.04 million with a notable 41% increase compared to 2024. The Bank continued its aggressive management of recoveries and remedials. Furthermore, the wise and prudent guidance of the Board of Directors towards managing the Bank's financial position and enhancing financial performance was key to achieving the results.

Furthermore, in line with the Shareholders resolution at the Extraordinary General Meeting ("EGM") held on 27th April 2020 to convert the Bank's Wholesale Islamic Banking License to a Bahraini Shareholding Company subject to the Central Bank of Bahrain ("CBB") approval, the Bank is continuing to take large steps towards the de-regulation process.

We expect 2026 to be another challenging year for the Bank which is currently undergoing the de-regulation process. However, despite the scaling down of activities, with the dedication of the management team together with the prudence of my fellow Board of Directors, we look forward to another positive year.

In closing, on behalf of the Board of Directors, I would like to thank the Government of the Kingdom of Bahrain represented by the Central Bank of Bahrain and Ministry of Industry and Commerce for their continued commitment and support to the Islamic banking sector in general and to LMC in particular.

Finally, I would also like to thank the management and the staff of the Bank, for their outstanding dedication during the challenging conditions presented during the course of 2025.

Allah the Almighty is the Purveyor of all Success.

First: Board of Directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance	
	Remunerations of the chairman and BOD ³	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total				
First: Independent Directors 1:														
Second: Non-Executive Directors 2:														
Third: Executive Directors:														
1- Mohamed Saeed Alsharif	8,483	8,106	-	-	16,588.000	-	-	-	-	-	-	-	16,588.000	-
2- Dr. Adnan Chiwan	5,655	11,122	-	-	16,776.500	-	-	-	-	-	-	-	16,776.500	-
3- Khalid Al Shami	5,655	8,671	-	-	14,326.000	-	-	-	-	-	-	-	14,326.000	-
4- Rashid Al Zayani	5,655	3,393	-	-	9,048.000	-	-	-	-	-	-	-	9,048.000	-
5- Ali Mamoun Ibrahim	5,655	5,278	-	-	10,933.000	-	-	-	-	-	-	-	10,933.000	-
6- Dr. Mohamed Ali Chatti	5,655	6,409	-	-	12,064.000	-	-	-	-	-	-	-	12,064.000	-
7- Ameer Abdulghani Shaban	5,655	8,294	-	-	13,949.000	-	-	-	-	-	-	-	13,949.000	-
8- Fatema Al Alawi	5,655	2,828	-	-	8,482.500	-	-	-	-	-	-	-	8,482.500	-
Total	48,067,500	54,099,500			102,167,000								102,167,000	

Note: All amounts must be stated in Bahraini Dinars.

¹ The Bank does not have any independent directors

² The Bank does not have any Non-Executive directors

³ Subject to AGM and Regulatory approval



Mohamed Al Sharif
Chairman

Second: Executive management remuneration details:

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO* and senior Financial Officer **	140,266.800	13,123.450		153,390.250

Note: All amounts stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director ...etc.).

** The company's highest financial officer (CFO, Financial Directors, ...etc.)



Mohamed Al Sharif
Chairman



Deloitte & Touche
Middle East
United Tower, Bahrain Bay
Manama P.O. Box 421
Kingdom of Bahrain

Tel: +973 13119930
Fax: +973 17214550
www.deloitte.com
C.R 18670

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Liquidity Management Centre B.S.C. (c)
Manama, Kingdom of Bahrain

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Liquidity Management Centre B.S.C. (c) ("the Bank") which comprise the statement of financial position as at December 31, 2025 and the related statement of income, cash flows and changes in owners' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025, and the results of the operations, its cash flows and changes in owners' equity for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Bank has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Bank during the year ended December 31, 2025.

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial Statements* section of our report. We are independent of the Bank in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI Code) together with the other ethical requirements that are relevant to our audit of the Bank's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information consists of the Board of Directors' report and the Shari'ah Supervisory Board report which we obtained prior to the date of this auditor's report. The Board of Directors is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement, of this other information, we are required to report the fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Board of Directors for the financial statements

These financial statements and the Bank's undertaking to operate in accordance with the Islamic Shari'ah Rules and Principles are the responsibility of the Bank's Directors.

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the FAS issued by AAOIFI, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on legal and regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 2), we report that:

- a) the Bank has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements;
- c) Except for the matter described below, we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives or the terms of the Bank's memorandum and articles of association during the year ended December 31, 2025 that might have had a material adverse effect on the business of the Bank or on its financial position.
 - The total owners' equity of the Bank as at December 31, 2025 was less than USD 100 million which is a non-compliance with the requirements of the CBB's Rule Book (Volume 2 – Licensing Requirement Module – LR-2.5.2B).
- d) satisfactory explanations and information have been provided to us by Directors in response to all our requests.

Deloitte & Touche

Deloitte & Touche – Middle East
Partner Registration No. 261
Manama, Kingdom of Bahrain

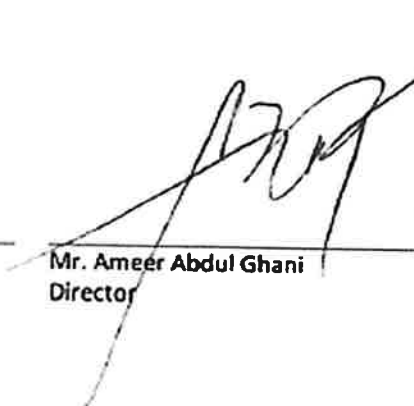
February 25, 2026

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	Note	December 31, 2025 USD '000	December 31, 2024 USD '000
Assets			
Cash and balances with banks		791	451
Due from banks	3	-	7,288
Investment in sukuku	4	27,732	18,425
Investment in equities and funds	4	4,906	4,906
Investment in real estate	5	19,421	19,421
Equipment		8	29
Other assets	6	562	889
Total assets		53,420	51,409
Liabilities and owners' equity			
Liabilities			
Staff payables		803	803
Other liabilities	7	1,099	1,128
Total liabilities		1,902	1,931
Owners' equity			
Share capital	8(a)	59,039	59,039
Reserves	8(b)	7,027	6,823
Accumulated losses		(14,548)	(16,384)
Total owners' equity		51,518	49,478
Total liabilities and owners' equity		53,420	51,409

The financial statements were approved by the Board of Directors on February 15, 2026 and signed on its behalf by:


 Mr. Mohamed Al Sharif
 Chairman


 Mr. Ameer Abdul Ghani
 Director


 Mr. Bader Al Abbasi
 Acting Chief Executive Officer

The attached notes form an integral part of these financial statements

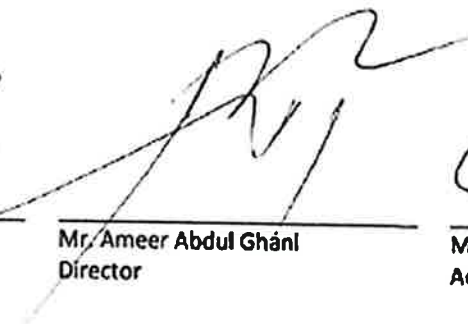
LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 USD' 000	2024 USD '000
Income			
Income from:			
Investment in sukuks	9	1,410	379
Due from banks		95	957
		<u>1,505</u>	<u>1,336</u>
Investment banking fees	10	602	50
Rental income	11	1,207	1,320
Other income - net	12	66	50
Total operating income		<u>3,380</u>	<u>2,756</u>
Expenses			
Staff costs	13	(579)	(683)
Depreciation		(22)	(28)
General and administrative expenses	14	(735)	(1,377)
Total operating expenses		<u>(1,336)</u>	<u>(2,088)</u>
Net Income for the year before expected credit losses and fair value gain on investment in funds			
		2,044	668
Expected credit losses (charge) / reversal, net	15	(4)	167
Fair value gain on investment in funds		-	613
Net Income for the year		<u>2,040</u>	<u>1,448</u>

The financial statements were approved by the Board of Directors on February 15, 2026 and signed on its behalf by:



Mr. Mohamed Al Sharif
Chairman



Mr. Ameer Abdul Ghani
Director



Mr. Bader Al Abbasi
Acting Chief Executive Officer

The attached notes form an integral part of these financial statements

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

	Share capital	Statutory reserve	General reserve	Total Reserves	Accumulated losses	Total owners' equity
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Balance as at January 1, 2025	59,039	4,597	2,226	6,823	(16,384)	49,478
Net income for the year	-	-	-	-	2,040	2,040
Transfer to statutory reserve	-	204	-	204	(204)	-
Balance as at December 31, 2025	<u>59,039</u>	<u>4,801</u>	<u>2,226</u>	<u>7,027</u>	<u>(14,548)</u>	<u>51,518</u>
Balance as at January 1, 2024	59,039	4,452	2,226	6,678	(17,687)	48,030
Net income for the year	-	-	-	-	1,448	1,448
Transfer to statutory reserve	-	145	-	145	(145)	-
Balance as at December 31, 2024	<u>59,039</u>	<u>4,597</u>	<u>2,226</u>	<u>6,823</u>	<u>(16,384)</u>	<u>49,478</u>

* As at December 31, 2025 and December 31, 2024 accumulated losses include USD 2,175K related to undistributed profits (unrealised gain) from the investments at fair value through statements of income.

The attached notes form an integral part of these financial statements

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

	Notes	2025 USD' 000	2024 USD' 000
Cash flows from operating activities			
Net income for the year		2,040	1,448
Adjustments for non-cash items:			
Depreciation		22	28
Amortisation of discount on investment		(54)	(12)
Charge / (reversal) for expected credit losses – net	15	4	(167)
Unrealized fair value from investments		-	(613)
Other income		(66)	(50)
(Gain) / loss on sale of Investment in Sukuks		(139)	45
Operating profit before changes in operating assets and liabilities		1,807	679
<i>Changes in working capital:</i>			
Due from banks – original maturities of more than 90 days		7,289	2,711
Other assets		327	(320)
Staff payables		-	6
Other liabilities		(29)	619
Purchase of Sukuk		(13,658)	(10,998)
Sale proceeds of investments at amortised cost		4,539	3,900
Net cash flows generated from / (used in) operating activities		275	(3,403)
Cash flows from investing activities			
Other income		66	50
Purchase of equipment		(1)	-
Net cash flows generated from investing activities		65	50
Net decrease in cash and cash equivalents		340	(3,353)
Cash and cash equivalents at January 1,		451	3,804
Cash and cash equivalents at December 31,		791	451

The attached notes form an integral part of these financial statements

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

1. GENERAL INFORMATION

Liquidity Management Centre B.S.C. (c) (the "Bank") is a closed joint stock entity incorporated in the Kingdom of Bahrain on July 30, 2002 under Commercial Registration number 49092. The Bank operates under a 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 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'ah principles where IFSI can invest their surplus liquidity.
- Providing short-term investment opportunities based on Islamic Shari'ah principles.

The Bank's total equity as at December 31, 2025 is USD 51.518 million (2024: 49.478 million) which is less than the minimum capital requirement of USD 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 April 27, 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. The Bank has been granted an extension in this regard by the CBB until December 31, 2025 and has also requested an extension until December 31, 2026.

The financial statements were approved for issue by the Board of Directors on February 25, 2026.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), the Islamic Sharia rules and principles as determined by the Shari'ah Supervisory Board of the Bank, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB regulations (Volume 2 and applicable provision of Volume 6 of the CBB Rule Book) and CBB Directives, In accordance with the requirements of AAOIFIs. For matters which are not covered by AAOIFI standards, the Bank uses relevant International Financial Reporting Standards (IFRS Accounting standards) ("IFRSs") as issued by the International Accounting Standards Board (the "IASB") so far as those requirements do not contravene with Shari'ah requirements.

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Statement of compliance

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

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

2.2 New and amended standards and interpretations adopted by the Bank

Adoption of new and amended standards and interpretations

(i) FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model.

This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after January 1, 2025 with an option to early adopt.

There was no significant impact on the Bank upon adoption of this standard.

(ii) FAS 43 Accounting for Takaful Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Insurance Companies; FAS 15 – Provisions and Reserves in Islamic Insurance Companies and FAS 19 – Contributions in Islamic Insurance Companies.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after January 1, 2025 with an option to early adopt.

There was no significant impact on the Bank upon adoption of this standard.

2.3 New Standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI issued FAS 45 "Quasi - Equity (Including Investment Accounts)" in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as Quasi - Equity, such as investment accounts and similar instruments invested with Islamic financial institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Management does not expect the above accounting standard to have an impact on the financial statements of the Bank.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI issued FAS 46 "Off - Balance - Sheet Assets Under Management" in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Management does not expect the above accounting standard to have an impact on the financial statements of the Bank.

FAS 47: Transfer of Assets Between Investment Pools

AAOIFI issued FAS 47 "Transfer of Assets between Investment Pools" in 2023. The objective of this standard is to establish the principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Management does not expect the above accounting standard to have an impact on the financial statements of the Bank.

FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) Promotional Gifts, where entitlement to gifts is declared instantly; b) Promotional Prizes, that are accounted in advance to be awarded at a future date and c) Loyalty Programs, where the obligation is accumulated over the period. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Management does not expect the above accounting standard to have an impact on the financial statements of the Bank.

FAS 49: Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 on 19 December 2024. This standard outlines the principles governing financial reporting for the institutions applying AAOIFI FASs operating in hyperinflationary economies, duly considering the relevant Shari'a principles and rules and their unique business models. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption encouraged.

FAS 50: Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

AAOIFI has issued FAS 50 on 24 December 2024. This standard supersedes the earlier FAS 14 "Investment Funds." This standard sets out the principles of financial reporting for Islamic Investment Institutions ("IIs") particularly prescribing overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilitates truthful and fair presentation in line with Shari'a principles and rules. This standard shall be effective on the annual financial statements of an Islamic Investment Institution on or after 1 January 2027. The Management does not expect the above accounting standard to have an impact on the financial statements of the Bank.

2.4 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below:

a) Financial contracts

Financial contracts consist of cash and balances with banks, due from banks, financing receivables, sukuks and investment in equities and funds. Balances relating to these contracts except equity type investments are stated net of allowance for credit losses.

b) Impairment assessment

Credit losses approach

The Bank recognises credit losses allowances based on a forward looking Expected Credit Loss (ECL) approach for all established Islamic financing contracts, Sukuk investments and Off-balance sheet exposures.

The Bank categorises its assets subject to credit losses into the following three stages in accordance with the FAS 30 methodology:

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

- Stage 1 – Performing assets: asset(s) that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months ECL;
- Stage 2 – Underperforming assets: asset(s) that have significantly deteriorated in credit quality since origination. The credit losses is recorded based on life time ECL; and
- Stage 3 – Impaired assets: For asset(s) that are impaired, the Bank recognises the impairment allowance based on life time ECL.

The Bank considers forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information includes elements such as macroeconomic factors (e.g. GDP growth, government spending and national savings) and economic forecasts obtained through internal and external sources. To evaluate a range of possible outcomes, the Bank formulates various scenarios. For each scenario, the Bank derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

Measurement of ECL

The Bank has adopted the general approach to calculate expected credit loss (ECL). The ECL amount will be computed as the unbiased and probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. Credit losses under the general approach are computed from individual risk parameters i.e. probability of default (PD), loss given default (LGD) and exposure at default (EAD). The guiding principle of the ECL model is to reflect the general pattern of changes in the credit quality of a financial instrument.

The objective of calculating impairment through the ECL model is to recognise 12 month expected credit losses for financial instruments which exhibit stable credit quality (Stage 1) and lifetime expected credit losses for financial instruments for which there has been a significant increase in credit quality since initial recognition (Stage 2 and Stage 3).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

Definition of default

The Bank's definition of default is aligned with regulatory guidelines and internal credit risk management practices. Defaulted facilities are under Stage 3 and a specific provision will be recognised against all such assets.

Probability of default

Probability of default (PD) is a key risk parameter in the ECL calculations. It is defined as the likelihood that a counterparty will not be able to meet its debt obligations in the future. A 12 months marginal PD is applied for all Stage 1 assets and a lifetime PD is applied for all Stage 2 assets. PD reflects the Bank's view of the future asset quality and is an unbiased estimate so as to not include any optimism or conservatism. A "point-in-time" PD (PIT PD) estimate which reflects forecasted macroeconomic conditions is used for ECL calculation purposes.

Loss Given Default

Loss given default (LGD) is defined as the forecasted economic loss in case of default. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

Due to the size of the Bank's portfolio, there is insufficient historical LGD data to derive statistically reliable LGD estimates. The Bank shall therefore use Basel regulatory guidelines as a starting point to arrive at the LGD percentage for unsecured exposures, furthermore the exposures will be assessed individually and according to the underlying collateral value. Going forward, subject to availability of adequate default data, the Bank shall revise LGD estimation methodology to derive Bank specific LGD.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

Exposure At Default

Exposure at default (EAD) is an estimation of the extent that the Bank may be exposed to an obligor in the event of default. The estimation of EAD takes into account any expected changes in the exposure after the assessment date. This is of particular importance in the case of Stage 2 assets where the point of default may be several years in the future. EAD in the case of facilities with no limits is the outstanding exposure which will be calculated as principal plus profit less contractual prepayments.

The outstanding exposure will also include undisbursed commitments, except where the terms of the contract clearly state that such commitments are cancellable for any reason, the committed amounts for such arrangements will not be considered as EAD.

Period of exposure

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 assets for which lifetime ECLs are to be calculated).

The maximum period over which ECL is computed correspond to the maximum contractual period of a facility commitment. However, for certain financial instruments, the maximum period over which ECL is computed over a period that the Bank is exposed to credit risk even if that period extends beyond the maximum contractual period.

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial contract has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due and risk rating.

Backward transition

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). However, movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1.

Impairment approach

The Bank recognises impairment losses on all investment assets and exposures subject to credit risk, other than investments carried at fair value through statement of income.

The impairment losses are measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use.

c) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash and balances with banks and amounts due from banks with original maturities of 90 days or less.

d) Due from banks

These comprise wakala contracts, which are trade transaction agreements stated at cost net of deferred profit and provision for impairment.

e) Investments

These are classified as either equity type instruments carried at fair value through the statement of income or fair value through equity or debt type instruments carried at amortised cost.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

Initial recognition

All investments are recognised on the acquisition date and are recognised initially at their fair value plus transaction costs, except for investments carried at fair value through the statement of income. Transaction costs relating to investments carried at fair value through the statement of income are charged to the statement of income when incurred.

Equity type instruments carried at fair value through the statement of income

Investments held for trading and designated at fair value through the statement of income are subsequently remeasured at fair value. All related realised and unrealised gains or losses are reported in the statement of income.

Equity type instruments carried at fair value through equity

Investments designated at fair through equity are subsequently remeasured at fair value and the resultant fair value gain or loss is directly reported in equity under 'investment fair value reserve' until the investment is sold, realised or deemed to be impaired, at which time the realised gain or loss is reported in the statement of income.

Losses arising from impairment of such investments are recognised in the statement of income in "impairment losses" and removed from the investment fair value reserve. Impairment losses recognised in the statement of income for an equity instrument classified as fair value through equity are not reversed through the statement of income.

Debt type instruments carried at amortised cost

These instruments are managed on a contractual yield basis and are not held for trading and have not been designated at fair value through the statement of income. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is de-recognised or impaired.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, Investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the statement of changes in owners' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the statement of income. If there are unrealised losses that have been recognised in the statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the statement of income to the extent of crediting back such previous losses in the statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the statement of income.

f) Fair value

Fair value is determined for each investment individually in accordance with the valuation policies set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Bank using current profit rates for investments with similar terms and risk characteristics.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for any impairment.

g) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legal or religious enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

h) Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset have expired;

(ii) the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

(iii) the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

i) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

j) Revenue recognition

Income from investments and due from banks

Income is recognised on a time-apportioned basis over the period of the investment. Income that is 90 days or more overdue is suspended until it is received in cash.

Dividend income

Dividends are recognised when the right to receive payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the Rental terms.

Investment banking fees

These comprise fees for structuring, arranging and underwriting deals. Investment banking fees are recognised when the services are provided and income is earned. This is usually when the Bank has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Bank. Significant acts in relation to a transaction are determined based on the terms agreed in the private placement memorandum/contracts for each transaction.

k) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into US Dollars at the rate of exchange ruling at the reporting date. All differences are taken to the statement of income.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

l) Zakah

In accordance with its Articles of Association, the Bank is not required to pay Zakah on behalf of its shareholders.

m) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank.

n) Employees' end of service benefits

Provision is made for employees' end-of-services benefits payable under the Bahrain Labour Law applicable to employees' accumulated periods of service and their latest entitlements to salaries at the reporting date.

For Bahraini employees, the Bank makes contributions to the Social Insurance Organisation (SIO), calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due.

With effect from March 2024, employers are required to remit the amount of end of service benefit of expatriate employees applicable to each month, based on the month's salary, to the SIO. Upon cessation of employment, employees will receive the amounts so remitted directly from the SIO and the balance, if any, will be paid by the employers.

o) Earnings prohibited by Shari'ah

The Bank is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Bank uses these funds for various social welfare activities.

p) Dividends

Dividends to shareholders are recognised as a liability when they are approved by the shareholders.

q) Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

2.5 Estimates and judgements

In the process of applying the Bank's accounting policies, management has made estimates and judgements in determining the amounts recognised in financial statements. The most significant use of estimates and judgements are as follows:

Expected Credit losses

In determining impairment on financial assets, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contract has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses ("ECL").

Impairment of fair value through equity investments

The Bank treats fair value through equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of significant or prolonged decline and other objective evidence involves judgment. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities, the future cash flows and the present value calculation factors for unquoted equities.

Liquidity

The Bank manages its liquidity through consideration of the maturity profile of its assets and liabilities which is set out in the liquidity risk disclosures in note 17 (b). This requires judgment when determining the maturity of assets and liabilities with no specific maturities.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

2.6 Shari'ah supervisory Board

The Bank's Shari'ah Supervisory Board consists of three members appointed by the general assembly. They review the Bank's compliance with general Shari'ah principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with Islamic Shari'ah principles.

3. DUE FROM BANKS

	2025	2024
	USD' 000	USD' 000
Wakala contract (original maturity of 3 months or less)	-	-
Wakala contracts (original maturities of more than 3 months)	-	7,289
Less: Allowance for credit losses	-	(1)
	-	7,288

The movement for allowance for expected credit losses during the year is as follows:

	2025	2024
	USD '000	USD '000
Opening balance	1	5
Reversal of allowance for expected credit losses (note 15)	(1)	(4)
Closing balance	-	1

4. INVESTMENTS

	December 31, 2025		
	Amortised cost	Fair value through the statement of income	Total
	USD' 000	USD' 000	USD' 000
Debt type			
Quoted investments - Investment in sukus	27,750	-	27,750
Equity type			
Unquoted investments - Investment in equities and funds	-	4,906	4,906
	27,750	4,906	32,656
Allowance for credit losses	(18)	-	(18)
Fair value movement	-	-	-
At December 31, 2025	27,732	4,906	32,638

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

	December 31, 2024		
	Amortised Cost USD' 000	Fair value through the statement of income USD' 000	Total USD' 000
Debt type			
Quoted investments - Investment in sukuku	18,438	-	18,438
Equity type			
Unquoted investments - Investment in equities and funds	-	4,650	4,650
	18,438	4,650	23,088
Allowance for credit losses	(13)	-	(13)
Fair value movement	-	256	256
At December 31, 2024	18,425	4,906	23,331

The Bank's investments in quoted sukuk held at amortised cost have a fair value of USD 27.428 million as of December 31, 2025 (December 31, 2024: USD 17.726 million).

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit rating and year-end stage classification. The amounts presented are gross of impairment allowances.

	December 31, 2025	
	Stage 2 USD' 000	Total USD' 000
Satisfactory (5-7)	27,750	27,750
	27,750	27,750

	December 31, 2024	
	Stage 2 USD' 000	Total USD' 000
Satisfactory (5-7)	18,438	18,438
	18,438	18,438

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

	December 31, 2025	
	Stage 2: Lifetime ECL Not credit- impairment USD' 000	Total ECL USD' 000
Balance at January 1,	13	13
Net remeasurement of loss allowance (note 15)	5	5
Balance at the end of the year	18	18

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

	December 31, 2024	
	Stage 2: Lifetime ECL Not credit- impairment USD' 000	Total ECL USD' 000
Balance at January 1,	176	176
Net remeasurement of loss allowance (note 15)	(163)	(163)
Balance at the end of the year	<u>13</u>	<u>13</u>

The maturities of these investments range from 3 to 8 years and the effective profit rate on these investments range between 3.875% to 5.833% per annum (December 31, 2024 3.875% to 5.833% per annum).

4.2 Movements in investment in sukuks at amortised cost – gross balance

	2025 USD' 000	2024 USD' 000
Opening balance	18,438	11,373
Purchased during the year	13,658	10,998
Matured during the year	(4,400)	(3,945)
Amortisation of discount	54	12
Closing balance	<u>27,750</u>	<u>18,438</u>

5. INVESTMENT IN REAL ESTATE

This mainly represents the Bank's Headquarter building, the majority of which is leased under an operating Rental income:

	2025 USD' 000	2024 USD' 000
Cost of Investment in real estate	32,457	32,457
Unrealised fair value losses on investment in real estate	(13,036)	(13,036)
	<u>19,421</u>	<u>19,421</u>

The fair value of Bank's investment in real estate as at December 31, 2025, and December 31, 2024 is determined internally by management and such assessment is based on a valuation done by an independent valuation specialist (Category A RERA accredited valuer).

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The investment wise breakdown is as follows:

	December 31, 2025			
	Cost	Cumulative fair values loss	Fair value gain/(loss) during the year	Total
	USD' 000	USD' 000	USD' 000	USD' 000
LMC – HQ building	28,426	(12,193)	-	16,233
North Star	2,288	(696)	-	1,592
Safana	1,743	(147)	-	1,596
	32,457	(13,036)	-	19,421

The investment wise breakdown is as follows:

	December 31, 2024			
	Cost	Cumulative fair values loss	Fair value gain/(loss) during the year	Total
	USD' 000	USD' 000	USD' 000	USD' 000
LMC – HQ building	28,426	(12,193)	-	16,233
North Star	2,288	(696)	-	1,592
Safana	1,743	(147)	-	1,596
	32,457	(13,036)	-	19,421

6. **OTHER ASSTES**

	2025	2024
	USD' 000	USD' 000
Fee income receivable	52	627
Accrued profit	178	431
Prepaid expenses	53	48
Receivable from tenants	222	324
Others	57	84
	562	1,514
Less: provision for impairment loss	-	(625)
	562	889

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

7. **OTHER LIABILITIES**

	2025 USD' 000	2024 USD' 000
Registration fee for land and building	43	43
Professional fees payable	101	153
Board and Shari'ah fees payable	209	165
Security deposits	72	91
Provision for legal cases and deregulation commitments	613	613
Others	61	63
	1,099	1,128

8. **OWNERS' EQUITY**

(a) Share capital

	2025 USD' 000	2024 USD' 000
Authorised:		
200,000,000 ordinary shares of USD 1 each	200,000	200,000
Issued, subscribed and paid-up:		
At the beginning and end of the year: 59,038,875 (2024: 59,038,875) ordinary shares of USD 1 (2024: USD 1) each	59,039	59,039

(b) Reserves

Statutory reserve

In accordance with the requirements of the Bahrain Commercial Companies Law, 10% of the net profit is transferred to a statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not distributable but can be utilised for the purpose of a distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

General reserve

In accordance with the Bank's articles of association, the Bank may transfer any amount, as approved by the directors, out of net profit for the year to the general reserve after transfer to statutory reserve. The general reserve is distributable, subject to the approval of the CBB and Board of Directors. During the current and prior year, no such transfers were made.

Investment fair value reserve

Investment fair value reserve represents unrealised gains and losses, excluding impairment, resulting from re-measurement of investments at fair value through equity. This reserve is distributable upon value realization which takes place at the time of actual exit or derecognition of investments.

(c) Additional information on shareholding

- (i) The Bank has only one class of equity shares and the holders of these shares have equal voting rights.
- (ii) Names and nationalities of the major shareholders and the percentage of equity shares held as at December 31, are as follows:

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

	Country of incorporation	% of holding	2025 USD' 000	2024 USD' 000
KFH Capital Investment Company	Kuwait	25%	14,760	14,760
Bahrain Islamic Bank	Kingdom of Bahrain	25%	14,760	14,760
Dubai Islamic Bank	United Arab of Emirates	25%	14,760	14,760
Islamic Development Bank	Kingdom of Saudi Arabia	25%	14,760	14,760

9. INCOME FROM INVESTMENT IN SUKUKS

	2025 USD' 000	2024 USD' 000
Profit on sukuks	1,271	424
Gain / (loss) on sale of sukuks	139	(45)
	<u>1,410</u>	<u>379</u>

10. INVESTMENT BANKING FEES

	2025 USD' 000	2024 USD' 000
Fees and commission income	<u>602</u>	<u>50</u>

The amount includes USD 552 thousand arising from a legal case won by LMC. The original receivable was due from Villamar, who failed to fully settle their outstanding balance. Consequently, LMC initiated legal proceedings against Villamar. Some partial payments were received over time. In November 2025, LMC prevailed in the case, resulting in the receipt of the remaining outstanding balance. It should be noted that this figure does not represent the total amount received from the legal case, as LMC also obtained compensation charges, which have been recorded separately under "Other Income".

11. RENTAL INCOME

	2025 USD' 000	2024 USD' 000
Government	761	840
Others	446	480
	<u>1,207</u>	<u>1,320</u>

12. OTHER INCOME – NET

	2025 USD' 000	2024 USD' 000
Income from settlement relating to previously written-off investments	-	49
Compensation received on late payment from legal case (note 10)	62	-
Other	4	1
	<u>66</u>	<u>50</u>

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

13. **STAFF COSTS**

	<u>2025</u> USD' 000	<u>2024</u> USD' 000
Staff salaries and related benefits	509	504
Staff indemnity and related provision	4	6
Other	66	173
	<u>579</u>	<u>683</u>

14. **GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2025</u> USD' 000	<u>2024</u> USD' 000
Legal and professional fees	45	99
Provisions for deregulation commitments	-	613
Premises expenses	186	194
Board and Shari'ah expenses	317	309
IT, communication and insurance expense	37	56
Banking Services related expenses	42	27
CBB License fee	34	34
Others	74	45
	<u>735</u>	<u>1,377</u>

15. **EXPECTED CREDIT LOSS - NET**

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

	<u>2025</u> USD' 000	<u>2024</u> USD' 000
Investment in sukuk (note 4.1)	5	(163)
Due from banks (note 3)	(1)	(4)
Charge / (reversal)	<u>4</u>	<u>(167)</u>

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

16. **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'ah supervisory board, and executive management of the Bank and/or entities over which they exercise control and/or significant influence.

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

	December 31, 2025		December 31, 2024	
	Board members/ key Management personnel/ Shari'ah board members/ external auditors USD' 000	Significant Shareholders/ entities in Which directors are interested USD' 000	Board members/ key Management personnel/ Shari'ah board members/ external auditors USD' 000	Significant Shareholders/ entities in Which directors are interested USD' 000
Assets				
Cash and balances with banks	-	207	-	132
Due from banks	-	-	-	-
Other assets	-	-	-	-
		207		132
		USD' 000		USD' 000
		Total		Total
		470		481
		223		204
		693		685
Liabilities				
Staff payables	470	-	481	-
Other liabilities	223	-	204	-
	693	-	685	-

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

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

	December 31, 2025		December 31, 2024			
	Board members/ key Management personnel/ Shari'ah board members/ external auditors USD' 000	Significant Shareholders/entities in Which directors are interested USD' 000	Total USD' 000	Board members/ key Management personnel/ Shari'ah board members/ external auditors USD' 000	Significant Shareholders/entities in Which directors are interested USD' 000	Total USD' 000
Staff costs	389	-	389	415	-	415
General and administrative expenses	317	-	317	346	-	346
	706	-	706	761	-	761

Key management personnel of the Bank 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:

	2025	2024
	USD' 000	USD' 000
Salary and other benefits	389	415

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

17. **RISK MANAGEMENT**

Introduction

Risk is inherent in the Bank's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The Bank is exposed to credit, liquidity, market and operational risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

The Board has delegated the oversight responsibilities of risk management to the Risk Management Committee and senior management. They are responsible for carrying out the policies laid down by the Board by ensuring that there are adequate and effective operational procedures, internal controls and systems for measuring, monitoring and controlling risks.

Risk Management Committee

The Board established a Risk Management Committee (RMC) to further strengthen the Bank's risk management process. The RMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues, managing and monitoring relevant risk decisions. All the members of this Committee are from the Board. The RMC meets quarterly with the objective of assisting the Board in carrying out its responsibilities in relation to managing the Bank's range of inter-related risks in an integrated manner. The Committee is supported by the Bank's risk management function which assists with the establishment of policies on credit, liquidity, market and operational risk, reviews compliance with set risk limits approved by the Board and identifies emerging risk issues. The RMC is responsible for providing oversight and management of all risks in the Bank and to ensure that there is an ongoing process to continuously manage the Bank's risks proactively.

The following are the management committees that support the risk management of the Bank:

Risk Management Unit

The Risk Management Unit (RMU) is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The RMU is set up to centralise the management of risks and to assist senior management and the risk committees in the controlling, monitoring and reporting of risks.

Asset/Liability Management Committee

The Asset/Liability Management Committee (ALCO) is responsible for the Bank's asset and liability management, pricing and funding strategies, management of market and liquidity risks, as well as ensuring that investments are made in accordance with the policies approved by the Board of Directors. Following the shareholders decision to convert the license of the bank, the duties and responsibilities of this committee are being currently assumed by the Risk Management Unit.

Credit and Investment Risk Committee

The Credit and Investment Risk Committee (CICOM) is responsible for the management of credit risk in compliance with Board decisions on acceptable levels of risk and minimum pricing levels. The function of CICOM includes appraisal and approval of credit applications based on limits set by the Board and also monitoring and reviewing the non-performing portfolio and ensuring that adequate loss provisions are held against delinquent exposures in accordance with Bank's policies. Following the shareholders decision to convert the license of the bank, the duties and responsibilities of this committee are being currently assumed by the Risk Management Unit.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

Internal Audit

Risk management processes throughout the Bank are audited annually by the Internal Audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Furthermore, overseeing the management of operational risk is the responsibility of Internal Audit which regularly reports to the Audit Committee to provide independent assurance that risks have been identified and there are sufficient and effective controls on all aspects of the Bank's operations. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The principal risks associated with the Bank's business and the related risk management processes are as follows:

(a) Credit risk

Credit risk is the risk that any counterparty, to a financial instrument, will fail to fulfill an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and assessing the creditworthiness of counterparties. In addition to monitoring credit limits, the Bank manages credit exposures by entering into collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a perceived risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position. The figures represent exposure net of any provision for expected credit losses, without taking into account any collateral held and other credit mitigants:

	Exposure at Default	
	2025	2024
	USD' 000	USD' 000
Cash and balances with banks	791	451
Due from banks	-	7,288
Investment in sukuks	27,732	18,425
Other assets	509	841
	29,032	27,005

Concentration Risk

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The Bank's financial assets with credit risk, before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions:

2025	Bahrain	Other GCC countries	Others	ECL	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Cash and balances with banks	791	-	-	-	791
Due from banks	-	-	-	-	-
Investment in sukuks	27,750	-	-	(18)	27,732
Other assets	509	-	-	-	509
	<u>29,050</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>29,032</u>

2024	Bahrain	Other GCC countries	Others	ECL	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Cash and balances with banks	451	-	-	-	451
Due from banks	7,289	-	-	(1)	7,288
Investment in sukuks	18,438	-	-	(13)	18,425
Other assets	1,466	-	-	(625)	841
	<u>27,644</u>	<u>-</u>	<u>-</u>	<u>(639)</u>	<u>27,005</u>

The Bank's financial assets with credit risk, before taking into account any collateral held or other credit enhancements, can be analysed by the following industry sectors:

2025	Banks and Financial institutions	Government	Real Estate	Others	ECL	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Cash and balances with banks	791	-	-	-	-	791
Due from banks	-	-	-	-	-	-
Investment in sukuks	-	27,750	-	-	(18)	27,732
Other assets	35	415	52	7	-	509
	<u>826</u>	<u>28,165</u>	<u>52</u>	<u>7</u>	<u>(18)</u>	<u>29,032</u>

2024	Banks and Financial institutions	Government	Real Estate	Others	ECL	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Cash and balances with banks	451	-	-	-	-	451
Due from banks	7,289	-	-	-	(1)	7,288
Investment in sukuks	-	18,438	-	-	(13)	18,425
Other assets	385	357	627	97	(625)	841
	<u>8,125</u>	<u>18,795</u>	<u>627</u>	<u>97</u>	<u>(639)</u>	<u>27,005</u>

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

Credit quality per class of financial assets

The Bank's financial assets are either asset backed or asset based. It is the Bank's policy to maintain consistent perceived risk ratings across the investment portfolio. This facilitates management focus on the applicable risks and the comparison of investment exposures across all lines of business, geographic regions and products. For quoted investments, the Bank uses external renowned third party ratings when available, whereas for unquoted investments or where third party ratings are not available, the Bank uses an internal rating system. The internal rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

The risk ratings used by the Bank are defined as follows:

- (i) High investment grade: These counterparties are rated between AAA and A-. These are of high credit quality and considered as low risk.
- (ii) Investment grade: These counterparties are rated between BBB+ and B-. These are of good credit quality and considered higher risk than the high investment grade counterparties.
- (iii) Unrated: These counterparties are not rated. They are higher risk than investment grade but full repayments are expected.
- (iv) Past due or individually impaired: These counterparties are expected to be total loss.

The table below analyses the credit quality by class of financial asset, based on the Bank's internal credit rating system:

2025	Neither past due nor impaired				Total USD' 000
	High investment grade	Investment grade	Unrated	Past due or individually impaired	
	USD' 000	USD' 000	USD' 000	USD' 000	
Cash and balances with banks	-	207	584	-	791
Due from banks	-	-	-	-	-
Investment in sukuks	-	27,732	-	-	27,732
Other assets	-	416	93	-	509
	-	28,355	677	-	29,032

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

2024	Neither past due nor impaired			Past due or individually impaired USD' 000	Total USD' 000
	High investment Grade USD' 000	Investment grade USD' 000	Unrated USD' 000		
	Cash and balances with banks	-	132		
Due from banks	-	-	7,288	-	7,288
Investment in sukuku	-	18,425	-	-	18,425
Other assets	-	663	178	-	841
	-	19,220	7,785	-	27,005

(b) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. The Bank's approach to managing liquidity is through money market lines from financial institutions.

Details of the Bank's liquid assets to total assets as of the reporting date were as follows:

	Liquid assets / Total assets	
	2025	2024
Liquidity Ratio	1%	15%
Including sukuku*	53%	51%

* The management is of the view that sukuku are tradable or liquid and this ratio is calculated after including the tradable sukuku as liquid assets

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The table below summarises the maturity profile of the Bank's assets and liabilities as of December 31, 2025 based on contractual maturities from the statement of financial position date:

		December 31, 2025						ECL /	
		1 to 3	3 to 6 months	6 months to	1 to 3	Over 3 years	No fixed	provisions	Total
Up to 1	month	Months	USD' 000	USD' 000	1 year	years	maturity	For	USD' 000
USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	impairment	USD' 000
Assets									
	791	-	-	-	-	-	-	-	791
Cash and balances with banks		-	-	-	-	-	-	-	-
Due from banks		-	-	-	-	-	-	-	-
Investment in sukuk		-	-	-	-	27,750	-	(18)	27,732
Investment in equities and funds		-	-	-	-	4,906	-	-	4,906
Investment in real estate		-	-	-	-	-	19,421	-	19,421
Equipment		-	-	-	-	-	8	-	8
Other assets		263	231	52	-	-	-	-	562
Total assets		791	263	231	52	16	19,429	(18)	53,420
Liabilities and owners' equity									
Staff payables	6	42	-	9	-	-	-	-	803
Other liabilities		258	76	681	-	84	-	-	1,099
Owners' equity		-	-	-	-	-	51,518	-	51,518
Total liabilities and owners' equity		6	300	76	690	84	51,518	-	53,420
Liquidity gap		785	(37)	155	(638)	(68)	(32,089)	-	-
Cumulative liquidity gap		785	748	903	265	197	32,107	-	18

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The table below summarises the maturity profile of the Bank's assets and liabilities as of December 31, 2024 based on contractual maturities from the statement of financial position date:

December 31, 2024

	Up to 1 month	1 to 3 month	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No fixed maturity	ECL / provisions For impairment	Total
Assets									
Cash and balances with banks	451	-	-	-	-	-	-	-	451
Due from banks	-	-	7,289	-	-	-	-	(1)	7,288
Investment in sukuk	-	-	-	-	-	18,438	-	(13)	18,425
Investment in equities and funds	-	-	-	-	-	4,906	-	-	4,906
Investment in real estate	-	-	-	-	-	-	19,421	-	19,421
Equipment	-	-	-	-	-	-	29	-	29
Other assets	-	381	434	675	24	-	-	(625)	889
Total assets	451	381	7,723	675	24	23,344	19,450	(639)	51,409
Liabilities and owners' equity									
Staff payables	6	83	-	9	-	-	-	-	803
Other liabilities	-	232	103	699	94	-	-	-	1,128
Owners' equity	-	-	-	-	-	-	49,478	-	49,478
Total liabilities and owners' equity	6	315	103	708	94	705	49,478	-	51,409
Liquidity gap	445	66	7,620	(33)	(70)	22,639	(30,028)	-	-
Cumulative liquidity gap	445	511	8,131	8,098	8,028	30,667	639	-	-

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(c) Market risk

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and commodity prices will affect the Bank's income or the value of its holdings of financial instruments. Market risk comprises equity position risk, profit rate risk, currency risk and other price risk. The Bank's policy guidelines for market risk have been vetted by the Board of Directors in compliance with the rules and guidelines provided by the CBB.

The Bank's principal investment activity focuses on the GCC countries, a region whose dynamics the Bank comprehends well and where the Bank has a better understanding of the inherent risks. Investments are made after rigorous qualitative and quantitative analysis, and where the desired risk-return objectives are met. A healthy diversification across industry sectors is maintained within the investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's major exposure is in GCC currencies, which are primarily pegged to the US Dollar. The Bank considers the US Dollar as its functional currency.

The Bank had no significant exposures denominated in foreign currencies (other than GCC currencies which are pegged to the US Dollars) as of December 31, 2025 and 2024.

Profit rate risk

Profit rate risk refers to the potential impact on the Bank's net profit and equity caused by unexpected changes in rates of return. Profit rate risk is mitigated by adopting the floating-profit rate approach through close monitoring of the secondary market trading of sukuk and prevailing market expectations on profit rates and yields. The Bank's policy is to measure and manage its profit rate sensitive positions to ensure that the Bank's profit rates are optimised and its long-run earning power sustained. The Bank reviews the volatility of its assets and liabilities portfolio using appropriate tools and techniques.

The effects on profit solely due to reasonably possible immediate and sustained changes in profit return rate, affecting both floating rate assets and liabilities and fixed rate assets and liabilities are as follows:

Change in rate	Effect on net profit	
	2025	2024
	USD' 000	USD' 000
1%	277	192

The effect of an increase in profit return rates is expected to have an equal and opposite effect on the net profit.

Equity price risk

Equity price risk is the risk that the fair value of equity decreases as a result of changes in the levels of equity indices and the value of individual stocks. Equity positions are marked to market prices and monitored by RMU and reported to RMC. Risks arising from dealing and investment activities are managed by the establishment of limits that include trading limits, counterparty limits, as well as product and sub-product limits, i.e. maximum permissible acquisition of non-investment rate sukuk.

Equity price risk arises from the change in fair values of equity investments. As at December 31, 2025 and December 31, 2024, the Bank does not have any investments whose fair values are determined through equity indices.

(d) Operational Risk

This risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events. Operational risk also includes shari'ah non-compliance risk but excludes strategic and reputational risks. In managing this risk, the bank's senior management undertake the identification, assessment and measurement, establishing a control framework, monitoring and reporting of operational risks.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

18. **SEGMENTAL INFORMATION**

(a) **Industry sector**

The industrial distribution of the Bank's assets and liabilities as of December 31, 2025 is as follows:

	December 31, 2025					
	Banks and financial institutions	Government	Real Estate	Others	ECL	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Assets						
Cash and balances with banks	791	-	-	-	-	791
Due from banks	-	-	-	-	-	-
Investment in sukuku	-	27,750	-	-	(18)	27,732
Investment in equities and funds	-	-	4,906	-	-	4,906
Investment in real estate	-	-	19,421	-	-	19,421
Equipment	-	-	-	8	-	8
Other assets	35	415	52	60	-	562
Total assets	826	28,165	24,379	68	(18)	53,420
Liabilities						
Staff payables	-	-	-	803	-	803
Other liabilities	-	54	-	1,045	-	1,099
Total liabilities	-	54	-	1,848	-	1,902

The industrial distribution of the Bank's assets and liabilities as of December 31, 2024 is as follows:

	December 31, 2024					
	Banks and financial Institutions	Government	Real Estate	Others	ECL	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Assets						
Cash and balances with banks	451	-	-	-	-	451
Due from banks	7,289	-	-	-	(1)	7,288
Investment in sukuku	-	18,438	-	-	(13)	18,425
Investment in equities and funds	-	-	4,906	-	-	4,906
Investment in real estate	-	-	19,421	-	-	19,421
Equipment	-	-	-	29	-	29
Other assets	385	357	627	145	(625)	889
Total assets	8,125	18,795	24,954	174	(639)	51,409
Liabilities						
Staff payables	-	-	-	803	-	803
Other liabilities	-	55	-	1,073	-	1,128
Total liabilities	-	55	-	1,876	-	1,931

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The industrial distribution of the Bank's income and expense for the year ended December 31, 2025 is as follows:

	December 31, 2025				
	Banks and financial institutions	Government	Real Estate	Others	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Income					
Income from:					
Investment in sukuks	-	1,410	-	-	1,410
Due from banks	95	-	-	-	95
Investment banking fees	-	-	-	602	602
Rental income	-	761	-	446	1,207
Other income - net	-	-	-	66	66
Total income	95	2,171	-	1,114	3,380
Expense					
Staff costs	-	-	-	579	579
Depreciation	-	-	-	22	22
General and administrative expenses	76	125	-	534	735
Total expenses	76	125	-	1,135	1,336
Expected credit losses	1	(5)	-	-	(4)
Unrealized fair value from funds	-	-	-	-	-

The industrial distribution of the Bank's income and expense for the year ended December 31, 2024 is as follows:

	December 31, 2024				
	Banks and financial institutions	Government	Real Estate	Others	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Income					
Income from:					
Investment in sukuks	-	379	-	-	379
Due from banks	957	-	-	-	957
Investment banking fees	-	-	-	50	50
Rental income	-	840	-	480	1,320
Other income - net	-	-	-	50	50
Total income	957	1,219	-	580	2,756
Expense					
Staff costs	-	-	-	683	683
Depreciation	-	-	-	28	28
General and administrative expenses	61	106	-	1,210	1,377
Total expenses	61	106	-	1,921	2,088
Expected credit losses	4	163	-	-	167
Unrealized fair value from funds	-	-	613	-	613

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

(b) Geographic sector

The geographical distribution of the Bank's assets and liabilities as of December 31, 2025 is as follows:

	December 31, 2025				
	Bahrain	Other GCC	Others	ECL	Total
	USD' 000	Countries			
Assets					
Cash and balances with banks	791	-	-	-	791
Due from banks	-	-	-	-	-
Investment in sukus	27,750	-	-	(18)	27,732
Investment in equities and funds	4,906	-	-	-	4,906
Investment in real estate	19,421	-	-	-	19,421
Equipment	8	-	-	-	8
Other assets	1,187	-	-	(625)	562
Total assets	54,063	-	-	(643)	53,420
Liabilities					
Staff payables	803	-	-	-	803
Other liabilities	1,099	-	-	-	1,099
Total liabilities	1,902	-	-	-	1,902

The geographical distribution of the Bank's assets and liabilities as of December 31, 2024 is as follows:

	December 31, 2024				
	Bahrain	Other GCC	Others	ECL	Total
	USD' 000	Countries			
Assets					
Cash and balances with banks	451	-	-	-	451
Due from banks	7,289	-	-	(1)	7,288
Investment in sukus	18,438	-	-	(13)	18,425
Investment in equities and funds	4,906	-	-	-	4,906
Investment in real estate	19,421	-	-	-	19,421
Equipment	29	-	-	-	29
Other assets	1,514	-	-	(625)	889
Total assets	52,048	-	-	(639)	51,409
Liabilities					
Staff payables	803	-	-	-	803
Other liabilities	1,128	-	-	-	1,128
Total liabilities	1,931	-	-	-	1,931

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The geographical distribution of the Bank's income and expense for the year ended December 31, 2025 is as follows:

	December 31, 2025			
	Bahrain USD' 000	Other GCC countries USD' 000	Others USD' 000	Total USD' 000
Income				
Income from:				
Investment in sukuks	1,410	-	-	1,410
Due from banks	95	-	-	95
Investment banking fees	-	602	-	602
Rental income	1,207	-	-	1,207
Other income - net	66	-	-	66
Total income	2,778	602	-	3,380
Expense				
Staff costs	579	-	-	579
Depreciation	22	-	-	22
General and administrative expenses	735	-	-	735
Total expenses	1,336	-	-	1,336
Expected credit losses	1	-	(5)	(4)
Unrealized fair value from funds	-	-	-	-

The geographical distribution of the Bank's income and expense for the year ended December 31, 2024 is as follows:

	December 31, 2024			
	Bahrain USD' 000	Other GCC countries USD' 000	Others USD' 000	Total USD' 000
Income				
Income from:				
Investment in sukuks	348	-	31	379
Due from banks	957	-	-	957
Investment banking fees	-	50	-	50
Rental income	1,320	-	-	1,320
Other income - net	50	-	-	50
Total income	2,675	50	31	2,756
Expense				
Staff costs	683	-	-	683
Depreciation	28	-	-	28
General and administrative expenses	1,377	-	-	1,377
Total expenses	2,088	-	-	2,088
Expected credit losses	167	-	-	167
Unrealized fair value from funds	613	-	-	613

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

19. **ACCOUNTING CLASSIFICATION OF FINANCIAL INSTRUMENTS**

Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and bank balances, due from banks, investments, other assets, and other liabilities.

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Bank as at December 31, 2025:

	December 31, 2025		
	Amortised cost	Fair value Through equity	Fair value through Statement of income
	USD' 000	USD' 000	USD' 000
Financial assets:			
Investment in sukuks	27,732	-	-
Due from banks	-	-	-
Investment in equities and funds	-	-	4,906
Other assets	509	-	-
	<u>28,241</u>	<u>-</u>	<u>4,906</u>
Financial liabilities:			
Other liabilities	1,099	-	-
	<u>1,099</u>	<u>-</u>	<u>-</u>

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Bank as at December 31, 2024:

	December 31, 2024		
	Amortised cost	Fair value Through equity	Fair value through Statement of income
	USD' 000	USD' 000	USD' 000
Financial assets:			
Investment in sukuks	18,425	-	-
Due from banks	7,288	-	-
Investment in equities and funds	-	-	4,906
Other assets	841	-	-
	<u>26,554</u>	<u>-</u>	<u>4,906</u>
Financial liabilities:			
Other liabilities	1,128	-	-
	<u>1,128</u>	<u>-</u>	<u>-</u>

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

20. 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; discounted cash flow analysis or other valuation models.

The Bank 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 December 31, 2025 and December 31, 2024:

	Level 3	
	2025	2024
	USD' 000	USD' 000
Investments carried at fair value through statement of income		
Equities and funds	4,906	4,906
	4,906	4,906

Unquoted investments which are held at fair value through equity are investments amounting to USD nil thousand (December 31, 2024: USD Nil 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 in note 4.

The fair values of the Bank's other financial instruments are not significantly different from their carrying values as at December 31, 2025 and 2024 other than what has been mentioned in Note 5.

21. CAPITAL ADEQUACY

The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

LIQUIDITY MANAGEMENT CENTRE B.S.C. (C)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

The classification of the Bank's capital Core Equity Tier 1 ["CET 1"] in accordance with regulatory requirements is as follows:

	CET 1 USD' 000
Components of capital	
Issued and fully paid ordinary shares	59,039
General reserves	2,226
Legal / statutory reserves	4,801
Retained earnings	(14,548)
Unrealised gains arising from fair valuing equities	-
Total CET 1 Capital prior to regulatory adjustments	51,518
Investment in financial entities where ownership is < 10% of the issued common share capital (amount above 10% CET1a) AT1 and T2	-
Expected Credit Loss	18
Total Capital	51,536

To assess its capital adequacy requirements in accordance with CBB requirements, the Bank adopts the standardised approach for Credit Risk, the Basic Indicator Approach for Operational Risk and the Standardised Measurement Approach for Market Risk.

	2025 USD' 000	2024 USD' 000
Total credit risk weighted assets	49,544	51,128
Total market risk weighted assets	-	-
Total operational risk weighted assets	6,318	6,612
	55,862	57,740
Regulatory Risk Weighted Assets	55,862	57,740
Capital Adequacy Ratio	92.26%	86.80%

22. **EARNINGS AND EXPENSES PROHIBITED BY SHARI'AH**

During the year no earnings were realised by the Bank from transactions which were not permitted by Shari'ah.