

INVESTORS BANK B.S.C. (c)
INTERIM FINANCIAL INFORMATION

31 March 2008

Commercial Registration	:	39646 (registered with Central Bank of Bahrain as a wholesale Bank (Islamic Principles)).
Registered Office	:	Seef Star Building Seef District PO Box 11818 Manama, Kingdom of Bahrain
Directors	:	Mr. Sami Al Bader, <i>Chairman</i> Mr. Ahmed Shabeeb Al Dhaheri, <i>Vice Chairman</i> Mr. Ghassan Fahad Al-Sultan Mr. Isa Abdulla Al-Mannai Dr. Abdulaziz Al Bader
Reviewing Accountants	:	KPMG

INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

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Independent report on review of interim financial information

To

The Directors
Investors Bank B.S.C. (c)
Manama
Kingdom of Bahrain

22 May 2008

Introduction

We have reviewed the accompanying condensed balance sheet of Investors Bank B.S.C. (c) (the "Bank") as at 31 March 2008, and the related condensed statements of income, changes in equity and cash flows for the three month period then ended (interim financial information). The Directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Central Bank of Bahrain circular BC/20/99 dated 28 September 1999. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Central Bank of Bahrain circular BC/20/99 dated 28 September 1999.


KPMG

CONDENSED BALANCE SHEET
as at 31 March 2008

US\$

	Note	31 March 2008 (reviewed)	31 December 2007 (audited)
ASSETS			
Cash and cash equivalents		6,983,583	9,631,572
Trading investments	6	30,185,199	29,727,074
Available-for-sale investments	6	24,624,577	20,735,571
Murabaha receivables	6	3,243,848	3,243,848
Mudaraba investment	6	4,500,000	4,500,000
Receivable from Mudarib	6	9,146,174	11,896,174
Receivables from sale of investments	6	30,826,440	29,860,901
Deferred payment sale receivables	6	3,680,203	3,680,203
Investment property		11,387,741	13,838,620
Other assets	6	11,585,880	8,310,384
Equipment		1,914,222	1,631,225
Total assets		138,077,867	137,055,572
LIABILITIES AND EQUITY			
Liabilities			
Due to a financial institution	7	3,670,202	3,670,202
Due to related parties	6	3,229,064	3,229,064
Other liabilities		388,552	291,232
Total liabilities		7,287,818	7,190,498
Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,409,515	7,409,515
Available-for-sale investments fair value reserve		9,574,658	10,263,817
Retained earnings		33,805,876	32,191,742
Total equity (page 4)		130,790,049	129,865,074
Total liabilities and equity		138,077,867	137,055,572
OFF-BALANCE SHEET ITEMS			
Restricted investment accounts (page 6)		17,054,668	16,708,037


 Sami Al Bader
 Chairman


 Isa Abdulla Al-Mannai
 Director

The Directors approved the interim financial information consisting of pages 2 to 9 on 22 May 2008.

CONDENSED INCOME STATEMENT
for the three months ended 31 March 2008

US\$

	31 March 2008 (reviewed)	31 March 2007 (reviewed)
Income from available-for-sale investments	-	411,625
Fair value gain / (loss) on trading investments	458,125	(10,430,270)
Fair value loss on available-for-sale investments	(195,806)	(57,352)
Income from investment property, net	978,734	-
Other income	1,124,872	-
Total income	2,365,925	(10,075,997)
Staff cost	334,683	221,300
Administrative and general expenses	299,379	351,095
Depreciation	117,729	12,595
Total expenses	751,791	584,990
Profit / (loss) for the period	1,614,134	(10,660,987)
Earnings per share (US\$)		
Basic	0.01	(0.04)

The interim financial information consists of pages 2 to 9.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2008

US\$

2008 (reviewed)

Balance at 1 January 2008
Fair value loss during the period
Income and expense recognised directly in equity
Profit for the period
Total recognised income and expenses for the period

Balance as at 31 March 2008

Share capital	Statutory reserve	AFS investment fair value reserve	Retained earnings	Total
80,000,000	7,409,515	10,263,817	32,191,742	129,865,074
-	-	(689,159)	-	(689,159)
-	-	(689,159)	-	(689,159)
-	-	-	1,614,134	1,614,134
-	-	(689,159)	1,614,134	924,975
80,000,000	7,409,515	9,574,658	33,805,876	130,790,049

2007 (reviewed)

Balance at 1 January 2007
Fair value loss during the period
Income and expense recognised directly in equity
Loss for the period
Total recognised income and expenses for the period

Balance as at 31 March 2007

Share capital	Statutory reserve	AFS investment fair value reserve	Retained earnings	Total
80,000,000	7,409,515	10,714,722	42,452,597	140,576,834
-	-	(822,507)	-	(822,507)
-	-	(822,507)	-	(822,507)
-	-	-	(10,660,987)	(10,660,987)
-	-	(822,507)	(10,660,987)	(11,483,494)
80,000,000	7,409,515	9,892,215	31,791,610	129,093,340

The interim financial information consists of pages 2 to 9.

CONDENSED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2008

US\$

	31 March 2008 (reviewed)	31 March 2007 (reviewed)
OPERATING ACTIVITIES		
Purchase of available-for-sale investments	(4,728,392)	-
Proceeds from sale of available-for-sale investments	69,442	-
Receipts from Mudaraba investments	2,750,000	1,034,860
Payments for operating expenses	(565,760)	(600,948)
Employee Qard Hasan and advances, net	-	(2,536)
Income from Murabaha contracts	52,340	-
Cash flows from operating activities	(2,422,370)	431,376
INVESTING ACTIVITIES		
Purchase of equipment	(278,139)	(66,294)
Proceeds from sale of equipment	52,520	-
Cash flows from investing activities	(225,619)	(66,294)
Net (decrease) / increase in cash and cash equivalents	(2,647,989)	365,082
Cash and cash equivalents at 1 January	9,631,572	383,182
Cash and cash equivalents at 31 March	6,983,583	748,264

The interim financial information consists of pages 2 to 9.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2008

US\$

2008 (reviewed)	Balance at 1 January 2008			Movements during the period					Balance at 31 March 2008		
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as an agent US\$	Administration expenses US\$	No of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note 2 below)	-	-	317,689	-	-	-	-	-	-	-	317,689
	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44	5,670,202
	2,940	3.65	10,720,146	-	346,631	-	-	-	2,940	3.76	11,066,777
Portfolio managed by the Bank			16,708,037	-	346,631	-	-	-			17,054,668

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 31 March 2008 are carried net of a provision for impairment amounting to US\$ 282,311 (2007: US\$ 282,311).

2 On the instructions of a restricted investment account holder, a related party, the Bank has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ('IIG'). The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for sale of the these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the restricted investment account holder.

The interim financial information consists of pages 2 to 9.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2008 (continued)

US\$

2007 (reviewed)	Balance at 1 January 2007			Movements during the period					Balance at 31 March 2007		
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as an agent US\$	Administration expenses US\$	No of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note 2 below)	-	-	317,689	-	-	-	-	-	-	-	317,689
	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44	5,670,202
Portfolio managed by the Bank	2,940	3.46	10,169,140	-	(10,190)	-	-	-	2,940	3.45	10,158,950
			16,157,031	-	(10,190)	-	-	-			16,146,841

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 31 March 2007 are carried net of a provision for impairment amounting to US\$ 282,311 (2006: US\$ 282,311).

2 On the instructions of a restricted investment account holder, a related party, the Bank has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ('IIG'). The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for sale of the these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the restricted investment account holder.

The interim financial information consists of pages 2 to 9.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

US\$

- 1 Investors Bank B.S.C. (c) (the "Bank") is a closed Bahraini joint stock company operating under a wholesale Bank (Islamic Principles) license issued by the Central Bank of Bahrain.
- 2 The interim financial information has been prepared in summarised form. The interim financial statements have been prepared in accordance with the Central Bank of Bahrain circular BC/20/99 dated 28 September 1999.
- 3 The interim financial information is not audited but has been reviewed by KPMG. The comparative figures for the balance sheet have been extracted from the audited financial statements for the year ended 31 December 2007. The comparatives for the statements of income, changes in equity, cash flows and changes in restricted investment accounts have been extracted from reviewed interim financial information for the three months ended 31 March 2007.
- 4 The accounting policies and the methods of computation used in the preparation of the interim financial information are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2007, which comply with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.
- 5 Due to the nature of the Bank's operations, the three months results reported in this interim financial information may not represent a proportionate share of the overall annual results.
- 6 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties also include directors and shareholders of the Bank and companies in which they have an ownership interest.

Significant balances with related parties at 31 March 2008 comprise:

	31 March 2008 (reviewed)	31 December 2007 (audited)
Assets		
Trading investments	30,185,199	29,727,074
Available-for-sale investments	8,393,115	8,313,197
Murabaha receivables	3,243,848	3,243,848
Mudaraba investments	4,500,000	4,500,000
Current account with related parties	9,102,712	5,666,486
Receivables from sale of investments	30,826,440	29,860,901
Deferred payment sale receivables	3,680,203	3,680,203
Advance towards purchase of available-for-sale investments	-	45,579
Receivable from Mudarib	9,146,174	11,896,174
Dividend receivable	840,588	814,259
Due from chairman	-	99,161
Management and advisory fees receivable	71,701	71,701
Liabilities		
Murabaha payables	3,229,064	3,229,064

The Bank has investments in companies of certain shareholders. The carrying amounts of such investments at 31 March 2008 were US\$ 50,189 (31 December 2007: US\$ 48,788).

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

US\$

Significant transactions with related parties include:

	31 March 2008 (reviewed)	31 March 2007 (reviewed)
Income		
Fair value gain / (loss) on trading investments	458,125	(10,430,270)
Fair value loss on available-for-sale investments	-	(593)

- 7 In 2004, the bank entered into a sale and purchase agreement with a local financial institution to purchase shares of a related party on behalf of another related party. The net amount due to the financial institution was US\$ 3,670,202. In accordance with the terms of the agreement, the bank pledged certain of its investments with a carrying value of US\$ 11,113,864 as at 31 March 2008. Subsequently, the agreement was terminated by the financial institution due to disputes with the bank and as a result, the pledged investments have been retained by the financial institution. In the opinion of the bank's lawyers and management, the agreement was wrongfully terminated and following the financial institution's refusal to settle the matter amicably, the Bank has filed a legal case in the Bahrain courts against the financial institution for wrongful possession of investments. As a result, the court has taken custody of the shares under dispute. The related party on whose behalf the transactions was entered has provided a manager's cheque for an equal amount which has been deposited with the court. This amount is included under deferred payment sale receivables.

The related party on whose behalf the transaction was entered into has also agreed to reimburse the bank for legal expenses and any losses arising on final settlement with the financial institution. Accordingly, in the opinion of the directors, no provision is required to be made in the financial statements against the investments pledged with the financial institution or for contingent claims that might arise on final settlement.

- 8 Appropriations of net profit, if any, are made only at the year end.