



Investors Bank B.S.C. (c)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2009

Ernst & Young

 **ERNST & YOUNG**

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INVESTORS BANK B.S.C. (c)

Introduction

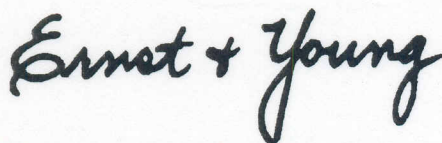
We have reviewed the accompanying interim condensed financial statements of Investors Bank B.S.C. (c) ["the Bank"] as at 31 March 2009, comprising of the interim statement of financial position as at 31 March 2009 and the related interim statements of income, cash flows, changes in equity and changes in restricted investment accounts for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies in note 2.



27 May 2009
Manama, Kingdom of Bahrain

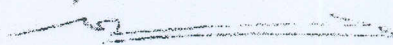
Investors Bank B.S.C. (c)
STATEMENT OF FINANCIAL POSITION
As at 31 March 2009 (Unaudited)

	31 March	<i>(Audited)</i> 31 December
	2009	2008
	US\$	US\$
ASSETS		
Cash and balances with banks	1,895,130	2,557,184
Trading investments	3,984,508	5,738,750
Available-for-sale investments	20,862,106	21,252,382
Murabaha receivables	-	3,243,848
Mudaraba investment	-	4,000,000
Receivable from Mudarib	4,464,281	6,127,801
Receivable from sale of investments	10,906,393	11,846,542
Deferred payment sale receivables	3,680,203	3,680,203
Investment property	22,493,456	10,742,443
Assets held-for-sale	6,797,782	6,797,782
Other assets	9,410,584	17,460,260
Equipment	8,779,915	1,579,576
TOTAL ASSETS	93,274,358	95,026,771
LIABILITIES AND EQUITY		
Liabilities		
Due to a financial institution	3,670,202	3,670,202
Murabaha payable	3,229,064	3,229,064
Other liabilities	490,708	454,453
Total liabilities	7,389,974	7,353,719
Equity		
Share capital	80,000,000	80,000,000
Statutory reserve	7,409,515	7,409,515
Available-for-sale investments fair value reserve	2,569,310	2,959,559
Accumulated losses	(4,094,441)	(2,696,022)
Total equity	85,884,384	87,673,052
TOTAL LIABILITIES AND EQUITY	93,274,358	95,026,771
OFF-BALANCE SHEET ITEMS		
Restricted investment accounts	16,073,308	16,646,823

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 May 2009.



Dr. Abdulaziz Al Bader
Chairman



Isa Abdulla Al-Mannai
Director

The attached notes 1 to 5 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

STATEMENT OF INCOME

For the three months ended 31 March 2009 (Unaudited)

	<i>Three months ended</i>	
	31 March	31 March
	2009	2008
	US\$	US\$
Income from trading investments	25,704	-
Fair value (loss) / gain on trading investments	(1,754,241)	458,125
Fair value loss on available-for-sale investments	-	(195,806)
Income from Mudaraba investment	63,680	-
Net income from asset held-for-sale	-	978,734
Other income	935,377	1,124,872
NET INCOME	(729,480)	2,365,925
Staff cost	371,614	334,683
Administrative and general expenses	180,887	299,379
Depreciation	116,438	117,729
TOTAL EXPENSES	668,939	751,791
(LOSS) / PROFIT FOR THE PERIOD	(1,398,419)	1,614,134

The attached notes 1 to 5 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

STATEMENT OF CASH FLOWS

For the three months ended 31 March 2009 (Unaudited)

	<i>Three months ended</i>	
	31 March	31 March
	2009	2008
	US\$	US\$
OPERATING ACTIVITIES		
Dividends received	25,704	-
Placement fees received	50,000	-
Purchase of available-for-sale investments	-	(4,728,392)
Proceeds from sale of available-for-sale investments	-	69,442
Payments for operating and other expenses	(622,376)	(565,760)
Employee qard hasan and advances, net	(95,313)	-
Others	-	52,340
Cash flows used in operating activities	(641,985)	(5,172,370)
INVESTING ACTIVITIES		
Purchase of equipment	(49,995)	(278,139)
Advances for purchase of equipment	-	52,520
Proceeds from disposal of equipment	8,721	-
Registration fees paid	(139,735)	-
Rent received	160,940	-
Cash flows used in investing activities	(20,069)	(225,619)
FINANCING ACTIVITY		
Collection of receivable from mudarib	-	2,750,000
Cash flows from financing activity	-	2,750,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(662,054)	(2,647,989)
Cash and cash equivalents at 1 January	2,557,184	9,631,572
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,895,130	6,983,583

The attached notes 1 to 5 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2009 (Unaudited)

	Share capital US\$	Statutory reserve US\$	Available-for- sale investments fair value reserve US\$	Accumulated losses / retained earnings US\$	Total US\$
Balance at 1 January 2009	80,000,000	7,409,515	2,959,559	(2,696,022)	87,673,052
Loss for the period	-	-	-	(1,398,419)	(1,398,419)
Fair value loss during the period	-	-	(390,249)		(390,249)
Balance as at 31 March 2009	80,000,000	7,409,515	2,569,310	(4,094,441)	85,884,384
Balance at 1 January 2008	80,000,000	7,409,515	10,263,817	32,191,742	129,865,074
Profit for the period	-	-	-	1,614,134	1,614,134
Fair value loss during the period	-	-	(689,159)	-	(689,159)
Balance as at 31 March 2008	80,000,000	7,409,515	9,574,658	33,805,876	130,790,049

STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

2009 (reviewed)

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 31 March 2009 are carried net of a provision for impairment amounting to US\$ 282,311 (2008: 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 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.

Investors Bank B.S.C. (c)

STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the three months ended 31 March 2009 (Unaudited)

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
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.08	10,720,146	-	346,631	-	-	-	142,059	0.08	11,066,777
			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 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.

1 INCORPORATION AND ACTIVITIES

Investors Bank B.S.C (c) ["the Bank"] was incorporated on 26 October 1997, under commercial registration number 39646 as an Exempt Company. The legal status of the Company was subsequently changed to Bahrain Joint Stock Company (closed) on 3 July 2005. The Bank's registered office is Seef Star Building, Seef District, PO Box 11818, Manama, Kingdom of Bahrain. The Bank operates under a Wholesale Islamic Banking Licence issued by the Central Bank of Bahrain ["the CBB"].

The principal activities of the Bank include investment banking and financial activities, investment transactions, participating in equity investments in projects in conformity with Shari'a. The Bank may, in particular, carry on the following business activities.

- a) Providing investment account facilities;
- b) Accepting restricted or unrestricted investment funds commingling the same with those of the Bank and investing them in accordance with Shari'a;
- c) Managing investment of third parties as an agent for a fixed fee as a Mudarib and any other banking activities not contravening the provisions of Shari'a;
- d) Industrial, commercial and agricultural business activities, either directly or through companies which the Bank may establish, or in which the Bank may acquire shares; and
- e) Purchasing, leasing and constructing buildings, and their renting thereof.

2 BASIS OF PREPARATION

These interim condensed financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"]. For matters for which no AAOIFI standards exist, including interim financial reporting, the Bank uses the relevant International Financial Reporting Standard ["IFRS"] issued by the International Accounting Standards Board. The accounting policies applied in these interim condensed financial statements are consistent with those applied in the financial statements for the year ended 31 December 2008.

The interim condensed financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2008.

Results for the three month period ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

3 CYCLICALITY OF OPERATIONS

Due to the nature of the Bank's operations, the three month results reported in these interim condensed financial statements may not represent a proportionate share of the overall annual results.

4 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

Investors Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2009 (Unaudited)

4 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties were as follows:

	31 March 2009 US\$	(audited) 31 December 2008 US\$
Assets		
Trading investments	3,725,108	5,451,147
Available-for-sale investments	8,272,481	8,338,922
Murabaha receivables	-	3,243,848
Mudaraba investment	-	4,000,000
Receivables from sale of investments	10,906,393	11,846,542
Deferred payment sale receivables	3,680,203	3,680,203
Receivable from Mudarib	4,464,281	6,127,801
Other assets:		
Current account with related parties	6,091,815	14,163,730
Dividend receivable	1,683,517	1,779,251
Liabilities		
Murabaha payable	3,229,064	3,229,064

The Bank has investments in companies of certain shareholders. The carrying amounts of such investments at 31 March 2009 were US\$ 240,587 (31 December 2008: US\$ 252,280).

The significant transactions in respect of related parties were as follows:

	Three months ended	
	31 March 2009 US\$	31 March 2008 US\$
Fair value (loss) / gain on trading investments	(1,726,039)	458,125
Income from mudaraba investment	63,680	-
Other income (provision write-back)	1,897,619	-
Shari'a Supervisory Board	10,663	19,814

Compensation of key management personnel is as follows:

	Three months ended	
	31 March 2009 US\$	31 March 2008 US\$
Short term employee benefits	89,760	70,665
Termination benefits	4,138	4,138
Total compensation of key management personnel	93,898	74,803

5 SETTLEMENT OF RELATED PARTY BALANCES

During the current period, the Bank realised its mudaraba investment and murabaha receivables and partly realised its receivable from mudarib and current accounts of US\$ 18,940,621, from related parties. In exchange, the Bank received investment property of US\$ 11,646,191 and tangible non-current asset of US\$ 7,294,430 as consideration in kind.

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