

Investors Bank B.S.C. (c)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2010

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

Introduction

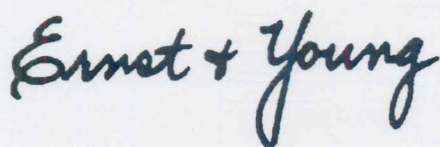
We have reviewed the accompanying interim condensed financial statements of Investors Bank B.S.C. (c) ["the Bank"] as at 30 June 2010, comprising of the statement of financial position as at 30 June 2010 and the related interim statements of income, cash flows, changes in equity and changes in restricted investment accounts for the six 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.

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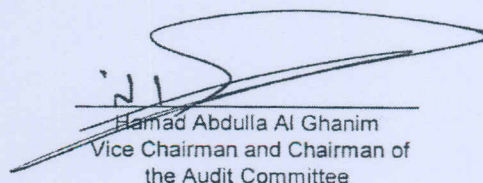
11 August 2010
Manama, Kingdom of Bahrain

Investors Bank B.S.C. (c)
STATEMENT OF FINANCIAL POSITION
As at 30 June 2010 (Unaudited)

	30 June 2010 US\$	(Audited) 31 December 2009 US\$
ASSETS		
Cash and balances with banks	314,864	612,263
Investments	21,055,494	27,669,174
Deferred payment sale receivables	3,680,203	3,680,203
Investment properties	25,582,920	27,571,404
Other assets	1,519,783	7,624,912
Property and equipment	5,130,137	7,098,715
TOTAL ASSETS	57,283,401	74,256,671
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	425,033	449,051
Total liabilities	7,324,299	7,348,317
Equity		
Share capital	80,000,000	80,000,000
Statutory reserve	7,409,515	7,409,515
Investments fair value reserve	2,308,468	3,411,701
Accumulated losses	(39,758,881)	(23,912,862)
Total equity	49,959,102	66,908,354
TOTAL LIABILITIES AND EQUITY	57,283,401	74,256,671
OFF-BALANCE SHEET ITEMS		
Restricted investment accounts	16,083,351	16,228,225



Dr. Abdulaziz Al Bader
Chairman



Hamad Abdulla Al Ghanim
Vice Chairman and Chairman of
the Audit Committee

The attached notes 1 to 6 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

STATEMENT OF INCOME

For the six months ended 30 June 2010 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	30 June	<i>30 June</i>	30 June	<i>30 June</i>
	2010	<i>2009</i>	2010	<i>2009</i>
	US\$	<i>US\$</i>	US\$	<i>US\$</i>
Income from trading investments	-	-	5,902	25,704
(Loss) / income from available- for-sale investments	(490)	16,965	(490)	16,965
Fair value loss / (gains) on trading investments	(888,296)	4,704,163	(2,196,506)	2,949,922
Income from mudaraba investment	-	-	-	63,680
Other income	217,367	(103,757)	447,073	(29,289)
Total net income	(671,419)	4,617,371	(1,744,021)	3,026,982
Staff cost	277,396	338,294	554,250	709,908
Administrative and general expenses	183,558	(86,717)	293,268	1,130,854
Net provision for impairment (note 4)	12,644,888	-	12,644,888	(1,897,592)
Depreciation	304,432	240,061	609,592	356,499
Total expenses	13,410,274	491,638	14,101,998	299,669
(LOSS) / PROFIT FOR THE PERIOD	(14,081,693)	4,125,733	(15,846,019)	2,727,313

The attached notes 1 to 6 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010 (Unaudited)

	<i>Six months ended</i>	
	30 June 2010 US\$	30 June 2009 US\$
OPERATING ACTIVITIES		
Dividends received	5,902	36,138
Placement fees received	-	50,000
Proceeds from sale of available-for-sale investments	25,812	-
Payments for operating and other expenses	(836,540)	(1,072,252)
Employee qard hasan and advances, net	26,804	(77,909)
Net cash outflow from operating activities	(778,022)	(1,064,023)
INVESTING ACTIVITIES		
Purchase of equipment	-	(49,995)
Proceeds from disposal of equipment	2,520	8,721
Registration fees paid	-	(139,736)
Rent received	478,103	188,458
Net cash inflow from investing activities	480,623	7,448
NET DECREASE IN CASH AND CASH EQUIVALENTS	(297,399)	(1,056,575)
Cash and cash equivalents at 1 January	612,263	2,557,184
CASH AND CASH EQUIVALENTS AT 30 JUNE	314,864	1,500,609

The attached notes 1 to 6 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 (Unaudited)

	Share capital US\$	Statutory reserve US\$	Investments fair value reserve US\$	Accumulated losses US\$	Total equity US\$
Balance at 1 January 2010	80,000,000	7,409,515	3,411,701	(23,912,862)	66,908,354
Loss for the period	-	-	-	(15,846,019)	(15,846,019)
Fair value loss during the period	-	-	(1,103,233)	-	(1,103,233)
Balance as at 30 June 2010	80,000,000	7,409,515	2,308,468	(39,758,881)	49,959,102
Balance at 1 January 2009	80,000,000	7,409,515	2,959,559	(2,696,022)	87,673,052
Profit for the period	-	-	-	2,727,313	2,727,313
Fair value gain during the period	-	-	1,970,479	-	1,970,479
Balance as at 30 June 2009	80,000,000	7,409,515	4,930,038	31,291	92,370,844

The attached notes 1 to 6 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the six months ended 30 June 2010 (Unaudited)

2010 (unaudited)

	Balance at 1 January 2010			Movements during the period					Balance at 30 June 2010		
	No of units of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as agent US\$	Administration expenses US\$	No of units 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	0.07	10,240,334	-	(144,874)	-	-	-	142,059	0.07	10,095,460
			16,228,225		(144,874)						16,083,351

1. Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 June 2010 are carried net of a provision for impairment amounting to US\$ 282,311 (2009: 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 the 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)

INTERIM STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the six months ended 30 June 2010 (Unaudited)

2009 (unaudited)

	Balance at 1 January 2009		Movements during the period					Balance at 30 June 2009		
	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\$
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note 2 below)	-	-	317,689	-	-	-	-	-	-	-
	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.08	10,658,932	-	(433,379)	-	-	-	142,059	0.07
			16,646,823		(433,379)					

1. Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 June 2009 are carried net of a 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 Investment Group K.S.C.C. ["IG"]. The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for the sale of these shares. However, due to a legal di the financial institution, the Bank could not effect the transfer of the IG shares to the restricted investment account holder.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

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.

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 11 August 2010.

2 BASIS OF PREPARATION

These interim condensed financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards ["FAS"] 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 ["IASB"]. 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 2009.

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 2009, on which a qualified opinion was issued.

Results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 CYCLICALITY OF OPERATIONS

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

Investors Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

4 NET PROVISION FOR IMPAIRMENT

	Six months ended (Unaudited)	
	30 June 2010 US\$	30 June 2009 US\$
Available-for-sale investments	3,287,639	27
Investment property	960,897	-
Other assets	6,729,263	-
Property & equipment	1,667,089	-
Provision write back	-	(1,897,619)
	12,644,888	(1,897,592)

5 RELATED PARTY TRANSACTIONS

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

A significant portion of the Bank's income arises from transactions with related parties. Transactions with related parties are undertaken on terms agreed between the parties which may not necessarily be on arm's length basis.

The significant balances with related parties were as follows:

	(Unaudited) 30 June 2010 US\$	(Audited) 31 December 2009 US\$
Assets		
Trading investments		
<i>Grand Real Estate Projects Co.</i>	3,269,886	5,411,638
Available-for-sale investments		
<i>International Investment Group</i>	2,862	3,431
<i>Gulf Monetary Group</i>	31,936	31,936
<i>Takaful International - Bahrain (note 5.1)</i>	7,771,808	7,771,808
<i>Gulf Monetary Group - Managed Portfolio</i>	206,030	208,986
<i>Takaful International - Kuwait</i>	710,374	720,568
<i>International Projects Consultancy</i>	42,923	43,539
Deferred payment sale receivables		
<i>Gulf Monetary Group</i>	3,680,203	3,680,203
Current account		
<i>Grand Real Estate Projects Co.</i>	-	6,043,576
	15,716,022	23,915,685
Liabilities		
Murabaha payable		
<i>International Investment Group</i>	3,229,064	3,229,064
Other liabilities		
<i>Takaful International - Bahrain</i>	-	15,957
<i>Key Management Personnel</i>	245,736	240,254
	3,474,800	3,485,275

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

5 RELATED PARTY TRANSACTIONS (continued)

The Bank has investments in companies of certain shareholders. The carrying amounts of such investments at 30 June 2010 were US\$ 240,828 (31 December 2009: US\$ 244,353).

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

	Six months ended (Unaudited)	
	30 June	30 June
	2010	2009
	US\$	US\$
Income		
Fair value loss on trading investments		
<i>Grand Real Estate Projects Co.</i>	(2,141,752)	2,916,070
Income from mudaraba investment		
<i>International Investment Group</i>	-	63,680
	<u>(2,141,752)</u>	<u>2,979,750</u>
Expenses		
Provision Write Back		
<i>Other related party</i>	-	(1,897,619)
Provision for Impairment		
<i>Grand Real Estate Projects Co.</i>	6,729,263	-
<i>International Investment Group</i>	4,502	-
Board of Directors	6,684	13,943
Shari'a Supervisory Board	16,145	17,626
	<u>6,756,594</u>	<u>(1,866,050)</u>

Key management personnel of the Bank comprise the Board of Directors and 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:

	Six months ended (unaudited)	
	30 June	30 June
	2010	2009
	US\$	US\$
Salaries and other short-term benefits	92,287	265,678
Post employment benefits	9,885	17,637
	<u>102,172</u>	<u>283,315</u>

- 5.1 In 2004, the Bank availed a murabaha facility ["the Facility"] of US\$ 3.1 million from a key shareholder. The Bank was required to pledged its shares in Takaful International Bahrain for this arrangement. At the request of the key shareholder the Bank pledged these shares to a regulated institution in Bahrain ["the counterparty"], from whom the key shareholder had availed a separate murabaha facility ["the Facility"]. As of the period end date, the Bank owed the key shareholder US\$ 3.2 million in relation to the same contract. The key shareholder is in negotiation with the counter party to resolve the issue and The Bank expects a favourable outcome from legal proceedings (if any) that maybe initiated by the counterparty and is currently seeking legal advice.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (Unaudited)

6 COMPARATIVE FIGURES

Certain prior period amounts have been reclassified to conform to current year's presentation, such reclassification did not affect previously reported profit or equity.