



INVESTORS BANK B.S.C. (c)
KINGDOM OF BAHRAIN

INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 2014

INVESTORS BANK B.S.C. (c)
INTERIM CONDENSED FINANCIAL INFORMATION
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

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REVIEW REPORT

To the Board of Directors
Investors Bank B.S.C. (c)
Manama, Kingdom of Bahrain

Introduction

We have reviewed the accompanying interim statement of financial position of Investors Bank B.S.C. (c), Bahrain (the “Bank”) as at September 30, 2014 and the related interim statements of income, cash flows and changes in equity for the nine-month period then ended. The Bank’s management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with the accounting policies discussed in Note 2. Our responsibility is to express a conclusion on this interim condensed 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.

Basis for Qualified Conclusion

As discussed in Note 6 to the accompanying interim condensed financial information, the Bank has entered in 2006 into a land lease agreement on behalf of a related party, and has simultaneously entered into a back-to-back agreement with the related party who would be the ultimate lessee of the land and liable to make the lease payments. The related party has defaulted on the lease obligations and no payments have been made to the lessor from February 2009 onwards.

Being the contractual party in the lease agreement, the Bank has booked in 2013 a provision of US\$ 2,885,300 representing a portion of the outstanding lease obligations, awaiting the outcome of possible renegotiations of the lease agreement terms with the lessor. In December 2014, the Bank has provided for the total outstanding lease obligations up to 2014 year-end.

The outstanding lease payments as at September 30, 2014 amounted to US\$ 6,650,861. Had the Bank provided for the difference of US\$ 3,765,561, the accumulated losses and the provision against lease commitments would have each increased by US\$ 3,765,561 as at September 30, 2014.

Qualified Conclusion

Based on our review, except for the matter discussed in the Basis for Qualified Conclusion, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with the accounting policies disclosed in Note 2.

Emphasis of Matter

Without further modifying our opinion, we draw attention to Note 1 to the interim condensed financial information which indicates that the Bank incurred significant accumulated losses as at September 30, 2014. This situation, along with other matters as set forth in Note 1 to the interim condensed financial information, indicate the existence of a material uncertainty that may cast significant doubt about the Bank's ability to continue as a going concern. The accompanying interim condensed financial information has been prepared assuming that the Bank will continue as a going concern.

Other Matters

1. The interim condensed financial information for the nine-month period ended September 30, 2013 and the financial statements for the year ended December 31, 2013 were reviewed and audited, respectively, by another auditor who expressed a qualified conclusion dated November 6, 2013 and an unqualified opinion dated September 2, 2014, respectively.
2. The Bank is not in compliance with certain regulatory requirements as mentioned in Note 1 to the interim condensed financial information.

Manama – Kingdom of Bahrain
May 23, 2015



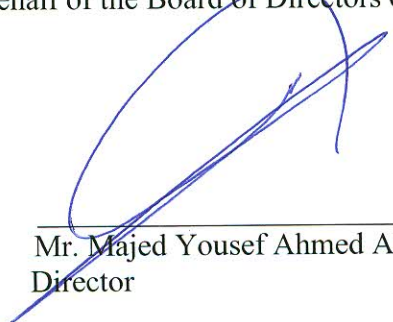
Deloitte & Touche - Middle East
Partner Registration No. 184

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014

| | | (Unaudited) September 30, 2014 US\$ | December 31, 2013 US\$ |
|-------------------------------------|-------|--|------------------------------|
| | Notes | | |
| ASSETS | | | |
| Cash and balances with banks | | 1,256,097 | 768,919 |
| Due from a financial institution | | 2,653,382 | 2,656,499 |
| Equity investments | 3 | 6,807,315 | 6,006,438 |
| Deferred payment sale receivable | 4 | 3,680,203 | 3,680,203 |
| Investment in real estate | | 17,975,422 | 18,255,772 |
| Other assets | | 961,540 | 1,375,853 |
| Fixed assets | | 72,586 | 85,124 |
| | | ----- | ----- |
| Total Assets | | 33,406,545 | 32,828,808 |
| | | ===== | ===== |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Due to a financial institution | 4 | 3,670,202 | 3,670,202 |
| Murabaha payable | 5 | 3,229,064 | 3,229,064 |
| Provision against lease commitment | 6 | 2,885,300 | 2,885,300 |
| Other liabilities | | 411,012 | 694,238 |
| | | ----- | ----- |
| Total Liabilities | | 10,195,578 | 10,478,804 |
| | | ----- | ----- |
| Equity | | | |
| Share capital | | 80,000,000 | 80,000,000 |
| Statutory reserve | | 7,409,515 | 7,409,515 |
| Investments fair value reserve | | 2,687,173 | 1,964,534 |
| Accumulated losses | | (66,885,721) | (67,024,045) |
| | | ----- | ----- |
| Total equity | | 23,210,967 | 22,350,004 |
| | | ----- | ----- |
| Total Liabilities and Equity | | 33,406,545 | 32,828,808 |
| | | ----- | ----- |
| OFF-BALANCE SHEET ITEMS | | | |
| Equity of investment accountholders | | - | - |
| | | ===== | ===== |

The interim condensed financial information was approved on behalf of the Board of Directors on May 23, 2015 and signed on its behalf by:


 Mr. Falah Hajraf K. Al Hajraf
 Vice-Chairman

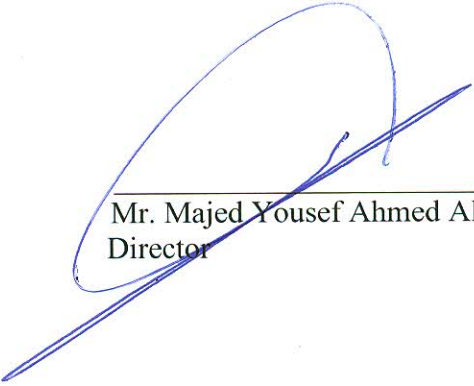

 Mr. Majed Yousef Ahmed Al-Ali
 Director

The attached Notes from 1 to 11 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF INCOME
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

| | | <u>(Unaudited)</u> <u>Three-month ended</u> <u>September 30</u> | | <u>(Unaudited)</u> <u>Nine-month ended</u> <u>September 30</u> | |
|---|--------------|---|----------------------------|--|----------------------------|
| | <u>Notes</u> | <u>2014</u> <u>US\$</u> | <u>2013</u> <u>US\$</u> | <u>2014</u> <u>US\$</u> | <u>2013</u> <u>US\$</u> |
| Revenues | | | | | |
| Rental income from investment in real estate | | 342,519 | 332,206 | 1,152,277 | 1,116,209 |
| Gain on disposal of investment at fair value through equity | | - | 1,758 | - | 272,226 |
| Net fair value (loss) / gain on investments at fair value through statement of income | 3 | (796) | 22,096 | 78,238 | 50,797 |
| Other income | 7 | 9,641 | 164,302 | 78,870 | 246,871 |
| Operating income | | <u>351,364</u> | <u>520,362</u> | <u>1,309,385</u> | <u>1,686,103</u> |
| Expenses | | | | | |
| Staff cost | | (137,275) | (191,995) | (514,895) | (628,749) |
| Administrative and general expenses | | (181,666) | (112,530) | (357,416) | (518,744) |
| Depreciation | | (99,557) | (110,876) | (298,750) | (337,783) |
| Operating expenses | | <u>(418,498)</u> | <u>(415,401)</u> | <u>(1,171,061)</u> | <u>(1,485,276)</u> |
| Net (loss) / income before provision for impairment | | (67,134) | 104,961 | 138,324 | 200,827 |
| Provision for impairment | | - | - | - | (11,420) |
| Net (loss) / profit for the period | | <u>(67,134)</u> | <u>104,961</u> | <u>138,324</u> | <u>189,407</u> |


 Mr. Falah Hajraf K. Al Hajraf
 Vice-Chairman


 Mr. Majed Yousef Ahmed Al-Ali
 Director

The attached Notes from 1 to 11 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CASH FLOWS
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

| | (Unaudited) Nine-Month Period Ended September 30, | |
|---|---|---------------------|
| | <u>2014</u> US\$ | <u>2013</u> US\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit for the period | 138,324 | 189,407 |
| Adjustments for non-cash items: | | |
| Depreciation | 298,750 | 337,783 |
| Provision for impairment | - | 11,420 |
| Gain on disposal of investment at fair value through equity | - | (272,226) |
| Gain on disposal of investment in real estate | - | (210,214) |
| Dividend income | (44,830) | (26,325) |
| Fair value gain on investments at fair value through statement of income | (78,238) | (50,797) |
| | ----- | ----- |
| Operating profit / (loss) before changes in operating assets and liabilities | 314,006 | (20,952) |
| Working capital adjustments: | | |
| Decrease / (increase) in other assets | 452,946 | (22,022) |
| Decrease in other liabilities | (283,226) | (187,763) |
| | ----- | ----- |
| Net cash from / (used in) operating activities | 483,726 | (230,737) |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from disposal of investment at fair value through equity | - | 771,688 |
| Dividends received | 6,197 | 26,325 |
| Proceeds from disposal of investment in real estate | - | 814,160 |
| Additions to fixed assets | (5,862) | (52,654) |
| | ----- | ----- |
| Net cash from investing activities | 335 | 1,559,519 |
| | ----- | ----- |
| Net increase in cash and cash equivalents | 484,061 | 1,328,782 |
| Cash and cash equivalents at beginning of the period | 3,425,418 | 993,440 |
| | ----- | ----- |
| Cash and cash equivalents at the end of the period | 3,909,479 | 2,322,222 |
| | ----- | ----- |
| Cash and cash equivalents comprise: | | |
| Cash and balances with banks | 1,256,097 | 993,475 |
| Due from a financial institution with original maturity of ninety days or less | 2,653,382 | 1,328,747 |
| | ----- | ----- |
| | 3,909,479 | 2,322,222 |
| | ===== | ===== |
| Non-cash transaction: | | |
| Proceeds from disposal of investment at fair value through equity | - | 420,000 |
| | ===== | ===== |

The attached Notes from 1 to 11 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

| | <u>Share Capital</u> US\$ | <u>Statutory Reserve</u> US\$ | <u>Investments fair value reserve</u> US\$ | <u>Accumulated Losses</u> US\$ | <u>Total</u> US\$ |
|---|----------------------------------|--------------------------------------|---|---------------------------------------|----------------------|
| Balance as at January 1, 2014 (Audited) | 80,000,000 | 7,409,515 | 1,964,534 | (67,024,045) | 22,350,004 |
| Net profit for the period | - | - | - | 138,324 | 138,324 |
| Other comprehensive income for the period * (Note 3) | - | - | 722,639 | - | 722,639 |
| | ----- | ----- | ----- | ----- | ----- |
| Balance as at September 30, 2014 (Unaudited) | 80,000,000 | 7,409,515 | 2,687,173 | (66,885,721) | 23,210,967 |
| | ===== | ===== | ===== | ===== | ===== |
| Balance as at January 1, 2013 (Audited) | 80,000,000 | 7,409,515 | 2,988,199 | (57,590,413) | 32,807,301 |
| Net profit for the period | - | - | - | 189,407 | 189,407 |
| Other comprehensive income for the period * | - | - | 2,054,891 | - | 2,054,891 |
| | ----- | ----- | ----- | ----- | ----- |
| Balance as at September 30, 2013 (Unaudited) | 80,000,000 | 7,409,515 | 5,043,090 | (57,401,006) | 35,051,599 |
| | ===== | ===== | ===== | ===== | ===== |

* Other comprehensive income for the period represents the unrealised fair value gain on investments classified at fair value through equity.

The attached Notes from 1 to 11 form an integral part of this interim condensed financial information.

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INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET
INVESTMENT ACCOUNT HOLDERS (CONTINUED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

(Unaudited)

-
- a. Off-balance sheet investment accounts represent amounts received from and transactions entered on behalf of related parties.
- b. On the instructions of an off-balance sheet 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 off-balance sheet 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 off-balance sheet investment account holder (note 4). The Bank's Board of Directors had resolved to write down the value of these shares to zero in the latter part of 2013 based on the performance of these shares and / or the lack of information to support the carrying value of these shares.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF SOURCES AND USES OF CHARITY FUND
SEPTEMBER 30, 2014

| | <u>(Unaudited)</u> <u>September 30,</u> <u>2014</u> US\$ | <u>December 31,</u> <u>2013</u> US\$ |
|---|---|--|
| Undistributed charity fund at the beginning of the period | 17,513 | 35,285 |
| Payments made during the period | - | (17,772) |
| | ----- | ----- |
| Undistributed charity fund at the period end | 17,513 ===== | 17,513 ===== |

The attached Notes from 1 to 11 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

1. INCORPORATION AND ACTIVITIES

Investors Bank B.S.C. (c) (the “Bank”) was established in the Kingdom of Bahrain as an exempt company on 26 October 1997 and operates under an investment banking license (Wholesale Bank (Islamic principles)) granted by the Central Bank of Bahrain (the “CBB”). The Bank commenced commercial operations on June 15, 1998. The legal status of the Bank was changed to a closed Bahraini joint stock company on July 3, 2005. The postal address of the registered office of the Bank is Seef Star Building, Seef District, P.O. Box 11818, Manama, Kingdom of Bahrain.

The Bank’s activities are regulated by the CBB and supervised by a Religious Supervisory Board.

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 off balance sheet investment accounts co-mingling the same with those of the Bank and investing them in accordance with Shari'a;
- c) Managing investments 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 Bank is subject to the requirements of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the Central Bank of Bahrain’s (the “CBB”) regulations (as contained in Volume 2 of the CBB rulebook) and directives and the memorandum and articles of association of the Bank. The Bank is not in compliance with the following requirements of the below mentioned laws:

- The Bank did not submit to the CBB, within two months of the periods ended March 31, 2014, June 30, 2014 and September 30, 2014, its interim condensed financial information including the interim statement of income nor publish its interim condensed financial information within 45 days of the periods ended March 31, 2014, June 30, 2014 and September 30, 2014 as required by the CBB;
- The Bank’s semi annual public disclosures are required to be prepared for the review of external auditors within two months from June 30, 2014. As of the date of approval of these interim condensed financial information, the public disclosures have not been prepared.
- The Bank’s quarterly prudential information return is required to be prepared and submitted to the CBB within 20 days from March 31, 2014, June 30, 2014 and September 30, 2014 and is required to be reviewed by external auditors within two months from March 31, 2014, June 30, 2014 and September 30, 2014. As of the date of approval of these interim condensed financial information, the returns have not been reviewed; and
- The Bank’s key control positions such as the Chief Executive Officer, Financial Controller, Head of Operations, Head of Risk Management, Head of Compliance and Head of Shari’a Review are vacant.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

1. INCORPORATION AND ACTIVITIES (CONTINUED)

1.1 Going concern

The interim condensed financial information has been prepared using the going concern assumption, as management is satisfied that the Bank will continue in operation for the foreseeable future. As at September 30, 2014, the Bank's accumulated losses exceeded a substantial part of its share capital. This situation, along with the current lack of adequate capitalization and the Bank's current limited sources of revenue and ability to generate cash flow from operations, raise significant doubts about its ability to continue as a going concern.

Management is of the opinion that the Bank has the ability to develop profitable operations, depending on securing adequate financial resources.

There can be no assurance that the Bank will be successful in achieving profitability or raising additional cash to finance operations. The financial statements do not include any adjustments relating to the recoverability of assets and liabilities that might be necessary should the Bank be unable to continue as a going concern.

2. BASIS OF PREPARATION

The interim condensed financial information has been prepared in accordance with the guidance given by the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). The same accounting policies, presentation and methods of computation are followed in the interim condensed financial information as were applied in the preparation of the Bank's financial statements for the year ended December 31, 2013, which were prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law and Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Bank uses relevant International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The interim condensed financial information does not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at December 31, 2013.

In addition, results for the nine-month period ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ended December 31, 2014.

None of the new Standards and revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after January 1, 2014 had a significant effect on the interim condensed financial information of the Bank.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

3. EQUITY INVESTMENTS

| | (Unaudited) September 30, 2014 US\$ | December 31, 2013 US\$ |
|---|--|------------------------------|
| Investment at fair value through statement of income: | | |
| Quoted equity securities | 276,650 | 198,412 |
| | ----- | ----- |
| Investments at fair value through equity: | | |
| Quoted equity securities (note 3.1) | 6,101,988 | 5,379,349 |
| Unquoted equity security | 428,677 | 428,677 |
| | ----- | ----- |
| | 6,530,665 | 5,808,026 |
| | ----- | ----- |
| | 6,807,315 | 6,006,438 |
| | ===== | ===== |

The movement of investments during the period is as follows:

| | <u>Investments at</u> <u>fair value</u> <u>through</u> <u>statement of</u> <u>income</u> US\$ | <u>Investments</u> <u>at fair value</u> <u>through</u> <u>equity</u> US\$ |
|------------------------------|--|---|
| At January 1, 2013 | 1,799,439 | 5,453,875 |
| Net unrealised (loss) / gain | (1,601,027) | 1,434,973 |
| Impairment loss | - | (34,797) |
| Disposal | - | (1,046,025) |
| | ----- | ----- |
| At December 31, 2013 | 198,412 | 5,808,026 |
| Net unrealised gain | 78,238 | 722,639 |
| | ----- | ----- |
| At September 30, 2014 | 276,650 | 6,530,665 |
| | ===== | ===== |

- 3.1 Quoted equity securities with a carrying value of US\$ 3,727,776 (December 31, 2013: US\$ 2,894,235) are under dispute and in custody of the court (Refer to Note 4).
- 3.2 The Bank's quoted equity securities with a carrying value of US\$ 5,605,973 and US\$ 1,201,342 are categorised under Level 1 and Level 3 respectively in the fair value hierarchy (December 31, 2013: US\$ 4,805,096 and US\$ 1,201,342 under Level 1 and Level 3 respectively).

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

4. DEFERRED PAYMENT SALE RECEIVABLE / DUE TO A FINANCIAL INSTITUTION

On March 7, 2004 the Bank entered into a sale and purchase agreement with a financial institution to purchase shares of a related party for a total consideration of US\$ 5,811,957 including six-month deferred payment costs of US\$ 141,755. Concurrently the Bank entered into an agreement with another related party to sell the same shares for a total consideration of US\$ 5,821,958 including deferred payment costs of US\$ 151,756, payable on September 30, 2004.

In accordance with the terms of the sale and purchase agreement, the Bank pledged certain own equity investments in addition to subsequent dividend shares received, in favour of the financial institution, which carrying value as at September 30, 2014 amounted to US\$ 3,727,776 (US\$ 2,894,235 as at December 31, 2013) and dividends receivable up to 2006 totalling US\$ 887,733.

At the date of signature of both agreements, the net remaining amounts due to the financial institution and due from the related party amounted to US\$ 3,670,202 and US\$ 3,680,203 respectively (excluding deferred payment costs). No further settlements were made and the agreement was terminated by the financial institution, which retained the Bank's pledged shares. The Bank's management considered that the agreement was wrongfully terminated and the pledged shares are unlawfully retained. The Bank has filed a legal case before the Courts of Bahrain against the financial institution for repossession of the pledged shares, which are currently under the custody of the Court with the related dividends discussed above. Further a cheque in the amount of US\$ 3,680,203 representing the amount due to the Bank on the deferred sale of shares, was drawn by that related party and deposited at the Court.

In the opinion of the Bank's management, no provision is required to be made in the financial statements against the pledged shares or against any contingent liabilities that might arise on the final settlement.

5. MURABAHA PAYABLE

In 2004, a related party entered into a Murabaha financing agreement with a financial institution against the pledge of 18,840,341 equity shares, of which 8,352,705 owned by the Bank with a carrying value at that time of US\$ 5,760,487, and the remaining 10,487,636 shares owned by the borrowing related party and another related party.

Also on November 1, 2004 the Bank obtained from the above related party a one year financing totalling US\$ 3,229,064 including financing cost of US\$ 134,295 by virtue of a Murabaha contract.

Following the default of the related party, the case was brought to Court, which ruled in favour of the financial institution and ordered the settlement of the outstanding balance of BD 2,236,191 (US\$ 5,931,541) in addition to annual profit of 3% effective April 2011 and settlement of legal costs.

As no settlement was made by any of the parties that had pledged the shares in guarantee of the financing agreement as stated above, the Court appointed in 2013 a broker to auction all the 18,840,341 pledged shares in one bulk. A number of unsuccessful auctions were held at varying starting prices, however no potential buyers indicated their interest and the shares are yet to be sold.

In recognition of the Bank's liability, the management decided to write down to zero the value of its 8,352,705 pledged shares and valued the remaining same shares (2,912,950 shares) in its portfolio at BD 0.100 (US\$ 0.2652) per share, being the lowest bidding price up to the 2014 year end.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

6. PROVISION AGAINST LEASE COMMITMENT

During 2006, the Bank entered into a lease agreement for the lease of a land on behalf of a related party for a term of 29 years, with a grace period of 2.5 years. The Bank also entered into a back to back agreement with the related party in which both parties agreed that the ultimate lessee of the land is the Bank's related party and is liable to make the lease payment to the Bank who in turn will settle the lease payments to the lessor.

The related party had defaulted on its lease payments due to the delay in the execution of the planned project on the leased land. Since the lease agreement was signed between the Bank and the lessor, the Bank's Board of Directors acknowledged that the lessor may claim the outstanding lease payments from the Bank which amounted to US\$ 6,650,861 as at September 30, 2014 (December 31, 2013: US\$ 5,770,600), of which only US\$ 2,885,300 were provided by the Bank up to September 30, 2014. In this regard, the Bank has irrevocably pledged to the CBB that a full provision for the outstanding lease commitments will be made by December 31, 2014, should there be no settlement of any kind with the lessor or any changes / developments to the exposure of the leased land.

As no settlement was reached as at December 31, 2014, the Bank has provided for US\$ 6,944,282, being the total outstanding lease commitments as at that date.

7. OTHER INCOME

| | <u>September 30,</u> | |
|---|----------------------|--------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>US\$</u> | <u>US\$</u> |
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Gain on disposal of investment in real estate | - | 210,214 |
| Dividend income | 44,830 | 26,325 |
| Income from commodity Murabaha facility | 33,779 | 12,791 |
| Foreign exchange loss | (437) | (2,459) |
| Miscellaneous income | 698 | - |
| | ----- | ----- |
| | 78,870 | 246,871 |
| | ===== | ===== |

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

8. RELATED PARTIES

Transactions with related parties are undertaken on terms which may not necessarily be on arm's length basis.

| | Shareholders | | | Others | | | September 30, 2014 | (Audited) December 31, 2013 |
|---|---------------|-------------------|-------------|---------------|-------------------|-------------|-----------------------|-----------------------------------|
| | Gross US\$ | Provision US\$ | Net US\$ | Gross US\$ | Provision US\$ | Net US\$ | Total US\$ | Total US\$ |
| Assets | | | | | | | | |
| Investments at fair value through statement of income | - | - | - | 15,802,165 | (15,802,165) | - | - | - |
| Investments at fair value through equity | 307,176 | (307,176) | - | 6,074,183 | (4,872,841) | 1,201,342 | 1,201,342 | 1,201,342 |
| Deferred payment sale receivable | 3,680,203 | - | 3,680,203 | - | - | - | 3,680,203 | 3,680,203 |
| Other assets | 22,213,227 | (22,213,227) | - | 10,249,258 | (10,210,625) | 38,633 | 38,633 | - |
| Liabilities | | | | | | | | |
| Murabaha payable | 3,229,064 | - | 3,229,064 | - | - | - | 3,229,064 | 3,229,064 |
| Other liabilities | - | - | - | 68,125 | - | 68,125 | 68,125 | 144,482 |
| Off-Balance Sheet: | | | | | | | | |
| Equity of investment accountholders | 16,122,978 | (16,122,978) | - | - | - | - | - | - |

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8. RELATED PARTIES (CONTINUED)

The income and expenses with related parties included in the interim condensed financial information are as follows:

| | September 30, 2014 | | | September 30, 2013 |
|---|--------------------|--------|--------|--------------------|
| | Shareholders | Others | Total | Total |
| | US\$ | US\$ | US\$ | US\$ |
| Income | | | | |
| Fair value loss on investment at fair value through statement of income | - | - | - | (10,398) |
| Other income | - | 38,633 | 38,633 | - |
| Expense | | | | |
| Provision for impairment | - | - | - | 9,312 |
| Board of Directors and Board Committees, meeting expenses and attendance allowances | - | 45,486 | 45,486 | 11,167 |
| Shari'a Supervisory Board remuneration, meeting expenses and attendance allowances | - | 21,966 | 21,966 | 20,889 |
| Other comprehensive gain | - | - | - | 18 |

Key management personnel of the Bank comprise 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:

| | September 30, 2014 | September 30, 2013 |
|--|--------------------|--------------------|
| | US\$ | US\$ |
| Salaries and other short-term benefits | 124,217 | 169,653 |
| Post-employment benefits | 9,639 | 8,276 |
| | ----- | ----- |
| | 133,856 | 177,929 |
| | ===== | ===== |

Further to the above, refer to Notes 4, 5 and 6 for outstanding issues with related parties.

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9. CONTINGENT LIABILITIES

Various parties have filed legal actions against the Bank with varying claims and associated legal costs. Subsequent to the statement of financial position date, the Bank was charged for total amounts of approximately US\$ 22,200 in 2015. The outcome of the remaining actions cannot be presently determined. Accordingly the Bank has not made any provisions.

10. SEGMENT INFORMATION

The industrial distribution of the Bank's assets and liabilities as at September 30, 2014 is as follows:

| | September 30, 2014 (Unaudited) | | | |
|------------------------------------|---|---------------------------------|---------------|--------------|
| | <u>Banks and financial institutions</u> | <u>Investment companies</u> | <u>Others</u> | <u>Total</u> |
| | US\$ | US\$ | US\$ | US\$ |
| Assets | | | | |
| Cash and balances with banks | 1,256,097 | - | - | 1,256,097 |
| Due from a financial institution | 2,653,382 | - | - | 2,653,382 |
| Equity investments | 6,718,986 | - | 88,329 | 6,807,315 |
| Deferred payment sale receivable | - | 3,680,203 | - | 3,680,203 |
| Investment in real estate | - | - | 17,975,422 | 17,975,422 |
| Other assets | 939,629 | - | 21,911 | 961,540 |
| Fixed assets | - | - | 72,586 | 72,586 |
| | ----- | ----- | ----- | ----- |
| Total assets | 11,568,094 | 3,680,203 | 18,158,248 | 33,406,545 |
| | ----- | ----- | ----- | ----- |
| Liabilities | | | | |
| Due to a financial institution | 3,670,202 | - | - | 3,670,202 |
| Murabaha payable | 3,229,064 | - | - | 3,229,064 |
| Provision against lease commitment | - | - | 2,885,300 | 2,885,300 |
| Other liabilities | 1,061 | - | 409,951 | 411,012 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | 6,900,327 | - | 3,295,251 | 10,195,578 |
| | ----- | ----- | ----- | ----- |

INVESTORS BANK B.S.C. (c)
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NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

10. **SEGMENT INFORMATION (CONTINUED)**

| | December 31, 2013 (Audited) | | | |
|------------------------------------|---|---------------------------------|---------------|--------------|
| | <u>Banks and financial institutions</u> | <u>Investment companies</u> | <u>Others</u> | <u>Total</u> |
| | US\$ | US\$ | US\$ | US\$ |
| Assets | | | | |
| Cash and balances with banks | 768,919 | - | - | 768,919 |
| Due from a financial institution | 2,656,499 | - | - | 2,656,499 |
| Equity investments | 5,922,088 | - | 84,350 | 6,006,438 |
| Deferred payment sale receivable | - | 3,680,203 | - | 3,680,203 |
| Investment in real estate | - | - | 18,255,772 | 18,255,772 |
| Other assets | 900,996 | - | 474,857 | 1,375,853 |
| Fixed assets | - | - | 85,124 | 85,124 |
| | ----- | ----- | ----- | ----- |
| Total assets | 10,248,502 | 3,680,203 | 18,900,103 | 32,828,808 |
| | ----- | ----- | ----- | ----- |
| Liabilities | | | | |
| Due to a financial institution | 3,670,202 | - | - | 3,670,202 |
| Murabaha payable | 3,229,064 | - | - | 3,229,064 |
| Provision against lease commitment | - | - | 2,885,300 | 2,885,300 |
| Other liabilities | 3,271 | - | 690,967 | 694,238 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | 6,902,537 | - | 3,576,267 | 10,478,804 |
| | ----- | ----- | ----- | ----- |

Geographical concentration

Assets and liabilities of the Bank as at September 30, 2014 and December 31, 2013 are primarily concentrated in the Middle East region.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

11. FINANCIAL INSTRUMENTS

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

| | September 30, 2014 (Unaudited) | | | |
|------------------------------------|--------------------------------|-------------------|---------------------|-------------------|
| | <u>Amortised</u> | <u>Fair value</u> | <u>Fair value</u> | |
| | <u>cost</u> | <u>through</u> | <u>through</u> | |
| | <u>US\$</u> | <u>equity</u> | <u>statement of</u> | <u>Total</u> |
| | <u>US\$</u> | <u>US\$</u> | <u>income</u> | <u>US\$</u> |
| Financial assets: | | | | |
| Equity investments | - | 6,530,665 | 276,650 | 6,807,315 |
| Deferred payment sale receivable | 3,680,203 | - | - | 3,680,203 |
| Other assets | 928,423 | - | - | 928,423 |
| | <u>4,608,626</u> | <u>6,530,665</u> | <u>276,650</u> | <u>11,415,941</u> |
| Financial liabilities: | | | | |
| Due to a financial institution | 3,670,202 | - | - | 3,670,202 |
| Murabaha payable | 3,229,064 | - | - | 3,229,064 |
| Provision against lease commitment | 2,885,300 | - | - | 2,885,300 |
| Other liabilities | 411,012 | - | - | 411,012 |
| | <u>10,195,578</u> | <u>-</u> | <u>-</u> | <u>10,195,578</u> |
| | December 31, 2013 (Audited) | | | |
| | <u>Amortised</u> | <u>Fair value</u> | <u>Fair value</u> | |
| | <u>cost</u> | <u>through</u> | <u>through</u> | |
| | <u>US\$</u> | <u>equity</u> | <u>statement of</u> | <u>Total</u> |
| | <u>US\$</u> | <u>US\$</u> | <u>income</u> | <u>US\$</u> |
| Financial assets: | | | | |
| Equity investments | - | 5,808,026 | 198,412 | 6,006,438 |
| Deferred payment sale receivable | 3,680,203 | - | - | 3,680,203 |
| Other assets | 1,313,509 | - | - | 1,313,509 |
| | <u>4,993,712</u> | <u>5,808,026</u> | <u>198,412</u> | <u>11,000,150</u> |
| Financial liabilities: | | | | |
| Due to a financial institution | 3,670,202 | - | - | 3,670,202 |
| Murabaha payable | 3,229,064 | - | - | 3,229,064 |
| Provision against lease commitment | 2,885,300 | - | - | 2,885,300 |
| Other liabilities | 694,238 | - | - | 694,238 |
| | <u>10,478,804</u> | <u>-</u> | <u>-</u> | <u>10,478,804</u> |