

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

INTERIM CONDENSED
FINANCIAL INFORMATION
JUNE 30, 2016

INVESTORS BANK B.S.C. (c)
INTERIM CONDENSED FINANCIAL INFORMATION
JUNE 30, 2016

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REVIEW REPORT

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

Deloitte & Touche - Middle East
Zamil Tower
Government Avenue
P.O. Box 421, Manama
Kingdom of Bahrain
Tel: +973 1721 4490
Fax: +973 1721 4550
www.deloitte.com
C.R. 18670

We have reviewed the accompanying interim statement of financial position of Investors Bank B.S.C. (c), Bahrain (the "Bank") as at June 30, 2016 and the related interim statements of income, cash flows and changes in equity for the three-month and six-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 basis of preparation disclosed 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.

Conclusion

Based on our review, 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 basis of preparation disclosed in Note 2.


Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 to the interim condensed financial information which indicates that the Bank incurred significant accumulated losses as at June 30, 2016. 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. However, the accompanying interim condensed financial information has been prepared assuming that the Bank will continue as a going concern.

Other Matter

The Bank is not in compliance with certain regulatory requirements as mentioned in Note 1 to the interim condensed financial information.

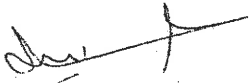
Manama, Kingdom of Bahrain
August 9, 2016

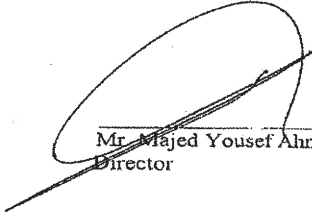

Deloitte & Touche – Middle East
Partner Registration No. 184

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

		(Unaudited)	(Audited)
		June 30,	December 31,
		2016	2015
	Notes	US\$	US\$
ASSETS			
Cash and balances with banks		1,179,553	3,107,075
Equity investments	3	3,179,209	3,738,763
Deferred payment sale receivable	4	3,680,203	3,680,203
Investment in real estate	5	24,290,910	24,265,592
Other assets		1,052,256	954,129
Fixed assets		36,310	41,350
Total Assets		33,418,441	35,787,112
LIABILITIES AND EQUITY			
Liabilities			
Due to a financial institution	4	3,670,202	3,670,202
Murabaha payable	6	3,229,064	3,229,064
Payable against lease commitment	7	1,193,634	3,580,902
Other liabilities		374,985	262,302
Total Liabilities		8,467,885	10,742,470
Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,561,420	7,561,420
Investments fair value reserve		360,854	909,705
Properties fair value reserve		657,476	657,476
Accumulated losses		(63,629,194)	(64,083,959)
Total equity		24,950,556	25,044,642
Total Liabilities and Equity		33,418,441	35,787,112
OFF-BALANCE SHEET ITEMS			
Equity of investment accountholders		-	-

The interim condensed financial information was approved on behalf of the Board of Directors on August 9, 2016 and signed by:



 Mr. Ali Saleh Ayesh Al Rashidi
 Chairman

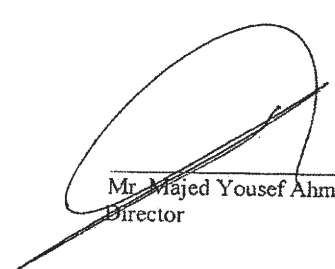

 Mr. Majed Yousef Ahmed Al-Ali
 Director

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF INCOME
PERIOD ENDED JUNE 30, 2016

	<u>Notes</u>	<u>(Unaudited)</u> <u>Three-month ended</u> <u>June 30</u>		<u>(Unaudited)</u> <u>Six-month ended</u> <u>June 30</u>	
		<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Revenues					
Rental income from investments in real estate		340,864	378,183	803,103	772,428
Fair value (loss) / gain on investments at fair value through statement of income, net	3	690	26,793	(583)	5,904
Other income, net	8	(78)	7,790	6,513	20,076
Operating income		<u>341,476</u>	<u>412,766</u>	<u>809,033</u>	<u>798,408</u>
Expenses					
Staff costs	9	(44,410)	(350,886)	(66,622)	(452,625)
Administrative and general expenses	10	(148,031)	(135,912)	(291,166)	(262,841)
Depreciation		(5,764)	(6,421)	(11,678)	(12,843)
Operating expenses		<u>(198,205)</u>	<u>(493,219)</u>	<u>(369,466)</u>	<u>(728,309)</u>
Net profit / (loss) before provision and impairment		143,271	(80,453)	439,567	70,099
Provision for impairment of financial assets		(3,003)	(77,267)	(10,120)	(77,267)
Write-back of impairment on real estate investment, net	5	25,318	53,152	25,318	53,152
Provision for lease commitment	7	-	(293,420)	-	(586,840)
Net profit/(loss) for the period		<u>165,586</u>	<u>(397,988)</u>	<u>454,765</u>	<u>(540,856)</u>


 Mr. Ali Saleh Ayesh Al Rashidi
 Chairman


 Mr. Majed Yousef Ahmed Al-Ali
 Director

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CASH FLOWS
PERIOD ENDED JUNE 30, 2016

(Unaudited)

	<u>Six-Month</u> <u>Period Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit / (loss) for the period	454,765	(540,856)
Adjustments for non-cash items:		
Depreciation	11,678	12,843
Provision for lease commitment	-	586,840
Provision for impairment of financial assets	10,120	77,267
Write-back of impairment on real estate investment, net	(25,318)	(53,152)
Dividend income	(6,197)	(6,197)
Fair value loss / (gain) on investments at fair value through statement of income, net	583	(5,904)
	-----	-----
Operating profit before changes in operating assets and liabilities	445,631	70,841
Working capital adjustments:		
Increase in other assets	(98,127)	(2,260)
Increase / (decrease) in other liabilities	112,683	(58,348)
	-----	-----
Net cash from operations	460,187	10,233
Payment of payable against lease commitments	(2,387,268)	-
	-----	-----
Net cash (used in) / from operating activities	(1,927,081)	10,233
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received	6,197	6,197
Additions to fixed assets	(6,638)	-
	-----	-----
Net cash (used in) / from investing activities	(441)	6,197
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(1,927,522)	16,430
Cash and cash equivalents at beginning of the period	3,107,075	4,120,830
	-----	-----
Cash and cash equivalents at the end of the period	1,179,553	4,137,260
	-----	-----
Cash and cash equivalents comprise:		
Cash and balances with banks	1,179,553	1,482,751
Due from a financial institution with original maturity of ninety days or less	-	2,654,509
	-----	-----
	<u>1,179,553</u>	<u>4,137,260</u>

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY
PERIOD ENDED JUNE 30, 2016

(Unaudited)

	<u>Share Capital</u> US\$	<u>Statutory Reserve</u> US\$	<u>Investments fair value reserve</u> US\$	<u>Properties fair value reserve</u> US\$	<u>Accumulated Losses</u> US\$	<u>Total</u> US\$
Balance as at January 1, 2016 (Audited)	80,000,000	7,561,420	909,705	657,476	(64,083,959)	25,044,642
Net profit for the period	-	-	-	-	454,765	454,765
Other comprehensive loss for the period * (Note 3)	-	-	(548,851)	-	-	(548,851)
Balance as at June 30, 2016 (Unaudited)	<u>80,000,000</u>	<u>7,561,420</u>	<u>360,854</u>	<u>657,476</u>	<u>(63,629,194)</u>	<u>24,950,556</u>
Balance as at January 1, 2015 (Audited)	80,000,000	7,409,515	2,316,221	117,805	(65,451,100)	24,392,441
Net loss for the period	-	-	-	-	(540,856)	(540,856)
Other comprehensive loss for the period *	-	-	(441,677)	-	-	(441,677)
Fair value gain on investment in real estate	-	-	-	436,222	-	436,222
Balance as at June 30, 2015 (Unaudited)	<u>80,000,000</u>	<u>7,409,515</u>	<u>1,874,544</u>	<u>554,027</u>	<u>(65,991,956)</u>	<u>23,846,130</u>

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

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET INVESTMENT ACCOUNT HOLDERS
PERIOD ENDED JUNE 30, 2016

	Balance at January 1, 2016 (Audited)	Movements during the period			Balance at June 30, 2016 (Unaudited)			
	<u>No. of units (000)</u>	<u>Average value per share US\$</u>	<u>Total US\$</u>	<u>Investment/ (withdrawal) US\$</u>	<u>Revaluations US\$</u>	<u>No. of units (000)</u>	<u>Average value per share US\$</u>	<u>Total US\$</u>
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note b below)	-	-	-	-	-	-	-	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	12,887	-	-	-	-	12,887	-	-
	142,059	-	-	-	-	142,059	-	-
			-----		-----			-----
			=====		=====			=====
	Balance at January 1, 2015 (Audited)	Movements during the period			Balance at June 30, 2015 (Unaudited)			
	<u>No. of units (000)</u>	<u>Average value per share US\$</u>	<u>Total US\$</u>	<u>Investment/ (withdrawal) US\$</u>	<u>Revaluations US\$</u>	<u>No. of units (000)</u>	<u>Average value per share US\$</u>	<u>Total US\$</u>
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note b below)	-	-	-	-	-	-	-	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	12,887	-	-	-	-	12,887	-	-
	142,059	-	-	-	-	142,059	-	-
			-----		-----			-----
			=====		=====			=====

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET
INVESTMENT ACCOUNT HOLDERS (CONTINUED)
PERIOD ENDED JUNE 30, 2016

(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 during 2013 based on the performance of these shares and / or the lack of information to support the carrying value of these shares.

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
INTERIM STATEMENT OF SOURCES AND USES OF CHARITY FUND
JUNE 30, 2016

	<u>(Unaudited)</u> <u>June 30,</u> <u>2016</u> <u>US\$</u>	<u>(Audited)</u> <u>December 31,</u> <u>2015</u> <u>US\$</u>
Undistributed charity fund at the beginning of the period	17,513	17,513
Payments made during the period	-	-
Undistributed charity fund at the period end	----- 17,513 =====	----- 17,513 =====

The attached Notes from 1 to 14 form an integral part of this interim condensed financial information.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

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 Shari’a 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 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:

- As of the date of issuance of these interim condensed financial information, 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.
- As of the date of the issuance of the interim condensed financial information, the Chairman of the Bank is mandated by the Board of Directors to perform certain administrative tasks in the absence of an appointed Chief Executive Officer. CBB granted a “no objection” to this arrangement for a period of six months ending September 3, 2016 (Refer Note 11).

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

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 June 30, 2016, 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 inability 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 interim condensed financial information does not include any adjustments relating to the recoverability of assets and settlement of 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, 2015, which were prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") except for a specific investment property as disclosed in Note 5, 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, 2015.

In addition, results for the six-month period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ended December 31, 2016.

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, 2016 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)
PERIOD ENDED JUNE 30, 2016

3. EQUITY INVESTMENTS

	(Unaudited) June 30, 2016 US\$	December 31, 2015 US\$
Investment at fair value through statement of income:		
Quoted equity securities	139,112	139,695
	-----	-----
Investments at fair value through equity:		
Quoted equity securities (note 3.1)	2,911,439	3,470,410
Unquoted equity security	128,658	128,658
	-----	-----
	3,040,097	3,599,068
	-----	-----
	3,179,209	3,738,763
	=====	=====

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, 2015 (Audited)	185,422	6,159,713
Net unrealised (loss)	(45,727)	(1,406,516)
Impairment loss	-	(1,154,129)
	-----	-----
At December 31, 2015 (Audited)	139,695	3,599,068
Net unrealised loss	(583)	(548,851)
Impairment loss	-	(10,120)
	-----	-----
At June 30, 2016 (Unaudited)	139,112	3,040,097
	=====	=====

- 3.1 Quoted equity securities with a carrying value of US\$ 2,097,395 (December 31, 2015: US\$ 2,646,246) are under dispute and in custody of the court (Refer to Note 4).
- 3.2 The Bank's equity securities with a carrying value of US\$ 3,050,551 and US\$ 128,658 are categorised under Level 1 and Level 3 respectively in the fair value hierarchy (December 31, 2015: US\$ 3,610,105 and US\$ 128,658 under Level 1 and Level 3 respectively).

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

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\$ 151,755, 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, the carrying value of which as at June 30, 2016 amounted to US\$ 2,097,395 (US\$ 2,646,246 as at December 31, 2015) 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 interim condensed financial information against the pledged shares or against any contingent liabilities that might arise on the final settlement.

5. INVESTMENTS IN REAL ESTATE

	<u>(Unaudited)</u> <u>June 30,</u> <u>2016</u> <u>US\$</u>	<u>(Audited)</u> <u>December 31,</u> <u>2015</u> <u>US\$</u>
At January 1,	24,265,592	23,616,756
Write back of provision for impairment, net	25,318	109,165
Change in fair value recognised in equity	-	539,671
	<u>24,290,910</u>	<u>24,265,592</u>

The fair value of investments in real estate at the period end is determined based on valuations performed by independent valuation experts as at June 30, 2016, except for freehold land in Burhama which is carried at cost less impairment in accordance with specific directives of the Regulator.

The carrying value and fair value of the Burhama land which is carried at cost less impairment, as explained above are USD 7,161,803 and USD 8,328,912 (December 31, 2015: USD 7,161,803 and USD 8,209,549) respectively.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

6. 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.

In recognition of the Bank's liability, management decided to write down to zero the value of its 8,352,705 pledged shares and valued the remaining 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. In April 2015, the 8,352,705 shares were liquidated at an auction price of BD 0.100 per share and the amount was directly awarded to the party to whom the shares were pledged to with no gain or loss being recognised by the Bank.

7. PAYABLE 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. Accordingly and as at December 31, 2014 the Bank has provided for lease obligations as at that date amounting to US\$ 6,944,282.

In November 2015, the Bank entered into a final settlement agreement with the owner by virtue of which both parties have agreed the repossession of the land by the owner and a final settlement of USD 4,774,536 (BD 1,800,000) payable in four quarterly installments of US\$ 1,193,634 each (BD 450,000) starting November 18, 2015 and ending August 1, 2016 against post dated cheques delivered by the Bank.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

7. PAYABLE AGAINST LEASE COMMITMENT: (CONTINUED)

	<u>US\$</u>
Balance January 1, 2015 (Audited)	6,944,282
Reversal of lease liabilities booked to income	(2,169,746)
Settlement made	(1,193,634)

Balance December 31, 2015 (Audited)	3,580,902
Settlement made	(2,387,268)

Balance June 30, 2016	1,193,634
	=====

8. OTHER INCOME

	<u>Six-Month Period Ended</u> <u>June 30,</u>	
	<u>2016</u> <u>(Unaudited)</u> <u>US\$</u>	<u>2015</u> <u>(Unaudited)</u> <u>US\$</u>
Dividend income	6,197	6,197
Income from commodity Murabaha facility	1,256	13,579
Foreign exchange loss	(940)	(655)
Miscellaneous income	-	955
	-----	-----
	6,513	20,076
	=====	=====

9. STAFF AND RELATED COSTS

	<u>Six-Month Period Ended</u> <u>June 30,</u>	
	<u>2016</u> <u>(Unaudited)</u> <u>US\$</u>	<u>2015</u> <u>(Unaudited)</u> <u>US\$</u>
Staff cost	66,622	179,338
Retrenchment cost	-	273,287
	-----	-----
	66,622	452,625
	=====	=====

10. ADMINISTRATIVE AND GENERAL EXPENSES

The administrative and general expenses include US\$ 23,210 as financial penalty imposed by the CBB.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
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11. RELATED PARTIES

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

	Shareholders			Others			June 30, 2016	(Audited) December 31, 2015
	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	(5,250,126)	824,057	824,057	824,057
Deferred payment sale receivable	3,680,203	-	3,680,203	-	-	-	3,680,203	3,680,203
Other assets	22,310,672	(22,213,227)	97,445	10,249,260	(10,249,260)	-	97,445	-
Liabilities								
Murabaha payable	3,229,064	-	3,229,064	-	-	-	3,229,064	3,229,064
Other liabilities	97,445	-	97,445	29,409	-	29,409	126,854	49,429
Off-Balance Sheet:								
Equity of investment accountholders	16,122,978	(16,122,978)	-	-	-	-	-	-

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
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11. RELATED PARTIES (CONTINUED)

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

	June 30, 2016		June 30, 2015	
	Shareholders	Others	Total	Total
	US\$	US\$	US\$	US\$
Expense				
Provision for impairment of financial assets	-	-	-	77,267
Board of Directors and Board Committees meeting expenses and attendance allowances	-	25,072	25,072	14,805
Shari'a Supervisory Board remuneration, meeting expenses and attendance allowances	-	(274)	(274)*	14,505

* The amount represents the reversal of the Sharia'a remuneration due to the appointment of a new Sharia'a Supervisory Board at a lower remuneration.

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:

	June 30, 2016	June 30, 2015
	US\$	US\$
Salaries and other short-term benefits **	21,220	-
Post-employment benefits	-	-
	-----	-----
	21,220	-
	=====	=====

** The Board of Directors in its meeting held on May 12, 2016, approved a monthly allowance to the Chairman of the Bank for handling specific administrative matters, effective from March 3, 2016, the date on which the CBB granted a "no objection" to this arrangement for a period of six months ending September 3, 2016.

Further to the above, refer to Notes 4, 6 and 7 for outstanding issues with related parties.

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

12. CONTINGENT LIABILITIES

Various parties have filed legal actions against the Bank with varying claims and associated legal costs. The outcome of the remaining actions cannot be presently determined. Accordingly the Bank has not made any provisions.

13. SEGMENT INFORMATION

The industrial distribution of the Bank's assets and liabilities as at June 30, 2016 is as follows:

	June 30, 2016 (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	1,179,553	-	-	1,179,553
Equity investments	3,133,055	-	46,154	3,179,209
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Investment in real estate	-	-	24,290,910	24,290,910
Other assets	900,996	97,445	53,815	1,052,256
Fixed assets	-	-	36,310	36,310
	-----	-----	-----	-----
Total assets	5,213,604	3,777,648	24,427,189	33,418,441
	=====	=====	=====	=====
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Payable against lease commitment	-	-	1,193,634	1,193,634
Other liabilities	4,504	97,445	273,036	374,985
	-----	-----	-----	-----
Total liabilities	6,903,770	97,445	1,466,670	8,467,885
	=====	=====	=====	=====

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED JUNE 30, 2016

13. SEGMENT INFORMATION (CONTINUED)

	December 31, 2015 (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	3,107,075	-	-	3,107,075
Equity investments	3,692,609	-	46,154	3,738,763
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Investments in real estate	-	-	24,265,592	24,265,592
Other assets	900,996	-	53,133	954,129
Fixed assets	-	-	41,350	41,350
	-----	-----	-----	-----
Total assets	7,700,680	3,680,203	24,406,229	35,787,112
	=====	=====	=====	=====
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Payable against lease commitment	-	-	3,580,902	3,580,902
Other liabilities	2,611	-	259,691	262,302
	-----	-----	-----	-----
Total liabilities	6,901,877	-	3,840,593	10,742,470
	=====	=====	=====	=====

Geographical concentration

Assets and liabilities of the Bank as at June 30, 2016 and December 31, 2015 are primarily concentrated in the Middle East region.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
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14. 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:

June 30, 2016 (Unaudited)				
	<u>Amortised</u> <u>cost</u> US\$	<u>Fair value</u> <u>through</u> <u>equity</u> US\$	<u>Fair value</u> <u>through</u> <u>statement of</u> <u>income</u> US\$	<u>Total</u> US\$
Financial assets:				
Equity investments	-	3,040,097	139,112	3,179,209
Deferred payment sale receivable	3,680,203	-	-	3,680,203
Other assets	985,735	-	-	985,735
	<u>4,665,938</u>	<u>3,040,097</u>	<u>139,112</u>	<u>7,845,147</u>
Financial liabilities:				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Payable against lease commitment	1,193,634	-	-	1,193,634
Other liabilities	374,985	-	-	374,985
	<u>8,467,885</u>	<u>-</u>	<u>-</u>	<u>8,467,885</u>
December 31, 2015 (Audited)				
	<u>Amortised</u> <u>cost</u> US\$	<u>Fair value</u> <u>through</u> <u>equity</u> US\$	<u>Fair value</u> <u>through</u> <u>statement of</u> <u>income</u> US\$	<u>Total</u> US\$
Financial assets:				
Equity investments	-	3,599,068	139,695	3,738,763
Deferred payment sale receivable	3,680,203	-	-	3,680,203
Other assets	892,165	-	-	892,165
	<u>4,572,368</u>	<u>3,599,068</u>	<u>139,695</u>	<u>8,311,131</u>
Financial liabilities:				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Payable against lease commitment	3,580,902	-	-	3,580,902
Other liabilities	262,302	-	-	262,302
	<u>10,742,470</u>	<u>-</u>	<u>-</u>	<u>10,742,470</u>