

**INVESTORS BANK B.S.C. (c)**

**UNIFIED SHARI'A SUPERVISORY BOARD REPORT,**  
**REPORT OF THE BOARD OF DIRECTORS,**  
**INDEPENDENT AUDITOR'S REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

**INVESTORS BANK B.S.C. (c)**  
**YEAR ENDED DECEMBER 31, 2015**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Unified Shari'a Supervisory Board Report	1
Report of the Board of Directors	2 & 3
Independent Auditor's Report	4 & 5
Financial Statements:	
Statement of Financial Position	6
Statement of Income	7
Statement of Cash Flows	8
Statement of Changes in Owners' Equity	9
Statement of Changes in Off-Balance Sheet Equity of Investment Accountholders	10 – 11
Statement of Sources and Uses of Charity Fund	12
Notes to the Financial Statements	13 – 50

**In the Name of Allah, The Beneficent, The Merciful**

## **SHARI'A BOARD'S REPORT**



الهيئة الشرعية - الرياض

### **To the Shareholders of Investors Bank**

Assalam Alaikum Wa Rahmat Allah Wa Baraketuh

In compliance with the letter of appointment, we are required to submit the following report:  
We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Investors Bank during the period ended 31/12/2016.

We have also conducted our review to form an opinion as to whether the Bank has complied with Shari'a Rules and principles and also with the specific fatwas, rulings and guidelines issued by us.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Islamic Shari'a Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by the Bank.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Islamic Shari'a Rules and Principles.

### **In our opinion:**

- (1) the contracts, transactions and dealings entered into by the Bank during the year ended 31/12/2016 that we have reviewed are in compliance with the Islamic Shari'a Rules and Principles;
- (2) the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Islamic Shari'a Rules and Principles;
- (3) the calculation of Zakah is in compliance with Islamic Shari'a Rules and principles.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

Wassalam Alaikum Wa Rahmat Aliah Wa Barakatuh.

16 Rajab 1438 Hijri corresponding to 13 April 2017.

### **SHARI'A BOARD**

Shaikh Dawoud Salman Essa Bin Essa  
Member

Shaikh Dr. Khaled Sh. T. M. Mubarak AlQaibi  
Member

Shaikh Dr. Mourad Boudaia  
Member

**REPORT OF THE BOARD OF DIRECTORS  
for the year ended December 31, 2016**

US dollars

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Muhammad.

**Dear Shareholders**

The Directors have pleasure to submit their report, together with the financial statements of Investors Bank B.S.C. (c) ("the Bank") for the year ended December 31, 2016.

**Principal Activities**

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 its 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 Bank focuses on generating liquidity through renting its buildings and reducing its expenses.

The principal activities of the Bank include investment banking and financial activities, investment transactions, participating in equity investments in projects in conformity with the Islamic Shari'a.

The shareholders' extraordinary meeting held on September 22, 2016, resolved to surrender the Bank's banking license and to discontinue all its banking operations. The procedures to surrender the Banking license were completed. The CBB informed the Bank through its letter dated January 31, 2017 that the Wholesale Bank License of the Bank had been cancelled and its record has been removed from the CBB's register.

**Financial Position and Results**

The detailed financial position of the Bank at December 31, 2016 and the results for the year then ended are set out in the accompanying financial statements.

Financial highlights	2016	2015
Total assets	36,794,479	35,787,112
Total equity	29,710,535	25,044,642
Net profit for the year	4,662,894	1,519,046

## REPORT OF THE BOARD OF DIRECTORS (continued)

Movement in accumulated losses	2016	2015
Balance at January 1	(64,083,959)	(65,451,100)
Net profit for the year	4,662,894	1,519,046
Transfer to statutory reserve	(466,289)	(151,905)
Balance at December 31	(59,887,354)	(64,083,959)

### Dividends

The Board of Directors has not made any appropriations for dividends for the year ended December 31, 2016 (December 31, 2015: nil).

### Board of Directors

The following are the directors of the Bank as at December 31, 2016:


Name	Title	Independent/ Non Independent
Mr. Ali Saleh Ayesh Al Rashidi	Chairman	Independent
Mr. Abdulla Mohammad Al Rifaie	Vice Chairman	Non Independent
Sheikh Yousif Abdulla Al-Sabah	Member	Non Independent
Mr. Majed Yousef Ahmed Al-Ali	Member	Non Independent
Mr. AbdulNaser Ahmed Mohamed	Member	Independent
Mr. Adel Jassim Al Sane	Member	Independent

### Auditors

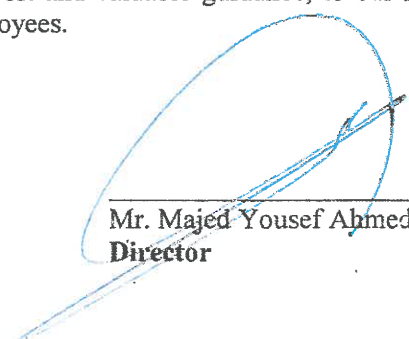
Deloitte & Touche have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Bank for the year ending December 31, 2017; will be submitted to the Annual General Meeting.

### Thanks

We wish to express our gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, The King of the Kingdom of Bahrain, to His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Deputy Supreme Commander, to Government of the Kingdom of Bahrain, the Minister of Industry and Commerce, the Central Bank of Bahrain, the Bahrain Bourse for their vision, guidance and continuous support and for the establishment of a distinguished Islamic Banking Centre in the Kingdom. Gratitude is also extended to the Sharia'a Supervisory Board for their support and valuable guidance, to our investors and to our members of staff, executives and employees.

  
Mr. Ali Saleh Ayesh Al Rashidi  
Chairman

April 13, 2017

  
Mr. Majed Yousef Ahmed Al-Ali  
Director

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Investors Bank B.S.C. (c) (the "Bank") as at December 31, 2016, and the related statements of income, cash flows, changes in owners' equity, changes in off-balance sheet equity of investment accountholders and sources and uses of charity fund for the year then ended. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investors Bank B.S.C (c) as at December 31, 2016, the results of its operations, its cash flows, changes in owners' equity, changes in off-balance sheet equity of investment accountholders and sources and uses of charity funds for the year then ended in accordance with Financial Accounting Standards Issued by AAOIFI.

#### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Bank has incurred significant accumulated losses as at December 31, 2016. This situation, along with other matters as set forth in Note 2 to the financial statements, 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 financial statements have however been prepared assuming that the Bank will continue as a going concern for the reasons mentioned in Note 2.

**Report on other Legal and Regulatory Requirements**

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain ("CBB") RuleBook Volume 2, we report that, except for the matters discussed in Note 1 to the accompanying financial statements:

- a) the Bank has maintained proper accounting records and the attached financial statements are in agreement therewith;
- b) the financial information contained in the 2016 Report of the Board of Directors is consistent with the financial statements;
- c) we are not aware of further violations (other than those mentioned in Note 1 to the accompanying financial statements) of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB RuleBook (Volume 2 and applicable provisions of Volume 6) and CBB directives and the Bank's Memorandum and Articles of Association having occurred during the year ended December 31, 2016 that might have had a material adverse effect on the business of the Bank or on its financial position;
- d) satisfactory explanations and information have been provided to us by management in response to our requests for the purpose of our audit. To the best of our knowledge and belief, the Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.




DELOITTE & TOUCHE – MIDDLE EAST  
Partner Registration No. 184

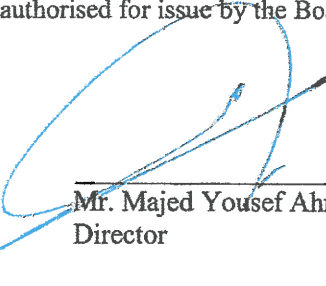
Manama, Kingdom of Bahrain  
April 13, 2017

**INVESTORS BANK B.S.C. (c)****STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

	<u>Notes</u>	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
<b><u>ASSETS</u></b>			
Cash and balances with banks	4	516,088	3,107,075
Equity investments	5	5,995,937	3,738,763
Deferred payment sale receivable	6	3,680,203	3,680,203
Investments in real estate	7	25,627,992	24,265,592
Other assets	8	949,433	954,129
Fixed assets	9	24,826	41,350
<b>Total Assets</b>		<b>36,794,479</b>	<b>35,787,112</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>Liabilities</u></b>			
Due to a financial institution	6	3,670,202	3,670,202
Murabaha payable	10	3,229,064	3,229,064
Payable against lease commitment	11	-	3,580,902
Other liabilities	12	184,678	262,302
<b>Total Liabilities</b>		<b>7,083,944</b>	<b>10,742,470</b>
<b><u>Equity</u></b>			
Share capital	13	80,000,000	80,000,000
Statutory reserve	13	8,027,709	7,561,420
Investments fair value reserve	14	583,792	909,705
Properties fair value reserve		986,388	657,476
Accumulated losses		(59,887,354)	(64,083,959)
<b>Total Equity</b>		<b>29,710,535</b>	<b>25,044,642</b>
<b>Total Liabilities and Equity</b>		<b>36,794,479</b>	<b>35,787,112</b>
<b><u>OFF-BALANCE SHEET ITEMS</u></b>			
Equity of investment accountholders		-	-

The financial statements on pages 6 to 50 were approved and authorised for issue by the Board of Directors on April 13, 2017 and signed on its behalf by

  
Mr. Ali Saleh Ayesh Al Rashidi  
Chairman


  
Mr. Majed Yousef Ahmed Al-Ali  
Director

The accompanying notes from 1 to 27 form an integral part of these financial statements

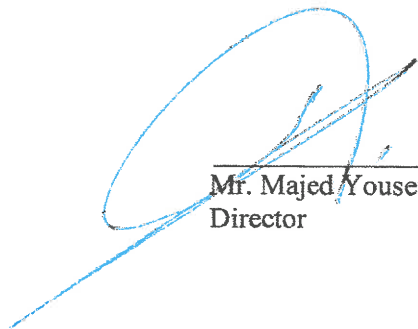


**INVESTORS BANK B.S.C. (c)****STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Notes</u>	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
<b>Revenues</b>			
Rental income from investment in real estate		1,708,237	1,700,308
Fair value gain / (loss) on investments at fair value through statement of income, net	5	2,640,047	(45,727)
Other income, net	15	44,937	27,064
		-----	-----
<b>Operating income</b>		4,393,221	1,681,645
		-----	-----
<b>Expenses</b>			
Staff costs	16	(119,820)	(497,898)
Administrative and general expenses	17	(564,443)	(764,014)
Depreciation	9	(22,592)	(25,469)
		-----	-----
Operating expenses		(706,855)	(1,287,381)
		-----	-----
Net profit before provision and impairment		3,686,366	394,264
		-----	-----
Write-back of provision against lease commitment	11	-	2,169,746
Provision for impairment of financial assets	5	(56,960)	(1,154,129)
Write-back of impairment on real estate investment, net	7	1,033,488	109,165
		-----	-----
<b>Net profit for the year</b>		4,662,894	1,519,046
		=====	=====



Mr. Ali Saleh Ayesh Al Rashidi  
Chairman



Mr. Majed Yousef Ahmed Al-Ali  
Director

The accompanying notes from 1 to 27 form an integral part of these financial statements

**INVESTORS BANK B.S.C. (c)****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Notes</u>	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
<b>Cash flows from operating activities</b>			
Net profit for the year		4,662,894	1,519,046
Adjustments for:			
Depreciation	9	22,592	25,469
Write-back of provision against lease commitment	11	-	(2,169,746)
Provision for impairment of financial assets	5	56,960	1,154,129
Write-back of impairment on real estate investment, net	7	(1,033,488)	(109,165)
Fair value (gain) / loss on investments at fair value through statement of income, net	5	(2,640,047)	45,727
Dividend income	15	(44,830)	(6,197)
		-----	-----
		1,024,081	459,263
Decrease / (increase) in other assets	8	4,696	(1,799)
Decrease in other liabilities	12	(77,624)	(283,782)
Payment against lease commitment	11	(3,580,902)	(1,193,634)
		-----	-----
Net cash used in operating activities		(2,629,749)	(1,019,952)
		-----	-----
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets	9	(6,068)	-
Dividends received		44,830	6,197
		-----	-----
Net cash from investing activities		38,762	6,197
		-----	-----
Net decrease in cash and cash equivalents		(2,590,987)	(1,013,755)
Cash and cash equivalents, beginning of year		3,107,075	4,120,830
		-----	-----
Cash and cash equivalents, end of year	4	516,088	3,107,075
		=====	=====

The accompanying notes from 1 to 27 form an integral part of these financial statements

**INVESTORS BANK B.S.C. (c)**

**STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Share Capital US\$	Statutory Reserve US\$	Investments Fair Value Reserve US\$	Properties Fair Value Reserve US\$	Accumulated Losses US\$	Total US\$
Balance as at December 31, 2014	80,000,000	7,409,515	2,316,221	117,805	(65,451,100)	24,392,441
Net profit for the year	-	-	-	-	1,519,046	1,519,046
Transfer to statutory reserve	-	151,905	-	-	(151,905)	-
Other comprehensive (loss) / income:						
Fair value loss on equity investments at fair value through equity (Note 5)	-	-	(1,406,516)	-	-	(1,406,516)
Fair value gain on investment in real estate (Note 7)	-	-	-	539,671	-	539,671
Balance as at December 31, 2015	80,000,000	7,561,420	909,705	657,476	(64,083,959)	25,044,642
Net profit for the year	-	-	-	-	4,662,894	4,662,894
Transfer to statutory reserve	-	466,289	-	-	(466,289)	-
Other comprehensive (loss) / income:						
Fair value loss on equity investments at fair value through equity (Note 5)	-	-	(325,913)	-	-	(325,913)
Fair value gain on investment in real estate (Note 7)	-	-	-	328,912	-	328,912
Balance as at December 31, 2016	80,000,000	8,027,709	583,792	986,388	(59,887,354)	29,710,535

The accompanying notes from 1 to 27 form an integral part of these financial statements

**INVESTORS BANK B.S.C. (c)**

**STATEMENT OF CHANGES IN OFF-BALANCE SHEET INVESTMENT ACCOUNTHOLDERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance at January 1, 2016		Movements during the period		Balance at December 31, 2016	
	No. of units (000)	Average value per share US\$	Investment/ (withdrawal) US\$	Revaluations 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 b below)	N/A	-	-	-	N/A	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	12,887	-	-	-	12,887	-
	142,059	-	-	-	142,059	-
	-----	-----	-----	-----	-----	-----
	=====	=====	=====	=====	=====	=====

	Balance at January 1, 2015		Movements during the period		Balance at December 31, 2015	
	No. of units (000)	Average value per share US\$	Investment/ (withdrawal) US\$	Revaluations 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 b below)	N/A	-	-	-	N/A	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	12,887	-	-	-	12,887	-
	142,059	-	-	-	142,059	-
	-----	-----	-----	-----	-----	-----
	=====	=====	=====	=====	=====	=====

The accompanying notes from 1 to 27 to form an integral part of these financial statements

**INVESTORS BANK B.S.C. (c)****STATEMENT OF CHANGES IN OFF-BALANCE SHEET INVESTMENT ACCOUNT HOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2016****(Continued)**

- 
- 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 6). 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.

The accompanying notes from 1 to 27 to form an integral part of these financial statements

**INVESTORS BANK B.S.C. (c)****STATEMENT OF SOURCES AND USES OF CHARITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**


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	<u>2016</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>
Undistributed charity fund beginning of year	17,513	17,513
Payments made during the year	-	-
	-----	-----
<b>Undistributed charity fund, end of year (Note 12)</b>	<u><u>17,513</u></u>	<u><u>17,513</u></u>

The accompanying notes from 1 to 27 form an integral part of these financial statements

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 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 October 26, 1997 and operates under an investment banking license [Wholesale Bank (Islamic principles)] granted by the Central Bank of Bahrain (the “CBB”). The Bank commenced its 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 the Islamic 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 and investing them in accordance with the Shari’a;
- c) Managing third party funds 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 renting them.

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 regulations (as contained in Volume 2 of the CBB rulebook and applicable provisions of Volume 6) and CBB directives and the memorandum and articles of association of the Bank. During 2016, the Bank was not in compliance with respect to the following:

- a) As of the date of issuance of these financial statements 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.
- b) The Bank’s accumulated losses exceeded a significant portion of the Bank’s capital as at December 31, 2016. The Bahrain Commercial Companies Law requires if the Bank has lost a substantial portion of its capital, an Extraordinary General Meeting of the Shareholders should be convened to take appropriate measures. This meeting is yet to be convened.

**1.1 Resolution for surrendering the CBB license**

At the shareholders’ extraordinary meeting held on September 22, 2016, it resolved to surrender the Bank’s banking license and to discontinue all its banking operations.

The procedures to surrender the Banking license were completed. The CBB informed the Bank through its letter dated January 31, 2017 that the Islamic Wholesale Bank License of the Bank had been cancelled and its record has been removed from the CBB’s register.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**2. BASIS OF PREPARATION****Statement of Compliance**

The financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") as 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, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rulebook (Volume 2 and applicable provisions of Volume 6) and CBB directives. For matters which are not covered by AAOIFI standards, the Bank uses the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

**Basis of Measurement**

The financial statements have been prepared on the historical cost convention except for investments in equities and investments in real estate which are re-measured at fair value, as discussed under the accounting policies which follow.

The financial statements are presented in United States Dollars ("US\$") which management considers is the functional currency of the Bank.

Assets and liabilities are grouped according to their nature and presented in the statement of financial position in an approximate order that reflects their relative liquidity.

**Going Concern**

These financial statements have been prepared using the going concern assumption, as management is satisfied that the Bank will continue in operation for the foreseeable future. As at December 31, 2016 the Bank's accumulated losses approximated 75% 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 sufficient cash flows 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.



**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**2. BASIS OF PREPARATION (CONTINUED)****Summary of significant accounting policies**

The following new standard has been issued by AAOIFI for annual periods beginning on or after January 1, 2016 and is not expected to be relevant to the Fund.

**FAS 27 – Investments Accounts**

FAS 27 *Investments accounts* was issued in December 2014 replacing FAS 5 – *Disclosures of Bases for Profit Allocation between Owner's Equity* and Investment Account Holders and FAS 6 – *Equity of Investment Account Holders and their Equivalent*. The adoption of this standard did not have any significant impact on the financial statements of the Bank. The Bank has not early adopted any new standards.

**A. Cash and cash equivalents:**

Cash and cash equivalents comprise cash and balances with banks and due from a financial institution.

**B. Investments in equities:**

Investments in equities are classified as either investments at fair value through statement of income or investments at fair value through equity.

All investments in equities are initially recognized at cost, being the fair value of the consideration on acquisition including related direct expenses. Direct expenses are transaction costs and include fees and commissions paid to agents, advisors and consultants, levies by regulatory agencies and transfer taxes and duties.

Subsequent to initial recognition:

- Investments that are classified as investments at fair value through statement of income are carried at fair value. The fair value changes of investments at fair value through statement of income are reported in the statement of income.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**2. BASIS OF PREPARATION (CONTINUED)****B. Investments in equities: (Continued)**

- Investments that are classified as investments at fair value through equity are carried at fair value. The fair value changes of investments at fair value through equity are reported in the statement of changes in owners' equity under "investments fair value reserve" until such time the investments are sold, realized or deemed to be impaired, at which time the realized gain or loss is reported in the statement of income. The losses arising from impairment of such investments are recognized in the statement of income under "provision for impairment" and removed from the "investments fair value reserve". Impairment losses recognized in the statement of income for an equity instrument classified as investment at fair value through equity are not reversed through the statement of income.

**C. Deferred Payment Sale Receivables:**

Receivables arising from deferred payment sale are recognized at the time of contracting and stated at cost less impairment, if any.

**D. Investment in Real Estate:**

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and directly attributable charges. Subsequent to initial recognition, investments in real estate are measured at fair value.

Gains arising from changes in the fair values are recognized in the "properties fair value reserve" in the statement of changes in owners' equity.

Losses arising from changes in the fair values are firstly adjusted against the "properties fair value reserve" to the extent of the available balance and the remaining losses are recognized in the statement of income. If there are unrealized losses that have been recognized in the statement of income in the previous financial periods, the current period unrealized gain shall be recognized in the statement of income to the extent of crediting back such previous losses in the statement of income. When the property is disposed of, the cumulative gain previously transferred to the "properties fair value reserve", is transferred to the statement of income.

**E. Fixed Assets:**

Fixed assets are stated at historical cost, less accumulated depreciation and impairment loss, if any. Depreciation is recognized so as to write off the cost of these assets using the straight-line method over their useful lives estimated.

The estimated useful lives of the different fixed assets categories are 3 to 5 years.

Expenditures for maintenance and repairs is expensed as incurred. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of the asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**2. BASIS OF PREPARATION (CONTINUED)****F. Due to Financial Institutions:**

Amounts due to financial institutions are initially recognized at cost, being the fair value of consideration received plus accrued profit less amount repaid.

**G. Off-balance Sheet equity Investments Accounts:**

Off-balance sheet equity investment accounts represent assets acquired by funds provided by holders of off-balance sheet equity investment accounts and their equivalent and managed by the Bank as an investment manager based on either a Mudaraba contract or agency contract. The off-balance sheet equity investment accounts are exclusively restricted for investment in specified investment instruments as directed by the off-balance sheet equity of investment account holders. Assets that are held in such capacity are not included as assets of the Bank in the financial statements.

Off-balance sheet equity investments in quoted securities are valued at their market bid price. Off-balance sheet equity investments in securities for which there are no quoted market prices or other appropriate methods from which to derive fair values, are stated at cost less impairment allowances, if any.

**H. Employees' End-of-Service Benefits:**

The Bank makes contributions to the Social Insurance Organization scheme for its national employees calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due. For Bahrainis with basic salaries above a certain threshold, the Bank recognizes leaving indemnity in line with the requirements of the Labor Law.

The Bank also provides for end-of-service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salaries and length of service. The expected costs of these benefits are accounted over the period of employment.

**I. Recognition of Income and Expense:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Dividend income from equity investments is recognized when the right to receive the dividend is established.

Rental income is recognized on the basis of the contractual amounts receivable on a time proportionate basis.

**J. Earnings Prohibited by Shari'a:**

The Bank is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly, non-Islamic income, if any, is credited to a charity account where the Bank uses these funds for charitable means.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****2. BASIS OF PREPARATION (CONTINUED)****K. Dercognition of Financial Instruments:**

A financial asset or part of a financial asset, is derecognized when:

- the contractual rights to the cash flows from the asset expire, or
- the Bank transfers its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to another counterpart under a 'pass through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

A financial liability is derecognized when the contractual obligation is discharged, cancelled or expires.

**L. Foreign Currencies:**

Transactions in currencies other than the functional currency (foreign currencies) are initially recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. All differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value are retranslated at the functional currency closing exchange rates. Differences are taken to equity.

**M. Fair Values:**

For investments traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on an assessment of the value of future cash flows.

**N. Provisions:**

Provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**O. Offsetting Financial Instruments:**

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, if and only if, there is a legally enforceable or religious right (as determined by Shari'a) to set off recognized amounts and the Bank intends to settle on a net basis.

**P. Zakah:**

In the absence of the appointment of the Bank to pay Zakah on behalf of shareholders, the responsibility of payment of Zakah is on the shareholders of the Bank.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

In the application of the accounting policies which are described in Note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant judgments and estimates are discussed below:

**3-1. Going Concern:**

The Bank's management is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis (See also Note 2).

**3-2. Fair value of Investments in Real Estate:**

The Fair value of investments in real estate is determined by independent real estate valuation experts. The determination of the fair value for such assets requires the use of judgment and estimates by the independent valuation experts that are based on local market conditions existing at the date of the statement of financial position.

**3-3. Impairment of Financial Assets:**

At each reporting date, the Bank's management assesses whether there is objective evidence that a financial asset, other than those at fair value through statement of income, may be impaired. An asset or a group of assets may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) have an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

**3-4. Fair Value of Financial Instruments:**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently differences can arise between carrying values and fair value estimates.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****4. CASH AND BALANCES WITH BANKS**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Cash at banks	514,762	3,105,749
Cash in hand	1,326	1,326
	-----	-----
	<u>516,088</u>	<u>3,107,075</u>

**5. EQUITY INVESTMENTS**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Investments at fair value through statement of income	2,779,742	139,695
Investments at fair value through equity	3,216,195	3,599,068
	-----	-----
	<u>5,995,937</u>	<u>3,738,763</u>

Investments at fair value through statement of income consist of the following:

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Quoted:		
Gulf Finance House	8,131	2,551
Al Salam Bank	146,248	114,024
Khaleeji Commercial Bank	25,363	23,120
	-----	-----
	179,742	139,695
Unquoted:		
Grand Real Estate Projects Co.	2,600,000	-
	-----	-----
	<u>2,779,742</u>	<u>139,695</u>

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****5. EQUITY INVESTMENTS (CONTINUED)**

Investments at fair value through equity consist of the following:

	<u>2016</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>
Quoted:		
Bahrain Islamic Bank (a)	2,313,016	2,646,246
First Takaful Insurance Co.	71,602	82,611
Bahrain Family Leisure Co.	46,154	46,154
Takaful International, Bahrain	656,765	695,399
	-----	-----
	3,087,537	3,470,410
	-----	-----
Unquoted:		
Takaful International, Kuwait	128,658	128,658
International Investment Group	-	-
International Projects Consultancy Co.	-	-
Gulf Monetary Group	-	-
	-----	-----
	128,658	128,658
	-----	-----
	3,216,195	3,599,068
	=====	=====

- (a) These shares are under legal dispute and in custody of the Court (Refer to Note 6).
- (b) The Bank's equity securities with a carrying value of US\$ 3,267,279 and US\$ 2,728,658 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 FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****5. EQUITY INVESTMENTS (CONTINUED)**

The movement of investments during the year is as follows:

	<u>At fair value through statement of income</u>	<u>At fair value through equity</u>	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Balance December 31, 2014	185,422	6,159,713	6,345,135
Net unrealised loss	(45,727)	(1,406,516)	(1,452,243)
Impairment loss	-	(1,154,129)	(1,154,129)
	-----	-----	-----
Balance December 31, 2015	139,695	3,599,068	3,738,763
Net unrealised gain / (loss)	2,640,047	(325,913)	2,314,134
Impairment loss	-	(56,960)	(56,960)
	-----	-----	-----
Balance December 31, 2016	<u>2,779,742</u>	<u>3,216,195</u>	<u>5,995,937</u>

Information on the fair value of equity investments, including their levels in the fair value hierarchy is included in Note 19.

**6. 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, which carrying value as at December 31, 2016 amounted to US\$ 2,313,016 (US\$ 2,646,246 as at December 31, 2015) and dividends receivable up to 2006 totalling US\$ 887,733.



**INVESTORS BANK B.S.C. (c)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**6. DEFERRED PAYMENT SALE RECEIVABLE / DUE TO A FINANCIAL INSTITUTION (CONTINUED)**

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.

**7. INVESTMENTS IN REAL ESTATE**

In 2014, the Bank changed its accounting policy for measuring investments in real estate from the cost model to the valuation model under FAS 26: *Investment in Real Estate*.

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Carried at revalued amounts:		
Al Muhannad Tower (7 units)	1,410,483	1,459,226
Hoorah Building 91700	6,368,700	6,204,244
Hoorah Building 92072	6,368,700	6,204,244
Seef Star Building	3,416,449	3,236,075
Burhama Land	8,063,660	7,161,803
	-----	-----
	<u>25,627,992</u>	<u>24,265,592</u>

In the previous years, the revaluation on the Burhama Land was not recognised. During the year, the Bank adjusted the carrying value of Burhama Land and recorded a reversal on impairment losses of US\$ 901,857.

**INVESTORS BANK B.S.C. (c)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**7. INVESTMENTS IN REAL ESTATE (CONTINEUD)**

The movement of investments in real estate is as follows:

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
At January 1,	24,265,592	23,616,756
Write back of provision for impairment, net	1,033,488	109,165
Change in fair value recognised in equity	328,912	539,671
	-----	-----
Balance at December 31,	<u>25,627,992</u>	<u>24,265,592</u>

The fair value of investments in real estate is determined based on valuations performed by independent valuation experts as at December 31.

**8. OTHER ASSETS**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Disputed dividends receivable (Note 6)	887,733	887,733
Prepaid expenses	44,476	48,701
Regulatory deposit with the CBB	13,263	13,263
Other receivables	3,404	3,875
Refundable deposit	557	557
	-----	-----
	<u>949,433</u>	<u>954,129</u>

**9. FIXED ASSETS**

	<u>Motor</u> <u>Vehicles</u> <u>US\$</u>	<u>Office</u> <u>equipment &amp;</u> <u>furniture</u> <u>US\$</u>	<u>Fixtures</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Cost:				
At December 31, 2014	21,292	808,924	1,411,672	2,241,888
	-----	-----	-----	-----
At December 31, 2015	21,292	808,924	1,411,672	2,241,888
Additions	-	6,068	-	6,068
	-----	-----	-----	-----
At December 31, 2016	21,292	814,992	1,411,672	2,247,956
	-----	-----	-----	-----
Accumulated Depreciation:				
At December 31, 2014	6,742	794,348	1,373,979	2,175,069
Charge for the year	4,260	8,273	12,936	25,469
	-----	-----	-----	-----
At December 31, 2015	11,002	802,621	1,386,915	2,200,538
Charge for the year	4,258	5,658	12,676	22,592
	-----	-----	-----	-----
At December 31, 2016	15,260	808,279	1,399,591	2,223,130
	-----	-----	-----	-----
Net carrying values:				
At December 31, 2016	6,032	6,713	12,081	24,826
	=====	=====	=====	=====
At December 31, 2015	10,290	6,303	24,757	41,350
	=====	=====	=====	=====

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****10. 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, the management had decided to write down to zero the value of its 8,352,705 pledged shares and had 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. 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.

**11. PAYABLE AGAINST LEASE COMMITMENTS**

	<u>2016</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>
Lease commitment payable	-	3,580,902
	=====	=====

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.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****11. PAYABLE AGAINST LEASE COMMITMENTS (CONTINUED)**

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. This liability was fully settled during this year.

	<u>US\$</u>
Balance January 1, 2015	6,944,282
Reversal of lease liabilities booked to income	(2,169,746)
Settlement made	(1,193,634)
	-----
Balance December 31, 2015	3,580,902
Settlement made	(3,580,902)
	-----
Balance December 31, 2016	-
	=====

**12. OTHER LIABILITIES**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Accrued expenses	124,676	194,282
Unearned rental income	32,627	44,125
Charity payable	17,513	17,513
Others	9,862	6,382
	-----	-----
	184,678	262,302
	=====	=====

**13. SHARE CAPITAL AND STATUTORY RESERVE****(i) *Share capital***

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Authorised:		
303,030,303 ordinary shares of US\$ 0.33 each	100,000,000	100,000,000
	=====	=====
Issued and fully paid up		
As at the beginning and end of the year		
242,424,242 shares of US\$ 0.33 each	80,000,000	80,000,000
	=====	=====

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****13. SHARE CAPITAL AND STATUTORY RESERVE: (CONTINUED)****(ii) Statutory reserve**

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net profit for the year is transferred to the statutory reserve until such time the reserve reaches 50% of the Bank's paid-up share capital. This reserve is not available for distribution, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and other applicable statutory regulations.

**14. INVESTMENTS FAIR VALUE RESERVE**

The movement of the investments fair value reserve is as follows:

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
<u>Fair value reserve as at January 1</u>		
Bahrain Family Leisure Co.	-	14,135
Bahrain Islamic Bank	909,705	1,643,925
First Takaful Insurance Co.	-	658,161
	-----	-----
	909,705	2,316,221
<u>Fair value (loss) / gain during the year (Note 5)</u>		
Bahrain Family Leisure Co.	-	(14,135)
Bahrain Islamic Bank	(333,230)	(734,220)
First Takaful Insurance Co.	7,317	(658,161)
	-----	-----
	(325,913)	(1,406,516)
	-----	-----
Fair value reserve as at December 31	583,792	909,705
	=====	=====

**15. OTHER INCOME, NET**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Dividend income	44,830	6,197
Income from commodity murabaha contract	1,256	20,727
Foreign exchange loss	(1,149)	(815)
Others	-	955
	-----	-----
	44,937	27,064
	=====	=====

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****16. STAFF COSTS**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Salaries and other staff costs	119,820	224,611
Retrenchment cost (a)	-	273,287
	<u>119,820</u>	<u>497,898</u>

(a) On May 31, 2015, six employees of the Bank resigned and were paid compensation for their services to the Bank. Further, two of these employees were hired on contractual basis as executive assistant and financial advisor effective June 1, 2015.

**17. ADMINISTRATIVE AND GENERAL EXPENSES**

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Consultancy and legal expenses	127,222	224,649
Electricity and municipality	87,972	106,187
Maintenance	54,370	59,162
Other professional fees	55,901	80,106
Office service and cleaning	35,395	35,117
License and registration	34,616	34,748
Board of Directors and committees meeting expenses and attendance fees (Note 21)	51,201	39,877
Shari'a Supervisory Board remuneration, meeting expenses and attendance fees (Note 21)	(274)	15,433
Advertising and promotion	4,144	5,343
Staff related claims	19,606	1,099
Communication	9,176	13,455
Business development	16,591	25,466
Others	45,313	35,574
	<u>541,233</u>	<u>676,216</u>
Penalties imposed by the CBB	23,210	87,798
	<u>564,443</u>	<u>764,014</u>

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****18. ASSETS IN LEGAL CUSTODY**

The carrying values of assets in custody as at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>
Equity investments (Notes 5 & 6)	2,313,016	2,646,246
Dividends receivable (Notes 6 & 8)	887,733	887,733
	-----	-----
	<u>3,200,749</u>	<u>3,533,979</u>
	=====	=====

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table shows the carrying amounts and fair values of financial instruments recognized in the financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that their carrying amounts are reasonable approximations of their fair value:

December 31, 2016				
	<u>Carrying amount</u> US\$	<u>Fair value</u>		<u>Fair value basis for Level 3</u>
		<u>Level 1</u> US\$	<u>Level 3</u> US\$	
<b>Financial assets measured at fair value</b>				
At fair value through statement of income				
Equities – Quoted	179,742	179,742	-	Adjusted net asset value of investee
Equities – Unquoted	2,600,000	-	2,600,000	
At fair value through equity				
Equities – Quoted	3,087,537	3,087,537	-	Net asset value of investee
Equities – Unquoted	128,658	-	128,658	
	<u>5,995,937</u>	<u>3,267,279</u>	<u>2,728,658</u>	



## INVESTORS BANK B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

December 31, 2015				
		<u>Fair value</u>		
	<u>Carrying amount</u> US\$	<u>Level 1</u> US\$	<u>Level 3</u> US\$	<u>Fair value basis for Level 3</u>
<b>Financial assets measured at fair value</b>				
At fair value through statement of				
Income	139,695	139,695	-	
Equities – Quoted				
At fair value through equity				
Equities – Quoted	3,470,410	3,470,410	-	Net asset value of investee
Equities – Unquoted	128,658	-	128,658	
	----- 3,738,763	----- 3,610,105	----- 128,658	

The movement in Level 3 during 2016 is as follows:

	2016 US\$	2015 US\$
Balance January 1	128,658	128,658
Net unrealized gain	2,600,000	-
Balance December 31	2,728,658	128,658

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**20. RELATED PARTY TRANSACTIONS AND BALANCES**

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.

Transactions with related parties are undertaken on terms agreed between the parties which may not necessarily be on arms length basis.

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2016						
	Shareholders			Others			
	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
<b>ASSETS</b>							
<b>Equity investments at fair value through statement of income</b>							
- Grand Real Estate Projects Co.	-	-	-	15,802,165	(13,202,165)	2,600,000	2,600,000
<b>Equity investments at fair value through equity</b>							
- International Investment Group (IIG)	7,364	(7,364)	-	-	-	-	-
- Gulf Monetary Group (GMG)	96,250	(96,250)	-	-	-	-	-
- Managed Portfolio (GMG Shares)	203,562	(203,562)	-	-	-	-	-
- Takaful International, Bahrain	-	-	-	5,313,170	(4,656,405)	656,765	656,765
- Takaful International, Kuwait	-	-	-	715,434	(586,776)	128,658	128,658
- International Projects Consultancy Co.	-	-	-	45,579	(45,579)	-	-
<b>Deferred payment sale receivables</b>							
- Gulf Monetary Group	3,680,203	-	3,680,203	-	-	-	3,680,203

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2016					
	Shareholders			Others		
	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>
<b>Other assets</b>						<b>Total</b> <b>US\$</b>
<b>Receivable from sale of investments:</b>						
- Gulf Monetary Group	5,974,754	(5,974,754)	-	-	-	-
- International Investment Group	10,811,971	(10,811,971)	-	-	-	-
<b>Receivable from Mudarib:</b>						
- International Investment Group	4,464,281	(4,464,281)	-	-	-	-
<b>Dividend receivable:</b>						
- International Investment Group	778,343	(778,343)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	931,034	(931,034)	-
<b>Current account:</b>						
- Gulf Monetary Group	150,371	(150,371)	-	-	-	-
- International Investment Group	33,507	(33,507)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	8,861,745	(8,861,745)	-
<b>Advance for investment:</b>						
- Josor Capital	-	-	-	408,536	(408,536)	-

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2016					
	Shareholders			Others		
	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>
<b>Others (Rent Receivable)</b>						
- Grand Real Estate Projects Co.	-	-	-	9,312	(9,312)	-
<b>LIABILITIES:</b>						
- <b>Murabaha payables</b>						
- International Investment Group	3,229,064	-	3,229,064	-	-	3,229,064
- <b>Other liabilities</b>						
- Takaful International, Bahrain	-	-	-	2,795	-	2,795
- Key Mangement Personnel	-	-	-	14,967	-	14,967
- Shari'a Supervisory Board	-	-	-	-	-	-
- Remuneration & attendance allowances	-	-	-	4,907	-	4,907
<b>Off-balance sheet items:</b>						
<b>Equity of investment accountholders</b>						
- Investments in IIG on behalf of GMG	5,670,202	(5,670,202)	-	-	-	-
- GMG shares managed by the Bank on behalf of GMG, IIG and Investors Holding	10,452,776	(10,452,776)	-	-	-	-

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2015						
	Shareholders			Others			
	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
<b>ASSETS</b>							
<b>Equity investments at fair value through statement of income</b>							
- Grand Real Estate Projects Co.	-	-	-	15,802,165	(15,802,165)	-	-
<b>Equity investments at fair value through equity</b>							
- International Investment Group (IIG)	7,364	(7364)	-	-	-	-	-
- Gulf Monetary Group (GMG)	96,250	(96,250)	-	-	-	-	-
- Managed Portfolio (GMG Shares)	203,562	(203,562)	-	-	-	-	-
- Takaful International, Bahrain	-	-	-	5,313,170	(4,617,771)	695,399	695,399
- Takaful International, Kuwait	-	-	-	715,434	(586,776)	128,658	128,658
- International Projects Consultancy Co.	-	-	-	45,579	(45,579)	-	-
<b>Deferred payment sale receivables</b>							
- Gulf Monetary Group	3,680,203	-	3,680,203	-	-	-	3,680,203

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2015					
	Shareholders			Others		
	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>Gross</u> <u>US\$</u>	<u>Provision</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>
<b>Other assets</b>						
<b>Receivable from sale of investments:</b>						
- Gulf Monetary Group	5,974,754	(5,974,754)	-	-	-	-
- International Investment Group	10,811,971	(10,811,971)	-	-	-	-
<b>Receivable from Mudarib:</b>						
- International Investment Group	4,464,281	(4,464,281)	-	-	-	-
<b>Dividend receivable:</b>						
- International Investment Group	778,343	(778,343)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	931,034	(931,034)	-
- Takaful International, Bahrain	-	-	-	38,633	(38,633)	-
<b>Current account:</b>						
- Gulf Monetary Group	150,371	(150,371)	-	-	-	-
- International Investment Group	33,507	(33,507)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	8,861,745	(8,861,745)	-
<b>Advance for investment:</b>						
- Josor Capital	-	-	-	408,536	(408,536)	-

**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2015					
	Shareholders		Others		Total	
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
<b>Others (Rent Receivable)</b>						
- Grand Real Estate Projects Co.	-	-	-	9,312	(9,312)	-
<b>LIABILITIES:</b>						
<b>- Murabaha payables</b>						
- International Investment Group	3,229,064	-	3,229,064	-	-	3,229,064
<b>- Other liabilities</b>						
- Takaful International, Bahrain	-	-	-	2,611	-	2,611
- Key Management Personnel	-	-	-	14,967	-	14,967
- Shari'a Supervisory Board						
Remuneration & attendance allowances	-	-	-	27,851	-	27,851
- Board Members' attendance allowances	-	-	-	4,000	-	4,000
<b>Off-balance sheet items:</b>						
<b>Equity of investment accountholders</b>						
- Investments in IIG on behalf of GMG	5,670,202	(5,670,202)	-	-	-	-
- GMG shares managed by the Bank on behalf of GMG, IIG and Investors Holding	10,452,776	(10,452,776)	-	-	-	-



**INVESTORS BANK B.S.C. (c)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

The income and expenses with related parties included in the financial statements are as follows:

	December 31, 2016		
	Shareholders	Others	Total
	<u>Net</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>US\$</u>
<b>Fair value gain / (loss) on investment at FVTPL:</b>			
- Grand Real Estate Projects Co.	-	2,600,000	2,600,000
<b>Other income:</b>			
- Dividend income / Takaful International, Bahrain	-	38,633	38,633
<b>Expenses:</b>			
Provision for impairment			
- Takaful International, Bahrain	-	38,633	38,633
BOD and Board Committees meeting expenses and attendance allowance	-	51,201	51,201
Shari'a Supervisory Board			
Remuneration, meeting expenses and attendance allowances *	-	(274)	(274)
<b>Key Management Benefits:</b>			
Salaries and other short term benefits	-	31,830	31,830

\* 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.

**INVESTORS BANK B.S.C. (C)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	December 31, 2015		
	Shareholders	Others	
	<u>Net</u> US\$	<u>Net</u> US\$	<u>Total</u> US\$
<b>Expenses:</b>			
Provision for impairment			
- Takaful International, Bahrain	-	77,266	77,266
- Takaful International, Kuwait	-	300,019	300,019
BOD and Board Committees meeting expenses and attendance allowance	-	39,877	39,877
Shari'a Supervisory Board			
Remuneration, meeting expenses and attendance allowances	-	15,433	15,433
<b>Key Management Benefits:</b>			
Salaries and other short term benefits	-	-	-
Post employment benefits	-	-	-

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****21. SEGMENT INFORMATION:**

The industrial distribution of the Bank's assets and liabilities as at December 31, 2016 is as follows:

	December 31, 2016			
	<u>Banks and financial institutions</u>	<u>Investment companies</u>	<u>Others</u>	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>Assets</b>				
Cash and balances with banks	516,088	-	-	516,088
Equity investments	3,349,783	-	2,646,154	5,995,937
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Investments in real estate	-	-	25,627,992	25,627,992
Other assets	900,996	-	48,437	949,433
Fixed assets	-	-	24,826	24,826
	-----	-----	-----	-----
Total assets	4,766,867	3,680,203	28,347,409	36,794,479
	-----	-----	-----	-----
<b>Liabilities</b>				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	2,795	-	181,883	184,678
	-----	-----	-----	-----
Total liabilities	6,902,061	-	181,883	7,083,944
	-----	-----	-----	-----

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****21. SEGMENT INFORMATION: (CONTINUED)**

	December 31, 2015			
	<u>Banks and financial institutions</u>	<u>Investment companies</u>	<u>Others</u>	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>Assets</b>				
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
	-----	-----	-----	-----
<b>Liabilities</b>				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Provision 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 December 31, 2016 and December 31, 2015 are primarily concentrated in the Middle East region.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****22. RISK MANAGEMENT**

The Bank is exposed to credit risk, liquidity risk and market risk along with other operational risks. The Bank's Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established an Executive Committee, which is responsible for developing and monitoring the Bank's operations and policies across various functions including the risk management policies.

The Bank's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by an outsourced Internal Audit function.

**Credit risk**

Credit risk is the risk that a counterparty to a financial transaction does not discharge its obligations on due dates and causes the other party to incur a financial loss.

The Bank's credit risk arises mainly from balances with banks, due from a financial institution, deferred payment sale receivables and other assets. The Bank manages its credit risk on bank balances by placing funds with reputable banks having good credit ratings.

The Bank's maximum exposure to credit risk at December 31, was as follows:

	<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Balances with banks	514,762	3,105,749
Deferred payment sale receivable	3,680,203	3,680,203
Other assets	891,694	892,165
	-----	-----
	<u>5,086,659</u>	<u>7,678,117</u>
	=====	=====

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****22. RISK MANAGEMENT (CONTINUED)**

Analysis of the Bank's exposure to credit risk:

	December 31, 2016				
	<u>Balances with</u>	<u>Receivables</u>	<u>Deferred</u>	<u>Other</u>	
	<u>banks and</u>	<u>from sale of</u>	<u>payment sale</u>	<u>financial</u>	
	<u>financial</u>	<u>investments</u>	<u>receivable</u>	<u>assets</u>	<u>Total</u>
	<u>institution</u>				
	US\$	US\$	US\$	US\$	US\$
Neither past due nor impaired	514,762	-	-	3,961	518,723
Past due but not impaired	-	-	3,680,203	887,733	4,567,936
Individually impaired					
Gross amount	-	16,786,726	-	16,693,813	33,480,539
Provision for impairment	-	(16,786,726)	-	(16,693,813)	(33,480,539)
	=====	=====	=====	=====	=====
	514,762	-	3,680,203	891,694	5,086,659
	=====	=====	=====	=====	=====

	December 31, 2015				
	<u>Balances with</u>	<u>Receivables</u>	<u>Deferred</u>	<u>Other financial</u>	
	<u>banks and</u>	<u>from sale of</u>	<u>payment sale</u>	<u>assets</u>	
	<u>financial</u>	<u>investments</u>	<u>receivable</u>		<u>Total</u>
	<u>institution</u>				
	US\$	US\$	US\$	US\$	US\$
Neither past due nor impaired	3,105,749	-	-	4,432	3,110,181
Past due but not impaired	-	-	3,680,203	887,733	4,567,936
Individually impaired					
Gross amount	-	16,786,726	-	16,693,813	33,480,539
Provision for impairment	-	(16,786,726)	-	(16,693,813)	(33,480,539)
	=====	=====	=====	=====	=====
	3,105,749	-	3,680,203	892,165	7,687,117
	=====	=====	=====	=====	=====

**Credit quality per class of financial assets**

The table below analyses the Bank's maximum credit exposure where the credit quality is reflected by external credit ratings (S&P, Moody's and Fitch) of the counterparties where relevant:

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****22. RISK MANAGEMENT (CONTINUED)****Credit quality per class of financial assets (Continued)**

	<u>Balances with banks and financial institution</u> US\$	<u>Deferred payment sale receivable</u> US\$	<u>Other financial assets</u> US\$	<u>Total</u> US\$
<b>2016</b>				
Non-investment / speculative: BB – B	500,578	-	-	500,578
Unrated	14,184	3,680,203	891,694	4,586,081
	<u>514,762</u>	<u>3,680,203</u>	<u>891,694</u>	<u>5,086,659</u>
<b>2015</b>				
Non-investment / speculative: BB – B	1,681,591	-	-	1,681,591
Unrated	1,424,158	3,680,203	892,165	5,996,526
	<u>3,105,749</u>	<u>3,680,203</u>	<u>892,165</u>	<u>7,678,117</u>

**Concentration Risk**

Concentration risk is the risk of insufficient diversification of the portfolio resulting in an adverse impact of an external event on portfolio constituents sensitive to similar risk factors. Concentration risk primarily arises due to name and sector concentration.

The Bank's financial assets with credit risk can be analysed by the following industry sector:

	<u>Banks and financial institution</u> US\$	<u>Investment companies</u> US\$	<u>Others</u> US\$	<u>Total</u> US\$
<b>2016</b>				
Balances with banks	514,762	-	-	514,762
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Other assets	887,733	-	3,961	891,694
	<u>1,402,495</u>	<u>3,680,203</u>	<u>3,961</u>	<u>5,086,659</u>
<b>2015</b>				
Balances with banks	3,105,749	-	-	3,105,749
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Other assets	887,733	-	4,432	892,165
	<u>3,993,482</u>	<u>3,680,203</u>	<u>4,432</u>	<u>7,678,117</u>

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****22. RISK MANAGEMENT (CONTINUED)****Concentration risk (Continued)*****Geographical concentration***

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

**Liquidity risk**

Liquidity risk is defined as the risk that funds will not be available to meet liabilities as they fall due. It is the Bank's policy to keep a significant part of its assets in the form of liquid assets such as balances with banks, due from a financial institution, investments at fair value through statement of income and investments at fair value through equity.

The table below summarises the maturity profile of the Bank's assets and liabilities as of December 31, 2016 based on expected periods to cash conversion from the reporting date:

	<u>2016</u>						
	<u>Upto 1</u> <u>month</u>	<u>1 to 3</u> <u>months</u>	<u>3 months to</u> <u>1 year</u>	<u>Total</u> <u>within 1</u> <u>year</u>	<u>1 to 3</u> <u>years</u>	<u>No fixed</u> <u>maturity</u>	<u>Total</u>
<b><u>Assets</u></b>							
Cash and balances with banks	516,088	-	-	516,088	-	-	516,088
Equity investments	-	-	2,779,742	2,779,742	-	3,216,195	5,995,937
Deferred payment sale receivable	3,680,203	-	-	3,680,203	-	-	3,680,203
Investments in real estate	-	-	-	-	-	25,627,992	25,627,992
Other assets	-	3,404	44,476	47,880	-	901,553	949,433
Fixed assets	-	-	-	-	-	24,826	24,826
<b>Total assets</b>	<u>4,196,291</u>	<u>3,404</u>	<u>2,824,218</u>	<u>7,023,913</u>	<u>-</u>	<u>29,770,566</u>	<u>36,794,479</u>



## 22. RISK MANAGEMENT (CONTINUED)

[illegible]

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****22. RISK MANAGEMENT (CONTINUED)****Liquidity risk (Continued)**

	<u>Upto 1</u> <u>month</u>	<u>1 to 3</u> <u>months</u>	<u>3 months to</u> <u>1 year</u>	<u>2015</u> <u>Total</u> <u>within 1</u> <u>year</u>	<u>1 to 3 years</u>	<u>No fixed</u> <u>maturity</u>	<u>Total</u>
<b><u>Liabilities</u></b>							
Due to a financial institution	3,670,202	-	-	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064	-	-	3,229,064
Provision against lease commitment	-	1,193,634	2,387,268	3,580,902	-	-	3,580,902
Other liabilities	58,979	44,313	141,497	244,789	-	17,513	262,302
<b>Total liabilities</b>	<b>6,958,245</b>	<b>1,237,947</b>	<b>2,528,765</b>	<b>10,724,957</b>	<b>-</b>	<b>17,513</b>	<b>10,742,470</b>
<b>Net</b>	<b>(167,092)</b>	<b>(1,237,947)</b>	<b>(2,340,369)</b>	<b>(3,745,408)</b>	<b>-</b>	<b>28,790,050</b>	<b>25,044,642</b>

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank has the following significant exposure in a foreign currency at the date of statement of financial position:

	<u>2016</u>		
	<u>Assets</u> <u>US\$</u>	<u>Liabilities</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Kuwaiti Dinar	2,804,502	-	2,804,502
	=====	=====	=====
	<u>2015</u>		
	<u>Assets</u> <u>US\$</u>	<u>Liabilities</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Kuwaiti Dinar	215,557	-	215,557
	=====	=====	=====

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016****22. RISK MANAGEMENT (CONTINUED)****Sensitivity Analysis:**

The following table demonstrate the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constant, of the Bank's statement of income for balances as of December 31:

	<u>Change in rate</u>	<u>Effect on net income for the</u>	
		<u>year</u>	
		<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Kuwaiti Dinar	5%	140,225	10,778

The decrease in rate will have an opposite impact on net income.

**Equity price risk**

Equity price risk is the risk that Bank's quoted equity investments will depreciate in value due to movements in the quoted equity prices. The Bank has listed equity investments classified at fair value through statement of income and investments at fair value through equity. The price movement of these exposures are monitored by the Bank on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in equity prices, with all other variables held constant, of the Bank's statement of income or equity based on the position as of December 31:

<b>Particulars</b>	<u>Change in rate</u>	<u>Effect on profit</u>	
		<u>for the year / equity</u>	
		<u>2016</u> <u>US\$</u>	<u>2015</u> <u>US\$</u>
Investments at fair value through statement of income	20%	35,948	27,939
Investments at fair value through equity	20%	617,507	694,082

The decrease in rate will have an opposite impact on profit / equity.

**INVESTORS BANK B.S.C. (c)****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**22. RISK MANAGEMENT (CONTINUED)****Operational Risk**

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events which includes but is not limited to legal risk and Shari'a compliance risk. This definition excludes strategic and reputational risk.

**23. SHARI'A SUPERVISORY BOARD**

The Bank's Shari'a Supervisory Board consists of three scholars who review the Bank's compliance with general Shari'a principles and specific fatwa's, rulings and guidelines issued. Their review includes examination of the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with Shari'a principles.

**24. SOCIAL RESPONSIBILITY**

The Bank discharges its social responsibilities through donations to charitable causes and organisations.

**25. 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.

**26. SUBSEQUENT EVENT**

Based upon Shareholders' resolution at the Extraordinary General Meeting held on September 22, 2016, it was resolved that the Bank would surrender its Islamic Wholesale banking license to the CBB. The Bank applied to the CBB after completing certain requirements of the CBB.

The CBB in its letter dated January 31, 2017, informed the Bank that its Islamic Wholesale Banking license has been cancelled and its record has been removed from the CBB register accordingly.

**27. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorised for issue in accordance with a resolution of the Bank's Board of Directors on April 13, 2017.