

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

INTERIM CONDENSED
FINANCIAL INFORMATION
SEPTEMBER 30, 2016

INVESTORS BANK B.S.C. (c)
INTERIM CONDENSED FINANCIAL INFORMATION
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016

<u>CONTENTS</u>	<u>Page</u>
Review Report	1
Interim Condensed Financial Information:	
Interim Statement of Financial Position	2
Interim Statement of Income	3
Interim Statement of Cash Flows	4
Interim Statement of Changes in Owners' Equity	5
Interim Statement of Changes in Off-Balance Sheet Investment Accountholders	6 & 7
Interim Statement of Sources and Uses of Charity Fund	8
Notes to the Interim Condensed Financial Information	9 to 20

REVIEW REPORT

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

We have reviewed the accompanying interim statement of financial position of Investors Bank B.S.C. (c), Bahrain (the "Bank") as at September 30, 2016 and the related interim statements of income, cash flows and changes in equity for the nine-month period then ended. 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:

1. Note 1 to the interim condensed financial information which indicates that the Bank incurred significant accumulated losses as at September 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.
2. Note 1.2 to the interim condensed financial information which discusses the resolution by the shareholders of the Bank to surrender its existing banking license with the Central Bank of Bahrain (the "CBB") and that procedures have been initiated to comply with the connected requirements of the CBB.

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
November 12, 2016


Deloitte & Touche - Middle East
Partner Registration No. 184

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

		<u>(Unaudited)</u> September 30, 2016 US\$	<u>(Audited)</u> December 31, 2015 US\$
	<u>Notes</u>		
ASSETS			
Cash and balances with banks		307,923	3,107,075
Equity investments	3	2,876,243	3,738,763
Deferred payment sale receivable	4	3,680,203	3,680,203
Investments in real estate	5	24,290,910	24,265,592
Other assets		929,580	954,129
Fixed assets		30,242	41,350
		-----	-----
Total Assets		32,115,101	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	-	3,580,902
Other liabilities		256,508	262,302
		-----	-----
Total Liabilities		7,155,774	10,742,470
		-----	-----
Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,561,420	7,561,420
Investments fair value reserve		66,827	909,705
Properties fair value reserve		657,476	657,476
Accumulated losses		(63,326,396)	(64,083,959)
		-----	-----
Total equity		24,959,327	25,044,642
		-----	-----
Total Liabilities and Equity		32,115,101	35,787,112
		=====	=====

OFF-BALANCE SHEET

Equity of investment accountholders

-

-

The interim condensed financial information was approved on behalf of the Board of Directors on November 12, 2016 and signed on its behalf 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 SEPTEMBER 30, 2016

		(Unaudited) Three-month ended September 30		(Unaudited) Nine-month ended September 30	
	Notes	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Revenues					
Rental income from investments in real estate		453,075	462,239	1,256,178	1,234,667
Fair value loss on investments at fair value through statement of income, net	3	(731)	(34,801)	(1,314)	(28,897)
Other income, net	8	38,455	4,848	44,968	24,924
Operating income		<u>490,799</u>	<u>432,286</u>	<u>1,299,832</u>	<u>1,230,694</u>
Expenses					
Staff costs	9	(30,088)	(22,422)	(96,710)	(475,047)
Administrative and general expenses		(144,207)	(154,347)	(435,373)	(417,188)
Depreciation		(5,498)	(6,422)	(17,176)	(19,265)
Operating expenses		<u>(179,793)</u>	<u>(183,191)</u>	<u>(549,259)</u>	<u>(911,500)</u>
Net profit before provision and impairment		311,006	249,095	750,573	319,194
Provision for impairment of financial assets	3	(8,208)	(703,192)	(18,328)	(780,459)
Write-back of impairment on real estate investment, net	5	-	-	25,318	53,152
Provision for lease commitment	7	-	(293,421)	-	(880,261)
Net profit / (loss) for the period		<u>302,798</u>	<u>(747,518)</u>	<u>757,563</u>	<u>(1,288,374)</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 SEPTEMBER 30, 2016

(Unaudited)

	<u>Nine-Month</u> <u>Period Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit / (loss) for the period	757,563	(1,288,374)
Adjustments for non-cash items:		
Depreciation	17,176	19,265
Provision for lease commitment	-	880,261
Provision for impairment of financial assets	18,328	780,459
Write-back of impairment on real estate investment, net	(25,318)	(53,152)
Dividend income	(44,830)	(6,197)
Fair value loss on investments at fair value through statement of income, net	1,314	28,897
	-----	-----
Operating profit before changes in operating assets and liabilities	724,233	361,159
Working capital adjustments:		
Decrease in other assets	24,549	20,518
Decrease in other liabilities	(5,794)	(250,840)
	-----	-----
Net cash from operations	742,988	130,837
Payment of payable against lease commitment	(3,580,902)	-
	-----	-----
Net cash (used in) / from operating activities	(2,837,914)	130,837
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received	44,830	6,197
Additions to fixed assets	(6,068)	-
	-----	-----
Net cash from investing activities	38,762	6,197
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(2,799,152)	137,034
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	307,923	4,257,864
	-----	-----
Cash and cash equivalents comprise:		
Cash and balances with banks	307,923	4,257,864
	=====	=====

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 SEPTEMBER 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	-	-	-	-	757,563	757,563
Other comprehensive loss for the period * (Note 3)	-	-	(842,878)	-	-	(842,878)
Balance as at September 30, 2016 (Unaudited)	<u>80,000,000</u>	<u>7,561,420</u>	<u>66,827</u>	<u>657,476</u>	<u>(63,326,396)</u>	<u>24,959,327</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	-	-	-	-	(1,288,374)	(1,288,374)
Other comprehensive loss for the period *	-	-	(1,163,567)	-	-	(1,163,567)
Fair value gain on investment in real estate	-	-	-	436,222	-	436,222
Balance as at September 30, 2015 (Unaudited)	<u>80,000,000</u>	<u>7,409,515</u>	<u>1,152,654</u>	<u>554,027</u>	<u>(66,739,474)</u>	<u>22,376,722</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.

INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET INVESTMENT ACCOUNT HOLDERS
PERIOD ENDED SEPTEMBER 30, 2016

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 SEPTEMBER 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 in the latter part of 2013 based on the performance of these shares and / or the lack of information to support the carrying value of these shares.

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

	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> US\$	<u>(Audited)</u> <u>December 31,</u> <u>2015</u> US\$
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	<u><u>17,513</u></u>	<u><u>17,513</u></u>

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 SEPTEMBER 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

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.
- The Chairman of the Bank was 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 SEPTEMBER 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 September 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 ability to generate cash flow from operations, raise significant doubts about its ability to continue as a going concern.

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

There can be no assurance that the Bank will be successful in achieving profitability or raising additional cash to finance operations. The 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.

1.2 Resolution for surrendering the CBB license

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 are in progress.

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 nine-month period ended September 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 SEPTEMBER 30, 2016

3. EQUITY INVESTMENTS

	(Unaudited) September 30, 2016 US\$	December 31, 2015 US\$
Investment at fair value through statement of income:		
Quoted equity securities	138,381	139,695
	-----	-----
Investments at fair value through equity:		
Quoted equity securities (Note 3.1)	2,609,204	3,470,410
Unquoted equity security	128,658	128,658
	-----	-----
	2,737,862	3,599,068
	-----	-----
	<u>2,876,243</u>	<u>3,738,763</u>

The movement of investments during the period is as follows:

	<u>Investments at fair value through statement of income US\$</u>	<u>Investments at fair value through equity US\$</u>
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	(1,314)	(842,878)
Impairment loss	-	(18,328)
	-----	-----
At September 30, 2016 (Unaudited)	<u>138,381</u>	<u>2,737,862</u>

- 3.1 Quoted equity securities with a carrying value of US\$ 1,803,368 (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\$ 2,747,585 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 SEPTEMBER 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, which carrying value as at September 30, 2016 amounted to US\$ 1,803,368 (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>September 30,</u> <u>2016</u> US\$	<u>(Audited)</u> <u>December 30,</u> <u>2015</u> US\$
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.

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

5. INVESTMENTS IN REAL ESTATE (CONTINUED)

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.

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, 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.

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.

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

7. PAYABLE AGAINST LEASE COMMITMENT (CONTINUED)

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. This liability was fully settled during this quarter.

	<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	(3,580,902)

Balance September 30, 2016	-
	=====

8. OTHER INCOME

	<u>Nine-Month Period Ended</u> <u>September 30,</u>	
	<u>2016</u> <u>US\$</u> <u>(Unaudited)</u>	<u>2015</u> <u>US\$</u> <u>(Unaudited)</u>
Dividend income	44,830	6,197
Income from commodity Murabaha facility	1,256	18,516
Foreign exchange loss	(1,118)	(744)
Miscellaneous income	-	955
	-----	-----
	<u>44,968</u>	<u>24,924</u>
	=====	=====

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

9. STAFF AND RELATED COSTS

	<u>Nine-Month Period Ended</u>	
	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>US\$</u>	<u>US\$</u>
Staff cost	96,710	201,760
Retrenchment cost	-	273,287
	<u>-----</u>	<u>-----</u>
	<u>96,710</u>	<u>475,047</u>

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)
PERIOD ENDED SEPTEMBER 30, 2016

11. RELATED PARTIES

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

	Shareholders			Others		September 30, 2016	(Audited) December 31, 2015
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision 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
Deferred payment sale receivable	3,680,203	-	3,680,203	-	-	3,680,203	3,680,203
Other assets	22,213,227	(22,213,227)	-	10,210,627	(10,210,627)	-	-
Liabilities							
Murabaha payable	3,229,064	-	3,229,064	-	-	3,229,064	3,229,064
Other liabilities	-	-	-	23,175	-	23,175	49,429
Off-Balance Sheet:							
Equity of investment accountholders	16,122,978	(16,122,978)	-	-	-	-	-

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

11. RELATED PARTIES (CONTINUED)

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

	September 30, 2016		September 30, 2015
	Shareholders	Others	Total
	US\$	US\$	US\$
Income			
Dividend income	-	38,633	-
Expense			
Provision for impairment	-	-	77,267
Board of Directors and Board Committees, meeting expenses and attendance allowances	-	32,826	20,562
Shari'a Supervisory Board remuneration, meeting expenses and attendance allowances	-	(274)	21,468
		(274)*	

* 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:

	September 30, 2016	September 30, 2015
	US\$	US\$
Salaries and other short-term benefits	31,830	-
Post-employment benefits	-	-
	31,830	-

** 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 SEPTEMBER 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

Geographical distribution

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

The distribution of the Bank's assets and liabilities by type of counterpart is as follows:

	September 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	307,923	-	-	307,923
Equity investments	2,830,089	-	46,154	2,876,243
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Investments in real estate	-	-	24,290,910	24,290,910
Other assets	900,996	-	28,584	929,580
Fixed assets	-	-	30,242	30,242
	-----	-----	-----	-----
Total assets	4,039,008	3,680,203	24,395,890	32,115,101
	=====	=====	=====	=====
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	3,230	-	253,278	256,508
	-----	-----	-----	-----
Total liabilities	6,902,496	-	253,278	7,155,774
	=====	=====	=====	=====

INVESTORS BANK B.S.C. (c)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
PERIOD ENDED SEPTEMBER 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	<u>7,700,680</u>	<u>3,680,203</u>	<u>24,406,229</u>	<u>35,787,112</u>
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	<u>6,901,877</u>	<u>-</u>	<u>3,840,593</u>	<u>10,742,470</u>

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

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:

September 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	-	2,737,862	138,381	2,876,243
Deferred payment sale receivable	3,680,203	-	-	3,680,203
Other assets	888,290	-	-	888,290
	<u>4,568,493</u>	<u>2,737,862</u>	<u>138,381</u>	<u>7,444,736</u>
Financial liabilities:				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	256,508	-	-	256,508
	<u>7,155,774</u>	<u>-</u>	<u>-</u>	<u>7,155,774</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>