

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

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, 2014

INVESTORS BANK B.S.C. (c)
YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	<u>Page</u>
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 – 49

In the Name of Allah, The Beneficent, The Merciful

SHARI'A BOARD'S REPORT

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 31/12/2014.

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 31/12/2014 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 Allah Wa Barakatuh.

29th Rajab 1436 Hijri corresponding to 18th May 2015.

SHARI'A BOARD

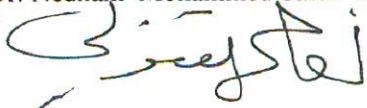
Shaikh Dr. Abdul Sattar A.Karim Abu Ghuddah
Chairman of the Board



Shaikh Dr. Ali Mohieddin Al Quradaghi
Member



Shaikh Dr. Nedham Mohammed Saleh Yaqoobi
Member



**REPORT OF THE BOARD OF DIRECTORS
for the year ended December 31, 2014**

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, 2014.

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, exiting from certain investments and reducing its expenses. The bank has appointed a consultancy firm to assist the Bank with developing a five years business plan to support the continuation of the Bank and its mission.

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.

Financial Position and Results

The detailed financial position of the Bank at December 31, 2014 and the results for the year then ended are set out in the accompanying financial statements.

Financial highlights	2014	2013
Total assets	38,782,073	36,135,393
Total equity	24,392,441	25,656,589
Net loss for the year	(1,733,640)	(3,798,928)

Movement in accumulated losses	2014	2013
Balance at January 1	(63,717,460)	(59,918,532)
Net loss for the year	(1,733,640)	(3,798,928)
Balance at December 31	(65,451,100)	(63,717,460)

Dividends

The Board of Directors has not made any appropriations for dividends for the year ended December 31, 2014 (December 31, 2013: nil).

Board of Directors

The following are the directors of the Bank as at December 31, 2014:

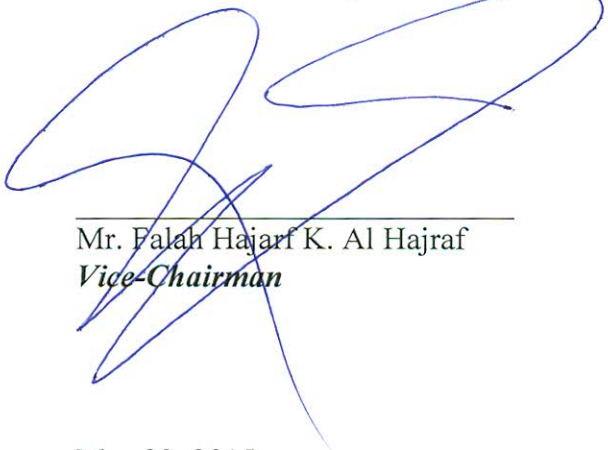
Name	Title	Independent/ Non Independent
Mr. Falah Hajraf K. Al Hajraf	Vice Chairman	Non Independent
Sheikh Yousif Abdulla Al-Sabah	Member	Non Independent
Mr. Majed Yousef Ahmed Al-Ali	Member	Non Independent
Mr. Abdulla Mohammad Al Rifaie	Member	Non Independent
Mr. AbdulNaser Ahmed Mohamed	Member	Independent

Auditors

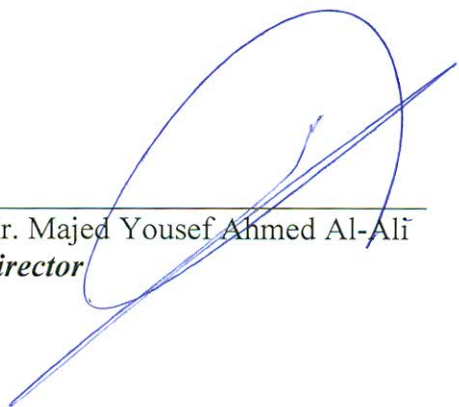
Deloitte & Touche have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Bank for the year ending December 31, 2015; will be submitted to the Annual General Meeting.

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. Falah Hajraf K. Al Hajraf
Vice-Chairman



Mr. Majed Yousef Ahmed Al-Ali
Director

May 23, 2015

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, 2014, and the related statements of income, cash flows, changes in owners' equity, changes in off-balance 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 of December 31, 2014, 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 in the financial statements which indicates that the Bank has incurred significant accumulated losses as at December 31, 2014. 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 been prepared assuming that the Bank will continue as a going concern.

Other Matter

The Bank's financial statements for the year ended December 31, 2013 were audited by another auditor whose report dated September 2, 2014 expressed an unqualified opinion on these financial statements.

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 2014 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, 2014 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.

Manama, Kingdom of Bahrain,
May 23, 2015



Deloitte & Touche – Middle East
Partner Registration No. 184

INVESTORS BANK B.S.C. (c)**STATEMENT OF FINANCIAL POSITION**
AS AT DECEMBER 31, 2014

		December 31,	(Restated) December 31,	(Restated) January 1,
		2014	2013	2013
	Notes	US\$	US\$	US\$
<u>ASSETS</u>				
Cash and balances with banks	4	4,120,830	768,919	993,440
Due from a financial institution	5	-	2,656,499	-
Equity investments	6	6,345,135	6,006,438	7,253,314
Deferred payment sale receivable	7	3,680,203	3,680,203	3,680,203
Investments in real estate	8	23,616,756	21,562,357	22,232,566
Other assets	9	952,330	1,375,853	1,403,831
Fixed assets	10	66,819	85,124	53,650
		-----	-----	-----
Total Assets		38,782,073	36,135,393	35,617,004
		=====	=====	=====
<u>LIABILITIES AND EQUITY</u>				
<u>Liabilities</u>				
Due to a financial institution	7	3,670,202	3,670,202	3,670,202
Murabaha payable	11	3,229,064	3,229,064	3,229,064
Provision against lease commitment	12	6,944,282	2,885,300	-
Other liabilities	13	546,084	694,238	697,194
		-----	-----	-----
Total Liabilities		14,389,632	10,478,804	7,596,460
		-----	-----	-----
<u>Equity</u>				
Share capital	14	80,000,000	80,000,000	80,000,000
Statutory reserve	14	7,409,515	7,409,515	7,409,515
Investments fair value reserve	14	2,316,221	1,964,534	529,561
Properties fair value reserve	8	117,805	-	-
Accumulated losses		(65,451,100)	(63,717,460)	(59,918,532)
		-----	-----	-----
Total Equity		24,392,441	25,656,589	28,020,544
		-----	-----	-----
Total Liabilities and Equity		38,782,073	36,135,393	35,617,004
		=====	=====	=====
<u>OFF-BALANCE SHEET ITEMS</u>				
Equity of investment accountholders		-	-	16,440,667
		=====	=====	=====

The financial statements on pages 6 to 49 were approved and authorised for issue by the Board of Directors on May 23, 2015 and signed on its behalf by

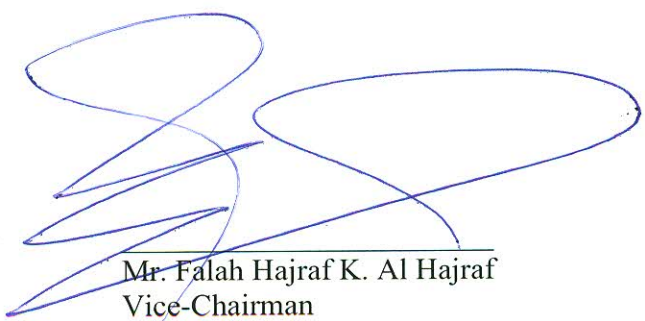
Mr. Falah Hajraf K. Al Hajraf
Vice-Chairman

Mr. Majed Yousef Ahmed Al-Ali
Director

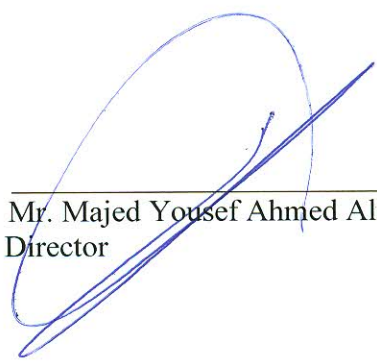
The accompanying notes form an integral part of these financial statements

INVESTORS BANK B.S.C. (c)**STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

			(Restated)
	Notes	2014 US\$	2013 US\$
Revenues			
Rental income from investment in real estate		1,545,274	1,517,984
Gain on disposal of investments at fair value through equity		-	293,845
Fair value loss on investments at fair value through statement of income, net	6	(12,990)	(1,601,027)
Other income, net	15	48,094	226,888
		-----	-----
Operating income		1,580,378	437,690
		-----	-----
Expenses			
Staff cost		(623,401)	(822,619)
Administrative and general expenses	16	(543,426)	(934,964)
Depreciation	10	(24,803)	(22,186)
		-----	-----
Operating expenses		(1,191,630)	(1,779,769)
		-----	-----
Net profit / (loss) before provision and impairment		388,748	(1,342,079)
Provision against lease commitment	12	(4,058,982)	(2,885,300)
Provision for impairment of financial assets	17	-	(521,217)
Provision on investment in real estate written back	8	1,936,594	949,668
		-----	-----
Net loss for the year		(1,733,640)	(3,798,928)
		=====	=====



Mr. Falah Hajraf K. Al Hajraf
Vice-Chairman



Mr. Majed Yousef Ahmed Al-Ali
Director

The accompanying notes form an integral part of these financial statements

INVESTORS BANK B.S.C. (c)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>(Restated)</u>
	<u>US\$</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Cash flows from operating activities:		
Net loss for the year	(1,733,640)	(3,798,928)
Adjustments for:		
Depreciation	24,803	22,186
Provision against lease commitment	4,058,982	2,885,300
Provision for impairment of financial assets	-	521,217
Write back of impairment on investment in real estate	(1,936,594)	(949,668)
Gain on disposal of investments at fair value through equity	-	(293,845)
Fair value loss on investments at fair value through statement of income, net	12,990	1,601,027
Gain on disposal of investments in real estate	-	(182,711)
	-----	-----
Operating profit / (loss) before changes in operating assets and liabilities:	426,541	(195,422)
Working capital adjustments:		
Other assets*	423,523	(38,442)
Other liabilities	(148,154)	14,816
Payments to charities	-	(17,772)
	-----	-----
Net cash from / (used in) from operating activities	701,910	(236,820)
	-----	-----
Cash flows from investing activities:		
Proceeds from disposal of investments at fair value through equity	-	919,870
Proceeds from disposal of investment in real estate	-	1,802,588
Purchase of fixed assets	(6,498)	(53,660)
	-----	-----
Net cash (used in) / from investing activities	(6,498)	2,668,798
	-----	-----
Net increase in cash and cash equivalents	695,412	2,431,978
Cash and cash equivalents at January 1,	3,425,418	993,440
	-----	-----
Cash and cash equivalents at December 31,	4,120,830	3,425,418
	=====	=====
Cash and cash equivalents comprise:		
Cash and balances with banks	4,120,830	768,919
Due from a financial institution with original maturity of ninety days or less	-	2,656,499
	-----	-----
	4,120,830	3,425,418
	=====	=====
Non cash activity:		
*Proceeds from disposal of investment at fair value through equity	-	420,000
	=====	=====

The accompanying notes 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, 2014

	Share Capital US\$	Statutory Reserve US\$	Investments Fair Value Reserve US\$	Properties Fair Value Reserve US\$	Accumulated Losses US\$	Total US\$
Balance as at January 1, 2013 (as previously stated)	80,000,000	7,409,515	529,561	-	(62,130,918)	25,808,158
Adjustments (Note 25)	-	-	-	-	2,212,386	2,212,386
Balance as at January 1, 2013 (restated)	80,000,000	7,409,515	529,561	-	(59,918,532)	28,020,544
Net loss for the year (restated)	-	-	-	-	(3,798,928)	(3,798,928)
Other comprehensive gain:						
Fair value gain on equity investments at fair value through equity (Note 6)	-	-	1,446,415	-	-	1,446,415
Net amount transferred to statement of income on disposal of investment at fair value through equity	-	-	(11,442)	-	-	(11,442)
Balance as at December 31, 2013 (restated)	80,000,000	7,409,515	1,964,534	-	(63,717,460)	25,656,589
Net loss for the year	-	-	-	-	(1,733,640)	(1,733,640)
Other comprehensive gain:						
Fair value gain on equity investments at fair value through equity (Note 6)	-	-	351,687	-	-	351,687
Fair value gain on investment in real estate (Note 8)	-	-	-	117,805	-	117,805
Balance as at December 31, 2014	80,000,000	7,409,515	2,316,221	117,805	(65,451,100)	24,392,441

The accompanying notes 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, 2014

	Balance at January 1, 2014			Movements during the period		Balance at December 31, 2014		
	No. of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	No. of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note b below)	-	-	-	-	-	-	-	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	12,887	-	-	-	-	12,887	-	-
	142,059	-	-	-	-	142,059	-	-
			-----		-----			-----
			=====		=====			=====
	Balance at January 1, 2013			Movements during the period		Balance at December 31, 2013		
	No. of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	No. of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd Investments in International Investment Group K.S.C.C. (note b below)	-	-	317,689	-	(317,689)	-	-	-
Portfolio managed by the Bank (Gulf Monetary Group Shares)	12,887	0.44	5,670,202	-	(5,670,202)	12,887	-	-
	142,059	0.073	10,452,776	-	(10,452,776)	142,059	-	-
			-----		-----			-----
			16,440,667		(16,440,667)			-
			=====		=====			=====

The accompanying notes 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, 2014**

- 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 7). 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)**STATEMENT OF SOURCES AND USES OF CHARITY FUND**
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Undistributed charity fund at the beginning of the year	17,513	35,285
Payments made during the year	-	(17,772)
	-----	-----
Undistributed charity fund at the year end (Note 13)	17,513	17,513
	=====	=====

The accompanying notes 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, 2014**1. INCORPORATION AND ACTIVITIES**

Investors Bank B.S.C. (c) (the “Bank”) was established in the Kingdom of Bahrain as an exempt company on 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 directives and the memorandum and articles of association of the Bank. During 2014, the Bank was not in compliance with respect to the following:

- a) The Bank did not submit to the CBB, within two months following each quarter end its quarterly financial statements of March 31, 2014, June 30, 2014 and September 30, 2014 including the quarterly statements of income nor published its quarterly financial information within 45 days of each quarter end.
- b) The Bank did not submit to the CBB, within three months of the financial year ended December 31, 2014, its final audited accounts including statement of income nor publish its accounts within two months of the financial year end as required by the CBB.
- c) The Bank’s quarterly Prudential Information Returns are required to be prepared and submitted to the CBB within 20 days following the quarter end and are required to be reviewed by the external auditors within two months. As at the date of approval of these financial statements the 2014 quarterly returns have not yet been submitted for review, awaiting the approval of the respective quarterly financial statements.

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**1. INCORPORATION AND ACTIVITIES: (CONTINUED)**

- d) The Bank's semi-annual and annual public disclosures are required to be prepared for the review by the external auditors within two months from June 30, 2014 and three months from December 31, 2014 respectively. As of the date of approval of these financial statements, the public disclosures have not yet been prepared, awaiting the approval of the respective financial statements
- e) As of the date of issuance of these financial statements the Board of Directors has not elected a Chairman nor appointed a new board member following the resignation of the previous Chairman and a board member. Furthermore 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.
- f) The Bank's accumulated losses exceeded a significant portion of the Bank's capital as at December 31, 2014. 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.

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 Rule Book (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 certain 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.

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014

2. BASIS OF PREPARATION (CONTINUED)**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, 2014 the Bank's accumulated losses exceeded a significant portion 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.

Summary of significant accounting policies

Following is a summary of the most significant accounting policies applied in the preparation of these financial statements. These accounting policies are consistent with those of the previous financial year, except for the adoption of the fair value model for certain of the Bank's investments in real estate as permitted by FAS 26 *Investment in Real Estate* with retroactive restatement of comparative figures. For details refer to Notes 8 and 25.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 (except for the investment in freehold land) are measured at fair value. Investment in freehold land is carried at cost less impairment based on specific directives from the Regulator.

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

Losses arising from changes in the fair values are firstly adjusted against the property 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 property 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014**2. BASIS OF PREPARATION (CONTINUED)****K. Derecognition 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, 2014

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, 2014**4. CASH AND BALANCES WITH BANKS**

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
Cash at banks	4,119,504	767,593
Cash in hand	1,326	1,326
	-----	-----
	4,120,830	768,919
	=====	=====

5. DUE FROM A FINANCIAL INSTITUTION

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
Commodity murabaha contract	-	2,657,493
Less: Deferred profit	-	(994)
	-----	-----
	-	2,656,499
	=====	=====

6. EQUITY INVESTMENTS

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
Investments at fair value through statement of income	185,422	198,412
Investments at fair value through equity	6,159,713	5,808,026
	-----	-----
	6,345,135	6,006,438
	=====	=====

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

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
Quoted:		
Gulf Finance House	7,573	6,976
Al Salam Bank	161,121	173,515
Khaleeji Commercial Bank	16,728	17,921
Unquoted:		
Grand Real Estate Projects Co.	-	-
	-----	-----
	185,422	198,412
	=====	=====

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**6. EQUITY INVESTMENTS (CONTINUED)**

Investments at fair value through equity consist of the following:

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
Bahrain Islamic Bank (Note 6.1)	3,380,467	2,894,236
First Takaful Insurance Co.	1,489,575	1,628,098
Bahrain Family Leisure Co.	88,329	84,350
Takaful International, Kuwait	428,677	428,677
Takaful International, Bahrain	772,665	772,665
Gulf Monetary Group	-	-
International Investment Group	-	-
International Projects Consultancy Co.	-	-
	<u>6,159,713</u>	<u>5,808,026</u>

6.1 Bahrain Islamic Bank shares are under legal dispute and in custody of the Court (Refer to Note 7)

6.2 As at December 31, 2014 and 2013 the Bank had a total of 11,265,655 shares in Takaful International, Bahrain of which 2,912,950 shares are valued at US\$ 772,665 and the remaining 8,352,705 shares are written-down to zero as explained in Note 11.

6.3 The Bank's equity investments are categorised into fair value hierarchy as follows:

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
<u>Level 1 (quoted prices):</u>		
Investments at fair through statement of income	185,422	198,412
Investments at fair value through equity	4,958,371	4,606,684
	<u>5,143,793</u>	<u>4,805,096</u>
<u>Level 3:</u>		
Investments at fair value through equity	1,201,342	1,201,342
	<u>6,345,135</u>	<u>6,006,438</u>

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**6. EQUITY INVESTMENTS (CONTINUED)**

The movement of investments during the year is as follows:

	<u>Investments</u> <u>at fair value</u> <u>through</u> <u>statement of</u> <u>income</u> <u>US\$</u>	<u>Investments at</u> <u>fair value</u> <u>through equity</u> <u>US\$</u>
At January 1, 2013	1,799,439	5,453,875
Net unrealised (loss) / gain	(1,601,027)	1,434,973
Impairment loss (Note 17)	-	(34,797)
Disposal	-	(1,046,025)
	-----	-----
At December 31, 2013	198,412	5,808,026
Net unrealised (loss) / gain	(12,990)	351,687
	-----	-----
At December 31, 2014	185,422	6,159,713
	=====	=====

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

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

In accordance with the terms of the sale and purchase agreement, the Bank pledged certain own equity investments in addition to subsequent dividend shares received, in favour of the financial institution, the carrying value of which as at December 31, 2014 amounted to US\$ 3,380,467 (US\$ 2,894,235 as at December 31, 2013) and dividends receivable up to 2006 totalling US\$ 887,733 (Note 9).

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 pledged shares were unlawfully retained. The Bank has filed a legal case before the Courts of Bahrain against the financial institution for repossession of the pledged shares, which are currently under the custody of the Court with the related dividends discussed above. Further a cheque in the amount of US\$ 3,680,203 representing the amount due to the Bank on the deferred sale of shares, was drawn by that related party and deposited at the Court.

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

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**8. INVESTMENTS IN REAL ESTATE**

Effective from December 31, 2014, the Bank changed its accounting policy for measuring investments in real estate from the cost model to the valuation model (except for freehold land in Burhama which will continue to be carried at cost less impairment based on specific directives of the Regulator) under FAS 26: *Investment in Real Estate*. With the retrospective application of this change in policy, the prior year carrying amounts of the investments in real estate were restated and a three column statement of financial position was presented. The effect of this change in accounting policy is detailed in Note 25.

	<u>2014</u> <u>US\$</u>	<u>(Restated)</u> <u>2013</u> <u>US\$</u>	<u>(Restated)</u> <u>2012</u> <u>US\$</u>
At January 1,	21,562,357	22,232,566	22,209,807
Write back of provision for impairment	1,936,594	949,668	804,244
Change in fair value recognised in equity	117,805	-	-
Fair value of investment in real estate sold	-	(1,619,877)	(781,485)
Balance at December 31,	<u>23,616,756</u>	<u>21,562,357</u>	<u>22,232,566</u>

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

The carrying value and fair value of the Burhama land which is carried at cost as explained above are USD 7,161,804 and USD 8,209,549 respectively. (2013: USD 7,161,804 and USD 8,472,149 respectively)

9. OTHER ASSETS

	<u>2014</u> <u>US\$</u>	<u>2013</u> <u>US\$</u>
Disputed dividends receivable (Note 7)	887,733	887,733
Receivable from disposal of investment at fair value through equity	-	420,000
Prepaid expenses	45,495	49,081
Regulatory deposit with CBB	13,263	13,263
Other receivables	5,282	5,219
Refundable deposit	557	557
	<u>952,330</u>	<u>1,375,853</u>

INVESTORS BANK B.S.C. (c)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

10. FIXED ASSETS

	<u>Motor Vehicles US\$</u>	<u>Office equipment & furniture US\$</u>	<u>Fixtures US\$</u>	<u>Total US\$</u>
Cost:				
At January 1, 2013	-	844,675	1,398,005	2,242,680
Additions	21,292	18,920	13,448	53,660
Write off	-	(60,950)	-	(60,950)
	-----	-----	-----	-----
At December 31, 2013	21,292	802,645	1,411,453	2,235,390
Additions	-	6,279	219	6,498
	-----	-----	-----	-----
At December 31, 2014	21,292	808,924	1,411,672	2,241,888
	-----	-----	-----	-----
Accumulated Depreciation:				
At January 1, 2013	-	842,155	1,346,875	2,189,030
Charge for the year	2,484	5,520	14,182	22,186
Write off	-	(60,950)	-	(60,950)
	-----	-----	-----	-----
At December 31, 2013	2,484	786,725	1,361,057	2,150,266
Charge for the year	4,258	7,623	12,922	24,803
	-----	-----	-----	-----
At December 31, 2014	6,742	794,348	1,373,979	2,175,069
	-----	-----	-----	-----
Net carrying values:				
At December 31, 2014	14,550	14,576	37,693	66,819
	=====	=====	=====	=====
At December 31, 2013	18,808	15,920	50,396	85,124
	=====	=====	=====	=====

11. MURABAHA PAYABLE

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

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

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

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

In recognition of the Bank's liability, the management decided to write down to zero the value of its 8,352,705 pledged shares and valued the remaining same shares (2,912,950 shares) in its portfolio at BD 0.100 (US\$ 0.2652) per share, being the lowest bidding price up to the 2014 year end. Subsequent to the year end in April 2015, the 8,352,705 shares were liquidated at an auction price of BD 0.100 per share.

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**12. PROVISION AGAINST LEASE COMMITMENTS**

	<u>2014</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Lease commitment	6,944,282	2,885,300
	=====	=====

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, 2013 the Bank has provided 50% of the unpaid lease obligations as at the 2013 year end and had irrevocably pledged to the CBB that a full provision for the outstanding lease commitments will be made by December 31, 2014, should there be no settlement of any kind with the lessor or any changes / developments to the exposure of the leased land.

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

The remaining contractual lease obligations to maturity are US\$ 23.2 million.

13. OTHER LIABILITIES

	<u>2014</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Accrued expenses	197,540	474,457
Unearned rental income	306,642	187,863
Charity payable	17,513	17,513
Others	24,389	14,405
	-----	-----
	546,084	694,238
	=====	=====

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**14. SHARE CAPITAL AND STATUTORY RESERVE***(i) Share capital*

	<u>2014</u> <u>US\$</u>	<u>2013</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
	=====	=====

(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. No transfer was made during the year as the Bank incurred a loss.

15. OTHER INCOME, NET

	<u>2014</u> <u>US\$</u>	<u>(Restated)</u> <u>2013</u> <u>US\$</u>
Gain on disposal of investment in real estate	-	182,711
Dividend income	6,197	26,325
Income from commodity murabaha contract	41,729	21,826
Foreign exchange loss	(530)	(3,974)
Others	698	-
	-----	-----
	48,094	226,888
	=====	=====

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**16. ADMINISTRATIVE AND GENERAL EXPENSES**

	<u>2014</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Consultancy and legal expenses	80,375	308,338
Staff related claims	36,953	202,419
Electricity and municipality	81,997	82,863
Maintenance	52,543	81,465
Professional fees	54,907	49,602
Office service and cleaning	35,117	35,780
License and registration	36,390	35,212
Board of Directors and committees meeting expenses and attendance allowances	55,533	31,245
Shari'a Supervisory Board remuneration, meeting expenses and attendance allowances	28,929	29,708
Advertising and promotion	12,320	15,098
Communication	11,186	11,097
Business development	11,739	10,992
Others	45,437	41,145
	-----	-----
	543,426	934,964
	=====	=====

17. IMPAIRMENT OF FINANCIAL ASSETS

	<u>2014</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Investments at fair value through equity (Note 6)	-	34,797
Other assets	-	486,420
	-----	-----
	-	521,217
	=====	=====

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Set out below is an overview of financial instruments, other than cash and cash equivalents held by the Bank as at December 31, 2014 and 2013:

	<u>Amortised</u> <u>cost</u> <u>US\$</u>	<u>Fair value</u> <u>through</u> <u>equity</u> <u>US\$</u>	<u>Fair value</u> <u>through</u> <u>statement of</u> <u>income</u> <u>US\$</u>
<u>2014</u>			
Financial assets:			
Equity Investments	-	6,159,713	185,422
Deferred payment sale receivable	3,680,203	-	-
Other assets	893,572	-	-
	-----	-----	-----
Total	4,573,775	6,159,713	185,422
	=====	=====	=====
Financial liabilities:			
Due to a financial institution	3,670,202	-	-
Murabaha payable	3,229,064	-	-
Provision against lease commitment	6,944,282	-	-
Other liabilities	546,084	-	-
	-----	-----	-----
Total	14,389,632	-	-
	=====	=====	=====
<u>2013</u>			
Financial assets:			
Equity investments	-	5,808,026	198,412
Deferred payment sale receivables	3,680,203	-	-
Other assets	1,313,509	-	-
	-----	-----	-----
Total	4,993,712	5,808,026	198,412
	=====	=====	=====
Financial liabilities:			
Due to a financial institution	3,670,202	-	-
Murabaha payable	3,229,064	-	-
Provision against lease commitment	2,885,300	-	-
Other liabilities	694,238	-	-
	-----	-----	-----
Total	10,478,804	-	-
	=====	=====	=====

The fair values of financial instruments carried at amortised cost are not materially different from their carrying values as at the statement of financial position date. The categorisation into fair value hierarchy of financial instruments measured at fair value is provided under Note 6.3

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**19. CAPITAL MANAGEMENT**

The Bank's capital structure is primarily made up of its paid up capital, including reserves. From a regulation's perspective, the significant amount of the Bank's capital is in tier 1 form as defined by the CBB, i.e., most of the capital is of permanent nature.

The classification of the Bank's capital in accordance with the regulatory requirements is as follows:

	<u>2014</u> <u>US\$</u>	<u>(Restated)</u> <u>2013</u> <u>US\$</u>
Tier 1 Capital		
Issued and fully paid ordinary shares	80,000,000	80,000,000
Legal / statutory reserve	7,409,515	7,409,515
Accumulated losses	(65,451,100)	(63,717,460)
	-----	-----
	21,958,415	23,692,055
Excess amount over maximum permitted large exposure limit	(711,744)	(11,480,343)
	-----	-----
Total Tier 1 Capital	21,246,671	12,211,712
	-----	-----
Tier 2 Capital		
Assets revaluation reserve – Property, plant and equipment (45% only)*	53,012	-
Unrealised gross gains arising from fair valuing equities (45% only)	1,042,300	884,040
	-----	-----
	1,095,312	884,040
Excess amount over maximum permitted large exposure limit	(711,744)	(884,040)
	-----	-----
Total Tier 2 Capital	383,568	-
	-----	-----
Total eligible capital	21,630,239	12,211,712
	=====	=====

* The amount taken to this reserve relates to the Bank's "Properties fair value reserve" pertaining to investments in real estate.

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**19. CAPITAL MANAGEMENT (CONTINUED)**

To assess its capital adequacy requirements in accordance with the CBB requirements, the Bank adopts the Standardised approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardised Measurement Approach for its Market Risk. The Capital requirements for these risks are as follows:

	<u>2014</u>	<u>(Restated)</u>
	<u>US\$</u>	<u>2013</u>
		<u>US\$</u>
Credit risk weighted exposures	56,236,632	51,776,541
Market risk weighted exposures	2,293,558	2,458,227
Operational risk weighted exposures	2,129,618	1,350,079
	-----	-----
Total risk weighted exposure	60,659,808	55,584,847
	-----	-----
Capital adequacy ratio	35.66%	21.97%
	-----	-----

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 arm's length basis.

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

INVESTORS BANK B.S.C.(C)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2014					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
ASSETS						
Equity investments at fair value through statement of income						
- Grand Real Estate Projects Co.	-	-	-	15,802,165	(15,802,165)	-
						-
Equity investments at fair value through equity						
- 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	(4,540,505)	772,665
- Takaful International, Kuwait	-	-	-	715,434	(286,757)	428,677
- International Projects Consultancy Co.	-	-	-	45,579	(45,579)	-
						-
Deferred payment sale receivables						
- 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, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2014					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
Other assets						
Receivable from sale of investments:						
- Gulf Monetary Group	5,974,754	(5,974,754)	-	-	-	-
- International Investment Group	10,811,971	(10,811,971)	-	-	-	-
Receivable from Mudarib:						
- International Investment Group	4,464,281	(4,464,281)	-	-	-	-
Dividend receivable:						
- International Investment Group	778,343	(778,343)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	931,034	(931,034)	-
- Takaful International, Bahrain	-	-	-	38,633	(38,633)	-
Current account:						
- 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)	-
Advance for investment						
- Josor Capital	-	-	-	408,536	(408,536)	-

INVESTORS BANK B.S.C.(c)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2014					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
						Total US\$
Others (Rent Receivable)						
- Grand Real Estate Projects Co.	-	-	-	9,312	(9,312)	-
<u>LIABILITIES:</u>						
- Murabaha payables						
- International Investment Group	3,229,064	-	3,229,064	-	-	-
						3,229,064
- Other liabilities						
- Takaful International, Bahrain	-	-	-	3,610	-	3,610
- Key Mangement Personnel	-	-	-	14,967	-	14,967
- Shari'a Supervisory Board						
Remuneration & attendance	-	-	-	27,852	-	27,852
allowances						
- Board Members attendance	-	-	-	2,500	-	2,500
allowances						
						27,852
						2,500
Off-balance sheet items:						
Equity of investment accountholders						
- 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	10,452,776	(10,452,776)	-	-	-	-
Investors Holding						

INVESTORS BANK B.S.C. (C)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2013					
	Shareholders			Others		
	Gross US\$	Provision US\$	Net US\$	Gross US\$	Provision US\$	Net US\$
ASSETS						
Equity investments at fair value through statement of income						
- Grand Real Estate Projects Co.	-	-	-	15,802,165	(15,802,165)	-
Equity investments at fair value through equity						
- 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	(4,540,505)	772,665
- Takaful International, Kuwait	-	-	-	715,434	(286,757)	428,677
- International Projects Consultancy Co.	-	-	-	45,579	(45,579)	-
Deferred payment sale receivables						
- Gulf Monetary Group	3,680,203	-	3,680,203	-	-	-
						3,680,203

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2013					
	Shareholders			Others		
	<u>Gross</u> US\$	<u>Provision</u> US\$	<u>Net</u> US\$	<u>Gross</u> US\$	<u>Provision</u> US\$	<u>Net</u> US\$
						<u>Total</u> US\$
Other assets						
Receivable from sale of investments:						
- Gulf Monetary Group	5,974,754	(5,974,754)	-	-	-	-
- International Investment Group	10,811,971	(10,811,971)	-	-	-	-
Receivable from Mudarib:						
- International Investment Group	4,464,281	(4,464,281)	-	-	-	-
Dividend receivable:						
- International Investment Group	778,343	(778,343)	-	-	-	-
- Grand Real Estate Projects Co.	-	-	-	931,034	(931,034)	-
Current account:						
- 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)	-
Advance for investment						
- Josor Capital	-	-	-	408,536	(408,536)	-

INVESTORS BANK B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2013					
	Shareholders			Others		
	<u>Gross</u> US\$	<u>Provision</u> US\$	<u>Net</u> US\$	<u>Gross</u> US\$	<u>Provision</u> US\$	<u>Net</u> US\$
						<u>Total</u> US\$
- Others (Rent Receivable)						
- Grand Real Estate Projects Co.	-	-	-	9,312	(9,312)	-
<u>LIABILITIES:</u>						
- Murabaha payables						
- International Investment Group	3,229,064	-	3,229,064	-	-	3,229,064
- Other liabilities						
- Takaful International, Bahrain	-	-	-	3,271	-	3,271
- Key Management Personnel	-	-	-	82,723	-	82,723
- Shari'a Supervisory Board						
- Remuneration & attendance allowances	-	-	-	58,488	-	58,488
Off-balance sheet items:						
Equity of investment accountholders						
- 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, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	December 31, 2014		
	Shareholders	Others	Total
	<u>Net</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>	<u>US\$</u>
Expenses:			
BOD and Board Committees meeting expenses and attendance allowance	-	55,533	55,533
Shari'a Supervisory Board Remuneration, meeting expenses and attendance allowances	-	28,929	28,929
Key Management Benefits:			
Salaries and other short term benefits	-	130,848	130,848
Post employment benefits	-	9,693	9,693

INVESTORS BANK B.S.C. (C)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2013		
	Shareholders	Others	
	<u>Net</u> US\$	<u>Net</u> US\$	<u>Total</u> US\$
Income:			
- Fair value on investment at FVTPL:			
- Grand Real Estate Projects Co.	-	(1,715,715)	(1,715,715)
Expenses:			
Provision for impairment:			
<i>Equity investments</i>			
- International Investment Group	2,862	-	2,862
- Gulf Monetary Group	31,936	-	31,936
<i>Other assets</i>			
- Grand Real Estate Projects Co.	-	9,312	9,312
BOD and Board Committees meeting expenses and attendance allowance	-	31,245	31,245
Shari'a Supervisory Board remuneration, meeting expenses and attendance allowance	-	29,708	29,708
Other comprehensive gain / (loss)			
<i>Equity investments</i>			
- International Investment Group	(101)	-	(101)
Key Management Benefits:			
Salaries and other short term benefits	-	227,036	227,036
Post employment benefits	-	9,655	9,655

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**21. SEGMENT INFORMATION:**

The industrial distribution of the Bank's assets and liabilities as at December 31, 2014 is as follows:

	December 31, 2014			
	<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>
Assets				
Cash and balances with banks	4,120,830	-	-	4,120,830
Equity investments	6,256,806	-	88,329	6,345,135
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Investments in real estate	-	-	23,616,756	23,616,756
Other assets	900,996	-	51,334	952,330
Fixed assets	-	-	66,819	66,819
	-----	-----	-----	-----
Total assets	11,278,632	3,680,203	23,823,238	38,782,073
	-----	-----	-----	-----
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Provision against lease commitment	-	-	6,944,282	6,944,282
Other liabilities	3,610	-	542,474	546,084
	-----	-----	-----	-----
Total liabilities	6,902,876	-	7,486,756	14,389,632
	-----	-----	-----	-----

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**21. SEGMENT INFORMATION: (CONTINUED)**

	December 31, 2013 (Restated)			
	<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>
Assets				
Cash and balances with banks	768,919	-	-	768,919
Due from a financial institution	2,656,499	-	-	2,656,499
Equity investments	5,922,088	-	84,350	6,006,438
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Investments in real estate	-	-	21,562,357	21,562,357
Other assets	900,996	-	474,857	1,375,853
Fixed assets	-	-	85,124	85,124
	-----	-----	-----	-----
Total assets	10,248,502	3,680,203	22,206,688	36,135,393
	-----	-----	-----	-----
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Provision against lease commitment	-	-	2,885,300	2,885,300
Other liabilities	3,271	-	690,967	694,238
	-----	-----	-----	-----
Total liabilities	6,902,537	-	3,576,267	10,478,804
	-----	-----	-----	-----

Geographical concentration

Assets and liabilities of the Bank as at December 31, 2014 and December 31, 2013 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, 2014**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 Executive Committee reviews and approves the CEO's recommendations for investment strategies, investment proposals, various products and services and where deemed necessary, also refers decisions to the Board of Directors.

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>2014</u>	<u>2013</u>
	<u>US\$</u>	<u>US\$</u>
Balances with banks	4,119,504	767,593
Due from a financial institution	-	2,656,499
Deferred payment sale receivable	3,680,203	3,680,203
Other assets	893,572	1,313,509
	-----	-----
	8,693,279	8,417,804
	=====	=====

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**22. RISK MANAGEMENT: (CONTINUED)**

Analysis of the Bank's exposure to credit risk:

	December 31, 2014				
	<u>Balances with</u>	<u>Receivables</u>	<u>Deferred</u>	<u>Other financial</u>	<u>Total</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>assets</u>	
	<u>institution</u>				
	US\$	US\$	US\$	US\$	US\$
Neither past due nor impaired	4,119,504	-	-	5,839	4,125,343
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)
	<u>4,119,504</u>	<u>-</u>	<u>3,680,203</u>	<u>893,572</u>	<u>8,693,279</u>
	December 31, 2013				
	<u>Balances with</u>	<u>Receivables</u>	<u>Deferred</u>	<u>Other financial</u>	<u>Total</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>assets</u>	
	<u>institution</u>				
	US\$	US\$	US\$	US\$	US\$
Neither past due nor impaired	3,424,092	-	-	5,776	3,429,868
Past due but not impaired	-	-	3,680,203	1,307,733	4,987,936
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)
	<u>3,424,092</u>	<u>-</u>	<u>3,680,203</u>	<u>1,313,509</u>	<u>8,417,804</u>

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, 2014**22. RISK MANAGEMENT: (CONTINUED)****Credit quality per class of financial assets (Continued)**

	<u>Balances</u> <u>with banks</u> <u>and financial</u> <u>institution</u> US\$	<u>Deferred</u> <u>payment sale</u> <u>receivable</u> US\$	<u>Other</u> <u>financial</u> <u>assets</u> US\$	<u>Total</u> US\$
2014				
Non-investment / speculative: BB – B	1,389,150	-	-	1,389,150
Unrated	2,730,354	3,680,203	893,572	7,304,129
	<u>4,119,504</u>	<u>3,680,203</u>	<u>893,572</u>	<u>8,693,279</u>
2013				
Non-investment / speculative: BB – B	734,591	-	-	734,591
Unrated	2,689,501	3,680,203	1,313,509	7,683,213
	<u>3,424,092</u>	<u>3,680,203</u>	<u>1,313,509</u>	<u>8,417,804</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</u> <u>financial</u> <u>institution</u> US\$	<u>Investment</u> <u>companies</u> US\$	<u>Others</u> US\$	<u>Total</u> US\$
2014				
Balances with banks	4,119,504	-	-	4,119,504
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Other assets	887,733	-	5,839	893,572
	<u>5,007,237</u>	<u>3,680,203</u>	<u>5,839</u>	<u>8,693,279</u>
2013				
Balances with banks	767,593	-	-	767,593
Due from a financial institution	2,656,499	-	-	2,656,499
Deferred payment sale receivable	-	3,680,203	-	3,680,203
Other assets	887,733	-	425,776	1,313,509
	<u>4,311,825</u>	<u>3,680,203</u>	<u>425,776</u>	<u>8,417,804</u>

INVESTORS BANK B.S.C. (c)NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 201422. RISK MANAGEMENT: (CONTINUED)**Concentration risk (Continued)***Geographical concentration*

Assets and liabilities of the Bank as at 31 December 2014 and 31 December 2013 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, 2014 based on expected periods to cash conversion from the reporting date:

	2014						
	<u>Upto 1</u>	<u>1 to 3</u>	<u>3 months to</u>	<u>Total</u>	<u>1 to 3</u>	<u>No fixed</u>	<u>Total</u>
	<u>month</u>	<u>months</u>	<u>1 year</u>	<u>within 1</u>	<u>years</u>	<u>maturity</u>	
				<u>year</u>			
<u>Assets</u>							
Cash and balances with banks	4,120,830	-	-	4,120,830	-	-	4,120,830
Equity investments	-	-	185,422	185,422	-	6,159,713	6,345,135
Deferred payment sale receivable	3,680,203	-	-	3,680,203	-	-	3,680,203
Investments in real estate	-	-	-	-	-	23,616,756	23,616,756
Other assets	5,282	-	45,495	50,777	-	901,553	952,330
Fixed assets	-	-	-	-	-	66,819	66,819
Total assets	7,806,315	-	230,917	8,037,232	-	30,744,841	38,782,073

22. **RISK MANAGEMENT: (CONTINUED)**

	2014						
	<u>Upto 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>Total within 1 year</u>	<u>1 to 3 years</u>	<u>No fixed maturity</u>	<u>Total</u>
<u>Liabilities</u>							
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	-	-	-	-	-	6,944,282	6,944,282
Other liabilities	52,567	62,916	413,088	528,571	-	17,513	546,084
	-----	-----	-----	-----	-----	-----	-----
Total liabilities	6,951,833	62,916	413,088	7,427,837	-	6,961,795	14,389,632
	-----	-----	-----	-----	-----	-----	-----
Net	854,482	(62,916)	(182,171)	609,395	-	23,783,046	24,392,441

	2013 (Restated)						
	<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>
<u>Assets</u>							
Cash and balances with banks	768,919	-	-	768,919	-	-	768,919
Due from a financial institution	2,656,499	-	-	2,656,499	-	-	2,656,499
Equity investments	-	-	198,412	198,412	-	5,808,026	6,006,438
Deferred payment sale receivable	3,680,203	-	-	3,680,203	-	-	3,680,203
Investments in real estate	-	-	-	-	-	21,562,357	21,562,357
Other assets	425,219	-	49,081	474,300	-	901,553	1,375,853
Fixed assets	-	-	-	-	-	85,124	85,124
	-----	-----	-----	-----	-----	-----	-----
Total assets	7,530,840	-	247,493	7,778,333	-	28,357,060	36,135,393

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**22. RISK MANAGEMENT: (CONTINUED)****Liquidity risk (Continued)**

	<u>2013 (Restated)</u>						
	<u>Upto 1</u>	<u>1 to 3</u>	<u>3 months to</u>	<u>Total</u>	<u>1 to 3</u>	<u>No fixed</u>	<u>Total</u>
	<u>month</u>	<u>months</u>	<u>1 year</u>	<u>within 1</u>	<u>years</u>	<u>maturity</u>	
				<u>year</u>			
<u>Liabilities</u>							
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	-	-	-	-	-	2,885,300	2,885,300
Other liabilities	137,146	46,442	142,542	326,130	148,010	220,098	694,238
	-----	-----	-----	-----	-----	-----	-----
Total liabilities	7,036,412	46,442	142,542	7,225,396	148,010	3,105,398	10,478,804
	-----	-----	-----	-----	-----	-----	-----
Net	494,428	(46,442)	104,951	522,937	(148,010)	25,251,662	25,656,589
	=====	=====	=====	=====	=====	=====	=====

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>2014</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Kuwaiti Dinar	1,922,714	-	1,922,714
	=====	=====	=====
	<u>2013</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Kuwaiti Dinar	2,061,403	-	2,061,403
	=====	=====	=====

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**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 year</u>	
		<u>2014 US\$</u>	<u>2013 US\$</u>
Kuwaiti Dinar	5%	96,136	103,070

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:

Particulars	<u>Change in rate</u>	<u>Effect on net income / equity for the year</u>	
		<u>2014 US\$</u>	<u>2013 US\$</u>
Investments at fair value through statement of income	20%	37,084	39,602
Investments at fair value through equity	20%	1,146,207	1,075,870

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

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**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. RESTATEMENT OF COMPARATIVE FIGURES

As stated in Note 8, the Bank's Board of Directors decided to change the basis of measurement of the Bank's Investment in Real Estate from the cost model to the valuation model. This change in accounting policy was applied retrospectively resulting in the comparative financial statements being restated. The comparatives have been restated as set out below:

	<u>December 31, 2013</u>	
	<u>(Restated)</u>	<u>(As previously stated)</u>
	<u>US\$</u>	<u>US\$</u>
Statement of financial position		
Investments in real estate	21,562,357	18,255,772
Accumulated losses	(63,717,460)	(67,024,045)
	<u>January 1, 2013</u>	
	<u>(Restated)</u>	<u>(As previously stated)</u>
	<u>US\$</u>	<u>US\$</u>
Investments in real estate	22,232,566	20,020,180
Accumulated losses	(59,918,532)	(62,130,918)

INVESTORS BANK B.S.C. (c)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED DECEMBER 31, 2014**25. RESTATEMENT OF COMPARATIVE FIGURES (CONTINUED)**

	<u>For the year ended</u> <u>December 31, 2013</u>	
	<u>(Restated)</u>	<u>(As previously</u>
	<u>US\$</u>	<u>stated)</u>
		<u>US\$</u>
Statement of income		
Depreciation	(22,186)	(440,132)
Gain on disposal of investments in real estate	182,711	456,126
Provision for investments in real estate written back	949,668	-

26. CONTINGENT LIABILITIES

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

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 May 23, 2015.