
Investors Bank B.S.C. (c)
INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2013

Ernst & Young

 **ERNST & YOUNG**

REVIEW REPORT TO THE BOARD OF DIRECTORS OF INVESTORS BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed financial statements of Investors Bank B.S.C. (c) ["the Bank"] as of 30 June 2013, comprising the interim statement of financial position as at 30 June 2013 and the related interim statements of income, cash flows and changes in owners' equity for the six month period then ended and explanatory notes. The Bank's Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed financial statements 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. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in note 7, the Bank holds an equity investment, with a carrying value of US\$ 5,760,487 as at 30 June 2013, pledged in respect of financing obtained by a related party from a financial institution. Following default by the related party, the financial institution had filed a legal case in the court and the court ruled in favor of the financial institution. Since, the claim that could be made on the Bank is uncertain and dependent on the selling price of the pledged shares, we are unable to determine the adjustment that may be required to these interim condensed financial statements, if any.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
INVESTORS BANK B.S.C. (c) (continued)

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.

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25 July 2013

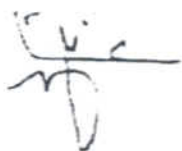
Manama, Kingdom of Bahrain

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 (Unaudited)

		(Unaudited) 30 June 2013 US\$	(Audited) 31 December 2012 US\$
	Note		
ASSETS			
Cash and balances with banks		1,493,337	993,440
Investments	3	15,165,993	14,252,457
Deferred payment sale receivables	6	3,680,203	3,680,203
Investment in real estate		19,649,337	20,020,180
Other assets		2,095,468	1,403,831
Fixed assets		87,194	53,650
TOTAL ASSETS		42,171,532	40,403,761
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to a financial institution	6	3,670,202	3,670,202
Murabaha payable	7	3,229,064	3,229,064
Other liabilities		600,952	697,194
Total liabilities		7,500,218	7,596,460
Owners' Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,409,515	7,409,515
Investments fair value reserve		4,767,766	2,988,199
Accumulated losses		(57,505,967)	(57,590,413)
Total owners' equity		34,671,314	32,807,301
TOTAL LIABILITIES AND OWNERS' EQUITY		42,171,532	40,403,761
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		16,289,222	16,440,667



Mr. Ghassan Al Sultan
Chairman



Mr. Ebrahim Al Shaikh
Director

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF INCOME

For the six months ended 30 June 2013 (Unaudited)

	Note	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2013	2012	2013	2012
		US\$	US\$	US\$	US\$
Rental income from investment in real estate		416,678	347,391	784,003	720,846
Gain on disposal of investments at fair value through equity		468	-	270,468	-
Fair value gain / (loss) on investments at fair value through statement of income, net		32,170	(28,357)	28,701	(9,253)
Other income, net	4	4,561	30,906	82,569	61,054
Operating income		453,877	349,940	1,165,741	772,647
EXPENSES					
Staff costs		216,720	238,068	436,754	432,550
Administrative and general expenses		189,880	161,101	406,214	285,013
Depreciation		113,010	197,864	226,907	396,991
Operating expenses		519,610	597,033	1,069,875	1,114,554
Net (loss) / income before provision for impairment		(65,733)	(247,093)	95,866	(341,907)
Provision for impairment		-	-	(11,420)	(185,231)
NET (LOSS) / INCOME FOR THE PERIOD		(65,733)	(247,093)	84,446	(527,138)



Mr. Ghassan Al Sultan
Chairman



Mr. Ebrahim Al Shaikh
Director

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013 (Unaudited)

<i>(Unaudited)</i>		
<i>Six months ended</i>		
<i>30 June</i>		
	2013	2012
<i>Note</i>	US\$	US\$
OPERATING ACTIVITIES		
Net income / (loss) for the period	84,446	(527,138)
Adjustments for non-cash items:		
Depreciation	226,907	396,991
Provision for impairment	11,420	185,231
Gain on disposal of investments at fair value through equity	(270,468)	-
Gain on disposal of investment in real estate	4 (50,935)	(30,117)
Fair value (gain) / loss on investments at fair value through statement of income	(28,701)	9,253
Operating (loss) / gain before changes in operating assets and liabilities:	(27,331)	34,220
Working capital adjustments:		
Other assets	(53,057)	(93,564)
Other liabilities	(96,242)	50,584
Net cash used in operating activities	(176,630)	(8,760)
INVESTING ACTIVITIES		
Proceeds from disposal of investments at fair value through equity	515,200	-
Proceeds from disposal of investment in real estate	204,221	190,606
Purchase of fixed assets	(42,894)	(4,347)
Net cash from investing activities	676,527	186,259
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	499,897	177,499
Cash and cash equivalents at the beginning of the period	993,440	158,912
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,493,337	336,411
Non-cash activity		
Proceeds from disposal of investments at fair value through equity	650,000	-

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2013 (Unaudited)

	Share capital US\$	Statutory reserve US\$	Investments fair value reserve US\$	Accumulated losses US\$	Total Owners' equity US\$
Balance at 1 January 2013	80,000,000	7,409,515	2,988,199	(57,590,413)	32,807,301
Net income for the period	-	-	-	84,446	84,446
Other comprehensive income					
fair value gain on investments at					
fair value through equity	-	-	1,779,567	-	1,779,567
Balance at					
30 June 2013	80,000,000	7,409,515	4,767,766	(57,505,967)	34,671,314
Balance at 1 January 2012	80,000,000	7,409,515	3,679,690	(56,105,725)	34,983,480
Net loss for the period	-	-	-	(527,138)	(527,138)
Other comprehensive loss					
fair value loss on investments at					
fair value through equity	-	-	(757,912)	-	(757,912)
Balance at					
30 June 2012	80,000,000	7,409,515	2,921,778	(56,632,863)	33,698,430

The attached notes 1 to 10 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET INVESTMENT ACCOUNTHOLDERS

For the six months ended 30 June 2013 (Unaudited)

	Balance at 1 January 2013			Movements during the period			Balance at 30 June 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 2 below)	-	-	317,689	-	-	-	-	317,689
	12,887	0.44	5,670,202	-	-	12,887	0.44	5,670,202
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.0736	10,452,776		(151,445)	142,059	0.0725	10,301,331
			<u>16,440,667</u>		<u>(151,445)</u>			<u>16,289,222</u>
	Balance at 1 January 2012			Movements during the period			Balance at 30 June 2012	
	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 2 below)	-	-	317,689	-	-	-	-	317,689
	12,887	0.44	5,670,202	-	-	12,887	0.44	5,670,202
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.0743	10,558,259	-	(56,384)	142,059	0.0739	10,501,875
			<u>16,546,150</u>		<u>(56,384)</u>			<u>16,489,766</u>

1 Off -balance sheet investment accounts represent amounts received from and transactions entered on behalf of related parties.

2 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 the these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the off-balance sheet investment account holder (note 6).

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 15 June 1998. The legal status of the Bank was changed to a closed Bahraini joint stock company on 3 July 2005. The postal address of the registered office of the Bank is Seef Star Building, Seef District, PO Box 11818, Manama, Kingdom of Bahrain.

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

The principal activities of the Bank include investment banking and financial activities, investment transactions, participating in equity investments in projects in conformity with Shari'a. The Bank may, in particular, carry on the following business activities:

- a) Providing investment account facilities;
- b) Accepting off balance sheet investment accounts co-mingling the same with those of the Bank and investing them in accordance with Shari'a;
- c) Managing investments of third parties as an agent for a fixed fee as a Mudarib and any other banking activities not contravening the provisions of Shari'a;
- d) Industrial, commercial and agricultural business activities, either directly or through companies which the Bank may establish, or in which the Bank may acquire shares; and
- e) Purchasing, leasing and constructing buildings, and their renting thereof.

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 25 July 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial statements of the Bank for the six month period ended 30 June 2013 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34). The interim condensed financial statements do 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 31 December 2012. In addition, results for the six month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The interim condensed financial statements have been prepared under the historical cost convention as modified for the re-measurement of investments at fair value through statement of income and certain investments at fair value through equity. The interim condensed financial statements have been presented in United States Dollar ("US\$"), being the functional currency of the Bank's operations.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2012, except for the adoption of a new accounting standard as of 1 January 2013, which were prepared in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law and Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Bank uses the relevant International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Adoption of new and amended standard**

During 2012, AAOFI issued a new Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of 1 January 2013.

Financial Accounting Standard (FAS 26) "Investment in Real Estate".

The Bank has adopted FAS 26 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both. Before the adoption of FAS 26, the Bank was following FAS 17 'Investments' and measured its investments in real estate at cost and this measurement continued to be followed under FAS 26.

Accordingly, the Bank has reclassified assets amounting to US\$ 2,584,068 from "property and equipment" (changed in the current period to "fixed assets") to "investment in real estate", and has reclassified assets amounting to US\$ 17,436,112 from "investment properties" to "investment in real estate". The reclassification had no impact on previously reported profit and retained earnings.

2.4 Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investment in real estate is initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, buildings classified as investment in real estate are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on the straight line method at rates intended to write-off the cost of the assets over their estimated useful lives. Freehold land is subsequently measured at cost less accumulated impairment losses, if any.

3 INVESTMENTS

		<i>(Unaudited)</i> 30 June 2013 US\$	<i>(Audited)</i> 31 December 2012 US\$
	Note		
Investments at fair value through statement of income		1,828,140	1,799,439
Investments at fair value through equity	3.1	13,337,853	12,453,018
		<u>15,165,993</u>	<u>14,252,457</u>

3.1 Investments at fair value through equity

		<i>(Unaudited)</i> 30 June 2013 US\$	<i>(Audited)</i> 31 December 2012 US\$
Quoted equity securities	3.1.1	12,909,176	11,154,341
Unquoted equity securities	3.1.2	428,677	1,298,677
		<u>13,337,853</u>	<u>12,453,018</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

3 INVESTMENTS (continued)**3.1 Investments at fair value through equity (continued)**

The movement of investments carried at fair value through equity during the period is as follows:

	<i>(Unaudited)</i> 30 June 2013 US\$	<i>(Audited)</i> 31 December 2012 US\$
At 1 January	12,453,018	14,055,080
Fair value changes	1,779,567	(1,472,062)
Disposal	(894,732)	(130,000)
	<u>13,337,853</u>	<u>12,453,018</u>

3.1.1 As at the statement of financial position date, investments with a carrying value of US\$ 3,241,544 (31 December 2012 : US\$ 1,898,618) are under dispute and in custody of the court as more fully explained in note 6. In addition, investments with a carrying value of US\$ 5,760,487 (31 December 2012 : US\$ 5,760,487) are pledged, on behalf of a related party, against amounts due to a financial institution as more fully explained in note 7.

3.1.2 These investments are carried at cost, less impairment, as their fair value could not be reliably measured.

4 OTHER INCOME

	<i>(Unaudited)</i> Six months ended 30 June 2013 US\$	2012 US\$
Gain on disposal of investment in real estate	50,935	30,117
Dividend income	26,325	33,157
Foreign exchange loss	(1,367)	(2,220)
Others	6,676	-
	<u>82,569</u>	<u>61,054</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

5 RELATED PARTY TRANSACTIONS

Related parties comprise 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.

Balances with related parties comprise:

		(Unaudited) 30 June 2013 US\$	(Audited) 31 December 2012 US\$
	Note		
Assets			
Investments at fair value through statement of income		1,690,857	1,715,715
Investments at fair value through equity		8,235,342	8,235,384
Deferred payment sale receivables	6	3,680,203	3,680,203
Other assets		-	9,312
Liabilities			
Murabaha payable	7	3,229,064	3,229,064
Other liabilities		126,139	158,386
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		15,971,533	16,122,978

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

	Six months ended (Unaudited)	
	30 June 2013 US\$	30 June 2012 US\$
Income		
Fair value loss on investments at fair value value through statement of income	(24,858)	(9,255)
Expenses		
Provision for impairment	9,312	-
Board of Directors	11,340	7,213
Shari'a Supervisory Board	13,926	13,926
Fair value loss on investment at fair value value through equity	(43)	(4,223)

Key management personnel of the Bank comprise key members of management having authority and responsibility for planning, directing and controlling activities of the Bank. The remuneration paid to key management personnel during the period was as follows:

	Six months ended (Unaudited)	
	30 June 2013 US\$	30 June 2012 US\$
Salaries and other short-term benefits	109,764	42,618
Post employment benefits	8,276	-
	118,040	42,618

6 LITIGATION AND CLAIMS

In 2004, the Bank entered into a sale and purchase agreement with a financial institution to purchase shares of a related party on behalf of another related party. The net amount due to the financial institution was US\$ 3,670,202 as at 30 June 2013 (31 December 2012: US\$ 3,670,202). In accordance with the terms of the agreement, the Bank pledged certain equity shares with a carrying value of US\$ 3,241,544 as at 30 June 2013 (31 December 2012: US\$ 1,898,618) in addition to dividends received on these shares amounting to US\$ 887,733 as at 30 June 2013 (31 December 2012: US\$ 887,733). Subsequently, the agreement was terminated by the financial institution due to disputes with the Bank and as a result, the pledged investments have been retained by the financial institution. In the opinion of the Bank's lawyers and management, the agreement was wrongfully terminated and following the financial institution's refusal to settle the matter amicably, the Bank has filed a legal case in the courts of Bahrain against the financial institution for possession of the Bank's investments.

As a result, the court has taken custody of the shares under dispute and the related dividends. The related party on whose behalf the transaction was entered into has provided a manager's cheque for an equal amount which has been deposited with the court amounting to US\$ 3,680,203 as at 30 June 2013 (31 December 2012: US\$ 3,680,203).

The related party on whose behalf the transaction was entered into has also agreed to reimburse the Bank for legal expenses and any losses arising on final settlement with the financial institution. Accordingly, in the opinion of the directors, no provision is required to be made in the financial statements against the investments pledged with the financial institution or for contingent claims that might arise on final settlement.

7 SHARES PLEDGED ON BEHALF OF A RELATED PARTY

In 2004, a related party of the Bank (the "borrower") has entered into a murabaha financing agreement (the "financing") with a financial institution, and the Bank has pledged certain listed equity shares, (8,352,705 shares) with a carrying value of US\$ 5,760,487 as at 30 June 2013 (31 December 2012: US\$ 5,760,487) on behalf of the borrower against the financing. In addition, the borrower and another related party had also pledged 4,647,011 shares and 5,840,625 shares respectively against the same financing.

The borrower defaulted on the financing and the financial institution had filed a case in the court and the court ruled in favour of the financial institution. The court has ordered the borrower to settle the outstanding balance of US\$ 5,906,529 plus an annual profit of 3% from the date of the claim, being 10 April 2011, to the date of full payment in addition to legal expenses. The obligation of the Bank and the other related party is limited to the pledged shares.

The claim to be made on the Bank's pledged equity investments, if any, is dependent on the selling price of the pledged shares.

Further, the borrower on behalf of which the Bank has pledged its equity shares has provided an Islamic financing facility to the Bank which appears in the statement of financial position under "murabaha payable" and amounted to US\$ 3,229,064 as at 30 June 2013 (31 December 2012: US\$ 3,229,064).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

8 CONTINGENCIES AND COMMITMENTS

	(Unaudited) 30 June 2013 US\$	(Audited) 31 December 2012 US\$
Lease commitment (note 8.1)	5,183,760	4,596,919

- 8.1 During 2006, the Bank entered into a lease agreement for the lease of land on behalf of a related party of the Bank 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 it has been agreed that the related party will make such lease payments 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. As at the reporting date, the lease commitment amounted to the lease payments outstanding as at that date. Based on an independent lawyers opinion, the Bank could include the related party as a defendant, if the lessor files a case against the Bank in case of default, where the related party would be liable to any settlement in accordance with the court ruling.

9 SEGMENT INFORMATION

The Bank's assets and liabilities are distributed over the following industry sectors:

	(Unaudited) 30 June 2013			
	<i>Banks and financial institutions</i> US\$	<i>Investment companies</i> US\$	<i>Others</i> US\$	<i>Total</i> US\$
Assets				
Cash and balances with banks	1,493,337	-	-	1,493,337
Investments	13,225,541	31,936	1,908,516	15,165,993
Deferred payment sale receivables	-	3,680,203	-	3,680,203
Investment in real estate	-	-	19,649,337	19,649,337
Other assets	900,995	-	1,194,473	2,095,468
Fixed assets	-	-	87,194	87,194
Total assets	15,619,873	3,712,139	22,839,520	42,171,532
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	16,729	-	584,223	600,952
Total liabilities	6,915,995	-	584,223	7,500,218
OFF-BALANCE SHEET ITEMS:				
EQUITY OF INVESTMENT ACCOUNTHOLDERS	5,670,202	10,301,331	317,689	16,289,222

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

9 SEGMENT INFORMATION (continued)

	(Audited) 31 December 2012			
	<i>Banks and financial institutions US\$</i>	<i>Investment companies US\$</i>	<i>Others US\$</i>	<i>Total US\$</i>
Assets				
Cash and balances with banks	993,440	-	-	993,440
Investments	11,353,019	31,936	2,867,502	14,252,457
Deferred payment sale receivables	-	3,680,203	-	3,680,203
Investment in real estate	-	-	20,020,180	20,020,180
Other assets	900,996	-	502,835	1,403,831
Fixed assets	-	-	53,650	53,650
Total assets	13,247,455	3,712,139	23,444,167	40,403,761
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	35,395	-	661,799	697,194
Total liabilities	6,934,661	-	661,799	7,596,460
OFF-BALANCE SHEET ITEMS:				
EQUITY OF INVESTMENT ACCOUNTHOLDERS	5,670,202	10,452,776	317,689	16,440,667

Industrial concentration

Income and expenses of the Bank for the period ended 30 June 2013 and 31 December 2012 are primarily concentrated in the "Real Estate" sector.

Geographical concentration

Assets and liabilities of the Bank as at 30 June 2013 and 31 December 2012 are primarily concentrated in the Middle East region.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

10 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Bank as at 30 June 2013:

	<i>Amortised Cost US\$</i>	<i>Fair value through equity US\$</i>	<i>Fair value through statement of income US\$</i>
Financial assets:			
Investments	-	13,337,853	1,828,140
Deferred payment sale receivables	3,680,203	-	-
Other assets (excluding prepayments)	2,028,875	-	-
Total	5,709,078	13,337,853	1,828,140
Financial liabilities:			
Due to a financial institution	3,670,202	-	-
Murabaha payable	3,229,064	-	-
Other liabilities	600,952	-	-
Total	7,500,218	-	-

The fair values of all financial instruments are not materially different from their carrying values as at the statement of financial position date.

Fair value hierarchy

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.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Bank's quoted equity investments with a carrying value as at 30 June 2013 of US\$ 14,737,316 (31 December 2012: US\$ 12,953,780) fall under level 1 of the fair value hierarchy. The Bank does not have financial instruments qualifying for Level 2 or Level 3. The other investments of US\$ 428,677 (31 December 2012: US\$ 1,298,677) classified at fair value through equity are carried at cost less impairment. Moreover, none of the financial assets were transferred into or out of level 1 during the period ended 30 June 2013.