

# European Islamic Investment Bank

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European Islamic Investment Bank PLC

16 September 2013

European Islamic Investment Bank plc

("EIIB" or the "Company")

Interim Financial Statements - 30 June 2013

## Highlights

- Satisfactory financial performance for the six months to 30 June 2013.
- A loss for the period of £0.75m (same period 2012: loss of £0.03m and six month to 31 December 2012 loss of £11.0m)
- Assets Under Management (AUM) including capital seeded by the Group increased from US\$922m (31 December 2012) to US\$1.004bn (30 June 2013)
- Strong capital adequacy, regulatory and liquidity ratios

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Chief Executive Statement

Financial results

EIIB Group delivered stable financial performance for the six months to 30 June 2013.

Total operating income was £3.6m for the period to 30 June 2013 (period to 30 June 2012: £4.6m). Total expenses for the period were £4.3m (2012: £5.4m). The loss for the period was £0.75m.

The bank maintained its strong capital adequacy, regulatory and liquidity ratios. The Regulatory Capital of the Group at 30 June 2013 stood at £97.0m (£99.5m at 31 December 2012).

## Commentary

In the first half of the year we continued to implement our strategy of developing our core asset management capabilities whilst also enhancing our specialist banking business. We also continued to implement our restructuring plan and to maintain tight cost control.

Earlier this year the US Federal Reserve indicated a possible tapering in quantitative easing which resulted in a sell-off in bond markets worldwide. The impact on our performance was mitigated by our position at the shorter end of the rate curve and relatively good securities selection, enabling us to outperform the relevant indices. Although we outperformed during a period of heightened volatility, overall, our first half result was adversely affected by these events.

The performance of our asset management business was encouraging, with AUM increasing from US\$922m to US\$1.004bn during the period. The underlying business was strong with gross inflows of US\$441m, but instability in the region and unexpected regulatory changes in Egypt led to higher redemptions resulting in net positive inflows of US\$82m. Investment performance during the period was positive, with all of our flagship funds having outperformed relevant benchmarks and/or peer group averages over one year.

The investment banking team completed a £5.4m financing of a property portfolio in central London on a fully Sharia'a compliant basis. We expect to originate more opportunities in the second half of the year.

We maintained strong focus on our legacy private equity investments. In the first half we completed the sale of an office building in Cairo for US\$6.2m and settled the related financing. We also sold an Islamic debt obligation to Barclays Bank for US\$8.1m. We will continue our efforts to extract value from our legacy private equity portfolio going forward.

Given the challenging operating environment, the Group delivered a satisfactory performance for the six months to 30 June 2013.

## Outlook

In June the global index compiler MSCI upgraded the United Arab Emirates ("UAE") and Qatar to Emerging Market status from Frontier Market. Effective May 2014, the UAE and Qatar will be given a weighting of 0.4 percent and 0.45 percent respectively in the MSCI Emerging Markets Index.

This upgrade marks a new era for capital flows into the Gulf and is important for developing the region as a destination for equity investment in the long term. EIIB is positioned as a specialist bank with asset management at its core, offering investors outstanding performance based on deep GCC and MENA expertise and contacts. We have a track record of investing in these markets and we will leverage this unique capability to meet rising investor demand for regional assets.

Although trading conditions have been challenging in the first half, the Group remains confident of its prospects for the current year.

We look forward to reporting further progress at the year end.

Zulfi Caar Hydari

Chief Executive

Condensed consolidated statement of income for the six months ended 30 June 2013 (unaudited)

6 months to 30 Jun 2013 £	6 months to 30 Jun 2012 £	Year to 31 Dec 2012 £
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Income			
Income from financing and investing activities	1,295,100	1,570,121	2,519,480
Returns to financial institutions and customers	(137,183)	(393,724)	(340,632)
Net margin	1,157,917	1,176,397	2,178,848
Net fees and commission income	1,423,547	1,666,962	2,683,401
Net gain on funds, sukuk and quoted equity designated at fair value	139,008	591,743	1,762,577
Gain/(loss) on private equity investments designated at fair value	244,614	189,677	(2,867,165)
Gain/(loss) on investment properties	241,335	-	(227,589)
Other operating income	353,269	957,485	369,629
Total income	3,559,690	4,582,264	3,899,701
Expenses			
Net (provision) / reversal for impairment of financing arrangements	202,830	-	(4,270,712)
Staff costs	(2,939,962)	(3,415,366)	(5,718,129)
Depreciation and amortization	(113,911)	(214,748)	(266,742)
Other operating expenses	(1,559,208)	(1,756,642)	(3,707,462)
Third party interest in consolidated funds	99,178	-	(14,170)
Total expenses	(4,311,073)	(5,386,756)	(13,977,215)
Operating loss before tax	(751,383)	(804,492)	(10,077,514)
Tax charge credit	-	777,447	200,106
Loss from continued operations	(751,383)	(27,045)	(9,877,408)
Loss from discontinued operations	-	-	(1,143,511)
Loss for the period	(751,383)	(27,045)	(11,020,919)
Income/(loss) attributable to:			
Equity holders of the Bank	(834,670)	391,722	(10,086,141)
Non-controlling interest	83,287	(418,767)	(934,778)
	(751,383)	(27,045)	(11,020,919)
Earnings per share			
- Basic	(0.05p)	0.02p	(0.57p)
- Diluted	(0.05p)	0.02p	(0.54p)

Condensed consolidated statement of other comprehensive income for the six months ended 30 June 2013 (unaudited)

	6 months to 30 Jun 2013 £	6 months to 30 Jun 2012 £	Year to 31 Dec 2012 £
Loss for the period	(751,383)	(27,045)	(11,020,919)
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale securities	(414,074)	648,013	816,761
Tax charge	-	-	(200,106)
Exchange loss on net investment in foreign operations	(382,390)	-	-
Total comprehensive (loss)/income for the period	(1,547,847)	620,968	(10,404,264)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Bank	(1,287,107)	1,039,735	(9,469,486)
Non-controlling interest	(260,739)	(418,767)	(934,778)
	(1,547,846)	620,968	(10,404,264)

Condensed consolidated statement of financial position at 30 June 2013 (unaudited)

	30 Jun 2013 £	30 Jun 2012 £	31 Dec 2012 £
Assets			
Cash and balances with banks	9,231,898	10,220,001	13,624,694
Due from financial institutions	56,424,808	61,474,645	62,547,116
Quoted equity investments designated at fair value	3,131,121	-	-
Available-for-sale securities - sukuk	26,170,467	43,371,079	33,989,114
Sukuk designated at fair value	22,670,390	-	17,453,008
Investments in funds designated at fair value	7,458,774	20,168,005	7,180,464

Financing arrangements	6,736,510	-	-
Private equity financial assets designated at fair value	14,577,333	21,587,923	13,315,897
Available-for-sale securities - Other	-	180,756	-
Fair value of foreign exchange agreements	156,281	432,799	797,669
Assets held for sale	3,618,838	-	5,821,454
Investment property	1,640,188	6,563,408	1,738,458
Goodwill	12,340,195	11,973,953	11,546,400
Lease assets	1,018,816	-	-
Property, plant and equipment	260,101	2,000,013	331,227
Intangible assets	19,569	39,597	27,471
Other assets	3,677,067	3,819,144	3,322,473
Total assets	169,132,356	181,831,323	171,695,445
Liabilities			
Due to financial institutions	23,467,663	27,192,918	26,731,508
Due to customers	-	95,639	95,637
Fair value of foreign exchange agreements	819,766	518,004	39,309
Liabilities held for sale	931,702	-	3,144,191
Other liabilities	9,472,580	13,701,544	8,921,872
Third party interest in consolidated funds	7,468,665	-	3,831,361
Total liabilities	42,160,376	41,508,105	42,763,878
Shareholders' equity			
Share capital	17,925,403	17,656,585	17,790,994
Share premium account	96,918,725	116,219,800	96,569,263
Capital redemption reserve	599,040	599,040	599,040
Treasury shares	(2,117,015)	(2,117,015)	(2,117,015)
Special reserve	20,000,000	-	20,000,000
Fair value reserve on available-for-sale securities	188,633	634,064	602,706
Share based payment reserve	-	424,138	-
Foreign exchange reserve	(49,831)	-	(10,814)
Accumulated losses	(14,507,871)	(3,659,474)	(13,673,201)
Total equity attributable to the Bank's equity holders	118,957,084	129,757,138	119,760,973
Non-controlling interest	8,014,896	10,566,080	9,170,594
Total equity and liabilities	169,132,356	181,831,323	171,695,445

Condensed consolidated statement of changes in equity for the six months ended 30 June 2013 (unaudited)

	Share capital	Share premium account	Capital redemption reserve	Treasury shares	Special reserve	Share based payment reserve	Fair value reserve on AFS securities	Foreign exchange reserve	Retained earnings	Non controlling interest	Total equity -Group
	£	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2012	17,656,585	116,219,800	599,040	(2,117,015)	-	376,138	(13,949)	-	(4,051,196)	1,680,165	130,349,568
Cost of share based payment arrangements						48,000	-	-	-	-	48,000
Non controlling interest arising on business combinations							-	-	-	10,366,506	10,366,506
Distributions							-	-	-	(1,061,824)	(1,061,824)
Total	17,656,585	116,219,800	599,040	(2,117,015)	-	424,138	(13,949)	-	(4,051,196)	10,984,847	139,702,250
Net change in fair value of available-for-sale securities							648,013	-	-	-	648,013
Income for the period							-	-	391,722	(418,767)	(27,045)
Total comprehensive income/(loss) for the period							648,013	-	391,722	(418,767)	620,968
Balance at 30 June 2012	17,656,585	116,219,800	599,040	(2,117,015)	-	424,138	634,064	-	(3,659,474)	10,566,080	140,323,218
Balance at 1 July 2012	17,656,585	116,219,800	599,040	(2,117,015)	-	424,138	634,064	-	(3,659,474)	10,566,080	140,323,218
New shares issued	134,409	349,463					-	-	-	-	483,872
Cost of share based payment arrangements					-	39,998	-	-	-	-	39,998
Share premium transfer		(20,000,000)			20,000,000	-	-	-	-	-	-
Transfer relating to share based payments						(464,136)	-	-	464,136	-	-
Non controlling interest arising on business acquisition								(10,814)	-	(420,425)	(431,239)
Total	17,790,994	96,569,263	599,040	(2,117,015)	20,000,000	-	634,064	(10,814)	(3,195,338)	10,145,655	140,415,849
Net change in fair value of available-for-sale securities							168,748	-	-	-	168,748

Tax					(200,106)	-	-	(200,106)		
Loss for the period						(10,477,863)	(516,011)	(10,993,874)		
Distributions							(459,050)	(459,050)		
Total comprehensive income/(loss) for the period					(31,358)	-	(10,477,863)	(975,061)	(11,484,282)	
Balance at 31 December 2012	17,790,994	96,569,263	599,040	(2,117,015)	20,000,000	602,706	(10,814)	(13,673,201)	9,170,594	128,931,567
Balance at 1 January 2013	17,790,994	96,569,263	599,040	(2,117,015)	20,000,000	602,706	(10,814)	(13,673,201)	9,170,594	128,931,567
New shares issued	134,409	349,462				-	-	-	-	483,871
Foreign exchange adjustment						-	(653)	383,855		383,202
NCI adjustment on discontinued operations						-	-	(123,291)		(123,291)
Distributions						-	-	(1,155,523)		(1,155,523)
Total	17,925,403	96,918,725	599,040	(2,117,015)	20,000,000	602,706	(11,467)	(13,673,201)	8,275,635	128,519,826
Net change in fair value of available-for-sale securities						(414,073)	-	-		(414,073)
Exchange loss on net investment in foreign operations							(38,364)			
Loss for the period								(834,670)	83,287	(751,383)
Total comprehensive income/(loss) for the period						(414,073)	(38,364)	(834,670)	(260,739)	(1,547,846)
Balance at 30 June 2013	17,925,403	96,918,725	599,040	(2,117,015)	20,000,000	188,633	(49,831)	(14,507,871)	8,014,896	126,971,980

Condensed consolidated cash flow statement for the six months ended 30 June 2013 (unaudited)

	6 months to 30 Jun 2013 £	6 months to 30 Jun 2012 £	Year to 31 Dec 2012 £
Cash flows from operating activities			
Operating loss for the period	(751,383)	(804,492)	(10,077,514)
Operating loss on discontinued operations	-	-	(1,143,511)

Adjusted for:			
Net (reversal) / provision for impairment of financing arrangements	(202,830)	-	4,270,712
Gain/(loss) on private equity investments designated at fair value	(385,612)	(132,193)	3,094,754
Loss / (gain) on investment in funds and sukuk designated at fair value	148,483	-	(693,042)
Gain on quoted equity investments designated at fair value	(25,099)	-	-
Depreciation and amortisation	113,911	214,748	266,742
Charge for share awards	-	48,000	87,998
Net (increase)/decrease in operating assets:			
Due from financial institutions	6,122,308	34,662,969	29,319,786
Financing arrangements	(6,533,680)	-	-
Quoted equity investments designated at fair value	(3,106,022)	-	-
Available-for-sale securities - sukuk	7,404,574	(13,279,039)	(21,181,336)
Sukuk designated at fair value	(5,999,263)	-	-
Investments in funds designated at fair value	355,088	(16,011,903)	(6,487,420)
Private equity financial assets designated at fair value	(875,824)	676,877	(207,851)
Investment properties	98,270	-	(1,738,458)
Lease assets	(1,018,816)	-	-
Other assets	(639,351)	3,852,568	(12,615,263)
Net increase/(decrease) in operating liabilities:			
Due to financial institutions	(3,263,845)	(1,719,107)	11,508,366
Due to customers	(95,637)	(4,361)	(4,364)
Other liabilities	1,815,035	(3,175,991)	5,185,607
Taxation:			
Corporation tax settled	-	(7,934,954)	(9,011,800)
Net cash inflow from operating activities	(6,839,693)	(3,606,878)	(9,426,594)
Cash flows from investing activities			
Acquisition of a subsidiary - net positive cash from acquisition	-	3,624,693	-
Purchase of plant and equipment	(34,882)	-	(469,291)
Net cash outflow from investing activities	(34,882)	3,624,693	(469,291)
Cash flows from financing activities			
Capital from minority shareholders on acquisition	-	-	9,946,081
Payments to minority shareholders	(1,155,523)	(1,061,824)	(1,520,874)

Subscriptions to consolidated funds	3,637,302	-	3,831,362
Net cash outflow from financing activities	2,481,779	(1,061,824)	12,256,569
Net increase in cash and cash equivalents	(4,392,796)	(1,044,009)	2,360,684
Cash and cash equivalents at the beginning of the period	13,624,694	11,264,010	11,264,010
Cash and cash equivalents at the end of the period	9,231,898	10,220,001	13,624,694

Notes to the condensed consolidated interim financial statements (unaudited)

At 30 June 2013

#### 1. Principal activities and authorisation of the financial statements

European Islamic Investment Bank plc ('EIIB' or 'Bank' or 'Company') is a London based specialist banking and asset management group incorporated in the United Kingdom on January 11, 2005. The activities of the Bank are focused on servicing clients in London and the Gulf Cooperation Council countries through the provision of: banking services encompassing deposit taking, provision of financing, treasury services, structured products and trading in Islamic and Sharia'a compliant securities; investment management encompassing quoted equities, private equity and real estate; and financial services encompassing corporate finance, custody, trust and fund administration activities and business advisory services.

The interim condensed consolidated financial statements of the Bank and its subsidiaries (the 'Group') for the six months ended 30 June 2013 were authorised by the Board of Directors for issue on 16 September 2013.

The condensed consolidated financial statements of the Group as at and for the period ended 30 June 2013 are available at [www.eiib.co.uk](http://www.eiib.co.uk)

## 2. Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

## 3. Share capital and share premium

EIIB issued 13,440,860 ordinary shares of 1 pence each at a premium price of 3.6p as per its agreement with an investor as part settlement of the consideration due in connection with the strategic investment by the Company in Rasmala. These were admitted to trading on AIM on 1 May 2013.

## 4. Subsequent events

The following significant event occurred subsequent to the interim reporting period;

EIIB issued 27,240,143 ordinary shares of 1 pence each at a premium price of 3.6p and made a cash settlement of £1.6m as final settlement of the consideration due to an investor in connection with the strategic investment by the Company in Rasmala. The shares were admitted to trading on AIM on 25 July 2013. Following the issuance, the total number of shares in the capital of EIIB has increased to 1,819,780,416 ordinary shares.

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