EUROPEAN ISLAMIC INVESTMENT BANK PLC

Results for the year ended 31 December 2013

The Board of European Islamic Investment Bank plc ("EIIB", the "Bank" or the "Company") announces its audited results for the year ended 31 December 2013.

2013 HIGHLIGHTS

Our year at a glance

- EIIB's new strategy and business model starts to yield positive results
- Assets under management including capital seeded by the Group increased by 25% to £712m (US$ 1,176m) (2012: £570m / US$ 922m)
- New products launched in Equity, Leasing and Trade Finance
- Existing equities and fixed income funds moved into UCITS
- Arranged mid-market sukuk financing and awarded "Europe Deal of the Year"
- Further progress in realizing value from legacy investments
- Rasmala shareholding increased to 76.3%
- London based institutional investors joined the shareholder register

How we performed

- Total operating income of £10.2m (2012: £3.9m)
- Profit before tax from continuing operations £1.5m (2012: loss £10.1m)
- Profit to equity holders was £0.14m after tax expense of £0.26m and loss on discontinued operations of £1.25m and the overall loss including Non-controlling interest in 2013 amounted to £0.03m (2012 loss £11.02m).
- Staff costs maintained at £5.78m (2012: £5.72m) and other operating expenses reduced by a further 21% to £2.9m (2012: £3.7m)
- Assets under management including capital seeded by the Group increased by 25% to £712m (US$ 1,176m) (2012: £570m / US$ 922m)
- The bank maintained its strong capital adequacy, regulatory and liquidity ratios. The Regulatory Capital of the Group at 31 December 2013 stood at £101m (£99.5m at 31 December 2012)
- Net Asset Value of 6.4 pence per share (2012: 6.9 pence per share)

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CHAIRMAN’S STATEMENT:

I am pleased to report that during 2013 we made further progress in transforming EIIB into a specialist asset management and financing business and began to see the positive results of the strategy we put in place two years ago.

Progress

The strategy your Board set out was aimed at transforming EIIB into a market leading asset management and financing business focused on London and the GCC region.

Our first tasks involved addressing the Bank's legacy investments, instituting tight cost controls and restructuring the operations of Rasmala, the leading Dubai-based investment bank that we acquired in 2012 in order to enhance our asset management capabilities. A great deal of work was needed to resolve legacy issues in an orderly manner and to maximise the synergies between EIIB and Rasmala. In 2013, there was significant progress on these fronts and this has enabled us to start a number of projects to increase the revenue potential by upgrading the existing platform and launching new products.

Progress to date enabled the Bank to return a profit in 2013, while continuing to invest in the growth initiatives required to achieve our aim of growing Assets Under Management (AUMs) to US$3bn by 2016.

Performance

During 2013, the Bank's operating performance showed continuing signs of improvement. Despite headwinds and continued political uncertainty in some of our markets, particularly in Egypt, as highlighted in our half year results, total operating income increased to £10.2m (2012 £3.9m). Combined with tight control of costs, this increase resulted in an underlying operating profit from continued operations of £1.5m.

The achievement of an operating profit in this way is the most encouraging sign to date of the potential for our plans and demonstrates that the Bank's new strategy is delivering positive results.

Market developments

The Gulf Cooperation Council (GCC) countries continue to benefit from high oil prices and political stability. The rapid economic development in the United Arab Emirates (UAE) and Qatar has been recognized by the global index compiler MSCI with an upgrading from Frontier Market to Emerging Market status and their inclusion in the MSCI Emerging Markets Index from May 2014. This upgrade is indicative of a new era in capital flows into the Gulf and reflects increasing confidence in regional markets.

Macroeconomic markets around the world present a mixed picture. A return to growth in many developed economies, albeit underpinned in some quarters by considerable government intervention, must be seen against a slowing of growth in some emerging markets. While many stock and debt markets continue to reach new heights, concern remains over the prospect of the tapering of quantitative easing by the US Federal Reserve.

Despite the wider MENA region experiencing a period of unprecedented change, we continue to believe that our regional knowledge and expertise stands us in good stead. The GCC economies are positioned at the crossroads between East and West and benefit from a growing population and the wealth derived from approximately half the world's proven oil and gas reserves and this offers outstanding opportunities.

EIIB is now well positioned to benefit in these markets.

EIIB is also well positioned to benefit from the continued rise in popularity of Islamic finance, particularly in London and the GCC countries.

In 2013 the World Islamic Economic Forum (WIEF) was held in London, highlighting growing efforts to position London as a leading hub for Islamic finance and this was further reinforced by the presence of the British Prime Minister and his announcement of plans for Britain to issue its first sovereign sukuk.

Islamic assets exceeded $1.8 trillion by the end of 2013 and are forecast to grow considerably faster than conventional banking over the next few years. There is now rapid growth in trade involving wealthy GCC economies and this will drive further interest from around the world in Islamic finance.

Corporate governance

EIIB is committed to good corporate governance and we believe high standards in this area combined with strong management will make an important contribution to EIIB's long-term performance.

The Board has successfully managed a period of significant change and has also taken steps to increase independence by appointing John Wright and Martin Gilbert Barrow as independent non-executive directors.

During the year Aabed Al Zeera and Keith McLeod left the Board. We thank them for their contributions.

We will continue to strengthen the Board and intend to take further action to increase independence and effectiveness. The Board has already commenced a process of reviewing its performance, its committees' performance and that of individual board members to ensure the Board and its committees have the appropriate balance of skills, experience and independence.

The Board has been applying the UK Corporate Governance Code in a manner that balances the need for systems and procedures with the need for flexibility and entrepreneurship that is essential in growth companies. The London Stock Exchange regards the UK Corporate Governance Code as the standard to which all public companies should aspire, and supports the use of the Quoted Companies Alliance (QCA) Guidelines by AIM companies. The Board is now evaluating whether to formally adopt the QCA Guidelines.

Outlook

The Board has delivered a major turnaround and we are now positioned as a specialist asset management and financing business focused on the growth markets of the GCC.

The GCC region continues to show considerable buoyancy, reflecting both economic growth and confidence in the future. After two years of restructuring EIIB is now well positioned to move to the next stage in its strategy, a drive for growth. I am optimistic that we will deliver what we set out to achieve.

STRATEGIC REPORT FOR 2013:

The Directors present the Strategic Report, Directors' Report and the financial statements of European Islamic Investment Bank plc ("the Group" or "EIIB") for the year ended 31 December 2013.

OVERVIEW

EIIB is a London listed specialist investment banking and asset management group focused on the oil rich markets of the Gulf Cooperation Council (GCC) countries. EIIB is authorised by the Prudential Regulation Authority and the Financial Conduct Authority in the United Kingdom. EIIB's primary focus is to provide investment management and financing solutions to pension funds, family groups, corporations and financial and government institutions.

EIIB's mission is to achieve excellence in the provision of investment banking and asset management products and services in accordance with the principles of Sharia'a. The activities of the bank include: investment banking services encompassing provision of financing, debt capital markets and structured finance; investment management solutions encompassing equities, fixed income and real estate; and business advisory services.

During the past year we continued to implement our strategy of developing our core asset management capabilities whilst also enhancing our specialist investment banking business and focusing on the growth markets of the GCC.

RESULTS

The financial statements for the reporting year ended 31 December 2013 are shown on pages 27 to 96.

Results for 2013 reflect continued strengthening of our business. Total operating income increased to £10.2m (2012 £3.9m), which, combined with continued tight cost control, delivered an underlying operating profit before tax from continued operations of £1.5m.

The profit to equity holders was £0.14m after tax expense of £0.26m and loss on discontinued operations of £1.25m and the overall loss including Non-controlling interest in 2013 amounted to £0.03m (2012 loss £11.02m).

Our asset management business performed strongly. Discretionary managed assets including capital seeded by the Group increased by 25% to £712m (US$ 1,176m) (2012: £570m / US$ 922m). There were positive movements in AUM despite instability in the region, unexpected regulatory changes in Egypt and the sell-off in bond markets worldwide.

Again, strong investment performance across our flagship funds and investment strategies showed the benefits of our regional expertise and detailed local insights.

Investment banking also made its mark in 2013 most notably by winning the $100m sukuk al-wakala mandate for FWU Group.

The bank maintained its strong capital adequacy, regulatory and liquidity ratios. The Regulatory Capital of the Group at 31 December 2013 stood at £101.0m (£99.5m at 31 December 2012).

These results met our original management forecasts and represent good performance in a second year of major change. They put us in a strong position to accelerate growth going forward.

Developing an integrated team with one vision

The investment we have made in restructuring and integrating our businesses over the last two years has created a unique platform for future growth. EIIB is now positioned to capture market share and take advantage of a variety of investment opportunities in our target markets.

The extensive restructuring over the last two years led to a significant reduction in headcount across the group. In 2013 the firm was stabilized and was able to resume recruitment activity. In particular the firm has been looking to strengthen its origination, sales and distribution capabilities in order to drive future growth.

A key element in the acquisition of Rasmala has been the building of an integrated team with a shared vision of the firm going forward – a team that is capable of delivering beyond the sum of its parts. We have created a cost conscious and service driven culture across the business and are now in a position to increasingly turn the Group's focus towards profitable growth.

Asset management

Assets Under Management (AUM) continued to grow during the year. AUM now exceeds US$1bn and we are on target to achieving our stated aim of growing AUM to US$3bn by December 2016. We are gaining market share in the UAE in terms of total assets under management and Institutional Investor magazine now includes us in the "Middle East's Top 20 Money Managers".

The successful integration of Rasmala within the EIIB group has delivered cost synergies and enabled us to move to the next phase of our strategy - upgrading existing products and launching new products to enhance the revenue growth potential of the platform, all from within the 2012 cost base.

New funds

Building on our launch of the Rasmala Global Sukuk Fund in 2012, we expanded our local market product offering with the launch of the Rasmala GCC Islamic Equity Income Fund, investing in high dividend paying equity securities listed on the GCC stock exchanges. The fund currently targets an annual distribution of over 4% and has benefitted from the buoyant performance of several GCC stock exchanges in the last year.

Strategically, we also launched investment products to capture outbound investment flows from GCC investors to opportunities in other geographies. We feel that there is a market opportunity for us to cater not only to investor requirements in the MENA investment markets, but also to offer our GCC client base unique, Sharia'a compliant, investment products investing in international markets. To that end, we launched the Rasmala Leasing Fund and the Rasmala Trade Finance Fund.

The Rasmala Leasing Fund is a Sharia'a compliant six-year term fund, investing in lease assets in the United States and the Rasmala Trade Finance Fund is a Sharia'a compliant open-ended fund providing investors with a low volatility money market alterative. The Fund is linked to emerging market trade transactions and aims to benefit from the rapid growth of global trade, including in the GCC.

Strong performance

Overall investment performance remained strong compared to both our competitors and industry-recognised benchmarks. The Arabian Markets Growth Equity Fund returned 38.0% (net of all fees and expenses) compared to the S&P Arab Composite Index return of 21.6%. This builds upon the fund's long-term track record, which stands at an annualized outperformance of 8.5% since inception in 2006.

The Rasmala GCC Fixed Income Fund returned 1.2% (net of all fees and expenses) despite the global fixed income headwinds and compared to the Citigroup Corporate AAA/AA Bond Index return of 0.9%, also extending that fund's long-term track record of annualized outperformance of 5.8% since inception in 2009.

In addition all of our mutual funds and discretionary portfolio mandates outperformed their respective benchmarks in 2013.

The response from our existing client base has been encouragingly positive, many of our clients increased their assets under management with us during the year.

We have also attracted new client mandates, including our first from Egypt's Social Insurance Fund, serving approximately 1.5 million pensioners and 3.8 million contributors, all of whom are government employees.

There is clear demand for our products and we will continue to drive growth by recruiting proven talent and increasing our product range.

Positioning for further growth

In 2013, we commenced a major project to re-domicile our existing open-ended funds from the Cayman Islands to Luxembourg as UCIT IV Funds.

This project involved a significant expense, borne primarily in 2013, and slowed asset gathering as our open-ended funds were closed to new subscriptions for a significant period towards the end of 2013. However, the future benefits for us, and our clients, are clear. Clients and distributors clearly value the high standard of funds managed within the UCITS regime. In addition, the regulatory approval process for distribution of funds within MENA jurisdictions, and globally, is far faster and far less burdensome, enabling us to deliver our products to distributors and clients more quickly and efficiently.

Investment Banking

Traditionally domestic and regional Islamic institutions have relied upon partnerships with bulge bracket firms for product structuring expertise. In contrast, EIIB established itself as a credible product manufacturer in its own right during 2013. The investment banking team executed a number of structuring and arranging mandates during the year that showcased the bank's skill set in debt capital markets and structured debt finance.

In October 2013, we successfully acted as lead arranger and book runner for European-based multinational insurance group FWU Group on their sukuk al-wakala programme. The first tranche of US$20 million was part of a US$100m program and was rated "BBB-" by Fitch. This was a unique asset backed transaction involving a European corporate issuing rated paper via the sukuk markets. The issue was recognized as the "Europe Deal of the Year" for 2013 at the

Islamic Finance News awards and helped the bank to win the award for “Best European Islamic Bank” at the Islamic Business and Finance Awards 2013.

In parallel with developing cutting-edge solutions for our clients in sukuk, investment banking has been instrumental in generating value for the bank through evaluating other investment opportunities. For example, during 2013, EIIB arranged and participated in financings for the Channel Island Stock Exchange-listed investment company London Central Apartments Limited and the Kuwaiti retail distributor Yusuf A. Al-Ghanim & Sons. Trade finance was another area of focus, with investment banking working closely with asset management to structure the Rasmala Trade Finance Fund.

EIIB’s approach to investment banking aims to look beyond mere replication of conventional financing structures through the application of Sharia’a “wrappers” and other synthetic structures, and instead focuses on first principles of Islamic finance. We see these products and services as being a growth area, particularly as capital from the GCC region flows into the London market.

Exiting legacy investments

We maintained strong focus on our legacy private equity investments and balance sheet exposures during 2013.

We sold an Islamic debt obligation to Barclays Bank for £4.8m (US$8.1m). We completed the sale of an office building in Cairo related to our discontinued Egyptian brokerage operations for US$6.2m and settled the related financing. And we exchanged the majority of our capital in a NAVIS private equity fund (2012: £3.2m) for units in a public equities open-ended fund managed by NAVIS offering quarterly liquidity (2013: £2.4m). The lock-up on redemptions for this fund expired on 31 Dec 2013.

We continue to seek an orderly exit from our remaining legacy investments and are determined to optimise the returns from our exits.

Market review

At the macro level, we believe that the markets of the GCC region continue to offer outstanding prospects. The GCC countries have some of the highest growth rates in the world and a combination of sovereign wealth, the need for increasing infrastructure spend, rising income, demographics and location will continue to ensure long-term growth.

In the short term, prospects for the GCC remain healthy. The IMF predicts GDP growth of 4.4% in 2014 for the GCC overall, but more importantly higher non-oil GDP growth. This compares with their forecast of 3.7% Global GDP growth and only 2.0% G7 growth. Dubai continues to recover from the 2008 downturn and is developing into a major financial centre and cooperation between the UK and the UAE in particular continues to increase, including in areas of Islamic finance.

In financial market terms, our view that during 2013 investors would increasingly seek dividend-yielding equity investment opportunities, proved correct as global interest rates began to rise from record low levels, negatively effecting fixed income, while Arab equity markets were some of the top performers globally.

We believe a rebound in confidence in the GCC will maintain momentum in 2014 and continue to favour equities, however, we do not anticipate the same degree of abnormal returns as in 2013. New supply will be a feature of the equities markets in 2014 with the return of IPOs. In addition the global index compiler MSCI has 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.

There is continued regional demand for sukuk and credit. We expect reasonable performance assuming the global rates curve rises within current consensus expectations, as regional credit quality, and therefore spreads, continues to improve.

Our strategy – going forward

The strategy approved for the period 2012-2016 was to restructure EIIB by exiting higher risk, longer term, private equity investments and build more stable income streams by developing the Bank as a specialist asset management and financing business. We also established a clear goal of positioning EIIB as a catalyst for consolidation in the GCC asset management industry and to achieve a market leading position, with at least $3bn of assets under management, by 2016.

We remain committed to our strategic plan as we move from restructuring to the growth phase. We will now focus on product development, distribution capabilities, further strengthening of the team and strategic or bolt-on acquisitions as appropriate.

Future developments

We believe that we have a solid investment banking and asset management offering in the GCC region.

EIIB is now well positioned to expand market share - the outlook is positive.

The Rasmala acquisition was the initial key to delivering our strategy. As we have now largely completed the restructuring and increased our strategic stake to 76.3%, we are now upgrading our communications collateral to fully reflect our offer and expect to complete this exercise by Q4 of 2014.

During the year management participated in an institutional road show to give presentations to analysts, fund managers and potential investors. The road show resulted in new institutional shareholders joining the shareholder register and it is anticipated that further road shows will take place in 2014.

EIIB plans to reduce its capital so as to facilitate distributions to shareholders in 2014 – subject to shareholder approval. The bank is currently constrained in its ability to make distributions due to insufficient distributable reserves and the Board will make a further announcement on proposed next steps in advance of the next Annual General Meeting.

Acknowledgements

Over the last two years we have successfully repositioned the bank, thanks to a consistent and innovative business strategy, quality execution provided by a strong Board and management team and supportive clients.

We believe the transformation of EIIB is on course and look forward to reporting further progress in the future.

OPERATING AND FINANCIAL REVIEW

Introduction

EIIB is a London listed specialist investment banking and asset management group focused on the oil rich markets of the Gulf Cooperation Council (GCC) countries. It delivers investment banking and asset management products and services across asset classes to the wholesale and institutional markets.

EIIB is authorised by the Prudential Regulation Authority (PRA) (previously The Financial Services Authority (FSA)) and is listed on the AIM Market of the London Stock Exchange. The Bank's activities are also regulated by local regulators in MENA jurisdictions. The Bank's competitive position is significantly enhanced by its geographic footprint in London and the MENA region.

The Directors present the Operating and Financial Review for 2013. Having followed the framework set out in the Accounting Standards Board Reporting Statement: Operating and Financial Review as a guide to best practice, the Directors believe they have discharged their responsibilities under Section 417 of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

Results

Total operating income in 2013 was £10.2m (2012: £3.9m). Profit before tax from continuing operations amounted to £1.5m (2012: loss £10.1m).

Capital Adequacy

EIIB had total assets of £154m at 31 December 2013 (£172m at 31 December 2012). Regulatory capital resources of the Group as at 31 December 2013 was £101m (£100m at 31 December 2012) and the total risk weighted assets was £117m (£128m at 31 December 2012). The capital adequacy ratio as at 31 December 2013 stood at 86% (2012: 78%).

Liquidity

EIIB's balance sheet remains highly liquid. As at 31 December 2013, the net cash excess (calculated as a percentage of deposits) was +40% (31 December 2012: +49%) in the 8 days and under category, and +60% (31 December 2012: +60%) in the 1 month and under category, against minimum requirements of 0% and -5% respectively.

Liquidity is managed on a day to day basis by the Head of Principal Investments & Treasury.

Business strategy

EIIB's business strategy is to develop as a specialist asset management and financing business, offering clients bespoke solutions and operating between London and the growth markets of the GCC. We also established a clear goal of positioning EIIB as a catalyst for consolidation in the GCC asset management industry and to achieve a market leading position, with at least $3bn of assets under management, by 2016

Islamic finance

The key principles of Islamic finance are based on ethical real economy transactions, thus Islamic finance transactions avoid the following:

- Interest or the trading of intangible assets and cash flows
- Uncertainty
- Speculation
- Unjust enrichment or unfair exploitation

The Bank adheres to these principles.

The Bank's Sharia'a Supervisory Board (SSB), comprising eminent Islamic scholars, is tasked with monitoring and certifying that all products and services are structured and executed to reflect these principles.

People

A significant differentiating factor for our business is our ability to attract talent. The post-acquisition integration of Rasmala enabled a significant rationalisation of staff subsequent to which during the period, the Group started to add to headcount, particularly in the sales function, as our strategy moved into its growth phase. During the period the Directors believe that EIIB has been able to provide a stimulating environment and competitive remuneration structures which has enabled the Bank to attract and retain staff of the highest calibre.

Operational

During the period the Bank has successfully restructured the operations of Rasmala and has created a more integrated and scalable infrastructure. The Bank has put in place controls, systems and processes to enable the group to operate more effectively as a whole and to protect and safeguard the Bank's assets. EIIB's Internal Audit framework, directed by the Board's Audit Committee, is responsible for working with management to identify and quantify risk, provide independent appraisals of systems of internal control, add value to business initiatives and support the maintenance of a sound control culture throughout the Bank.

Key performance indicators

The Bank does not consider it meaningful to disclose numerical targets and performance indicators other than those financial and Assets Under Management figures published in this report.

2013 review

2013 was a strong year for Rasmala's asset management business. Discretionary managed assets including capital seeded by EIIB group increased by 25% to £712m (US$ 1,176m) (2012: £570m / US$ 922m). Strong investment performance across our flagship funds and investment strategies showed the benefits of our regional expertise and detailed local insights. Assets under management including capital seeded by the Group increased by 25% to £712m (US$ 1,176m) (2012: £570m / US$ 922m)

	2013	2012	2011
Rasmala GCC Fixed Income Fund	1.14%	14.56%	6.47%
Citigroup MENA Broad Bond Index GCC[1]	0.03%	12.63%	7.49%
Relative Performance	1.11%	1.93%	-1.02%

During 2013, we focused our efforts on innovating, expanding and upgrading our product offering; and deepening and expanding our market penetration within existing and new distribution channels and clients.

Investment Performance

Our investment performance was strong across all investment strategies, Funds and client portfolios. Our two flagship Funds, the Arabian Markets Growth Equity Fund and the Rasmala GCC Fixed Income Fund continue their long standing track record of investment success, outperforming industry recognized benchmarks and peer group averages.

- Arabian Markets Growth Equity Fund Performance Tables

Fund Performance

	2013	2012	2011
Arabian Markets Growth Equity Fund	37.95%	11.91%	-2.16%
S&P Pan Arab Composite Large Mid Cap Index[1]	21.62%	3.10%	-13.62%
Relative Performance	16.33%	8.81%	11.46%

Cumulative Returns (%)

	1Y	2Y	5Y	Since Inception[2]
Arabian Markets Growth Equity Fund	37.95%	54.37%	98.54%	60.23%
S&P Pan Arab Composite Large Mid Cap Index[1]	21.62%	25.39%	43.70%	-13.17%
Relative Performance	16.33%	28.98%	54.84%	73.40%

[1]Index was MSCI Arabian Markets Index since inception until August 2010. It was then changed to S&P Pan Arab Composite Large Mid Cap Index.
[2]Inception date is 30th July 2006.
Returns net of all fees and expenses

- Rasmala GCC Fixed Income Fund Performance Table

Fund Performance

Cumulative Returns (%)

	1Y	2 Y	3Y	Since Inception[2]
Rasmala GCC Fixed Income Fund	1.14%	15.86%	23.36%	58.81%
Citigroup MENA Broad Bond Index GCC[1]	0.03%	12.66%	21.10%	37.58%
Relative Performance	1.11%	3.20%	2.26%	21.23%

[1]Index was Citigroup Corporate AAA/AA Bond since inception until March 2011. After which, it was changed to Citigroup MENA Broad Bond Index GCC
[2]Inception date is 31st March 2009

Wholesale Distribution Channels

We are increasing our visibility by opening new distribution channels. We believe there is great potential in forming strategic partnerships with regional financial services providers and this has been the core focus of wholesale distribution efforts in 2013. In particular we are building relationships with entities that offer Islamic insurance and savings products (Sharia'a Compliant Takaful and Re-Takaful) for promotion by Emirati based banks and IFAs to their core banking/wealth management customers respectively. The market for packaged insurance and saving products is growing rapidly in the Gulf, and these entities are well positioned to cooperate with Rasmala.

We also worked closely with existing distributors to identify new opportunities and add additional products to their platforms.

Discretionary Portfolio Mandates

We increased both the number and size of our discretionary portfolio mandates (DPM) during 2013. Notably we won new mandates from government institutions in Oman that we consider to be strategic.

In a clear vote of confidence in our investment performance and high levels of client servicing, existing DPM clients increased the size of their portfolios with us during the year.

DPM funds provide the investment manager with the discretion to execute transactions within set parameters without referring to the account owner.

New Fund Launches

In 2013, we continued to execute the product expansion plan we developed and set in motion in 2012. In May 2013, we launched the Rasmala GCC Islamic Equity Income Fund with a seed capital of £6.7m (US$11m). The Fund's investment performance has been impressive since its launch, returning 11.97%% since its launch until the end of the year. The Fund's investment strategy is to offer investors semiannual distributions of equity dividends as well as the potential for capital appreciation by investing in high dividend paying equity securities listed on the GCC stock exchanges. We also launched in November, 2013, with seed capital commitment of £6.01 (US$10m), the Rasmala Trade Finance, a Sharia compliant open ended Fund providing investors with a low volatility money market alterative. The Fund is targeting a return of 4% while providing investors with monthly liquidity.

These product launches build upon the 2012 newly launched products. In 2012 we launched the Rasmala Global Sukuk Fund with initial seed capital of £15.5m (US$25m), and in December 2012, we launched the Rasmala Leasing Fund, a Cayman Limited Partnership established to capture investment performance in the US leasing market, with a £6.1m (US$10m) seed commitment. The Rasmala Leading Fund targets regular annual distributions of 12%, and an IRR of 7% to 8% over the full life of the Fund. The Rasmala Global Sukuk Fund includes sukuk exposures from outside the GCC namely from Islamic Asia.

Strategically, these investment products allow us to capture the outbound investment flows from GCC investors to investment opportunities in other geographies. We feel that there is a market opportunity for us to not only cater to investor requirements in the MENA investment markets, but also to offer to our GCC client base unique, Sharia compliant, investment products investing in international markets.

After establishing an initial track-record and portfolio for these funds in 2012 and 2013, the full marketing effort in 2013 allowed third-party money in these funds to increase.

Rasmala Key Funds

Equity

- Arabian Markets Growth Equity Fund
- Rasmala GCC Islamic Equity Income Fund
- Rasmala Palestine Equity Fund

Fixed Income

- Rasmala GCC Fixed Income Fund
- Rasmala Global Sukuk Fund

Alternative

- Rasmala Leasing Fund
- Rasmala Trade Finance Fund

Investment Banking

The investment banking team is specialized in Islamic banking products and services.

In October 2013, we successfully acted as lead arranger and book runner for our first sukuk following the repositioning, for European-based multinational insurance group FWU Group. The US$20 million issue was part of a US$100m program and was rated “BBB” by Fitch. We see such mid-market sukuk products and services as being a growth area particularly as capital from the GCC region flows into the London market.

Summary

Our asset management business remains on a clear growth path aided by additional products in the platform and additional focus on sales. Our investment performance and outstanding client servicing continues to attract AUMs from new and established direct clients and via a broadening range of distribution channels.

With the launch of new Funds in 2013 and further expansion of Rasmala’s product range planned in 2014, we are confident that our asset management business will continue to flourish.

Our investment banking operation is well positioned to develop its debt capital markets and structured debt finance business.

Legacy investments

Under EIIB's original business model the Bank focused on private equity investments and with limited focus on asset management; success depended on the performance and realisation of Private Equity investments. However, despite some initial success, these investments lacked a clear sector or geographic focus where our regional expertise could add value and accordingly, under EIIB's revised strategy, the decision was made to exit these legacy investments.

Legacy assets consisted of a number of private equity investments and a financing arrangement:

- **Arcapita**

  On 12 February 2013 we announced the sale of 100% of our remaining exposure in Arcapita for £5.0m (US$8.1m) in cash consideration. We held no exposure to Arcapita at year-end 2013.

- **Accelerator Technology Holdings**

  Accelerator Technology Holdings is a private equity company that invests in ventures specialising in the information and communications technology value chain in the Arab world. Our exposure to Accelerator Technology Holdings at year-end 2013 was recorded at £2.8m (2012: £2.7m).

- **Carian Bay**

  Carian Bay is a luxury residential and hospitality real estate development project based in Turkey. Our exposure to Carian Bay at year-end 2013 was recorded at £1.4m (2012 £1.7m).

- **DiamondCorp**

  DiamondCorp plc is an emerging diamond producer focused on maximising shareholder value through the development of high-margin diamond production assets. Our exposure at year-end 2013 was recorded at £2.8m (2012: £2.2m).

- **Rasmala Legacy PE Investments.** At acquisition, Rasmala held stakes in three material private investments arising from participations in pre-IPO placements to clients prior to the global financial crisis. The material investments were equity in a Dubai based primary and secondary private schools operator, a Ras Al Khaimah based E&P company with a controlling stake in DNO International (operates in the Kurdish region of Iraq) and the equity in a Dubai based real estate developer of a single completed office/retail project in TECOM, Dubai. Our exposure at year-end 2013 was recorded at £7.7m (2012: £6.7m).

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	£	£
Income		
Income from financing and investing activities	2,491,520	2,519,480
Returns to financial institutions and customers	(206,830)	(340,632)
Net income	**2,284,690**	**2,178,848**
Net fees and commission income	3,154,350	2,683,401
Income on financial assets	1,190,493	1,636,890
Income/(loss) on private equity investments designated at fair value	2,480,687	(3,094,754)
Income on investment property designated at fair value	324,953	227,589
Other operating income	746,079	267,727
Total operating income	**10,181,252**	**3,899,701**
Expenses		
Credit/(provision) on impairment of financing arrangements	202,831	(4,270,712)
Staff costs	(5,780,633)	(5,718,129)
Depreciation and amortisation	(187,100)	(266,742)
Other operating expenses	(2,921,197)	(3,707,462)
Third party interest in consolidated funds	(10,379)	(14,170)
Operating income/(loss) before tax	**1,484,774**	**(10,077,514)**
Tax (charge)/credit	(262,624)	200,106
Income/(loss) from continued operations	**1,222,150**	**(9,877,408)**
Loss from discontinued operations	(1,249,584)	(1,143,511)
Loss for the year	**(27,434)**	**(11,020,919)**
Income/(loss) attributable to:		
Equity holders of the Bank	137,575	(10,086,141)
Non-controlling interest	(165,009)	(934,778)
	(27,434)	**(11,020,919)**
Earnings per share		
- basic	0.01p	(0.57p)
- diluted	0.01p	(0.54p)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Loss for the year	**(27,434)**	**(11,020,919)**
Other comprehensive income		
Net change in fair value of available-for-sale securities	(383,595)	816,761
Foreign exchange loss on net investment in foreign operations	(413,904)	-
Tax charge	-	(200,106)
Total comprehensive loss for the year	**(824,933)**	**(10,404,264)**
Total comprehensive loss attributable to:		
Equity holders of the Bank	(561,830)	(9,469,486)
Non-controlling interest	(263,103)	(934,778)
	(824,933)	**(10,404,264)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

	Notes	2013 £	2012 £
Assets			
Cash and balances with banks		9,488,406	13,624,694
Due from financial institutions		40,244,300	62,547,116
Financial assets designated at fair value		27,266,475	24,633,472
Available-for-sale securities - sukuk		26,457,774	33,989,114
Financing arrangements		11,450,067	-
Private equity assets designated at fair value		15,864,665	13,315,897
Fair value of foreign exchange agreements		1,377,797	797,669
Assets held for sale		910,109	5,821,454
Investment properties		1,742,156	1,738,458
Goodwill		10,165,750	11,546,400
Operating lease assets held for sale		4,368,976	-
Property, plant and equipment		193,589	331,227
Intangible assets		13,409	27,471
Other assets		4,060,019	3,322,473
Total assets		**153,603,492**	**171,695,445**
Liabilities			
Due to financial institutions		13,000,806	26,731,508
Due to customers		-	95,637
Fair value of foreign exchange agreements		2,819	39,309
Liabilities held for sale		848,866	3,144,191
Other liabilities		6,274,656	8,921,872
Third party interest in consolidated funds		6,499,725	3,831,361
Total liabilities		**26,626,872**	**42,763,878**
Shareholders' equity			
Share capital		19,720,892	17,790,994
Share premium account		101,815,459	96,569,263
Capital redemption reserve		599,040	599,040
Treasury shares		(2,117,015)	(2,117,015)
Special reserve		20,000,000	20,000,000
Fair value reserve on available-for-sale securities		219,111	602,706
Share based payment reserve		-	-
Foreign exchange reserve		(315,810)	(10,814)
Accumulated losses		(16,987,349)	(13,673,201)
Total equity attributable to the Bank's equity holders		**122,934,328**	**119,760,973**
Non-controlling interest		**4,042,292**	**9,170,594**
Total equity		**126,976,620**	**128,931,567**
Total equity and liabilities		**153,603,492**	**171,695,445**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	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 £	Accumulated losses £	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
New shares issued	134,409	349,463	-	-	-	-	-	-	-	-	483,872
Cost of share based payment arrangements	-	-	-	-	-	87,998	-	-	-	-	87,998
Share premium transfer	-	(20,000,000)	-	-	20,000,000	-	-	-	-	-	-
Transfer relating to share based payments	-	-	-	-	-	(464,136)	-	-	464,136	-	-
NCI arising on business acquisition	-	-	-	-	-	-	-	(10,814)	-	9,946,081	9,935,267
	17,790,994	96,569,263	599,040	(2,117,015)	20,000,000	-	(13,949)	(10,814)	(3,587,060)	11,626,246	140,856,705
Net change in fair value of available-for-sale securities							816,761	-	-	-	816,761
Tax							(200,106)	-	-	-	(200,106)
Loss for the year							-	-	(10,086,141)	(934,778)	(11,020,919)
Distributions							-	-	-	(1,520,874)	(1,520,874)
Total comprehensive income							616,655	-	(10,086,141)	(2,455,652)	(11,925,138)
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	1,929,898	5,246,196	-	-	-	-	-	-	-	-	7,176,094
Acquisition of NCI	-	-	-	-	-	-	-	-	-	(2,561,405)	(2,561,405)
Adjustment on premium paid over acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(3,451,723)	-	(3,451,723)
Capital distribution by Rasmala subsidiaries	-	-	-	-	-	-	-	-	-	(1,086,807)	(1,086,807)
Reallocation of NCI	-	-	-	-	-	-	-	-	-	(1,216,987)	(1,216,987)
Other	-	-	-	-	-	-	-	10,814	-	-	10,814
	19,720,892	101,815,459	599,040	(2,117,015)	20,000,000	-	602,706	-	(17,124,924)	4,305,395	127,801,553
Net change in fair value of available-for-sale securities							(383,595)	-	-	-	(383,595)
Foreign exchange loss on conversion of foreign operations							-	(315,810)	-	(98,094)	(413,904)
Loss for the year							-	-	137,575	(165,009)	(27,434)
Distributions							-	-	-	-	-
Total comprehensive income							(383,595)	(315,810)	137,575	(263,103)	(824,933)
Balance at 31 December 2013	**19,720,892**	**101,815,459**	**599,040**	**(2,117,015)**	**20,000,000**	**-**	**219,111**	**(315,810)**	**(16,987,349)**	**4,042,292**	**126,976,620**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	£	£
Cash flows from operating activities		
Operating loss	1,484,774	(10,077,514)
Operating loss on discontinued operations	(1,249,584)	(1,143,511)
Adjusted for:		
Net provision for impairment of financing arrangements	(202,830)	4,270,712
(Gain)/loss on private equity investments designated at fair value	(2,480,687)	3,094,754
Gain on investment in funds and sukuk designated at fair value	(840,956)	(693,042)
Depreciation and amortisation	187,100	266,742
Loss on disposal of plant & equipment	28,212	-
Fair value gain on investment property	(177,000)	-
Charges for share awards	-	87,998
Net (increase)/decrease in operating assets:		
Due from financial institutions	22,505,646	29,319,786
Quoted equity investments designated at fair value	(6,466,921)	-
Financing arrangements	(11,450,067)	-
Sukuk	9,434,349	(21,181,336)
Investment in funds designated at fair value	2,388,270	(6,487,420)
Private equity financial assets designated at fair value	(68,081)	(207,851)
Investment property	173,302	(1,738,458)
Other assets	(6,216,839)	(12,615,263)
Net increase/(decrease) in operating liabilities:		
Due to financial institutions	(13,730,702)	11,508,366
Due to customers	(95,637)	(4,364)
Other liabilities	6,005,586	5,185,607
Taxation:		
Corporation tax settled	-	(9,011,800)
Net cash outflow from operating activities	**(772,065)**	**(9,426,594)**
Cash flows from investing activities		
Purchase of Operating lease assets	(4,368,976)	-
Payment on acquisition of a subsidiary (cash consideration)	(1,600,000)	-
Purchase of property, plant and equipment	(63,612)	(469,291)
Net cash outflow from investing activities	**(6,032,588)**	**(469,291)**
Cash flows from financing activities		
Capital from minority shareholders on acquisition	-	9,946,081
Payments to minority shareholders	-	(1,520,874)
Net subscriptions to consolidated funds	2,668,365	3,831,362
Net cash inflow from financing activities	**2,668,365**	**12,256,569**
Net (decrease)/increase in cash and cash equivalents	**(4,136,288)**	**2,360,684**
Cash and cash equivalents at the beginning of the year	13,624,694	11,264,010
Cash and cash equivalents at the end of the year	**9,488,406**	**13,624,694**

1 Segmental information

The Bank focuses on MENA markets and for 2013 centred on the following three core businesses:

(a) **Investment Banking** – encompassing provision of financing, debt capital market, structured debt finance, investing in funds and Islamic products.
(b) **Asset Management** – investment management solutions encompassing equities, fixed income and real estate; and business advisory services.
(c) **Private Equity** – includes a diversified portfolio of legacy assets

These core business lines were the Group's strategic business units ('SBU'). Each SBU offers different products and services, and was managed separately based on the Group's management and internal reporting structure. SBU activities are monitored by the Bank's management committees and the Board which is provided with internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax and is reviewed by Group executive management and the board of directors. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2013	**Banking**	**Asset Management**	**Private Equity**	**Discontinued Operations**	**Total**
	£	**£**	**£**	**£**	**£**
Revenue from external customers	4,339,650	3,377,531	147,651	-	7,864,832
Returns to external customers	(206,829)	-	-	-	(206,829)
Fair value (loss)/gain on investments	(134,740)	-	2,657,989	-	2,523,249
Operating income	3,998,081	3,377,531	2,805,640	-	10,181,252
Loss after tax from continuing activities	70,605	(774,356)	1,925,901	-	1,222,150
Loss from discontinued operations	-	-	-	(1,249,584)	(1,249,584)
Other comprehensive income after tax	(383,594)	(413,905)	-	-	(797,499)
Total comprehensive income	(312,989)	(1,188,261)	1,925,901	(1,249,584)	(824,933)
Depreciation and amortisation	(38,820)	(110,859)	(37,421)	-	(187,100)
Segment assets	124,824,018	10,262,544	17,606,821	910,109	153,603,492
Segment liabilities	14,902,087	4,032,556	6,843,363	848,866	26,626,872
Capital expenditure					
Plant and equipment	38,167	25,445	-	-	63,612
Intangible assets	-	-	-	-	-

2012	Banking £	Asset Management £	Private Equity £	Discontinued Operations £	Total £
Revenue from external customers	3,924,012	2,490,092	1,427,940	-	7,842,044
Returns to external customers	(340,632)	-	-	-	(340,632)
Fair value gain on investments	693,043	-	(4,294,754)	-	(3,601,711)
Operating income	4,276,423	2,490,092	(2,866,814)	-	3,899,701
Loss after tax from continuing activities	(3,349,826)	(2,285,448)	(4,242,134)	-	(9,877,408)
Loss from discontinued operations	-	-	-	(1,143,511)	(1,143,511)
Other comprehensive income after tax	616,655	-	-	-	616,655
Total comprehensive income	(2,733,171)	(2,285,448)	(4,242,134)	(1,143,511)	(10,404,264)
Depreciation and amortisation	(66,791)	(168,104)	(31,847)	-	(266,742)
Segment assets	142,178,706	10,379,388	13,315,897	5,821,454	171,695,445
Segment liabilities	34,969,202	4,650,485	-	3,144,191	42,763,878
Capital expenditure					
Plant and equipment	609,678	-	-	-	609,678
Intangible assets	-	-	-	-	-

The financial information included within this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2012 were approved by the directors on 23 April 2013. The report of the auditors on these accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not include a statement under section 498 of the Companies Act 2006.

A copy of the Annual Report is available from the Company’s website and is being posted to shareholders shortly.