

European Islamic Investment Bank

Results for the year ended 31 December 2014

The Board of European Islamic Investment Bank plc ("EIIB", the "Group" or the "Company") announces its audited results for the year ended 31 December 2014.

2014 HIGHLIGHTS

Our year at a glance

- Assets under management, including capital seeded by the Group, of £715m (US\$ 1,113m) (2013: £712m (US\$ 1,176m))
- Gross subscriptions in excess of \$300m during 2014
- Completed successful re-domiciliation of core funds to Luxembourg
- Continued to execute product diversification plan with emphasis on alternative investment strategies
- Increased shareholding in Rasmala Egypt Asset Management (REAM) to 100%
- Flagship Funds continued long-standing track record of investment success
- Best Islamic Institution (Europe) 2014 and Sharia Fund Manager of the Year 2014 awards
- Started review of Group branding

How we performed

- Total operating income £10.8m (2013: £10.2m)
- Profit before tax from continuing operations £1.50m (2013: £1.48m)

- Profit to equity holders £0.60m, after tax expense of £0.79m and loss on discontinued operations of £0.12m
- Earning per share of 3.16p (2013: 0.01p)
- Staff costs of £5.40m (2013: £5.78m) and other operating expenses of £3.8m (2013: £2.9m)
- Regulatory Capital of the Group at 31 December 2014 stood at £102m (£101m at 31 December 2013)
- Net Asset Value, after share consolidation, of 317.2 pence per share (2013: 6.4 pence per share (post consolidation 320 pence per share))

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Chairman's Statement

I am pleased to report a second year of profit, despite the challenging economic climate in the latter part of the year. In 2014 we consolidated our position as a leading asset management and financing group in the MENA region.

Further progress

In 2014, we made steady progress, building on the groundwork of the previous year. We expanded further our product offering to include alternative strategies and achieved this whilst maintaining control over our cost base.

This disciplined and focused approach has enabled the Group to report a second successive profit in 2014, while continuing to invest in the growth initiatives necessary to achieve our five year plan.

Performance

The Group's operating income increased to £10.8m (2013 £10.2m) with a particularly strong performance from our asset management business. The second half of the year saw significant volatility in GCC markets, which we have been able to navigate. Our cost base increased slightly, but remained effectively controlled.

A second year of stable profit is a clear demonstration that we continue to move in the right direction and we will continue to invest in our platform and people to ensure continued progress.

Market developments

In the second half of 2014 the GCC countries experienced strong headwinds as a result of falling oil prices and rising political uncertainty. Stock markets in the region fell in line with these concerns. Despite these challenges, we believe stable governments, as evidenced by the smooth transition of power in Saudi Arabia, high growth rates and a combination of sovereign wealth and demographics will continue to translate into long-term growth for the region.

Meanwhile, the benefits of an Islamic approach to finance are increasingly being appreciated across developed and growth markets.

Our Chief Executive Officer expands on our market views below, but I believe that the Group is well positioned to benefit from the opportunities in our core markets.

Regulation

The Board undertook a review of the scope of EIIB's UK regulatory permissions and concluded that they exceeded our requirements. Following detailed discussions with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), the PRA authorised the amending of our permissions and we were able to relinquish the Group's deposit-taking license. We are now solely regulated by the FCA in the United Kingdom and by local regulators in Egypt,

Oman and the United Arab Emirates. The Group's regulation is now more efficiently aligned to its strategy and business model.

Corporate Governance

The Group continually assesses corporate governance and its effectiveness, independence and efficiency. Board performance is also evaluated annually.

The Board contains a suitable majority of non-executive and independent directors with a wide range of skills and experience relevant to EIB's business. Biographies of the Directors and details of the Board and its committees can be found on pages 18 to 21 of the annual report. There were no Board changes made during the year.

We will continue to review the Board's membership, 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.

Tender offer

A tender offer was launched on 1 August 2014, and withdrawn on 28 November 2014 as the Company remained in discussions with its regulators regarding the implementation of that offer. Those discussions have now been concluded satisfactorily.

A circular explaining the terms of a new tender offer for up to £20 million was posted to shareholders on 17 April 2015 and is expected to close on 6 May 2015.

Outlook

The Board has worked diligently in following our defined strategy of creating a market leading asset management and financing business focused on the GCC region.

The GCC has shown remarkable resilience despite significant headwinds in 2014. We are confident that our business is well positioned to benefit from opportunities in our markets. I look forward to working with our expert staff, management team and board in achieving further positive results.

STRATEGIC REPORT FOR 2014

Our Business Model and Strategy

Business Model

EIIB is a London listed asset management and financing group focused on the growth markets of the GCC countries. We deliver investment banking and asset management products and services across asset classes to wholesale and institutional clients.

We derive management fees from our asset management services and transactional fees from financing activities. We also generate returns from principal investments.

Our Clients

We are an institutional asset manager working closely with pension funds, family groups, corporations, financial and government institutions including sovereign wealth funds.

Our Services

Asset Management

Investment Banking

Principal Investments

Our Strategy

Our strategy is to promote the GCC and other regional growth markets as a preferred investment destination. We offer our international and regional clients bespoke asset management and financing solutions primarily focused on our core markets. We aim to be a catalyst for consolidation in the GCC asset management industry and to achieve a market leading position.

As a leading player in the GCC we are also experts in Islamic Finance ("IF"). IF is an investment discipline that considers environmental, social and other criteria to generate long-term financial returns and a positive impact on society. The principles of IF include the avoidance of:

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

Our competition

Our principal competition comes from independent regional asset management firms and from regional banks.

CHIEF EXECUTIVE OFFICER'S REVIEW

On behalf of the Directors I am pleased to present my review of the year, as part of our Strategic Report.

Our Strategy

EIIB is a London listed asset management and financing group focused on the growth markets of the GCC countries. EIIB is authorised by the Financial Conduct Authority in the United Kingdom and also regulated in Egypt, Oman and the United Arab Emirates. EIIB's primary focus is to provide investment management and financing solutions to pension funds, family groups, corporations and financial and government institutions.

The activities of the Group include investment management solutions encompassing equities, fixed income and alternatives; investment banking services encompassing provision of financing, debt capital markets and structured finance; and business advisory services.

EIIB's business strategy is to develop as a specialist asset management and financing business, offering clients bespoke solutions focused on the growth markets of the GCC. The Group's aim is to be a catalyst for consolidation in the GCC asset management industry and to achieve a market leading position.

Given our market position in the GCC we have also developed world class expertise in 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 relating to such activities

- Uncertainty
- Speculation
- Unjust enrichment or unfair exploitation

As we look forward, we will continue to invest in innovative product development, distribution capabilities, further strengthening of the team and strategic or bolt-on acquisitions as appropriate.

Results

The financial statements for the reporting year ended 31 December 2014 are shown below.

I am pleased to report that the results for 2014 reflect continued strengthening of our business, despite challenging market conditions in the second half of the year. Total operating income increased to £10.8m (2013 £10.2m), which, combined with continued tight cost control, delivered an underlying operating profit before tax from continued operations of £1.50m (2013: £1.48m).

The net profit including non-controlling interest in 2014 amounted to £0.60m (2013 loss of £0.03m) after tax expense of £0.79m (2013: £0.26m) and loss on discontinued operations of £0.12m (2013 £1.25m).

Our Asset Management business performed strongly this year, with higher levels of performance fees than last year. Our assets under management have remained broadly flat despite challenging market conditions in the GCC, particularly in the second half of the year. Considering market conditions, this is a highly creditable performance.

Whilst we maintained good performance in our flagship funds, new alternative strategies have positioned us well for the years ahead as we diversify our product offering.

We continued to build our Investment Banking business and further awards are testament to the level of in-house expertise we have developed.

The Group maintained its strong capital adequacy, regulatory and liquidity ratios. The Regulatory Capital of the Group at 31 December 2014 stood at £102m (£101m at 31 December 2013).

Our change in regulatory permissions, covered in more detail below, has not diminished the importance of maintaining tight controls and transparency around capital and liquidity.

Regulation

During 2014 we gained authorisation from the Prudential Regulation Authority (PRA) to amend our regulatory permissions and relinquished our UK deposit-taking licence at the end of 2014. We are now solo regulated in the UK by the Financial Conduct Authority (FCA) and by local regulators in the UAE, Oman and Egypt.

Changing our regulatory permissions was a complex project and a significant step in aligning our permissions with our operating model.

Brand franchise

We started a review of the Group's branding and plan to complete this work during 2015. We aim to achieve a clear, recognisable and valued brand name for the Group and its operating companies. A re-launch will help bring market clarity and definition around who we are and what we do.

Asset Management

While Assets Under Management (AUM) remained broadly constant during the year, this masks a good performance in the face of challenging markets. The business attracted approximately \$300m in new subscriptions during the year which were offset by redemptions and market and foreign exchange movements. We saw a significant correction in the equity markets, across the GCC and wider MENA region, in the latter part of the year, with concurrent interest rate uncertainties. Many of our investors sought to exit traditional strategies and rotate into alternative investment strategies. The diversification of our product offering has helped us to retain AUM and consolidate our market share in the UAE.

During 2014, we completed the successful re-domiciliation of a selection of our funds to Luxembourg. A broad, Luxembourg-domiciled fund offering is important for our global distribution strategy, boosting the funds' appeal to both international and regional third-party distributors and investors. Investors increasingly recognize Luxembourg as one of the most attractive and cost effective jurisdictions for the domicile of funds.

Product Development

We continued to build and enhance our product offering. We added the Rasmala GCC Islamic Equity Income Fund and the Rasmala Global Sukuk Fund to complement our flagship products, Rasmala Arabian Markets Growth Equity Fund and the Rasmala GCC Fixed Income Fund. We have also responded to client demand for alternative investment strategies by launching the Rasmala Trade Finance Fund ("RTFF") and the Rasmala Leasing Fund ("RLF"). RTFF is a Sharia'a compliant open-ended fund providing investors with a low volatility money market alternative that is linked to emerging market trade transactions and aims to benefit from the rapid growth of global trade. RLF is a Sharia'a compliant fund established to capture investment performance in the US leasing market.

Strategically, these investment products allow us to retain any outbound investment flows from clients seeking alternative investment ideas. We believe there is a market opportunity for us to offer our GCC client base unique, Sharia'a compliant, investment products investing in international markets in addition to catering to investor requirements in MENA investment markets.

Strong Performance and Industry Recognition

Overall investment performance remained strong compared to both our competitors and industry-recognised benchmarks. The Rasmala Arabian Markets Growth Equity Fund returned 10.1% (net of all fees and expenses) compared to the S&P Pan Arab Composite Large Mid Cap Index return of -0.9%. This builds upon the fund's long-term track record, which stands at an annualized outperformance of 8.44% since inception in 2006.

The Rasmala GCC Fixed Income Fund returned 6.7% (net of all fees and expenses) despite the global fixed income headwinds and compared to the Citigroup MENA Broad Bond Index GCC return of 6.9%, also extending that fund's long-term track record of annualized outperformance of 2.46% since inception in 2009.

In addition all of our mutual funds and discretionary portfolio mandates outperformed their respective benchmarks in 2014.

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

We have also attracted new client mandates, including our second discretionary managed portfolio from a government institution in Oman. In 2015 our objective is to win similar mandates from government institutions in other GCC countries.

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

In 2014, Morningstar awarded the Rasmala Arabian Markets Growth Equity Fund with the coveted five star rating based upon its investment performance over the past 3 years. Also, in 2014, Global ISF awarded Rasmala the Sharia Fund Manager of the Year.

Such industry recognition is evidence of Rasmala's continued success in investment performance, product innovation, and serving the needs of our local client base.

Rasmala was recently ranked as the 15th largest asset management firm in the Middle East by New York based Institutional Investor, and ranked within the top independent asset management firms if commercial banks were excluded from the list.

Investment Banking

Traditionally, domestic and regional institutions have acted as distributors of financial products to their customers, relying upon partnerships with bulge bracket firms for product structuring expertise. In contrast, EIIB has continued building on its proven ability to manufacture products in its own right. The investment banking (IB) team structured and placed products during the year that showcased the Group's skill set in debt capital markets.

In March 2014, we successfully acted as lead arranger and book runner for European-based multinational insurance group FWU Group on the second tranche of their sukuk al-wakala programme. This second tranche of US\$40m was part of a US\$100m programme 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 transaction helped the Group to win the award for 'Best Islamic Institution in Europe' for the second year in a row.

In parallel with developing cutting-edge solutions for our clients in sukuk, the IB team has been instrumental in generating value for the Group through evaluating other investment opportunities, both for the Group's proprietary book and for asset management clients.

For example, during 2014, IB arranged the placement of securities in Emirates REIT and worked closely with asset management to evaluate opportunities for the Rasmala Trade Finance Fund. The IB team also established a strategy for real estate and leasing and began evaluating opportunities towards the end of 2014.

The IB team looks 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 as capital from the GCC region flows into the international markets.

Principal Investments

Principal Investments (PI) main focus is to invest in opportunities that align with our strategy and business model.

The PI business unit provides seed funding for new Asset Management products and for Investment Banking transactions.

PI also manages our private equity investments. Whilst there has been no change in these investments during 2014, we continue to proactively manage our exposures.

Our book exposure is now £16.7m (2013: £15.9m), which includes our private equity assets across the group.

We continue to seek exits from our private equity investments and are determined to optimise the returns from our exits.

Market Review

We believe the markets of the GCC region offer favourable prospects despite headwinds from lower oil prices and regional geo-political uncertainties. GCC countries have high growth rates with significant sovereign wealth, high levels of infrastructure spending, rising income and positive demographics which will continue to drive long-term growth in the region.

In the short term the price of oil, having declined by about 55% since September 2014, has weakened the external and fiscal balances of oil exporters, including members of the GCC. Stock markets of various countries, including Kuwait, Saudi Arabia and UAE, declined sharply in late 2014 because of concern over how these economies will be affected by lower oil prices. However, large capital buffers, low non-performing loans and generally high liquidity should allow most GCC countries to avoid sharp cuts in government spending, limiting the impact on near-term growth and financial stability.

The IMF predicts GDP growth of 3.4% in 2015 for the GCC overall, slightly lower as compared to 3.7% in 2014.

There is continued regional demand for sukuk and credit-based products, and ample liquidity within the regional banking sector. We expect reasonable performance from regional credit markets assuming that external shocks are manageable and global rates curves rise within current consensus expectations. Islamic Finance markets are becoming increasingly accepted and attractive among mainstream capital markets for corporates, financial institutions and sovereigns around the globe. Over the past few years, Islamic Finance assets grew at an annual rate of 15% to 20% which is expected to continue over the medium to long term. This growth will be further fuelled by greater liquidity and better price formation.

We believe a rebound in confidence in the GCC stock markets will occur in 2015 should regional tensions between Saudi Arabia and Yemen subside. However, we do not anticipate the same degree of abnormal returns from regional equity markets as in 2013 or through most of 2014.

Last year, the global index compiler MSCI upgraded UAE and Qatar to Emerging Market status from Frontier Market and there were indications that foreign investors could gain access to Saudi Arabia's Tadawul in 2015. The liberalisation of a US\$500-600bn equity market is an important development in building momentum for the Gulf region as a destination for equity investment in the longer term.

Tender offer

A tender offer was launched in 2014 and later withdrawn as the Company remained in discussions with its regulators regarding the implementation of that offer. Those discussions have now been concluded satisfactorily and a circular explaining the terms of a new tender offer was posted to shareholders on 17 April 2015 and is expected to close on 6 May 2015.

Future Developments

Our fundamental belief in the GCC region and our ability to play a key role in its economic development and growth allows us to look forward with optimism.

Our clearly defined business model, exceptional local reputation through Rasmala, coupled with committed and hardworking staff reaffirms our belief that EIIB is well placed for growth.

Whilst we continue to focus on organic growth we will also continue to monitor acquisition opportunities that align and will add value to our franchise and business model.

Acknowledgements

2014 is the second year of profit for the Group and underlines the rapid success we have had in turning around the Group and implementing a revised strategy. We look forward to 2015 with confidence as we further diversify our product offering and leverage from the foundations put in place to drive growth and profit.

We have a stable and high-performing team across the Group - I would like to thank all of our staff for their continuing contribution to our success. I would also like to thank the Chairman and the Board for their counsel and support during the year.

Operating and Financial Review

EIIB is a London listed asset management and financing group focused on the growth markets of the GCC countries. It delivers asset management and investment banking products and services across asset classes to wholesale and institutional markets.

EIIB is authorised by the Financial Conduct Authority (FCA) and is listed on the AIM Market of the London Stock Exchange. The Group's activities are also regulated by local regulators in MENA jurisdictions. The Group's competitive position is significantly enhanced by its geographic footprint and network in MENA region.

The Directors present the Operating and Financial Review for 2014. 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 2014 was £10.8m (2013: £10.2m). Profit before tax from continuing operations amounted to £1.50m (2013: £1.48m).

Capital Adequacy

EIIB had total assets of £138m at 31 December 2014 (£154m at 31 December 2013). Regulatory capital resources of the Group as at 31 December 2014 was £102m (£101m at 31 December 2013) and the total risk weighted assets was £124m (£117m at 31 December 2013). The capital adequacy ratio as at 31 December 2014 stood at 83% (2013: 86%).

Liquidity

As at 31 December 2014, the net cash excess (calculated as a percentage of deposits) was +40% (31 December 2013: +40%) in the 8 days and under category, and +60% (31 December 2013: +60%) in the 1 month and under category, against minimum requirements during the year of 0% and -5% respectively.

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

People

A significant differentiating factor for our business is our ability to attract talent. During the period the Directors believe that EIIB has been able to provide a stimulating environment and competitive remuneration structures which has enabled the Group to attract and retain staff of the highest calibre.

Operational

We have successfully agreed with our regulators a change in permissions, in order to align them with our business model. We are now solo regulated in the United Kingdom by the FCA and by local regulators in the MENA jurisdictions.

All relevant consents have been received for our proposed tender offer which will be completed shortly.

Key Performance Indicators

The Group considers the financial and Assets Under Management figures published in the annual report as being the most appropriate key performance indicators in judging the success of the business and its strategy.

2014 Review

2014 was a strong year for Rasmala's asset management business. Discretionary managed assets including capital seeded by EIIB group stood at £715m (US\$ 1,113m) (2013: £712m (US\$

1,176m)). Strong investment performance across our flagship funds and investment strategies showed the benefits of our regional expertise and detailed local insights.

Rasmala Assets Under Management

Gross inflows during the year exceeded \$300m but offset by redemptions and market and foreign exchange movements. We were pleased to see many of our investors rotate from traditional strategies into our new alternative investment products.

During 2014, we completed the successful re-domiciliation of a selection of our funds to Luxembourg. A broad, Luxembourg-domiciled fund offering is important for the expansion of our global distribution strategy, boosting the funds' appeal to both international and regional third-party distributors and investors. Investors increasingly recognize Luxembourg as one of the most attractive and cost effective jurisdictions for the domicile of funds. 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.

The development of our asset management business since 2012 has been marked. Our business is now of scale, appropriately domiciled and effectively distributed.

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, continued their long standing track record of investment success, outperforming industry recognized benchmarks and peer group averages.

Ø Arabian Markets Growth Equity Fund **** Performance Tables

Fund Performance	2014	2013	2012	2011
Arabian Markets Growth Equity Fund*	10.10	37.95	11.91	-2.16
S&P Pan Arab composite Large Mid cap Index***	-0.90	21.62	3.10	-13.62
Relative Return	11.00	16.33	8.81	11.46

Cumulative Returns (%)	1Y	2Y	3Y	5Y	SI***
Arabian Markets Growth Equity Fund*	10.10	51.88	69.97	87.88	76.41
S&P Pan Arab composite Large Mid cap Index***	-0.90	20.52	24.26	21.42	-13.95
Relative Return	11.00	31.36	45.71	66.46	90.37

Source: Rasmala's internal performance measurement

*Performance is based on A-Share Class in USD and as of 31st December 2014.

** Inception date was 30th July 2006.

***Index was MSCI Arabian Markets Index since inception until August 2010. After which, it was changed to S&P Pan Arab Composite Index.

****Performance from September 2014 onwards is for Rasmala Arabian Markets Growth Equity Fund UCITS IV SICAV domiciled in Luxemburg. Prior to September 2014, the Fund was domiciled in Cayman Islands.

Ø Rasmala GCC Fixed Income Fund ****Performance Table

Fund Performance	2014	2013	2012	2011
Rasmala GCC Fixed Income Fund*	6.71	1.14	14.56	6.47
Citigroup MENA Broad Bond Index GCC**	6.89	0.03	12.63	7.49
Relative Return	-0.18	1.11	1.93	-1.02

Cumulative Returns (%)	1Y	2Y	3Y	5Y	SI
Rasmala GCC Fixed Income Fund*	6.71	7.92	23.63	44.98	69.46
Citigroup MENA Broad Bond Index GCC**	6.89	6.92	20.42	35.18	47.06
Relative Return	-0.18	1.00	3.21	9.80	22.40

Source: Rasmala's internal performance measurement.

*Performance is net of fees based on Distribution Share Class in USD and as of 31st December 2014.

** Index was Citigroup Corporate AAA/AA Bond since inception until March 2011. After which, it was changed to Citigroup MENA Broad Index GCC.

*** Inception date is 31st March 2009.

****Performance from February 2014 onwards is for the Rasmala Global Sukuk Fund UCITS IV SICAV domiciled in Luxemburg. Prior to February 2014, the Fund was domiciled in the Cayman Islands.

Wholesale Distribution Channels

We continue to increase our market visibility by opening new distribution channels. In 2014, the core focus of our wholesale distribution efforts was the continued development of strategic partnerships with regional financial services providers. In particular, we have been 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 and wealth management customers respectively. The market for packaged insurance and savings products is growing rapidly in the Gulf, and these entities are well positioned to cooperate with Rasmala.

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

Discretionary Portfolio Mandates

Discretionary Portfolio Mandates (DPM) provide the investment manager with the discretion to execute transactions within set parameters without referring to the account owner.

We increased both the number and size of our DPMs during 2014. Notably we won a new mandate from a government institution in Oman that we consider to be of strategic significance.

In a clear continuing 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.

Product Development

In 2014, we continued to execute the product expansion plan we developed and set in motion two years ago. The Rasmala Trade Finance Fund saw significant interest from our distributors and is positioned for rapid AUM growth in 2015.

We also continued to strengthen our leasing platform. The Rasmala Leasing Fund (RLF) was established to capture investment performance in the US leasing market. RLF pays regular annual distributions of 12%, and targets an IRR of 8% over the full life of the Fund. We plan to launch a second leasing fund in 2015.

The leasing and trade finance funds provide an alternative investment strategy to clients who want to reduce exposure to traditional strategies.

Strategically, these investment products allow us to retain any outbound investment flows from clients seeking alternative investment ideas. We believe there is a market opportunity for us to offer our GCC client base unique, Sharia'a compliant, investment products investing in international markets in addition to catering to investor requirements in MENA investment markets.

The variety in our product offering ensured we were able to retain assets under management in a challenging environment.

Rasmala Key Funds

These are summarised as follows:

Equity

- Rasmala 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.

Principal Investments

Principal Investments consisted of a number of private equity investments and a financing arrangement.

Principal Risks and Uncertainties

EIIB's business model involves the taking of risk in return for reward. Our MENA regional focus offers opportunities for financial returns but exposes us to a number of emerging market social, political and economic risks.

The Group is exposed to market risk in relation to its assets and liabilities, credit risk from transactions with third parties, particularly money market transactions, liquidity risk from liquidity mismatches and operational risk.

The effective management of risk is an essential part of our business and a key element in good corporate governance. Strong risk management is fundamental to EIIB's culture. The Group's approach to risk is documented in various risk policies. Under these policies risk is monitored on a daily basis.

Further details are reported in detail in Note 41 to the Financial Statements on pages 73 to 87 of the annual report.

Risk Management including Financial Risk

In terms of the Corporate Governance Code, the Board is responsible for risk. A Risk Appetite and Tolerance Policy sets the parameters for risk taking, and systems and controls are in place to identify, measure, monitor and manage risk.

The responsibility for managing risks lies with senior management. The Risk Department facilitates this process and monitors the effectiveness of the Group's risk management processes.

The Board Risk Committee has overall responsibility for ensuring the Group's Risk Policies are implemented.

The key elements of our risk management framework are:

- setting the Risk Management strategy and philosophy;
- defining the business risk appetite and tolerances;
- identification and quantification of risks;
- evaluation of identified risks;
- managing identified risks;
- risk reporting to support the on-going management of risks and the effectiveness of the risk solutions; and
- business continuity planning.

Summary

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

With the launch of new funds and further expansion of Rasmala's product range planned in 2015, we are confident that our asset management business will continue to flourish.

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

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	£	£
Income		
Income from financing and investing activities	1,820,063	2,491,520
Returns to financial institutions and customers	(180,966)	(206,830)
Net margin	1,639,097	2,284,690
Net fees and commission income	5,921,086	3,154,350
Net gain on funds, Sukuk and quoted equity	1,266,191	1,190,493
Gain on private equity investments designated at fair value	159,241	2,480,687
Gain on investment property designated at fair value	357,656	324,953
Other operating income	1,423,207	746,079
Total operating income	10,766,478	10,181,252
Expenses		
Provision for impairment of financing arrangements	-	202,831
Staff costs	(5,378,045)	(5,780,633)
Depreciation and amortization	(94,244)	(187,100)
Other operating expenses	(3,790,206)	(2,921,197)
Third party interest in consolidated funds	-	(10,379)
Total expenses	(9,262,495)	(8,696,478)
Operating profit before tax	1,503,983	1,484,774
Tax charge	(786,881)	(262,624)
Profit from continued operations	717,102	1,222,150
Loss after tax from discontinued operations	(116,976)	(1,249,584)
Profit/(loss) for the year	600,126	(27,434)
Profit/(loss) attributable to:		
Equity holders of the Company	592,037	137,575
Non-controlling interest	8,089	(165,009)
	600,126	(27,434)
Earnings per share		
- Basic	3.16p	0.01p
- Diluted	3.16p	0.01p

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	£	£
Profit/(loss) for the year	600,126	(27,434)
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of available-for-sale securities	179,031	(383,595)
Exchange loss on net investment in foreign operations	(526,012)	(413,904)
Total comprehensive income/(loss) for the period	253,145	(824,933)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	245,056	(561,830)
Non-controlling interest	8,089	(263,103)
	253,145	(824,933)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

	2014	2013
	£	£
Assets		
Cash and balances with banks	6,561,726	9,488,406
Other assets	12,216,422	4,060,019
Available-for-sale securities - sukuk	22,471,325	26,457,774
Assets held for sale	91,491	910,109
Leasing fund held for sale	-	4,368,976
Financing arrangements	7,807,396	11,450,067
Financial assets designated at fair value	25,847,173	27,266,475
Fair value of foreign exchange agreements	24,394	1,377,797
Due from financial institutions	34,056,436	40,244,300
Private equity assets designated at fair value	16,693,699	15,864,665
Property, plant and equipment	174,243	193,589
Investment properties	1,673,630	1,742,156
Intangible assets	2,528	13,409
Goodwill	10,784,754	10,165,750
Total assets	138,405,217	153,603,492
Liabilities		
Due to financial institutions	6,630,419	13,000,806
Fair value of foreign exchange agreements	954,329	2,819
Liabilities held for sale	123,545	848,866
Other liabilities	5,601,917	6,274,656
Third party interest in consolidated funds	-	6,499,725
Total liabilities	13,310,210	26,626,872
Shareholders' equity		
Share capital	19,720,892	19,720,892

Share premium account	61,815,459	101,815,459
Capital redemption reserve	599,040	599,040
Treasury shares	(2,117,015)	(2,117,015)
Special reserve	60,000,000	20,000,000
Equity reserve	(911,624)	-
Fair value reserve on available-for-sale securities	398,142	219,111
Foreign exchange reserve	(841,822)	(315,810)
Accumulated losses	(16,395,312)	(16,987,349)
Total equity attributable to the Company's equity holders	122,267,760	122,934,328
Non-controlling interest	2,827,247	4,042,292
Total equity	125,095,007	126,976,620
Total equity and liabilities	138,405,217	153,603,492

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium account	Capital redemption reserve	Treasury shares	Special reserve	Equity reserve	Fair value reserve on available-for-sale securities	Foreign exchange reserve	Accumulated losses	Non-controlling interest	Total equity - Group
	£	£	£	£	£	£	£	£	£	£	£
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)	9,170,94	5128,931,567
Contributions by and distributions to owners											
New shares issued	1,929,898	5,246,196	-	-	-	-	-	-	-	-	7,176,094
Acquisition of NCI	-	-	-	-	-	-	-	-	-	(2,561,405)	(2,561,405)
Adjustments	-	-	-	-	-	-	-	-	(3,451,700)	-	(3,451,700)

ons by and distributio ns to owners												
Transfer (note 30)	(40,000, 000)	-	-	40,000 ,000	-	-	-	-	-	-	-	-
Disposal of subsidiary-	-	-	-	-	-	-	-	-	-	(314,3 45)	(314,34 5)	
Acquisitio n of NCI	-	-	-	-	(911, 624)	-	-	-	-	(696,1 09)	(1,607, 733)	
Forex reserves (note 39.4)	-	-	-	-	-	-	-	-	-	(212,6 80)	(212,68 0)	
	19,720 ,892	61,815, 459	599,04 0	(2,117, 015)	60,000 ,000	(911, 624)	219,1 11	(315,810)	(16,987, 349)	2,819,1 58	1124,841 ,861	
Compreh ensive income for the year												
Net change in fair value of available- for-sale securities							179,0 31	-	-	-	-	179,031
Foreign exchange loss on conversio n of foreign operatio s							-	(526,012)	-	-	-	(526,01 2)
Profit for the year							-	-	592,037	8,089	600,126	
Total comprehe nsive income							179,0 31	(526,012)	592,037	8,089	253,145	
Balance at 31												
December r 2014	19,720 ,892	61,815, 459	599,04 0	(2,117, 015)	60,000 ,000	(911, 624)	398,1 42	(841,822)	(16,395, 312)	2,827, 47	2125,095 ,007	

	2014	2013
	£	£
Cash flows from operating activities		
Operating profit for the period	1,503,983	1,484,774
Operating loss on discontinued operations	(116,976)	(1,249,584)
Adjusted for:		
Net provision for impairment of financing arrangements	-	(202,830)
Gain on investment in funds and sukuk designated at fair value	184,920	(840,956)
Gain on private equity investments designated at fair value	(159,241)	(2,480,687)
Reversal of provision on related party	(962,958)	-
Gain on sale of investments	(253,774)	-
Depreciation and amortization	94,244	187,100
Loss on disposal of plant & equipment	-	28,212
Fair value gain on Investment property	(357,656)	(177,000)
Net /decrease/(increase) in operating assets:		
Due from financial institutions	6,187,864	22,505,646
Financial assets designated at fair value	(4,088,576)	(1,792,047)
Financing arrangements	3,642,672	(11,450,067)
Available-for-sale securities-sukuk	3,986,449	7,531,340
Private Equity financial assets designated at fair value	(669,793)	(68,081)
Investment property	426,182	173,302
Fair value of foreign exchange agreements	1,353,403	(580,128)
Assets held for sale	818,617	4,911,345
Lease assets held for sale	4,368,976	-
Other assets	(9,161,369)	(737,546)
Net (decrease)/increase in operating liabilities:		
Due to financial institutions	(6,370,387)	(13,730,702)
Due to customers	-	(95,637)
Fair value of foreign exchange agreements	951,510	(36,490)
Liabilities held for sale	(725,321)	(2,295,325)
Other liabilities	(1,459,620)	(1,856,704)
Third party interest in consolidated funds	(6,499,725)	-
Taxation:		
Corporation tax paid	-	-
Net cash outflow from operating activities	(7,306,576)	(772,065)
Cash flow from investing activities		
Sale/(purchase) of investment in funds	5,576,730	(4,368,976)
Payment on acquisition of a subsidiary net of cash acquired	(1,773,769)	(1,600,000)
Disposal of a subsidiary net of cash disposed of	630,303	-
Purchase of plant and equipment	(53,368)	(63,612)
Net cash inflow/(outflow) from investing activities	4,379,896	(6,032,588)
Cash flows from financing activities		
Net Subscriptions to consolidated funds	-	2,668,365
Net cash inflow/ from financing activities	-	2,668,365
Cash and cash equivalents at the beginning of period	9,488,406	13,624,694
Cash and cash equivalents at the end of the period	6,561,726	9,488,406

Profit receipt on investments during 2014 included above £1,740k (2013: £2,358k) and profit paid on borrowings £24k (2013: £47k)

Segmental Information

The Company focuses on MENA markets and for 2014 centred on the following three core businesses:

- (a) **Investment Banking:** encompassing provision of financing, debt capital markets, structured debt finance, and advisory services.
- (b) **Asset Management:** investment management solutions encompassing equities, fixed income and alternatives.
- (c) **Principal Investments:** investing in funds and Islamic products; includes a diversified portfolio of private equity 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 Company'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.

2014	Banking £	Asset Management £	Principal Investments £	Discontinued Operations £	Total £
Revenue from external customers	3,095,416	5,680,705	2,178,521	-	10,954,642
Returns to external customers	(52,319)	(148,303)	(21,901)	-	(222,523)
Fair value gain on investments	-	-	34,359	-	34,359
Total operating income	3,043,097	5,532,402	2,190,979	-	10,766,478
(Loss)/profit after tax from continuing activities	(196,229)	(479,188)	1,392,519	-	717,102
Loss from discontinued operations	-	-	-	(116,976)	(116,976)
Other comprehensive income after tax	(284,068)	(62,913)	-	-	(346,981)
Total comprehensive	(480,297)	(542,101)	1,392,519	(116,976)	253,145

income

Depreciation and amortisation	(25,376)	(65,968)	(2,900)	-	(94,244)
Segment assets	62,520,532	59,099,494	16,693,699	91,492	138,405,217
Segment liabilities	3,107,784	6,448,913	3,629,968	123,545	13,310,210
Capital expenditure					
Leasehold improvements -		20,247	-	-	20,247
Plant and equipment	1,402	33,983	-	-	35,385
Intangible assets	-	-	-	-	-

2013	Banking £	Asset Management £	Principal Investments £	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
Total operating income	3,998,081	3,377,531	2,805,640	-	10,181,252
Profit/(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	110,262,544	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 - - - - -

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 2014 were approved by the directors on 23 April 2015. 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 at www.eiib.co.uk and is being posted to shareholders shortly.