

European Islamic Investment Bank plc



Condensed consolidated interim financial statements

For the six months ended 30 June 2014

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Highlights

- Financial performance for the six months to 30 June 2014 in line with management expectations
- Operating income increased 68% to £6m (period to 30 June 2013: £3.6m)
- Operating profit of £0.9m, compared favourably to a loss of £0.75m in the same period 2013 (2013: full year profit before tax from continuing operations £1.5m)
- Assets under management (AUM) including capital seeded by the Group at US\$1,123m (period to 31 December 2013: US\$1,176m)
- Strong capital adequacy, regulatory and liquidity ratios maintained

Financial results

During the first half of 2014 the Group delivered satisfactory financial performance.

Total operating income for the period to 30 June 2014 was £6.0m (period to 30 June 2013: £3.6m). Total expenses for the period were £5.1m (2013: £4.3m). The resulting Operating profit for the period was £0.9m (2013: loss of £0.75m).

The bank also maintained its strong capital adequacy, regulatory and liquidity ratios.

Commentary

In the first half of the year we continued on our path of transforming EIIB into a market leading asset management and financing business, headquartered in London and focused on the Gulf Cooperation Council (GCC) countries.

The GCC market remained buoyant, with IPOs from GCC countries, representing the majority of all Middle East and North Africa (MENA) IPOs, raising some \$2.26 billion during the period.

The upgrading of the UAE and Qatar to emerging markets status was a significant development. Saudi Arabia also announced plans to open its market to international investors. Increased ability to invest in the region will boost long-term prospects for regional markets.

Regional investors were also encouraged by signs of increasing stability in Egypt where our business continues to make steady progress.

Overall, the outlook remains positive with greater investment and IPO opportunities on the horizon.

Asset Management

Our investment performance remained strong across all of our Funds and client portfolios. Our flagship equity funds, the Arabian Markets Growth Equity Fund and the Rasmala GCC Islamic Equity Income Fund, produced returns of 13.63% and 10.45%, respectively. Our flagship fixed income funds, the Rasmala GCC Fixed Income Fund and the Rasmala Global Sukuk Fund, produced returns of 5.53% and 3.81%, respectively.

We continued to execute our product innovation plan with the launch of the Rasmala Trade Finance Fund.

Our Assets under management (AUM) including capital seeded by the Group remained steady at US\$1,123m (period to 31 December 2013: US\$1,176m). An increase in AUMs in our equity funds and investment strategies of around \$57m, and in our alternative investment strategies of around \$31m, was offset by a decline in AUMs in our fixed income funds and money market investment strategies. The decline in AUMs in our fixed income and money markets funds and strategies was principally due to the maturity of a fixed income portfolio mandate of US\$99m.

Our expanded range of products are now being supported by an enhanced sales team and we will continue to invest in our sales, distribution and marketing capabilities.

Capital Markets and Structured Finance

EIIB is 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. We completed the second tranche of \$40m during the reporting period. The FWU transaction showcases the bank's skill set in debt capital markets and structured debt finance.

EIIB also participated as a cornerstone investor in the Emirates REIT IPO on Nasdaq Dubai.

Legacy Investments

We continue to seek an orderly exit from our remaining legacy investments and remain focused on winding down non-core operations.

Tender Offer

EIIB received authority from shareholders to undertake a tender offer and commenced the process. The Tender Offer remains open until 1.00pm on 10 October 2014 and will be implemented subject to consultation with EIIB's regulator.

Proposed Share Buy Back

EIIB did not receive a general authority from shareholders to buy back shares. The Board remains committed to a Share Buy Back and believes that the effect of such purchases would be in the best interests of shareholders.

UK Regulatory Permissions

The Board undertook a review of the scope of EIIB's UK regulatory permissions and concluded that the current scope is in excess of requirements. We have therefore initiated discussions with our regulators to vary our regulatory permissions in order to allow the Company to focus on its core strategy. We anticipate this will involve relinquishing EIIB's deposit-taking licence.

Outlook

Progress in the first half of the year has been satisfactory. We continue to focus on our core asset management strategy and see growing opportunities in our markets. We look forward to reporting further progress at year end.

Zulfi Caar Hydari

Chief Executive

Condensed consolidated statement of income for the six months ended 30 June 2014 (unaudited)

	6 months to 30-Jun-14 £	6 months to 30-Jun-13 £	Year to 31-Dec-13 £
Income			
Income from financing and investing activities	1,037,007	1,295,100	2,491,520
Returns to financial institutions and customers	(102,145)	(137,183)	(206,830)
Net margin	934,862	1,157,917	2,284,690
Net fees and commission income	2,390,055	1,423,547	3,154,350
Net gain on funds, sukuk and quoted equity	1,676,106	139,008	1,190,493
Gain/(loss) on private equity investments designated at fair value	805,388	244,614	2,480,687
Gain/(loss) on investment property designated at fair value	138,406	241,335	324,953
Other operating income	99,892	353,269	746,079
Total operating income	6,044,709	3,559,690	10,181,252
Expenses			
Net provision for impairment of financing arrangements	0	202,830	202,831
Staff costs	(2,680,882)	(2,939,962)	(5,780,633)
Depreciation and amortization	(58,999)	(113,911)	(187,100)
Other operating expenses	(2,173,314)	(1,559,208)	(2,921,197)
Third party interest in consolidated funds	(218,018)	99,178	(10,379)
Total expenses	(5,131,213)	(4,311,073)	(8,696,478)
Operating profit/loss before tax	913,496	(751,383)	1,484,774
Tax charge/credit	(249,817)	0	(262,624)
Profit/loss from continued operations	663,679	(751,383)	1,222,150
Loss from discontinued operations	(218,736)	0	(1,249,584)
Profit/(loss) for the period	444,943	(751,383)	(27,434)
Income/(loss) attributable to:			
Equity holders of the Bank	216,081	(834,670)	137,575
Non-controlling interest	228,862	83,287	(165,009)
	444,943	(751,383)	(27,434)
Earnings per share			
- Basic	1.02p	(0.05p)	0.01p
- Diluted	1.02p	(0.05p)	0.01p

Condensed consolidated statement of other comprehensive income for the six months ended 30 June 2014 (unaudited)

	6 months to 30-Jun-14 £	6 months to 30-Jun-13 £	Year to 31-Dec-13 £
Profit/(loss) for the period	444,943	(751,383)	(27,434)
Other comprehensive income			
Net change in fair value of available-for-sale securities	47,944	(414,074)	(383,595)
Foreign exchange gain/(loss) on net investment in foreign operations	39,202	(382,390)	(413,904)
Total comprehensive (loss)/income for the period	532,089	(1,547,847)	(824,933)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Bank	224,507	(1,287,107)	(561,830)
Non-controlling interest	307,582	(260,740)	(263,103)
	532,089	(1,547,847)	(824,933)

Condensed consolidated statement of financial position at 30 June 2014 (unaudited)

	30 Jun 2014 £	30 Jun 2013 £	31 Dec 2013 £
Assets			
Cash and balances with banks	7,293,822	9,231,898	9,488,406
Due from financial institutions	41,532,663	56,424,808	40,244,300
Financial assets designated at fair value	28,737,942	33,260,285	27,266,475
Available for sale investments	31,988,516	26,170,467	26,457,774
Financing arrangements	7,965,605	6,736,510	11,450,067
Private equity assets designated at fair value	16,026,636	14,577,333	15,864,665
Fair value of foreign exchange agreements	1,036,946	156,281	1,377,797
Assets held for sale	537,751	3,618,838	910,109
Investment property	1,610,614	1,640,188	1,742,156
Goodwill	10,021,251	12,340,195	10,165,750
Op Lease assets	-	1,018,816	4,368,976
Property, plant and equipment	153,892	260,101	193,589
Intangible assets	7,767	19,569	13,409
Other assets	3,900,887	3,677,067	406,019
Total assets	150,814,292	169,132,356	149,949,492
Liabilities			
Due to financial institutions	10,584,567	23,467,663	13,000,806
Fair value of foreign exchange agreements	1	819,766	2,819
Liabilities held for sale	564,140	931,702	848,866
Other liabilities	10,771,845	9,472,580	6,274,656
Third party interest in consolidated funds	1,385,031	7,468,665	6,499,725
Total liabilities	23,305,584	42,160,376	26,626,872
Shareholders' equity			
Share capital	19,720,892	17,925,403	19,720,892
Share premium account	101,815,459	96,918,725	101,815,459
Capital redemption reserve	599,040	599,040	599,040
Treasury shares	(2,117,015)	(2,117,015)	(2,117,015)
Special reserve	20,000,000	20,000,000	20,000,000
Fair value reserve on available-for-sale securities	267,055	188,633	219,111
Foreign exchange reserve	(355,328)	(49,831)	(315,810)
Accumulated losses	(16,771,268)	(14,507,871)	(16,987,349)
Total equity attributable to the Bank's equity holders	123,158,835	118,957,084	122,934,328
Non-controlling interest	4,349,874	8,014,896	4,042,292
Total equity and liabilities	150,814,292	169,132,356	153,603,492

European Islamic Investment Bank plc

Condensed consolidated statement of changes in equity for the six months ended 30 June 2014 (unaudited)

	Share capital	Share premium account	Capital Redemp Reserve	Treasury shares	Special Reserve	Fair value reserve on AFS	Foreign exchange reserve	Retained earnings	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)	9,170,594	128,931,567
New shares issued	134,409	349,462							0	483,871
Foreign Exchange adjustment							(653)		383,855	383,202
NCI adjustment on discontinued operations							0		(123,291)	(123,291)
Capital distribution by Rasmala subsidiaries									(1,155,523)	(1,155,523)
Total	17,925,403	96,918,725	599,040	(2,117,015)	20,000,000	602,706	(11,467)	(13,673,201)	8,275,635	128,519,826
Net change in fair value of available-for-sale securities						(414,073)				(414,073)
Exchange loss on net investment in Foreign operations							(38,364)		(344,026)	(382,390)
Profit/(loss) for the period								(834,670)	83,287	(751,383)
Balance at 30 June 2013	17,925,403	96,918,725	599,040	(2,117,015)	20,000,000	188,633	(49,831)	(14,507,871)	8,014,896	126,971,980
Balance at 01 July 2013	17,925,403	96,918,725	599,040	(2,117,015)	20,000,000	188,633	(49,831)	(14,507,871)	8,014,896	126,971,980
New shares issued	1,795,489	4,896,734								6,692,223
Adjustment on premium paid over acquisition of non-controlling interest								(3,451,723)		(3,451,723)
Other							10,814		21,647	32,461
Reallocation of NCI									(1,216,987)	(1,216,987)
Aquisition of NCI									(2,561,405)	(2,561,405)
Total	19,720,892	101,815,459	599,040	(2,117,015)	20,000,000	188,633	(39,017)	(17,959,594)	4,258,151	126,466,549
Net change in FV of available-for-sale securities						30,478				30,478
Exchange gain/(loss) on net investment in Foreign operations							(276,793)		32,437	(244,356)
Profit/(loss) for the period								972,245	(248,296)	723,949
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
Balance at 01 Jan 2014	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
Net change in Fair value of available-for-sale securities						47,944				47,944
Exchange gain/(loss) on net investment in Foreign operations							(39,518)		78,719	39,201
Profit/(loss) for the period								216,081	228,862	444,943
Balance at 30 June 2014	19,720,892	101,815,459	599,040	(2,117,015)	20,000,000	267,055	(355,328)	(16,771,268)	4,349,874	127,508,709

Condensed consolidated cash flow statement for the six months ended 30 June 2014 (unaudited)

	6 months to 30 Jun 2014 £	6 months to 30 Jun 2013 £	Year to 31 Dec 2013 £
Cash flows from operating activities			
Operating profit/(loss) for the period	913,496	(751,383)	1,484,774
Operating profit/(loss) on discontinued operations	(218,736)	0	(1,249,584)
Adjusted for:			
Net provision for impairment of financing arrangements	0	(202,830)	(202,830)
Loss / (gain) on investment in funds and sukuk designated at fair value (989,573)		123,384	(840,956)
Loss / (gain) on private equity investments designated at fair value	(805,388)	(385,612)	(2,480,687)
Depreciation and amortisation	58,999	113,911	187,100
Loss on disposal of plant & equipment	0	0	28,212
Fair value gain on Investment property	(138,406)	0	(177,000)
Net (increase)/decrease in operating assets:			
Due from financial institutions	(1,288,364)	6,122,308	22,505,646
Quoted Equity investments designated at fair value	(4,019,751)	(3,106,022)	(6,466,921)
Financing arrangements	3,484,462	(6,533,680)	(11,450,067)
Sukuk	9,683,606	1,405,310	9,434,349
Available for sale securities - Equity			
Private Equity financial assets designated at fair value	599,373	(875,824)	(68,081)
Investments in funds designated at fair value	(11,628,548)	355,088	2,388,270
Investment property	313,992	98,270	173,302
Other assets	538,161	(1,658,167)	(6,216,839)
Net increase/(decrease) in operating liabilities:			
Due to financial institutions	(2,455,756)	(3,263,845)	(13,730,702)
Due to customers	0	(95,637)	(95,637)
Other liabilities	4,517,226	1,815,035	6,005,586
Taxation:			
Corporation tax (paid)/received	0	0	0
Net cash inflow/(outflow) from operating activities	(1,435,207)	(6,839,692)	(772,065)
Cash flow from investing activities			
(Purchase)/disposal of Op lease assets	4,368,976	0	(4,368,976)
Payment on acquisition of a subsidiary (cash consideration)	0	0	(1,600,000)
Purchase of plant and equipment	(13,660)	(34,882)	(63,612)
Net cash inflow/(outflow) from investing activities	4,355,316	(34,882)	(6,032,588)
Cash flows from financing activities			
Net Subscriptions to consolidated funds	(5,114,693)	3,637,303	2,668,365
Payment to minority shareholders	0	(1,155,523)	0
Net cash inflow/(outflow) from financing activities	(5,114,693)	2,481,779	2,668,365
Cash and cash equivalents at the beginning of period	9,488,406	13,624,694	13,624,694
Cash and cash equivalents at the end of the period	7,293,822	9,231,898	9,488,406

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2014

1. Principal activities and authorisation of the financial statements

European Islamic Investment Bank plc ('EIIB' or 'Company') is a London headquartered specialist asset management and financing group incorporated in the United Kingdom on January 11, 2005. The Company is focused on the Gulf Cooperation Council countries and offers investment management and structured finance solutions.

The interim condensed consolidated financial statements of the Bank and its subsidiaries (the 'Group') for the six months ended 30 June 2014 were authorised by the Board of Directors for issue on 24 September 2014.

The condensed consolidated financial statements of the Group as at and for the period ended 30 June 2014 are available at www.eiib.co.uk

2. Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

3. Share capital and share premium

EIIB consolidated its ordinary shares as approved at its Annual General Meeting on 25 June 2014 and as a result of consolidation, the number of ordinary shares with voting rights in issue in the Company has changed to 39,441,784 from 1,972,089,200.

4. Subsequent events

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

EIIB reduced its share premium account by an amount of £40,000,000 with the approval of the Chancery Division of the High Court in order to create additional distributable reserves.

EIIB commenced its tender offer for up to 8,000,000 shares which is due to close on 10 October 2014 and will be implemented subject to consultation with the regulator.