



European Islamic Investment Bank plc

Interim report

For the period ended 30 June 2008

European Islamic Investment Bank plc

Chairman's statement

I am pleased to announce that the Bank has made good progress across all lines of its business, resulting in a healthy deal pipeline, the signing of Heads of Terms for a strategic partnership with a highly respected financial institution, and the establishment of a new business line.

This was achieved despite the significant turmoil in the credit markets, with low volumes, widening credit spreads, and the evaporation of positive sentiment in the interbank market. GCC Sukuk issuance has become a casualty of the state of the international debt capital markets with AED and USD denominated primary market issuance during the first half of 2008 virtually halving compared to the same period in 2007. Secondary Sukuk trading volumes were also low, reflecting general investor apathy.

Despite these challenges, EIIB has continued to develop and make progress during the first six months of 2008.

Our revenues for the half-year have increased to £7.3m (2007: £6.4m) and our operating profit before tax increased to £2.8m versus a loss of £3.7m for the same period last year, which underlines significant growth over the same period in 2007.

Our interim results show an increase in total operating income for all businesses of 14% over the first half of 2007, from £6.4m to £7.3m, reflecting the strength of our Treasury and Capital Markets business, and the full year effect of rental incomes derived from our portfolio of investment properties. Also, our ongoing focus on actively managing our resources, together with the impact of the change in the accounting treatment of investment properties (see below) resulted in total operating expenses decreasing by 55% from £10.1m to £4.5m.

During the first half of 2008, we launched a Private Equity and Corporate advisory business with the intention of establishing EIIB as a participant in mid-sized Private Equity deals with GCC investors, and European corporates. We are confident that the substantial level of interest and queries received by the team thus far will be translated into advisory and investment deals in the short to medium term.

The Treasury and Capital markets division performed robustly in the face of very challenging markets. A \$70m Syndication for a major Saudi conglomerate was initiated during the first half, and successfully closed during August. In addition a number of transactions were reviewed and not pursued for various reasons during the period. We believe that the success of this syndication deal, and our willingness to decline other transactions, demonstrates both our syndication capability and our measured approach to risk which stands the Bank well in the current environment.

Following a careful review of the property market in the UK, we have decided to hold the portfolio of investment properties (acquired as part of the aborted launch of the Pan European Islamic Real Estate Fund) for long term revenue generation and capital appreciation. The change in our intention means that the accounting treatment under IFRS 5 previously applied is no longer appropriate, hence the portfolio is now accounted for under IAS 40. The impact of this change of accounting treatment is that the Balance Sheet valuation now reflects the recoverable amounts under IAS 40 cost method after depreciation and impairment taking into account the value in use, rather than fair market value. The properties are in prime positions, and are almost all fully let for periods of up to 13 years, we are confident that the portfolio will continue to contribute positively to the Bank's results.

In July, we announced that EIIB has signed a Heads of Terms agreement with Robeco Groep NV to develop a range of Shariah compliant wealth or asset management products. Discussions to finalise this partnership are ongoing and we hope to be able to announce the conclusion of these arrangements in the near future.

In conclusion, we are very pleased with the progress the Bank has made over the first half of this year. We remain well capitalised and are well positioned to deliver on our business objectives in the coming years.

Adnan Ahmed Yousif
Chairman



European Islamic Investment Bank plc

Independent review report to European Islamic Investment Bank plc

Introduction

We have been engaged by the Bank to review the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2008 which comprises Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 10. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Bank in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the Bank are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
1 More London Place
London SE1 2AF
3 September 2008

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Consolidated income statement for the half year ended 30 June 2008 (unaudited)

| | Notes | 6 months to 30 Jun 2008 £ | 6 months to 30 Jun 2007 £ | Year to 31 Dec 2007 £ |
|---|----------|---------------------------------|---------------------------------|-----------------------------|
| Income | | | | |
| Income from financing and investing activities | | 6,870,777 | 6,258,036 | 13,728,894 |
| Returns to financial institutions and customers | | (1,390,222) | (1,049,711) | (2,784,333) |
| Returns related to the Investment properties | 9 | (1,271,003) | (535,908) | (1,859,148) |
| Net margin | | 4,209,552 | 4,672,417 | 9,085,413 |
| Foreign exchange gains | | 319,118 | 23,950 | 219,684 |
| Trading income | | 117,645 | 171,119 | 335,057 |
| Fees and commissions | | 666,184 | 854,883 | 1,114,405 |
| Rental income | 9 | 2,002,784 | 675,346 | 2,257,494 |
| Total operating income | 3 | 7,315,283 | 6,397,715 | 13,012,053 |
| Expenses | | | | |
| Provision for impairment of the Investment properties | 9 | - | (3,102,875) | (5,080,755) |
| Staff costs | | (3,288,940) | (3,362,837) | (4,764,764) |
| Depreciation and amortization | | (212,875) | (187,940) | (392,218) |
| Other operating expenses | | (1,030,606) | (1,217,875) | (2,635,274) |
| Operating expenses of the Investment properties | 9 | 22,680 | (2,180,615) | (2,621,528) |
| Total operating expenses | | (4,509,741) | (10,052,142) | (15,494,539) |
| Operating profit/(loss) before tax | 3 | 2,805,542 | (3,654,427) | (2,482,486) |
| Tax | 4 | (877,550) | (553,220) | (1,994,295) |
| Profit/(loss) for the period | | 1,927,992 | (4,207,647) | (4,476,781) |
| Attributable to equity holders of the Bank | | 1,927,992 | (4,207,647) | (4,476,781) |
| Earnings per share - basic and diluted | 5 | 0.11p | (0.23)p | (0.25)p |

The notes on pages 7 to 14 form an integral part of the consolidated financial statements.

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Consolidated balance sheet at 30 June 2008 (unaudited)

| | Notes | 30 Jun 2008 £ | 30 Jun 2007 £ | 31 Dec 2007 £ |
|---|-------|--------------------|--------------------|--------------------|
| Assets | | | | |
| Cash and balances with banks | | 1,079,558 | 963,068 | 644,846 |
| Collateral deposits | | 235,732 | 235,732 | 235,732 |
| Due from financial institutions | | 207,160,071 | 140,778,677 | 177,134,119 |
| Financing arrangements | | 40,322,165 | 63,455,163 | 45,671,934 |
| Available for sale securities | | 38,641,920 | 34,568,653 | 34,320,051 |
| Fair value of foreign exchange agreements | | 326,556 | 1,466,675 | - |
| Investment properties | 9 | 53,699,245 | 55,677,125 | 53,699,245 |
| Plant and equipment | 7 | 358,255 | 422,178 | 409,325 |
| Intangible assets | 8 | 818,357 | 1,017,554 | 915,997 |
| Other assets | | 4,531,184 | 3,983,179 | 3,719,682 |
| Deferred tax assets | 4 | - | - | 97,391 |
| Total assets | | 347,173,043 | 302,568,004 | 316,848,322 |
| Liabilities | | | | |
| Due to financial institutions | | 157,322,741 | 102,209,588 | 126,680,992 |
| Due to customers | | 2,279,022 | 2,331,992 | 2,771,980 |
| Fair value of foreign exchange agreements | | 1,069 | 15,745 | 734,064 |
| Other liabilities | | 4,593,487 | 15,354,047 | 4,592,100 |
| Current taxation | 4 | 493,066 | 1,036,494 | 1,149,779 |
| Deferred taxation | 4 | 100,967 | 121,853 | - |
| Total liabilities | | 164,790,352 | 121,069,719 | 135,928,915 |
| Shareholders' equity | | | | |
| Share capital | | 18,255,625 | 18,255,625 | 18,255,625 |
| Share premium account | | 164,229,939 | 164,229,939 | 164,229,939 |
| Fair value reserve | | (925,038) | (73,917) | (446,997) |
| Retained earnings | | 822,165 | (913,362) | (1,119,160) |
| Total equity attributable to the Bank's equity holders | | 182,382,691 | 181,498,285 | 180,919,407 |
| Total equity and liabilities | | 347,173,043 | 302,568,004 | 316,848,322 |

John Weguelin
Chief Executive Officer

Keith McLeod
Finance Director

The notes on pages 7 to 14 form an integral part of the consolidated financial statements.

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Consolidated statement of changes in equity for the half year ended 30 June 2008 (unaudited)

| | Share capital £ | Share premium account £ | Fair value reserve £ | Retained earnings £ | Total £ |
|---|--------------------------|----------------------------------|-------------------------------|---------------------------|---------------------------|
| Balance at 1 January 2007 | 18,255,625 | 164,229,939 | (12,541) | 3,230,954 | 185,703,977 |
| Share award | - | - | - | 63,331 | 63,331 |
| | <u>18,255,625</u> | <u>164,229,939</u> | <u>(12,541)</u> | <u>3,294,285</u> | <u>185,767,308</u> |
| Net unrealised loss on available for sale securities | | | (61,376) | - | (61,376) |
| Loss for the period | | | - | (4,207,647) | (4,207,647) |
| Net loss recognised for the period | | | (61,376) | (4,207,647) | (4,269,023) |
| Balance at 30 June 2007 | <u>18,255,625</u> | <u>164,229,939</u> | <u>(73,917)</u> | <u>(913,362)</u> | <u>181,498,285</u> |
| Balance at 1 July 2007 | 18,255,625 | 164,229,939 | (73,917) | (913,362) | 181,498,285 |
| Share award | - | - | - | 63,336 | 63,336 |
| | <u>18,255,625</u> | <u>164,229,939</u> | <u>(73,917)</u> | <u>(850,026)</u> | <u>181,561,621</u> |
| Net unrealised loss on available for sale securities | | | (373,080) | - | (373,080) |
| Loss for the period | | | - | (269,134) | (269,134) |
| Net loss recognised for the period | | | (373,080) | (269,134) | (642,214) |
| Balance at 31 December 2007 | <u>18,255,625</u> | <u>164,229,939</u> | <u>(446,997)</u> | <u>(1,119,160)</u> | <u>180,919,407</u> |
| Balance at 1 January 2008 | 18,255,625 | 164,229,939 | (446,997) | (1,119,160) | 180,919,407 |
| Share award | - | - | - | 13,333 | 13,333 |
| | <u>18,255,625</u> | <u>164,229,939</u> | <u>(446,997)</u> | <u>(1,105,827)</u> | <u>180,932,740</u> |
| Unrealised loss on available for sale investments | | | (663,944) | | (663,944) |
| Tax adjustment | | | 185,903 | - | 185,903 |
| Profit for the period | | | - | 1,927,992 | 1,927,992 |
| Net income/(loss) recognised for the period | | | (478,041) | 1,927,992 | 1,449,951 |
| Balance at 30 June 2008 | <u>18,255,625</u> | <u>164,229,939</u> | <u>(925,038)</u> | <u>822,165</u> | <u>182,382,691</u> |

The notes on pages 7 to 14 form an integral part of the consolidated financial statements.

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Consolidated cash flow statement for the half year ended 30 June 2008 (unaudited)

| | 6 months to 30 Jun 2008 | 6 months to 30 Jun 2007 | Year to 31 Dec 2007 |
|--|----------------------------|----------------------------|------------------------|
| Notes | £ | £ | £ |
| Cash flows from operating activities | | | |
| Operating profit/(loss) on ordinary activities before tax | 2,805,542 | (3,654,427) | (2,482,486) |
| Adjusted for: | | | |
| Provision for impairment of property portfolio | 9 - | 3,102,875 | 5,080,755 |
| Depreciation and amortisation | 212,875 | 187,940 | 392,218 |
| Charges for share awards | 13,333 | 63,331 | 126,667 |
| Net (increase)/decrease in operating assets: | | | |
| Due from financial institutions | (30,025,952) | 24,118,270 | (12,237,172) |
| Financing arrangements | 5,349,769 | (32,873,151) | (15,089,922) |
| Available for sale securities | (4,985,813) | (1,213,211) | (1,497,580) |
| Fair value of foreign exchange agreements | (1,059,552) | 985,803 | 3,170,797 |
| Property portfolio | 9 - | (58,780,000) | (58,780,000) |
| Other assets | (810,689) | (1,547,188) | (1,283,691) |
| Net increase/(decrease) in operating liabilities: | | | |
| Due to financial institutions | 30,641,749 | 54,703,814 | 79,175,218 |
| Due to customers | (492,958) | 1,436,354 | 1,876,342 |
| Other liabilities | 1,386 | 13,819,531 | 3,057,585 |
| Taxation: | | | |
| Corporation tax paid | (1,150,000) | - | (1,387,143) |
| Net cash inflow from operating activities | 499,690 | 349,941 | 121,588 |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | (21,245) | (129,739) | (185,748) |
| Purchase of intangible assets | (43,735) | (68,550) | (102,410) |
| Net cash outflow from investing activities | (64,980) | (198,289) | (288,158) |
| Net increase/(decrease) in cash and balances with banks | 434,712 | 151,652 | (166,570) |
| Cash and balances with banks at the beginning of the period | 644,846 | 811,416 | 811,416 |
| Cash and balances with banks at the end of the period | 1,079,558 | 963,068 | 644,846 |

The notes on pages 7 to 14 form an integral part of the consolidated financial statements.



European Islamic Investment Bank plc

Notes to the consolidated financial statements (unaudited) At 30 June 2008

1. Principal activities

European Islamic Investment Bank plc (the 'Bank') was incorporated as the first independent, UK based Islamic investment bank managed on a wholly Sharia'a compliant basis. The activities of the Bank are focused on servicing clients in Europe, the Middle East and Asia through the provision of a range of services encompassing asset management and private banking, trading and investing in Islamic securities, treasury services and structured products, and providing corporate finance and advisory services.

The Bank is a company incorporated in the UK which was established on 11 January 2005 and received authorisation from the FSA on 8 March 2006 to carry on its proposed activities as an investment bank.

The interim condensed consolidated financial statements of the Bank for the six months ended 30 June 2008 were authorised for issue in accordance with a resolution of the directors on 29 August 2008.

2. Accounting policies and basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

During 2008 management has decided that the investment property portfolio will be held for long term revenue generation and capital appreciation – the carrying value and profits/losses are thus now recorded under IAS 40 rather than IFRS 5. Prior year comparatives have not been restated.

Presentation of comparative figures

The interim condensed consolidated financial statements are not statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2007 is based on the full statutory financial statements for that year on which the auditors issued an unqualified opinion and which did not contain an emphasis of matter reference and did not contain a statement under section 237(2) or (3) of the Companies Act 1985, and which have been delivered to the Registrar.

Notes to the consolidated financial statements (unaudited) At 30 June 2008

3. Segmental information

The Bank manages its activities primarily by class of business and the risks and returns are affected predominantly by differences in the products and services provided. The Bank has three areas of operations (on 30 June 2008), namely Treasury and Capital Markets, Real Estate and Advisory. The Treasury and Capital Markets unit became fully active in April 2006 following FSA authorisation. The majority of the cost base, and the assets and liabilities of the Bank have been deployed in support of that business unit. The other two business units were established during the second half of 2006.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2008, 30 June 2007 and full year ended 31 December 2007 respectively.

| 30 June 2008 | Treasury & Capital Markets | Real Estate | Advisory | Total |
|------------------------------------|---|------------------------|-----------------|-------------------------|
| | £ | £ | £ | £ |
| Revenue | | | | |
| Net income from external customers | 5,917,318 | 731,781 | 666,184 | 7,315,283 |
| Inter segment income/(expense) | - | - | - | - |
| Total income | <u>5,917,318</u> | <u>731,781</u> | <u>666,184</u> | <u>7,315,283</u> |
| Results | | | | |
| Segment profit | <u>2,999,795</u> | <u>441,419</u> | <u>351,683</u> | <u>3,792,897</u> |
| Unallocated costs | | | | (987,355) |
| Profit before tax | | | | <u><u>2,805,542</u></u> |

| 30 June 2007 | Treasury & Capital Markets | Asset Management | Corporate Finance & Advisory | Total |
|------------------------------------|---|-----------------------------|---|---------------------------|
| | £ | £ | £ | £ |
| Revenue | | | | |
| Net income from external customers | 6,258,277 | 139,438 | - | 6,397,715 |
| Inter segment income/(expense) | 314,441 | (314,441) | - | - |
| Total income/(expense) | <u>6,572,718</u> | <u>(175,003)</u> | <u>-</u> | <u>6,397,715</u> |
| Results | | | | |
| Segment profit/(loss) | <u>4,263,142</u> | <u>(6,911,295)</u> | <u>(639,603)</u> | <u>(3,287,756)</u> |
| Unallocated costs | | | | (366,671) |
| Loss before tax | | | | <u><u>(3,654,427)</u></u> |

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| 31 December 2007 | Treasury & Capital Markets £ | Asset Management £ | Corporate Finance & Advisory £ | Total £ |
|---------------------------------------|---------------------------------------|--------------------------|---|---------------------------|
| Revenue | | | | |
| Net income from external Customers | 12,613,707 | 398,346 | - | 13,012,053 |
| Inter segment income/(expense) | 760,404 | (760,404) | - | - |
| Total income/(expense) | <u>13,374,111</u> | <u>(362,058)</u> | <u>-</u> | <u>13,012,053</u> |
| Results | | | | |
| Segment profit/(loss) | <u>9,308,919</u> | <u>(10,739,000)</u> | <u>(1,052,405)</u> | <u>(2,482,486)</u> |
| Assets | | | | |
| Assets | 260,837,480 | 55,612,099 | 28,098 | 316,477,677 |
| Unallocated assets | | | | <u>370,645</u> |
| Total assets | | | | <u>316,848,322</u> |
| Liabilities | | | | |
| Liabilities | 131,131,100 | 2,677,566 | - | 133,808,666 |
| Unallocated liabilities | | | | <u>2,120,249</u> |
| Total liabilities | | | | <u>135,928,915</u> |

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Notes to the consolidated financial statements (unaudited) At 30 June 2008

4. Taxation

| | 6 months to 30 Jun 2008 £ | 6 months to 30 Jun 2007 £ | Year to 31 Dec 2007 £ |
|--|---------------------------------|---------------------------------|-----------------------------|
| <i>Tax on profit on ordinary activities charged in the income statement</i> | | | |
| Current year tax | 679,191 | 562,466 | 1,975,974 |
| Adjustments to prior year tax | - | - | 246,812 |
| <i>Current tax</i> | <u>679,191</u> | <u>562,466</u> | <u>2,222,786</u> |
| Deferred tax for the year | 198,359 | (9,246) | (3,091) |
| Prior year's deferred tax adjustment | - | - | (225,400) |
| <i>Deferred tax</i> | <u>198,359</u> | <u>(9,246)</u> | <u>(228,491)</u> |
| Tax charge in the income statement | <u>877,550</u> | <u>553,220</u> | <u>1,994,295</u> |
| <i>Reconciliation of the total tax charge</i> | | | |
| Profit/(loss) before tax | <u>2,805,542</u> | <u>(3,654,427)</u> | <u>(2,482,486)</u> |
| UK corporation tax at the standard rate (28%/30%) | 813,607 | (1,096,328) | (744,746) |
| Expenses not deductible for tax purposes | 23,077 | 1,852,152 | 3,395,537 |
| Income not subject to UK taxation | (233,294) | | |
| Deemed UK income | 280,630 | (202,604) | (677,908) |
| Adjustments for prior year's tax | - | - | 21,412 |
| Deferred tax recognised at 28% | (6,470) | | |
| Tax charge in the income statement | <u>877,550</u> | <u>553,220</u> | <u>1,994,295</u> |
| Current year's tax | 679,191 | 562,466 | 1,335,974 |
| Current tax credit related to items charged to equity | (185,903) | (31,679) | (186,195) |
| Prior year's tax payable | (222) | 505,707 | - |
| <i>Current tax payable in the balance sheet</i> | <u>493,066</u> | <u>1,036,494</u> | <u>1,149,779</u> |
| Accelerated capital allowances | 90,512 | 121,853 | 113,309 |
| Pension | 10,455 | - | - |
| Share awards | - | - | (210,700) |
| <i>Deferred tax (asset)/liability in the balance sheet</i> | <u>100,967</u> | <u>121,853</u> | <u>(97,391)</u> |

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Notes to the consolidated financial statements (unaudited) At 30 June 2008

5. Earnings per share

Earnings per share is calculated by dividing profit for the period by the weighted average number of shares outstanding during the year. There are currently no instruments in issue which would dilute earnings per share.

| | 6 months to 30 Jun 2008 | 6 months to 30 Jun 2007 | Year ended 31 Dec 2007 |
|--|------------------------------------|------------------------------------|-----------------------------------|
| | thousands | thousands | thousands |
| Weighted average number of shares for basic earnings per share | <u>1,825,563</u> | <u>1,825,563</u> | <u>1,825,563</u> |

6. Assets and liabilities in foreign currency

The Bank manages its exposure to foreign exchange rate fluctuations by matching assets with liabilities in the same currency, with similar maturities and the use of appropriate foreign exchange instruments.

| | 30 Jun 2008 | 30 Jun 2007 | 31 Dec 2007 |
|---|--------------------|--------------------|--------------------|
| | £ | £ | £ |
| Denominated in sterling | 215,013,680 | 167,115,200 | 201,973,974 |
| Denominated in currencies other than sterling | 132,159,363 | 135,452,804 | 114,874,348 |
| Total assets | <u>347,173,043</u> | <u>302,568,004</u> | <u>316,848,322</u> |
| Denominated in sterling | 31,547,938 | 53,700,870 | 46,983,007 |
| Denominated in currencies other than sterling | 133,242,414 | 67,368,849 | 88,945,908 |
| Total liabilities | <u>164,790,352</u> | <u>121,069,719</u> | <u>135,928,915</u> |

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Notes to the consolidated financial statements (unaudited) At 30 June 2008

7. Plant and equipment

| | Leasehold Improvements | Furniture & Fixtures | Computer Hardware | Total |
|----------------------------|---------------------------|-------------------------|----------------------|----------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2008 | 275,412 | 152,397 | 164,293 | 592,102 |
| Additions | 10,863 | 8,496 | 1,885 | 21,245 |
| Disposal | - | - | (1,396) | (1,396) |
| At 30 June 2008 | 286,275 | 160,893 | 164,782 | 611,951 |
| Depreciation | | | | |
| At 1 January 2008 | 58,315 | 39,937 | 84,525 | 182,777 |
| Charge for the period | 28,196 | 15,948 | 27,356 | 71,501 |
| Disposal | - | - | (582) | (582) |
| At 30 June 2008 | 86,511 | 55,885 | 111,300 | 253,696 |
| Net Book Value | | | | |
| At 30 June 2008 | 199,764 | 105,007 | 53,483 | 358,255 |
| At 31 December 2007 | 217,097 | 112,460 | 79,768 | 409,325 |

8. Intangible assets

| | £ |
|----------------------------|------------------|
| Cost | |
| At 1 January 2008 | 1,384,587 |
| Additions | 43,735 |
| At 30 June 2008 | 1,428,322 |
| Amortisation | |
| At 1 January 2008 | 468,590 |
| Charge for the period | 141,374 |
| At 30 June 2008 | 609,964 |
| Net Book Value | |
| At 30 June 2008 | 818,357 |
| At 31 December 2007 | 915,997 |

Intangible assets consist of computer licences and software development costs including capitalised staff costs.

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Notes to the consolidated financial statements (unaudited) At 30 June 2008

9. Property portfolio

The Bank has an interest in a UK commercial real estate property portfolio through the EIIB Pan-European Islamic Real Estate Fund ('the Fund'). The property portfolio was acquired for £58,780,000 in April 2007. This was funded by a financial institution (£41,050,000 at April 2007 – current balance is £39,050,000) and the balance was funded by a bridging facility made available by the Bank. Management's initial intention was to sell these properties, and hence these were accounted for under IFRS 5 and carried at fair value less cost to sell at 31 December 2007.

Management has reviewed the property portfolio, and in light of current market conditions, decided to hold the portfolio for long term revenue generation and capital appreciation. A Real Estate division has been established and the property portfolio is being actively managed by this division. The management change of intention regarding the property portfolio has invalidated the use of IFRS 5. These properties now qualify to be treated as Investment properties and accounted for under IAS 40 "Investment property".

Under IAS 40, EIIB recorded the investment properties at original cost less depreciation and at each reporting date assess whether there is any indication that the Investment properties are impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss if any. The recoverable amount of an asset is the higher of its fair value less cost to sell, and its value in use. Value in use is the present value of future cash flows from the assets discounted at a rate that reflects market returns adjusted for risks specific to the assets. If the recoverable amount of an asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

At 30 June 2008, Management estimate that the value in use exceeds the carrying value of the assets, and hence no further impairment provision is required.

| | £ |
|---|-------------------|
| 2007 | |
| Cost at acquisition | 58,780,000 |
| Depreciation | (153,500) |
| Impairment | (4,824,922) |
| Carried forward | <u>53,801,578</u> |
| 2008 | |
| Brought forward balance | 53,801,578 |
| Depreciation | (102,333) |
| Carrying value of Investment properties | <u>53,699,245</u> |

The fair value of the property portfolio is estimated to be £50.1m as at 30 June 2008.

European Islamic Investment Bank plc

Notes to the consolidated financial statements (unaudited) At 30 June 2008

10. Related party disclosures

Compensation of key management personnel

| | 6 months to 30 Jun 2008 | 6 months to 30 Jun 2007 | Year ended 31 Dec 2007 |
|------------------------------|----------------------------|----------------------------|---------------------------|
| Short-term employee benefits | 308,271 | 270,900 | 575,600 |
| Termination benefits | 87,500 | - | - |
| Post-employment pension | 14,375 | 11,917 | 30,500 |
| Share-based payments | 8,889 | 42,222 | 84,445 |
| | 419,035 | 325,039 | 690,545 |

Other directors' interests

The Bank enters into transactions, arrangements and agreements involving Directors and their related concerns in the ordinary course of business, all such business are conducted on an arms-length basis.

Directors have interests in the following companies with whom EIIB does business. Adnan Ahmed Yousif is President and Chief Executive of Albaraka Banking Group BSC ('ABB'); Khalid Al-Bassam (retired in February 2008) is Chairman of Bahrain Islamic Bank BSC ('BIB').

The total income from transactions with companies in which the Directors have interests up to June 2008 was £11,967 which is included under Income from financing and investing activities, The total returns to such companies were £59,434 included under Returns to financial institutions and customers.

As at 30 June 2008 the Bank had receivables from related parties as follows:

- Under Murabaha agreements with BIB £ 6,000,000.00

There is unsettled accrued income of £ 11,967 under the agreement at the period end. No provision has been taken against this exposure.

As at 30 June 2008 the Bank had liabilities to Directors and related parties as follows:

- Under Murabaha agreements with BIB \$ 19,500,000.00
- Under Murabaha agreements with Albaraka Banking Group \$ 15,000,000.00
- A Wakala acceptance from Mr Adnan Ahmed Yousif £ 1,314,662.17

Murabaha and Wakala are Islamic financing arrangements.



European Islamic Investment Bank plc

Registered No. 5328847

Company information

Directors

Adnan Yousif *Chairman*
Shabir Randeree *Deputy Chairman*
Abed Alzeera
George Morton *Senior Independent Director*
John Clouting
Mohammed Al Sarhan
Salman Abbasi
Subhi Benkhadra
Yousef Abu Khadra
Zaher Al Ajjawi
John Weguelin *Chief Executive Officer*
Keith McLeod *Finance Director*

Secretary

M A Mohaimin Chowdhury

Registered office

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Correspondent bankers

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Nominated broker and advisor

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