

European Islamic Investment Bank plc



Condensed consolidated interim financial statements

For the six months ended 30 June 2011

Chairman's statement

By the grace of The Almighty, I am pleased to present to our Shareholders the European Islamic Investment Bank Plc's ('EIIIB' or 'Bank' or 'Company') results for the six months ended 30 June 2011.

The first half of 2011 witnessed dramatic changes in EIIIB's operating environment. Civil unrest and discontent surfaced in a number of EIIIB's target markets, causing significant concern amongst investors, and a sustained flight to quality.

Notwithstanding this, I am pleased to announce that the Bank returned a net income of £11.8m. The standout result in EIIIB's first half was the timely exit of the TriTech investment, representing oil and gas assets situated in Texas which were sold in June 2011. This represents the first disposal from EIIIB's Private equity portfolio, generating an estimated unleveraged net Internal Rate of Return of at least 35% for EIIIB. I wish to acknowledge our Partners in TriTech, especially the Al Rajhi Group who played a key role in the success of this venture.

Looking back to the start of 2011, in January the Bank welcomed HBG as a significant new shareholder; HBG is a private equity investor with significant knowledge of the GCC and a track record of adding value to financial services companies. In May, two representatives of HBG, Michael Willingham-Toxvaerd and Zulfi Caar Hydari were appointed to the Board of EIIIB.

At the same time as these appointments, I accepted the resignations of two of my fellow Directors, namely Salman Abbasi and George Morton, and was notified that Yusef Abu Khadra had decided not to put himself forward for re-election at the Bank's Annual General Meeting (AGM). In addition, Director Yaser Alsharifi was not re-elected at the Bank's AGM. Salman, Yusef and George had been Directors of the Bank since its inception, and I wish to record my gratitude, for their contribution over the years.

After leading the bank for 16 months EIIIB's Chief Executive Officer, Subhi Benkhadra, has recently left the bank. Whilst the Board is going through the process of appointing a new CEO, Keith McLeod will continue in his role as Deputy Chief Executive officer and Finance Director, supported by the Board and the rest of the management team.

Following a period of review and consultation, the Board has determined that the existing staff incentive scheme does not fully align the interests of both staff and shareholders and hence no new bonuses will be allocated under the scheme for 2011. A revised scheme for 2012 and future years which will align stakeholder interests, and incorporate recent FSA Remuneration Code directives is under consideration.

The implementation of the Bank's focus on Investment Management, Banking and Financial Services is continuing apace. A further £3.1m was deployed into quoted equities via the Turath Quoted Equities Fund. In addition, the Bank was successful in attracting an additional £19.3m of deposits during the period.

Turning to our remaining Private Equity portfolio, our investment in DiamondCorp has reached an advantaged stage with the development of the Lace mine, which necessitated the extraction of a bulk sample. In June, DiamondCorp undertook a further capital issue in order to fund the extraction of the bulk sample, raising £3.5m at a price of 13 pence per share. EIIIB has maintained a holding at just over 26% by investing £0.9m in July 2011. As at 30 June 2011, EIIIB's stake was revalued from 8.5 pence per share to 13 pence per share, generating a profit of £2.2m.

I can also announce our exit from the Aston Martin exposure that had been written down in the Bank's books. After careful review of the ultimate recoverability of the financing facility provided to Aston Martin, the Board decided that it was in the Bank's best interests to exit the facility. The full amount of the facility was sold to third parties, achieving an average price of 96 pence in the pound. An impairment provision of 25 pence in the pound, which had been raised against this exposure in 2009, was consequently reversed resulting in a profit of £3.2m, which was recognised in the first half of 2011.

In terms of recent exposure, in January 2011 EIIIB invested £3.0m in a real estate development in Bodrum, Turkey called Carian Bay. Carian Bay is a luxury hospitality and residential waterside development in a desirable location within one of EIIIB's target investment markets. The transaction was opportunistic, providing EIIIB with valuable future real estate development and investment capabilities in Turkey. I am excited about the potential for this project, and anticipate being able to share further good news about the development in due course.

In summary, the record profit achieved by the Bank in the first half of the year, showcases EIIB's ability to source and develop successful Private Equity investments. This forms a core component of the Bank's strategy and I am confident that with the support of our Shareholders and our Team, the Bank can build on this success in the years ahead.

A handwritten signature in black ink, appearing to read 'S. Randeree', is written over a light yellow rectangular background.

Shabir Randeree
Chairman

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.



Keith McLeod
Finance Director and Deputy Chief Executive Officer
29 September 2011

Independent review report to European Islamic Investment Bank plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2011 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flow and the related explanatory notes. We have read the other information contained in the half-yearly 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 Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 2 the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

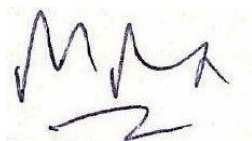
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with 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 UK. 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 report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

A handwritten signature in blue ink, appearing to read 'Paul Furneaux', is written over a light blue grid background.

Paul Furneaux
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square, London E14 5GL
29 September 2010

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 (unaudited)

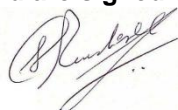
	Notes	6 months to 30 Jun 2011 £	6 months to 30 Jun 2010 £	Year to 31 Dec 2010 £
Income				
Income from financing activities		1,251,066	972,584	1,981,365
Returns to financial institutions and customers		(133,892)	(46,516)	(118,968)
Net margin		1,117,174	926,068	1,862,397
Trading income	6	191,815	700,756	955,047
Fair value (loss)/gain on quoted equity investments designated at fair value		(728,180)	(154,392)	52,755
Fair value gain on other private equity investments designated at fair value	11	2,423,274	-	1,729,139
Fees and commissions		147,724	13,533	21,713
Foreign exchange (loss)/gain		(500,792)	17,710	(121,810)
Oil & gas gross profit		183,377	254,054	489,900
Gain on sale of oil & gas properties		13,121,211	-	-
Reversal of impairment provisions of financing arrangements		3,200,000	-	-
Total operating income		19,155,603	1,757,729	4,989,141
Expenses				
Staff costs		(2,236,935)	(1,994,668)	(7,470,561)
Depreciation and amortization		(155,161)	(198,252)	(401,164)
Other operating expenses		(1,355,914)	(1,139,710)	(2,593,901)
Oil & gas overheads		(1,684,012)	(641,084)	(1,175,829)
Total operating expenses		(5,432,022)	(3,973,714)	(11,641,455)
Operating income/(loss) before tax		13,723,581	(2,215,985)	(6,652,314)
Tax	8	(1,879,691)	-	729,612
Income/(loss) for the period		11,843,890	(2,215,985)	(5,922,702)
Other comprehensive income				
Fair value gain on oil & gas development assets		-	-	20,825,388
Deferred tax liability on oil & gas development assets		1,243,393	-	(7,288,886)
Net change in fair value of available-for-sale securities		676,396	377,961	(103,407)
Exchange difference on net investment in foreign operations		-	521,132	-
Total comprehensive income/(loss) for the period		13,763,679	(1,316,892)	7,510,393
Income/(loss) attributable to:				
Equity holders of the Bank		7,514,504	(2,164,356)	(5,860,968)
Non-controlling interest		4,329,386	(51,629)	(61,734)
		11,843,890	(2,215,985)	(5,922,702)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Bank		8,190,900	(1,354,648)	4,252,508
Non-controlling interest		5,572,779	37,756	3,257,885
		13,763,679	(1,316,892)	7,510,393
Earnings per share				
- basic and diluted		0.44p	(0.12p)	(0.34p)

The notes on pages 9 to 20 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of financial position at 30 June 2011 (unaudited)

Assets	Notes	30 Jun 2011	30 Jun 2010	31 Dec 2010
		£	£	£
Cash and balances with banks		17,441,395	1,034,908	5,440,264
Due from financial institutions		91,811,124	114,657,326	91,728,189
Quoted equity investments designated at fair value		15,247,285	2,959,990	11,914,897
Available-for-sale securities – sukuk	10	34,083,089	17,136,692	18,166,794
Available-for-sale securities – equity		-	143,784	-
Financing arrangements		-	11,250,000	11,250,000
Fair value of foreign exchange agreements		195,030	604,566	36,437
Receivable from the sale of oil & gas properties		37,014,067	-	-
Private equity financial assets designated at fair value	11	16,402,201	2,752,438	14,336,526
Real estate investments designated at fair value	12	3,021,659	-	-
Other assets		2,536,369	1,499,489	1,951,788
Oil & gas properties	15.1	-	8,228,822	26,362,667
Goodwill		-	623,835	-
Plant and equipment		585,146	166,703	192,448
Intangible assets		83,685	290,576	161,675
Total assets		218,421,050	161,349,129	181,541,685
Liabilities				
Due to financial institutions		40,352,126	16,673,324	20,037,511
Due to customers		-	4,041,974	1,021,055
Fair value of foreign exchange agreements		791,169	39,581	373,810
Other liabilities		6,193,424	2,506,807	5,739,111
Current tax liability	8	7,994,624	-	-
Deferred tax liability	8	-	-	7,288,886
Total liabilities		55,331,343	23,261,686	34,460,373
Shareholders' equity				
Share capital		17,656,585	17,656,585	17,656,585
Share premium account		116,219,800	116,219,800	116,219,800
Capital redemption reserve		599,040	599,040	599,040
Treasury shares	13	(2,117,015)	(1,920,569)	(2,117,015)
Fair value reserve on available-for-sale securities		411,828	216,800	(264,568)
Fair value reserve on oil & gas development assets		-	-	10,216,883
Foreign exchange reserve		-	592,446	-
Share based payment reserve		256,138	-	136,138
Retained earnings		18,121,297	3,739,489	629,207
Total equity attributable to the Bank's equity holders		151,147,673	137,103,591	143,076,070
Non-controlling interest		11,942,034	983,852	4,005,242
Total equity and liabilities		218,421,050	161,349,129	181,541,685

These condensed consolidated interim financial statements have been approved by the Board of Directors and are signed on their behalf on 29 September 2011, by:



Shabir Randeree
Chairman



Keith McLeod
Finance Director and Deputy Chief Executive Officer

The notes on pages 9 to 20 form an integral part of the condensed consolidated interim financial statements.

European Islamic Investment Bank plc

Condensed consolidated statement of changes in equity for the six months ended 30 June 2011 (unaudited)

	Share capital £	Share premium account £	Capital redemption reserve £	Treasury shares £	Share based payment reserve £	Fair value reserve on AFS securities £	Fair value reserve on O&G development assets	Foreign exchange reserve £	Retained earnings £	Non controlling interest £	Total equity -Group £
Balance at 1 January 2010	17,656,585	116,219,800	599,040	-	-	(161,161)	-	160,699	5,903,845	939,605	141,318,413
Purchase of Treasury shares	-	-	-	(1,920,569)	-	-	-	-	-	-	(1,920,569)
Non controlling interest arising on business combinations	-	-	-	-	-	-	-	-	-	6,491	6,491
Total	17,656,585	116,219,800	599,040	(1,920,569)	-	(161,161)	-	160,699	5,903,845	946,096	139,404,335
Net change in fair value of available-for-sale securities	-	-	-	-	-	377,961	-	-	-	-	377,961
Loss for the period	-	-	-	-	-	-	-	-	(2,164,356)	(51,629)	(2,215,985)
Foreign exchange reserve	-	-	-	-	-	-	-	431,747	-	89,385	521,132
Total comprehensive income/(loss) for the period	-	-	-	-	-	377,961	-	431,747	(2,164,356)	37,756	(1,316,892)
Balance at 30 June 2010	17,656,585	116,219,800	599,040	(1,920,569)	-	216,800	-	592,446	3,739,489	983,852	138,087,443
Balance at 1 July 2010	17,656,585	116,219,800	599,040	(1,920,569)	-	216,800	-	592,446	3,739,489	983,852	138,087,443
Purchase of Treasury shares	-	-	-	(196,446)	-	-	-	-	-	-	(196,446)
Cost of share based payment arrangements	-	-	-	-	136,138	-	-	-	-	-	136,138
Gain made on further acquisition of subsidiary	-	-	-	-	-	-	-	-	425,631	-	425,631
Non controlling interest arising on business combinations	-	-	-	-	-	-	-	-	-	(198,741)	(198,741)
Total	17,656,585	116,219,800	599,040	(2,117,015)	136,138	216,800	-	592,446	4,165,120	785,111	138,254,025
Net change in fair value of available-for-sale securities	-	-	-	-	-	(481,368)	-	-	-	-	(481,368)
Loss for the period	-	-	-	-	-	-	-	-	(4,128,359)	(10,105)	(4,138,464)
Fair value gain on oil & gas development assets	-	-	-	-	-	-	15,718,282	-	-	5,107,106	20,825,388
Deferred tax liability on oil & gas development assets	-	-	-	-	-	-	(5,501,399)	-	-	(1,787,487)	(7,288,886)
Foreign exchange reserve	-	-	-	-	-	-	-	(592,446)	592,446	(89,383)	(89,383)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(481,368)	10,216,883	(592,446)	(3,535,913)	3,220,131	8,827,287
Balance at 31 Dec 2010	17,656,585	116,219,800	599,040	(2,117,015)	136,138	(264,568)	10,216,883	-	629,207	4,005,242	147,081,312
Balance at 1 January 2011	17,656,585	116,219,800	599,040	(2,117,015)	136,138	(264,568)	10,216,883	-	629,207	4,005,242	147,081,312
Cost of share based payment arrangements	-	-	-	-	120,000	-	-	-	-	-	120,000
Transfers	-	-	-	-	-	-	-	-	(239,297)	239,297	-
Non controlling interest arising on business combinations	-	-	-	-	-	-	-	-	-	2,124,716	2,124,716
Total	17,656,585	116,219,800	599,040	(2,117,015)	256,138	(264,568)	10,216,883	-	389,910	6,369,255	149,326,028
Net change in fair value of available-for-sale securities	-	-	-	-	-	676,396	-	-	-	-	676,396
Prior year adjustment to deferred tax	-	-	-	-	-	-	-	-	-	1,243,393	1,243,393
Realisation of oil & gas fair value gains	-	-	-	-	-	-	(10,216,883)	-	10,216,883	-	-
Income for the period	-	-	-	-	-	-	-	-	7,514,504	4,329,386	11,843,890
Total comprehensive income/(loss) for the period	-	-	-	-	-	676,396	(10,216,883)	-	17,731,387	5,572,779	13,763,679
Balance at 30 June 2011	17,656,585	116,219,800	599,040	(2,117,015)	256,138	411,828	-	-	18,121,297	11,942,034	163,089,707

The notes on pages 9 to 20 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated cash flow statement for the six months ended 30 June 2011 (unaudited)

	6 months to 30 Jun 2011 £	6 months to 30 Jun 2010 £	Year to 31 Dec 2010 £
Cash flows from operating activities			
Operating income/(loss) for the period	13,723,581	(2,215,985)	(6,652,314)
Adjusted for:			
Reversal of impairment provisions on financing arrangements	(3,200,000)	-	-
Fair value loss/(gain) on quoted equity investments	728,180	154,392	(52,755)
Fair value gain on private equity investments	(2,423,274)	-	(1,729,139)
Depreciation and amortisation	155,161	198,252	401,164
Gain on sale of oil & gas properties	(13,121,211)	-	-
Charge for share awards	120,000	-	136,138
Net (increase)/decrease in operating assets:			
Due from financial institutions	(82,935)	5,638,648	28,567,785
Financing arrangements	14,450,000	-	-
Available-for-sale securities - sukuk	(15,239,898)	6,737,482	5,226,013
Available-for-sale securities - equity	-	(15,967)	127,817
Quoted equity investments designated at fair value	(4,060,569)	(3,114,382)	(11,862,142)
Private equity investments designated at fair value	357,599	-	(11,856,948)
Real estate investments designated at fair value	(3,021,659)	-	-
Oil & gas assets and related receivables from sale	2,469,810	(1,292,700)	1,728,439
Other assets	(743,174)	247,982	(347,913)
Net increase/(decrease) in operating liabilities:			
Due to financial institutions	20,314,615	(4,599,743)	(1,235,556)
Due to customers	(1,021,055)	3,032,440	11,521
Other liabilities	3,065,829	(1,405,452)	3,401,554
Taxation:			
Corporation tax received	-	955,973	1,185,585
Net cash inflow from operating activities	12,471,000	4,320,940	7,049,249
Cash flows from investing activities			
Purchase of plant and equipment	(469,869)	(27,409)	(140,966)
Purchase of intangible assets	-	(21,549)	(36,499)
Associate company designated at fair value	-	(2,002,000)	-
Net cash outflow from investing activities	(469,869)	(2,050,958)	(177,465)
Cash flows from financing activities			
Payment on Treasury shares	-	(1,920,569)	(2,117,015)
Net cash outflow from financing activities	-	(1,920,569)	(2,117,015)
Net increase in cash and cash equivalents	12,001,131	349,413	4,754,769
Cash and cash equivalents at the beginning of the period	5,440,264	685,495	685,495
Cash and cash equivalents at the end of the period	17,441,395	1,034,908	5,440,264

The notes on pages 9 to 20 form an integral part of the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

1. Principal activities and authorisation of the financial statements

European Islamic Investment Bank plc ('EIIB' or '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 internationally through the provision of: banking services encompassing deposit taking, provision of financing, treasury services, structured products and trading in Islamic and Sharia'a compliant securities; investment management encompassing quoted equities, private equity and real estate; and financial services encompassing corporate finance, custody, trust and fund administration activities and business advisory services.

The 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 activities as an investment bank.

The interim condensed consolidated financial statements of the Bank and its subsidiaries (the 'Group') for the six months ended 30 June 2011 were authorised by the Board of Directors for issue at its meeting on 26 September 2011.

The condensed consolidated financial statements of the Group as at and for the period ended 30 June 2011 are available at www.eiib.co.uk

2. Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim 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 2010.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

Presentation of comparative figures

The comparative figures for the financial year ended 31 December 2010 are not the Bank's statutory accounts for that financial year. Those accounts have been reported on by the Bank's auditors and delivered to the registrar of companies. The report of the auditors 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 contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

In approving the financial statements the Directors have reviewed the current and potential future business activities and financial position of the Group, including an assessment of the capital adequacy and liquidity forecasts. Based upon this they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

3. Changes in 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 2010.

4. Estimates

In applying accounting policies, management has to exercise its judgement and make estimates in determining the amounts recognised in the financial statements. However, the nature of estimation means the actual outcome could differ from those estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2010.

During the six months ended 30 June 2011, the key estimates that management made were around valuation of financial instruments. No impairment provisions were made during the six months ended 30 June 2011.

5. Financial risk management

The main risk policies and procedures have been consistently applied as detailed in the latest annual report. Policies have been reviewed and enhanced where required with increased focus on large exposures, industry sectors and credit assessment. In addition the Pillar 3 Policy Statement (available on the EIIB website) discloses in detail the Bank's risk management objectives, policies and exposures.

6. Trading income

Trading income consists of realised income and losses on sukuk and equity securities.

	30 Jun 2011	30 Jun 2010	31 Dec 2010
	£	£	£
Sukuk	138,717	1,143,188	1,239,696
Quoted equity	53,098	(442,432)	(284,649)
	<u>191,815</u>	<u>700,756</u>	<u>955,047</u>

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

7. Segmental information

Following a strategic review of the Bank's business a new business model was implemented during 2010. The future development of the Bank will focus on Islamic markets and centre on the following three core businesses.

- (a) **Banking** – encompassing deposit taking, provision of financing, treasury services, structured products and trading in Islamic and Sharia'a compliant securities
- (b) **Investment Management** – covering quoted equities, private equity and real estate
- (c) **Financial Services** – including corporate finance, custody, trust and fund administration activities and business advisory (active business of this segment is yet to commence)

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income 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.

30 June 2011	Banking £	Investment Management £	Total £
Revenue from external customers	1,406,915	226,473	1,633,388
Returns to external customers	(185,113)	-	(185,113)
Fair value gain on investments	95,729	1,098,573	1,194,302
Realised gain on investments	191,815	13,121,211	13,313,026
Reversal of impairments	3,200,000	-	3,200,000
Operating income	<u>4,709,346</u>	<u>14,446,257</u>	<u>19,155,603</u>
Income after tax	981,616	10,862,274	11,843,890
Other comprehensive income after tax	676,396	1,243,393	1,919,789
Total comprehensive Income	<u>1,658,012</u>	<u>12,105,667</u>	<u>13,763,679</u>
Depreciation and amortisation	<u>(105,510)</u>	<u>(49,651)</u>	<u>(155,161)</u>
Segment assets	<u>129,753,040</u>	<u>88,668,010</u>	<u>218,421,050</u>

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

30 June 2010	Banking £	Investment Management £	Total £
Revenue from external customers	1,691,050	267,587	1,958,637
Returns to external customers	(46,516)	-	(46,516)
Fair value gain on investments	<u>(154,392)</u>	<u>-</u>	<u>(154,392)</u>
Operating income	<u>1,490,142</u>	<u>267,587</u>	<u>1,757,729</u>
Loss after tax	(462,221)	(1,753,764)	(2,215,985)
Other comprehensive income after tax	<u>377,961</u>	<u>521,132</u>	<u>899,093</u>
Total Comprehensive loss	<u>(84,260)</u>	<u>(1,232,632)</u>	<u>(1,316,892)</u>
Depreciation and amortisation	<u>(148,689)</u>	<u>(49,563)</u>	<u>(198,252)</u>
Segment assets	<u>152,747,764</u>	<u>8,601,365</u>	<u>161,349,129</u>
31 December 2010	Banking £	Investment Management £	Total £
Revenue from external customers	3,099,251	279,719	3,378,970
Returns to external customers	(118,968)	-	(118,968)
Fair value gain on investments	<u>-</u>	<u>1,729,139</u>	<u>1,729,139</u>
Operating income	<u>2,980,283</u>	<u>2,008,858</u>	<u>4,989,141</u>
Loss after tax	(2,303,464)	(3,619,238)	(5,922,702)
Other comprehensive income after tax	<u>(103,407)</u>	<u>13,536,502</u>	<u>13,433,095</u>
Total comprehensive income/(loss)	<u>(2,406,871)</u>	<u>9,917,264</u>	<u>7,510,393</u>
Depreciation and amortisation	<u>(280,815)</u>	<u>(120,349)</u>	<u>(401,164)</u>
Segment assets	<u>123,285,893</u>	<u>58,255,792</u>	<u>181,541,685</u>

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

8. Taxation

	6 months to 30 Jun 2011 £	6 months to 30 Jun 2010 £	Year to 31 Dec 2010 £
<i>Tax on profit on ordinary activities charged in the income statement</i>			
Current tax for the period	1,879,691	-	-
Adjustments to prior period tax	-	-	(729,612)
Tax charge/(credit) in the income statement	1,879,691	-	(729,612)
<i>Reconciliation of the total tax charge</i>			
Income/(loss) before tax	13,723,581	(2,215,985)	(6,652,314)
UK corporation tax at the standard rate (26.5%/28%)	3,636,749	(620,476)	(1,862,648)
Expenses not deductible for tax purposes	152,912	69,772	265,890
Non taxable income	(1,355,519)	-	(492,314)
Different taxation rate in foreign jurisdictions	987,749	-	(48,015)
Loss not subject to UK taxation	-	108,368	-
US deferred tax asset not recognized in the prior period	(798,754)	-	-
Adjustments to prior period tax	-	-	(729,612)
Other tax adjustment related to oil & gas disposal	(486,376)	-	-
Losses off-set against gain in equity	-	105,829	-
Effect of the tax losses carried forward	-	336,507	-
UK deferred tax asset not recognized **	(257,070)	-	2,137,087
Tax charge/(credit)	1,879,691	-	(729,612)
<i>Current tax liability</i>			
Opening balance	-	-	-
Deferred tax crystallised during the period	(6,045,493)	-	-
Current tax charge for the period	(1,879,691)	-	-
Other movements	(69,440)	-	-
Current tax liability in the balance sheet	(7,994,624)	-	-
<i>Deferred tax liability</i>			
Opening balance	(7,288,886)	-	-
Deferred tax crystallised during the period	6,045,493	-	-
Prior year adjustment	1,243,393	-	(7,288,886)
Deferred tax liability in the balance sheet	-	-	(7,288,886)

**Deferred tax asset of £6.1m on tax losses carried forward of £23.3m is not recognised in these financial statements given the current level of uncertainty surrounding the Bank's future taxable profits. Deferred tax asset on the UK tax losses are computed at 26%.

Factors that may affect future current and total tax charge

In the 2011 budget (March 2011), the UK government announced its intention to reduce the UK rate of corporate income tax from 28% to 26% with effect from 1 April 2011 with further reductions of 1% in each year until the standard rate will be 23% in 2014. The UK corporate rate was reduced to 26% with effect from 1 April 2011 and as at 30 June 2011 no further changes in the rate had been enacted.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

9. Earnings per share

Basic earnings per share is calculated by dividing the income/(loss) for the period by the weighted average number of ordinary shares outstanding during the period. There are currently no instruments in issue which would materially dilute earnings per share.

	6 months to 30 Jun 2011 thousands	6 months to 30 Jun 2010 thousands	Year ended 31 Dec 2010 thousands
Weighted average number of shares	<u>1,714,743</u>	<u>1,741,903</u>	<u>1,747,589</u>

10. Available-for-sale securities - sukuk

	30 Jun 2011 £	30 Jun 2010 £	31 Dec 2010 £
Governments and Central banks	10,735,797	3,984,394	5,749,467
Financial institutions	13,918,387	4,118,314	4,879,290
Other counterparties	<u>9,428,905</u>	<u>9,033,984</u>	<u>7,538,037</u>
	<u>34,083,089</u>	<u>17,136,692</u>	<u>18,166,794</u>

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

11. Private equity financial assets designated at fair value

	6 months to 30 Jun 2011	6 months to 30 Jun 2010	Year ended 31 Dec 2010
	£	£	£
Opening book value	14,336,526	750,438	750,438
Additions	-	2,002,000	11,856,949
Fair value gain during the period	2,423,274	-	1,729,139
Foreign exchange gain/(loss)	(357,599)	-	-
Closing book value	<u>16,402,201</u>	<u>2,752,438</u>	<u>14,336,526</u>

Private equity investment represents the following:

- (a) The Group's ownership of 26.5% of an AIM (London) listed company that carries out diamond mining activities in southern Africa. The Group made a commitment to purchase 7.1m shares at a value of £923,067 (13p per share) in June 2011 and honored the obligation in July 2011. A fair value gain of £2.2m in respect of this investment was recorded during 2011, representing the value enhancement from 8.5p per share as at 31 December 2010 to 13p per share (2010 fair value gain: £0.6m). The Group exerts significant influence over this associate company investment. The venture capital exemption of IAS 28 is used to account for this as an investment designated at fair value with the fair value changes recognised in the income statement.
- (b) The Group's investment in partnership shares representing ownership of 6.5% of a closed investment fund, specialising in Asian private and public equities, at a cost of £2.68m. Fair value gain in respect of this fund was recorded at £0.2m (2010: £1.1m).
- (c) The Group's secondary market purchase of 19.6% of a private equity company that invests in ventures specialising in the information and communications technology value chain in the Arabian region. Fair value as at 30 June 2011 of this investment is still held at its original cost (October 2010), as there have been no indications to suggest otherwise.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

12. Real estate investments designated at fair value

As a part of EIIB's revised strategy implemented in 2010, the Group bought a real estate investment in 2011, which represented a 19% interest in a luxury residential and hospitality real estate development based in Turkey purchased at a cost of £3.0m. This investment is designated as an asset held at fair value. Management has assessed the fair value of this investment as at 30 June 2011 and determined that the original cost best represents the fair value.

13. Treasury shares

The EIIB General Employee Benefit Trust (the 'GEBT') purchased £2.1m worth of shares during 2010 at an average price of 4.45p per share in order to facilitate the establishment of the 2010 employee share incentive plan (the '2010 ESIP'). The total value of these shares is presented, at cost, in equity within a treasury shares reserve in accordance with IAS32.

The 2010 ESIP will allow employees (the 'Beneficiaries') to benefit from the growth in EIIB's share price above 4.5 pence per share based on the shares attributable to them. The plan involves the Beneficiaries subscribing to interests in the EIIB 2010 ESIP Limited Partnership, which is a partnership between the Beneficiaries and the GEBT.

Subject to an appreciation of EIIB's share price beyond 4.5 pence per share and the meeting of other vesting conditions on each of the three vesting dates of 30 November 2010, 2011 and 2012, the 2010 ESIP will provide the Beneficiaries with the growth in value of ordinary shares attributable to them. This growth in value will be settled in shares (equity settled).

The 2010 ESIP was approved by the Board of Directors on 5 March 2010 and was effective from 5 July 2010.

14. 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 as far as possible, with similar maturities and the use of appropriate foreign exchange instruments.

	30 Jun 2011 £	30 Jun 2010 £	31 Dec 2010 £
Denominated in sterling	77,400,574	105,223,359	85,720,853
Denominated in currencies other than sterling	141,020,476	56,125,770	95,820,832
Total assets	218,421,050	161,349,129	181,541,685
Denominated in sterling	6,653,913	4,572,380	6,432,329
Denominated in currencies other than sterling	48,677,430	18,689,306	28,028,044
Total liabilities	55,331,343	23,261,686	34,460,373

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

15. Investments in subsidiaries

The Bank's subsidiaries as at 30 June 2011 are as follows:

<i>Subsidiaries</i>	<i>Principal ActivityControl</i>	<i>%</i>	<i>Country of registration</i>
EIIB InvestCo SPC	Investment holding	100	Bahrain
EIIB ServiceCo WLL	General Partner for diamond mining investment	100	Bahrain
EIIB ServiceCo 1 WLL	Inactive	100	Bahrain
EIIB ServiceCo 2 WLL	Inactive	100	Bahrain
EIIB ServiceCo 3 WLL	General partner for oil & gas investment	100	Bahrain
EIIB ServiceCo 4 WLL	Inactive	100	Bahrain
<i>Sub-subsidiaries</i>			
TriTech Capital	Oil & gas investment	78	BVI
Turath Quoted Equity Fund	Quoted equity fund	100	BVI

15.1 Oil & gas subsidiary

The Group acquired a controlling interest in an oil & gas exploration venture on 20 March 2009. A financing facility was extended to facilitate the acquisition. The Group obtained control over TriTech Capital Ltd (BVI) ('TriTech Capital') and its subsidiaries ('TriTech Group') via the acquisition of a shareholding in TriTech Capital and entering into a shareholders' agreement that enabled the Bank to appoint the majority of the directors to the board of the TriTech Group companies. The terms of the financing facility were such that EIIB Group effectively bore the significant risks of the investment, and included the right to convert the facility into equity shares at any time as determined by EIIB. EIIB's interest in TriTech for consolidation purposes was determined based on its effective interest in the net assets of the investee. On 21 December 2010, EIIB exercised its rights and converted the facility into equity which represented 91% of TriTech Capital. EIIB also participated in an additional capital raise of TriTech Capital in February 2011.

On 9 June 2011, EIIB InvestCo SPC (owner of TriTech Capital) contributed its TriTech ownership to a Bahrain based English partnership held by EIIB InvestCo SPC (Limited partner) and EIIB ServiceCo 3 WLL (General Partner).

In early 2011, the Board decided to place a portion of the TriTech asset with investors in order to reduce its exposure to the oil & gas sector. In line with this decision, a significant marketing campaign was undertaken to secure commitments from investors to acquire exposure to the TriTech assets. On 9 June 2011 those investors who had previously committed to invest became Limited Partners of the English partnership. This resulted in 12.55% of TriTech Capital being transferred for a consideration of £2.1m, being the fair value of the oil and gas assets, as at 31 December 2010. The 12.55% represents 10.95% for third party investors; 0.98% for employees and 0.62% for Directors (please refer to Note 17). In addition to the £2.1m consideration on disposal a further £1.3m was raised from the investors for expected future capital requirements of TriTech Capital.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

A further NCI is created as a result of an arrangement between the TriTech Group and a team of consultants who are entitled to 20% of distributions after the settlement of total capital contributed by the owners.

Sale of oil and gas properties

On 14 June 2011, TriTech Group agreed to sell its oil and gas properties for a total consideration of £39.6m to JGC Energy Development (USA) Inc ('JGC'). Under the terms of the deal, 10% of the purchase consideration was paid in June 2011 with £28.1m in August 2011 and 10% retained until February 2012. In addition, a balance of £3.6m is retained until legal matters related to a number of mineral lease rights are resolved. This would be payable, if resolved within 120 days from 1 August 2011. The Board has evaluated the nature of these legal matters and determined that as at 30 June 2011 there is material uncertainty regarding the ultimate recoverability of these amounts; hence an amount of £1.0m has not been recognised in the gain on the sale of oil & gas properties. Capital gains tax of the Group on the disposal is estimated at £8.0m. As part of the commercial negotiations it was agreed that any approved capital expenses incurred after 1 April 2011 ('cut-off date') would be reimbursed by JGC. Accordingly a sum of £1.5m was reimbursed by JGC in August 2011.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

16. Contingencies and commitments

There were no significant third party contingent items or commitments in existence as at the balance sheet date except for the following:

- (a) Receivable described in Note 15.1 above where £3.6m is retained by the buyer of the oil & gas asset, until the successful resolution of legal matters. The Board has evaluated the nature of these legal matters and made a provision of £1.0m in recognition of the risk (please refer to Note 15.1). Management is confident of the successful recovery of the net receivable amount.
- (b) The Group made a commitment to purchase 7.1m DiamondCorp shares at a value of £0.9m (13p per share) during June 2011, the obligation was honoured on 26 July 2011.
- (c) Commitments on operating lease obligations are £0.8m as at 30 June 2011 for the Bank's London and Bahrain premises.

17. Related party disclosures

Compensation of key management personnel

	6 months to 30 Jun 2011 £	6 months to 30 Jun 2010 £	Year to 31 Dec 2010 £
Short-term employee benefits and other payments	448,104	382,320	857,794
Incentive payments *	-	-	644,962
Post-employment pension	10,500	8,842	19,341
Share-based payments	23,934	-	23,934
	482,538	391,162	1,546,031

* the Board of Directors has decided to use its discretion not to award any bonuses under the scheme for 2011

Other Directors' interests

There have been no transactions with directors or their related concerns during the period ended 30 June 2011 except for the following:

As part of a planned distribution undertaken in relation to the TriTech assets, a number of Directors subscribed for partnership interests in the Limited Partnership as described in note 15.1. The total amount subscribed by Directors was £ 171,307. The interests were purchased on an arm's length basis.

Notes to the condensed consolidated interim financial statements (unaudited) At 30 June 2011

18. Subsequent events

The following non adjusting post balance sheet events occurred:

- (a) The Group received £29.6m from JGC from the disposal of oil & gas assets as described in Note 15.1.
- (b) The Group fulfilled its commitment to purchase 7.1m DiamondCorp shares at a value of £0.9m (13p a share) during July 2011 as described in Note 16.
- (c) As explained in the Chairman's statement the Chief Executive Officer left the Bank after having led the Bank for 16 months.

Registered No. 5328847

Bank information

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Aabed Al Zeera *Deputy Chairman*
Mohammed Al Sarhan *Senior Independent Director*
Zulfi Caar Hydari
Michael Willingham-Toxvaerd
Keith McLeod *Deputy Chief Executive Officer and Finance Director*

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