BLME BANK OF LONDON AND THE MIDDLE EAST

Interim Report
For the six months ended 30 June 2010
Registered number 05897786

CONTENTS

Chairman's statement

In the name of Allah, the Most Gracious, the Most Merciful

To the shareholders of Bank of London and The Middle East plc

I am pleased to report to our shareholders on the progress made by the Bank of London and The Middle East (BLME) in the six months to 30 June 2010. In reporting an improved financial result and pre-tax profit of £3.6 million, BLME has achieved a quick return to profitability following the market wide difficulties of 2009.

Having reached its third anniversary as a FSA authorised bank, it is also encouraging to observe the increasing level of maturity and market recognition that BLME has attained as a market leading European Sharia'a financial institution. I also look forward to seeing further progress in the Bank's newer Wealth Management businesses of Asset Management, Private Banking and Corporate Advisory. I am particularly pleased that BLME has been able to reduce its impairment provisions by selling part of its holding of a non-performing asset, and that management considers that the overall credit position has stabilised.

The economic outlook for the remainder of 2010 is likely to remain uncertain and BLME, in common with all other banks, will be faced with increasing and tighter regulatory standards over capital adequacy and liquidity. In this regard, I am confident that the Bank's resources and risk management practices are well positioned to meet these challenges. Indeed, the positive results and achievements seen in the first half of 2010 provide encouragement that BLME is progressing well to fulfilling its strategic targets and market position set out in its business plan.

I would like to thank both our shareholders for their continued support and our staff whose commitment and contribution is essential for the ongoing success of the Bank.

Yacob Al-Muzaini
Chairman
10 September 2010

Chief Executive Officer's statement

The first half of 2010 was a successful period for BLME, which saw a healthy return to profitability following the market wide difficulties of 2009. In market conditions that continue to be challenging and at times difficult, the financial performance is testament to the increasing diversity, robustness and client led recognition of the Bank's business model and product offering.

For the 6 months to 30 June 2010 I am pleased to announce that the BLME Group earned a profit before tax of £3,637,347 from total operating income of £19,246,075. This performance demonstrates strong growth from the comparable period in 2009, where operating income of £17,575,745 was reported. The notable factors behind the first half of 2010 results were:-

- The strong performance by the Markets division, particularly the management of the Bank's investment portfolio and capital. Profit margins also benefited from further improvements in liquidity management.

- The strengthening of the Corporate Banking team, resulting in a steady acceleration in earnings and improved contributions from all three lending areas (Leasing, Property and Trade Finance).

- The continued top quartile performance of the US Dollar Income Fund within the Bank's Asset Management business.

- The cash recoveries from assets that were subject to credit impairment provisions in 2009.

- Continued investment in key businesses whilst ensuring that cost growth remained well managed.

In keeping with the strategic aim of diversifying into fee earning and Wealth Management businesses, and in recognition of the low returns available on surplus liquidity balances, the Group's Balance Sheet has reduced by 16% since 30 June 2009 to £656 million whilst restricting the reduction in net margin to only 8%.

As a relatively new financial institution, which has just attained its third anniversary as a FSA authorised bank, BLME's business momentum has enabled it to achieve a more optimal balance between financing and liquidity assets. At the same time, and in the lead up to tighter liquidity regulation, the Bank has consistently maintained liquidity ratios and balances in excess of its regulatory limits and prudential internal guidelines. As a further liquidity development, the first half of 2010 witnessed the launch of the internet based BLME Premier Deposit Account. Offering competitive rates, this deposit product will assist with the future growth and diversification of the Bank's funding capabilities.

In its newer Wealth Management businesses, where market recognition and profitability understandably take longer to achieve, the other notable milestone has been the development of flexible financing structures that have been used by several of the Bank's Private Banking clients.

Looking forward, the first half performance provides strong encouragement that BLME's seasoned and developing product offerings, along with its conservative risk management practices, will enable it to fulfil its strategic objectives and achieve continued business growth and profitability.

Humphrey Percy
Chief Executive Officer
10 September 2010

Condensed consolidated income statement

For the six months ended 30 June 2010 (unaudited)

	Note	6 months to 30 June 2010 £	6 months to 30 June 2009* £	Year to 31 December 2009* £
Income				
Income from financing and investing activities		11,181,111	14,727,041	25,934,459
Returns to financial institutions and customers		(3,725,171)	(6,599,546)	(12,606,005)
Net margin		7,455,940	8,127,495	13,328,454
Fee and commission income		637,125	1,301,548	1,618,912
Fee and commission expense		(38,373)	(1,080,767)	(1,159,224)
Net fee income		598,752	220,781	459,688
Net fair value gains on investment securities		1,092,864	446,774	305,168
Net fair value gain / (loss) on investment property		65,531	(201,032)	(702,906)
Other operating income	*4*	10,032,988	8,981,727	16,892,597
Total operating income		**19,246,075**	**17,575,745**	**30,283,001**
Expenses				
Personnel expenses	*5*	(4,832,602)	(3,511,486)	(7,433,852)
Depreciation and amortisation		(8,089,091)	(6,441,820)	(12,920,376)
Other operating expenses		(4,100,274)	(4,390,014)	(7,808,339)
Change in third party interest in consolidated funds		(28,043)	-	2,120
Total operating expenses		**(17,050,010)**	**(14,343,320)**	**(28,160,447)**
Operating profit before impairment charges		**2,196,065**	**3,232,425**	**2,122,554**
Net impairment credit / (charge) on financial assets	*6*	1,441,282	(13,043,370)	(21,011,494)
Net operating profit / (loss) before tax		**3,637,347**	**(9,810,945)**	**(18,888,940)**
Tax (charge) / credit	*7*	(1,121,894)	2,176,578	5,648,013
Profit / (loss) for the period		**2,515,453**	**(7,634,367)**	**(13,240,927)**

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2010 (unaudited)

	6 months to 30 June 2010 £	6 months to 30 June 2009 £	Year to 31 December 2009 £
Income			
Profit / (loss) for the period	2,515,453	(7,634,367)	(13,240,927)
Other comprehensive income / (expense)			
Foreign currency translation differences for foreign operations	(203,231)	214,598	203,839
Foreign currency translation differences for cash flow hedging reserve	(218,026)	488,388	429,520
Changes in fair value of cash flow hedges taken to equity	(2,524,509)	2,136,929	1,457,096
Ineffective portion of change in fair value of cash flow hedges transferred to income statement	(109,794)	(924,666)	(242,101)
Change in fair value of available for sale financial assets taken to equity	47,619	(5,000)	20,000
Change in fair value of available for sale financial assets transferred to income statement	119,506	440,379	906,878
Income tax on other comprehensive income	(46,795)	(123,306)	(259,526)
Other comprehensive income / (expense) for the period net of income tax	(2,935,230)	2,227,322	2,515,706
Total comprehensive loss for the period	**(419,777)**	**(5,407,045)**	**(10,725,221)**

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of financial position

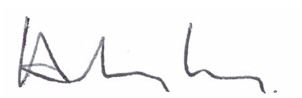
As at 30 June 2010 (unaudited)

	Note	30 June 2010 £	30 June 2009* £	31 December 2009 £
Assets				
Cash and balances with banks		31,947,786	22,099,338	96,272,364
Due from financial institutions		67,086,505	299,780,989	133,117,167
Investment securities	*8*	27,198,550	20,352,245	23,225,067
Financing arrangements	*10*	324,912,318	278,085,124	303,970,359
Finance lease receivables	*11*	103,235,874	73,936,343	101,488,523
Operating lease assets	*12*	80,698,480	65,378,590	76,661,303
Profit rate swaps		-	264,739	264,936
Investment property	*9*	7,549,943	7,297,051	6,915,715
Property and equipment		927,981	1,417,693	1,180,286
Intangible assets		535,534	1,018,005	792,972
Other assets		8,884,239	12,444,332	10,610,452
Deferred tax assets		3,047,396	844,788	4,216,084
Total assets		**656,024,606**	**782,919,237**	**758,715,228**
Liabilities				
Due to financial institutions		383,846,892	517,300,223	493,374,983
Due to customers		14,665,005	5,008,162	8,037,000
Profit rate swaps		7,025,505	2,926,150	3,109,081
Third party interests in consolidated funds		884,512	-	791,484
Other liabilities		6,347,579	10,248,948	9,910,179
Current tax liability		-	345,573	-
Total liabilities		**412,769,493**	**535,829,056**	**515,222,727**
Equity				
Share capital		48,928,422	48,928,422	48,928,422
Share premium		206,206,328	206,206,328	206,206,328
Fair value reserve		(394,220)	(869,829)	(514,550)
Cash flow hedging reserve		(5,509,652)	(2,601,187)	(2,657,323)
Share based payment reserve		2,373,552	470,667	2,191,163
Foreign currency translation reserve		(167,139)	46,851	36,092
Retained earnings		(8,182,178)	(5,091,071)	(10,697,631)
Total equity attributable to equity holders of the Bank		243,255,113	247,090,181	243,492,501
Total liabilities and equity		**656,024,606**	**782,919,237**	**758,715,228**

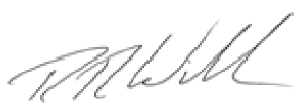
*Certain prior year numbers have been reclassified to be consistent with current year presentation.

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

These financial statements were approved by the Board of Directors on 10 September 2010 and were signed on its behalf by:



Humphrey Percy
Chief Executive Officer



Richard Williams
Finance Director

Condensed consolidated statement of cash flows

For the six months ended 30 June 2010 (unaudited)

	6 months to 30 June 2010	6 months to 30 June 2009*	Year to 31 December 2009*
	£	£	£
Cash flows from operating activities			
Operating profit / (loss) before tax	3,637,347	(9,810,945)	(18,888,940)
Adjusted for:			
Exchange differences	(2,506,513)	1,579,778	1,393,479
Fair value (gain) / loss on investment property	(65,531)	201,032	702,906
Fair value (gain) / loss on investment securities	(769,737)	(425,755)	386,251
Provision for impairment	(1,441,282)	13,043,370	21,011,494
Depreciation and amortisation	8,089,091	6,441,820	12,920,376
Share awards	-	70,000	95,000
Mark to market gains / (losses) adjusted in equity	27,619	(5,000)	20,000
Accretion of instruments held under financing	(654,969)	(629,791)	(1,389,580)
Amortisation of fair value reserve	139,505	440,379	906,878
	6,455,530	**10,904,888**	**17,157,864**
Net decrease in operating assets:			
Due from financial institutions	66,030,662	89,860,406	238,045,068
Financing arrangements	(21,698,037)	21,695,128	6,583,057
Finance lease receivables	(1,747,351)	(11,246,063)	(38,798,243)
Operating lease assets	(11,551,882)	2,038,088	(15,171,596)
Other assets	1,991,149	(1,137,071)	696,610
	33,024,541	**101,210,488**	**191,354,896**
Net decrease in operating liabilities:			
Due to financial institutions	(109,528,091)	(77,076,838)	(101,002,078)
Due to customers	6,628,005	308,162	3,337,000
Profit rate swaps	3,916,424	(2,213,514)	(2,030,583)
Other liabilities	(3,287,183)	1,450,700	3,598,909
	(102,270,845)	**(77,531,490)**	**(96,096,752)**
Corporation tax paid	-	-	(381,654)
Net cash (outflow) / inflow from operating activities	**(62,790,774)**	**34,583,886**	**112,034,354**
Purchase of property and equipment	(6,534)	(47,984)	(74,510)
Purchase of intangible assets	(58,109)	(96,741)	(159,360)
Net (purchase) / sale of investment securities	(3,203,746)	(17,713,020)	(20,956,323)
Net cash outflow from investing activities	**(3,268,389)**	**(17,857,745)**	**(21,190,193)**
Net change in cash and cash equivalents	**(66,059,163)**	**16,726,141**	**90,844,161**
Cash and cash equivalents at the beginning of the period	96,272,364	5,799,089	5,799,089
Exchange differences in respect of cash and cash equivalents	1,734,585	(425,892)	(370,886)
Cash and cash equivalents at the end of the period	**31,947,786**	**22,099,338**	**96,272,364**

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2010 (unaudited)

	Share capital	Share premium account	Fair value reserve	Cash flow hedging reserve	Share based payment reserve	Retained earnings	Foreign currency translation reserve	Total
	£	£	£	£	£	£	£	£
Balance at 31 December 2009	48,928,422	206,206,328	(514,550)	(2,657,323)	2,191,163	(10,697,631)	36,092	243,492,501
Profit for the period	-	-	-	-	-	2,515,453	-	2,515,453
Other comprehensive income / (expense)								
Foreign currency translation	-	-	-	(218,026)	-	-	(203,231)	(421,257)
Changes in fair value of cash flow hedges	-	-	-	(2,524,509)	-	-	-	(2,524,509)
Ineffective portion of changes in fair value of cash flow hedges transferred to income statement	-	-	-	(109,794)	-	-	-	(109,794)
Change in fair value of available for sale financial assets taken to equity, net of tax	-	-	34,286	-	-	-	-	34,286
Change in fair value of available for sale financial assets transferred to income statement, net of tax	-	-	86,044	-	-	-	-	86,044
Total other comprehensive income	-	-	120,330	(2,852,329)	-	-	(203,231)	(2,935,230)
Total comprehensive income / (loss) for the period	-	-	120,330	(2,852,329)	-	2,515,453	(203,231)	(419,777)
Contributions by and distributions to owners								
Shares issued	-	-	-	-	-	-	-	-
Share based payment award	-	-	-	-	182,389	-	-	182,389
Total transactions with owners	-	-	-	-	182,389	-	-	182,389
Balance at 30 June 2010	**48,928,422**	**206,206,328**	**(394,220)**	**(5,509,652)**	**2,373,552**	**(8,182,178)**	**(167,139)**	**243,255,113**

Fair value reserve
The fair value reserve includes the cumulative net change in fair value of available for sale investments until the investment is either derecognised or becomes impaired. The mark to market loss on available for sale securities is shown net of associated current tax. £86,044 of change in fair value reserve (net of tax) transferred to income statement relates to the financial assets reclassified to loans and receivables within financing arrangements in accordance with the amendments to IAS 39.
Cash flow hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments.
Share based payment reserve
The share based payment reserve includes the amortised portion of the fair value of equity instruments.
Foreign currency translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Bank's net investment in foreign operations.

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of changes in equity continued
For the six months ended 30 June 2010 (unaudited)

	Share capital	Share premium account	Fair value reserve	Cash flow hedging reserve	Share based payment reserve	Retained earnings	Foreign currency translation reserve	Total
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Balance at 31 December 2008	48,913,807	206,125,943	(1,181,902)	(4,301,838)	470,667	2,543,296	(167,747)	252,402,226
Loss for the period	-	-	-	-	-	(7,634,367)	-	(7,634,367)
Other comprehensive income / (expense)								
Foreign currency translation	-	-	-	488,388	-	-	214,598	702,986
Changes in fair value of cash flow hedges	-	-	-	2,136,929	-	-	-	2,136,929
Ineffective portion of changes in fair value of cash flow hedges transferred to income statement	-	-	-	(924,666)	-	-	-	(924,666)
Change in fair value of available for sale financial assets taken to equity, net of tax	-	-	(5,000)	-	-	-	-	(5,000)
Change in fair value of available for sale financial assets transferred to income statement, net of tax	-	-	317,073	-	-	-	-	317,073
Total other comprehensive income	-	-	312,073	1,700,651	-	-	214,598	2,227,322
Total comprehensive income / (loss) for the period	-	-	312,073	1,700,651	-	(7,634,367)	214,598	(5,407,045)
Contributions by and distributions to owners								
Shares issued	14,615	80,385	-	-	-	-	-	95,000
Total transactions with owners	14,615	80,385	-	-	-	-	-	95,000
Balance at 30 June 2009	**48,928,422**	**206,206,328**	**(869,829)**	**(2,601,187)**	**470,667**	**(5,091,071)**	**46,851**	**247,090,181**

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of changes in equity continued
For the six months ended 30 June 2010 (unaudited)

	Share capital	Share premium account	Fair value reserve	Cash flow hedging reserve	Share based payment reserve	Retained earnings	Foreign currency translation reserve	Total
	£	£	£	£	£	£	£	£
Balance at 30 June 2009	48,928,422	206,206,328	(869,829)	(2,601,187)	470,667	(5,091,071)	46,851	247,090,181
Loss for the period	-	-	-	-	-	(5,606,560)	-	(5,606,560)
Other comprehensive income / (expense)								
Foreign currency translation	-	-	-	(58,868)	-	-	(10,759)	(69,627)
Changes in fair value of cash flow hedges	-	-	-	(679,833)	-	-	-	(679,833)
Ineffective portion of changes in fair value of cash flow hedges transferred to income statement	-	-	-	682,565	-	-	-	682,565
Change in fair value of available for sale financial assets, net of tax	-	-	19,400	-	-	-	-	19,400
Change in fair value of available for sale financial assets transferred to income statement, net of tax	-	-	335,879	-	-	-	-	335,879
Total other comprehensive income / (expense)	-	-	355,279	(56,136)	-	-	(10,759)	288,384
Total comprehensive income / (loss) for the period	-	-	355,279	(56,136)	-	(5,606,560)	(10,759)	(5,318,176)
Contributions by and distributions to owners								
Shares issued	-	-	-	-	-	-	-	-
Share based payment award	-	-	-	-	1,720,496	-	-	1,720,496
Total transactions with owners	-	-	-	-	1,720,496	-	-	1,720,496
Balance at 31 December 2009	**48,928,422**	**206,206,328**	**(514,550)**	**(2,657,323)**	**2,191,163**	**(10,697,631)**	**36,092**	**243,492,501**

The notes on pages 12 to 23 are an integral part of the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements (unaudited)

1. Reporting entity

Bank of London and The Middle East plc ("BLME" or the "Bank") is a company domiciled in the United Kingdom. The address of the Bank's registered office is Sherborne House, 119 Cannon Street, London, EC4N 5AT. BLME is a wholly Sharia'a compliant wholesale bank involved in investment, corporate banking, private client banking and asset management. The condensed consolidated financial statements of the Group for the six months ended 30 June 2010 comprise the Bank and its subsidiaries (together referenced to as "the Group").

2. Accounting policies and basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as adopted by the E.U. 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 2009. Under IAS 34 the Group has to disclose accounting policies applicable to new items appearing in the interim financial statements. There were no such new items during the current period and the Group is adopting the same accounting policies as applied in the preparation of the Group's published financial statements for the year ended 31 December 2009.

Presentation of comparative figures

The comparative figures for the financial year ended 31 December 2009 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group'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 of the Companies Act 2006.

The comparative figures in the following prior period captions have been subject to reclassification to be consistent with the current period presentation:

	6 months to 30 June 2009	Year to 31 December 2009
Condensed consolidated income statement		
Income from financing and investing activities	✔	✔
Net fair value gains on investment securities	✔	✔
Net fair value gain / (loss) on investment property	✔	
Other operating income	✔	
Condensed consolidated statement of financial position		
Investment securities	✔	
Financing arrangements	✔	

None of the above reclassifications impacted upon profit / (loss) for the periods concerned or upon total assets at the respective period ends.

3. Use of estimates and judgements

a. Key sources of estimation uncertainty

Allowance for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in the Annual Report and Accounts 31 December 2009, refer to note 34a(v) therein. The specific counterparty component of the total allowance for impairment applies to claims evaluated individually and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about each counterparty's financial situation and the realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the present value of estimated cash flows considered recoverable is approved by the Counterparty Credit Risk Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

b. Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the Annual Report and Accounts 31 December 2009, refer to accounting policy note 3c(vii) therein. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

4. Other operating income

	6 months to 30 June 2010	**6 months to 30 June 2009**	**Year to 31 December 2009**
	£	**£**	**£**
Gain on foreign exchange transactions	4,589	23,873	12,338
Operating lease income	9,539,456	7,497,800	14,773,253
Gain on leased asset sales	-	77,791	174,372
Rental income from investment property	425,128	596,386	929,682
Other	63,815	785,877	1,002,952
	10,032,988	**8,981,727**	**16,892,597**

5. Personnel expenses

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	£	£	£
Wages and salaries	3,896,636	2,312,212	5,149,641
Social security costs	297,504	312,695	577,504
Defined contribution pension scheme costs	299,120	330,645	632,632
Sharia'a Supervisory Board fees	56,178	40,419	90,750
Recruitment costs	112,909	178,320	218,831
Other staff costs	170,255	337,195	764,494
	4,832,602	**3,511,486**	**7,433,852**

	30 June 2010	30 June 2009	31 December 2009
	Number	Number	Number
Number of employees at period end	58	58	60
Average number of employees during the period	60	51	55

6. Impairment of financial assets

For the six months ended 30 June 2010

	Individual	Collective	Total
Impairments of financial assets:	£	£	£
Balance at 1 January 2010	15,887,264	1,841,110	17,728,374
Exchange translation and other movements	933,515	151,058	1,084,573
Gross impairment credit	(1,441,282)	-	(1,441,282)
Amounts utilised during the period	(4,583,161)	(271,652)	(4,854,813)
	(6,024,443)	(271,652)	(6,296,095)
Balance as at 30 June 2010	**10,796,336**	**1,720,516**	**12,516,852**
Being impairments against:			
Financing arrangements	10,796,336	-	10,796,336
Finance lease receivables	-	1,720,516	1,720,516
	10,796,336	**1,720,516**	**12,516,852**

For the six months ended 30 June 2009

	Individual	Collective	Total
Impairments of financial assets:	£	£	£
Balance at 1 January 2009	754,562	188,640	943,202
Exchange translation and other movements	-	(45,914)	(45,914)
Gross impairment charge	12,778,675	264,695	13,043,370
Amounts written off during the period	-	-	-
	12,778,675	264,695	13,043,370
Balance as at 30 June 2009	**13,533,237**	**407,421**	**13,940,658**
Being impairments against:			
Financing arrangements	13,533,237	-	13,533,237
Finance lease receivables	-	407,421	407,421
	13,533,237	**407,421**	**13,940,658**

For the year ended 31 December 2009

Impairments of financial assets:	Individual £	Collective £	Total £
Balance at 1 January 2009	754,562	188,640	943,202
Exchange translation and other movements	272,323	(39,697)	232,626
Gross impairment charge	18,834,539	2,176,955	21,011,494
Amounts written off during the year	(3,974,160)	(484,788)	(4,458,948)
	14,860,379	1,692,167	16,552,546
Balance as at 31 December 2009	**15,887,264**	**1,841,110**	**17,728,374**
Being impairments against:			
Financing arrangements	15,887,264	-	15,887,264
Finance lease receivables	-	1,841,110	1,841,110
	15,887,264	**1,841,110**	**17,728,374**

As at 30 June 2010, four facilities (3 individual and 1 collective) comprising amounts due to the Group of £28.7 million (30 June 2009: £42.1 million and 31 December 2009: £37.2 million) were determined to be impaired.

As at 30 June 2010, the individual provisions are against the transportation sector ($4 million / 30 June 2009: $4 million and 31 December 2009: $4 million), Sukuk issued by a Saudi based company ($9 million / 30 June 2009: $9 million and 31 December 2009: $ 18 million) and a European manufacturing business (€2.5 million / 30 June 2009: €6.6 million and 31 December 2009: €2.5 million). The change in the level of the provision against the Sukuk issued by a Saudi based company relates to the sale of half of the holding during the period to 30 June 2010.

The collective provision of $2.6 million (30 June 2009: $ 0.67 million and 31 December 2009: $3 million) is against a US finance lease portfolio in the transportation sector.

7. Taxation

	6 months to 30 June 2010 £	6 months to 30 June 2009 £	Year to 31 December 2009 £
Current tax for the period			
Adjustments to prior period tax			
- 2009 tax losses carried back against 2008 profits	-	(1,400,000)	(1,500,138)
- Prior year's current tax adjustment	-	(211,277)	(211,278)
Current tax	-	(1,611,277)	(1,711,416)
Deferred tax for the period	1,121,894	(565,301)	(3,936,597)
Tax charge / (credit) in income statement	**1,121,894**	**(2,176,578)**	**(5,648,013)**

Reconciliation of effective tax rate			
Profit / (loss) before tax	3,637,347	(9,810,945)	(18,888,940)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	1,018,457	(2,747,065)	(5,288,903)
Expenses not deductible for tax purposes	25,942	32,716	56,052
Tax exempt (income) / loss	(59,362)	39,816	202,433
Prior year adjustment to deferred tax - fixed assets	148	707,336	(406,317)
Prior year adjustment to deferred tax - other	136,709	-	-
Prior year adjustment to current tax	-	(209,381)	(211,278)
Tax charge / (credit) in income statement	**1,121,894**	**(2,176,578)**	**(5,648,013)**

Recognised deferred tax assets and liabilities at 30 June 2010

	Assets	Liabilities	Net
	£	£	£
Property, equipment and software	-	(933,664)	(933,664)
Tax loss carry forwards	3,267,636	-	3,267,636
Cash flow hedges	-	(57,497)	(57,497)
Deferred bonus settled in shares	770,921	-	770,921
Net tax assets / (liabilities) at 30 June 2010	**4,038,557**	**(991,161)**	**3,047,396**

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

The main UK Corporation Tax rate as at 30 June 2010 of 28% has been used for calculating the deferred tax assets and liabilities recognised above. Since the balance sheet date, the Finance (No 2) Act 2010 has been enacted with the result that the main UK Corporation Tax rate will reduce from 28% to 27% in April 2011. The impact of this change in rate would have been to reduce the net deferred tax asset recognised as at 30 June 2010 by £108,836.

It was also announced in the Budget on 22 June 2010 that the main UK Corporation Tax rate would be reduced further from 27% to 24% over the following three tax years. These proposed changes have not yet been enacted into UK law. It has not been possible to quantify with certainty what the effect of all four rate changes would be.

Recognised deferred tax assets and liabilities at 30 June 2009

	Assets	Liabilities	Net
	£	£	£
Property, equipment and software	-	(1,463,393)	(1,463,393)
Tax loss carry forwards	1,607,581	-	1,607,581
Cash flow hedges	-	(22,793)	(22,793)
Deferred bonus settled in shares	698,713	-	698,713
Other expenses	24,680	-	24,680
Net tax assets / (liabilities) at 30 June 2009	**2,330,974**	**(1,486,186)**	**844,788**

Recognised deferred tax assets and liabilities at 31 December 2009

	Assets	Liabilities	Net
	£	£	£
Property, equipment and software	-	(993,001)	(993,001)
Tax loss carry forwards	4,396,995	-	4,396,995
Cash flow hedges	-	(44,471)	(44,471)
Deferred bonus settled in shares	719,852	-	719,852
Other expenses	136,709	-	136,709
Net tax assets / (liabilities) at 31 December 2009	**5,253,556**	**(1,037,472)**	**4,216,084**

8. Investment securities

	At 30 June 2010		
	Listed	Unlisted	Total
	£	£	£
Fair value through profit and loss			
Sukuk	24,159,315	-	24,159,315
Designated as fair value through profit and loss			
Sharia'a compliant fund	-	1,657,613	1,657,613
Available for sale			
Equity	-	1,381,622	1,381,622
	24,159,315	**3,039,235**	**27,198,550**

	At 30 June 2009		
	Listed	Unlisted	Total
	£	£	£
Fair value through profit and loss			
Sukuk	18,037,635	-	18,037,635
Designated as fair value through profit and loss			
Sharia'a compliant fund	-	1,737,109	1,737,109
Available for sale			
Equity	-	577,501	577,501
	18,037,635	**2,314,610**	**20,352,245**

	At 31 December 2009		
	Listed	Unlisted	Total
	£	£	£
Fair value through profit and loss			
Sukuk	20,570,072	-	20,570,072
Designated as fair value through profit and loss			
Sharia'a compliant fund	-	1,721,849	1,721,849
Available for sale			
Equity	-	933,146	933,146
	20,570,072	**2,654,995**	**23,225,067**

9. Investment property

The Group purchased a leasehold interest in a US commercial real estate property in Bettendorf, Iowa through the SPV 'TP Funding Company LLC' (see note 13) on 22 August 2008. The property was purchased with the intention of transferring it to a property fund (Mercury Fund) that was initially to be launched in 2008, but due to prevailing market conditions launch has been postponed.

The property is accounted for under IAS 40 "Investment property" and is re-measured at each period end using a fair value model.

	At 30 June 2010 £	At 30 June 2010 $	At 30 June 2009 £	At 30 June 2009 $	At 31 December 2009 £	At 31 December 2009 $
Opening balance	6,915,715	11,200,000	8,437,371	12,300,000	8,437,371	12,300,000
Net exchange differences	568,697	-	(939,288)	-	(818,750)	-
Net fair value gain / (loss)	65,531	100,000	(201,032)	(300,000)	(702,906)	(1,100,000)
Closing balance	**7,549,943**	**11,300,000**	**7,297,051**	**12,000,000**	**6,915,715**	**11,200,000**

The Group's investment property was valued at the end of June 2010 by an independent external professionally qualified valuation agent, CB Richard Ellis. The valuation was based on current prices in an active market.

The income statement includes rental income from the investment property of £425,128 (6 months to 30 June 2009: £596,386 and year to 31 December 2009: £929,682) in the line "Other operating income" and direct operating expenses of £201,078 (6 months to 30 June 2009: £340,914 and year to 31 December 2009: £579,769) including repairs and maintenance in the line "Other operating expenses".

10. Financing arrangements

	Less than 1 year £	1-5 years £	Over 5 years £	At 30 June 2010 Total £
Murabaha	84,867,386	104,603,021	20,922	189,491,329
Mudaraba	-	4,028,441	-	4,028,441
Musharaka	-	-	5,176,987	5,176,987
Istisna and Ijara	-	12,164,315	11,534,817	23,699,132
Sukuk	-	113,312,765	-	113,312,765
	84,867,386	**234,108,542**	**16,732,726**	**335,708,654**
Provision for impairment				(10,796,336)
				324,912,318

	Less than 1 year	1-5 years	Over 5 years	At 30 June 2009 Total
	£	£	£	£
Murabaha	42,126,276	109,388,357	-	151,514,633
Mudaraba	-	4,911,169	-	4,911,169
Musharaka	-	-	9,057,314	9,057,314
Istisna and Ijara	12,162,080	9,759,739	9,806,383	31,728,202
Sukuk	14,451,243	75,564,807	4,390,993	94,407,043
	68,739,599	**199,624,072**	**23,254,690**	**291,618,361**
Provision for impairment				(13,533,237)
				278,085,124

	Less than 1 year	1-5 years	Over 5 years	At 31 December 2009 Total
	£	£	£	£
Murabaha	79,300,643	96,750,267	-	176,050,910
Mudaraba	-	4,349,988	-	4,349,988
Musharaka	-	-	12,043,593	12,043,593
Istisna and Ijara	-	11,231,290	9,956,930	21,188,220
Sukuk	9,194,836	97,030,076	-	106,224,912
	88,495,479	**209,361,621**	**22,000,523**	**319,857,623**
Provision for impairment				(15,887,264)
				303,970,359

These tables represent contractual maturities.

11. Finance leases

	At 30 June 2010	At 30 June 2009	At 31 December 2009
	£	£	£
Gross investment in finance leases receivables			
Within one year	39,288,756	22,468,596	32,540,829
One to five years	75,400,550	57,750,182	87,731,835
Over five years	4,338,112	4,495,673	7,799,312
	119,027,418	84,714,451	128,071,976
Unearned future income on finance leases	(14,071,028)	(10,370,687)	(24,742,343)
Provision for impairment	(1,720,516)	(407,421)	(1,841,110)
Net investment in finance leases	**103,235,874**	**73,936,343**	**101,488,523**
The net investment in finance leases comprises:			
Within one year	33,436,126	18,957,643	22,850,072
One to five years	66,237,848	50,648,114	76,561,341
Over five years	3,561,900	4,330,586	2,077,110
	103,235,874	**73,936,343**	**101,488,523**

These tables represent contractual maturities.

12. Operating lease assets

	At 31 December 2009	Additions 2010	Disposals 2010	Depreciation 2010	Translation differences 2010	At 30 June 2010
	£	£	£	£	£	£
Gross carrying amount	94,405,161	6,603,661	-	-	6,378,345	107,387,167
Less depreciation	(17,743,858)	-	-	(7,514,787)	(1,430,042)	(26,688,687)
	76,661,303	**6,603,661**	**-**	**(7,514,787)**	**4,948,303**	**80,698,480**

	At 31 December 2008	Additions 2009	Disposals 2009	Depreciation 2009	Translation differences 2009	At 30 June 2009
	£	£	£	£	£	£
Gross carrying amount	81,127,472	4,763,353	-	-	(8,491,142)	77,399,683
Less depreciation	(7,806,515)	-	-	(5,396,679)	1,182,101	(12,021,093)
	73,320,957	**4,763,353**	**-**	**(5,396,679)**	**(7,309,041)**	**65,378,590**

	At 31 December 2008	Additions 2009	Disposals 2009	Depreciation 2009	Translation differences 2009	At 31 December 2009
	£	£	£	£	£	£
Gross carrying amount	81,127,472	23,644,488	(2,899,136)	-	(7,467,663)	94,405,161
Less depreciation	(7,806,515)	-	783,985	(11,831,250)	1,109,922	(17,743,858)
	73,320,957	**23,644,488**	**(2,115,151)**	**(11,831,250)**	**(6,357,741)**	**76,661,303**

Rental receipts under operating leases

	At 30 June 2010	At 30 June 2009	At 31 December 2009
Future rentals are as follows:	£	£	£
Less than one year	20,492,828	14,247,481	19,416,874
Between one and five years	66,057,472	50,749,467	65,351,797
More than five years	3,484,320	13,212,742	9,614,051
	90,034,620	**78,209,690**	**94,382,722**

These tables represent contractual maturities.

13. Subsidiaries and other entities

Subsidiary	Country of incorporation	BLME interest in equity capital %	Issued equity capital $
BLME Umbrella Fund Management Sarl	Luxembourg	100	25,000

In addition, BLME holds 1 Class M share and 49,733.531 Class B shares in the BLME Umbrella Fund. BLME's interest is 97.5% of the shares issued; therefore this entity is deemed to be controlled by the Bank and is consolidated into the Group's results. The Group recognised a gain of £28,043 in the income statement line "Change in third party interest in consolidated funds" relating to the minority interest of third party investors in the fund. The minority interest of 2.5% has been reported in the Group's balance sheet liabilities line "third party interest in consolidated funds".

There are seven entities that do not qualify as subsidiaries under UK law but which are consolidated under IAS 27 (SIC-12) as the substance of the relationship is that the entities are controlled by the Bank. These entities are deemed to be controlled by the Bank as the relationships give rise to benefits that are in substance no different from those that would arise were the entities subsidiaries of the Bank.

The seven entities are as follows:

- Kalakane Transatlantic Investors II, Inc. (USA) – Operating leases
- BLX13 Inc (USA) – Operating leases and Finance leases
- SC-BL LP (USA) – Finance leases
- DMJ I LLC (USA) – Finance leases
- DMJ II LLC (USA) – Finance leases
- TP Funding Company LLC (USA) – Investment property
- Medical Property Investments LLC (USA) – Investment property

Leased assets owned by the SPVs are reported as Group operating lease assets amounting to £63,822,953 (30 June 2009: £55,325,503 and 31 December 2009: £61,776,238).

Finance leases owned by the SPVs amount to £38,257,094 (30 June 2009: £18,880,732 and 31 December 2009: £39,859,925).

14. Related parties

During the reporting period the Bank entered into transactions on an arm's length basis with related counterparties as detailed below.

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
Boubyan Bank	£	£	£
Wakala borrowing	-	3,000,000	3,000,000
Commodity Murabaha	6,000,000	30,500,000	36,500,000
Reverse Murabaha	6,802,952	27,363,940	33,961,099
Foreign exchange transactions	11,103	388,848	399,093
Off balance sheet			
Restricted Investment Asset Management	-	9,512,028	-
SGM-FX			
Foreign exchange transactions	9,873,112	109,517	3,187,174

The amounts outstanding with Boubyan Bank as at 30 June 2010 were as follows:

	At 30 June 2010	At 30 June 2009	At 31 December 2009
Included within:	£	£	£
Cash and balances with banks			
Nostros	103,860	60,667	39,572
Due from financial institutions			
Murabaha	-	26,000,000	6,000,000
Due to financial institutions			
Reverse Murabaha	-	(23,107,327)	(6,174,745)

The maximum outstanding with Boubyan Bank during the period ending 30 June 2010 was:

On balance sheet £12,809,304 (30 June 2009: £49,107,327 and 31 December 2009 £49,464,032)
Off balance sheet £nil (30 June 2009: £9,512,028 and 31 December 2009 £10,768,870)

The maximum outstanding with SGM-FX during the period ending 30 June 2010 was £2,857,131 (30 June 2009: £75,049 and 31 December 2009 £1,691,564).

There were no outstanding amounts with SGM-FX as at 30 June 2010 (30 June 2009 and 31 December 2009 £Nil).

As at 30 June 2010, Boubyan Bank held 14.97% and Boubyan Capital held 0.50% of the Bank's shares. A non executive director who joined the Board on 25 September 2009 is also the Chairman of Boubyan Bank.

The Bank's Chief Executive Officer holds a majority interest in SGM-FX.

Key management of the Bank are the three Executive Directors. The compensation of key management personnel is as follows:

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	£	£	£
Key management emoluments	374,809	575,280	712,687
Bank contributions to pension plans	37,500	37,500	75,000
	412,309	**612,780**	**787,687**

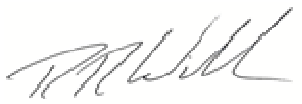
15. Interim report and statutory accounts

The information in this interim report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This interim report was approved by the Board of Directors on 10 September 2010. The statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies House in England and Wales in accordance with section 446 of the Companies Act 2006. The auditor has reported on those accounts. Its report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Statement of Directors’ Responsibilities

We confirm to the best of our knowledge that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’, as adopted by the European Union (EU).

By order of the Board:



Richard Williams
Finance Director
10 September 2010

Independent review report to Bank of London and The Middle East plc

Introduction
We have been engaged by the Bank of London and The Middle East plc to review the condensed set of financial statements in the Interim Report for the six months ended 30 June 2010 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes set on pages 12 to 23. We have read the other information contained in the Interim 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 the terms of our engagement. Our review has been undertaken so that we might state to the Bank 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 Bank for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with IFRSs as adopted by the EU. As disclosed in note 2, the annual financial statements of the Bank are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this Interim 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 Bank a conclusion on the condensed set of financial statements in the Interim 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 Interim Report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU.

Paul Furneaux
for and on behalf of KPMG Audit Plc
Chartered Accountants
London
10 September 2010

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