BLME Holdings plc
Interim Report
For the six months ended 30 June 2014
Registered number 08503102

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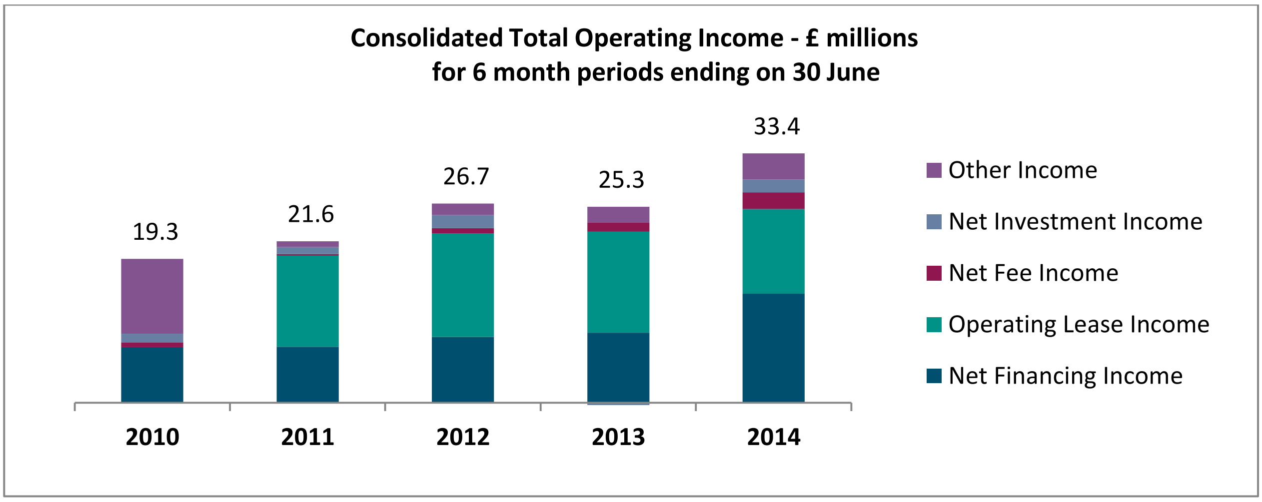
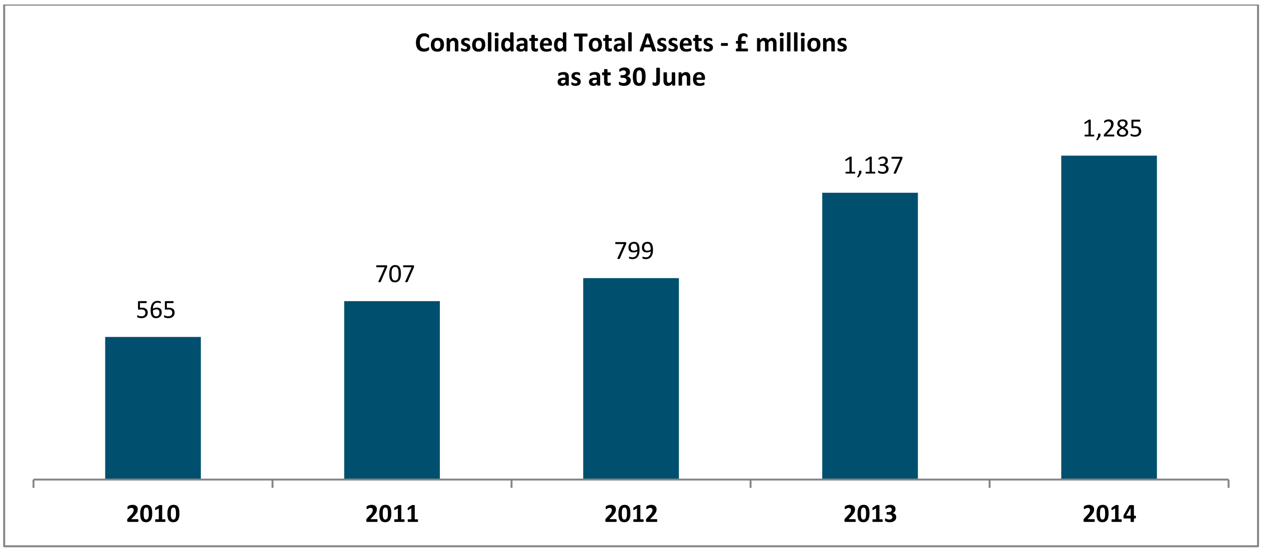
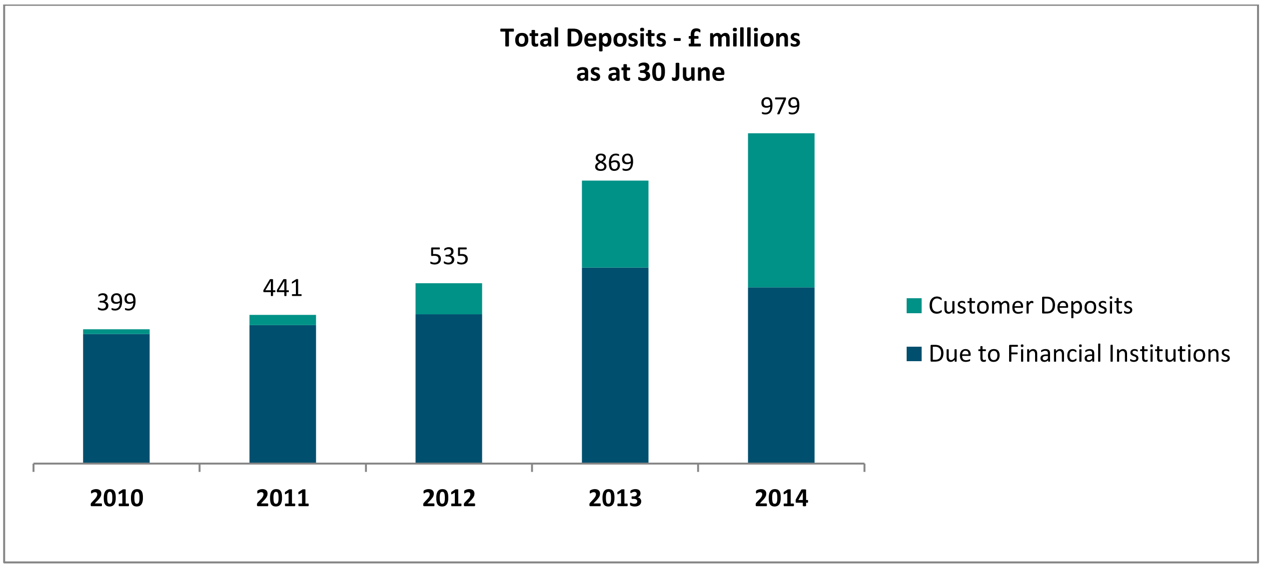
Group Highlights for BLME Holdings plc for the six months to 30 June 2014

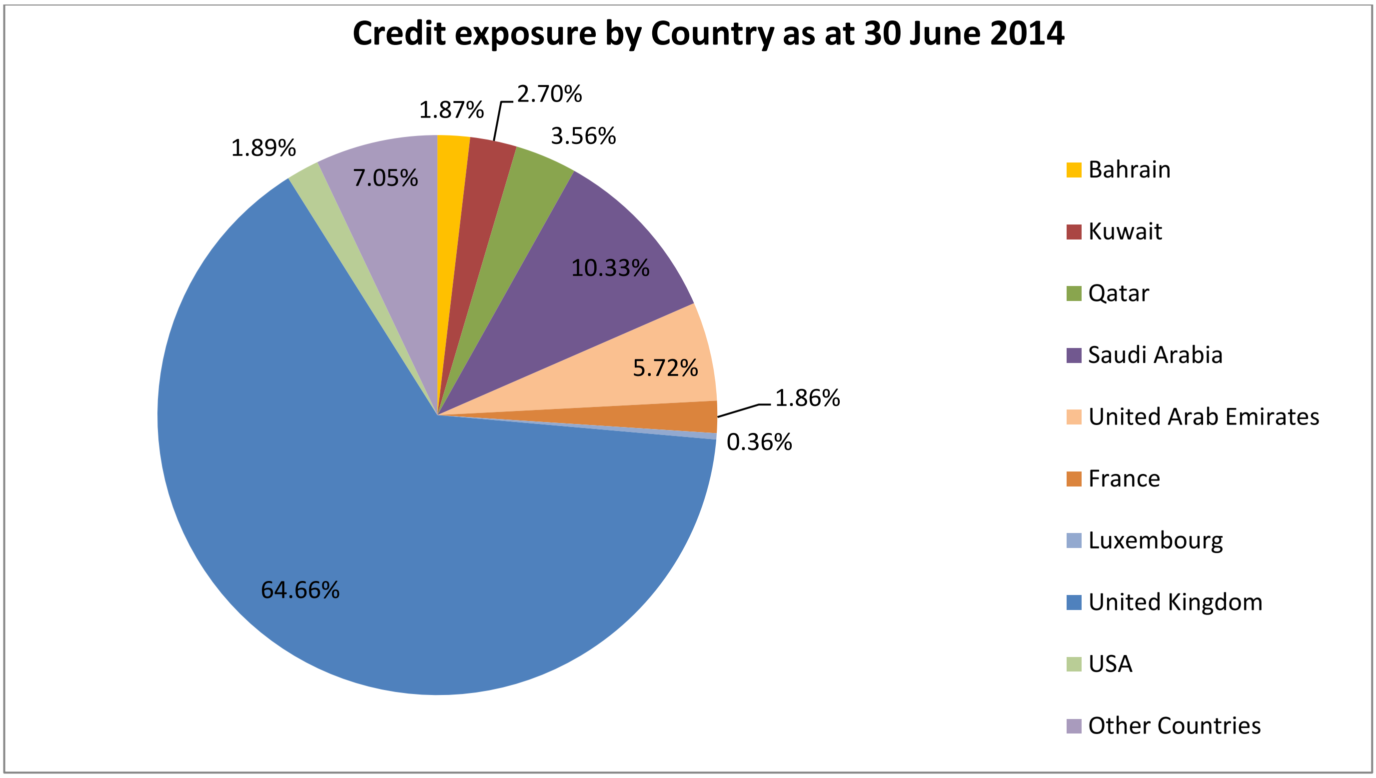
The BLME Group has delivered a solid profitable performance in the face of challenging fixed income market conditions:

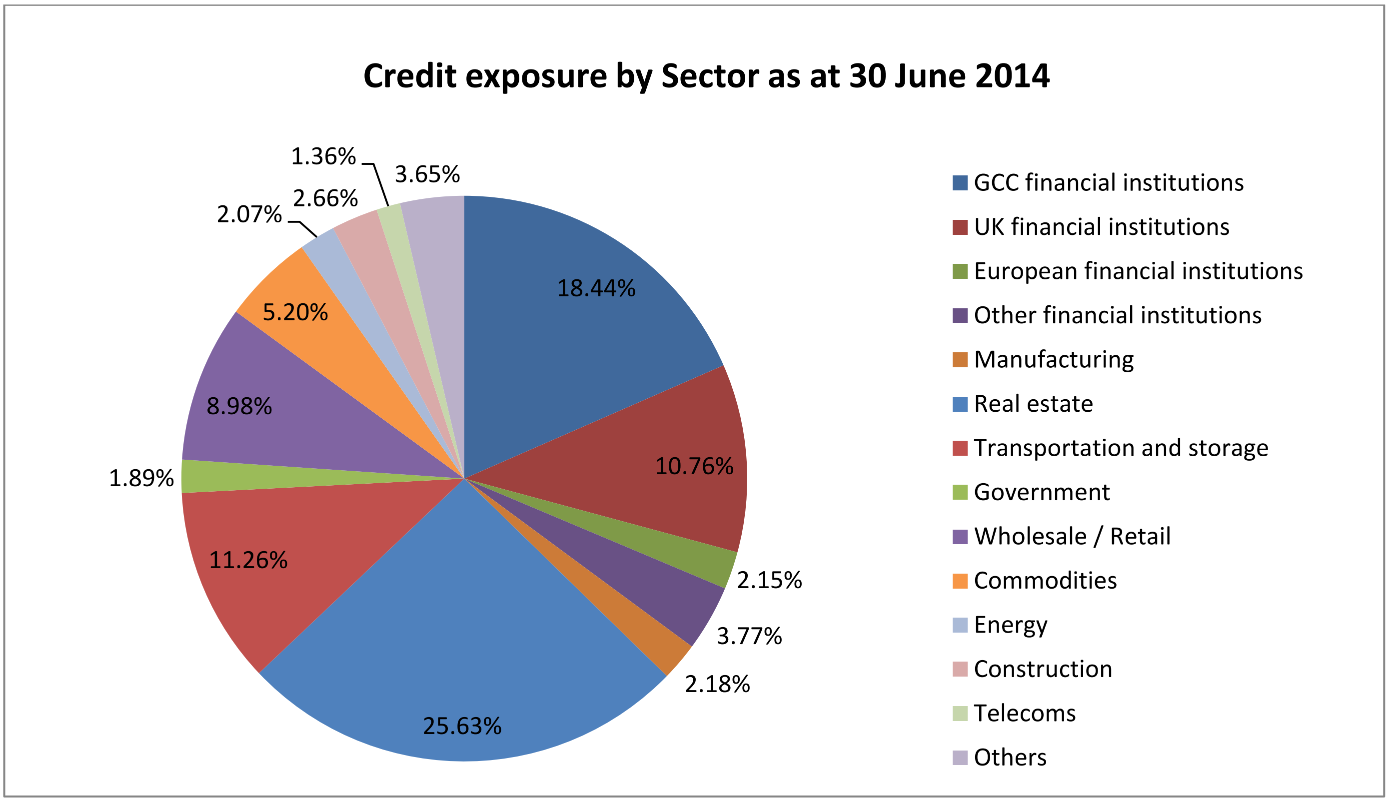
- Income from financing and investment activities rose by 34% from £19.5million to £26.2million
- Net fee income rose by 84% from £1.2 million to £2.2 million
- Total assets increased 13% from £1.14 billion to £1.28 billion
- BLME was awarded Best Islamic Bank in Europe for the seventh year in a row by Islamic Finance News











Naming convention and abbreviations:

In this document, the expression "the Company" refers to BLME Holdings plc which is the ultimate parent company of the BLME Group and is listed on NASDAQ Dubai. The expression "the Group" or "the BLME Group" refers to BLME Holdings plc and its subsidiaries. The name of the principal subsidiary, Bank of London and The Middle East plc is shortened to "BLME" or "the Bank" in narrative text.

Chairman's statement

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

To the Shareholders of BLME Holdings plc

Dear Shareholders,

The BLME Group has delivered growth in income and profits during the first half of 2014, building on the good performance of 2013. The Group's Operating Income has reached £33.4 million compared to £25.3 million for the same period in 2013, an increase of 32%. Profit before Tax was £5.1 million for the six months to 30 June 2014, a significant increase in performance compared to £1.5 million for the first half of 2013.

BLME's strategy to focus on UK Mid-Market companies, including those with links to the GCC, has been the foundation of these strong results. Corporate Banking has had a very strong first half of the year with all departments contributing to the success of the Division. To ensure that BLME remains a market leader, Corporate Banking has continued to develop its product offering, expand its services and build relationships with the UK Mid-Market.

Wealth Management's performance has continued to improve and it is encouraging to see that since the launch of the Dubai Representative Office there has been an increase in investments in our funds and from a wider group of investors. This progress validates Wealth Management's key position in the Bank's long-term business strategy.

There have been two changes to the Board of BLME Holdings plc. I am delighted to announce that Michael Williams has been appointed Senior Independent Non-Executive Director with immediate effect. I would also like to take this opportunity to thank Nigel Denison, who resigned from the Board in June, for his significant contribution in establishing BLME and wish him the very best for the future.

I am pleased that BLME continues to be recognised for its performance and commitment to the Islamic finance industry with an excellence award from the UK Sukuk Summit for the Bank's Outstanding Contribution to Islamic Finance.

I would like to extend my, and the Company's, gratitude to its Shareholders and Supervisory Sharia'a Board, whose support and guidance has been integral to the Bank's success. I, together with the rest of the Board, would like to thank BLME's Executive Directors and employees for their commitment and hard work in ensuring that BLME grows and realises its objectives.

Adel Abdul Wahab Al-Majed
Chairman
26 August 2014

Chief Executive Officer's statement

I am very pleased to report that during the first six months of 2014 the Group has greatly increased its Operating Profit before Impairments to £6.8 million compared to £2.5 million for the same period in 2013. Demonstrating this positive trend, Net Margin has increased by 55% to £14.6 million and Net Fee Income has increased by 84% reaching £2.2 million compared with 30 June 2013. The Group's Balance Sheet now stands at £1.3 billion compared to £1.1 billion at 30 June 2013. There has been a necessary increase in Operating Expenses for the period of 16% as we made a strategic decision to invest in product development and to implement new software that will support a growing and more efficient institution. It is pleasing to note that despite this increase in expenses the Group's cost to income ratio has decreased.

Corporate Banking

The continuing strong performance in the Corporate Banking Division is noteworthy and demonstrates the viability and success of BLME's strategy to focus on UK Mid-Market companies. Corporate Banking has increased Operating Income by 33% compared with 30 June 2013 and its Net Segment Contribution has reached £12.5 million for the period. The established businesses of Property Finance and Leasing continue to perform very well; however it is particularly pleasing to note the increasing contribution of the newer businesses such as Acquisition Finance and ABL Finance. The success of Corporate Banking has been achieved without a significant increase in Balance Sheet assets, demonstrating the strength of the Bank's financing portfolio. The outlook for Corporate Banking's deal pipeline for the rest of 2014 is very positive.

Wealth Management

The Wealth Management Division has seen a significant increase in Net Margin and in Net Segment Contribution in the first half of 2014 compared to the same period in 2013. Wealth Management's Total Operating Income over the period has doubled compared with the six months to 30 June 2013. Wealth Management has a promising pipeline for the second half of 2014. BLME's fixed income funds continue to perform extremely well, outperforming many of their Islamic and conventional peers. There is a broader range of investors in these funds who invest via platforms and through strategic partnerships. Islamic Capital Market's focus on building sustainable relationships with GCC financial institutions and Corporates is delivering encouraging results.

Treasury

During the first half of 2014 the Treasury Division continued to diversify BLME's liability base through new relationships with financial institutions and via our successful retail fixed term deposit product, the Premier Deposit Account. The Treasury Division's segmental contribution has declined as market conditions remain challenging due to the political unrest in parts of the Middle East and Europe and a prolonged low rate environment. Treasury maintains prudent liquidity levels, meeting the more rigorous UK regulatory requirements with ease, and is well placed to fund the Bank's financing activities in the second half of 2014.

Risk Management

The ever changing regulatory environment in which BLME operates remains a challenge, but one which we continue to meet. Risk management enhancements continue to be made across the spectrum of credit, liquidity, market and operational risks, with clear definition and management of our risk appetite.

BLME Group

BLME continues to receive recognition for its products and services, with Islamic Finance News naming BLME as the Best Islamic Bank in Europe 2014 for the seventh year in a row and Euromoney listing BLME as the Best Islamic Bank in the UK. BLME's position as a leading Islamic bank was enhanced when it was named Co-Lead Manager on the $1.5 billion Islamic Development Bank Sukuk, the second time the Islamic Development Bank appointed BLME as Co-Lead Manager for one of their Sukuk issues.

BLME continues to invest in building a modern merchant bank with a sustainable strategy that offers a full suite of products to both our UK and GCC clients. The Bank has maintained excellent client retention whilst attracting new relationships with our tailored service, broad product offering and conservative risk management framework.

Humphrey Percy
Chief Executive Officer
26 August 2014

Condensed consolidated income statement

For the six months ended 30 June 2014 (unaudited)

	Note	6 months to 30 June 2014 £	6 months to 30 June 2013 £	Year to 31 December 2013 £
Income				
Income from financing and investing activities		26,241,539	19,512,807	43,208,042
Returns to financial institutions and customers		(11,664,302)	(10,136,170)	(20,933,149)
Net margin		**14,577,237**	**9,376,637**	**22,274,893**
Fee and commission income		2,331,503	1,543,319	3,204,510
Fee and commission expense		(130,485)	(347,266)	(464,109)
Net fee income		**2,201,018**	**1,196,053**	**2,740,401**
Net fair value gains / (losses) on investment securities		194,212	(1,092,545)	(552,442)
Net fair value gains on investment properties	*11*	1,529,789	178,426	718,381
Operating lease income		11,370,574	13,525,098	26,869,782
Other operating income	*5*	3,483,523	2,112,300	3,962,947
Total operating income		**33,356,353**	**25,295,969**	**56,013,962**
Expenses				
Personnel expenses	*6*	(9,452,158)	(6,127,061)	(13,405,238)
Operating lease depreciation	*14*	(8,870,710)	(10,758,982)	(21,315,726)
Other depreciation and amortisation		(193,969)	(117,886)	(273,903)
Other operating expenses		(7,092,965)	(5,673,784)	(12,466,172)
Change in third party interest in consolidated funds		(904,617)	(148,553)	(383,600)
Total operating expenses		**(26,514,419)**	**(22,826,266)**	**(47,844,639)**
Operating profit before impairment charges		**6,841,934**	**2,469,703**	**8,169,323**
Net impairment charge on financial assets	*7*	(1,719,439)	(1,019,375)	(2,099,538)
Net operating profit before tax		**5,122,495**	**1,450,328**	**6,069,785**
Tax expense	*8*	(1,128,986)	(458,479)	(1,755,059)
Profit for the period		**3,993,509**	**991,849**	**4,314,726**
		Pence	**Pence**	**Pence**
Earnings per share				
Basic earnings per share	*9*	2.07	0.51	2.23
Diluted earnings per share	*9*	2.06	0.51	2.22

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2014 (unaudited)

	6 months to 30 June 2014 £	6 months to 30 June 2013 £	Year to 31 December 2013 £
Income			
Profit for the period	**3,993,509**	**991,849**	**4,314,726**
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss if specific conditions are met:			
Foreign currency translation differences for foreign operations	14,906	(47,142)	(4,155)
Foreign currency translation differences for cash flow hedging reserve	98,074	(295,183)	98,719
Changes in fair value of cash flow hedges taken to equity	335,531	1,233,655	1,358,872
Change in fair value of available-for-sale financial assets taken to equity	329,883	(1,585,233)	(639,700)
Income tax on other comprehensive income	(129,394)	158,365	(182,843)
Other comprehensive income / (expense) for the period net of income tax	**649,000**	**(535,538)**	**630,893**
Total comprehensive profit for the period attributable to equity holders of the Parent company	**4,642,509**	**456,311**	**4,945,619**

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2014 (unaudited)

	Note	30 June 2014 £	30 June 2013 £	31 December 2013 £
Assets				
Cash and balances with banks		74,563,638	49,000,076	65,649,884
Due from financial institutions		161,132,844	113,136,579	133,390,526
Investment securities	*10*	164,402,930	152,937,070	128,014,007
Financing arrangements	*12*	613,564,225	514,053,102	594,571,253
Finance lease receivables	*13*	169,240,919	187,261,311	199,156,031
Operating lease assets	*14*	64,339,032	76,498,915	77,002,129
Investment properties	*11*	29,919,000	20,500,000	24,340,000
Property and equipment		603,591	433,702	649,690
Intangible assets		1,267,217	1,106,018	1,265,924
Other assets		5,087,019	18,688,929	7,809,064
Deferred tax assets	*8*	608,886	3,500,773	1,864,783
Total assets		**1,284,729,301**	**1,137,116,475**	**1,233,713,291**
Liabilities				
Due to financial institutions		522,379,859	581,109,175	648,417,624
Due to customers		457,017,299	287,637,215	308,479,501
Profit rate swaps		2,087,572	2,373,140	1,972,903
Third party interests in consolidated funds		17,247,234	13,365,198	13,951,246
Other liabilities	*15*	39,852,496	15,797,912	18,109,128
Total liabilities		**1,038,584,460**	**900,282,640**	**990,930,402**
Equity				
Share capital		48,933,422	48,983,423	48,983,423
Merger reserve		15,999,851	190,999,851	15,999,851
Other reserve		15,226,477	15,226,477	15,226,477
Capital redemption reserve		50,001	-	-
Fair value reserve		(231,399)	(1,258,664)	(524,046)
Cash flow hedging reserve		(1,780,129)	(2,510,402)	(2,121,576)
Share-based payment reserve		1,898,086	1,147,458	3,210,307
Foreign currency translation reserve		(51,074)	(108,967)	(65,980)
Retained earnings		166,099,606	(15,645,341)	162,074,433
Total equity attributable to equity holders of the Parent company		**246,144,841**	**236,833,835**	**242,782,889**
Total liabilities and equity		**1,284,729,301**	**1,137,116,475**	**1,233,713,291**

These financial statements were approved by the Board of Directors on 26 August 2014 and were signed on its behalf by:

Humphrey Percy
Chief Executive Officer

Richard Williams
Chief Financial Officer

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2014 (unaudited)

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
Cash flows from operating activities	**£**	**£**	**£**
Profit for the period	3,993,509	991,849	4,314,726
Adjusted for:			
Exchange differences	69,860	199,853	271,992
Fair value gains on investment properties	(1,529,789)	(178,426)	(718,381)
Fair value (gains) / losses on investment securities	(133,726)	1,238,898	1,328,100
Provision for impairment	1,719,439	1,019,375	2,099,538
Depreciation and amortisation	9,064,679	10,876,868	21,589,629
Loss on disposal of property and equipment	-	-	17,334
Share-based payment awards	26,928	78,402	152,763
Accretion of instruments held under financing arrangements	(9,100)	(9,649)	(19,791)
Mark to market movement in profit rate swaps	281,138	(647,591)	(822,579)
Tax expense	1,128,986	458,479	1,755,059
	14,611,924	**14,028,058**	**29,968,390**
Net increase in operating assets:			
Due from financial institutions	(27,742,318)	19,277,167	(976,780)
Financing arrangements	(20,502,333)	(155,598,494)	(236,141,783)
Finance lease receivables	30,122,999	(35,009,759)	(48,369,824)
Operating lease assets	3,758,440	(466,755)	(13,755,143)
Other assets	2,706,880	(9,353,742)	84,755
	(11,656,332)	**(181,151,583)**	**(299,158,775)**
Net increase in operating liabilities:			
Due to financial institutions	(120,173,314)	56,127,618	136,156,416
Due to customers	148,526,553	29,908,885	50,297,390
Third party interest in consolidated funds	824,349	186,563	20,424
Cash settlement of share-based payment awards	(667,571)	-	-
Other liabilities	19,764,164	2,976,890	14,132,511
	48,274,181	**89,199,956**	**200,606,741**
Corporation tax paid	(2,484)	(107,909)	(109,685)
Net cash (outflow) / inflow from operating activities	**51,227,289**	**(78,031,478)**	**(68,693,329)**
Purchase of property and equipment	(55,383)	(82,277)	(409,282)
Proceeds from disposal of property and equipment	-	-	3,740
Purchase of intangible assets	(93,781)	(434,443)	(660,421)
Purchase of investment properties	(4,049,211)	(27,450)	(3,327,495)
Sale of investment properties	-	8,006,182	7,807,718
Purchase of investment securities	(163,802,687)	(166,217,321)	(197,277,080)
Sale of investment securities	123,953,855	121,919,851	167,804,836
Net cash (outflow) / inflow from investing activities	**(44,047,207)**	**(36,835,458)**	**(26,057,984)**
Cash flows from financing activities			
Expenses of BLME Scheme of Arrangement	-	-	(603,103)
Subscriptions to consolidated funds	5,521,861	2,237,956	5,014,468
Redemptions from consolidated funds	(2,918,735)	(261,602)	(2,595,612)
Net cash inflow from financing activities	**2,603,126**	**1,976,354**	**1,815,753**
Net change in cash and cash equivalents	**9,783,208**	**(112,890,582)**	**(92,935,560)**
Cash and cash equivalents at the beginning of the period	65,649,884	159,600,938	159,600,938
Exchange differences in respect of cash and cash equivalents	(869,454)	2,289,720	(1,015,494)
Cash and cash equivalents at the end of the period	**74,563,638**	**49,000,076**	**65,649,884**

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2014	Share capital	Merger reserve	Other reserve	Capital redemption reserve	Fair value reserve	Cash flow hedging reserve	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total
	£	£	£	£	£	£	£	£	£	£
Balance at 31 December 2013	48,983,423	15,999,851	15,226,477	-	(524,046)	(2,121,576)	3,210,307	162,074,433	(65,980)	242,782,889
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,993,509**	**-**	**3,993,509**
Other comprehensive income / (expense)										
Foreign currency translation	-	-	-	-	-	98,074	-	-	14,906	112,980
Changes in fair value of cash flow hedges	-	-	-	-	-	335,531	-	-	-	335,531
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(92,158)	-	-	-	(92,158)
Change in fair value of AFS financial assets	-	-	-	-	329,883	-	-	-	-	329,883
Tax on change in fair value of AFS financial assets	-	-	-	-	(37,236)	-	-	-	-	(37,236)
Total other comprehensive income	**-**	**-**	**-**	**-**	**292,647**	**341,447**	**-**	**-**	**14,906**	**649,000**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**292,647**	**341,447**	**-**	**3,993,509**	**14,906**	**4,642,509**
Contributions by and distributions to owners										
Redemption of preference shares held by BLME	(50,000)	-	-	50,000	-	-	-	-	-	-
Repurchase of one A ordinary share held by BLME	(1)	-	-	1	-	-	-	-	-	-
Share-based payment awards	-	-	-	-	-	-	26,928	-	-	26,928
Settlement of share-based payment awards	-	-	-	-	-	-	(687,287)	-	-	(687,287)
Transfer to other liabilities	-	-	-	-	-	-	(651,862)	-		(651,862)
Settlement of own shares by BLME Holdings EBT	-	-	-	-	-	-	-	31,664	-	31,664
Total transactions with owners	**(50,001)**	**-**	**-**	**50,001**	**-**	**-**	**(1,312,221)**	**31,664**	**-**	**(1,280,557)**
Balance at 30 June 2014	**48,933,422**	**15,999,851**	**15,226,477**	**50,001**	**(231,399)**	**(1,780,129)**	**1,898,086**	**166,099,606**	**(51,074)**	**246,144,841**

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.
Cash flow hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments.
Share-based payment reserve represents the amortised portion of the fair value of equity instruments issued under the BLME share incentive schemes and accounted for as equity-settled share-based payments. The transfer to other liabilities relates to the reclassification of the Deferred Annual Bonus Scheme from equity-settled to cash-settled accounting in June 2014.
Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
The **Merger reserve** and the **Other reserve** arose when the BLME Scheme of Arrangement took effect on 2 October 2013. More information regarding the impact of the BLME Scheme of Arrangement on the Group's capital structure is included in Notes 33 and 34 of the Group's annual financial statements for the year ended 31 December 2013.
The **Capital redemption reserve** arose on 26 June 2014 following the redemption of the 50,000 preference shares of £1 each and the repurchase of the one A ordinary share of £1.

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2013 (unaudited)

	Share capital	Share premium account	Merger reserve	Other reserve	Fair value reserve	Cash flow hedging reserve	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total
	£	£	£	£	£	£	£	£	£	£
Balance as reported at 31 December 2012	48,933,422	206,226,328	-	-	(49,624)	(3,231,046)	1,069,056	(13,237,189)	(61,825)	239,649,122
Impact of BLME Scheme of Arrangement on capital structure	50,001	(206,226,328)	190,999,851	15,226,477	-	-	-	(50,001)	-	-
Restated balance at 31 December 2012	48,983,423	-	190,999,851	15,226,477	(49,624)	(3,231,046)	1,069,056	(13,287,190)	(61,825)	239,649,122
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**991,849**	**-**	**991,849**
Other comprehensive income / (expense)										
Foreign currency translation	-	-	-	-	-	(295,183)	-	-	(47,142)	(342,325)
Changes in fair value of cash flow hedges	-	-	-	-	-	1,233,655	-	-	-	1,233,655
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(217,828)	-	-	-	(217,828)
Change in fair value of AFS financial assets	-	-	-	-	(1,585,233)	-	-	-	-	(1,585,233)
Tax on change in fair value of AFS financial assets	-	-	-	-	376,193	-	-	-	-	376,193
Total other comprehensive income	**-**	**-**	**-**	**-**	**(1,209,040)**	**720,644**	**-**	**-**	**(47,142)**	**(535,538)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(1,209,040)**	**720,644**	**-**	**991,849**	**(47,142)**	**456,311**
Contributions by and distributions to owners										
Share-based payment awards	-	-	-	-	-	-	78,402	-	-	78,402
Purchase of own shares by BLME Holdings EBT	-	-	-	-	-	-	-	(3,350,000)	-	(3,350,000)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**78,402**	**(3,350,000)**	**-**	**(3,271,598)**
Balance at 30 June 2013	**48,983,423**	**-**	**190,999,851**	**15,226,477**	**(1,258,664)**	**(2,510,402)**	**1,147,458**	**(15,645,341)**	**(108,967)**	**236,833,835**

The reported balances as at 31 December 2012 have been restated to reflect the retroactive adjustment for the BLME Scheme of Arrangement as if BLME Holdings plc had always been the ultimate controlling party of the BLME Group.

The **Merger reserve** and the **Other reserve** arose when the BLME Scheme of Arrangement took effect on 2 October 2013. More information regarding the impact of the BLME Scheme of Arrangement on the Group's capital structure is included in Notes 33 and 34 of the Group's annual financial statements for the year ended 31 December 2013.

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2013 (unaudited)	Share capital	Merger reserve	Other reserve	Fair value reserve	Cash flow hedging reserve	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total
	£	£	£	£	£	£	£	£	£
Balance at 30 June 2013	48,983,423	190,999,851	15,226,477	(1,258,664)	(2,510,402)	1,147,458	(15,645,341)	(108,967)	236,833,835
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**3,322,877**	**-**	**3,322,877**
Other comprehensive income / (expense)									
Foreign currency translation	-	-	-	-	393,902	-	-	42,987	436,889
Changes in fair value of cash flow hedges	-	-	-	-	125,217	-	-	-	125,217
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	(130,293)	-	-	-	(130,293)
Change in fair value of AFS financial assets	-	-	-	945,533	-	-	-	-	945,533
Tax on change in fair value of AFS financial assets	-	-	-	(210,915)	-	-	-	-	(210,915)
Total other comprehensive income	**-**	**-**	**-**	**734,618**	**388,826**	**-**	**-**	**42,987**	**1,166,431**
Total comprehensive income for the period	**-**	**-**	**-**	**734,618**	**388,826**	**-**	**3,322,877**	**42,987**	**4,489,308**
Contributions by and distributions to owners									
Issue of new deferred shares to BLME	175,000,000	(175,000,000)		-	-	-	-	-	-
Court approved capital reduction under the Companies Act	(175,000,000)	-	-	-	-	-	175,000,000	-	-
Expenses of BLME Scheme of Arrangement	-	-	-	-	-	-	(603,103)	-	(603,103)
DABS scheme reclassified to equity-settled	-	-	-	-	-	1,988,488	-	-	1,988,488
Share-based payment awards	-	-	-	-	-	74,361	-	-	74,361
Total transactions with owners	**-**	**(175,000,000)**	**-**	**-**	**-**	**2,062,849**	**174,396,897**	**-**	**1,459,746**
Balance at 31 December 2013	**48,983,423**	**15,999,851**	**15,226,477**	**(524,046)**	**(2,121,576)**	**3,210,307**	**162,074,433**	**(65,980)**	**242,782,889**

Merger reserve, capital reduction and retained earnings

The Merger reserve was created by the BLME Scheme of Arrangement which took effect on 2 October 2013 and represents the excess of the net asset value of BLME of £239,933,273 over the £48,933,422 nominal value of the ordinary shares issued to the former shareholders of BLME (see Notes 20 and 33 of the Group's annual financial statements for the year ended 31 December 2013). £175 million of this Merger reserve was capitalised through an allotment and issue of 175 million deferred shares of £1 each to BLME on 2 October 2013. These deferred shares were subsequently cancelled on 7 October 2013, thus creating a distributable reserve in the books of the Company equal to the nominal value of the Deferred Shares so cancelled.

Share-based payment reserve

Pursuant to the BLME Scheme of Arrangement which took effect on 2 October 2013, the obligations under all of the BLME share incentive schemes were assumed by the Company for nil consideration.

The notes on pages 14 to 45 are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements (unaudited)

1. Reporting entity

BLME Holdings plc ("the Company") is a company domiciled in the United Kingdom. The address of the Company's registered office is Sherborne House, 119 Cannon Street, London, EC4N 5AT. The Company's principal activity is to act as a holding company for Bank of London and The Middle East plc ("the Bank" or "BLME"). The condensed consolidated financial statements of the Group for the six months ended 30 June 2014 comprise BLME Holdings plc and its subsidiaries (together referenced as "the Group").

2. Accounting policies and basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard ("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 2013. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last annual financial statements as updated for any changes in accounting policies it intends to make in its next annual financial statements as a result of new or updated IFRSs that are applicable. Except as described below, 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 2013.

a. Adoption of new and amended accounting standards in 2014:

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014, with no material impact on the Group's measurement or disclosures:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

b. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2014, have not been applied in preparing these condensed consolidated interim financial statements, including the following:

- IFRS 9 Financial Instruments and subsequent amendments
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014)
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014)
- IFRIC 21 Levies

The Group does not plan to adopt any of these standards or interpretations early, where adopted by the EU and early adoption is permitted.

c. Presentation of comparative figures

The comparative figures for the financial year ended 31 December 2013 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.

3. Use of estimates and judgements

a. Allowance for credit losses

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from individual financing arrangements. This evidence may include observable data indicating that there has been an adverse change in the payment status of counterparties in a portfolio, or national or local economic conditions that correlate with defaults on assets in the portfolio. 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 credit risk 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 Group measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

Level 1: Valuation is based upon quoted market price in an active market for an identical instrument. This category comprises Sukuk held at fair value through profit and loss and Sukuk held at fair value designated as available-for-sale.

Level 2: Valuation techniques are primarily based upon observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category comprises profit rate swaps, which are valued using reference to quoted market data such as yield curves, and investments in Sharia'a compliant funds.

Level 3: Valuation techniques using significant unobservable inputs. This category comprises unlisted equity investments valued by reference to third party valuations.

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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models in determining the fair value of common and more simple financial instruments, such as profit rate swaps, that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities and simple over the counter derivatives such as profit rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

4. Segmental information

The Group has three operating segments as described below, which are based on the Group's strategic business divisions. The strategic business divisions offer different products and services and are managed separately based on the Group's management and internal reporting structure. The following summary describes the operations of each of the Group's reportable segments:

Corporate Banking
Corporate Banking provides senior debt and occasionally mezzanine financing for UK mid-market companies ranging from FTSE250 companies to family owned businesses. Our facilities are provided by our specialist product teams covering: Leasing, Property Finance, Trade Finance, Acquisition Finance, and ABL Finance. Facilities are either separate or offered as one package. We have provided senior financing syndicated facilities and have introduced financing counterparties from the GCC for additional capital.

Wealth Management
Wealth Management includes the Group's complementary businesses of Private Banking and Asset Management which are based together in our West End office. The Private Banking business focuses on providing private banking services, in particular residential lending for central London property acquisitions, to high net worth individuals. Private Banking also offers property sourcing and acquisition services. The Asset Management business offers Sharia'a compliant fund management services and funds based on a Luxembourg platform. Islamic Capital Markets, which also forms part of the Wealth Management Division, organises and participates in syndicated transactions and sells down assets from the Bank's financing portfolios.

Treasury
The Treasury Division funds the Group's financing activities in Corporate Banking and Wealth Management, manages the Group's capital and liquidity and provides innovative Sharia'a compliant hedging, yield and FX structures.

Information regarding the results of the Group's three reportable segments, Corporate Banking, Wealth Management and Treasury, is included in the following three pages. Performance is measured based on net segment contribution as included in the internally generated management information of the Group utilised by the Executive Committee. Segment contribution is stated after charging (or crediting) funding costs between the segments in respect of the segment assets or liabilities which either require or generate funding. There are no other significant transactions between segments.

For the six months ended 30 June 2014

	Treasury Division £	Corporate Banking £	Wealth Management £	Unallocated items £	Total £
Net margin from financing and investing activities	911,757	10,906,621	2,758,859	-	14,577,237
Operating lease income	840,735	10,529,839	-	-	11,370,574
Net fee income	681,994	1,454,801	62,623	1,600	2,201,018
Net fair value (losses) / gains on investment securities	(134,290)	-	328,502	-	194,212
Net fair value gains on investment properties	-	-	1,529,789	-	1,529,789
Other operating income	(22,643)	2,258,408	1,247,758	-	3,483,523
Total operating income	**2,277,553**	**25,149,669**	**5,927,531**	**1,600**	**33,356,353**
Directly attributable segment expenses	(843,860)	(2,499,122)	(2,977,818)	-	(6,320,800)
Operating lease depreciation	-	(8,870,710)	-	-	(8,870,710)
Net impairment charge on financial assets	-	(1,304,439)	(415,000)	-	(1,719,439)
Change in third party interest in consolidated funds	-	-	(904,617)	-	(904,617)
Net segment contribution	**1,433,693**	**12,475,398**	**1,630,096**	**1,600**	**15,540,787**
Common costs not directly attributable to segments					(10,418,292)
Net operating profit before tax					**5,122,495**
Reportable segment assets	**424,501,574**	**662,505,371**	**194,252,292**	**3,470,064**	**1,284,729,301**

For the six months ended 30 June 2013

	Treasury Division	Corporate Banking	Wealth Management	Unallocated items	Total
	£	£	£	£	£
Net margin from financing and investing activities	2,240,771	5,448,797	1,687,069	-	9,376,637
Operating lease income	777,892	12,747,206	-	-	13,525,098
Net fee income	294,778	493,819	360,565	46,891	1,196,053
Net fair value losses on investment securities	(348,930)	-	(743,615)	-	(1,092,545)
Net fair value gains on investment properties	-	-	178,426	-	178,426
Other operating income	465,029	290,445	1,356,826	-	2,112,300
Total operating income	**3,429,540**	**18,980,267**	**2,839,271**	**46,891**	**25,295,969**
Directly attributable segment expenses	(478,644)	(1,917,535)	(2,291,515)	(37,544)	(4,725,238)
Operating lease depreciation	-	(10,758,982)	-	-	(10,758,982)
Net impairment charge on financial assets	-	(1,019,375)	-	-	(1,019,375)
Change in third party interest in consolidated funds	-	-	(148,553)	-	(148,553)
Net segment contribution	**2,950,896**	**5,284,375**	**399,203**	**9,347**	**8,643,821**
Common costs not directly attributable to segments					(7,193,493)
Net operating profit before tax					**1,450,328**
Reportable segment assets	**295,528,991**	**628,961,013**	**202,887,836**	**9,738,635**	**1,137,116,475**

For the year ended 31 December 2013

	Treasury Division	Corporate Banking	Wealth Management	Unallocated items	Total
	£	£	£	£	£
Net margin from financing and investing activities	4,474,238	14,031,417	3,769,238	-	22,274,893
Operating lease income	1,618,896	25,250,886	-	-	26,869,782
Net fee income	576,200	1,786,999	327,192	50,010	2,740,401
Net fair value losses on investment securities	(460,260)	-	(92,182)	-	(552,442)
Net fair value gains on investment properties	-	-	718,381	-	718,381
Other operating income	845,120	861,156	2,274,005	(17,334)	3,962,947
Total operating income	**7,054,194**	**41,930,458**	**6,996,634**	**32,676**	**56,013,962**
Directly attributable segment expenses	(753,958)	(4,642,722)	(5,147,985)	-	(10,544,665)
Operating lease depreciation	-	(21,315,726)	-	-	(21,315,726)
Net impairment charge on financial assets	-	(2,099,538)	-	-	(2,099,538)
Change in third party interest in consolidated funds	-	-	(383,600)	-	(383,600)
Net segment contribution	**6,300,236**	**13,872,472**	**1,465,049**	**32,676**	**21,670,433**
Common costs not directly attributable to segments					(15,600,648)
Net operating profit before tax					**6,069,785**
Reportable segment assets	**305,708,952**	**683,807,148**	**237,836,517**	**6,360,674**	**1,233,713,291**

The Treasury division manages the Group's liquidity as a whole. The Group's liabilities are not analysed by operating segment within the internally generated management information.

Entity wide disclosures

Geographical analysis of non-current assets

	30 June 2014	30 June 2013	31 December 2013
	£	£	£
Dubai	287,799	278,152	313,283
Luxembourg	31,034,327	21,443,501	25,667,347
United Kingdom	48,807,564	56,913,208	53,591,996
USA	20,808,239	38,556,131	31,217,216
Others	277,929	36,572	276,965
Total	**101,215,858**	**117,227,564**	**111,066,807**

Non-current assets include operating lease assets, investment properties, property and equipment, intangible assets and other assets.

5. Other operating income

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	£	£	£
Gain on foreign exchange transactions	69,860	-	-
Gain on leased asset sales	2,256,654	313,505	861,156
Rental income from investment properties	1,076,617	1,247,604	2,168,935
Other	80,392	551,191	932,856
	3,483,523	**2,112,300**	**3,962,947**

6. Personnel expenses

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	£	£	£
Wages and salaries	7,539,790	4,659,657	10,395,326
Social security costs	779,753	598,509	1,321,857
Defined contribution pension scheme costs	506,085	457,721	916,568
Sharia'a Supervisory Board fees	37,845	21,355	52,378
Recruitment and relocation costs	351,597	187,913	279,063
Other staff costs	237,088	201,906	440,046
	9,452,158	**6,127,061**	**13,405,238**

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	Number	Number	Number
Number of employees at period end	114	95	99
Average for the period - management	6	5	6
Average for the period - non-management	110	89	90

7. Impairment of financial assets and operating leases

The table below sets out a reconciliation of changes in impairment provisions against financial assets and operating leases:

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	£	£	£
Opening impairment balance	22,633,481	22,158,006	22,158,006
Exchange translation and other movements	(819,759)	1,194,250	239,956
Income statement:			
Gross impairment charge for the period	1,719,439	1,019,375	2,164,238
Amounts recovered during the period	-	-	(64,700)
Net impairment charge for the period	**1,719,439**	**1,019,375**	**2,099,538**
Amounts written off during the period	-	-	(1,864,019)
Closing impairment balance	**23,533,161**	**24,371,631**	**22,633,481**

The table below sets out a reconciliation of changes in the carrying amount of impaired financial assets and operating leases:

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	£	£	£
Opening net carrying balance	17,630,663	15,817,968	15,817,968
Exchange translation and other movements	(380,275)	649,681	(187,770)
Change in allowance for impairment	(437,491)	-	-
Classified as impaired during the period	11,819,308	16,255,733	17,978,593
Transferred to not impaired during the period	-	(67,197)	(6,542,380)
Amounts written off	-	-	(1,864,019)
Disposals	(203,052)	-	(7,571,729)
Closing net carrying balance	**28,429,153**	**32,656,185**	**17,630,663**

The table below sets out an analysis of the gross and net carrying amount of impaired financial assets and operating leases as at 30 June 2014 by statement of financial position line, by country and by economic sector:

As at 30 June 2014	**Gross exposure £**	**Impairment provision £**	**Net exposure £**
Analysed by statement of financial position line:			
Financing arrangements	47,537,951	(23,206,136)	24,331,815
Operating lease assets	4,242,828	(245,025)	3,997,803
Other assets - inventory	181,535	(82,000)	99,535
Balance as at 30 June 2014	**51,962,314**	**(23,533,161)**	**28,429,153**
Analysed by country:			
Bahrain	2,924,404	(292,440)	2,631,964
Cayman Islands	10,634,617	(5,116,538)	5,518,079
France	2,861,953	(2,053,613)	808,340
Turkey	13,995,545	(13,995,545)	-
United Kingdom	17,302,967	(1,830,000)	15,472,967
USA	4,242,828	(245,025)	3,997,803
Balance as at 30 June 2014	**51,962,314**	**(23,533,161)**	**28,429,153**
Analysed by economic sector:			
Financial Services			
GCC Financial Institutions	2,924,404	(292,440)	2,631,964
Manufacturing	13,995,545	(13,995,545)	-
Real estate	17,189,124	(1,748,000)	15,441,124
Transportation and storage	12,551,796	(5,327,615)	7,224,181
Wholesale / Retail	2,257,957	(33,948)	2,224,009
Construction	181,535	(82,000)	99,535
Waste management	2,861,953	(2,053,613)	808,340
Balance as at 30 June 2014	**51,962,314**	**(23,533,161)**	**28,429,153**

The table below sets out an analysis of the gross and net carrying amount of impaired financial assets and operating leases as at 30 June 2013 by statement of financial position line, by country and by economic sector:

As at 30 June 2013	**Gross exposure £**	**Impairment provision £**	**Net exposure £**
Analysed by statement of financial position line:			
Financing arrangements	39,601,140	(23,281,706)	16,319,434
Finance lease receivables	352,448	(20,648)	331,800
Operating lease assets	7,050,209	(481,006)	6,569,203
Other assets - inventory	10,024,019	(588,271)	9,435,748
Balance as at 30 June 2013	**57,027,816**	**(24,371,631)**	**32,656,185**
Analysed by country:			
Bahrain	3,296,740	(329,674)	2,967,066
Cayman Islands	11,988,618	(5,274,783)	6,713,835
France	3,063,119	(2,197,961)	865,158
Turkey	14,979,288	(14,979,288)	-
United Kingdom	18,198,143	(1,155,495)	17,042,648
USA	5,501,908	(434,430)	5,067,478
Balance as at 30 June 2013	**57,027,816**	**(24,371,631)**	**32,656,185**
Analysed by economic sector:			
Financial Services			
GCC Financial Institutions	3,296,740	(329,674)	2,967,066
Mining and quarrying	10,024,019	(588,271)	9,435,748
Manufacturing	17,232,717	(15,299,059)	1,933,658
Real estate	6,345,825	(500,000)	5,845,825
Transportation and storage	11,988,618	(5,274,783)	6,713,835
Wholesale / Retail	5,076,778	(181,883)	4,894,895
Waste management	3,063,119	(2,197,961)	865,158
Balance as at 30 June 2013	**57,027,816**	**(24,371,631)**	**32,656,185**

The table below sets out an analysis of the gross and net carrying amount of impaired financial assets and operating leases as at 31 December 2013 by statement of financial position line, by country and by economic sector:

As at 31 December 2013	**Gross exposure £**	**Impairment provision £**	**Net exposure £**
Analysed by statement of financial position line:			
Financing arrangements	37,827,536	(22,333,262)	15,494,274
Finance lease receivables	384,587	(82,000)	302,587
Operating lease assets	2,052,021	(218,219)	1,833,802
Balance as at 31 December 2013	**40,264,144**	**(22,633,481)**	**17,630,663**
Analysed by country:			
Bahrain	3,023,340	(302,334)	2,721,006
Cayman Islands	10,994,399	(4,837,344)	6,157,055
France	2,976,870	(2,136,072)	840,798
Turkey	14,557,512	(14,557,512)	-
United Kingdom	6,660,002	(582,000)	6,078,002
USA	2,052,021	(218,219)	1,833,802
Balance as at 31 December 2013	**40,264,144**	**(22,633,481)**	**17,630,663**
Analysed by economic sector:			
Financial Services			
GCC Financial Institutions	3,023,340	(302,334)	2,721,006
Manufacturing	14,557,512	(14,557,512)	-
Real estate	6,345,825	(500,000)	5,845,825
Transportation and storage	12,976,010	(5,055,563)	7,920,447
Construction	384,587	(82,000)	302,587
Waste management	2,976,870	(2,136,072)	840,798
Balance as at 31 December 2013	**40,264,144**	**(22,633,481)**	**17,630,663**

8. Taxation

	6 months to 30 June 2014 £	6 months to 30 June 2013 £	Year to 31 December 2013 £
UK Corporation tax			
- on current period profit	(115,376)	192,130	(106,143)
	(115,376)	192,130	(106,143)
Overseas tax for the period	2,692	107,886	109,685
Deferred tax for the period	1,241,670	158,463	1,751,517
Tax charge in income statement	**1,128,986**	**458,479**	**1,755,059**

The effective tax rate for the period is 22.0% (six months ended 30 June 2013: 31.6% and year ended 31 December 2013: 28.9%), representing the best estimate of the annual effective tax rate expected for the full year, applied to the operating profit before tax for the six month period.

The main UK Corporation Tax rate was reduced from 23% to 21% with effect from 1 April 2014 and a further reduction from 21% to 20% with effect from 1 April 2015 was substantially enacted on 2 July 2013. Accordingly the deferred tax assets recognised below have been calculated using a corporation tax rate of 20% (30 June 2013: 23% and 31 December 2013: 20%).

Tax recognised in other comprehensive income

	6 months to 30 June 2014 £	6 months to 30 June 2013 £	Year to 31 December 2013 £
Cash flow hedging reserve	(92,158)	(217,828)	(348,121)
Fair value reserve	(37,236)	376,193	165,278
	(129,394)	**158,365**	**(182,843)**

Deferred Tax

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. It is estimated that the tax losses carried forward will be utilised by the end of the six month period ended 30 June 2017.

Movements in deferred tax balances

For the six months ended 30 June 2014	Balance at 1 January £	Recognised in profit or loss £	Recognised in OCI	Balance at 30 June £
Property, equipment and software	162,419	(69,013)	-	93,406
Tax losses carried forward	1,311,435	(912,778)	-	398,657
Cash flow hedges	66,377	-	(14,227)	52,150
Share-based payment transactions	324,552	(259,879)	-	64,673
Tax assets	**1,864,783**	**(1,241,670)**	**(14,227)**	**608,886**

For the six months ended 30 June 2013	Balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 30 June
	£	£		£
Property, equipment and software	450,535	202,810	-	653,345
Tax losses carried forward	2,881,140	(427,086)	-	2,454,054
Cash flow hedges	143,077	-	(33,765)	109,312
Share-based payment transactions	217,108	66,954	-	284,062
Other expenses	1,140	(1,140)	-	-
Tax assets	**3,693,000**	**(158,462)**	**(33,765)**	**3,500,773**

For the year ended 31 December 2013	Balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December
	£	£		£
Property, equipment and software	450,535	(288,116)	-	162,419
Tax losses carried forward	2,881,140	(1,569,705)	-	1,311,435
Cash flow hedges	143,077	-	(76,700)	66,377
Share-based payment transactions	217,108	107,444	-	324,552
Other expenses	1,140	(1,140)	-	-
Tax assets	**3,693,000**	**(1,751,517)**	**(76,700)**	**1,864,783**

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the number of basic weighted average ordinary shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the dilutive effects of all dilutive share options and awards.

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
Earnings per share	**pence**	**pence**	**pence**
Basic	2.07	0.51	2.23
Diluted	2.06	0.51	2.22
Profit attributable to ordinary shareholders	**£**	**£**	**£**
Profit attributable to shareholders (basic)	3,993,509	991,849	4,314,726
Profit attributable to shareholders (diluted)	3,993,509	991,849	4,314,726

	At 30 June 2014	At 30 June 2013	At 31 December 2013
Weighted average number of ordinary shares	**Number**	**Number**	**Number**
Number of ordinary shares of 25p in issue	195,733,691	195,733,691	195,733,691
Share held in Treasury by the BLME Holdings EBT	(2,657,436)	(2,676,921)	(2,676,921)
Weighted average number of shares (basic)	193,076,255	193,056,770	193,056,770
Effect of dilutive share options in issue	992,050	1,271,538	1,312,129
Weighted average number of shares (diluted)	194,068,305	194,328,308	194,368,899

10. Investment securities

	Listed	Unlisted	Total
			At 30 June 2014
	£	£	£
Fair value through profit and loss			
Sukuk	35,054,407	1,469,521	36,523,928
Available-for-sale			
Equity	367,713	2,718,440	3,086,153
Sukuk	124,792,849	-	124,792,849
	160,214,969	**4,187,961**	**164,402,930**

	Listed	Unlisted	Total
			At 30 June 2013
	£	£	£
Fair value through profit and loss			
Sukuk	47,777,442	-	47,777,442
Available-for-sale			
Equity	219,731	2,651,565	2,871,296
Sukuk	102,288,332	-	102,288,332
	150,285,505	**2,651,565**	**152,937,070**

	Listed	Unlisted	Total
			At 31 December 2013
	£	£	£
Fair value through profit and loss			
Sukuk	35,131,936	411,804	35,543,740
Available-for-sale			
Equity	297,758	2,663,688	2,961,446
Sukuk	89,508,821	-	89,508,821
	124,938,515	**3,075,492**	**128,014,007**

11. Investment properties

Group	At 30 June 2014	At 30 June 2013	At 31 December 2013
	£	£	£
Opening valuation	24,340,000	27,816,788	27,816,788
Net exchange differences	-	483,518	285,054
Purchases at cost	4,049,211	27,450	3,327,495
Disposals	-	(8,006,182)	(7,807,718)
Movements in fair value *	1,529,789	178,426	718,381
Closing valuation	**29,919,000**	**20,500,000**	**24,340,000**

** this item has been included in "net fair value gains / (losses) on investment properties" in the income statement*

The Group accounts for its investment properties under IAS 40 "Investment property" using a fair value model. The investment properties are valued by independent external professionally qualified valuation agents based on current prices in an active market and are classified as Level 2 for the purposes of IFRS 13.

In 2013, the Group disposed of its leasehold interest in a US commercial real estate property in Bettendorf, Iowa. This investment property was valued by CB Richard Ellis at 30 June 2012 and 31 December 2012 as $11.8 million. This property was held through the structured entities 'TP Funding Company LLC' and 'Medical Property Investments LLC' (see Note 16).

The purchases in the period relate to the Group's investment in the BLME Light Industrial Building Fund compartment of the BLME Sharia'a Umbrella Fund SICAV SIF which is consolidated into the Group's results as disclosed in Note 16.

The income statement includes rental income from the investment properties of £1,076,617 (six months to 30 June 2013: £1,247,604 and year to 31 December 2013: £2,168,935) in the line "Other operating income" and direct operating expenses of £189,308 (six months to 30 June 2013: £411,793 and year to 31 December 2013: £888,942) including repairs and maintenance in the line "Other operating expenses".

12. Financing arrangements

	Less than 1 year	1-5 years	Over 5 years	At 30 June 2014 Total
	£	£	£	£
Murabaha	406,096,854	140,827,034	20,922	546,944,810
Mudaraba	198	3,060,037	-	3,060,235
Musharaka	138	2,767,765	-	2,767,903
Hire Purchase	219,574	47,574,806	-	47,794,380
Istisna and Ijara	203	-	8,376,670	8,376,873
Sukuk	393,760	27,432,400	-	27,826,160
Wakala	-	-	-	-
	406,710,727	**221,662,042**	**8,397,592**	**636,770,361**
Provision for impairment				(23,206,136)
				613,564,225

	Less than 1 year	1-5 years	Over 5 years	At 30 June 2013 Total
	£	£	£	£
Murabaha	301,412,341	176,738,005	20,922	478,171,268
Mudaraba	1,024	-	3,804,462	3,805,486
Musharaka	1,025	3,835,086	-	3,836,111
Hire Purchase	26,401	8,582,578	-	8,608,979
Istisna and Ijara	1,074	-	9,927,010	9,928,084
Sukuk	-	26,226,888	3,296,740	29,523,628
Wakala	3,461,252	-	-	3,461,252
	304,903,117	**215,382,557**	**17,049,134**	**537,334,808**
Provision for impairment				(23,281,706)
				514,053,102

	Less than 1 year	1-5 years	Over 5 years	At 31 December 2013 Total
	£	£	£	£
Murabaha	362,191,496	170,821,353	20,922	533,033,771
Mudaraba	225	3,344,337	-	3,344,562
Musharaka	165	3,219,778	-	3,219,943
Hire Purchase	239,350	34,287,237	-	34,526,587
Istisna and Ijara	222	-	8,867,051	8,867,273
Sukuk	17,784,325	6,367,724	-	24,152,049
Wakala	9,760,330	-	-	9,760,330
	389,976,113	**218,040,429**	**8,887,973**	**616,904,515**
Provision for impairment				(22,333,262)
				594,571,253

These tables represent contractual maturities.

13. Finance lease receivables

	At 30 June 2014	At 30 June 2013	At 31 December 2013
	£	£	£
Gross investment in finance leases receivables			
Less than one year	71,180,608	86,950,504	74,069,870
One to five years	113,471,941	118,364,916	140,913,418
More than five years	1,062,429	3,556,316	5,642,641
	185,714,978	208,871,736	220,625,929
Unearnt future income on finance leases	(16,474,059)	(21,589,777)	(21,387,898)
Provision for impairment	-	(20,648)	(82,000)
Net investment in finance leases	**169,240,919**	**187,261,311**	**199,156,031**
The net investment in finance leases comprises:			
Less than one year	63,438,667	79,056,524	65,081,945
One to five years	104,769,292	105,320,907	128,772,484
More than five years	1,032,960	2,883,880	5,301,602
	169,240,919	**187,261,311**	**199,156,031**

These tables represent contractual maturities.

14. Operating lease assets

	At 31 December 2013 £	Additions 2014 £	Disposals 2014 £	Depreciation 2014 £	Translation differences 2014 £	At 30 June 2014 £
Gross carrying amount	133,289,066	2,641,977	(19,281,053)	-	(2,014,202)	114,635,788
Less depreciation	(56,068,718)	-	13,685,558	(8,870,710)	1,202,139	(50,051,731)
	77,220,348	**2,641,977**	**(5,595,495)**	**(8,870,710)**	**(812,063)**	**64,584,057**
Provision for impairment						(245,025)
						64,339,032

	At 31 December 2012 £	Additions 2013 £	Disposals 2013 £	Depreciation 2013 £	Translation differences 2013 £	At 30 June 2013 £
Gross carrying amount	138,500,556	7,732,706	(14,379,680)	-	4,656,044	136,509,626
Less depreciation	(53,503,957)	-	7,097,465	(10,758,982)	(2,364,231)	(59,529,705)
	84,996,599	**7,732,706**	**(7,282,215)**	**(10,758,982)**	**2,291,813**	**76,979,921**
Provision for impairment						(481,006)
						76,498,915

	At 31 December 2012 £	Additions 2013 £	Disposals 2013 £	Depreciation 2013 £	Translation differences 2013 £	At 31 December 2013 £
Gross carrying amount	138,500,556	25,951,878	(29,606,229)	-	(1,557,139)	133,289,066
Less depreciation	(53,503,957)	-	17,409,494	(21,315,726)	1,341,471	(56,068,718)
	84,996,599	**25,951,878**	**(12,196,735)**	**(21,315,726)**	**(215,668)**	**77,220,348**
Provision for impairment						(218,219)
						77,002,129

Rental receipts under operating leases

	At 30 June 2014 £	At 30 June 2013 * £	At 31 December 2013 £
Future rentals are as follows:			
Less than one year	16,851,376	22,997,114	21,687,693
Between one and five years	18,704,922	28,328,398	24,817,343
More than five years	-	-	-
	35,556,298	**51,325,512**	**46,505,036**

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

15. Other liabilities

	At 30 June 2014	At 30 June 2013	At 31 December 2013
	£	£	£
Trade payables	499,125	924,638	520,277
VAT payable	2,090,516	-	654,382
Deferred income	5,060,235	4,907,076	5,834,491
Social security and income tax	303,782	302,400	299,130
Accruals	6,920,177	6,049,030	5,091,995
Other creditors	2,478,661	2,110,504	5,708,853
Cash in transit *	22,500,000	1,504,264	-
	39,852,496	**15,797,912**	**18,109,128**

* The Cash in transit balance as at 30 June 2014 related to purchases of the UK Government Sukuk 2019 which settled in early July 2014.

16. Subsidiaries and other entities

Subsidiary	Country of incorporation	BLME interest in equity capital	Issued equity capital
Directly held:			
Bank of London and The Middle East plc	England & Wales	100%	£48,933,422
Indirectly held:			
BLME Umbrella Fund Management Sarl	Luxembourg	100%	US$ 25,000
BLME Holdco Limited	England & Wales	100%	£102
BLME Holdings EBT	Jersey	100%	£100
BLME Limited	England & Wales	100%	£2
BLME (UK) GP Limited	England & Wales	100%	£100
BLME Nominees LIBF Limited	England & Wales	100%	£100
BLME Asset Management Limited	England & Wales	100%	£2

In addition, the Group holds the following investments in three different compartments of the BLME Sharia'a Umbrella Fund SICAV SIF:

	30 June 2014 No of shares	30 June 2013 No of shares	31 December 2013 No of shares
BLME US$ Income Fund compartment:			
Class B shares	25,741.369	25,978.466	25,741.369
Class C shares	24,995.251	24,995.251	24,995.251
Class G shares	1,234.491	1,234.491	1,234.491
Class M shares	198.766	1	198.766
BLME Global Sukuk Fund compartment:			
Class A shares	8,239.545	10,000	8,239.545
BLME Light Industrial Building Fund compartment:			
Class A shares	10,027.628	10,027.628	10,027.628

These holdings represent a majority interest in all three active compartments of the BLME Sharia'a Umbrella Fund SICAV SIF which are therefore deemed to be controlled by the Bank and thus consolidated into the Group's results.

The overall holding in the BLME Sharia'a Umbrella Fund SICAV SIF is approximately 75.9% of the shares issued (30 June 2013: 80% and 31 December 2013: 77.9%). The Group recognised an expense of £904,617 (six months to 30 June 2013: £148,553 and year to 31 December 2013: £383,600) 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 24.1% (30 June 2013: 20% and 31 December 2013: 22.1%) has been reported in the Group's balance sheet liabilities line "third party interest in consolidated funds".

There are five active structured entities (2013: five) that do not qualify as subsidiaries under UK law but which are consolidated under IFRS 10 as the substance of the relationship is that the entities are deemed to be controlled by the Group.

The five entities are as follows:

- Kalakane Transatlantic Investors II, Inc. (USA) – Operating leases
- BLX13 Inc (USA) – Operating leases and Finance leases
- DMJ 2 LLC (USA) – Operating leases
- TP Funding Company LLC (USA) – Investment property
- Medical Property Investments LLC (USA) – Investment property

Lease assets owned by the structured entities are reported as Group operating lease assets amounting to £19,743,937 (30 June 2013: £34,844,555 and 31 December 2013: £27,213,040).

Finance leases owned by the structured entities amount to £6,966,212 (30 June 2013: £12,325,346 and 31 December 2013: £8,837,061).

The BLME Holdings EBT holds a stock of own shares acquired at a cumulative cost of £4,318,336 (30 June 2013 and 31 December 2013: £4,350,000) which has been deducted from retained earnings in the Condensed Consolidated Statement of Changes in Equity. The BLME Holdings EBT did not purchase any own shares during the period (six months to 30 June 2013 and year to 31 December 2013: 51,538,461 ordinary BLME shares of 1 penny each at 6.5 pence per share for a total consideration of £3,350,000).

During the period the Group incurred stamp duty costs on behalf of the BLME Holdings EBT amounting to £Nil (six months to 30 June 2013 and year to 31 December 2013: £16,750).

17. Related parties

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

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	£	£	£
Boubyan Bank K.S.C			
Wakala placement	23,620,492	49,268,832	95,200,438
Wakala deposit taking	15,712,536	13,211,832	54,132,119
Foreign exchange transactions	654,015	23,329	21,432
The Public Institution for Social Security			
Reverse Murabaha	231,185,802	388,166,804	650,131,618
PDQFX Limited			
Foreign exchange transactions	-	3,209	3,209

The amounts outstanding with Boubyan Bank K.S.C as at 30 June 2014 were as follows:

	At 30 June 2014	At 30 June 2013	At 31 December 2013
Included within:	£	£	£
Cash and balances with banks			
Nostros	723,128	286,665	1,663,988
Due from financial institutions			
Wakala placement	7,871,599	2,954,048	8,040,064
Due to financial institutions			
Wakala deposit taking	3,643,299	6,593,616	9,797,978

The maximum amounts outstanding with Boubyan Bank K.S.C during the period ended 30 June 2014 were:

On balance sheet £9,808,087 (30 June 2013: £19,484,186 and 31 December 2013: £12,924,801)
Off balance sheet £Nil (30 June 2013 and 31 December 2013: £Nil)

On 22 September 2010 the Bank entered into a 5 year marketing and advisory services agreement with Boubyan Bank K.S.C. The Bank will be paying KWD 450,000, which was equivalent to £934,580 at the balance sheet date (30 June 2013: £1,039,381 and 31 December 2013: £964,426), annually in arrears for the services with the first payment made on 30 September 2011. In return Boubyan Bank K.S.C has committed to a comprehensive range of marketing and advisory initiatives. The cost of these services is being recognised in the income statement over the period of the agreement and is included in the line "Other operating expenses".

On 4 April 2011 the Bank was appointed by Boubyan Bank K.S.C as agent under a two year facility agency agreement with Boubyan Bank K.S.C in relation to a master Murabaha facility agreement between Boubyan Bank K.S.C and a client of Boubyan Bank K.S.C for the purpose of the acquisition and development of a property in London. For this service, the Bank received a facility agency fee of £124,000 during the first year of the agreement and £62,000 in the second year of the agreement. The fee is payable in four equal quarterly instalments each year. On 25 June 2013 the facility agency agreement with Boubyan Bank K.S.C was amended so that the Group also received an extension facility agency fee of £124,000 in four equal quarterly instalments commencing with effect from 4 April 2013.

As at 30 June 2014, Boubyan Bank K.S.C held 25.62% of the Company's shares (30 June 2013: 20.92% and 31 December 2013: 25.62%). A Non-Executive Director who joined the Board on 25 September 2009, and resigned from the Board on 7 June 2013, was also the Chairman of Boubyan Bank K.S.C from 2009 until March 2012. A Non-Executive Director who joined the Board on 6 December 2012 and was appointed Chairman on 31 March 2014 is the Chief Executive Officer and Vice Chairman of Boubyan Bank K.S.C.

The amounts outstanding with The Public Institution for Social Security (of Kuwait) as at 30 June 2014 were as follows:

	At 30 June 2014	At 30 June 2013	At 31 December 2013
Included within:	£	£	£
Reverse Murabaha	513,181,663	471,676,472	526,858,596

The maximum amounts outstanding with The Public Institution for Social Security during the period ended 30 June 2014 were:

On balance sheet £514,709,436 (30 June 2013: £505,581,709 and 31 December 2013: £545,602,006)
Off balance sheet £Nil (30 June 2013 and 31 December 2013: £Nil)

As at 30 June 2014, The Public Institution for Social Security held 7.67% (30 June 2013 and 31 December 2013: 7.67%) of the Bank's shares. The Company's Vice Chairman holds the position of Deputy Director General for Investment of The Public Institution for Social Security.

The maximum outstanding amount with SGM-Foreign Exchange Limited during the period ended 30 June 2014 was £Nil (30 June 2013 and 31 December 2013: £Nil). As at 30 June 2014 the Group had no outstanding foreign currency forward contracts with SGM-Foreign Exchange Limited (30 June 2013 and 31 December 2013: £Nil). The Company's Chief Executive Officer holds a majority interest in SGM-Foreign Exchange Limited.

The maximum outstanding amount with PDQFX Limited during the period ended 30 June 2014 was £Nil (30 June 2013 and 31 December 2013: £1,288). There were no outstanding foreign currency forward contracts with PDQFX Limited as at 30 June 2014 (30 June 2013 and 31 December 2013: £Nil). The Company's Chief Executive Officer holds a 50% interest in PDQFX Limited.

The key management of the Group are the two Executive Directors (30 June 2013 and 31 December 2013: three). The compensation of key management personnel for the period was as follows:

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
	£	£	£
Key management emoluments *	357,098	385,655	1,597,519
Bank contributions to pension plans	17,082	30,750	59,250
	374,180	**416,405**	**1,656,769**

* Key management emoluments include share-based payments of £3,930 (six months to 30 June 2013: £30,181 and year to 31 December 2013: £377,900).

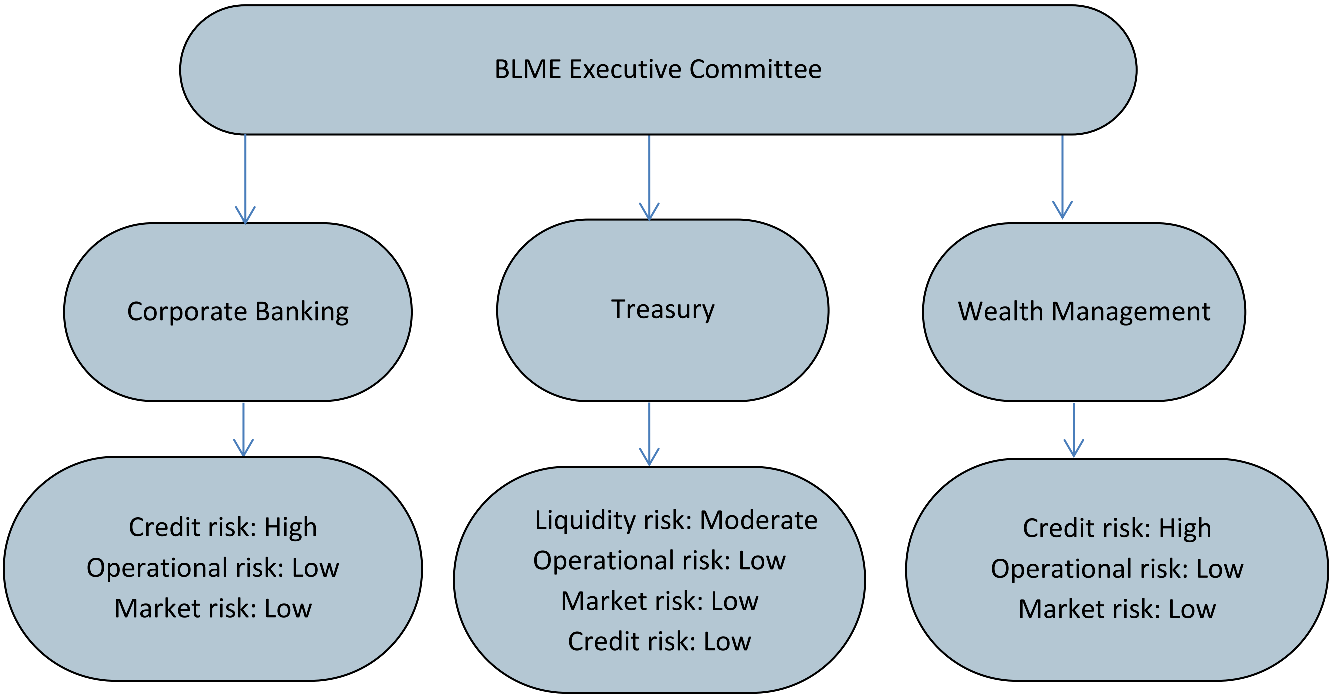
During the year ended 31 December 2013 one of the Executive Directors purchased some items of office furniture from the Group for a total consideration of £3,050. During the period ended 30 June 2013, one Non-Executive Director had an interest in a BLME Premier Deposit Account with a balance of £25,000 which matured during the period. These transactions arose from the ordinary course of business and were conducted on the same terms as for comparable transactions with third-party counterparties.

18. Financial risk management

The Group has exposure to the following risk categories arising from the use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

The chart below provides a link between the Group's business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Group as a whole and is measured based on allocation of the regulatory capital within the Group.



This Note presents information about the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Group operates an integrated risk framework which defines the basic components for the identification, assessment, measurement, management, monitoring and reporting of risks. Responsibilities are organised in accordance with the "three lines of defence" where:

1. Line management, (including Executives and Board members), is responsible for ensuring that a risk and control environment is established as part of the day to day operations (1st line of defence).
2. Oversight functions such as Risk Management and Compliance are responsible for designing policies, setting direction, ensuring compliance and providing oversight for Board and Audit committee members (2nd line of defence).
3. Assurance is provided by the independent Internal Audit function (3rd line of defence).

The management of risk in the Group is founded on defining the risk appetite for each class of risk in line with business strategy. Governance structures are put in place to oversee the strategic priorities and to manage the defined risk appetite for each class of risk. For each risk category a range of risk management techniques and limits under an independent control framework are established. This is supported by a stress testing programme that defines a Stress Test Guidance Parameter for each main risk type. Regular stress testing seeks to ensure that risks remain within the Group's stated risk appetite and capital allocation. These processes take place within an approved Risk framework ensuring that:

- Systems and controls are in place to manage the day-to-day business. These are performed with segregation of duties, reporting and escalation procedures.
- Committee and Governance structures exist to oversee the effective operation of the internal control framework and to seek to ensure that the management of risk conforms to regulatory guidelines and the particular risk appetite of the business, as determined by the Board. This is re-enforced by the independent advisory and monitoring functions of Risk Management and Compliance.
- An additional layer of independent risk assurance is provided by the internal auditing process, and by the programme of regular independent review that the Board Risk Committee and the Audit Committee undertake on behalf of the Board.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions, products and services offered.

The principal risks faced by the Group, together with details of how these risks are managed (which have not changed significantly during the period), remain as detailed in the Group's Annual Report and Accounts 2013 and are expected to remain unchanged in the final six months of the financial year to 31 December 2014.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty is not able to repay capital and/or profit, or otherwise meet its contractual obligations under credit facilities or in respect of other agreements.

i Exposure by statement of financial position line

The following tables present the Group's maximum exposure to credit risk on balance sheet financial instruments as at 30 June 2014, before taking account of any collateral held or other credit enhancements. The amounts at the reporting date are indicative of the amounts at risk throughout the period.

	At 30 June 2014 £	At 30 June 2013 £	At 31 December 2013 £
Cash and balances with banks	74,563,638	49,000,076	65,649,884
Due from financial institutions			
Murabaha	88,823,822	79,389,076	103,372,471
Wakala	72,309,022	33,747,503	30,018,055
Investment securities	164,402,930	152,937,070	128,014,007
Financing arrangements	613,564,225	514,053,102	594,571,253
Finance lease receivables	169,240,919	187,261,311	199,156,031
Total credit exposure	**1,182,904,556**	**1,016,388,138**	**1,120,781,701**

As at 30 June 2014 there were 27 off balance sheet letters of guarantee outstanding (30 June 2013: 41 and 31 December 2013: 43) with a total exposure of £16,252,591 (30 June 2013: £10,665,905 and 31 December 2013: £18,425,420). These letters of guarantee mainly relate to short dated Trade Finance and ABL Finance facilities with a maturity of less than six months.

ii Exposure by country

The Group's assets were dispersed across the following countries:

Group	At 30 June 2014 £	At 30 June 2013 £	At 31 December 2013 £
GCC countries			
Bahrain	22,125,138	18,972,660	19,750,317
Kuwait	31,989,478	26,213,170	50,670,939
Qatar	42,068,528	63,578,315	35,176,002
Saudi Arabia	122,155,099	78,832,021	82,801,814
United Arab Emirates	67,650,163	98,150,142	44,852,721
EEA countries			
France	21,975,700	4,021,558	25,341,972
Luxembourg	4,240,555	4,492,065	4,210,473
United Kingdom	764,890,486	579,321,755	742,289,388
Other countries			
Bermuda	4,537,403	6,683,271	5,418,884
British Virgin Islands	15,343,610	-	1,873,721
Cayman Islands	5,518,080	7,304,025	6,157,055
China	-	12,251,499	-
Djibouti	2,767,903	3,836,111	3,219,946
Hong Kong	119,956	200,000	200,000
Indonesia	757,311	385,837	356,905
Jersey	-	5,770,195	-
Malaysia	25,507,890	17,111,943	8,254,673
South Korea	7,257,760	11,100,917	8,728,430
Switzerland	8,127,711	12,338,740	12,443,443
Turkey	13,504,539	21,378,284	21,213,510
USA	22,367,246	44,445,630	47,821,508
Total credit exposure	**1,182,904,556**	**1,016,388,138**	**1,120,781,701**

The Group has very limited direct credit exposure to institutions and governments of the European Union ("EU") outside the United Kingdom ("UK"). The non-UK EU component above represents approximately 2% (30 June 2013: 1% and 31 December 2013: less than 3%) of the Group's total credit exposure. The Group had no direct exposure to either the governments of, or institutions or corporates in Greece, Portugal, Ireland, Spain, Cyprus, Russia or Ukraine.

iii Exposure by economic sector

The Group's assets were dispersed across the following economic sectors:

Group	At 30 June 2014	At 30 June 2013	At 31 December 2013
	£	£	£
Financial services			
GCC financial institutions	218,154,015	203,491,928	157,743,994
UK financial institutions	127,257,518	42,997,484	108,447,205
European financial institutions	25,407,915	7,648,464	28,711,647
Other financial institutions	44,641,301	48,354,860	27,374,034
Mining and quarrying	-	3,754,689	885,844
Manufacturing	25,762,524	15,540,961	18,754,527
Real estate	303,136,437	289,059,015	324,066,771
Transportation and storage	133,216,766	134,276,806	146,164,092
Government	22,306,673	24,067,651	23,786,058
Wholesale / Retail	106,209,394	89,554,289	91,292,731
Oil and gas	-	22,859,301	16,930,410
Commodities	61,512,478	38,787,199	58,867,235
Energy	24,459,725	10,571,982	30,717,833
Construction	31,522,234	-	32,648,344
Telecoms	16,119,021	12,521,871	14,721,747
Others	43,198,555	72,901,638	39,669,229
Total credit exposure	**1,182,904,556**	**1,016,388,138**	**1,120,781,701**

iv Credit risk quality

Credit quality is assessed using techniques that include information from the major External Credit Assessment Institutions ("ECAI") as well as BLME internal ratings for customers who are not externally rated. The latter are mapped to the ratings of the ECAI. The table below shows the breakdown of credit quality as at 30 June 2014. Of the total portfolio 31% (30 June 2013: 36% and 31 December 2013: 33%) was directly rated by at least one of the ECAI, with 69% (30 June 2013: 64% and 31 December 2013: 67%) mapped using internal ratings.

At 30 June 2014	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade	Sub-Investment Grade	Unlisted Equity Investments	
	£	£	£	£	£	£
Cash and balances with banks	74,563,638	-	-	-	-	74,563,638
Due from financial institutions	113,782,612	-	32,851,124	14,499,108	-	161,132,844
Investment securities	130,074,067	3,111,322	23,526,063	4,605,325	3,086,153	164,402,930
Financing arrangements	30,252,695	-	226,641,793	356,669,737	-	613,564,225
Finance lease receivables	18,902,697	-	102,102,462	48,235,760	-	169,240,919
Total credit exposure	**367,575,709**	**3,111,322**	**385,121,442**	**424,009,930**	**3,086,153**	**1,182,904,556**

At 30 June 2013	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade	Sub-Investment Grade	Unlisted Equity Investments	
	£	£	£	£	£	£
Cash and balances with banks	49,000,076	-	-	-	-	49,000,076
Due from financial institutions	90,058,422	-	16,484,540	6,593,617	-	113,136,579
Investment securities	138,177,261	5,298,454	6,260,385	549,405	2,651,565	152,937,070
Financing arrangements	37,340,342	9,204,249	235,530,207	231,978,304	-	514,053,102
Finance lease receivables	19,008,618	18,300,790	73,292,152	76,659,751	-	187,261,311
Total credit exposure	**333,584,719**	**32,803,493**	**331,567,284**	**315,781,077**	**2,651,565**	**1,016,388,138**

At 31 December 2013	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade	Sub-Investment Grade	Unlisted Equity Investments	
	£	£	£	£	£	£
Cash and balances with banks	65,649,884	-	-	-	-	65,649,884
Due from financial institutions	111,345,318	-	7,081,436	14,963,772	-	133,390,526
Investment securities	119,719,187	3,996,733	709,470	627,174	2,961,443	128,014,007
Financing arrangements	31,191,062	-	266,854,968	296,525,223	-	594,571,253
Finance lease receivables	22,965,192	16,930,410	110,936,417	48,324,012	-	199,156,031
Total credit exposure	**350,870,643**	**20,927,143**	**385,582,291**	**360,440,181**	**2,961,443**	**1,120,781,701**

The Group's cash balances, amounts due from financial institutions and investment securities were neither past due nor impaired as at 30 June 2014, 30 June 2013 and 31 December 2013.

Analysis of past due amounts and impairments

Group	Financing Arrangements			Finance Leases		
	At 30 June 2014	At 30 June 2013	At 31 December 2013	At 30 June 2014	At 30 June 2013	At 31 December 2013
	£	£	£	£	£	£
Neither past due nor impaired	579,436,463	476,493,890	562,499,879	165,032,880	186,929,511	197,182,299
Past due but not impaired	9,795,947	21,239,778	16,577,100	4,208,039	-	1,671,145
Gross exposure associated with impairment provision	47,537,951	39,601,140	37,827,536	-	352,448	384,587
Less: allowance for impairments	(23,206,136)	(23,281,706)	(22,333,262)	-	(20,648)	(82,000)
Total	**613,564,225**	**514,053,102**	**594,571,253**	**169,240,919**	**187,261,311**	**199,156,031**
Past due but not impaired	£	£	£	£	£	£
Past due up to 30 days	-	-	10,536,096	4,208,039	-	1,671,145
Past due 30 to 60 days	-	-	6,022,476	-	-	-
Past due 60 to 90 days	6,927,333	18,435,519	-	-	-	-
Past due over 90 days	2,868,614	2,804,259	18,528	-	-	-
Total	**9,795,947**	**21,239,778**	**16,577,100**	**4,208,039**	**-**	**1,671,145**

The past due but not impaired balances as at 30 June 2014 include £9,780,419 (30 June 2013: £21,218,250 and 31 December 2013: £16,363,882) relating to two real estate transactions (30 June 2013: three and 31 December 2013: four) where the facility balances are lower than the collateral values. An analysis of impairments is provided in Note 7 "Impairment of financial assets and operating leases".

v Fair value of financial assets and liabilities

The following table summarises the carrying amounts and estimated fair values of financial assets and liabilities.

	Note	**30 June 2014 Carrying value £**	**30 June 2014 Fair value £**	**30 June 2013 Carrying value £**	**30 June 2013 Fair value £**	**31 December 2013 Carrying value £**	**31 December 2013 Fair value £**
Due from financial institutions	i	161,132,844	*	113,136,579	*	133,390,526	*
Investment securities	ii	164,402,930	164,402,930	152,937,070	152,937,070	128,014,007	128,014,007
Financing arrangements	iii	613,564,225	*	514,053,102	*	594,571,253	*
Finance lease receivables	iv	169,240,919	*	187,261,311	*	199,156,031	*
Due to financial institutions	iv	522,379,859	*	581,109,175	*	648,417,624	*
Profit rate swaps liability	v	2,087,572	2,087,572	2,273,140	2,273,140	1,972,903	1,972,903
Due to customers	iv	457,017,299	*	287,637,215	*	308,479,501	*

* the carrying amount of these financial assets and financial liabilities are representative of their fair values.

Notes

i. Apart from a £7,871,599 (30 June 2013: £2,954,048 and 31 December 2013: £8,040,064) Wakala placement with Boubyan Bank K.S.C., which is disclosed in further detail in Note 17, these assets represent short term liquidity with an average residual life of 5 weeks and a maximum individual residual maturity of 8 months. The assets are placed with banks with an average credit rating of A-. On this basis, carrying value reflects fair value.

ii. Fair value represents independent external valuation or last trade.

iii. Fair value reflects screen based quotes where appropriate and available or replacement value based on current profit rates with reference to residual maturity from balance sheet date.

iv. Fair value represents present replacement value based on current profit rates with reference to residual maturity from balance sheet date.

v. Fair value represents replacement value based on current profit rates with reference to residual maturity from balance sheet date.

Valuation of Financial Instruments

The Group categorises fair value measurements using the fair value hierarchy that reflects the observability and significance of inputs used in the valuation techniques.

Level 1: Valuation is based upon quoted market prices in an active market for an identical instrument. This category comprises Sukuk held at fair value through profit and loss and Sukuk held at fair value designated as available-for-sale.

Level 2: Valuation techniques are primarily based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category comprises investment properties, profit rate swaps and investments in Sharia'a compliant funds.

Level 3: Valuation techniques using significant unobservable inputs. This category comprises unlisted equity investments valued by reference to third party valuations.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques based on observable and unobservable inputs.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the fair value hierarchy.

At 30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investment securities	160,214,969	1,469,521	2,718,440	164,402,930
Investment properties	-	29,919,000	-	29,919,000
Profit rate swaps liability	-	2,087,572	-	2,087,572

At 30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investment securities	150,285,505	-	2,651,565	152,937,070
Investment properties	-	20,500,000	-	20,500,000
Profit rate swaps liability	-	2,373,140	-	2,373,140

At 31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investment securities	124,938,515	411,804	2,663,688	128,014,007
Investment properties	-	24,340,000	-	24,340,000
Profit rate swaps liability	-	1,972,903	-	1,972,903

During the six month period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The investment properties are valued by an independent professional firm of qualified surveyors in accordance with the RICS Valuation – Professional Standards, incorporating the International Valuation Standards, Global and UK edition (March 2012) – 'the Red Book'. The properties are all held for investment purposes and have been valued on the basis of Market Value, defined within the Red Book as:

"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value is determined by applying the income approach based on the rent passing, the estimated rental value of the property, the lease term, expected vacancy rates and the market yield, and is estimated by the external valuer based on comparable transactions and industry data. More information regarding the Group's investment properties is included in Note 11.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Investment securities	**6 months to 30 June 2014**	**6 months to 30 June 2013**	**Year to 31 December 2013**
	£	**£**	**£**
Balance at 1 January	2,663,688	2,213,104	2,213,104
Total (losses) / gains recognised in:			
- profit or loss	(44,830)	51,581	(11,011)
- other comprehensive income / (expense)	88,714	-	(34,189)
Purchases	10,868	386,880	695,785
Sales	-	-	(200,001)
Balance at period end	**2,718,440**	**2,651,565**	**2,663,688**

vi. Financial assets and financial liabilities

Financial assets and financial liabilities comprise cash and cash equivalents, derivative financial instruments, investment securities and available-for-sale financial assets.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, arising from the differing maturity profile of its assets and liabilities.

Residual contractual maturities of financial assets

At 30 June 2014	**Less than 1 month**	**1-3 months**	**3 - 12 months**	**1-5 years**	**5+ years**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Cash and balances with banks	74,563,638	-	-	-	-	74,563,638
Due from financial institutions	105,843,341	47,211,251	5,088,463	3,061,330	-	161,204,385
Investment securities	27,755,830	29,362,478	252,651	80,536,156	26,495,815	164,402,930
Financing arrangements	56,844,817	87,625,632	226,651,763	272,377,892	8,943,103	652,443,207
Finance lease receivables	197,698	4,417,435	15,937,498	157,142,099	7,829,304	185,524,034
	265,205,324	**168,616,796**	**247,930,375**	**513,117,477**	**43,268,222**	**1,238,138,194**

At 30 June 2013	Less than 1 month	1-3 months	3 - 12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£
Cash and balances with banks	49,000,076	-	-	-	-	49,000,076
Due from financial institutions	100,819,433	5,210,399	4,091,986	3,021,061	-	113,142,879
Investment securities	29,997,666	-	-	122,939,404	-	152,937,070
Financing arrangements	94,606,113	27,952,037	122,748,788	336,101,196	-	581,408,134
Finance lease receivables	795,641	517,285	5,731,879	188,587,447	13,218,836	208,851,088
	275,218,929	**33,679,721**	**132,572,653**	**650,649,108**	**13,218,836**	**1,105,339,247**

At 31 December 2013	Less than 1 month	1-3 months	3 - 12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£
Cash and balances with banks	65,649,884	-	-	-	-	65,649,884
Due from financial institutions	122,750,631	5,804,813	2,841,940	1,993,142	-	133,390,526
Investment securities	26,462,184	-	9,343,187	92,208,636	-	128,014,007
Financing arrangements	169,386,497	68,179,421	134,088,220	248,554,592	9,472,269	629,680,999
Finance lease receivables	686,982	3,948,075	7,707,915	188,139,207	20,061,751	220,543,930
	384,936,178	**77,932,309**	**153,981,262**	**530,895,577**	**29,534,020**	**1,177,279,346**

The tables above shows the contractual, undiscounted cash flows of the Group's financial assets.

None of the Group's assets have been pledged as collateral apart from cash collateral deposits of £672,307 (30 June 2013: £676,093 and 31 December 2013: £697,337) as security against rental payments on the Group's premises.

Residual contractual maturities of financial liabilities

At 30 June 2014	Less than 1 month	1-3 months	3 - 12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£
Due to financial institutions	83,329,520	82,183,262	352,636,631	8,361,153	-	526,510,566
Due to customers	31,657,339	16,640,052	96,267,258	336,016,552	-	480,581,201
Profit rate swaps	-	237,333	184,678	1,665,561	-	2,087,572
	114,986,859	**99,060,647**	**449,088,567**	**346,043,266**	**-**	**1,009,179,339**

At 30 June 2013	Less than 1 month	1-3 months	3 - 12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£
Due to financial institutions	124,720,549	65,106,797	391,321,987	676,088	-	581,825,421
Due to customers	29,381,935	11,486,704	75,269,850	192,207,372	-	308,345,861
Profit rate swaps	203,701	240,157	303,078	1,626,204	-	2,373,140
	154,306,185	**76,833,658**	**466,894,915**	**194,509,664**	**-**	**892,544,422**

At 31 December 2013	Less than 1 month	1-3 months	3 - 12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£
Due to financial institutions	163,710,310	88,549,529	388,560,685	8,500,000	-	649,320,524
Due to customers	36,488,978	14,256,588	87,924,825	188,728,986	-	327,399,377
Profit rate swaps	159,819	182,834	905,387	724,863	-	1,972,903
	200,359,107	**102,988,951**	**477,390,897**	**197,953,849**	**-**	**978,692,804**

The tables above show the contractual, undiscounted cash flows of the Group's financial liabilities apart from profit rate swaps which are stated at fair value.

Whilst BLME has sufficient assets in the short dated time buckets to cover its short dated liabilities as they become due, it also holds a significant Liquid Asset Buffer (in line with the PRA BIPRU rules) of £99.7m as at 30th June 2014. These LAB holdings have increased throughout the first half of 2014 and have been greater than the regulatory liquidity requirement throughout the period.

c. Market risks

Market risk is the risk that changes in market prices will affect the Group's income. It covers profit rate risk, credit spread risk, equity price risk and foreign exchange risk.

i. Profit rate risk

This risk arises from the effects of changes in profit rates on the re-pricing of assets and liabilities, and covers both fixed and variable profit rates.

As at 30 June 2014, the Group's net profit rate sensitivity to profit and loss on its fixed and variable rate assets, and its capital and reserves, as measured by the discounted value of a one basis point change in market rates, was £17,790 (30 June 2013: £111 and 31 December 2013: £2,686). The impact of an increase / decrease of 100 basis points in profit rates at the statement of financial position date, subject to a minimum rate of 0%, would be to increase / decrease profit and loss by £4,549,000 / £3,340,000 (30 June 2013: £1,340,000 / £410,000 and 31 December 2013: £1,109,000 / £564,000) and to increase / decrease equity by £1,881,000 / £921,000 (30 June 2013: decrease / increase equity by £11,000 / £807,000 and 31 December 2013: decrease / increase equity by £269,000 / £648,000).

ii. Credit spread risk

BLME operates a Sukuk Trading Book, within which the portfolio size and individual issuer risks are limited to modest proportions since BLME does not have a material appetite for Trading Risk. The value of this Trading Book as at 30 June 2014 was £1,954,096 (30 June 2013: £11,494,233 and 31 December 2013: £2,965,090). The impact of an increase or decrease of 10 per cent in Sukuk trading prices at the statement of financial position date would be to increase or decrease equity and profit or loss by £192,362 (six months to 30 June 2013: £1,128,411 and year to 31 December 2013: £292,968).

iii. Foreign exchange risk

Foreign exchange risk is the risk that the value of a non-Sterling asset or liability position will fluctuate due to changes in currency rates. The Bank does not take significant foreign exchange positions and the majority of risk relates to earnings on US Dollar assets and US Dollar liabilities whose maturities are broadly matched. The Board has established position and stop loss limits to ensure that positions and revaluation results are subject to independent daily monitoring and reporting to senior management.

A 10% strengthening or weakening of the net foreign currency positions against Sterling at the statement of financial position date would result in an FX revaluation gain or loss of £284,319 (30 June 2013: £181,508 and 31 December 2013: £103,906). The foreign exchange result for the period to 30 June 2014 was a net gain of £69,860 (six months to 30 June 2013: £199,853 loss and year to 31 December 2013: £271,992 net loss).

d. Operational risk

Operational risk is the risk of loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks.

e. Capital adequacy

At 30 June 2014 and throughout the period the Group complied with the capital requirements that were in force as set out by the Prudential Regulation Authority.

Further information regarding the Group's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Basel II Pillar 3 (the Pillar 3 disclosures) which can be found in the Investor Relations section of the BLME website www.blme.com.

19. 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 26 August 2014. The statutory accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies for England and Wales in accordance with section 446 of the Companies Act 2006. The Auditors have reported on those accounts. Their 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
Chief Financial Officer
26 August 2014

Independent review report to BLME Holdings plc

Introduction

We have been engaged by BLME Holdings plc (“the Company”) to review the condensed set of financial statements in the Interim Report for the six months ended 30 June 2014 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 out on pages 14 to 45. 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 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 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 Company 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 Company 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 2014 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 LLP
Chartered Accountants
London
26 August 2014

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