

BLME Holdings plc

2013 Results

3rd March 2014



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Business Review

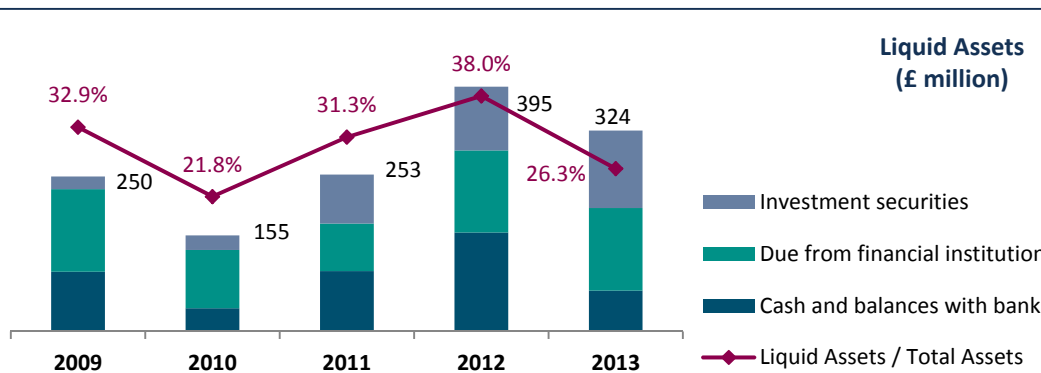
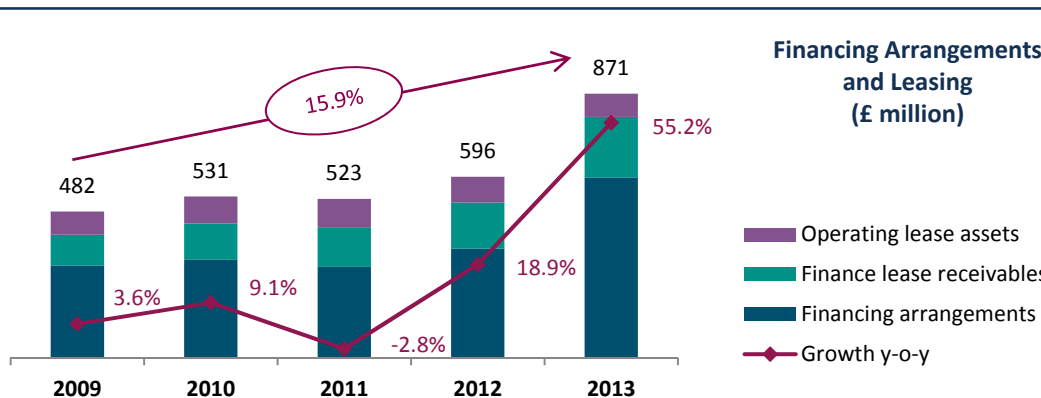
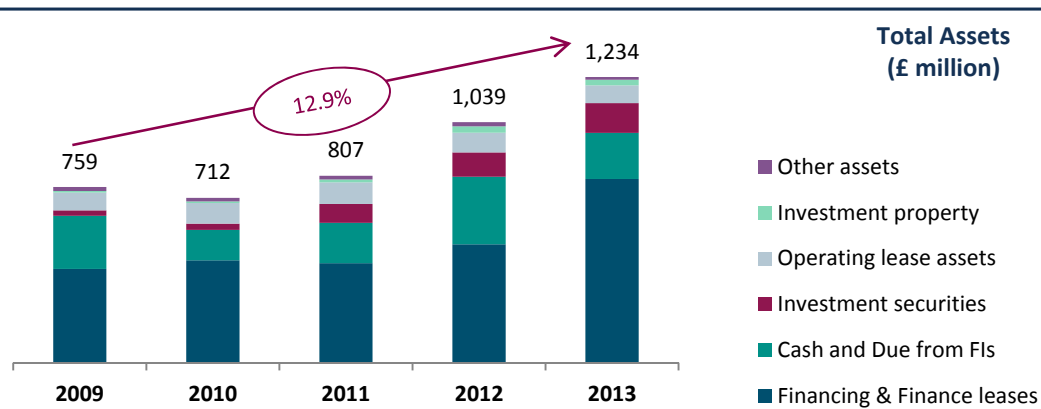
	Key Performance Indicators	2013	2012
<p>2013 was a landmark year for BLME Group</p> <ul style="list-style-type: none"> ▪ BLME is the largest Islamic bank in Europe and is the only bank that focuses on the UK corporate mid-market. ▪ First UK Islamic Bank to list on NASDAQ Dubai and to open a representative office in Dubai. ▪ BLME awarded Best Islamic Bank in the UK by both IFN and Euromoney and Best Islamic Asset Manager in Europe by IFN. 			
<p>Key highlights of the full year results</p> <ul style="list-style-type: none"> ▪ 24.3% increase in Total Deposits over the period. ▪ 18.7% increase in Total Assets. ▪ Fee Income increased by over 50%. ▪ Net Operating Profit before Impairment Charges up by 12.3%. ▪ Net Profit for the year increased by 12.3%. ▪ Impaired Loans decreased from 5.1% to 4.0%. ▪ BLME's Capital Adequacy Ratio is in excess of current and impending Basel standards. 	<p>Pre-tax Return on Equity (%)</p> <p>Net operating profit before tax</p> <p>Total Assets</p> <p>Cost to Income ratio (%) (adjusted for operating lease depreciation)</p> <p>Net fee income / Operating profit before impairment charges (%)</p> <p>Net margin (%)</p> <p>Impaired assets (%)</p> <p>Capital Adequacy Ratio (%)</p> <p>ROAA (%)</p> <p>ROAE (%)</p> <p>Earnings Per Share (pence)</p>	<p>2.5%</p> <p>£6.1 m</p> <p>£1.23 bn</p> <p>76.5%</p> <p>33.5%</p> <p>2.24%</p> <p>4.0%</p> <p>19.36%</p> <p>0.38%</p> <p>1.79%</p> <p>2.23</p>	<p>2.3%</p> <p>£5.5 m</p> <p>£1.04 bn</p> <p>76.4%</p> <p>24.4%</p> <p>2.13%</p> <p>5.1%</p> <p>25.45%</p> <p>0.42%</p> <p>1.61%</p> <p>1.97</p>

2013 Financial Results Highlights

	Balance Sheet		2013	2012	(+/-)
			£ million	£ million	%
<ul style="list-style-type: none"> In line with the Bank's strategic aims Total Assets increased by 18.7% year on year to £1.23 billion largely due to the increase in Net Financing Arrangements and Finance Leases to £794 million. The increase in financing was funded by the 24.3% growth in Total Deposits to £957 million. 	Total Assets		1,234	1,039	18.7%
	Financing arrangements and finance lease		794	511	55.2%
	Total Deposits		957	770	24.3%
	Income Statement				
	Net margin income		22.3	17.1	29.9%
	Net fee income		2.7	1.8	54.2%
	Net loss/(gain) on investment securities		(0.6)	3.6	N/A
	Net gain/(loss) on Investment property		0.7	(1.0)	N/A
	Operating lease income		26.9	27.3	(1.4%)
	Other income		4.0	3.7	5.8%
	Total consolidated operating income		56.0	52.5	6.8%
	Operating expenses		(47.8)	(45.2)	5.9%
	Operating profit before impairments		8.2	7.3	12.3%
	Impairment allowances		(2.1)	(1.8)	19.2%
	Operating profit before tax		6.1	5.5	10.1%
	Tax		(1.8)	(1.7)	4.8%
	Net profit for the year		4.3	3.8	12.3%
<ul style="list-style-type: none"> Balance Sheet growth, particularly property financing, led to a year on year increase in Net Margin Income by 29.9% and in Net Fee Income by 54.2%. Net Loss of £0.6 million on Investment Securities, compares with a gain of £3.6 million in 2012, due to challenging fixed income (Sukuk) markets especially during the middle of 2013 Total Consolidated Operating Income grew by 6.8% year on year to £56.0 million. Total Operating Expenses, up by 5.9% year on year to £47.8 million, were contained despite one off costs for the Dubai representative office and professional fees for listing on NASDAQ Dubai, in addition to product development and IT infrastructure costs. Operating Profit Before Impairments grew by 12.3% year on year to £8.2 million. Net Profit for the year increased by 12.3% to £4.3 million. 					

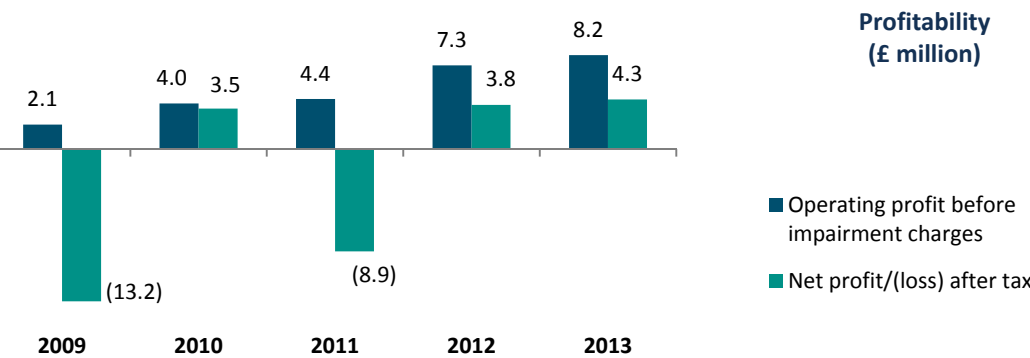
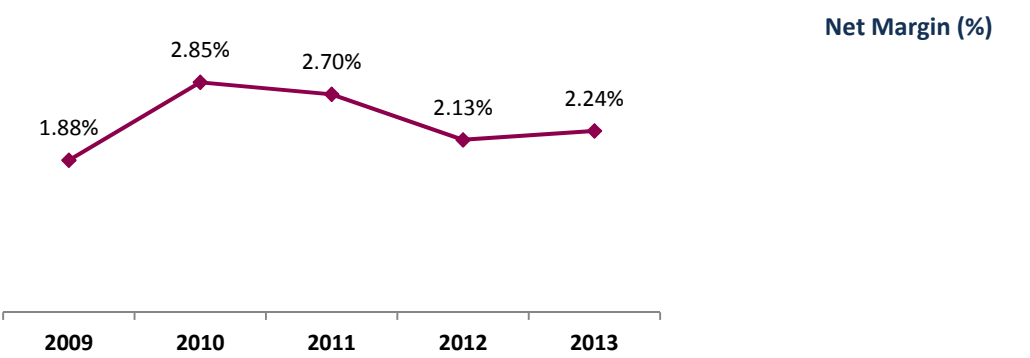
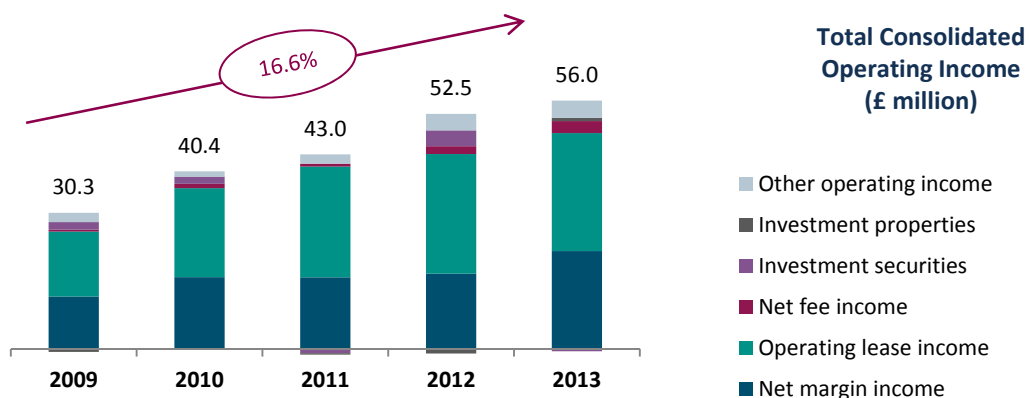
Consolidated Balance Sheet Assets

- Total Assets have grown in 2013 by 18.7% to £1.23 billion, driven by the increase in Financing Arrangements of 65.4% and Finance Lease Assets of 31%.
- Corporate Banking grew in 2013 with an increase in Property Development Financing Facilities and Shorter Term financing such as Trade Finance.
- The total of Financing Arrangements, Finance Leases and Operating Leases increased by 55.2% year on year to £871 million.
- The reduction in Liquid Assets to 26.3% of Total Assets (2012: 38.0%) demonstrated the Bank's success in utilising the excess cash that was held at the end of 2012 whilst continuing to maintain prudent liquid asset buffers for regulatory purposes.



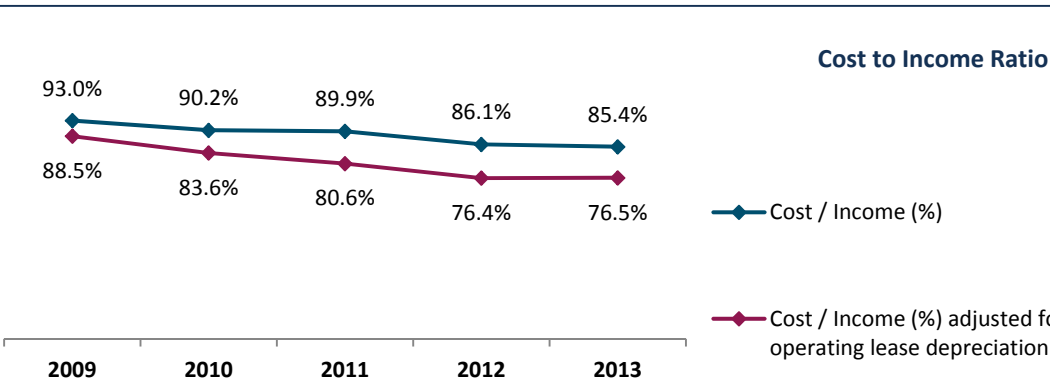
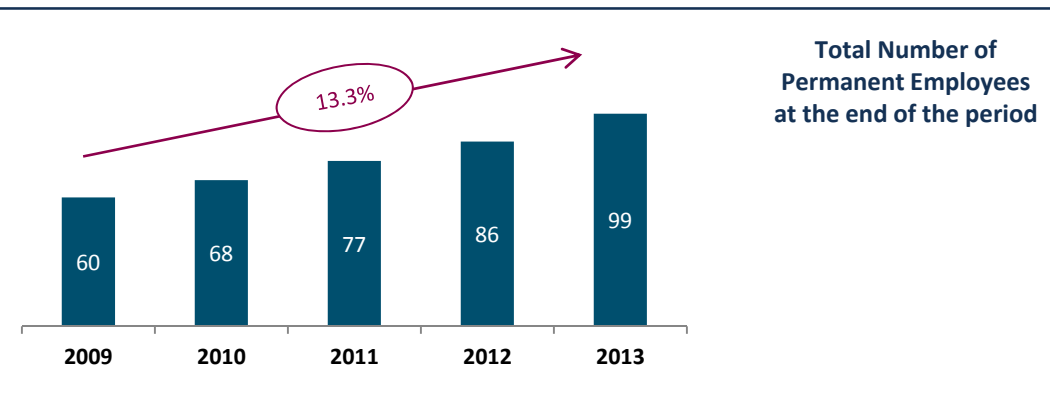
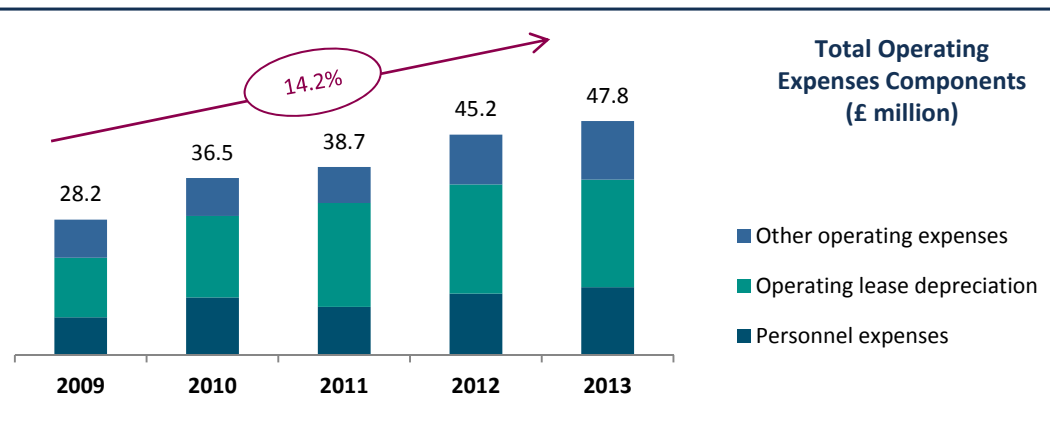
Consolidated Income Statement

- Total Consolidated Operating Income increased by 6.8% year on year to £56.0 million
- Net Margin increased by 11bps to 2.24%.
- Net Fee Income increased by 54.2% year on year to £2.7 million as fee generative businesses continue to grow. Net Fee Income was 33.5% of Operating Profit Before Impairment Charges (2012: 24.4%).
- Net Loss of £0.6 million on Investment Securities, compares with a gain of £3.6 million in 2012, due to challenging fixed income markets especially during the middle of 2013.
- Operating Profit before Impairments has consistently grown reflecting the Bank's year on year Balance Sheet growth and the improving utilisation of capital.



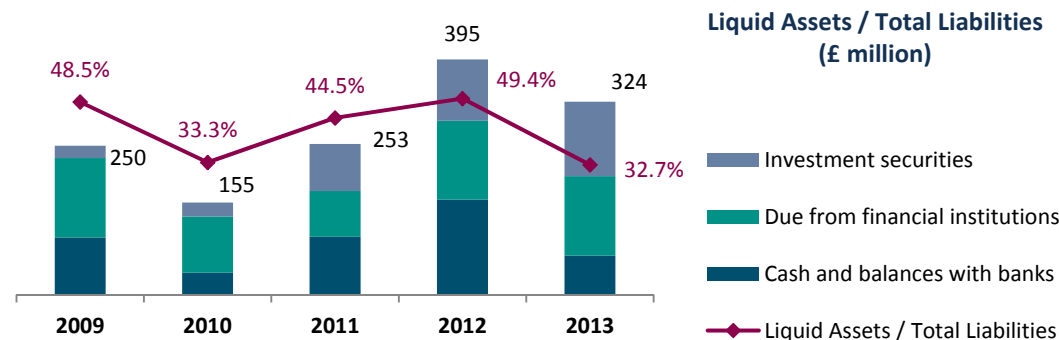
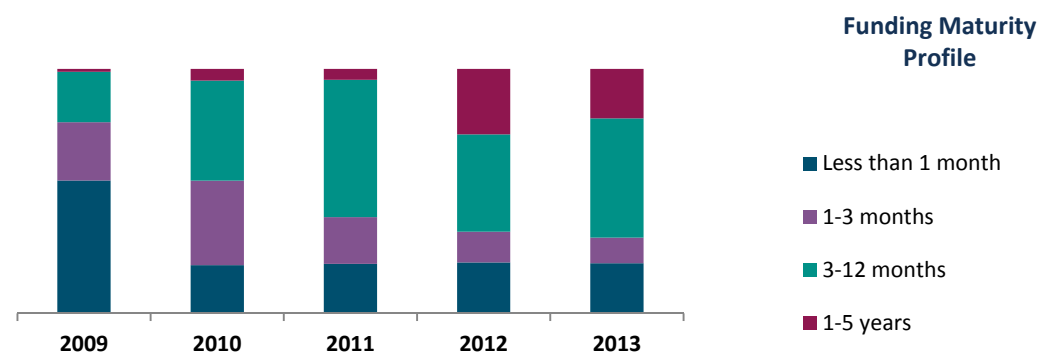
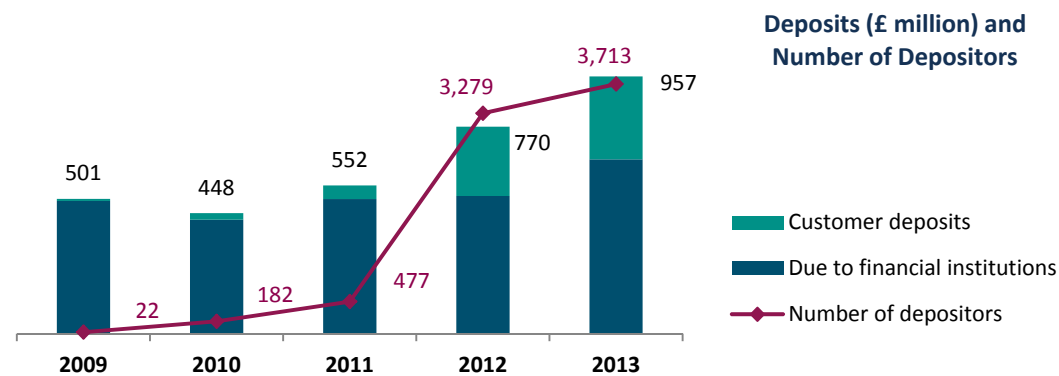
Operating Expenses and Efficiency

- Total Operating Expenses, up by 5.9% year on year to £47.8 million, were contained despite one off listing costs, development and infrastructure costs.
- Personnel Expenses were up by 10.6% to £13.4 million despite an increase of 15% in the number of employees. The Group's permanent employees increased to 99 at the end of the period (2012: 86).
- The Bank has a gradual downward trend in the Cost Income ratio as the business continues to grow.



Deposits and Liquidity

- Total Deposits increased by 24.3% year on year to £957 million. The year on year growth of Customer Deposits was 19.7% and growth of Due to Financial Institutions was 26.6%.
- The number of depositors increased to 3,713, a 13.2% growth from 2012. In addition to the increase in depositors the average deposit amount has decreased from £1.16 million in 2011 to £0.26 million largely due to the success of the Bank's online deposit product, Premier Deposit Account.
- Over time the Bank has become significantly less reliant on short term financing which demonstrates the increasing diversity of the funding base.

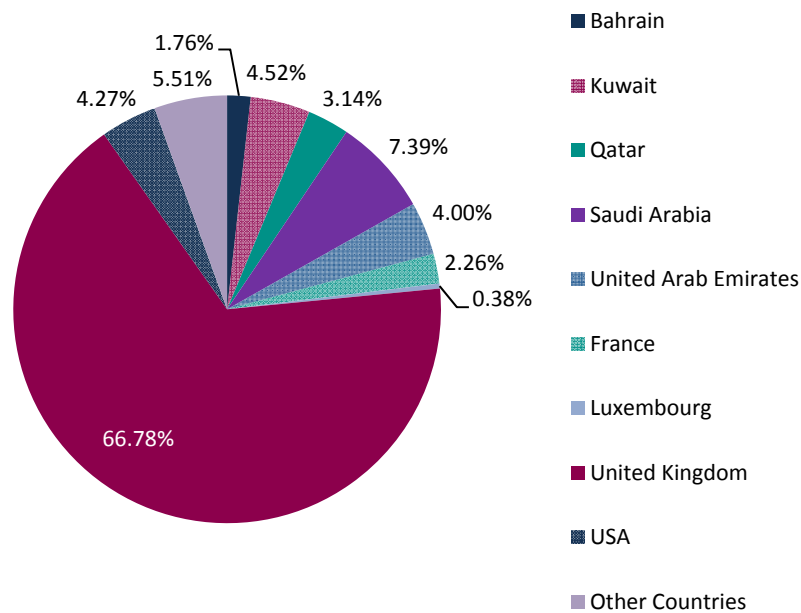


Credit Quality

Geographic Diversification

The Bank has minimised credit exposure to those countries most impacted by the economic crisis in the Eurozone and to the countries most affected by the political instability in the Middle East. The non-UK EU component represented less than 3% of the Group's total credit exposure.

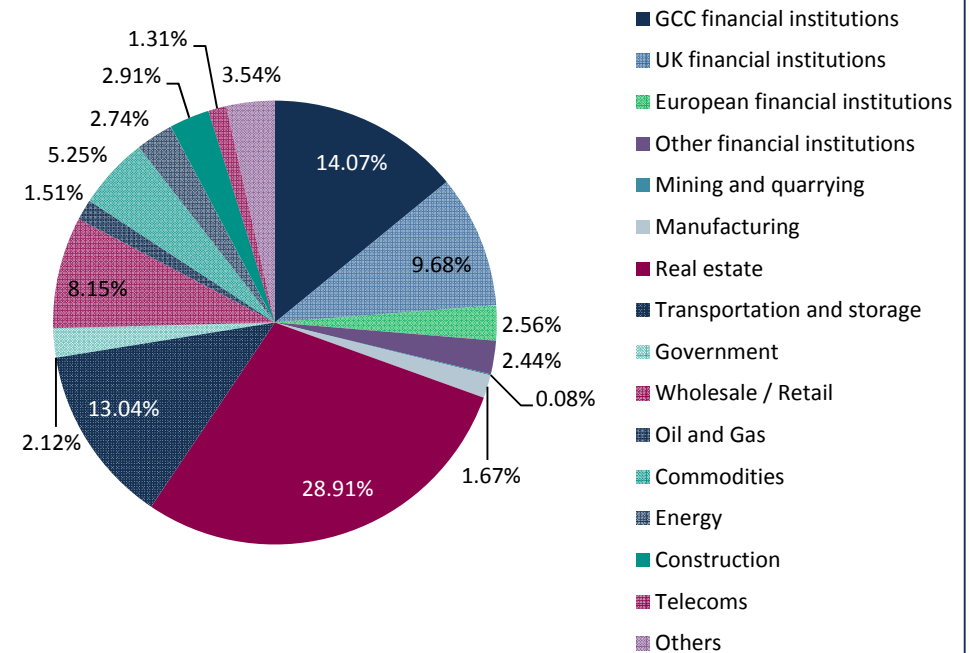
Exposure by Country as at 31 December 2013



Sector Diversification

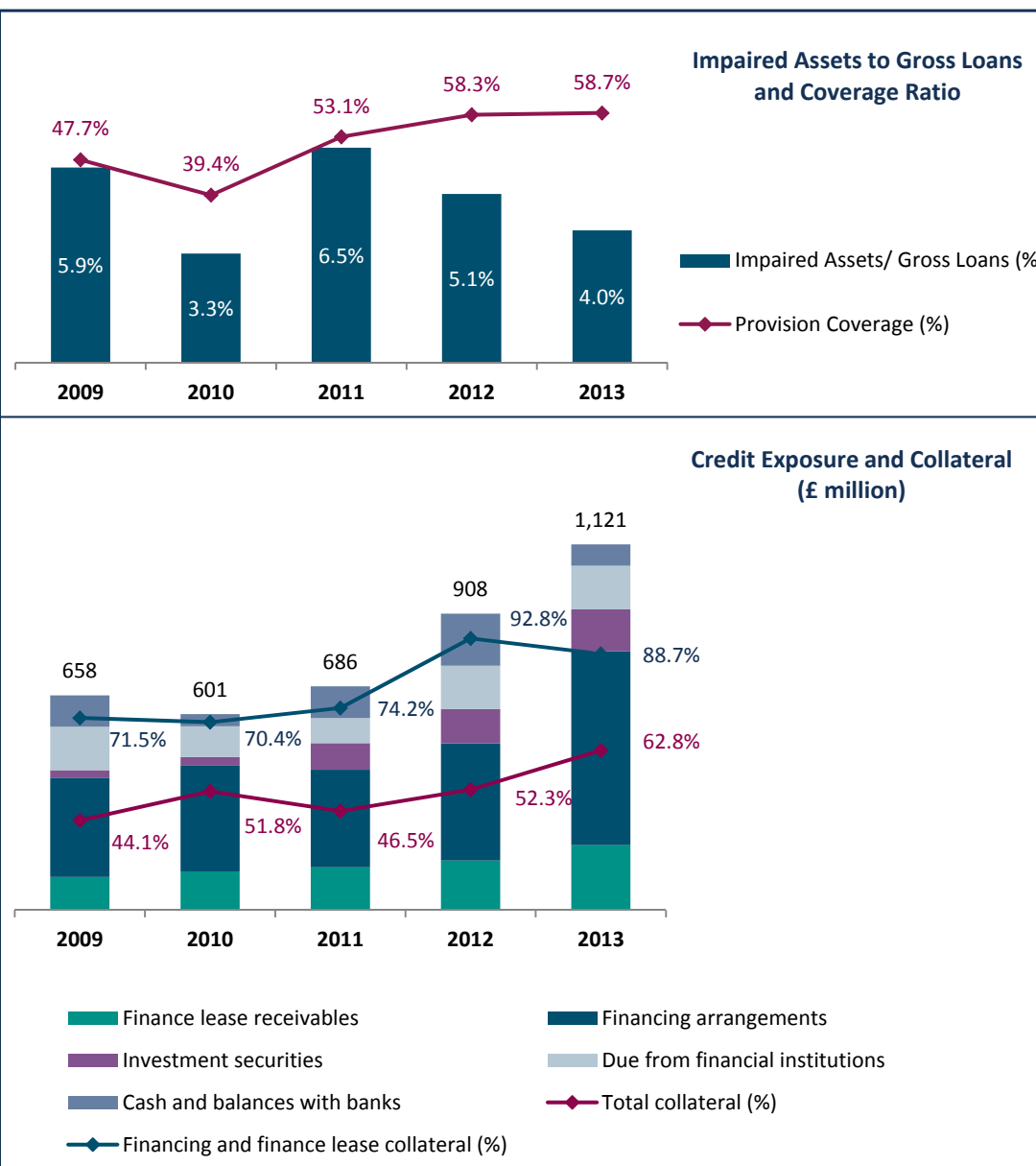
The Group's assets were dispersed across the following economic sectors.

Exposure by Sector as at 31 December 2013



Credit Quality

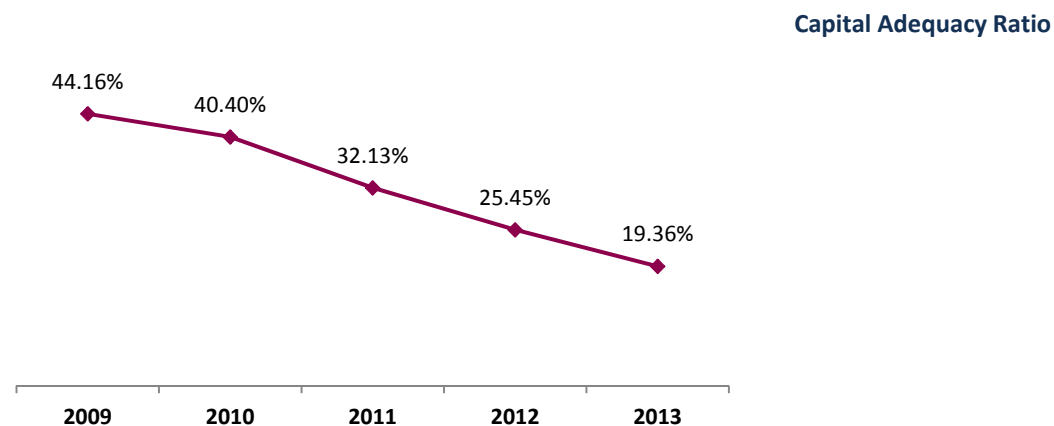
- During 2013 there was a single counterparty default where the majority of the obligation was recoverable, but which resulted in a write off of £1.9 million.
- Other than this there have been no new provisions of any significance in 2013 and due to an increase in the asset base there has been a reduction in Impaired Assets as a percentage of Total Financing and Operating Lease Assets from 5.1% to 4.0%.
- BLME is an asset-based bank which is reflected in the Collateral which represents 88.7% (2012: 92.8%) of the total of Financing Arrangements and Finance Lease exposure. Collateral represented 62.8% (2012: 52%) of the Group's total credit exposure.



Capital Adequacy

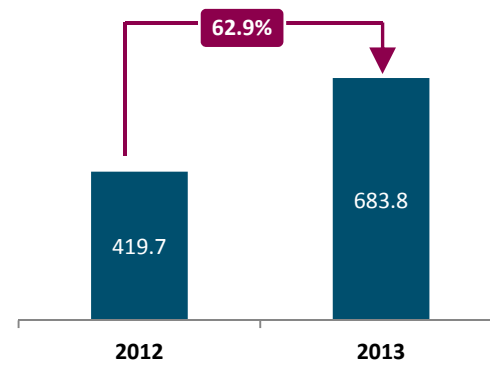
- In line with BLME’s business growth plans, the Capital Adequacy Ratio decreased to 19.36% (2012: 25.45%), remaining comfortably in excess of current and impending Basel standards.
- Due to the Bank’s strong capital base, it is well positioned to deliver its growth strategy whilst continuing to meet the higher capital ratios required of banks leading to 2018.
- Risk weighted Assets (RWA) increased by 31.9% demonstrating the increase in Financing Arrangements and reduction in lower weighted Cash Balances.

Pillar 1 Capital Requirements (£ million)	2009	2010	2011	2012	2013
Credit risk	38.3	42.0	46.0	60.1	79.3
Market risk – foreign exchange PRR	0.8	0.1	0.2	0.0	0.1
Counterparty risk capital component	0.7	0.3	0.6	0.2	0.2
Operational risk	3.5	3.4	4.9	6.7	7.3
Total Pillar 1 capital requirement	43.3	45.8	51.8	67.0	87.0
Total regulatory capital in place (after deducting material holdings)	211.5	212.0	184.6	191.2	191.8
Excess of capital in place over minimum requirement under Pillar 1	168.2	166.2	132.8	124.2	104.9
Risk Weighted Assets (RWA)	478.9	524.9	574.6	751.3	990.8
RWA / Total Assets (%)	63.1%	73.7%	71.2%	72.3%	80.3%

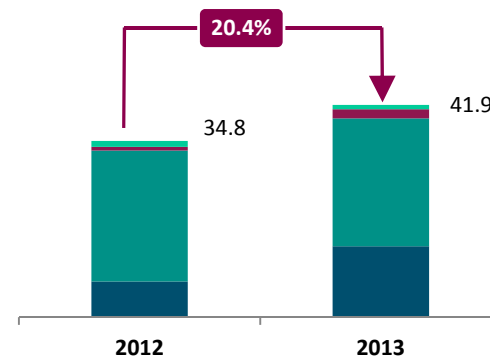


Segmental Reporting – Corporate Banking

- Corporate Banking’s Assets grew from £419 million to £684 million in 2013 reflecting the increase in Financing Arrangements and Finance Leases over the period.
- The Division’s most established businesses, Leasing and Property Finance, continued to grow and develop their product offerings, and are recognised by the market as key players in their respective sectors.
- The more recently established departments of Trade Finance, ABL Finance and Acquisition Finance are increasingly contributing to Corporate Banking’s performance.
- Corporate Banking continues to grow its market share and is able to provide a full suite of products to a diverse range of companies within the UK mid-market.

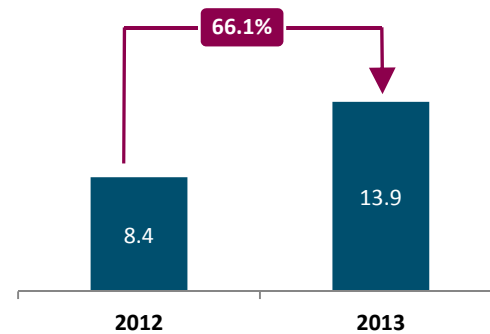


Corporate Banking Reportable Segment Assets (£ million)



Corporate Banking Total Operating Income (£ million)

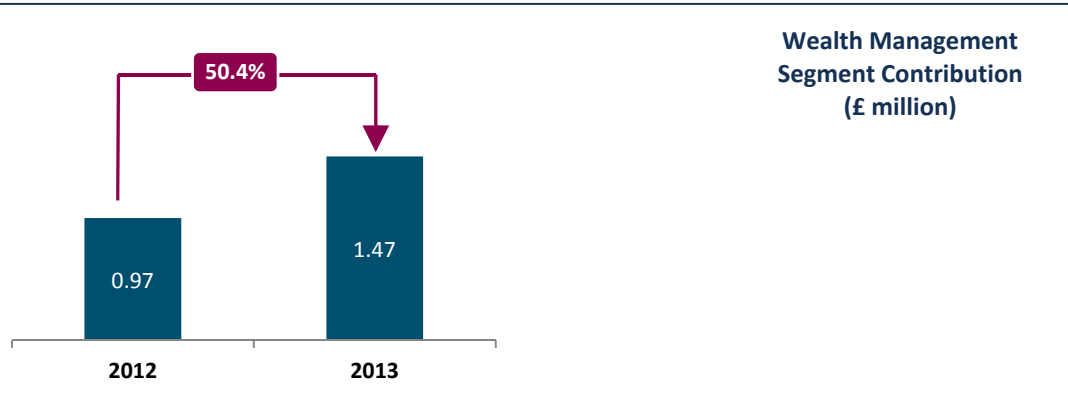
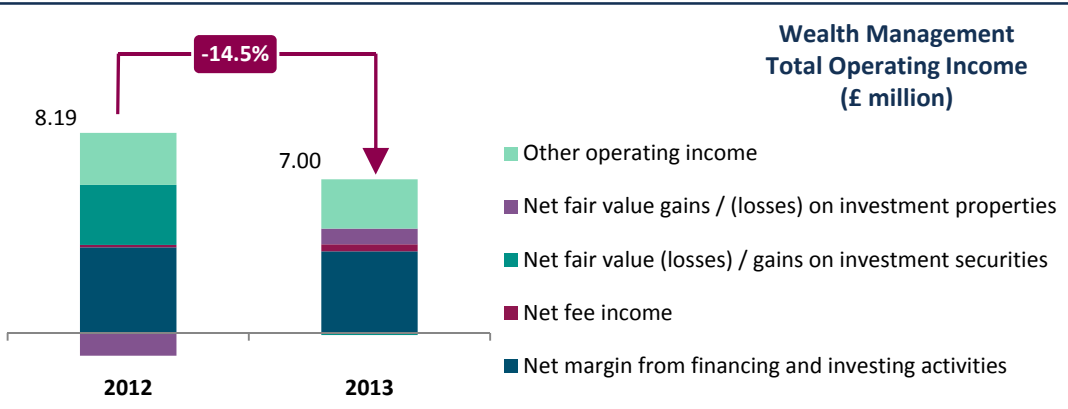
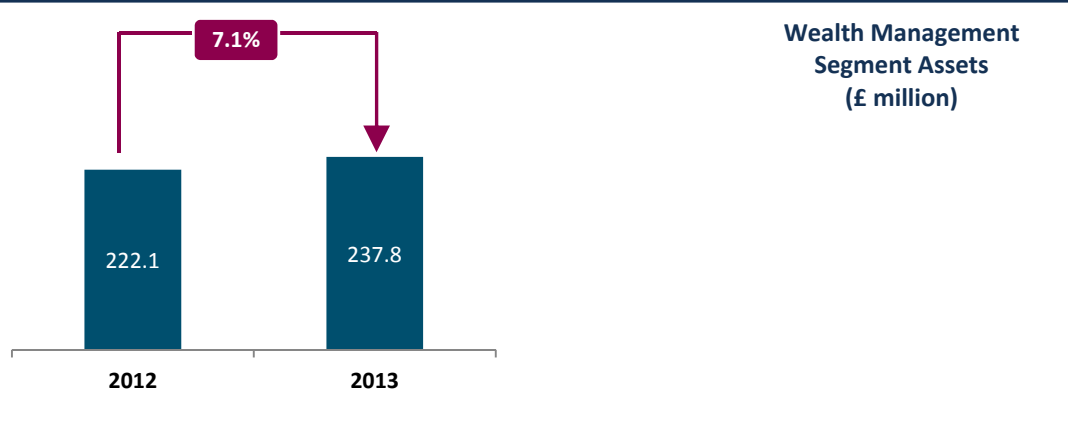
- Other operating income
- Net fee income
- Operating lease income
- Net margin from financing and investing activities



Corporate Banking Segment Contribution (£ million)

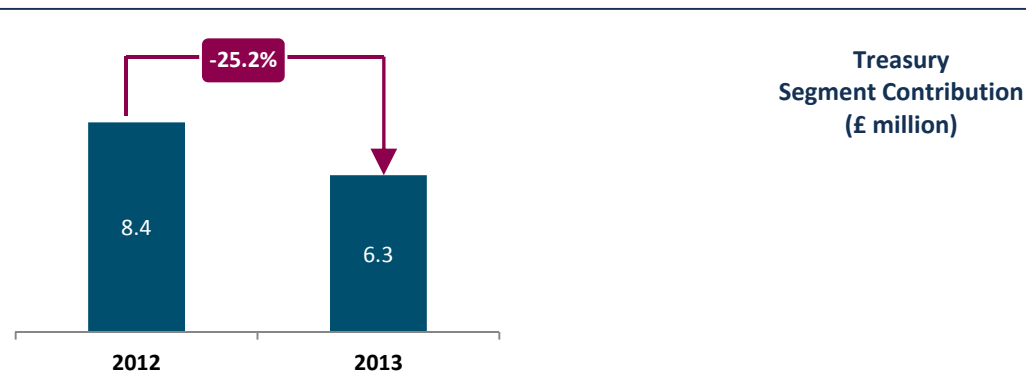
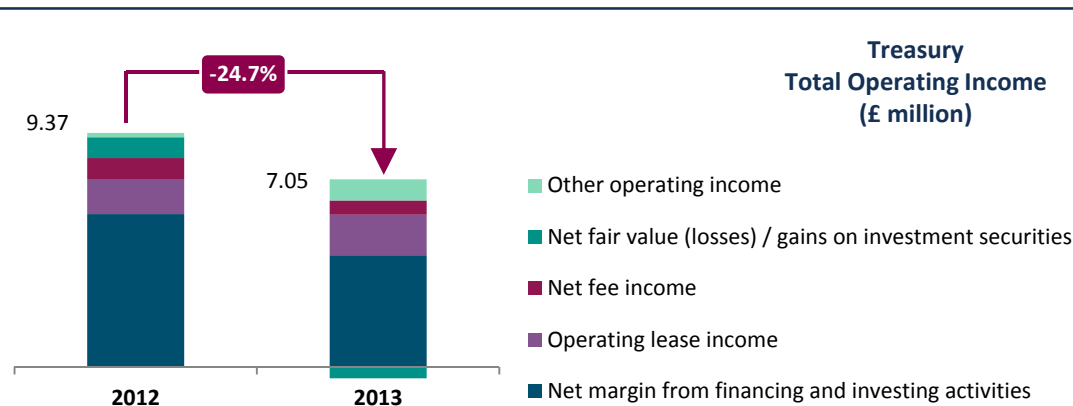
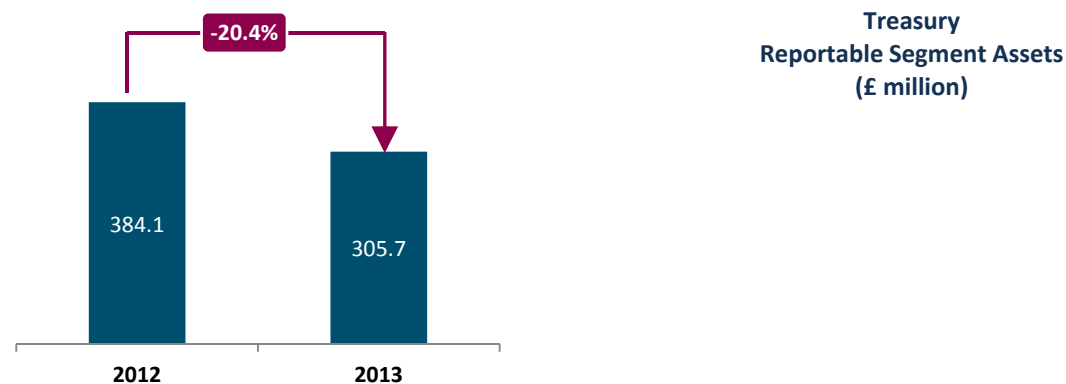
Segmental Reporting– Wealth Management

- Private Banking continues to contribute to the Bank’s growing client base. The recently launched Property Sourcing offering built momentum and began to contribute to BLME’s Fee Income, a trend that we expect to continue.
- Asset Management continues to mature with an increase in assets under management and listings on fund platforms. The US\$ Income Fund was ranked in the top percentile by Reuter’s fund ranking service, Lipper Hindsight.
- In 2012 there was a loss on investment properties due to the stamp duty costs for the Light Industrial Building Fund.
- Net Loss of £0.6 million on Investment Securities (2012: gain of £3.6 million) due to challenging fixed income (Sukuk) markets.
- ICM performed well in 2013, participating in several high profile deals such as Yaas Sukuk. ICM’s position within Wealth Management has improved its access to the GCC market and has strengthened the Bank’s product distribution in the GCC.
- The Dubai representative office is now open and is already providing meaningful introductions in the region to the Wealth Management Division.








Segmental Reporting – Treasury

- 2013 was difficult time for the Treasury Division, following a strong performance the previous year, mainly due to the challenging fixed income (Sukuk) markets, especially during the middle of the year.
- Over 2013 there was a strategic reduction in Treasury Assets as the Bank increased the higher yielding financing businesses.
- Treasury successfully diversified BLME’s funding base with new depositors, in particular by attracting new customers to the BLME Premier Deposit Account (PDA). The total value of PDAs has grown from £236 million to £270 million over the past 12 months. In addition, the number of depositors increased from 3,279 to 3,713 over the period.
- This increase in the term, value and number of depositors has strengthened BLME’s ability to meet the regulatory demands for banks to establish longer term sources of funding.



Strategic Objectives

Balance Sheet and Operating Income Growth		<ul style="list-style-type: none">▪ Generate organic growth from existing financing businesses, with a medium to long term target of £2 billion for Total Assets.▪ Develop the Bank's fee generative businesses, such as Asset Management and to maintain Net Fee Income above 20% of Operating Profit Before Impairments.▪ Medium to long term strategy to grow Profit before Tax to over £20 million.
Treating Customers Fairly		<ul style="list-style-type: none">▪ BLME is a customer focussed business with product sustainability at its core and an established culture for Treating Customers Fairly (TCF) based on our principles of respect, integrity and transparency.▪ This TCF culture is further enhanced through BLME being a fully compliant Sharia'a bank, where openness and shared risk principles are enshrined
Capital Adequacy		<ul style="list-style-type: none">▪ While targeting an organic growth strategy BLME will continue to employ capital prudently and maintain robust capital adequacy and liquidity ratios.
Efficiency		<ul style="list-style-type: none">▪ As the business grows, BLME will continue the gradual downward trend in the Cost to Income ratio targeting 60% when adjusting for Operating Lease Depreciation.
Shareholders' Returns		<ul style="list-style-type: none">▪ Long term target for Pre-tax Return on Equity of 10%.▪ BLME will aim to pay its first dividend when the financial position of the BLME Group justifies the payment of a dividend

Appendix – BLME Holdings plc Financial Results



Consolidated Income Statement

For the year 1 January 2013 to 31 December 2013

	2013	2012
	£	£
Income		
Income from financing and investing activities	43,208,042	30,779,337
Returns to financial institutions and customers	<u>(20,933,149)</u>	<u>(13,637,879)</u>
Net margin	22,274,893	17,141,458
Fee and commission income	3,204,510	2,007,364
Fee and commission expense	<u>(464,109)</u>	<u>(229,940)</u>
Net fee income	2,740,401	1,777,424
Net fair value (losses) / gains on investment securities	(552,442)	3,601,119
Net fair value gains / (losses) on investment properties	718,381	(1,049,455)
Operating lease income	26,869,782	27,250,053
Other operating income	<u>3,962,947</u>	<u>3,746,636</u>
Total operating income	<u>56,013,962</u>	<u>52,467,235</u>
Expenses		
Personnel expenses	(13,405,238)	(12,145,670)
Operating lease depreciation	(21,315,726)	(21,646,350)
Other depreciation and amortisation	(273,903)	(383,660)
Other operating expenses	(12,466,172)	(10,174,384)
Change in third party interest in consolidated funds	<u>(383,600)</u>	<u>(840,720)</u>
Total operating expenses	<u>(47,844,639)</u>	<u>(45,190,784)</u>
Operating profit before impairment charges	8,169,323	7,276,451
Net impairment charge on financial assets	(2,099,538)	(1,761,293)
Net operating profit before tax	6,069,785	5,515,158
Tax expense	(1,755,059)	(1,674,403)
Profit for the year	<u>4,314,726</u>	<u>3,840,755</u>

Consolidated Statement of Comprehensive Income

For the year 1 January 2013 to 31 December 2013

	2013 £	2012 £
Income		
Profit for the year	<u>4,314,726</u>	<u>3,840,755</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss if specific conditions are met:		
Foreign currency translation differences for foreign operations	(4,155)	10,932
Foreign currency translation differences for cash flow hedging reserve	98,719	252,175
Changes in fair value of cash flow hedges taken to equity	1,358,872	1,032,897
Change in fair value of available-for-sale financial assets taken to equity	(639,700)	(393,849)
Transfer from fair value reserve to income statement in respect of amortisation of reclassified financial assets	-	74,324
Income tax on other comprehensive income	<u>(182,843)</u>	<u>(273,700)</u>
Other comprehensive income for the year net of income tax	<u>630,893</u>	<u>702,779</u>
Total comprehensive profit for the year attributable to equity holders of the Parent company	<u><u>4,945,619</u></u>	<u><u>4,543,534</u></u>

Consolidated Statement of Financial Position

As at 31 December 2013

	2013 £	2012 £
Assets		
Cash and balances with banks	65,649,884	159,600,938
Due from financial institutions	133,390,526	132,413,746
Investment securities	128,014,007	104,840,753
Financing arrangements	594,571,253	359,379,248
Finance lease receivables	199,156,031	151,925,014
Operating lease assets	77,002,129	84,930,433
Investment properties	24,340,000	27,816,788
Property and equipment	649,690	406,353
Intangible assets	1,265,924	734,532
Other assets	7,809,064	13,217,372
Deferred tax assets	1,864,783	3,693,000
Total assets	<u>1,233,713,291</u>	<u>1,038,958,177</u>
Liabilities		
Due to financial institutions	648,417,624	512,113,261
Due to customers	308,479,501	257,747,298
Profit rate swaps	1,972,903	5,308,045
Third party interest in consolidated funds	13,951,246	11,235,024
Other liabilities	18,109,128	12,905,427
Total liabilities	<u>990,930,402</u>	<u>799,309,055</u>
Equity		
Share capital	48,983,423	48,983,423
Merger reserve	15,999,851	190,999,851
Other reserve	15,226,477	15,226,477
Fair value reserve	(524,046)	(49,624)
Cash flow hedging reserve	(2,121,576)	(3,231,046)
Share-based payment reserve	3,210,307	1,069,056
Foreign currency translation reserve	(65,980)	(61,825)
Retained earnings	162,074,433	(13,287,190)
Total equity attributable to equity holders of the Parent company	<u>242,782,889</u>	<u>239,649,122</u>
Total liabilities and equity	<u>1,233,713,291</u>	<u>1,038,958,177</u>

Segment Information - 2013

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

Segment Information - 2012

For the year ended 31 December 2012

	Treasury Division	Corporate Banking	Wealth Management	Unallocated items	Total
	£	£	£	£	£
Net margin from financing and investing activities	6,122,485	7,067,038	3,951,935	-	17,141,458
Operating lease income	1,404,533	25,845,520	-	-	27,250,053
Net fee income	840,285	740,352	114,439	82,348	1,777,424
Net fair value gains on investment securities	831,900	-	2,769,219	-	3,601,119
Net fair value gains losses on investment properties	-	-	(1,049,455)	-	(1,049,455)
Other operating income	174,843	1,171,711	2,400,082	-	3,746,636
Total operating income	9,374,046	34,824,621	8,186,220	82,348	52,467,235
Directly attributable segment expenses	(949,344)	(3,063,422)	(6,371,518)	(75,917)	(10,460,201)
Operating lease depreciation	-	(21,646,350)	-	-	(21,646,350)
Net impairment charge on financial assets	-	(1,761,293)	-	-	(1,761,293)
Change in third party interest in consolidated funds	-	-	(840,720)	-	(840,720)
Net segment contribution	8,424,702	8,353,556	973,982	6,431	17,758,671
Common costs not directly attributable to segments					(12,243,513)
Net operating profit before tax					5,515,158
Reportable segment assets	384,132,600	419,712,282	222,143,646	12,969,649	1,038,958,177

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