BLME Holdings plc

Interim Report

For the six months ended 30 June 2015

Registered number 08503102

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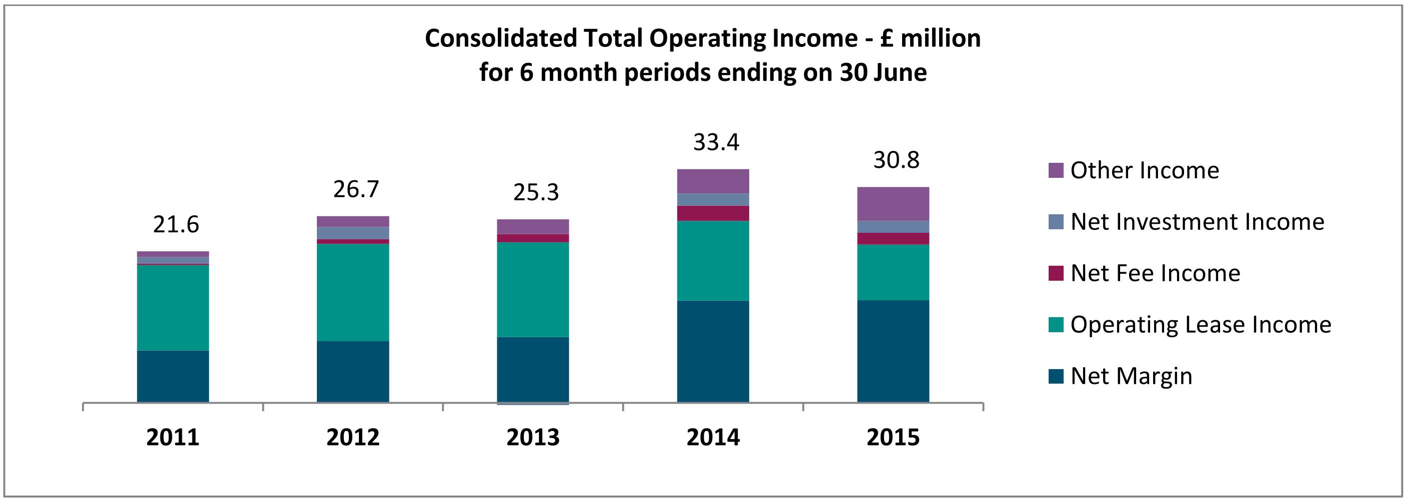
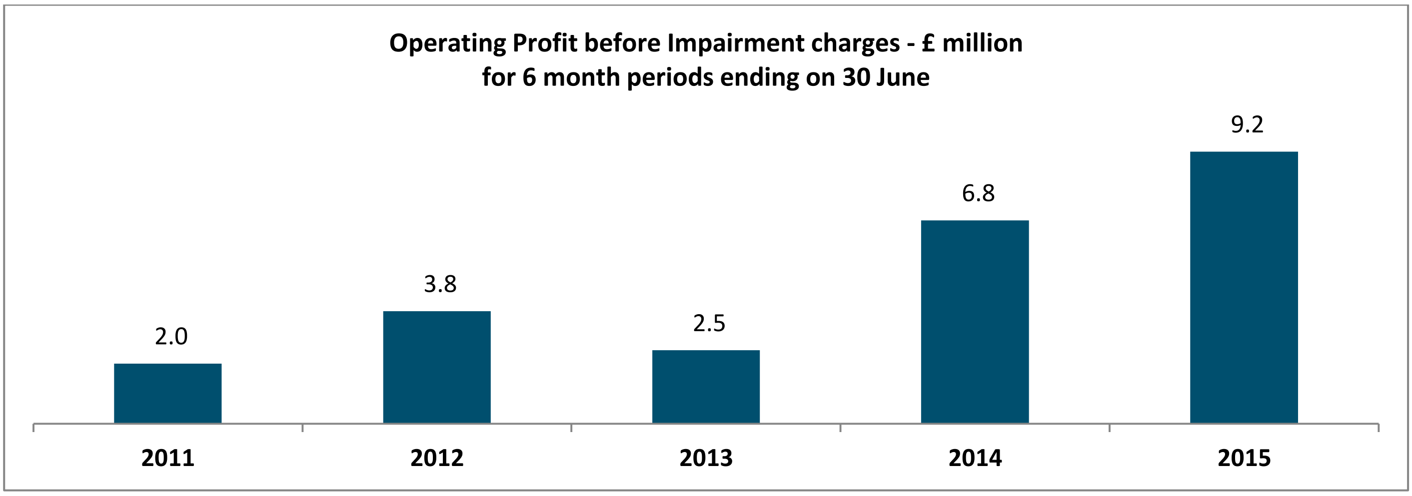
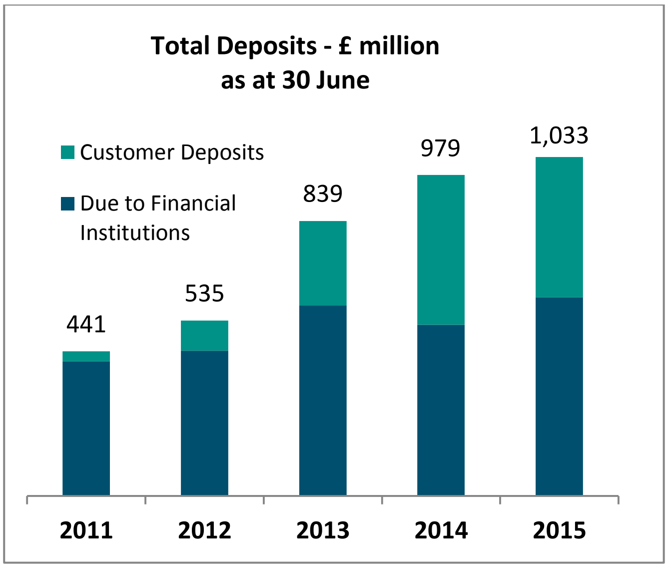
Group Highlights for BLME Holdings plc for the six months to 30 June 2015

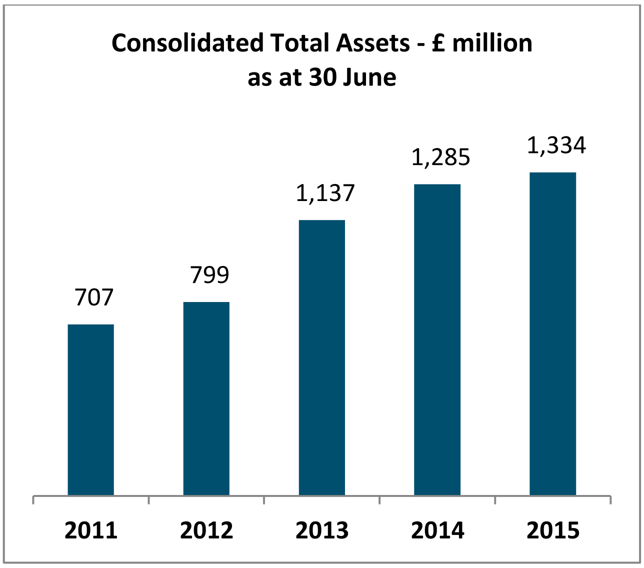
The BLME Group has delivered strong underlying business performance during the first half of 2015:

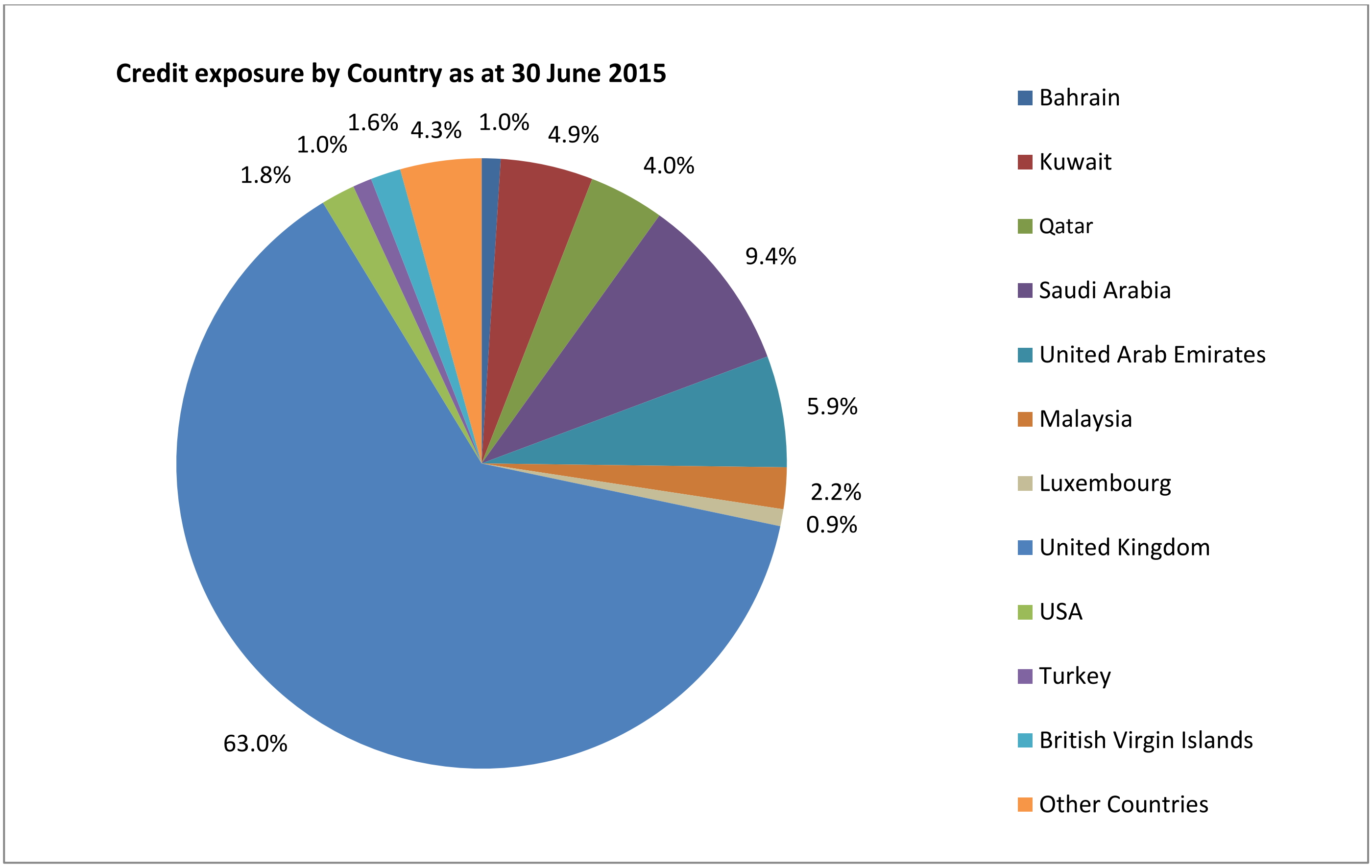
- Operating profit before impairment charges rose by 34% from £6.8 million to £9.2 million
- Total assets increased by 4% from £1.28 billion to £1.33 billion
- BLME was awarded Best Islamic Institution in Europe 2015 by Global Finance Magazine

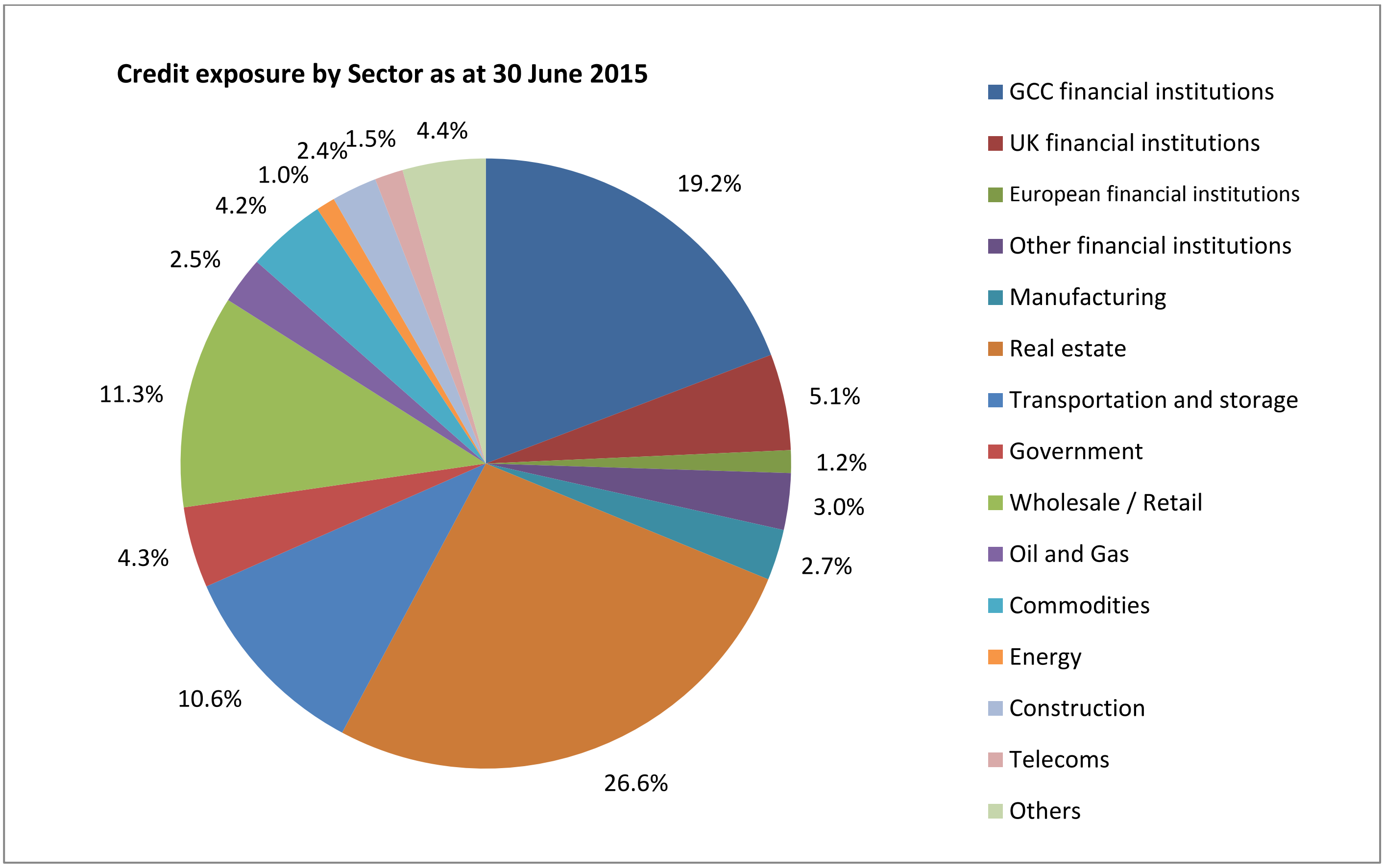












Naming convention and abbreviations:

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,

I am pleased to report on the strong underlying business performance of the BLME Group during the first half of 2015 where Operating Profit before Impairment Charges for the Group increased by 34% to £9.2 million compared with the same period last year. We reviewed our lending book carefully during the course of the first six months of the year and decided to make provisions – mainly against legacy positions – following our policy of addressing these issues proactively in order to reflect the economic situation relating to the individual exposures and to position the Bank to move forward. As a result we made a small profit after tax for the period of £0.4 million compared to a profit of £3.99 million for the six months to 30 June 2014. This result also included a new collective provision which reflects our maturing business.

Balance Sheet growth is being managed carefully with Total Assets of £1.33 billion as at 30 June 2015 against £1.28 billion as at 30 June 2014. We seek to maintain a healthy pool of liquidity which in a low interest rate environment has its income consequences. However we have managed our surplus liquidity more efficiently which has reduced the impact of low interest rates and also slowed the deployment in less productive assets.

As you are probably already aware, recently there have been some changes to the Board of BLME Holdings plc. I was delighted to announce in May that Michael Williams had been appointed interim Chief Executive Officer with effect from Wednesday 13 May 2015. Michael stood down as Senior Independent Non-Executive Director and was replaced by Neil Holden in May. The recruitment process for a new Chief Executive Officer is progressing well and I hope to make an announcement in the near future. I would also like to take this opportunity to thank Humphrey Percy, who resigned from the Board on 11 June 2015, for his dedicated service and significant contribution in establishing BLME.

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 continuing development. I, together with the rest of the Board, would like to thank BLME's employees for their commitment and hard work in ensuring that BLME prospers and realises its objectives.

Adel Abdul Wahab Al-Majed
Chairman
24 August 2015

Chief Executive Officer's statement

The first half of 2015 saw the Group produce an Operating Profit before Impairment Charges of £9.2 million, a 34% increase on the comparable period in 2014. Net Margin has remained stable at £14.6 million and Net Fee Income was £1.7 million. The Group's Balance Sheet Total Assets stand at £1.33 billion compared to £1.28 billion at 30 June 2014. Although showing an increase, the figures hide the rebalancing of our asset book away from low yielding interbank deposits to better earning client business as we seek to build our client base.

Total Operating Expenses for the period have fallen by 18%, partly because of our strategic decision to implement various cost savings initiatives at the end of 2014 reflecting the increasingly competitive market environment we are encountering in the UK. As a result it is pleasing to note that the Group's cost to income ratio has continued its downward trajectory falling from 72.1% for the first half of 2014 to 62.8% for the six months ended 30 June 2015. We expect this trend to continue.

The total impairment charge for the period of £9.5 million primarily reflects the deterioration in four credit exposures, two of which are deals which have been on the Bank's books for a number of years and three of the main provisions relate to secured transactions where underlying asset values have reduced, partly attributable to falls in oil and other commodity prices. It also includes for the first time a collective provision to cover unidentified potential problems in the maturing portfolio in accordance with accounting standards. Notwithstanding this we have recorded a profit after tax of £0.4 million compared to £3.99 million profit achieved in the six months to 30 June 2014.

The underlying business remains sound with customer business exposures higher than the first half of 2014. Within the results is a contribution from Renaissance Asset Finance Limited ("RAF"), a specialist provider of small ticket asset finance to the SME sector in the UK. The Bank has an option to purchase 100% of the voting share capital of RAF and therefore for the first time RAF is consolidated within the Group financial statements.

Our Treasury Division continues to maintain prudent liquidity levels, meeting the UK regulatory requirements with ample headroom, and is well placed to fund the Bank's financing activities in the second half of 2015. BLME continues to meet the challenges of operating in an increasingly competitive banking environment. The Board has reaffirmed the Bank's risk appetite, and the strategy and business focus have been reviewed to ensure alignment. The Risk Management team continues to act as the second line body to ensure that the conservative risk management framework is embedded in the business across the spectrum of credit, liquidity, market and operational risks. The funds managed by our Asset Management team have performed well and funds under management have grown. We will be giving greater emphasis to developing this business in the coming months and our office in Dubai will become an increasingly important gateway to the GCC for our fund and wealth management business.

The Bank continues to receive recognition for its products and services, with Global Finance Magazine naming BLME as the Best Islamic Institution in Europe 2015. BLME's position as a leading Islamic bank was recognised when it was named Co-Lead Manager on the $1 billion Islamic Development Bank Sukuk in March 2015, the fourth time the Islamic Development Bank appointed BLME as Co-Lead Manager for one of their Sukuk issues.

BLME continues to invest in building a bank with a sustainable strategy that offers a suite of tailor made products to both our UK and GCC clients. The Bank has maintained good client retention in a more competitive environment whilst continuing to attract new clients who value relationships built on high quality service, and a broad product offering.

Michael Williams
Chief Executive Officer
24 August 2015

Condensed consolidated income statement

For the six months ended 30 June 2015 (unaudited)

	Note	**6 months to 30 June 2015 £000**	**6 months to 30 June 2014 £000**	**Year to 31 December 2014 £000**
Income				
Income from financing and investing activities		27,152	26,242	53,157
Returns to financial institutions and customers		(12,519)	(11,665)	(24,424)
Net margin		**14,633**	**14,577**	**28,733**
Fee and commission income		1,862	2,332	4,109
Fee and commission expense		(183)	(131)	(266)
Net fee income		**1,679**	**2,201**	**3,843**
Net fair value (losses) / gains on investment securities		(33)	194	(529)
Net fair value gains on investment properties	*11*	1,753	1,530	2,667
Operating lease income		7,952	11,371	21,027
Other operating income	*5*	4,838	3,483	5,959
Total operating income		**30,822**	**33,356**	**61,700**
Expenses				
Personnel expenses	*6*	(7,825)	(9,452)	(16,644)
Operating lease depreciation	*14*	(6,194)	(8,871)	(16,286)
Other depreciation and amortisation		(255)	(194)	(436)
Other operating expenses		(6,603)	(7,093)	(14,545)
Change in third party interest in consolidated funds		(789)	(904)	(1,199)
Total operating expenses		**(21,666)**	**(26,514)**	**(49,110)**
Operating profit before impairment charges		**9,156**	**6,842**	**12,590**
Net impairment charge on financial assets	*7*	(9,474)	(1,719)	(11,602)
Net operating (loss) / profit before tax		**(318)**	**5,123**	**988**
Tax credit / (expense)	*8*	698	(1,129)	(15)
Profit for the period		**380**	**3,994**	**973**
		Pence	**Pence**	**Pence**
Earnings per share				
Basic earnings per share	*9*	0.20	2.07	0.50
Diluted earnings per share	*9*	0.19	2.06	0.50

The notes on pages 14 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2015 (unaudited)

	6 months to 30 June 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Income			
Profit for the period	**380**	**3,994**	**973**
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	53	15	4
Foreign currency translation differences for cash flow hedging reserve	20	98	(182)
Changes in fair value of cash flow hedges taken to equity	249	335	808
Change in fair value of available-for-sale financial assets taken to equity	(299)	330	798
Income tax on other comprehensive income	(56)	(129)	(256)
Other comprehensive (expense) / income for the period net of income tax	**(33)**	**649**	**1,172**
Total comprehensive income for the period attributable to equity holders of the Parent company	**347**	**4,643**	**2,145**

The notes on pages 14 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2015 (unaudited)

	Note	30 June 2015 £000	30 June 2014 £000	31 December 2014 £000
Assets				
Cash and balances with banks		72,653	74,564	45,993
Due from financial institutions		102,459	161,133	187,620
Due from customers		13,288	-	5,038
Investment securities	*10*	212,444	164,403	188,134
Financing arrangements	*12*	695,140	613,564	707,269
Finance lease receivables	*13*	142,241	169,241	160,540
Operating lease assets	*14*	46,630	64,339	52,228
Investment properties	*11*	31,820	29,919	28,580
Property and equipment		412	603	357
Intangible assets		3,651	1,267	1,633
Goodwill	*16*	3,420	-	-
Other assets		7,372	5,087	6,025
Current tax assets		732	-	500
Deferred tax assets	*8*	2,213	609	1,595
Total assets		**1,334,475**	**1,284,729**	**1,385,512**
Liabilities				
Due to financial institutions		606,385	522,380	626,868
Due to customers		426,599	457,017	471,444
Profit rate swaps		2,326	2,088	2,236
Third party interests in consolidated funds		37,852	17,247	25,151
Other liabilities	*15*	17,131	39,852	16,047
Total liabilities		**1,090,293**	**1,038,584**	**1,141,746**
Equity				
Share capital		48,933	48,933	48,933
Merger reserve		16,000	16,000	16,000
Other reserve		15,226	15,226	15,226
Capital redemption reserve		50	50	50
Fair value reserve		(74)	(231)	151
Cash flow hedging reserve		(1,489)	(1,780)	(1,628)
Share-based payment reserve		1,479	1,898	1,410
Foreign currency translation reserve		(9)	(51)	(62)
Retained earnings		164,066	166,100	163,686
Total equity attributable to equity holders of the Parent company		**244,182**	**246,145**	**243,766**
Total liabilities and equity		**1,334,475**	**1,284,729**	**1,385,512**

These financial statements were approved by the Board of Directors on 24 August 2015 and were signed on its behalf by:

Michael Williams
Chief Executive Officer

Richard Williams
Chief Financial Officer

The notes on pages 14 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2015 (unaudited)

	6 months to 30 June 2015	6 months to 30 June 2014	Year to 31 December 2014
Cash flows from operating activities	**£000**	**£000**	**£000**
Profit for the period	380	3,994	973
Adjusted for:			
Exchange differences	(269)	70	28
Fair value gains on investment properties	(1,753)	(1,530)	(2,667)
Fair value (gains) / losses on investment securities	33	(134)	111
Loss on disposal of intangible assets	(33)	-	115
Provision for impairment	9,474	1,719	11,602
Depreciation and amortisation	6,448	9,065	16,722
Loss on disposal of property and equipment	(57)	-	184
Share-based payment awards	69	27	54
Accretion of instruments held under financing arrangements	-	(9)	(13)
Mark-to-market movement in profit rate swaps	821	281	44
Gain on other asset	(2,800)	-	(745)
Tax (credit) / expense	(698)	1,129	15
	11,615	**14,612**	**26,423**
Net (increase) / decrease in operating assets:			
Due from financial institutions	85,160	(27,742)	(54,230)
Due from customers	(8,249)	-	(5,038)
Financing arrangements	2,895	(20,502)	(123,413)
Finance lease receivables	16,093	30,123	37,157
Operating lease assets	(691)	3,758	9,778
Other assets	(3,110)	2,707	1,968
	92,098	**(11,656)**	**(133,778)**
Net increase / (decrease) in operating liabilities:			
Due to financial institutions	(21,327)	(120,173)	(37,744)
Due to customers	(44,921)	148,527	162,991
Third party interest in consolidated funds	1,383	824	2,549
Cash settlement of share-based payment awards	-	(668)	(841)
Other liabilities	1,050	19,764	2,019
	(63,815)	**48,274**	**128,974**
Corporation tax paid	(208)	(3)	(501)
Net cash inflow from operating activities	**39,690**	**51,227**	**21,118**
Purchase of property and equipment	(66)	(55)	(94)
Purchase of intangible assets	(693)	(94)	(714)
Purchase of investment properties	(1,487)	(4,049)	(4,057)
Sale of investment properties	-	-	2,484
Purchase of investment securities	(133,358)	(163,803)	(243,192)
Sale of investment securities	110,557	123,954	192,184
Net cash outflow from investing activities	**(25,047)**	**(44,047)**	**(53,389)**
Cash flows from financing activities			
Subscriptions to consolidated funds	20,613	5,522	13,248
Redemptions from consolidated funds	(8,206)	(2,919)	(3,479)
Net cash inflow from financing activities	**12,407**	**2,603**	**9,769**
Net change in cash and cash equivalents	**27,050**	**9,783**	**(22,502)**
Cash and cash equivalents at the beginning of the period	45,993	65,650	65,650
Exchange differences in respect of cash and cash equivalents	(390)	(869)	2,845
Cash and cash equivalents at the end of the period	**72,653**	**74,564**	**45,993**

The notes on pages 14 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2015 (unaudited)	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
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 December 2014	48,933	16,000	15,226	50	151	(1,628)	1,410	163,686	(62)	243,766
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**380**	**-**	**380**
Other comprehensive (expense) / income										
Foreign currency translation	-	-	-	-	-	20	-	-	53	73
Changes in fair value of cash flow hedges	-	-	-	-	-	249	-	-	-	249
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(130)	-	-	-	(130)
Change in fair value of AFS financial assets	-	-	-	-	(299)	-	-	-	-	(299)
Tax on change in fair value of AFS financial assets	-	-	-	-	74	-	-	-	-	74
Total other comprehensive (expense) / income	**-**	**-**	**-**	**-**	**(225)**	**139**	**-**	**-**	**53**	**(33)**
Total comprehensive (expense) / income for the period	**-**	**-**	**-**	**-**	**(225)**	**139**	**-**	**380**	**53**	**347**
Contributions by and distributions to owners										
Share-based payment awards	-	-	-	-	-	-	69	-	-	69
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**69**	**-**	**-**	**69**
Balance at 30 June 2015	**48,933**	**16,000**	**15,226**	**50**	**(74)**	**(1,489)**	**1,479**	**164,066**	**(9)**	**244,182**

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 Group's share incentive schemes and accounted for as equity-settled share-based payments.
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 32 and 33 of the Group's annual financial statements for the year ended 31 December 2014.
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 47 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 (unaudited)	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
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 December 2013	48,983	16,000	15,226	-	(524)	(2,121)	3,210	162,074	(66)	242,782
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,994**	**-**	**3,994**
Other comprehensive income / (expense)										
Foreign currency translation	-	-	-	-	-	98	-	-	15	113
Changes in fair value of cash flow hedges	-	-	-	-	-	335	-	-	-	335
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(92)	-	-	-	(92)
Change in fair value of AFS financial assets	-	-	-	-	330	-	-	-	-	330
Tax on change in fair value of AFS financial assets	-	-	-	-	(37)	-	-	-	-	(37)
Total other comprehensive income	**-**	**-**	**-**	**-**	**293**	**341**	**-**	**-**	**15**	**649**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**293**	**341**	**-**	**3,994**	**15**	**4,643**
Contributions by and distributions to owners										
Redemption and repurchase of shares held by BLME	(50)	-	-	50	-	-	-	-	-	-
Share-based payment awards	-	-	-	-	-	-	27	-	-	27
Settlement of share-based payment awards	-	-	-	-	-	-	(687)	-	-	(687)
Transfer to other liabilities	-	-	-	-	-	-	(652)	-	-	(652)
Settlement of own shares by BLME Holdings EBT	-	-	-	-	-	-	-	32	-	32
Total transactions with owners	**(50)**	**-**	**-**	**50**	**-**	**-**	**(1,312)**	**32**	**-**	**(1,280)**
Balance at 30 June 2014	**48,933**	**16,000**	**15,226**	**50**	**(231)**	**(1,780)**	**1,898**	**166,100**	**(51)**	**246,145**

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 32 and 33 of the Group's annual financial statements for the year ended 31 December 2014.
Share-based payment reserve represents the amortised portion of the fair value of equity instruments issued under the Group's share incentive schemes and accounted for as equity-settled share-based payments. The transfer to other liabilities during 2014 relates to the reclassification of the Deferred Annual Bonus Scheme ("DABS") from equity-settled to cash-settled accounting in June 2014.

The notes on pages 14 to 47 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2014 (unaudited)	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
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 30 June 2014	48,933	16,000	15,226	50	(231)	(1,780)	1,898	166,100	(51)	246,145
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,020)**	**-**	**(3,020)**
Other comprehensive income / (expense)										
Foreign currency translation	-	-	-	-	-	(280)	-	-	(11)	(291)
Changes in fair value of cash flow hedges	-	-	-	-	-	473	-	-	-	473
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(41)	-	-	-	(41)
Change in fair value of AFS financial assets	-	-	-	-	468	-	-	-	-	468
Tax on change in fair value of AFS financial assets	-	-	-	-	(86)	-	-	-	-	(86)
Total other comprehensive income	**-**	**-**	**-**	**-**	**382**	**152**	**-**	**-**	**(11)**	**523**
Total comprehensive (expense) / income for the period	**-**	**-**	**-**	**-**	**382**	**152**	**-**	**(3,020)**	**(11)**	**(2,497)**
Contributions by and distributions to owners										
Share-based payment awards	-	-	-	-	-	-	27	-	-	27
Transfer to Retained Earnings	-	-	-	-	-	-	(515)	515	-	-
Settlement of own shares by BLME Holdings EBT	-	-	-	-	-	-	-	91	-	91
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(488)**	**606**	**-**	**118**
Balance at 31 December 2014	**48,933**	**16,000**	**15,226**	**50**	**151**	**(1,628)**	**1,410**	**163,686**	**(62)**	**243,766**

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 £239.9 million over the £48.9 million nominal value of the ordinary shares issued to the former shareholders of BLME (see Notes 19 and 32 of the Group's annual financial statements for the year ended 31 December 2014). £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 transfer to retained earnings represents the recycling of credits previously recognised within the Share Based Payment Reserve in relation to DABS options which have either lapsed or been settled in cash.

The notes on pages 14 to 47 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 2015 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 2015 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 2014. 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 in Note 16, 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 2014. All amounts have been rounded to the nearest thousand except when otherwise indicated.

a. Adoption of new and amended accounting standards in 2015:

No new standards or amendments with an effective date of 1 January 2015 that materially impact the Group have been issued.

b. Future accounting developments

Information on future accounting developments and their potential effect on the financial statements of the Group are provided in Note 2 of the Group's published financial statements for the year ended 31 December 2014.

c. Presentation of comparative figures

The comparative figures for the financial year ended 31 December 2014 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 auditor has reported on those accounts. Its report was unqualified; did include a reference to the revision of impairment of financial assets to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under section 498 (2) or (3) 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 ("AFS").

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, ABL Finance and Islamic Capital Markets ("ICM"). 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. ICM organises and participates in syndicated transactions and sells down assets from the Bank's financing portfolios.

Wealth Management

Wealth Management includes the Group's complementary businesses of Private Banking and Asset Management. The Private Banking business focuses on providing private banking services, in particular residential lending for central London property acquisitions, to high net worth individuals. The Asset Management business offers Sharia'a compliant fund management services and funds based on a Luxembourg platform.

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 2015

	Treasury Division £000	Corporate Banking £000	Wealth Management £000	Unallocated items £000	Total £000
Net margin from financing and investing activities	1,078	12,400	1,155	-	14,633
Operating lease income	636	7,316	-	-	7,952
Net fee income	241	1,365	72	1	1,679
Net fair value (losses) / gains on investment securities	113	-	(146)	-	(33)
Net fair value gains on investment properties	-	-	1,753	-	1,753
Other operating income	-	3,679	1,159	-	4,838
Total operating income	**2,068**	**24,760**	**3,993**	**1**	**30,822**
Directly attributable segment expenses	(808)	(2,880)	(2,366)	-	(6,054)
Operating lease depreciation	-	(6,194)	-	-	(6,194)
Change in third party interest in consolidated funds	-	90	(879)	-	(789)
Net impairment charge on financial assets	(3)	(9,039)	(432)	-	(9,474)
Net segment contribution	**1,257**	**6,737**	**316**	**1**	**8,311**
Common costs not directly attributable to segments					(8,629)
Net operating loss before tax					**(318)**
Reportable segment assets	**373,504**	**836,615**	**117,865**	**6,491**	**1,334,475**

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.

For the six months ended 30 June 2014

	Treasury Division £000	Corporate Banking* £000	Wealth Management* £000	Unallocated items £000	Total £000
Net margin from financing and investing activities	912	11,986	1,679	-	14,577
Operating lease income	841	10,530	-	-	11,371
Net fee income	682	1,458	59	2	2,201
Net fair value (losses) /gains on investment securities	(134)	-	328	-	194
Net fair value gains on investment properties	-	-	1,530	-	1,530
Other operating income / (expense)	(23)	2,260	1,246	-	3,483
Total operating income	**2,278**	**26,234**	**4,842**	**2**	**33,356**
Directly attributable segment expenses	(844)	(2,783)	(2,693)	-	(6,320)
Operating lease depreciation	-	(8,871)	-	-	(8,871)
Net impairment charge on financial assets	-	(1,304)	(415)	-	(1,719)
Change in third party interest in consolidated funds	-	-	(904)	-	(904)
Net segment contribution	**1,434**	**13,276**	**830**	**2**	**15,542**
Common costs not directly attributable to segments					(10,419)
Net operating profit before tax					**5,123**
Reportable segment assets	**424,502**	**757,818**	**98,939**	**3,470**	**1,284,729**

* ICM was transferred from Wealth Management to Corporate Banking with effect from 1 January 2015. Accordingly, certain prior period comparatives have been reclassified to be consistent with current year presentation.

For the year ended 31 December 2014

	Treasury Division £000	Corporate Banking* £000	Wealth Management* £000	Unallocated items £000	Total £000
Net margin from financing and investing activities	1,847	24,265	2,621	-	28,733
Operating lease income	1,624	19,403	-	-	21,027
Net fee income	664	2,980	187	12	3,843
Net fair value losses on investment securities	(28)	-	(501)	-	(529)
Net fair value gains on investment properties	-	-	2,667	-	2,667
Other operating income	31	3,663	2,265	-	5,959
Total operating income	**4,138**	**50,311**	**7,239**	**12**	**61,700**
Directly attributable segment expenses	(933)	(5,468)	(4,713)	-	(11,114)
Operating lease depreciation	-	(16,286)	-	-	(16,286)
Net impairment charge on financial assets	-	(10,722)	(880)	-	(11,602)
Change in third party interest in consolidated funds	-	-	(1,199)	-	(1,199)
Net segment contribution	**3,205**	**17,835**	**447**	**12**	**21,499**
Common costs not directly attributable to segments					(20,511)
Net operating profit before tax					**988**
Reportable segment assets	**421,173**	**855,957**	**103,024**	**5,358**	**1,385,512**

* ICM was transferred from Wealth Management to Corporate Banking with effect from 1 January 2015. Accordingly, certain prior period comparatives have been reclassified to be consistent with current year presentation.

Entity wide disclosures

Geographical analysis of non-current assets

	30 June 2015 £000	30 June 2014 £000	31 December 2014 £000
Dubai	224	288	237
Luxembourg	32,998	31,034	29,653
United Kingdom	46,705	48,808	42,682
USA	13,324	20,808	16,245
Others	53	278	5
Total	**93,304**	**101,216**	**88,822**

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

5. Other operating income

	6 months to 30 June 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Gain on foreign exchange transactions	5	70	3
Gain on leased asset sales	879	2,257	2,918
Rental income from investment properties	1,042	1,077	1,932
Other	2,912	79	1,106
	4,838	**3,483**	**5,959**

6. Personnel expenses

	6 months to 30 June 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Wages and salaries	5,821	7,540	13,121
Social security costs	755	780	1,343
Defined contribution pension scheme costs	515	506	1,022
Sharia'a Supervisory Board fees	30	37	57
Recruitment and relocation costs	235	352	600
Other staff costs	469	237	501
	7,825	**9,452**	**16,644**

	6 months to 30 June 2015 Number	6 months to 30 June 2014 Number	Year to 31 December 2014 Number
Number of employees at period end	126	114	124
Average for the period - management	6	6	6
Average for the period - non-management	121	110	110

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 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Opening impairment balance	33,470	22,633	22,633
Exchange translation and other movements	(1,473)	(819)	(765)
Income statement:			
Gross impairment charge for the period	9,534	1,719	11,718
Amounts recovered during the period	(60)	-	(116)
Net impairment charge for the period	**9,474**	**1,719**	**11,602**
Amounts written off during the period	(12,432)	-	-
Closing impairment balance	**29,039**	**23,533**	**33,470**
Being impairments against:			
Financing arrangements	27,021	23,206	33,269
Finance lease receiveables	1,877	-	-
Operating lease assets	138	245	201
Other financial assets	3	82	-
	29,039	**23,533**	**33,470**

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 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Opening net carrying balance	22,797	17,631	17,631
Exchange translation and other movements	(470)	(380)	596
Change in allowance for impairment	(2,014)	(437)	(3,326)
Classified as impaired during the period	14,713	11,819	8,199
Disposals	-	(204)	(303)
Closing net carrying balance	**35,026**	**28,429**	**22,797**

The following tables set out an analysis of the gross and net carrying amount of impaired financial assets and operating leases by statement of financial position line, by country and by economic sector. The impairment against operating leases is related to the future estimated value of the leased item at the end of the lease term i.e. against residual value. As a result, this is a physical asset risk rather than a credit risk. The portfolio is valued regularly by external third parties.

As at 30 June 2015	**Gross exposure £000**	**Specific impairment £000**	**Collective impairment £000**	**Net exposure £000**
Analysed by statement of financial position line:				
Financing arrangements	56,366	(25,889)	(1,132)	29,345
Finance lease receivables	6,256	(1,700)	(177)	4,379
Operating lease assets	1,443	(138)	-	1,305
Other financial assets	-	-	(3)	(3)
Balance as at 30 June 2015	**64,065**	**(27,727)**	**(1,312)**	**35,026**
Analysed by country:				
Bahrain	2,702	(318)	-	2,384
Cayman Islands	11,560	(9,253)	-	2,307
France	2,531	(1,816)	-	715
United Kingdom	45,829	(16,202)	(1,312)	28,315
USA	1,443	(138)	-	1,305
Balance as at 30 June 2015	**64,065**	**(27,727)**	**(1,312)**	**35,026**
Analysed by economic sector:				
Financial Services				
GCC Financial Institutions	2,702	(318)	-	2,384
Real estate	31,155	(14,501)	-	16,654
Transportation and storage	27,677	(11,092)	-	16,585
Waste management	2,531	(1,816)	-	715
Others	-	-	(1,312)	(1,312)
Balance as at 30 June 2015	**64,065**	**(27,727)**	**(1,312)**	**35,026**

As at 30 June 2014	**Gross exposure £000**	**Specific impairment £000**	**Net exposure £000**
Analysed by statement of financial position line:			
Financing arrangements	47,538	(23,206)	24,332
Operating lease assets	4,243	(245)	3,998
Other assets - inventory	181	(82)	99
Balance as at 30 June 2014	**51,962**	**(23,533)**	**28,429**
Analysed by country:			
Bahrain	2,924	(292)	2,632
Cayman Islands	10,634	(5,116)	5,518
France	2,862	(2,054)	808
Turkey	13,996	(13,996)	-
United Kingdom	17,303	(1,830)	15,473
USA	4,243	(245)	3,998
Balance as at 30 June 2014	**51,962**	**(23,533)**	**28,429**
Analysed by economic sector:			
Financial Services			
GCC Financial Institutions	2,924	(292)	2,632
Manufacturing	13,996	(13,996)	-
Real estate	17,189	(1,748)	15,441
Transportation and storage	12,552	(5,327)	7,225
Wholesale / Retail	2,258	(35)	2,223
Construction	181	(82)	99
Waste management	2,862	(2,053)	809
Balance as at 30 June 2014	**51,962**	**(23,533)**	**28,429**

As at 31 December 2014	Gross exposure £000	Specific impairment £000	Net exposure £000
Analysed by statement of financial position line:			
Financing arrangements	54,811	(33,269)	21,542
Operating lease assets	1,456	(201)	1,255
Balance as at 31 December 2014	**56,267**	**(33,470)**	**22,797**
Analysed by country:			
Bahrain	3,207	(321)	2,886
Cayman Islands	11,660	(7,767)	3,893
France	2,774	(1,991)	783
Turkey	13,567	(13,567)	-
United Kingdom	23,603	(9,623)	13,980
USA	1,456	(201)	1,255
Balance as at 31 December 2014	**56,267**	**(33,470)**	**22,797**
Analysed by economic sector:			
Financial Services			
GCC Financial Institutions	3,207	(321)	2,886
Manufacturing	13,567	(13,567)	-
Real estate	23,603	(9,623)	13,980
Transportation and storage	13,116	(7,968)	5,148
Waste management	2,774	(1,991)	783
Balance as at 31 December 2014	**56,267**	**(33,470)**	**22,797**

8. Taxation

	6 months to 30 June 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
UK Corporation tax			
- on current period profit	(100)	(115)	(244)
	(100)	(115)	(244)
Overseas tax for the period	19	2	8
Deferred tax for the period	(617)	1,242	251
Tax (credit) / charge in income statement	**(698)**	**1,129**	**15**

The effective tax rate for the period is 41% (six months ended 30 June 2014: 22% and year ended 31 December 2014: 2%), 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. The Chancellor’s Summer Budget on 8 July 2015 included a proposal to reduce the UK Corporation Tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. These proposed changes had not been enacted into UK law at the balance sheet date. Accordingly the deferred tax assets recognised below have been calculated using a corporation tax rate of 20% (30 June 2014 and 31 December 2014: 20%).

Tax recognised in other comprehensive income

	6 months to 30 June 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Cash flow hedging reserve	(130)	(92)	(133)
Fair value reserve	74	(37)	(123)
	(56)	**(129)**	**(256)**

Deferred Tax

The Group has a deferred tax asset of £2.2 million (30 June 2014: £0.6 million and 31 December 2014: £1.6 million). The majority of this asset is attributable to tax losses carried forward. 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 2018. The overall effect of a tax rate reduction to 18% would be to reduce the Group deferred tax assets by approximately £0.2 million.

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.

Earnings per share	**Six months to 30 June 2015 pence**	**Six months to 30 June 2014 pence**	**Year to 31 December 2014 pence**
Basic	0.20	2.07	0.50
Diluted	0.19	2.06	0.50

Profit attributable to ordinary shareholders	**£000**	**£000**	**£000**
Profit attributable to shareholders (basic)	380	3,994	973
Profit attributable to shareholders (diluted)	380	3,994	973

Weighted average number of ordinary shares	**At 30 June 2015 Number**	**At 30 June 2014 Number**	**At 31 December 2014 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	(2,601,477)	(2,657,436)	(2,601,477)
Weighted average number of shares (basic)	193,132,214	193,076,255	193,132,214
Effect of dilutive share options in issue	4,872,970	992,050	875,610
Weighted average number of shares (diluted)	198,005,184	194,068,305	194,007,824

10. Investment securities

			At 30 June 2015
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	54,408	1,887	56,295
Available-for-sale			
Equity	386	3,452	3,838
Sukuk	152,311	-	152,311
	207,105	**5,339**	**212,444**

			At 30 June 2014
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	35,054	1,470	36,524
Available-for-sale			
Equity	368	2,718	3,086
Sukuk	124,793	-	124,793
	160,215	**4,188**	**164,403**

			At 31 December 2014
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	46,023	1,580	47,603
Available-for-sale			
Equity	344	3,339	3,683
Sukuk	136,848	-	136,848
	183,215	**4,919**	**188,134**

11. Investment properties

Group	At 30 June 2015	At 30 June 2014	At 31 December 2014
	£000	£000	£000
Opening valuation	28,580	24,340	24,340
Purchases at cost	1,487	4,049	4,057
Disposals	-	-	(2,484)
Movements in fair value *	1,753	1,530	2,667
Closing valuation	**31,820**	**29,919**	**28,580**

** This item has been included in "Net fair value gains on investment properties" in the income statement. No items have been included in other comprehensive income.*

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.

The purchases at cost 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 £1.0 million (six months to 30 June 2014: £1.1 million and year to 31 December 2014: £1.9 million) in the line "Other operating income" and direct operating expenses of £0.3 million (six months to 30 June 2014: £0.2 million and year to 31 December 2014: £0.8 million) 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 2015 Total
	£000	£000	£000	£000
Murabaha	438,988	147,676	-	586,664
Mudaraba	-	3,270	-	3,270
Musharaka	-	2,205	-	2,205
Hire Purchase	14,398	97,130	-	111,528
Istisna and Ijara	-	-	8,550	8,550
Sukuk	4,596	5,348	-	9,944
	457,982	**255,629**	**8,550**	**722,161**
Provision for impairment				(27,021)
				695,140

	Less than 1 year	1-5 years	Over 5 years	At 30 June 2014 Total
	£000	£000	£000	£000
Murabaha	406,097	140,827	21	546,945
Mudaraba	-	3,060	-	3,060
Musharaka	-	2,768	-	2,768
Hire Purchase	220	47,575	-	47,795
Istisna and Ijara	-	-	8,376	8,376
Sukuk	394	27,432	-	27,826
	406,711	**221,662**	**8,397**	**636,770**
Provision for impairment				(23,206)
				613,564

	Less than 1 year	1-5 years	Over 5 years	At 31 December 2014 Total
	£000	£000	£000	£000
Murabaha	467,637	157,900	21	625,558
Mudaraba	-	3,298	-	3,298
Musharaka	-	2,654	-	2,654
Hire Purchase	4,747	83,916	-	88,663
Istisna and Ijara	-	-	8,898	8,898
Sukuk	2,211	9,256	-	11,467
	474,595	**257,024**	**8,919**	**740,538**
Provision for impairment				(33,269)
				707,269

These tables represent contractual maturities.

13. Finance lease receivables

	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Gross investment in finance leases receivables			
Less than one year	76,688	71,181	76,448
One to five years	79,209	113,472	98,154
More than five years	-	1,062	401
	155,897	185,715	175,003
Unearned future income on finance leases	(11,779)	(16,474)	(14,463)
Provision for impairment	(1,877)	-	-
Net investment in finance leases	**142,241**	**169,241**	**160,540**
The net investment in finance leases comprises:			
Less than one year	69,008	63,439	69,257
One to five years	73,233	104,769	90,888
More than five years	-	1,033	395
	142,241	**169,241**	**160,540**

These tables represent contractual maturities. The Group's investment in finance leases covers a wide range of equipment types, including transport, construction, mining and heavy machinery equipment.

14. Operating lease assets

	At 31 December 2014 £000	Additions 2015 £000	Disposals 2015 £000	Depreciation 2015 £000	Translation differences 2015 £000	At 30 June 2015 £000
Gross carrying amount	96,480	1,725	(22,315)	-	(336)	75,554
Less depreciation	(44,051)	-	21,174	(6,194)	285	(28,786)
	52,429	**1,725**	**(1,141)**	**(6,194)**	**(51)**	**46,768**
Provision for impairment						(138)
						46,630

	At 31 December 2013 £000	Additions 2014 £000	Disposals 2014 £000	Depreciation 2014 £000	Translation differences 2014 £000	At 30 June 2014 £000
Gross carrying amount	133,289	2,642	(19,281)	-	(2,014)	114,636
Less depreciation	(56,069)	-	13,686	(8,871)	1,202	(50,052)
	77,220	**2,642**	**(5,595)**	**(8,871)**	**(812)**	**64,584**
Provision for impairment						(245)
						64,339

	At 31 December 2013 £000	Additions 2014 £000	Disposals 2014 £000	Depreciation 2014 £000	Translation differences 2014 £000	At 31 December 2014 £000
Gross carrying amount	133,289	6,439	(46,977)	-	3,729	96,480
Less depreciation	(56,069)	(2,341)	33,102	(16,286)	(2,457)	(44,051)
	77,220	**4,098**	**(13,875)**	**(16,286)**	**1,272**	**52,429**
Provision for impairment						(201)
						52,228

Rental receipts under operating leases

	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Future rentals are as follows:			
Less than one year	9,240	16,851	12,220
Between one and five years	18,090	18,705	13,486
More than five years	2,746	-	-
	30,076	**35,556**	**25,706**

The Group’s investment in operating leases covers a wide range of equipment types, including transport, construction, mining and heavy machinery equipment.

15. Other liabilities

	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Trade payables	244	499	221
VAT payable	2,175	2,091	1,510
Deferred income	4,864	5,060	4,262
Social security and income tax	616	304	318
Accruals	5,392	6,920	7,199
Other creditors	3,840	2,478	2,537
Cash in transit *	-	22,500	-
	17,131	**39,852**	**16,047**

* 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

Subsidiaries (not structured entities)	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 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 Umbrella Fund Management Sarl	Luxembourg	100%	US$ 25,000
BLME Nominees LIBF Limited	England & Wales	100%	£100
BLME Asset Management Limited	England & Wales	100%	£2
Global Liquidity Solutions Limited	England & Wales	100%	£1
MKL Construction Equipment Finance Limited	England & Wales	60%	£1,000
Renaissance Asset Finance Limited	England & Wales	100%	£250,000
Renaissance Property Finance Limited	England & Wales	100%	£2
Renaissance Trade Finance Limited	England & Wales	100%	£2

As the Group owns, or can exercise an option to obtain, the majority of the equity capital of the above entities, it is exposed, and has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Consequently, the results of the subsidiaries above have been consolidated in these financial statements.

Renaissance Asset Finance Limited ("RAF") provides small ticket asset finance to the SME sector across the UK. With effect from 30 June 2015, the Group has consolidated RAF in these interim financial statements. The Group's management has determined that it has control of the entity due to an option to purchase effectively 100% of RAF's issued share capital becoming exercisable on 30 June 2015. Under IFRS 10, this results in the Group deeming to have power over, and control of, RAF. Consequently, the transaction is deemed to be a business combination under IFRS 3. The consideration transferred of £4.3 million is comprised of the fair value of the option (£3.5 million) and the option exercise price (£0.75 million). If the option was exercisable from the start of the reporting period, consolidated net margin of the Group would have been approximately £15.5 million (i.e. an additional £0.9 million) and consolidated profit for the period of the Group would have been approximately £0.3 million.

Goodwill arising from this transaction has been recognised as follows:

	£000
Total consideration transferred	4,295
Fair value of identifiable net assets	(875)
Goodwill	3,420

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition and the line item within which they are consolidated in the Group's statement of financial position:

	£000
Cash	1,218
Financing arrangements	29,063
Finance lease receivables	3,431
Property and equipment	48
Intangible assets	1,478
Other assets	1,339
Due to financial institutions	(35,172)
Due to customers	(1)
Other liabilities	(529)
Total	875

The goodwill and intangible assets are attributable to management's demonstrable track record in establishing similar companies and the expected cash flows arising from the company's client base. None of the goodwill recognised is expected to be deductible for tax purposes.

Under IFRS 3, a measurement period of up to one year can be utilised to assess the valuation of net assets acquired as a result of a business combination.

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

Compartment (not structured entities)	Share Class	30 June 2015 No. of shares	30 June 2014 No. of shares	31 December 2014 No. of shares
BLME US$ Income Fund	Management	1	1	1
	B	25,741.369	25,741.369	25,741.369
	C	24,995.251	24,995.251	24,995.251
	G	1,234.491	1,234.491	1,234.491
	M	198.766	198.766	198.766
BLME Global Sukuk Fund	A	8,239.545	8,239.545	8,239.545
BLME Light Industrial Building Fund	A	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 Group and thus consolidated into the Group's results. The overall holding in the BLME Sharia'a Umbrella Fund SICAV SIF is approximately 58.8% of the shares issued (30 June 2014: 75.9% and 31 December 2014: 67.9%). The Group recognised an expense of £0.9 million (six months to 30 June 2014: £0.9 million and year to 31 December 2014: £1.2 million) 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 41.2% (30 June 2014: 24.1% and 31 December 2014: 32.1%) has been reported in the Group's balance sheet liabilities line "Third party interest in consolidated funds".

There are two active structured entities ("SE") (2014: 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. These entities are deemed to be controlled by the Group because the relationships between the Group and the SEs are governed by participation agreements which allow the Group to exercise power over the SEs in addition to being exposed to, and having rights over, the variable returns from its involvement with the SEs. Furthermore, the Group has the ability to use its power to affect its returns from its involvement in the SEs.

The two entities are as follows:

- Kalakane Transatlantic Investors II, Inc. (USA) – Operating leases
- DMJ 2 LLC (USA) – Operating leases

Lease assets owned by the structured entities are reported as Group operating lease assets and amount to £13.0 million (30 June 2014: £19.7 million and 31 December 2014: £15.8 million).

The BLME Holdings EBT holds a stock of own shares acquired at a cumulative cost of £4.2 million (30 June 2014: £4.3 million and 31 December 2014: £4.2 million) 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 2014 and year to 31 December 2014: nil). No stamp duty costs were incurred by the Group on behalf of the BLME Holdings EBT (six months to 30 June 2014 and year to 31 December 2014: nil).

- **Significant restrictions**

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. The carrying amounts of Bank of London and The Middle East Plc's assets and liabilities are £1,334 million and £1,091 million respectively (30 June 2014: £1,285 million and £1,039 million respectively and 31 December 2014: £1,386 million and £1,142 million respectively).

- **Interests in unconsolidated structured entities**

The Group has a 40% participation in a syndicated loan made to a Cayman Islands structured entity to which the Group has an exposure of $18.1 million / £11.6 million (30 June 2014: $18.1 million / £10.6 million and 31 December 2014: $18.1 million / £11.6 million). The SE is financed by a syndicate of financial institutions. The carrying amount of this participation is $3.6 million / £2.3 million (30 June 2014: $9.4 million / £5.5 million and 31 December 2014: $6.1 million / £3.9 million), which is included within "Financing arrangements". The carrying amount represents the maximum exposure to loss arising from the Group's interest in this unconsolidated structured entity. No income was received during the year from the entity (six months to 30 June 2014 and year to 31 December 2014: nil) nor are there any liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the Group's interest in this unconsolidated structured entity (six months to 30 June 2014 and year to 31 December 2014: nil).

- **Contractual arrangements and financial support**

The Group does not have any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated or unconsolidated structured entity (six months to 30 June 2014 and year to 31 December 2014: nil).

The Group did not provide financial support to any of its consolidated or unconsolidated structured entities during 2015 and does not have any current intentions to provide such support (six months to 30 June 2014 and year to 31 December 2014: nil).

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 2015	6 months to 30 June 2014	Year to 31 December 2014
	£000	£000	£000
Boubyan Bank K.S.C			
Wakala placement	32,218	23,620	70,446
Wakala deposit taking	-	15,713	26,640
Foreign exchange transactions	-	654	654
The Public Institution for Social Security			
Reverse Murabaha	255,626	231,186	530,667

The amounts outstanding with Boubyan Bank K.S.C were as follows:

	At 30 June 2015	At 30 June 2014	At December 2014
Included within:	£000	£000	£000
Cash and balances with banks			
Nostros	15,081	723	2,191
Due from financial institutions			
Wakala placement	13,701	7,872	7,383
Due to financial institutions			
Wakala deposit taking	-	3,643	7,151

The maximum amounts outstanding with Boubyan Bank K.S.C during the period ended 30 June 2015 were:

On balance sheet £15.1 million (30 June 2014: £9.8 million and 31 December 2014: £11.3 million)
Off balance sheet £nil (30 June 2014 and 31 December 2014: £nil)

On 22 September 2010 the Group entered into a 5 year marketing and advisory services agreement with Boubyan Bank K.S.C. The Group paid KWD 450,000 (equivalent to £0.9 million as at 30 June 2015 and 30 June 2014 and £1.0 million as at 31 December 2014), annually in arrears for the services with the first payment made on 30 September 2011. In return Boubyan Bank K.S.C committed to a comprehensive range of marketing and advisory initiatives. As at 31 December 2014, the aggregate cost of these services had been fully recognised in the income statement through the "Other operating expenses" line.

On 4 April 2011 the Group 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 Group received a facility agency fee of £0.1 million during the first year of the agreement and £0.01 million in the second year of the agreement. The fee was 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 £0.1 million in four equal quarterly instalments commencing with effect from 4 April 2013.

As at 30 June 2015, Boubyan Bank K.S.C held 25.62% of the Company's shares (30 June 2014 and 31 December 2014: 25.62%). 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) were as follows:

Included within:	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Reverse Murabaha	537,188	513,182	534,808

The maximum amounts outstanding with The Public Institution for Social Security during the period ended 30 June 2015 were:

On balance sheet £537.2 million (30 June 2014: £514.7 million and 31 December 2014: £534.8 million)
Off balance sheet £nil (30 June 2014 and 31 December 2014: £nil)

As at 30 June 2015, The Public Institution for Social Security held 7.67% (30 June 2014 and 31 December 2014: 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 key management of the Group are the Executive Directors. The compensation of key management personnel for the period was as follows:

	6 months to 30 June 2015 £000	6 months to 30 June 2014 £000	Year to 31 December 2014 £000
Key management emoluments *	307	357	958
Bank contributions to pension plans	-	17	17
	307	**374**	**975**

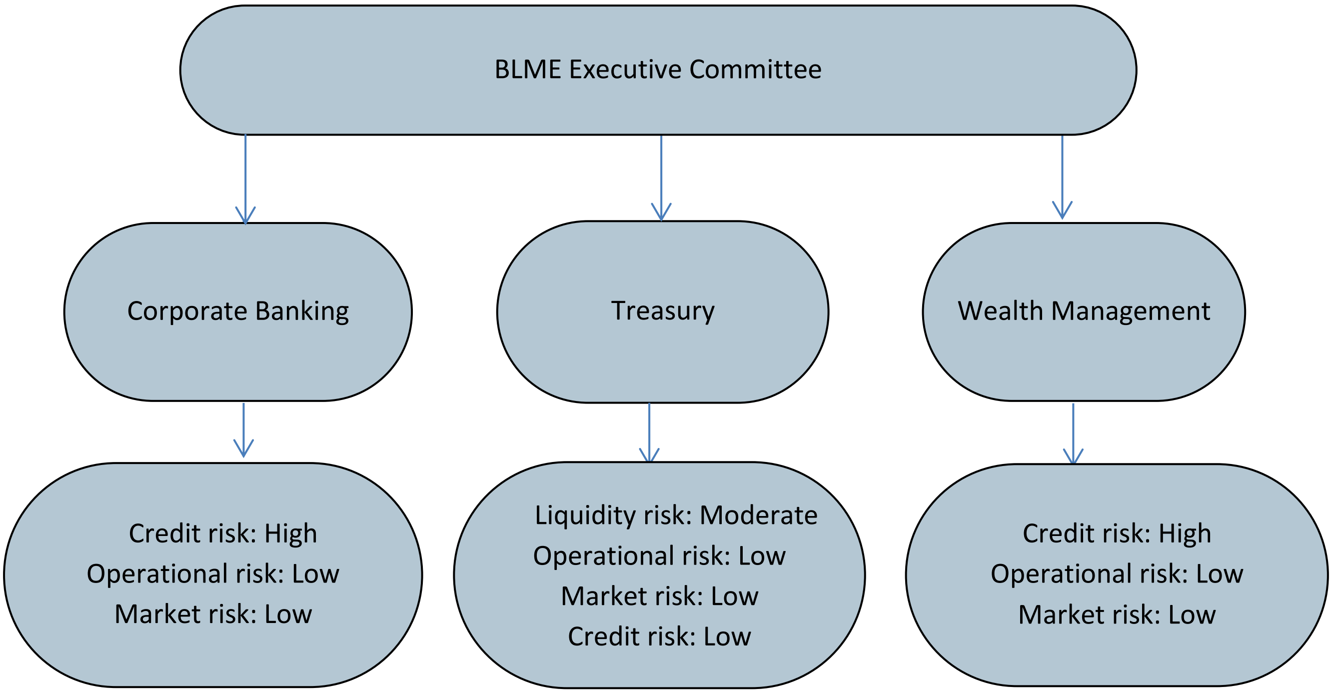
* Key management emoluments include share-based payments of £14,894 (six months to 30 June 2014: £3,930 and year to 31 December 2014: £32,731).

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.



The following presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the management of capital.

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 Senior Management and Executive Directors), 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. 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 periodically 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 2014 and are expected to remain unchanged in the final six months of the financial year to 31 December 2015.

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 table presents the Group's maximum exposure to credit risk on balance sheet financial instruments as at 30 June 2015, 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 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Cash and balances with banks	72,653	74,564	45,993
Due from financial institutions			
Murabaha	17,548	88,824	86,861
Wakala	84,911	72,309	100,759
Due from customers	13,288	-	5,038
Investment securities	212,444	164,403	188,134
Financing arrangements	695,140	613,564	707,269
Finance lease receivables	142,241	169,241	160,540
Total credit exposure	**1,238,225**	**1,182,905**	**1,294,594**

As at 30 June 2015 there were 50 off balance sheet letters of guarantee outstanding (30 June 2014: 27 and 31 December 2014: 80) with a total exposure of £29.2 million (30 June 2014: £16.3 million and 31 December 2014: £28.4 million). 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 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
GCC countries			
Bahrain	12,595	22,125	24,691
Kuwait	61,021	31,989	78,721
Qatar	48,922	42,069	50,726
Saudi Arabia	116,140	122,155	82,068
United Arab Emirates	72,885	67,650	93,291
EEA countries			
France	3,264	21,976	26,976
Ireland	3,924	-	-
Luxembourg	10,551	4,241	8,715
Norway	5,012	-	5,401
United Kingdom	780,604	764,890	779,815
Other countries			
Bermuda	3,749	4,537	4,188
British Virgin Islands	19,435	15,344	19,506
Cayman Islands	7,961	5,518	3,707
Djibouti	2,205	2,768	2,655
Guernsey	8,790	-	-
Hong Kong	2,634	120	23,508
Indonesia	1,565	757	1,579
Jersey	7,272	-	-
Malaysia	27,357	25,508	32,466
Pakistan	491	-	318
Singapore	-	-	3,207
South Africa	484	-	486
South Korea	5,137	7,258	6,599
Switzerland	1,182	8,128	4,810
Turkey	13,421	13,505	20,790
USA	21,624	22,367	20,371
Total credit exposure	**1,238,225**	**1,182,905**	**1,294,594**

The Group had no direct exposure to either the governments of, or institutions or corporates in Greece, Russia, Ukraine, Syria or Iraq.

iii Exposure by economic sector

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

Group	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Financial services			
GCC financial institutions	237,679	218,154	213,984
UK financial institutions	63,612	127,258	112,580
European financial institutions	14,500	25,408	31,008
Other financial institutions	38,078	44,641	54,519
Manufacturing	33,132	25,763	33,753
Real estate	330,386	303,136	323,021
Transportation and storage	130,728	125,415	147,729
Government	53,136	22,307	52,774
Wholesale / Retail	139,464	101,737	119,268
Oil and gas	30,430	25,329	29,548
Commodities	51,635	61,512	63,368
Energy	11,989	11,405	11,638
Construction	29,270	31,522	42,765
Telecommunications	17,958	16,119	17,403
Others	56,228	43,199	41,236
Total credit exposure	**1,238,225**	**1,182,905**	**1,294,594**

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 2015. Of the total portfolio 34% (30 June 2014 and 31 December 2014: 31%) was directly rated by at least one of the ECAI, with 66% (30 June 2014 and 31 December 2014: 69%) mapped using internal ratings.

At 30 June 2015	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade	Sub-Investment Grade	Unlisted Equity Investments	
	£000	£000	£000	£000	£000	£000
Cash and balances with banks	72,653	-	-	-	-	72,653
Due from financial institutions	70,669	-	19,074	12,716	-	102,459
Due from customers	-	-	13,288	-	-	13,288
Investment securities	204,472	3,600	-	694	3,678	212,444
Financing arrangements	40,889	13,137	206,047	435,067	-	695,140
Finance lease receivables	14,556	-	81,066	46,619	-	142,241
Total credit exposure	**403,239**	**16,737**	**319,475**	**495,096**	**3,678**	**1,238,225**

At 30 June 2014	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade	Sub-Investment Grade	Unlisted Equity Investments	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	74,564	-	-	-	-	74,564
Due from financial institutions	113,783	-	32,851	14,499	-	161,133
Investment securities	130,074	3,111	23,526	4,606	3,086	164,403
Financing arrangements	30,253	-	226,642	356,669	-	613,564
Finance lease receivables	18,903	-	102,102	48,236	-	169,241
Total credit exposure	**367,577**	**3,111**	**385,121**	**424,010**	**3,086**	**1,182,905**

At 31 December 2014	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade	Sub-Investment Grade	Unlisted Equity Investments	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	45,993	-	-	-	-	45,993
Due from financial institutions	143,023	3,207	19,244	22,146	-	187,620
Due from customers	-	-	5,038	-	-	5,038
Investment securities	153,078	8,792	21,890	1,264	3,110	188,134
Financing arrangements	18,723	13,767	226,324	448,455	-	707,269
Finance lease receivables	15,888	-	97,202	47,450	-	160,540
Total credit exposure	**376,705**	**25,766**	**369,698**	**519,315**	**3,110**	**1,294,594**

The Group’s cash balances, amounts due from financial institutions and investment securities were neither past due nor impaired as at 30 June 2015, 30 June 2014 and 31 December 2014.

Analysis of past due amounts and impairments

Group	Financing Arrangements			Finance Leases		
	At 30 June 2015 £000	**At 30 June 2014 £000**	**At 31 December 2014 £000**	**At 30 June 2015 £000**	**At 30 June 2014 £000**	**At 31 December 2014 £000**
Neither past due nor impaired	621,450	579,436	668,125	125,025	165,033	160,343
Past due but not impaired	42,902	9,796	17,602	12,837	4,208	197
Gross exposure associated with impairment provision	57,809	47,538	54,811	6,256	-	-
Less: allowance for impairments	(27,021)	(23,206)	(33,269)	(1,877)	-	-
Total	**695,140**	**613,564**	**707,269**	**142,241**	**169,241**	**160,540**
Past due but not impaired	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Past due up to 30 days	-	-	17,602	12,719	4,208	197
Past due 30 to 60 days	18,729	-	-	86	-	-
Past due 60 to 90 days	9,978	6,927	-		-	-
Past due over 90 days	14,195	2,869	-	32	-	-
Total	**42,902**	**9,796**	**17,602**	**12,837**	**4,208**	**197**

The past due but not impaired balances as at 30 June 2015 include £42.9 million (30 June 2014: £9.8 million and 31 December 2014: £11.6 million) relating to five real estate transactions (30 June 2014: two and 31 December 2014: three) where the facility balances are lower than the collateral values. Three of the five facilities became current in July 2015 and the remaining two became current in August 2015; consequently none of the five remain past due as at the date of signing this Interim Report. 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	At 30 June 2015 Carrying value £000	At 30 June 2015 Fair value £000	At 30 June 2014 Carrying value £000	At 30 June 2014 Fair value £000	At 31 December 2014 Carrying value £000	At 31 December 2014 Fair value £000
Due from financial institutions	i	102,459	*	161,133	*	187,620	*
Due from customers	i	13,288	*	-	-	5,038	*
Investment securities	ii	212,444	212,444	164,403	164,403	188,134	188,134
Financing arrangements	iii	695,140	*	613,564	*	707,269	*
Finance lease receivables	iv	142,241	*	169,241	*	160,540	*
Due to financial institutions	iv	606,385	*	522,380	*	626,868	*
Profit rate swaps liability	iv	2,326	2,326	2,088	2,088	2,236	2,236
Due to customers	iv	426,599	*	457,017	*	471,444	*

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

Notes

i. Apart from a £13.7 million (30 June 2014: £7.9 million and 31 December 2014: £7.4 million) 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 2.5 weeks and a maximum individual residual maturity of 4 weeks. 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 from third party pricing providers where appropriate and available or values based on current profit rates with reference to residual maturity from balance sheet date.

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

Valuation of Financial Instruments

The Group's fair value measurement techniques can be found in Note 3b.

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 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment securities	207,603	1,390	3,451	212,444
Investment properties	-	31,820	-	31,820
Profit rate swaps liability	-	2,326	-	2,326

At 30 June 2014	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment securities	160,215	1,470	2,718	164,403
Investment properties	-	29,919	-	29,919
Profit rate swaps liability	-	2,088	-	2,088

At 31 December 2014	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment securities	183,216	1,580	3,338	188,134
Investment properties	-	28,580	-	28,580
Profit rate swaps liability	-	2,236	-	2,236

During the six month period ended 30 June 2015, 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.

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 2015	6 months to 30 June 2014	Year to 31 December 2014
	£000	£000	£000
Balance at 1 January	3,338	2,664	2,664
Total (losses) / gains recognised in:			
- profit or loss*	(8)	(45)	(194)
- other comprehensive (expense) / income **	21	89	89
Purchases	100	10	779
Sales	-	-	-
Balance at period end	**3,451**	**2,718**	**3,338**

** This amount is included in "net fair value (losses) / gains on investment securities" in the income statement*
*** This amount is included in "changes in fair value of available-for-sale financial assets taken to equity" in the statement of comprehensive income*

Of the £8,253 recognised in the income statement (30 June 2014: £44,830 and 31 December 2014: £194,462), £8,253 is attributable to the change in unrealised gains or losses relating to those assets held at the balance sheet date (30 June 2014: £22,660 and 31 December 2014: £22,171).

vi. Financial assets and financial liabilities

Financial assets and financial liabilities comprise cash and cash equivalents, amounts due from / to financial institutions and customers, investment securities, financing arrangements, finance lease receivables and derivative financial instruments.

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. This risk is managed by ensuring that the Group has sufficient liquidity to meet its liabilities when due.

Residual contractual maturities of financial assets

At 30 June 2015	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Cash and balances with banks	72,653	-	-	-	-	72,653
Due from financial institutions	91,379	2,072	7,947	1,081	-	102,479
Due from customers	13,288	-	-	-	-	13,288
Investment securities	54,251	9,543	8,638	139,330	682	212,444
Financing arrangements	243,755	94,339	84,350	367,166	10,244	799,854
Finance lease receivables	961	8,723	19,952	126,944	47	156,627
	476,287	**114,677**	**120,887**	**634,521**	**10,973**	**1,357,345**

At 30 June 2014	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Cash and balances with banks	74,564	-	-	-	-	74,564
Due from financial institutions	105,843	47,211	5,088	3,061	-	161,203
Investment securities	27,756	29,362	253	80,536	26,496	164,403
Financing arrangements	56,845	87,626	226,652	272,378	8,943	652,444
Finance lease receivables	198	4,418	15,937	157,142	7,829	185,524
	265,206	**168,617**	**247,930**	**513,117**	**43,268**	**1,238,138**

At 31 December 2014	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Cash and balances with banks	45,993	-	-	-	-	45,993
Due from financial institutions	171,539	9,685	6,442	-	-	187,666
Due from customers	5,042	-	-	-	-	5,042
Investment securities	44,156	-	9,533	137,086	-	190,775
Financing arrangements	227,684	115,928	102,164	303,755	9,818	759,349
Finance lease receivables	250	4,104	34,594	152,331	9,451	200,730
	494,664	**129,717**	**152,733**	**593,172**	**19,269**	**1,389,555**

The tables above show 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 £0.7 million (30 June 2014 and 31 December 2014: £0.7 million) as security against rental payments on the Group's premises.

Residual contractual maturities of financial liabilities

At 30 June 2015	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Due to financial institutions	87,165	57,118	455,142	11,957	-	611,382
Due to customers	35,876	34,958	180,392	190,815	-	442,041
Profit rate swaps	-	43	306	1,977	-	2,326
	123,041	**92,119**	**635,840**	**204,749**	**-**	**1,055,749**

At 30 June 2014	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Due to financial institutions	83,330	82,183	352,637	8,361	-	526,511
Due to customers	31,657	16,640	96,267	336,017	-	480,581
Profit rate swaps	-	237	185	1,666	-	2,088
	114,987	**99,060**	**449,089**	**346,044**	**-**	**1,009,180**

At 31 December 2014	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Due to financial institutions	35,588	100,718	484,497	12,488	-	633,291
Due to customers	44,546	21,685	142,863	295,265	-	504,359
Profit rate swaps	209	202	646	1,179	-	2,236
	80,343	**122,605**	**628,006**	**308,932**	**-**	**1,139,886**

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 ("LAB") – in line with the Prudential Regulation Authority BIPRU rules – of £113.8 million as at 30 June 2015 (30 June 2014: £99.7 million and 31 December 2014: £110.2 million). These LAB holdings have increased in the first half of 2015 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 income. It covers profit rate risk, credit spread risk, foreign exchange risk and equity price risk. The credit spread risk only pertains to the part that is not related to the issuer's / obligor's credit standing as that part is already covered in credit 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 2015, 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 £1,614 (30 June 2014: £17,790 and 31 December 2014: £14,050). 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 as follows:

	At 30 June 2015		At 30 June 2014		At 31 December 2014	
	Increase of 100 bp £000	Decrease of 100 bp £000	Increase of 100 bp £000	Decrease of 100 bp £000	Increase of 100 bp £000	Decrease of 100 bp £000
Increase in profit & loss	742	-	4,549	-	4,008	-
Decrease in profit & loss	-	213	-	3,340	-	2,954
Increase in equity	841	-	1,881	-	1,456	-
Decrease in equity	-	101	-	921	-	555

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.

	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Value of trading book	4,187	1,954	3,417
Impact on equity and profit & loss of a 10% change in Sukuk trading prices	415	192	338

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.

	At 30 June 2015 £000	At 30 June 2014 £000	At 31 December 2014 £000
Resultant FX revaluation gain from a 10% strengthening or weakening of the net foreign currency positions against Sterling	54	284	109
	6 months to 30 June 2015 £000	**6 months to 30 June 2014 £000**	**Year to 31 December 2014 £000**
Net foreign exchange (loss) / gain for the period	(221)	70	(25)

iv. Equity price risk

Equity prices are monitored by the Group's Investment Committee but the sensitivity risk is not currently significant in relation to the overall results and financial position of the Group.

d. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

e. Capital adequacy

At 30 June 2015 and throughout the period BLME complied with the capital requirements that were in force as set out by the Prudential Regulation Authority.

Further information regarding BLME'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 24 August 2015. The statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies for England and Wales in accordance with section 446 of the Companies Act 2006. The auditor has reported on those accounts. Its report was unqualified; did include a reference to the revision of impairment of financial assets to which the auditors drew attention by way of emphasis without qualifying their report; 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
24 August 2015

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 2015 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. 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. 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 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU.

Zaffarali Khakoo
For and on behalf of KPMG LLP
Chartered Accountants
London
24 August 2015

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