

# BLME Holdings plc

## Interim Results 2015

25<sup>th</sup> August 2015



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**Strong  
Underlying  
Business  
Performance**



- Operating Profit before Impairment Charges rose by 34% from £6.8 million to £9.2 million.
- BLME made a Profit for the period of £0.4 million after taking a considered approach to impairment provisions.
- Reduction in Total operating expenses of 18% to £21.7 million from £26.5 million.
- BLME has continued to manage its cost to income ratio which has fallen to 62.8% at 30th June 2015 from 72.1% at half year 2014.
- Income from financing and investment activities rose by 3.5% from £26.2 million to £27.2 million.
- BLME's Balance Sheet growth has been carefully managed and remains stable with Total Assets at £1.3 billion.
- Net Margin has been maintained despite a more competitive lending market.

**Notable Group  
achievements in  
Half Year 2015**



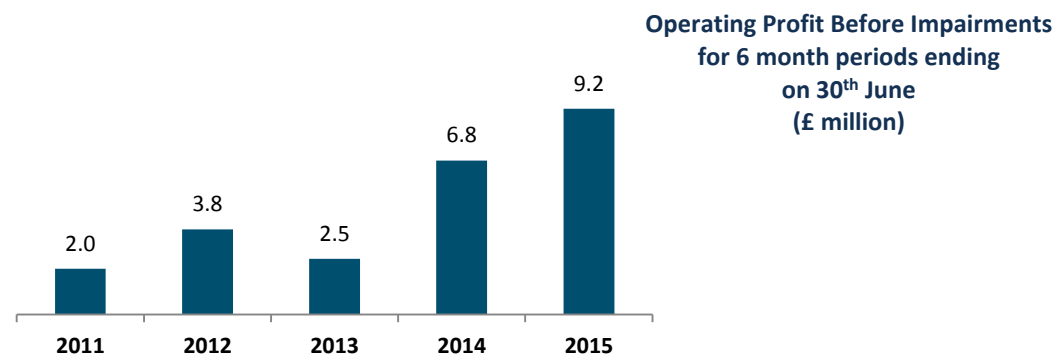
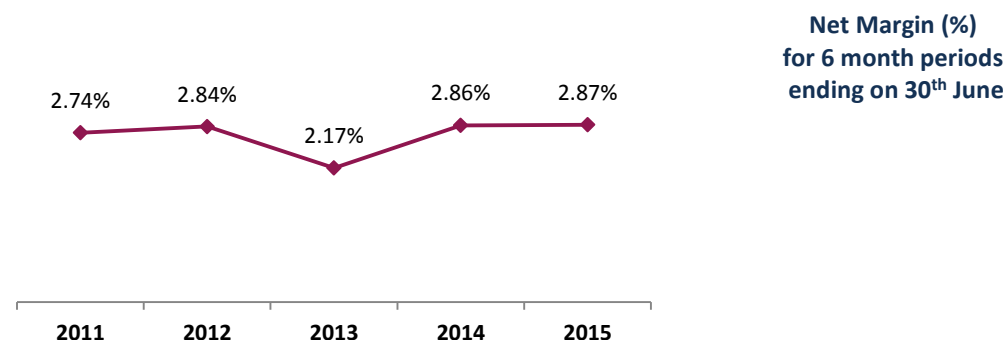
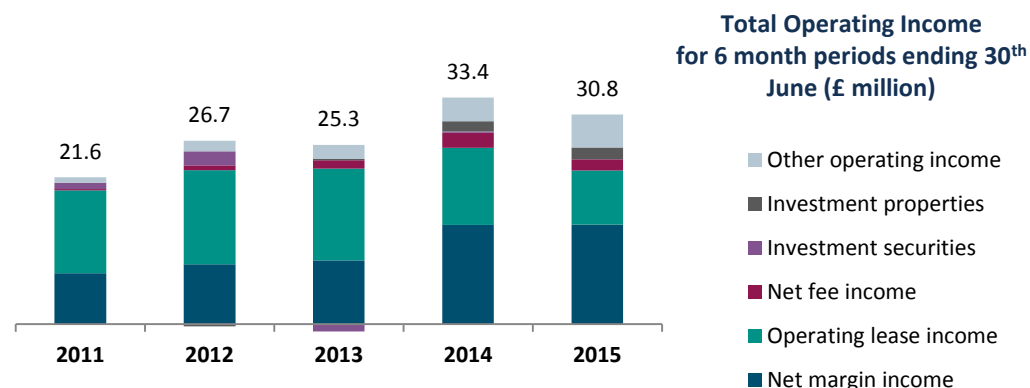
- Within the results there was a significant increase in the value of BLME's option to purchase 100% of the voting share capital of Renaissance Asset Finance Limited, a specialist provider of small ticket asset finance to the SME sector in the UK.
- The Asset Management arm of BLME saw a significant increase of inflows into its fixed income funds during the first half of 2015.
- BLME was appointed, for the fourth time, as Co-Lead Manager on the \$1 billion Islamic Development Bank Sukuk in March 2015.
- BLME was awarded 'Best Islamic Institution in Europe 2015' by Global Finance Magazine and 'Best Islamic Bank in the UK 2015' by World Finance.

# Interim Financial Results Highlights – 2015

<ul style="list-style-type: none"> <li>▪ Total Assets were up by 3.9% to £1.33 billion. Total Assets have remained stable as the Bank has sought to rebalance the asset book away from low yielding interbank deposits to better earning client business as BLME continues to build its client base.</li> <li>▪ Total Operating Expenses decreased by 18.3% due in part to the Bank's strategic decision to implement various cost savings initiatives at the end of 2014, reflecting the increasingly competitive market environment in the UK.</li> <li>▪ The cost to income ratio has continued its downward trajectory falling to 62.8% (H1 2014: 72.1%).</li> <li>▪ Operating Profit before Impairment Charges continued to grow and was up by 33.8% to £9.2 million for the first half of 2015.</li> <li>▪ The total impairment charge was £9.5 million as the bank took provisions – mainly against legacy positions – in addition to oil and commodities exposures.</li> <li>▪ Net Profit after tax was £0.4 million (H1 2014: £3.99 million). This result also included a new collective provision which reflects the Bank's maturing business.</li> </ul>	Balance Sheet	H1 2015 £ million	H1 2014 £ million	(+/-) %
	Total Assets	1,334	1,285	3.9%
	Financing arrangements and finance lease	837	783	7.0%
	Total deposits	1,033	979	5.5%
	Income Statement	H1 2015 £ million	H1 2014 £ million	(+/-) %
	Total operating income	30.8	33.4	(7.6)%
	Total operating expenses	(21.7)	(26.5)	(18.3)%
	Operating profit before impairments	9.2	6.8	33.8%
	Net impairment charges	(9.5)	(1.7)	451.1%
	Operating (loss)/profit before tax	(0.3)	5.1	N/A
	Net profit for the period	0.4	4.0	(90.5)%
	Key Performance Indicators	H1 2015	H1 2014	FY2014
	Net margin (%)	2.87%	2.86%	2.60%
	Net fee income / Operating profit before impairment charges (%)	18.3%	32.2%	30.5%
	Cost to Income ratio (%) (adjusted for Operating lease depreciation)	62.8%	72.1%	72.3%
	Impaired assets (%)	4.7%	5.0%	4.9%
	Earnings Per Share (pence)	0.20	2.07	0.50
	Return on Equity (%)	0.2%	1.6%	0.4%

# Consolidated Income Statement

- Total Operating Income was down by 7.6% as the Bank rebalances its leasing assets by moving from operating leases to finance leases.
- Net Margin has remained stable at £14.6 million and Net Fee Income was £1.7 million.
- Net Fee Income was down by 23.7% to £1.7 million and was 1.7% below the target of being 20% of Operating Profit Before Impairment Charges.
- Net Margin (%) remained stable, increasing to 2.87%.
- Operating Profit before Impairment Charges has consistently grown reflecting the Bank's year on year business growth.



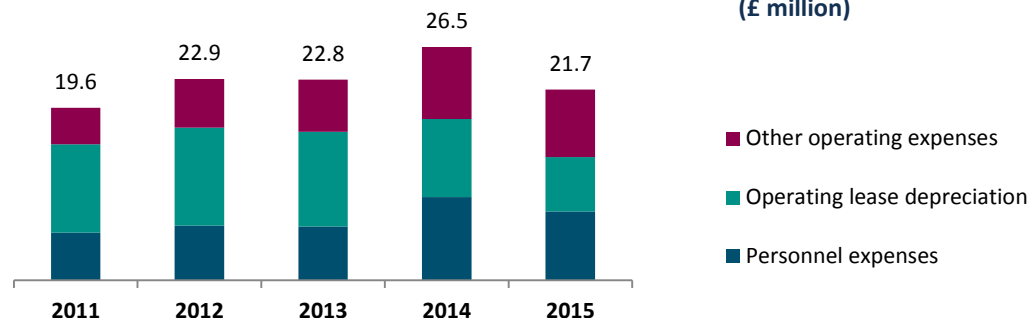
# Operating Expenses and Efficiency

- Total Operating Expenses were down by 18.3% due to BLME's strategic decision to implement various cost savings initiatives at the end of 2014 reflecting the increasingly competitive market environment in the UK.

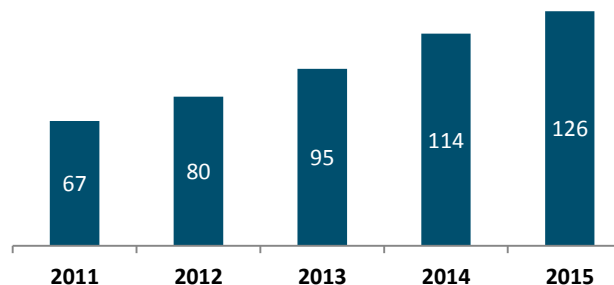
- The number of permanent employees increased by 10.5% year-on-year as BLME continues to invest in building a bank with a sustainable strategy that offers a suite of tailor made products to both our UK and GCC clients.

- The 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<sup>th</sup> June 2015. We expect this trend to continue.

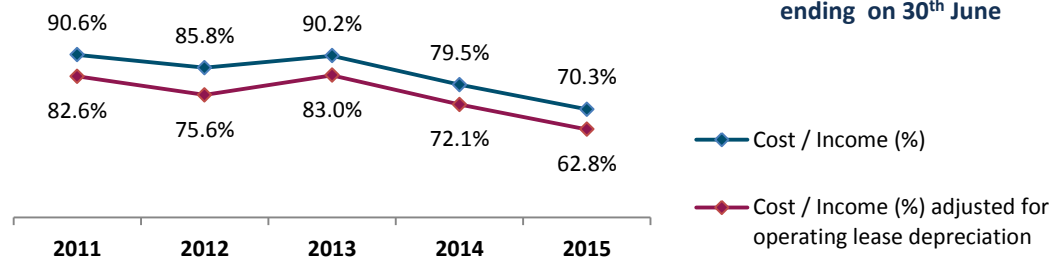
**Total Operating Expenses Components for the 6 month periods ending 30<sup>th</sup> June (£ million)**



**Total Number of permanent employees at the end of 6 month periods ending 30<sup>th</sup> June**

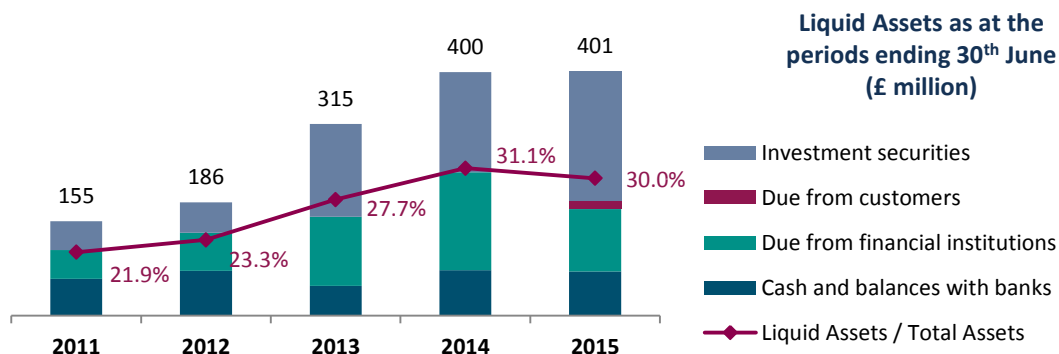
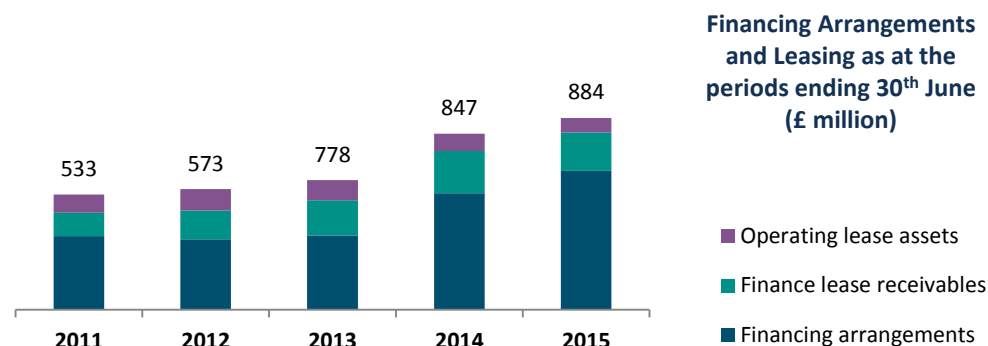
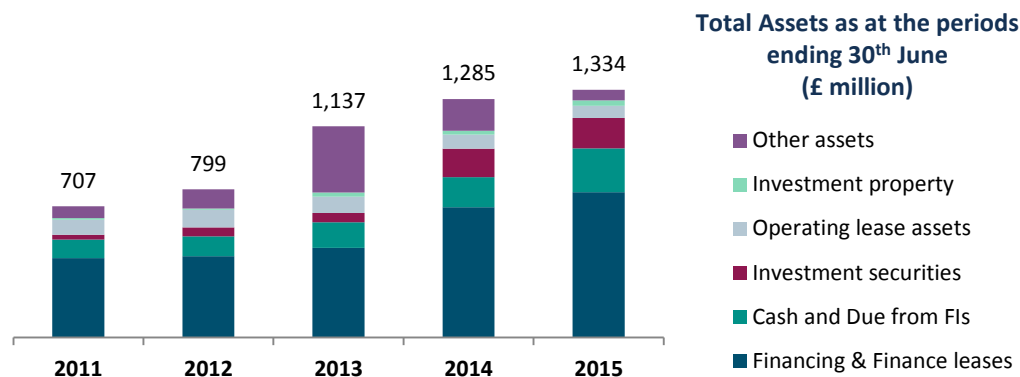


**Cost to Income Ratio for the 6 month periods ending on 30<sup>th</sup> June**



# Consolidated Balance Sheet Assets

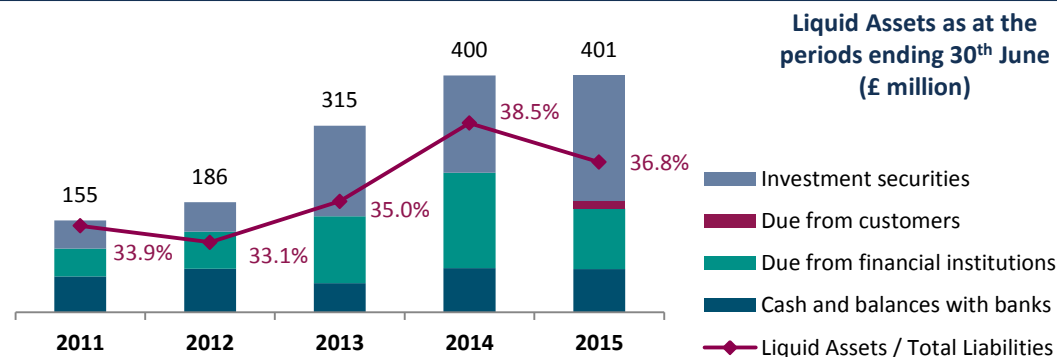
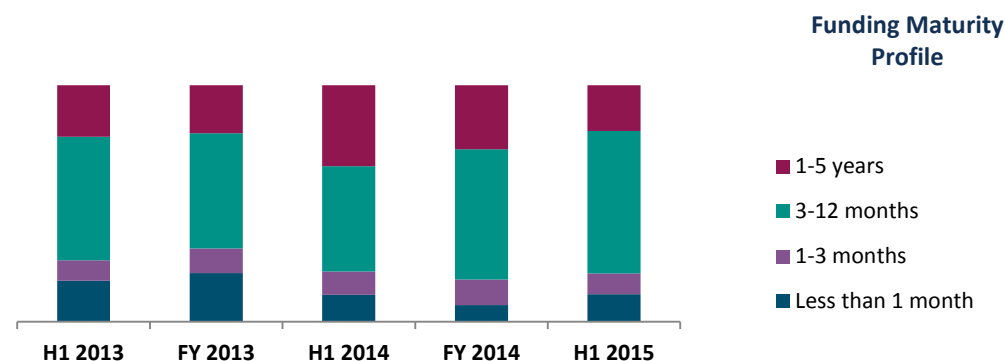
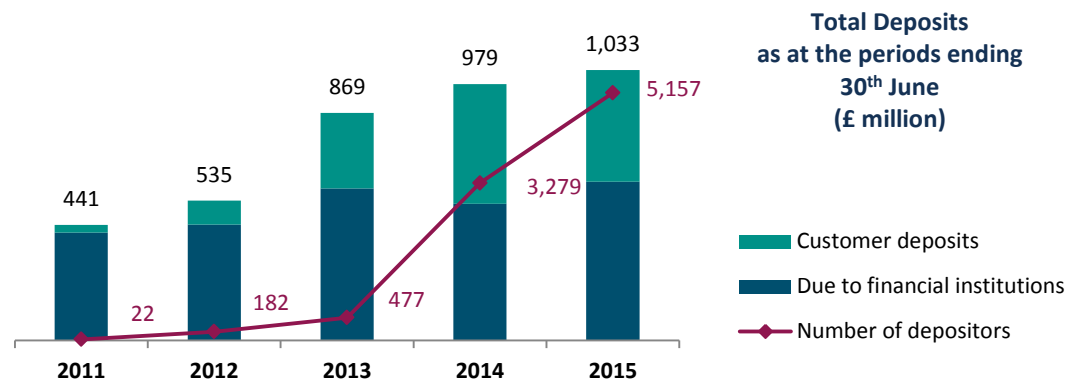
- Balance Sheet growth is being managed carefully with Total Assets of £1.33 billion as at 30<sup>th</sup> June 2015 against £1.28 billion as at 30<sup>th</sup> June 2014.
- Although showing an increase, the asset book is being rebalanced away from low yielding interbank deposits to better earning business as we build our client base.
- The total assets of Financing Arrangements, Finance Leases and Operating Leases increased by 4.4% to £884 million.
- The Bank has managed surplus liquidity more efficiently which has reduced the impact of low interest rates. BLME has also deployed surplus liquidity into more productive assets.
- Liquid Assets remained stable around 30% of Total Assets as the Bank seeks to maintain a healthy pool of liquidity. In the current low interest rate environment this has an impact on income.





# Deposits and Liquidity

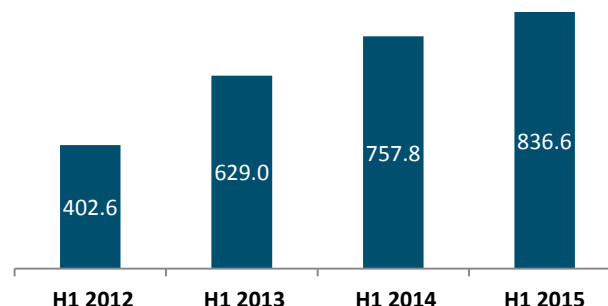
- Total Deposits increased by 5.5% year-on-year to £1.033 billion. The year on year growth of number of depositors was 57.3%.
- The Treasury Division continued to diversify BLME's liability base through new relationships with financial institutions and via our successful retail fixed term deposit product, the Premier Deposit Account ("PDA").
- Over time the Bank has diversified its funding base and has become significantly less reliant on short term funding.
- The Bank continues to maintain prudent liquidity levels, meeting the UK regulatory requirements with ample headroom. BLME is well placed to fund the Bank's financing activities in the second half of 2015.



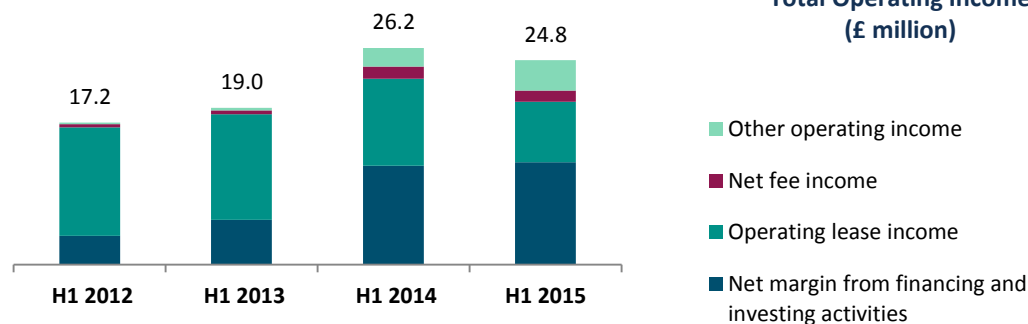
# Segmental Reporting – Corporate Banking Division

- Corporate Banking assets increased by 10.4% as the Division continues to develop its product offering and build relationships with the UK Mid-Market.
- Total Operating Income was down by 5.6% reflecting BLME's ability to remain competitive in the UK market.
- Operating Lease Income was down by 30.5% as the Bank continues to rebalance its leasing assets by moving from operating leases to finance leases.
- Within the Group 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.
- Net Segment Contribution down by 49.6% due to impairment charges for the period reflecting the deterioration in legacy credit exposures and to oil & commodities exposures.
- The underlying business remains sound with customer business exposures higher than the first half of 2014.

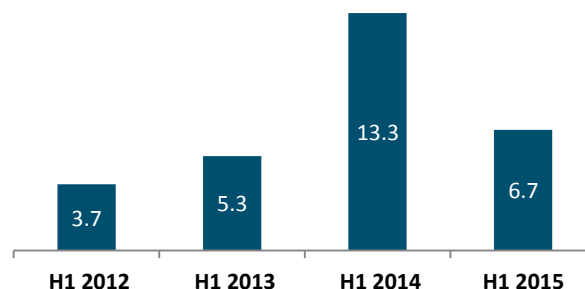
**Corporate Banking  
Reportable Segment Assets  
(£ million)**



**Corporate Banking  
Total Operating Income  
(£ million)**



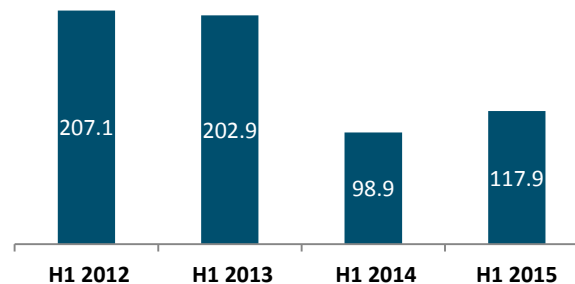
**Corporate Banking  
Net Segment Contribution  
(£ million)**



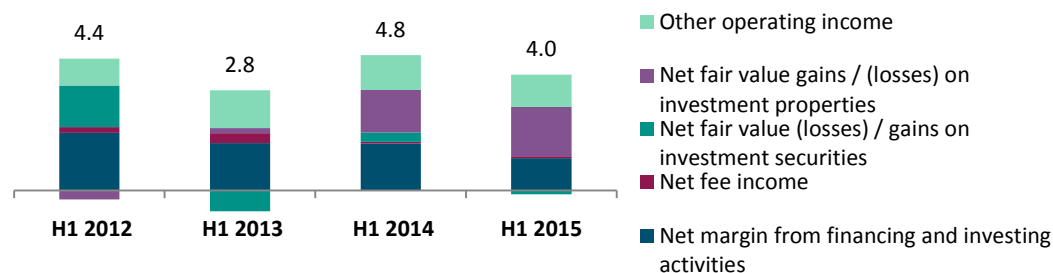
# Segmental Reporting – Wealth Management Division

- BLME restructured its business divisions by moving Islamic Capital Markets from the Wealth Management Division to the Corporate Banking Division.
- The restructuring caused a reduction in the Wealth Management Division's Balance Sheet, Total Operating Income and Net Segment Contribution.
- The funds managed by the Asset Management team have performed well and funds under management have grown.
- There is a greater emphasis on 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.

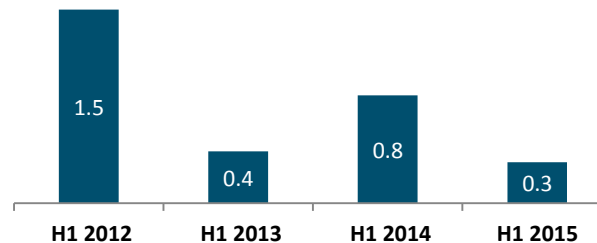
**Wealth Management  
Reportable Segment Assets  
(£ million)**



**Wealth Management  
Total Operating Income  
(£ million)**



**Wealth Management  
Net Segment Contribution  
(£ million)**



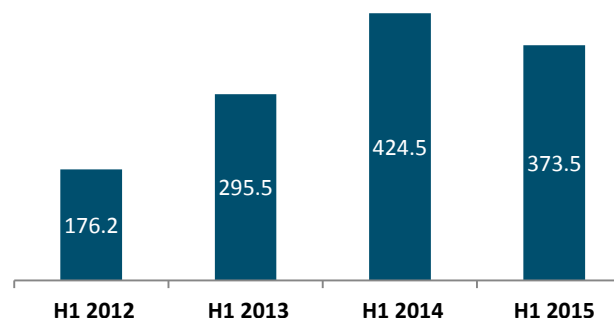
# Segmental Reporting – Treasury Division

- In a challenging market environment, the Treasury Division continued to maintain a conservative risk profile.

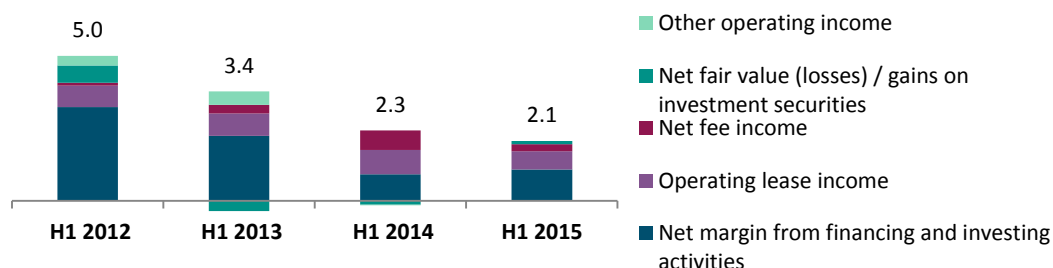
- The decline in Treasury's Total Operating Income and Net Segment Contribution was contained in the first half of 2015 as the Bank continued the rebalancing of the asset book away from low yielding interbank deposits to better earning client business.

- The 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.

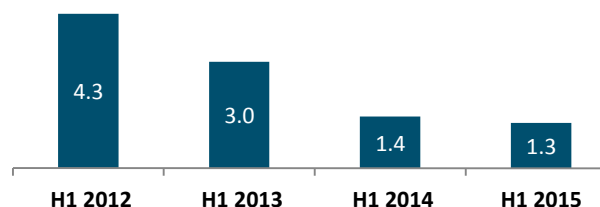
**Treasury  
Reportable Segment Assets  
(£ million)**



**Treasury  
Total Operating Income  
(£ million)**



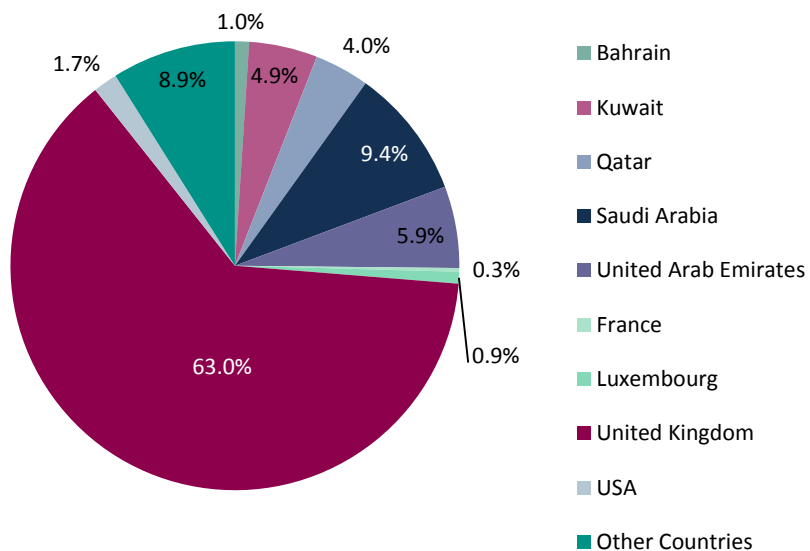
**Treasury  
Net Segment Contribution  
(£ million)**



## Diversification

The Group had no direct exposure to either the governments of, institutions or corporates, in Greece, Russia, Ukraine, Syria or Iraq. Of the Group's total credit exposure, the UK represented 63.04% and the GCC region represented 25.16%.

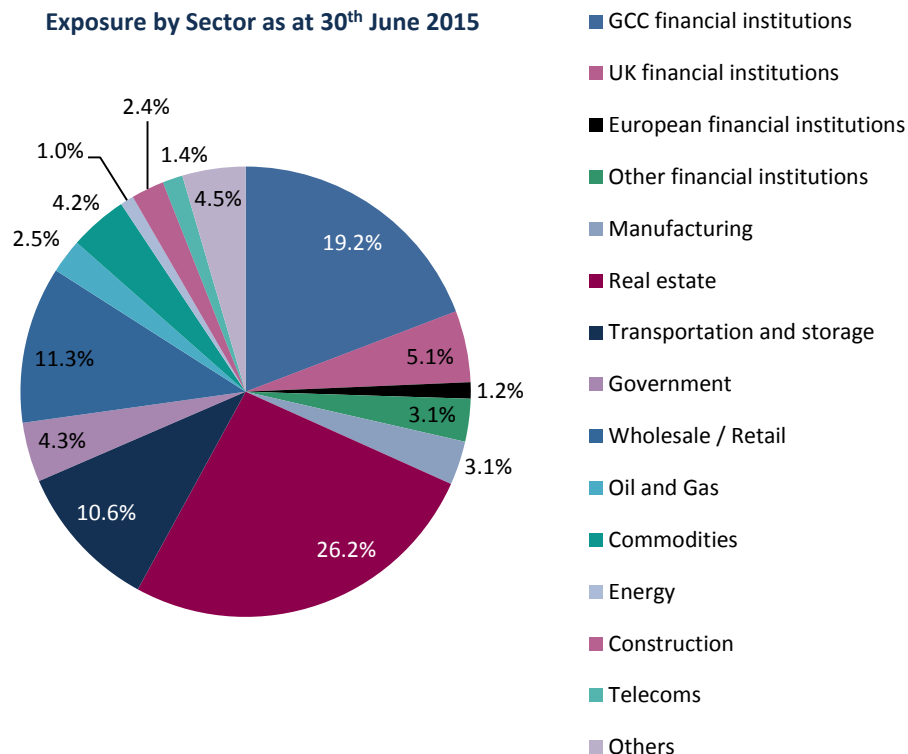
**Exposure by Country as at 30<sup>th</sup> June 2015**



## Sector Diversification

The Group's assets are well diversified across the following economic sectors.

**Exposure by Sector as at 30<sup>th</sup> June 2015**

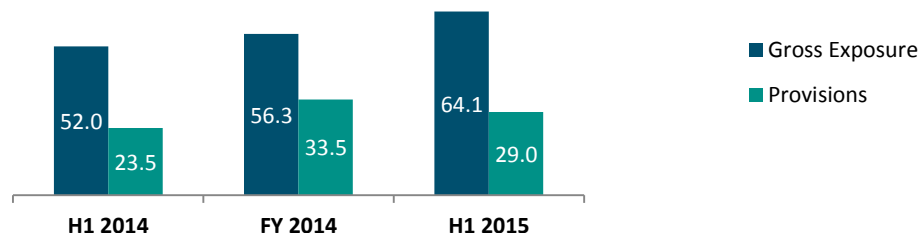


- Gross Exposure on impaired assets was up year-on-year by £12.1 million due to exposures in the Real Estate, Transportation & Storage, and oil & commodities sectors.

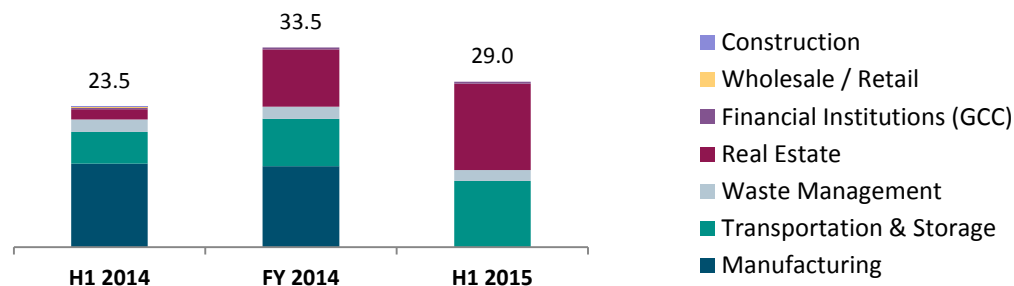
- The Real Estate and Transportation & Storage sectors represented 49.9% and 38.2%, respectively, of the Total Impairment Provisions.

- Impaired Assets as a percentage of Total Financing and Operating Lease Assets was down to 4.7% and the Provision Coverage ratio increased to 51.1%.

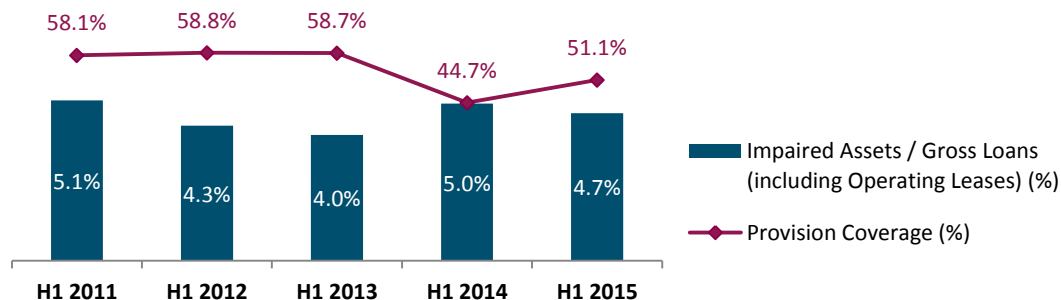
**Gross Exposure and Provisions (£ million)**



**Impairment Provisions by Sector (£ million)**



**NPL and Coverage Ratio**



## Shareholders' Returns



- Long term target for Pre-tax Return on Equity of 8%.
- BLME will aim to pay its first dividend when the financial position of BLME Group justifies the payment of a dividend.

## Balance Sheet and Operating Income Growth



- Generate organic growth from existing financing businesses, with a medium to long term target of £2 billion for Total Assets.
- Develop the Bank's fee generative businesses, such as Asset Management and to maintain Net Fee Income above 20% of Operating Profit Before Impairments.
- Medium to long term strategy to grow Profit before Tax to over £20 million.

## Efficiency



- As the business grows, BLME will continue the gradual downward trend in the Cost to Income ratio targeting 60% when adjusting for Operating Lease Depreciation.

## Capital Adequacy



- While targeting an organic growth strategy BLME will continue to employ capital prudently and maintain robust capital adequacy and liquidity ratios.

## Treating Customers Fairly



- BLME is a customer focussed business with product sustainability at its core and an established culture for Treating Customers Fairly (TCF) based on our principles of respect, integrity and transparency.
- This TCF culture is further enhanced through BLME being a fully compliant Sharia'a bank, where openness and shared risk principles are enshrined.

# Appendix – BLME Holdings plc Interim Financial Results





# Condensed Consolidated Income Statement

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
<b>Income</b>			
Income from financing and investing activities	27,152	26,242	53,157
Returns to financial institutions and customers	(12,519)	(11,665)	(24,424)
<b>Net margin</b>	<b>14,633</b>	<b>14,577</b>	<b>28,733</b>
Fee and commission income	1,862	2,332	4,109
Fee and commission expense	(183)	(131)	(266)
<b>Net fee income</b>	<b>1,679</b>	<b>2,201</b>	<b>3,843</b>
Net fair value gains / (losses) on investment securities	(33)	194	(529)
Net fair value gains on investment properties	1,753	1,530	2,667
Operating lease income	7,952	11,371	21,027
Other operating income	4,838	3,483	5,959
<b>Total operating income</b>	<b>30,822</b>	<b>33,356</b>	<b>61,700</b>
<b>Expenses</b>			
Personnel expenses	(7,825)	(9,452)	(16,644)
Operating lease depreciation	(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)
<b>Total operating expenses</b>	<b>(21,666)</b>	<b>(26,514)</b>	<b>(49,110)</b>
<b>Operating profit before impairment charges</b>	<b>9,156</b>	<b>6,842</b>	<b>12,590</b>
Net impairment charge on financial assets	(9,474)	(1,719)	(11,602)
<b>Net operating loss before tax</b>	<b>(318)</b>	<b>5,123</b>	<b>988</b>
Tax expense	698	(1,129)	(15)
<b>Profit for the period</b>	<b>380</b>	<b>3,994</b>	<b>973</b>

# 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
<b>Income</b>			
<b>Profit for the period</b>	<b>380</b>	<b>3,994</b>	<b>973</b>
<b>Other comprehensive income / (expense)</b>			
<b>Items that may be reclassified subsequently to profit or loss if specific conditions are met:</b>			
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)
<b>Other comprehensive (expense) / income for the period net of income tax</b>	<b>(33)</b>	<b>649</b>	<b>1,172</b>
<b>Total comprehensive income for the period attributable to equity holders of the Parent company</b>	<b>347</b>	<b>4,643</b>	<b>2,145</b>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015 (unaudited)	30 June 2015	30 June 2014	31 December 2014
Assets	(£000)	(£000)	(£000)
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	212,444	164,403	188,134
Financing arrangements	695,140	613,564	707,269
Finance lease receivables	142,241	169,241	160,540
Operating lease assets	46,630	64,339	52,228
Investment properties	31,820	29,919	28,580
Property and equipment	412	603	357
Intangible assets	3,651	1,267	1,633
Goodwill	3,420	-	-
Other assets	7,372	5,087	6,025
Current tax assets	732	-	500
Deferred tax assets	2,213	609	1,595
<b>Total assets</b>	<b>1,334,475</b>	<b>1,284,729</b>	<b>45,993</b>
<b>Liabilities</b>			
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	17,131	39,852	16,047
<b>Total liabilities</b>	<b>1,090,293</b>	<b>1,038,584</b>	<b>1,141,746</b>
<b>Equity</b>			
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
<b>Total equity attributable to equity holders of the Parent company</b>	<b>244,182</b>	<b>246,145</b>	<b>243,766</b>
<b>Total liabilities and equity</b>	<b>1,334,475</b>	<b>1,284,729</b>	<b>1,385,512</b>

# Segment Information – H1 2015

For the six months ended 30 June 2015

	Treasury Division	Corporate Banking	Wealth Management	Unallocated items	Total
	£000	£000	£000	£000	£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
<b>Total operating income</b>	<b>2,068</b>	<b>24,760</b>	<b>3,993</b>	<b>1</b>	<b>30,822</b>
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)
<b>Net segment contribution</b>	<b>1,257</b>	<b>6,737</b>	<b>316</b>	<b>1</b>	<b>8,311</b>
Common costs not directly attributable to segments					(8,629)
<b>Net operating loss before tax</b>					<b>(318)</b>
<b>Reportable segment assets</b>	<b>373,504</b>	<b>836,615</b>	<b>117,865</b>	<b>6,491</b>	<b>1,334,475</b>

# Segment Information – H1 2014

For the six months ended 30 June 2014

	Treasury Division	Corporate Banking	Wealth Management	Unallocated items	Total
	£000	£000	£000	£000	£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	(23)	2,260	1,246	-	3,483
<b>Total operating income</b>	<b>2,278</b>	<b>26,234</b>	<b>4,842</b>	<b>2</b>	<b>33,356</b>
Directly attributable segment expenses	(844)	(2,783)	(2,693)	-	(6,320)
Operating lease depreciation	-	(8,871)	-	-	(8,871)
Change in third party interest in consolidated funds	-	(1,304)	(415)	-	(1,719)
Net impairment charge on financial assets	-	-	(904)	-	(904)
<b>Net segment contribution</b>	<b>1,434</b>	<b>13,276</b>	<b>830</b>	<b>2</b>	<b>15,542</b>
Common costs not directly attributable to segments					(10,419)
<b>Net operating profit before tax</b>					<b>5,123</b>
<b>Reportable segment assets</b>	<b>424,502</b>	<b>757,818</b>	<b>98,939</b>	<b>3,470</b>	<b>1,284,729</b>

# Segment Information – FY 2014

For the year ended 31 December 2014

	Treasury Division	Corporate Banking	Wealth Management	Unallocated items	Total
	£000	£000	£000	£000	£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) / gains 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
<b>Total operating income</b>	<b>4,138</b>	<b>50,311</b>	<b>7,239</b>	<b>12</b>	<b>61,700</b>
Directly attributable segment expenses	(933)	(5,468)	(4,713)	-	(11,114)
Operating lease depreciation	-	(16,286)	-	-	(16,286)
Change in third party interest in consolidated funds	-	(10,722)	(880)	-	(11,602)
Net impairment charge on financial assets	-	-	(1,199)	-	(1,199)
<b>Net segment contribution</b>	<b>3,205</b>	<b>17,835</b>	<b>447</b>	<b>12</b>	<b>21,499</b>
Common costs not directly attributable to segments					(20,511)
<b>Net operating profit before tax</b>					<b>988</b>
<b>Reportable segment assets</b>	<b>421,173</b>	<b>855,957</b>	<b>103,024</b>	<b>5,358</b>	<b>1,385,512</b>

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