

BLME Holdings plc

2015 Results

1st March 2016



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- In 2015 the Bank reduced its risk appetite and rebalanced its business model, focusing on the business areas that had scale and that sit best with in the new Risk Appetite Framework.
- The Bank addressed its legacy positions and those transactions that have been impacted due to the decline in the oil and gas prices through conservative provisioning. A total impairment charge of £20.7 million was taken which also includes a Collective Provision resulting in a post-tax loss of £6.9 million.
- There was a small drop in Total Operating Income to £63.3 million from £65.0 million in 2014. Operating Expenses reduced following a review of our cost base in Q4 with a decrease in line with Total Operating Income.
- As a result the Bank's Operating Profit before Impairment Charges has remained stable at £12.3 million which demonstrates the underlying strength of the core business.
- The key elements of our Corporate Banking business – Real Estate Finance, Leasing and Trade Finance – all held up well in an increasingly competitive environment and we have a solid business pipeline as we enter 2016.
- Although the net result is clearly disappointing we view 2015 as one of significant transition:
 - realigned core objectives with a newly focused strategy and a forward looking risk appetite.
 - re-balanced our business model concentrating on our core strengths, exiting business lines where we had no scale.
 - restructured Corporate Banking to leverage areas of specialism in Real Estate, Leasing and Trade Finance with closer alignment to our strategic Wealth Management ambitions.
 - Ceased to target growth in total assets which has enable us to reduce excess liquidity and improve net margin income.

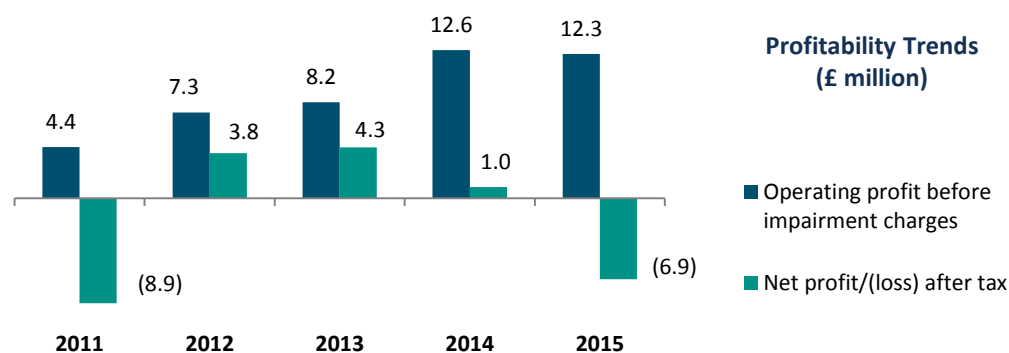
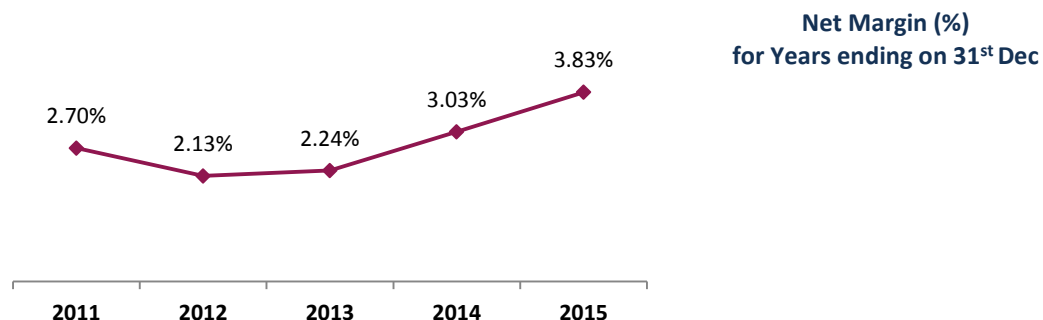
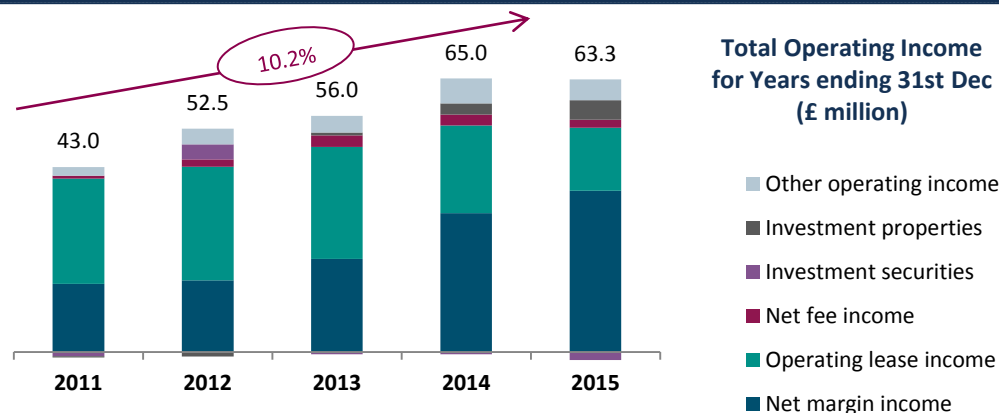
Financial Results Highlights – 2015

- Absolute growth in balance sheet size is no longer a key strategic aim; the Balance Sheet remained at the £1.3 billion mark (2014: £1.382 billion).
- Deposit levels leave the Bank well positioned to support asset growth in the financing businesses and to meet regulatory liquidity ratios but without the cost of carrying surplus liquidity.
- Net Margin Income was up by 16.1%. Net Margin Income includes exit fees from the early repayments of certain facilities.
- Our net lending margin increased to 3.83% which is an achievement given the increased competition.
- There was a slight fall in Total Operating Income to £63.3 million from £65.0 million in 2014. Expenses fell following a review of our cost base in Q3 with a decrease in line with Total Operating Income.
- BLME has maintained Net Operating Profit Before Impairment Charges of £12.3 million compared to £12.6 million in 2014.
- Operating Loss Before Tax was £8.4 million due to the impact of £20.7 million of impairment charges.
- Loss for the year was £6.9 million after tax

Balance Sheet	2015 £ million	2014 £ million	(+/-) %
Total assets	1,300	1,382	(5.9)%
Financing arrangements and finance leases	896	864	3.7%
Total deposits	1,003	1,098	(8.7)%
Income Statement	2015 £ million	2014 £ million	(+/-) %
Net margin income	38.6	33.2	16.1%
Total consolidated operating income	63.3	65.0	(2.7)%
Total operating expenses	(51.1)	(52.4)	(2.5)%
Operating profit before impairments	12.3	12.6	(2.6)%
Net impairment charge on financial assets	(20.7)	(11.6)	78.1%
Operating (loss)/profit before tax	(8.4)	1.0	N/A
(Loss) / Profit for the year	(6.9)	1.0	N/A
Key Performance Indicators	2015	2014	2013
Net margin (%)	3.83%	3.03%	2.24%
Net fee income / Operating profit before impairment charges (%)	15.5%	20.7%	33.5%
Cost to Income ratio (%) (adjusted for Operating lease depreciation)	76.1%	74.1%	76.5%
Impaired assets (%)	8.3%	6.1%	4.0%
Earnings Per Share (pence)	(3.55)	0.50	2.23
Pre-tax Return on Equity (%)	(3.5)%	0.4%	2.5%

Consolidated Income Statement

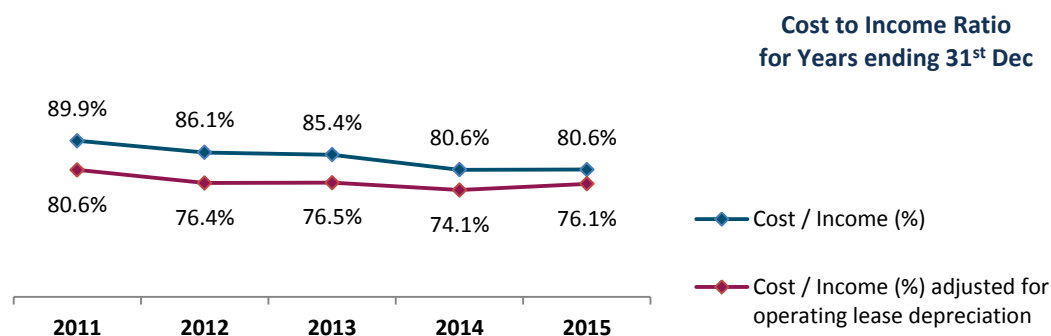
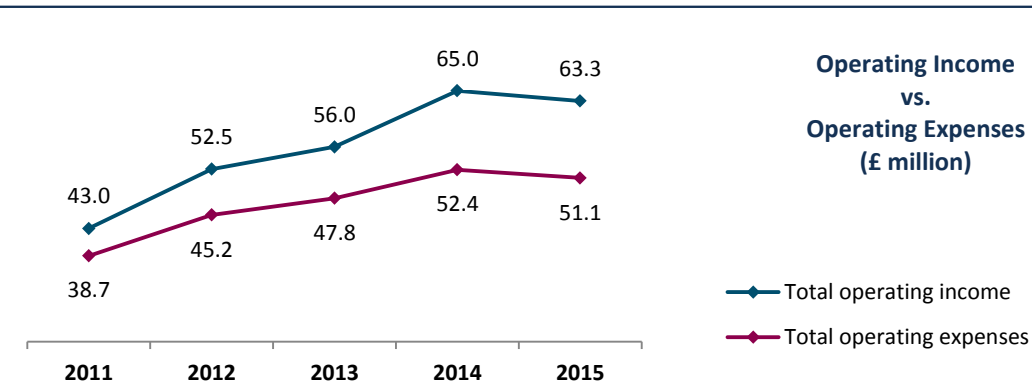
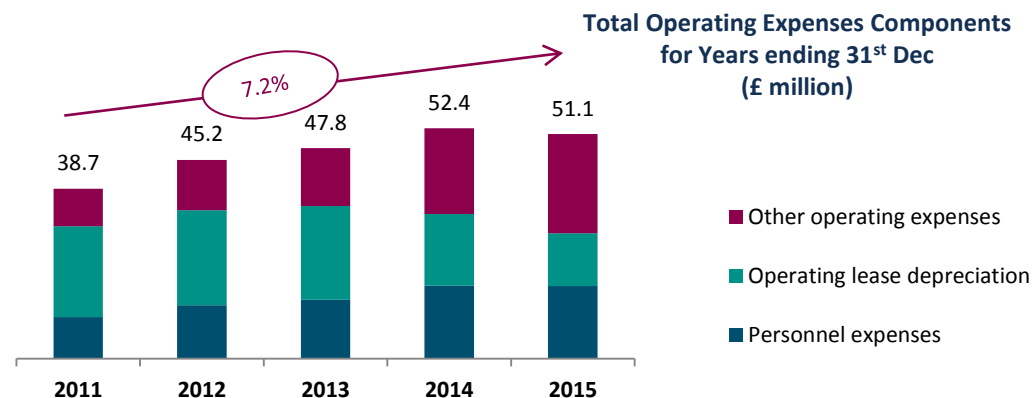
- Operating Profit Before Impairment Charges was stable at £12.3 million (2014: £12.6 million) which demonstrates the underlying strength of the core business.
- Net Margin Income increased to £38.6 million, a 16.1% increase over 2014. Net Margin (%) increased by 80 bps to 3.83%.
- Total Consolidated Operating Income dropped slightly to £63.3 million.
- Net Fee Income was down by 27.1% year-on-year to £1.9 million Net Fee Income was 15.5% of Operating Profit Before Impairment Charges.
- Operating Lease income was down by 28% to £15.1 million as the US leasing book is run down.
- There was a gain of £4.7 million on fair value of investment property.
- The Net Impairment Charge on Financial Assets of £20.7 million has resulted in a Net Loss after Tax of £6.9 million.



Operating Expenses and Efficiency

- Total Operating Expenses fell to £51.1 million (2.5%) following a review of the cost base in Q3. These expenses included redundancy payments.
- Personnel Expenses were down by 0.8% to £16.5 million.
- Operating lease Depreciation decreased by 26.2% to £ 12.0 million reflecting the run off of the US lease portfolio.

- The Bank's Cost to Income Ratio (after adjusting for Operating Lease Depreciation) was up to 76.1% from 74.1% in 2014 reflecting one off charges during the year such as redundancies and lease termination costs following our Head Office move.

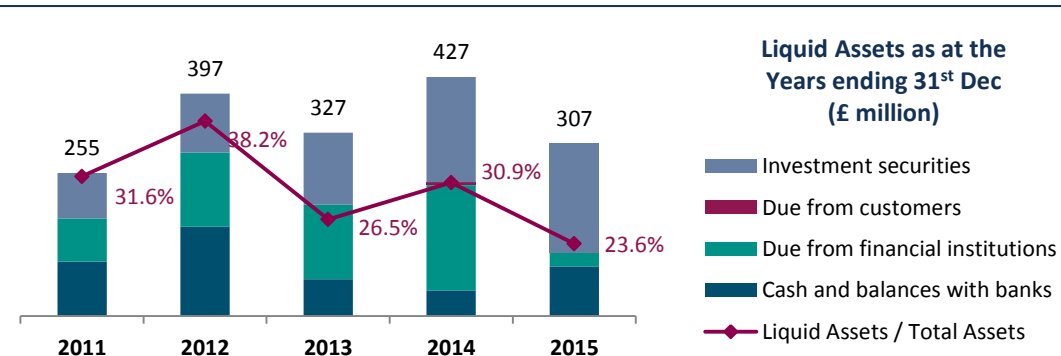
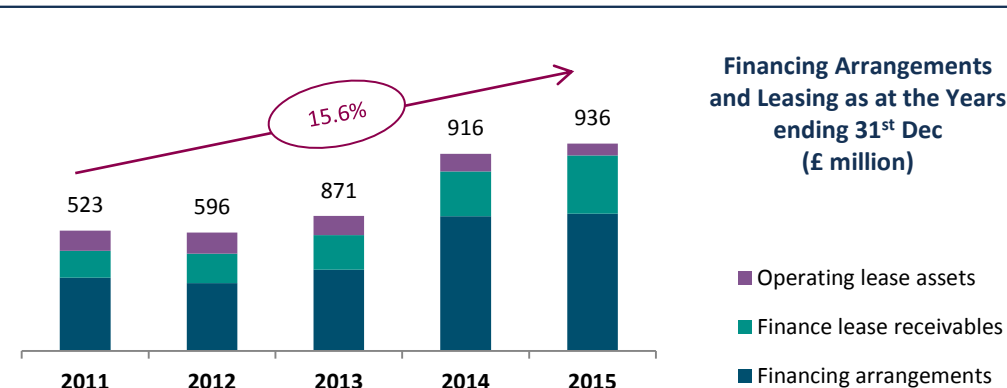
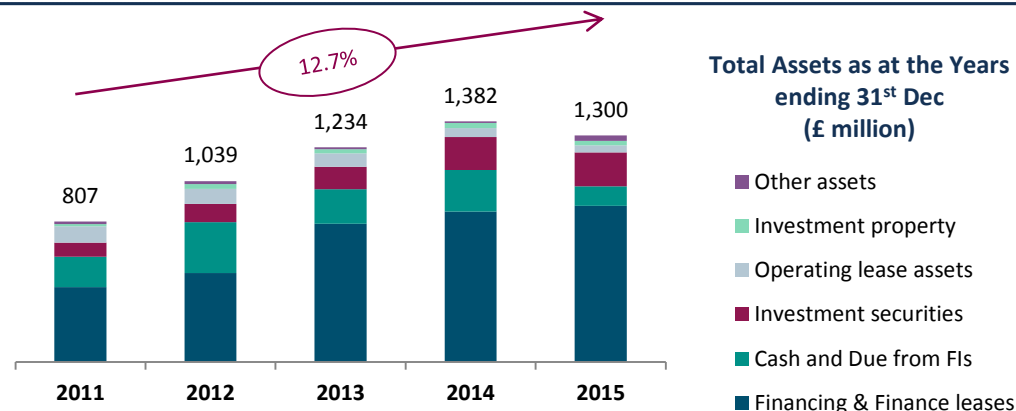


Consolidated Balance Sheet Assets

- As part of the Bank's strategy the Balance Sheet remained at the £1.3 billion mark (2014: £1.382 billion).

- The total of Financing Arrangements, Finance Leases and Operating Leases increased by 2.2% to £936 million, reflecting the mature nature of the Leasing and Property Finance businesses.

- Excess liquidity has been reduced; the ratio of Liquid Assets to Total Assets was 23.6%, leaving the Bank well positioned to support growth in the financing businesses and to meet regulatory liquidity ratios.



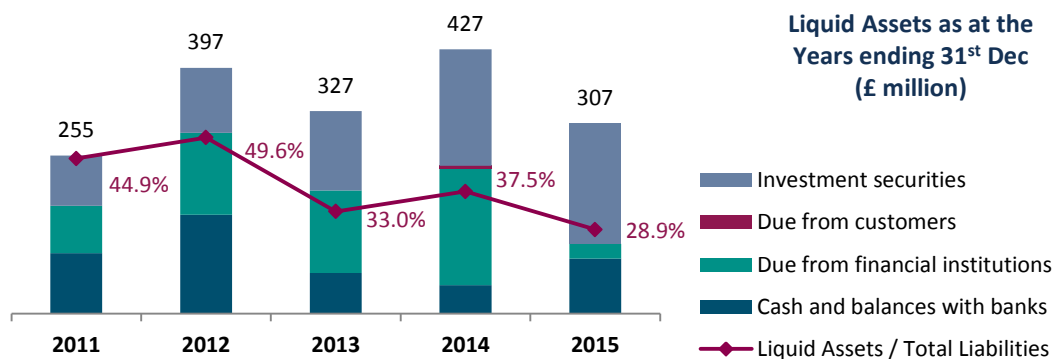
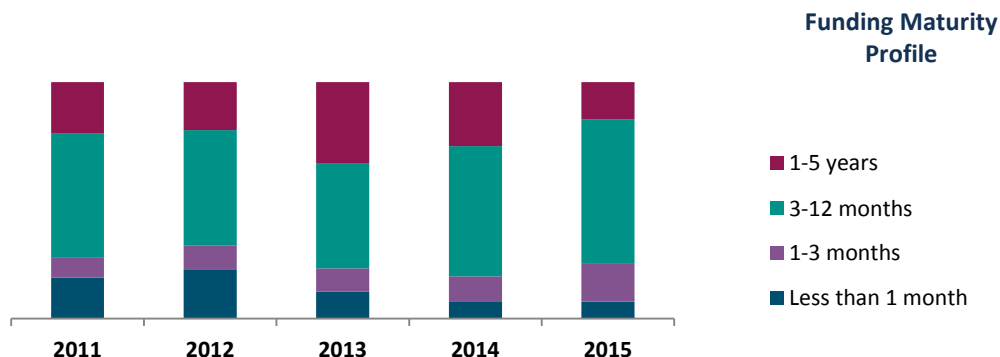
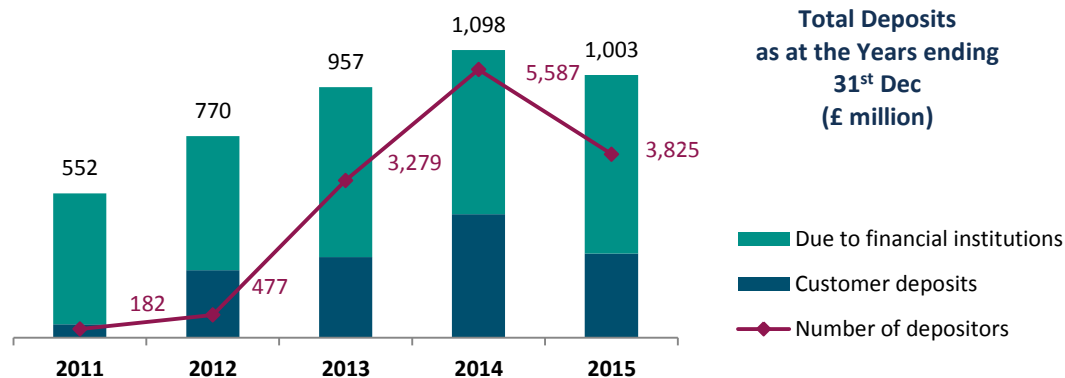
Deposits and Liquidity

- In line with more efficient liquidity positioning Total Deposits decreased by 8.7% year-on-year to £1,003 million. Customer Deposits decreased by 31.8% whilst amount Due to Financial Institutions increased by 8.7%.

- The number of depositors decreased to 3,825. The average deposit amount was up from £0.20 million in 2014 to £0.26 million in 2015.

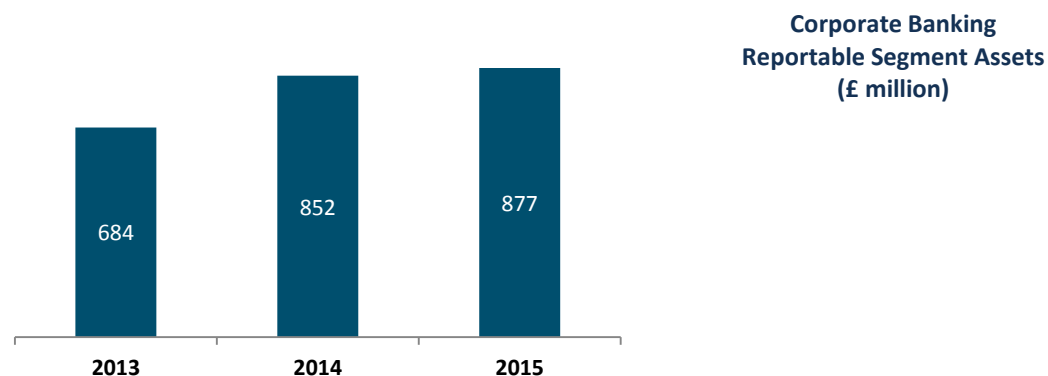
- Over time the Bank has been able to access a wider range of term funding through the PDA scheme reducing reliance on short term financing and better matching of the maturity profile.

- The ratio of Liquid Assets to Total Liabilities was down to 28.9%, reflecting the reduction in excess liquidity, whilst maintaining prudent liquid asset buffers for regulatory purposes.

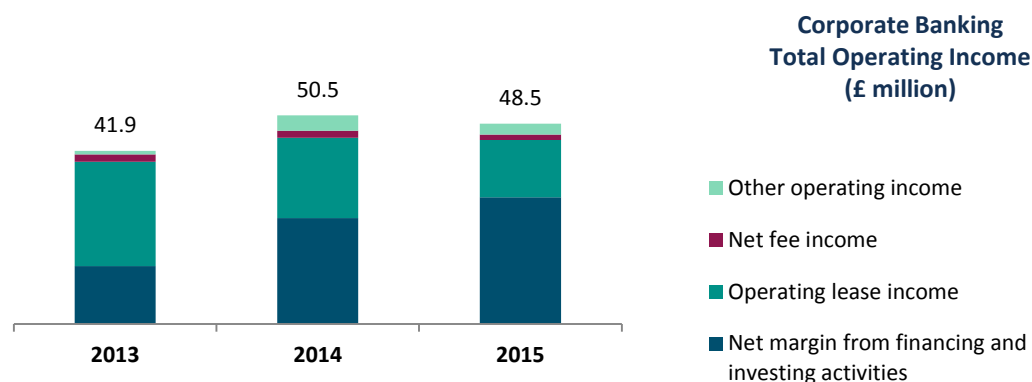


Segmental Reporting – Corporate Banking

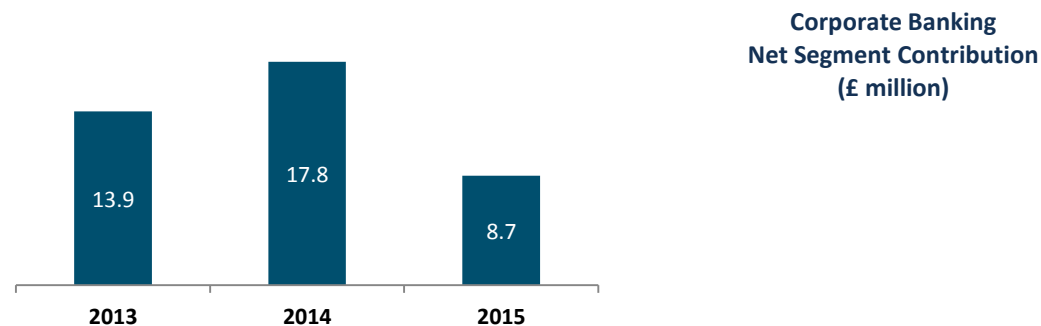
- Corporate Banking's Assets grew by 2.9% to £877 million even after repayments, reflecting the continued demand for Leasing and Property Finance.



- Corporate Banking Total Operating Income was slightly down to £48.5 million reflecting pressure on margins.



- Corporate Banking Segment Contribution was down by 51% to £8.7 million reflecting the prudent provisions taken on legacy facilities and the impact of the decline in oil and gas prices on some assets.



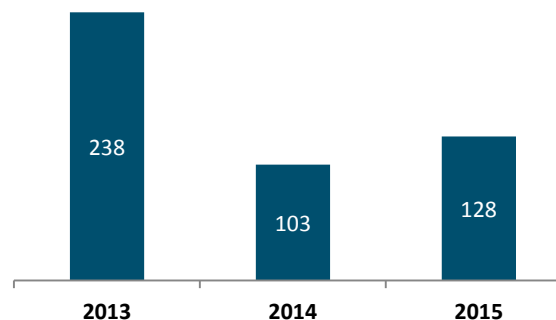
Segmental Reporting– Wealth Management

- Wealth Management assets grew by 24.2% to £128 million.

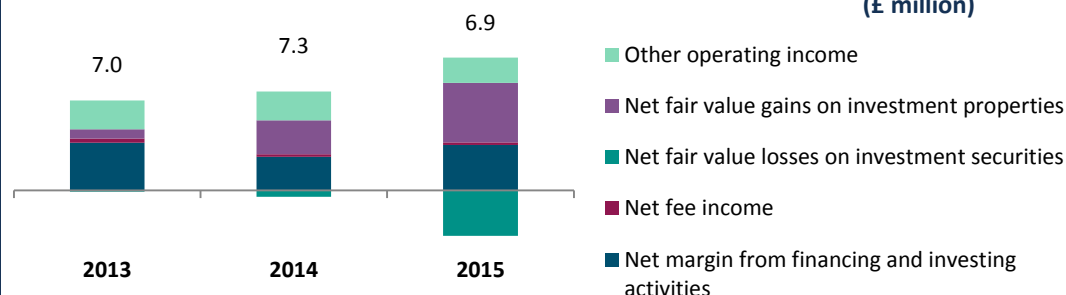
- Wealth Management Total Operating Income pre losses on Investment Securities was up 34% to £10.5m but after losses on Investment Securities was down 5.4% to £6.9m

- Wealth Management Segment Contribution was a loss of to £0.6 million due to the impact of the segment's Net Impairments of Financial Assets of £1.3 million reflecting legacy exposures where prudent provisions have been booked.

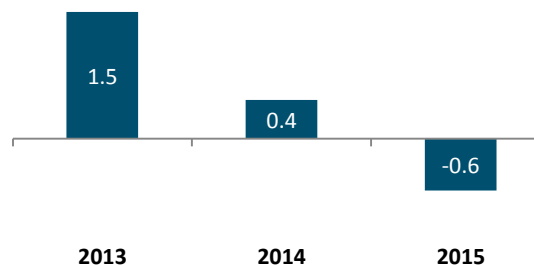
**Wealth Management
Reportable Segment Assets
(£ million)**



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



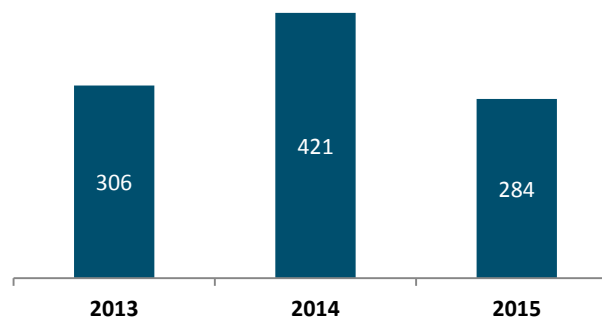
**Wealth Management
Net Segment Contribution
(£ million)**



Segmental Reporting – Treasury

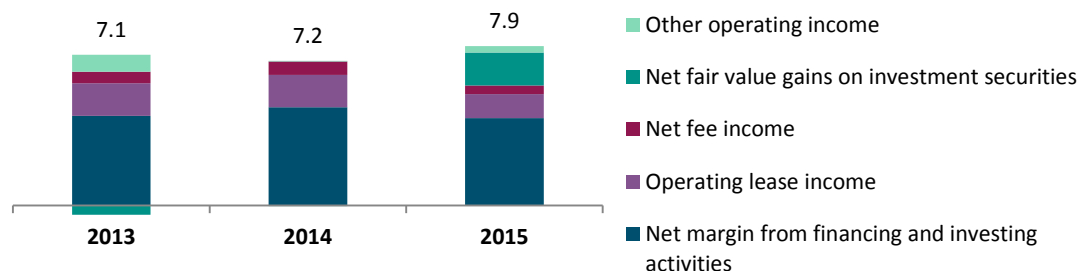
- Treasury assets decreased by 32.5% to £284 million as we have cautiously reduced excess liquidity which was above the levels required to meet UK regulatory requirements.

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



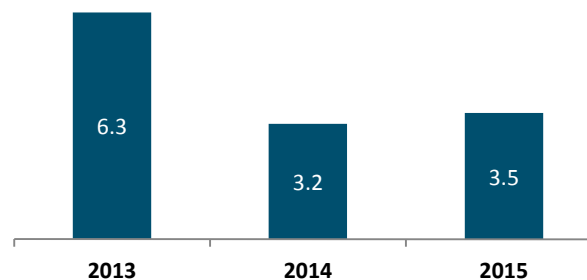
- Treasury Total Operating Income was up by 10.6% to £7.9 million primarily due to an increase in Net Fair Value Gains on Investment Securities as market interest rates fell, driving prices higher.

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



- Treasury Segment Contribution was up by 9.2% to £3.5 million.

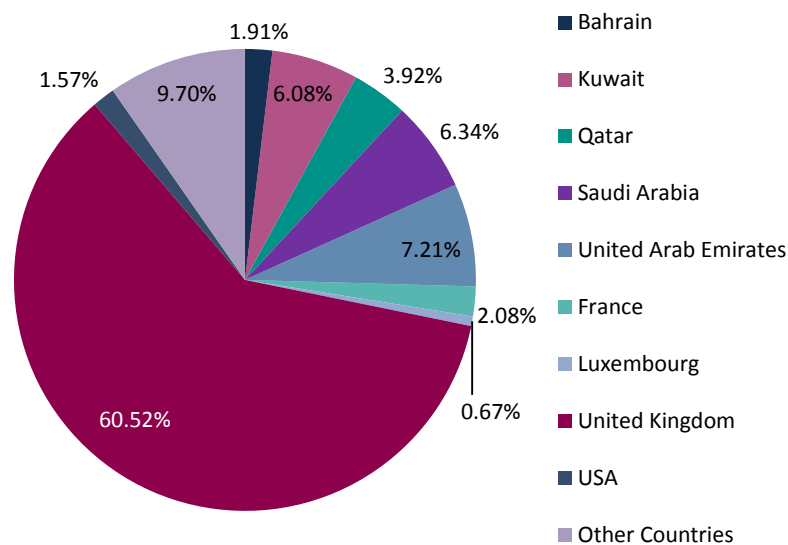
**Treasury
Net Segment Contribution
(£ million)**



Geographic Diversification

The Banks exposures are spread over the following counties.

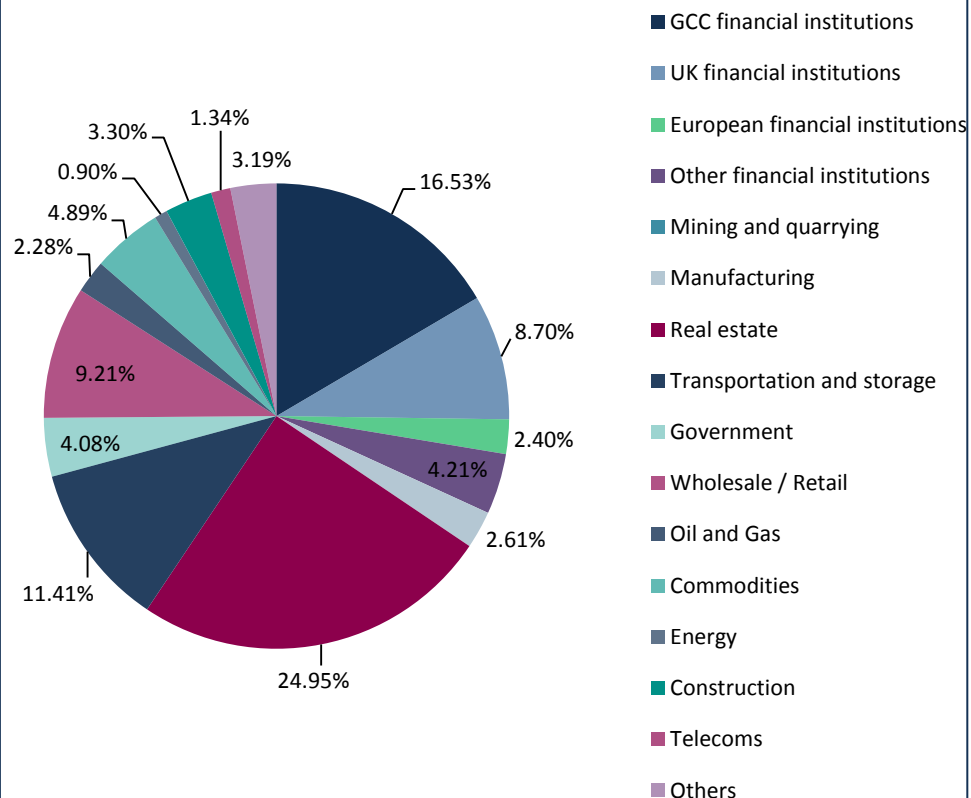
**Exposure by Country of Incorporation
as at 31 December 2015**



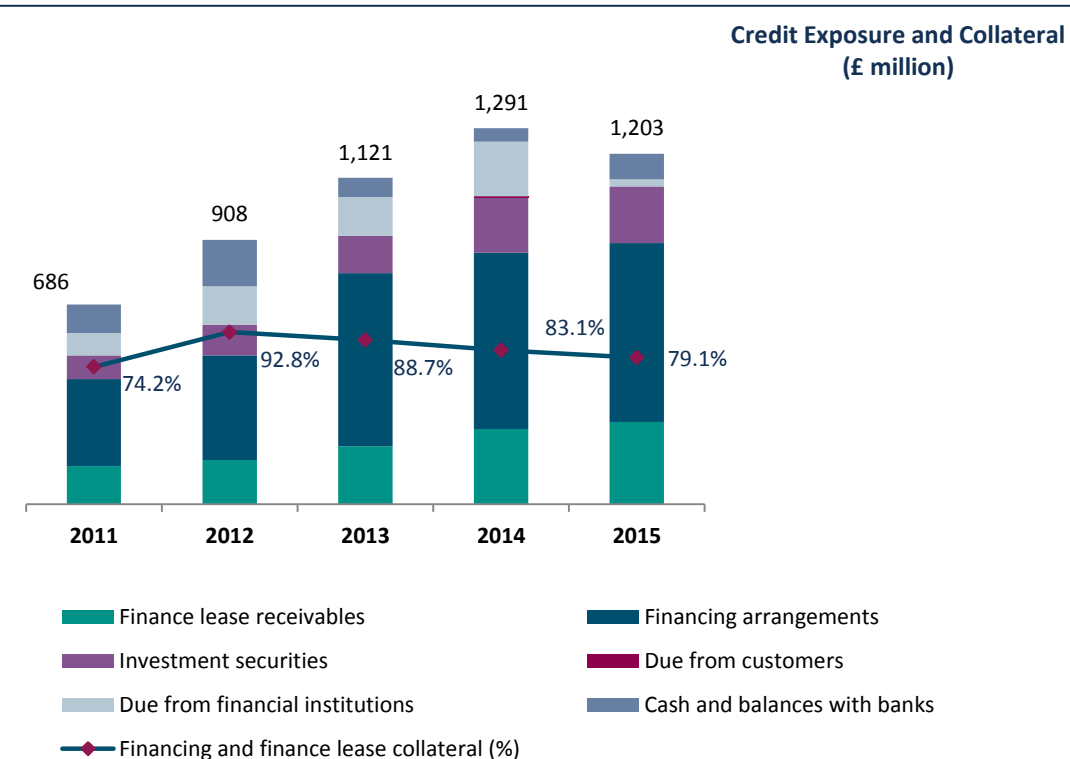
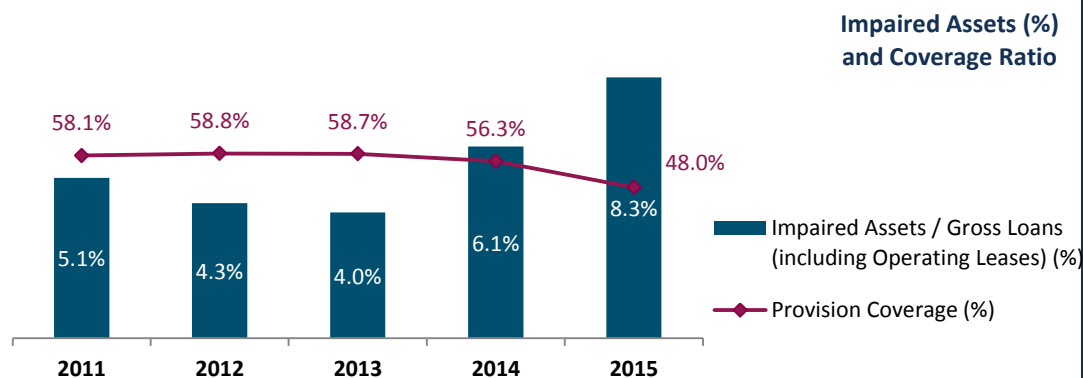
Sector Diversification

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

Exposure by Sector as at 31 December 2015



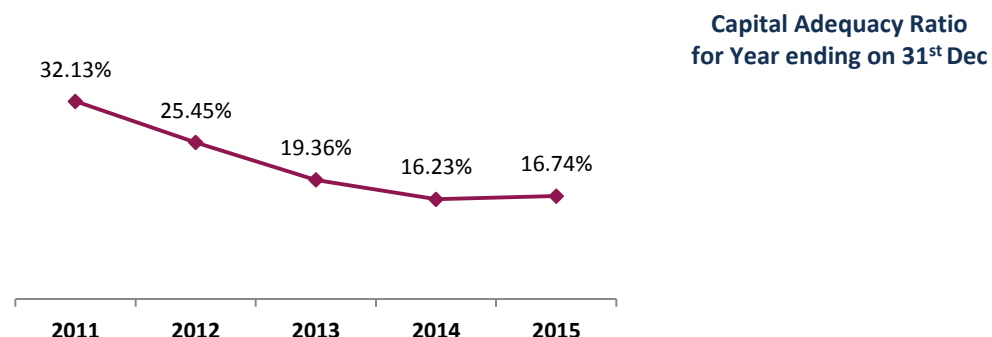
- Impaired Assets as a percentage of Total Financing and Operating Lease Assets was up from 6.12% to 8.3% and the Provision Coverage ratio was down from 56.3% to 48.0% taking into account underlying collateral.
- Gross Impaired Exposures increased from £56.3 million to £80.9 million as we took a more conservative approach.
- Impairment Provisions increased from £33.5 million to £39.1 million, mainly due to an increase in provisions stemming from legacy facilities and recent asset financing which has been adversely affected by the plunge in the oil and gas prices and also a £3.3 million Collective Provision.
- The total impairment charge for the year was £20.7 million.
- BLME is an asset-based bank which is reflected in the collateral which represents 79.1% of the total of Financing Arrangements and Finance Lease exposure.



Capital Adequacy

- BLME undertakes an annual Internal Capital Adequacy Assessment Process (“ICAAP”) which identifies risks faced by BLME which do not explicitly attract a capital requirement under the Pillar 1 rules.
- The PRA reviews BLME’s ICAAP assessment of its Pillar 2 capital requirement as part of the Individual Capital Guidance (“ICG”) process.
- Risk Weighted Assets (RWA) increased by 4.7% reaching 93.8% of Total Assets.
- The Capital Adequacy Ratio was up by 0.5% to 16.74% remaining comfortably in excess of regulatory requirements.

Pillar 1 Capital Requirements (£ million)	2011	2012	2013	2014	2015
Credit risk	46.0	60.1	79.3	93.3	97.6
Market risk – foreign exchange PRR	0.2	0.0	0.1	0.2	0.3
Counterparty risk capital component	0.6	0.2	0.2	0.3	0.1
Operational risk	4.9	6.7	7.3	5.4	6.4
Total Pillar 1 capital requirement	51.8	67.0	87.0	99.2	104.4
Total regulatory capital in place (after deducting material holdings)	184.6	190.2	191.8	189.2	204.3
Excess of capital in place over minimum requirement under Pillar 1	132.8	124.2	104.9	90.0	99.9
Risk Weighted Assets (RWA)	574.6	751.3	990.8	1,165.9	1,220.2
RWA / Total Assets (%)	71.2%	72.3%	80.3%	84.4%	93.8%



- The past year has demonstrated that BLME has accepted the challenge of change and that we are able to adapt our strategy to the market influences and target customer requirements.
- These are part of a natural evolution of the bank and will position BLME well on the road to becoming the market leader in Islamic Wealth Management solutions and as expert financier of choice to the UK mid-market.
- A priority for the Bank is to broaden its Wealth Management offering significantly, with new products and services currently being developed and industry leaders being recruited.
- BLME will increasingly focus on the products and services where we have a competitive advantage, through our strong links to the GCC region, our Sharia'a compliance and knowledge of key markets such as the UK mid-market and Islamic Asset Management.
- BLME is also intent on building close linkages between our mainstream Corporate Banking activity and our Wealth Management business to ensure we generate revenue in both streams and provide a flow of activity.
- This will be beneficial to the Group as we build client relationships in both businesses, generate fee income to help our overall return on equity and distribute assets to help us maximise our capital utilisation.
- The scale of the opportunity in our key markets is substantial. Despite market turbulence, demand for expert and tailored financial services is rising rapidly. Our challenge is to capture these opportunities in a disciplined and customer-focused way to create shareholder value.

Appendix – BLME Holdings plc 2015 Financial Results



Consolidated Income Statement

For the year 1 January 2015 to 31 December 2015

	2015	2014*
	£000	£000
Income		
Income from financing and investing activities	60,099	54,564
Returns to financial institutions and customers	(21,508)	(21,334)
Net margin	38,591	33,230
Fee and commission income	2,551	2,872
Fee and commission expense	(651)	(266)
Net fee income	1,900	2,606
Net fair value losses on investment securities	(1,922)	(529)
Net fair value gains on investment properties	4,707	2,667
Operating lease income	15,131	21,027
Other operating income	4,925	5,959
Total operating income	63,332	64,960
Expenses		
Personnel expenses	(16,518)	(16,644)
Operating lease depreciation	(12,025)	(16,286)
Other depreciation and amortisation	(787)	(436)
Other operating expenses	(20,067)	(17,805)
Change in third party interest in consolidated funds	(1,673)	(1,199)
Total operating expenses	(51,070)	(52,370)
Operating profit before impairment charges	12,262	12,590
Net impairment charge on financial assets	(20,659)	(11,602)
Net operating (loss) / profit before tax	(8,397)	988
Tax credit / (expense)	1,547	(15)
(Loss) / profit for the year	(6,850)	973

(*) Certain prior period figures have been reclassified to be consistent with current year presentation

Consolidated Statement of Comprehensive Income

For the year 1 January 2015 to 31 December 2015

	2015	2014
	£000	£000
Income		
(Loss) / profit for the year	<u>(6,850)</u>	<u>973</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss if specific conditions are met:		
Foreign currency translation differences for foreign operations	53	3
Foreign currency translation differences for cash flow hedging reserve	(136)	(182)
Changes in fair value of cash flow hedges taken to equity	535	808
Change in fair value of available-for-sale financial assets taken to equity	366	798
Income tax on other comprehensive income	<u>(133)</u>	<u>(256)</u>
Other comprehensive income for the year net of income tax	<u>685</u>	<u>1,171</u>
Total comprehensive (loss) / profit for the year attributable to equity holders of the Parent company	<u>(6,165)</u>	<u>2,144</u>

Consolidated Statement of Financial Position

As at 31 December 2015

	2015 £000	2014* £000	(*) Certain prior period figures have been reclassified to be consistent with current year presentation
Assets			
Cash and balances with banks	88,732	45,993	
Due from financial institutions	23,690	187,620	
Due from customers	-	5,038	
Investment securities	194,712	188,134	
Financing arrangements	613,753	606,050	
Finance lease receivables	282,607	257,966	
Operating lease assets	39,641	52,228	
Investment properties	26,790	28,580	
Property and equipment	2,111	357	
Intangible assets	2,262	1,633	
Goodwill	4,769	-	
Other assets	17,183	6,025	
Current tax asset	717	500	
Deferred tax assets	3,303	1,595	
Total assets	1,300,270	1,381,719	
Liabilities			
Due to financial institutions	681,597	626,868	
Due to customers	321,473	471,444	
Profit rate swaps	1,369	2,236	
Third party interest in consolidated funds	42,694	25,151	
Other liabilities	15,370	12,255	
Total liabilities	1,062,503	1,137,954	
Equity			
Share capital	48,933	48,933	
Merger reserve	16,000	16,000	
Other reserve	15,226	15,226	
Capital redemption reserve	50	50	
Fair value reserve	537	151	
Cash flow hedging reserve	(1,382)	(1,628)	
Share-based payment reserve	1,484	1,410	
Foreign currency translation reserve	(9)	(63)	
Retained earnings	156,928	163,686	
Total equity attributable to equity holders of the Bank	237,767	243,765	
Total liabilities and equity	1,300,270	1,381,719	

Segment Information - 2015

For the year ended 31 December 2015

	Treasury Division £000	Corporate Banking £000	Wealth Management £000	Unallocated items £000	Total £000
Net margin from financing and investing activities	4,355	30,654	3,582	-	38,591
Operating lease income	1,198	13,933	-	-	15,131
Net fee income	432	1,273	194	1	1,900
Net fair value losses on investment securities	1,642		(3,564)	-	(1,922)
Net fair value gains on investment properties	-		4,707	-	4,707
Other operating income	318	2,634	1,973	-	4,925
Total operating income	7,945	48,494	6,892	1	63,332
Directly attributable segment expenses	(4,210)	(8,617)	(4,496)	-	(17,323)
Operating lease depreciation	-	(12,025)	-	-	(12,025)
Net impairment charge on financial assets	(234)	(19,145)	(1,280)	-	(20,659)
Change in third party interest in consolidated funds	-	38	(1,711)	-	(1,673)
Net segment contribution	3,501	8,745	(595)	1	11,652
Common costs not directly attributable to segments					(20,049)
Net operating profit before tax					(8,397)
Reportable segment assets	284,280	877,247	127,697	11,046	1,300,270

Segment Information - 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	4,893	25,672	2,665	-	33,230
Operating lease income	1,624	19,403	-	-	21,027
Net fee income	665	1,742	188	12	2,607
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	2,264	-	5,958
Total operating income	7,185	50,480	7,283	12	64,960
Directly attributable segment expenses	(3,978)	(5,638)	(4,757)	-	(14,373)
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	3,207	17,834	447	12	21,500
Common costs not directly attributable to segments					(20,512)
Net operating profit before tax					988
Reportable segment assets	421,125	852,440	102,795	5,359	1,381,719

Contact Details

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