BLME Holdings plc

Interim Report

For the six months ended 30 June 2016

Registered number 08503102

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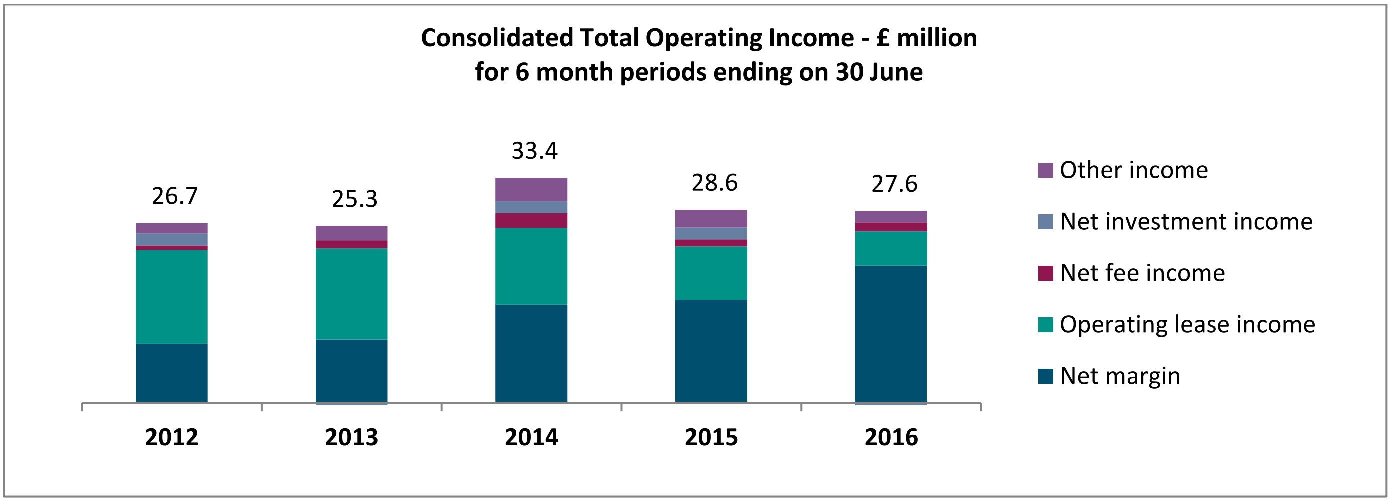
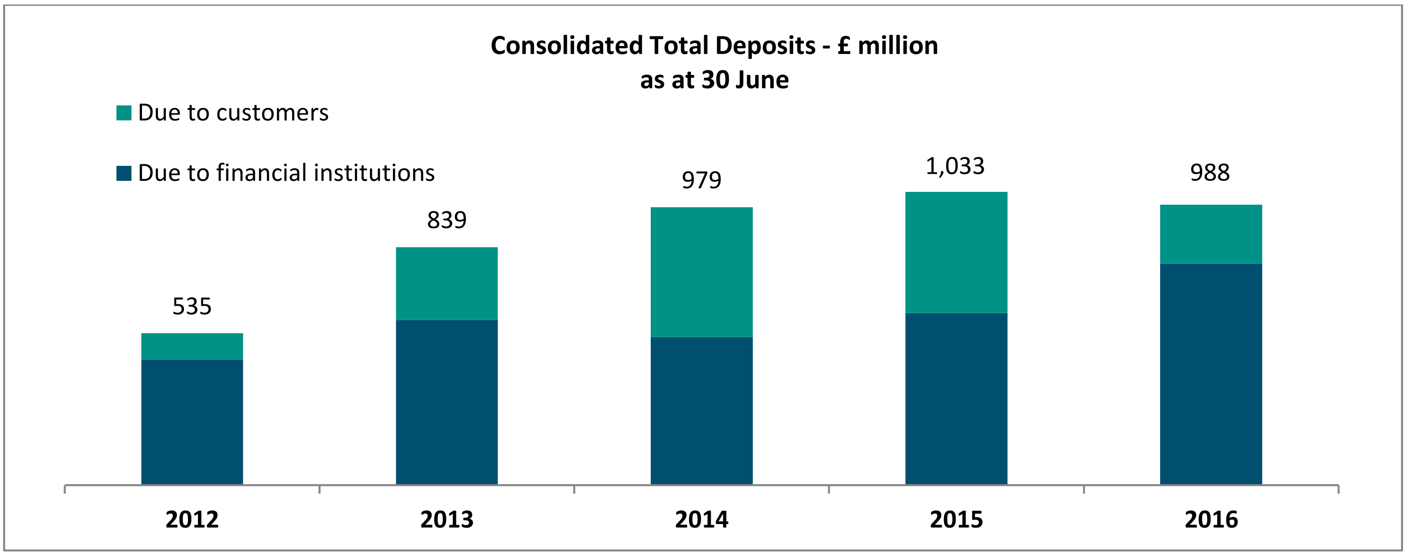
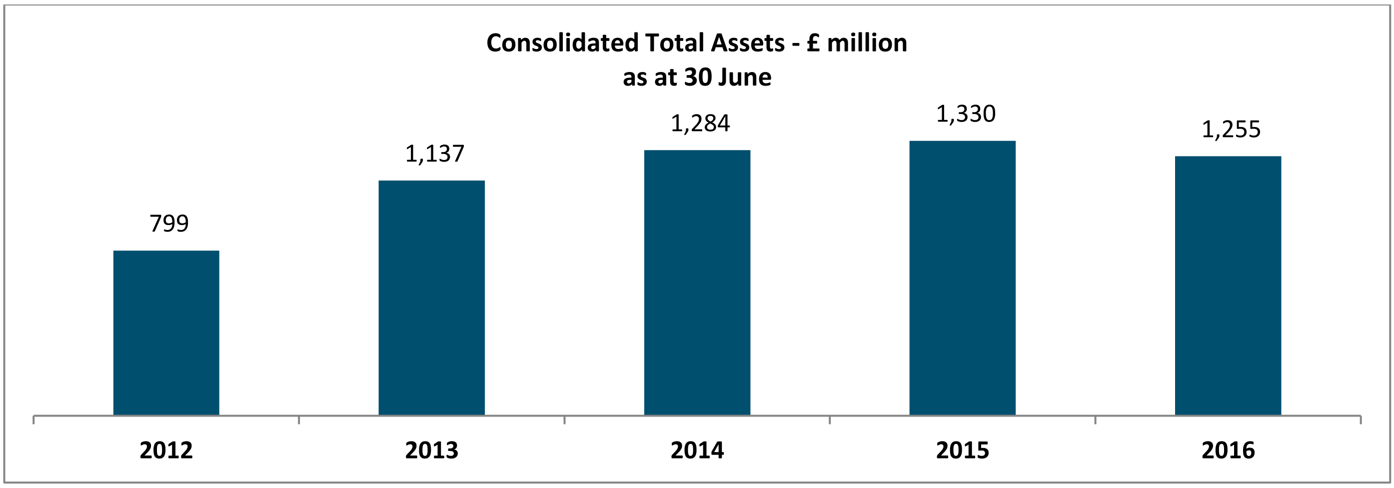
Group Highlights for BLME Holdings plc for the six months to 30 June 2016

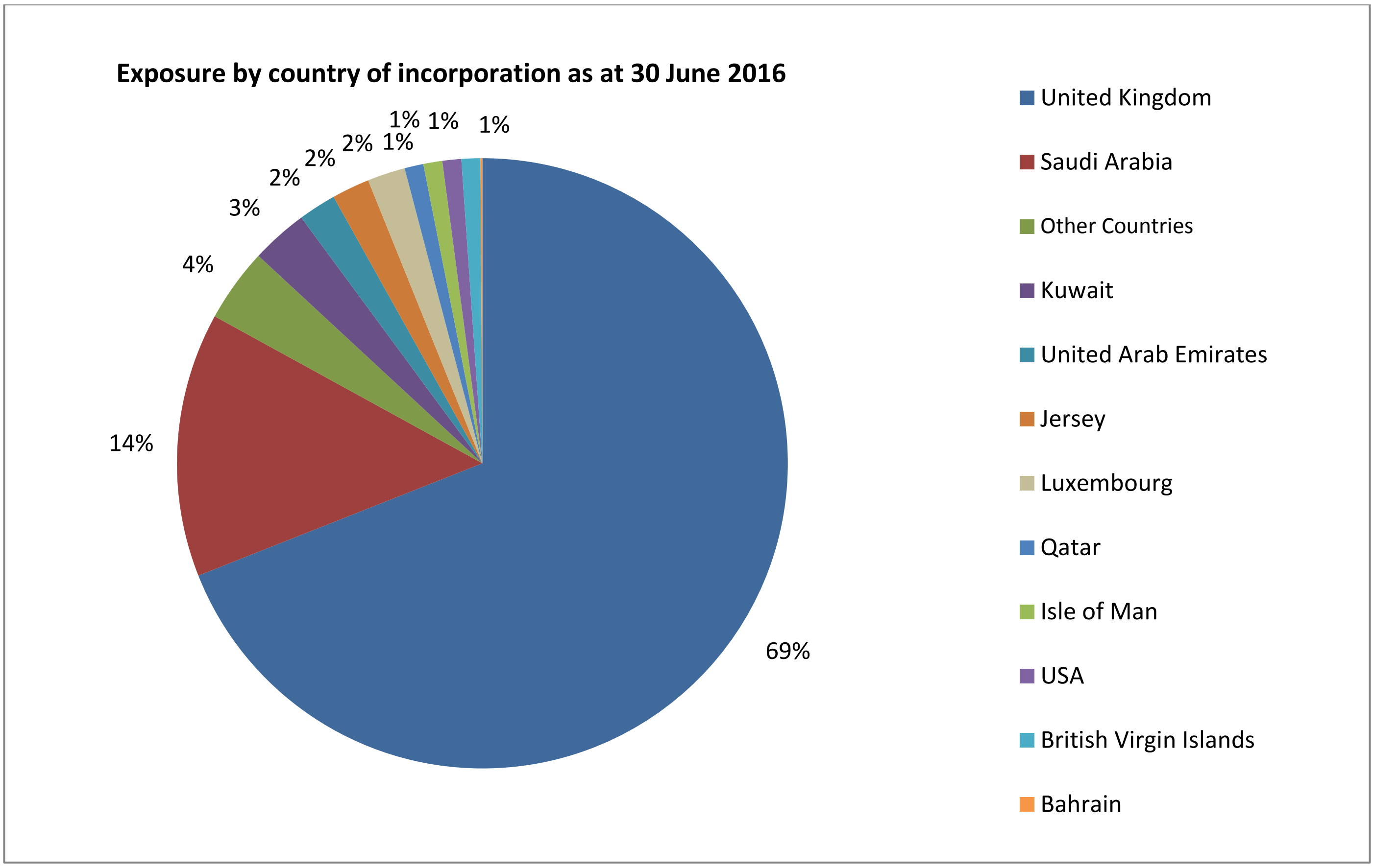
The £8.8 million loss before tax is disappointing but represents the transitional phase the BLME Group is in. We have:

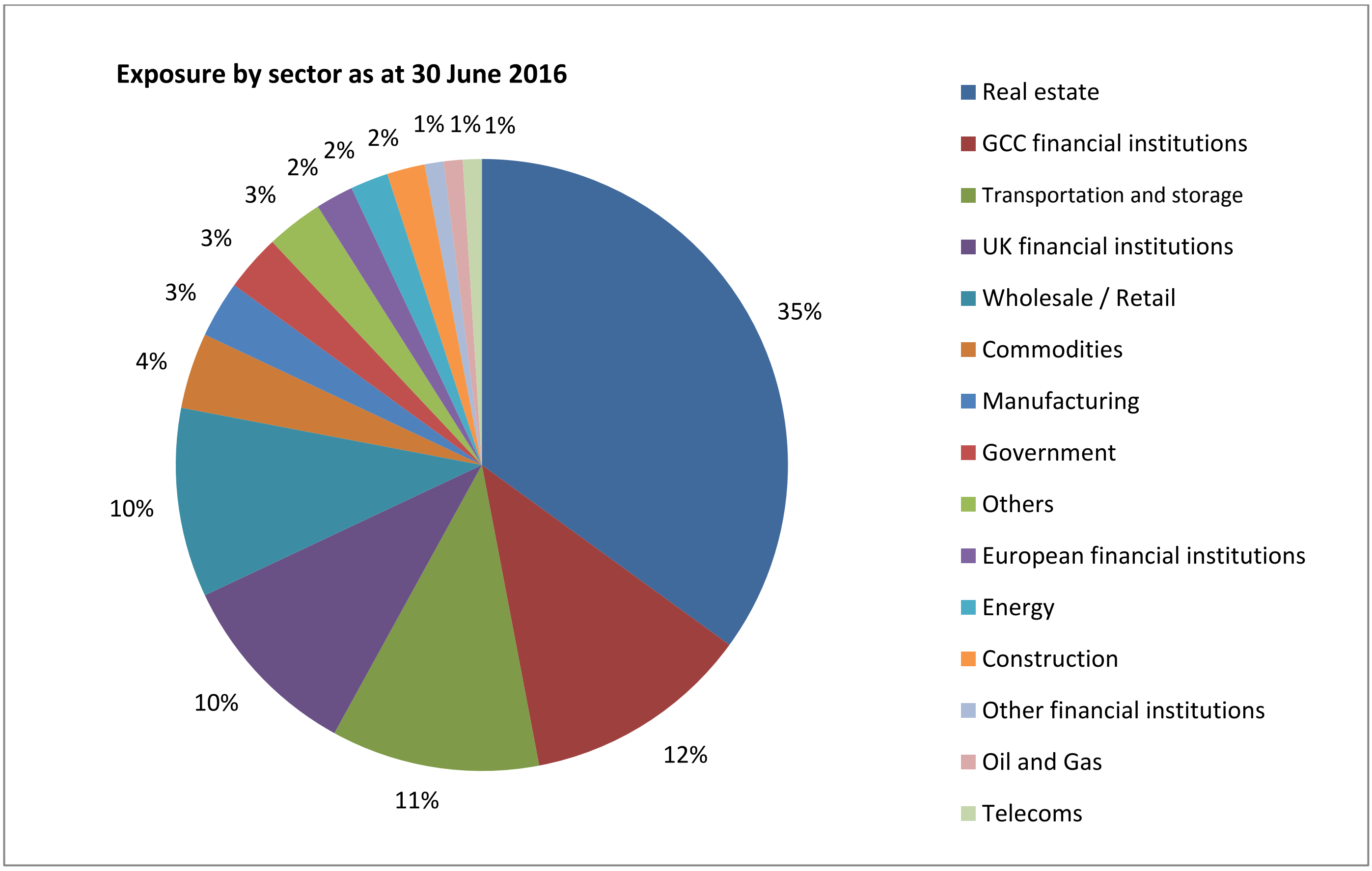
- reformulated our strategy
- invested in new product development
- adopted a more conservative approach to risk
- refined and strengthened our governance framework











Naming convention and abbreviations:

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

Chairman's statement

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

To the Shareholders of BLME Holdings plc

Dear Shareholders,

The results for the first six months of this year are disappointing but represent the transitionary phase the BLME Group is in. We have continued to work tirelessly in launching and embedding our new strategy and investing in new product development whilst addressing legacy issues.

Jabra Ghandour took over from Michael Williams as Chief Executive Officer in March 2016. Jabra brings with him experience in establishing a wealth management business that is based upon an extensive network across the GCC.

A priority for BLME has been to invest in our governance structure. Jabra, with his team, has made significant progress in creating a culture and infrastructure that ensures BLME has a more conservative and robust approach to risk. The process of reviewing our lending portfolio commenced last year and we have made significant strides in managing our assets more effectively. We have reduced our exposure to non-core business lines and continued to target the markets in which we specialise and where there are growth opportunities. To support our strategy and this enhanced governance framework we have recruited experienced individuals with specialist knowledge and networks.

I would like to thank Michael for his role as interim CEO during which he initiated the process of redefining the Bank's strategy. I look forward to continuing working with him as he resumes his role as a non-executive director.

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 laying the foundations for BLME's future success.

Adel Abdul Wahab Al-Majed
Chairman
24 August 2016

Chief Executive Officer's statement

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

With support from the Board we are continuing to refine the Bank's strategy. We are fully committed to implementing this evolving strategy that we believe will deliver shareholder returns.

2016 has continued to be a year of change for BLME and this has been reflected in our results for the first six months of the year. Our loss after tax of £11.7 million has been driven by increasing provisions on the legacy areas of our portfolio as we continued to de-risk our balance sheet and the loss on disposal of a group company after management considered it appropriate to deconsolidate Renaissance Asset Finance Limited.

The core of BLME's strategy across all products and services is to build relationships and long-term partnerships with our customers. The Bank will look to become a bridge between the UK and the GCC, leveraging our established business areas such as Real Estate and Leasing where we have expertise. We are refining the products and services offered by BLME to focus on these areas of expertise and to exit the higher-risk areas as part of our restated and more conservative risk appetite. Wealth Management will relaunch with a new suite of products and services targeted to GCC private banking customers. Our Asset Management offering is being developed to meet the investment requirements of our target customers and take advantage of our in-house expertise.

In executing this strategy, the Board deemed it appropriate to consider the skills and experience required to deliver results. Consequently, a number of senior appointments have been made which we strongly feel will provide the foundation from which to launch our strategy.

We have continued to refine and strengthen our governance framework and have implemented a new committee structure. This has included creating a New Product Committee through which we are investing resources to develop products that will contribute to executing our strategy.

We firmly believe that putting our clients first, operating in a robust and controlled environment and working more collaboratively will help the Group deliver what the Board wishes to achieve. We have established a Middle Office, which will be critical in providing a structure in balancing the needs of our clients with our risk management framework.

The result of the EU Referendum in June was a scenario we had assessed and prepared for in advance. The results of our stress testing and modelling meant we were appropriately positioned to ride the immediate aftermath of the vote. We are aware of the risks arising but also see the result as creating opportunities for BLME and also for our overseas investors and clients who can access these opportunities by utilising BLME's expertise.

I would like to take this opportunity to thank the Chairman, Adel Al-Majed, and the Board for their guidance and support during this period of change; their input has been invaluable. The staff at BLME have worked hard and demonstrated their dedication to their clients and to BLME over the past six months.

Jabra Ghandour
Chief Executive Officer
24 August 2016

Condensed consolidated income statement

For the six months ended 30 June 2016 (unaudited)

	Note	6 months to 30 June 2016 £000	6 months to 30 June 2015* £000	Year to 31 December 2015 £000
Income				
Income from financing and investing activities		29,985	27,775	60,099
Returns to financial institutions and customers		(9,615)	(12,519)	(21,508)
Net margin		**20,370**	**15,256**	**38,591**
Fee and commission income		1,427	1,238	2,551
Fee and commission expense		(106)	(183)	(651)
Net fee income		**1,321**	**1,055**	**1,900**
Net fair value losses on investment securities		(611)	(33)	(1,922)
Net fair value (losses) / gains on investment properties	*11*	(290)	1,753	4,707
Operating lease income		5,051	7,952	15,131
Other operating income	*5*	1,721	2,646	4,925
Total operating income		**27,562**	**28,629**	**63,332**
Expenses				
Personnel expenses	*6*	(8,305)	(7,825)	(16,518)
Operating lease depreciation	*14*	(3,923)	(6,194)	(12,025)
Other depreciation and amortisation		(754)	(254)	(787)
Other operating expenses		(11,861)	(6,603)	(20,067)
Change in third party interest in consolidated funds		(77)	(789)	(1,673)
Total operating expenses		**(24,920)**	**(21,665)**	**(51,070)**
Operating profit before impairment charges & loss on disposal of group company		**2,642**	**6,964**	**12,262**
Net impairment charge on financial assets and operating leases	*7*	(9,697)	(9,474)	(20,659)
Loss on disposal of group company	*17*	(1,720)	-	-
Net operating loss before tax		**(8,775)**	**(2,510)**	**(8,397)**
Tax (expense) / credit	*8*	(2,935)	254	1,547
Loss for the period		**(11,710)**	**(2,256)**	**(6,850)**
		Pence	**Pence**	**Pence**
Earnings per share				
Basic earnings per share	*9*	(6.06)	(1.17)	(3.55)
Diluted earnings per share	*9*	(6.06)	(1.17)	(3.55)

* Certain prior period figures have been reclassified to be consistent with current year presentation or restated as set out in Note 2.

The notes on pages 14 to 48 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2016 (unaudited)

	6 months to 30 June 2016 £000	6 months to 30 June 2015* £000	Year to 31 December 2015 £000
Income			
Loss for the period	**(11,710)**	**(2,256)**	**(6,850)**
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	(8)	53	53
Foreign currency translation differences for cash flow hedging reserve	(195)	20	(136)
Changes in fair value of cash flow hedges taken to equity	30	249	535
Changes in fair value of available-for-sale financial assets taken to equity	747	(299)	366
Income tax on other comprehensive income	(231)	(56)	(133)
Other comprehensive income / (expense) for the period net of income tax	**343**	**(33)**	**685**
Total comprehensive expense for the period attributable to equity holders of the Parent company	**(11,367)**	**(2,289)**	**(6,165)**

* Certain prior period figures have been reclassified to be consistent with current year presentation or restated as set out in Note 2.
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Condensed consolidated statement of financial position

As at 30 June 2016 (unaudited)

	Note	30 June 2016 £000	30 June 2015* £000	31 December 2015 £000
Assets				
Cash and balances with banks		70,157	72,653	88,732
Due from financial institutions		2,608	102,459	23,690
Due from customers		-	13,288	-
Investment securities	*10*	176,758	212,444	194,712
Financing arrangements	*12*	628,427	571,290	613,753
Finance lease receivables	*13*	278,065	262,005	282,607
Operating lease assets	*14*	32,740	46,630	39,641
Investment properties	*11*	26,500	31,820	26,790
Property and equipment		1,896	412	2,111
Intangible assets		2,236	3,651	2,262
Goodwill	*17*	-	3,420	4,769
Other assets	*15*	35,412	7,372	17,183
Current tax assets		-	732	717
Deferred tax assets	*8*	-	1,769	3,303
Total assets		**1,254,799**	**1,329,945**	**1,300,270**
Liabilities				
Due to financial institutions		780,586	606,385	681,597
Due to customers		206,960	426,599	321,473
Profit rate swaps		2,542	2,326	1,369
Third party interests in consolidated funds		19,908	37,852	42,694
Other liabilities	*16*	18,094	15,237	15,370
Current tax liability		129	-	-
Total liabilities		**1,028,219**	**1,088,399**	**1,062,503**
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		1,099	(74)	537
Cash flow hedging reserve		(1,593)	(1,489)	(1,382)
Share-based payment reserve		1,649	1,479	1,484
Foreign currency translation reserve		(17)	(9)	(9)
Retained earnings		145,233	161,430	156,928
Total equity attributable to equity holders of the Parent company		**226,580**	**241,546**	**237,767**
Total liabilities and equity		**1,254,799**	**1,329,945**	**1,300,270**

These financial statements were approved by the Board of Directors on 24 August 2016 and were signed on its behalf by:

Jabra Ghandour
Chief Executive Officer

Chris Power
Chief Financial Officer

Michael Williams
Non-executive director

* Certain prior period figures have been reclassified to be consistent with current year presentation or restated as set out in Note 2.

The notes on pages 14 to 48 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2016 (unaudited)

Cash flows from operating activities	6 months to 30 June 2016 £000	6 months to 30 June 2015* £000	Year to 31 December 2015 £000
Loss for the period	(11,710)	(2,256)	(6,850)
Adjusted for:			
Exchange differences	102	(269)	(529)
Fair value (losses) / gains on investment properties	290	(1,753)	(4,707)
Fair value losses on investment securities	(347)	33	157
Loss on disposal of intangible assets	-	(33)	(33)
Provision for impairment	9,697	9,474	20,659
Depreciation and amortisation	4,677	6,448	12,812
Loss on disposal of property and equipment	-	(57)	(896)
Share-based payment awards	180	69	166
Loss on disposal of group company	1,720	-	-
Mark-to-market movement in profit rate swaps	1,085	821	1,667
Gain on other asset	-	(608)	-
Tax expense / (credit)	2,935	(254)	(1,547)
	8,629	**11,615**	**20,899**
Net (increase) / decrease in operating assets:			
Due from financial institutions	21,082	85,160	163,814
Due from customers	-	(8,249)	5,038
Financing arrangements	(20,725)	97,682	75,398
Finance lease receivables	(1,457)	(74,608)	(128,506)
Operating lease assets	2,053	(691)	(152)
Other assets	(13,520)	(5,301)	(15,740)
	(12,567)	**93,993**	**99,852**
Net increase / (decrease) in operating liabilities:			
Due to financial institutions	121,558	(21,327)	66,469
Due to customers	(115,303)	(44,921)	(149,873)
Third party interest in consolidated funds	19,258	1,383	2,882
Other liabilities	(3,739)	(843)	(7,579)
	21,774	**(65,708)**	**(88,101)**
Corporation tax received / (paid)	700	(208)	(200)
Net cash inflow from operating activities	**18,536**	**39,692**	**32,450**
Purchase of property and equipment	(73)	(66)	(1,012)
Purchase of intangible assets	(440)	(693)	(1,229)
Purchase of investment properties	-	(1,487)	(3,860)
Sale of investment properties	-	-	10,357
Purchase of investment securities	39,417	(133,358)	(188,628)
Sale of investment securities	(37,426)	110,557	176,926
Loss of cash from disposal of group company	1,763	-	-
Net cash inflow / (outflow) from investing activities	**3,241**	**(25,047)**	**(7,445)**
Cash flows from financing activities			
Subscriptions to consolidated funds	4,310	20,613	30,557
Redemptions from consolidated funds	(47,800)	(8,206)	(14,854)
Net cash (outflow) / inflow from financing activities	**(43,490)**	**12,407**	**15,703**
Net change in cash and cash equivalents	**(21,713)**	**27,052**	**40,708**
Cash and cash equivalents at the beginning of the period	88,732	45,993	45,993
Exchange differences in respect of cash and cash equivalents	3,138	(392)	2,031
Cash and cash equivalents at the end of the period	**70,157**	**72,653**	**88,732**

* Certain prior period figures have been reclassified to be consistent with current year presentation or restated as set out in Note 2.

The notes on pages 14 to 48 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2016 (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 2015	48,933	16,000	15,226	50	537	(1,382)	1,484	156,928	(9)	237,767
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,710)**	**-**	**(11,710)**
Other comprehensive (expense) / income										
Foreign currency translation	-	-	-	-	-	(195)	-	-	(8)	(203)
Changes in fair value of cash flow hedges	-	-	-	-	-	30	-	-	-	30
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(46)	-	-	-	(46)
Change in fair value of AFS financial assets	-	-	-	-	747	-	-	-	-	747
Tax on change in fair value of AFS financial assets	-	-	-	-	(185)	-	-	-	-	(185)
Total other comprehensive (expense) / income	**-**	**-**	**-**	**-**	**562**	**(211)**	**-**	**-**	**(8)**	**343**
Total comprehensive (expense) / income for the period	**-**	**-**	**-**	**-**	**562**	**(211)**	**-**	**(11,710)**	**(8)**	**(11,367)**
Contributions by and distributions to owners										
Share-based payment awards	-	-	-	-	-	-	165	-	-	165
Settlement of own shares by BLME Holdings EBT	-	-	-	-	-	-	-	15	-	15
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**165**	**15**	**-**	**180**
Balance at 30 June 2016	**48,933**	**16,000**	**15,226**	**50**	**1,099**	**(1,593)**	**1,649**	**145,233**	**(17)**	**226,580**

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 2015.
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 48 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
Loss for the period (restated)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,256)**	**-**	**(2,256)**
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**	**-**	**(2,256)**	**53**	**(2,289)**
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**	**161,430**	**(9)**	**241,546**

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 2015.
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.

* "Loss for the period" has been restated as outlined in Note 2.
The notes on pages 14 to 48 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2015 (unaudited)	Share capital £000	Merger reserve £000	Other reserve £000	Capital redemption reserve £000	Fair value reserve £000	Cash flow hedging reserve £000	Share-based payment reserve £000	Retained earnings £000	Foreign currency translation reserve £000	Total £000
Balance at 30 June 2015*	48,933	16,000	15,226	50	(74)	(1,489)	1,479	161,430	(9)	241,546
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,594)**	**-**	**(4,594)**
Other comprehensive income / (expense)										
Foreign currency translation	-	-	-	-	-	(156)	-	-	-	(156)
Changes in fair value of cash flow hedges	-	-	-	-	-	286	-	-	-	286
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(23)	-	-	-	(23)
Change in fair value of AFS financial assets	-	-	-	-	665	-	-	-	-	665
Tax on change in fair value of AFS financial assets	-	-	-	-	(54)	-	-	-	-	(54)
Total other comprehensive income	**-**	**-**	**-**	**-**	**611**	**107**	**-**	**-**	**-**	**718**
Total comprehensive (expense) / income for the period	**-**	**-**	**-**	**-**	**611**	**107**	**-**	**(4,594)**	**-**	**(3,876)**
Contributions by and distributions to owners										
Equity-settled share-based payment awards	-	-	-	-	-	-	97	-	-	97
Transfer to Retained Earnings	-	-	-	-	-	-	(92)	92	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**92**	**-**	**97**
Balance at 31 December 2015	**48,933**	**16,000**	**15,226**	**50**	**537**	**(1,382)**	**1,484**	**156,928**	**(9)**	**237,767**

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 2015). £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.

The **Share-based payment reserve** represents the amortised portion of the fair value of equity instruments issued under the BLME and the Company's share incentive schemes and accounted for as equity-settled share-based payments. 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 lapsed.

* "Balance at 30 June 2015" has been restated as outlined in Note 2.
The notes on pages 14 to 48 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 Cannon Place, 78 Cannon Street, London, EC4N 6HL. 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 2016 comprise BLME Holdings plc and its subsidiaries (together referenced as "the Group").

2. Accounting policies and basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as adopted by the EU. These 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 2015. 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. During 2015, the Group re-classified Hire Purchase, Istisna and Ijara transactions from "Financing arrangements" to "Finance lease receivables" to be consistent with the requirements of IAS 17. As at 30 June 2015, £111.4 million of Hire Purchase and £8.6 million of Istisna and Ijara transactions were included within "Financing arrangements". Except as described below, the Group is adopting the same accounting policies as applied in the preparation of the Group's published financial statements for the year ended 31 December 2015. All amounts have been rounded to the nearest thousand except when otherwise indicated.

In preparing the 31 December 2015 Annual Report and Accounts management identified that the fair value of the option exercisable purchase the majority share capital of Renaissance Asset Finance Limited was overstated at 30 June 2015 and consequently incorporated the correct valuation in the 31 December 2015 financial statements. The comparative figures at 30 June 2015 have been restated from those included in the 30 June 2015 Interim Report to reflect the correct valuation and other consequential entries. Accordingly, "Other operating income" is £2.2 million lower than previously stated whilst "Other liabilities" has increased by the same amount. The tax impact thereon – £0.4 million – has also been adjusted, thereby reducing the "tax credit" in the income statement and also reducing the "deferred tax asset" by the same amount. Basic earnings per share reduced from 0.20 pence to -1.17 pence and diluted earnings per share reduced from 0.19 pence to -1.17 pence. The Group's closing profit and loss for the year ended 31 December 2015 and balance sheet as at 31 December 2015 both remain unchanged from those published.

a. Adoption of new and amended accounting standards in 2016

The following new amendments or interpretations are required to be applied for an annual period beginning on 1 January 2016 however none are deemed material to the Group:

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plans (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards
- Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

b. Future accounting developments

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these interim financial statements:

- Disclosure Initiative (Amendments to IAS 7), effective 1 January 2017
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), effective 1 January 2017
- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date to be determined

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

Further information on future accounting developments and their potential effect on the financial statements of the Group are provided in Note 1 of the Group's published financial statements for the year ended 31 December 2015.

c. Presentation of comparative figures

The comparative figures for the financial year ended 31 December 2015 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 not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under section 498 of the Companies Act 2006.

3. Use of estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

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.

c. Effective profit rate adjustments

IAS 39 requires financial instruments to be recognised at the effective profit rate of the asset, which is considered to be the rate that exactly discounts estimated future cash flows through the expected life of the instrument. As the timing of certain cash flows is uncertain, judgement has been applied in estimating all contractual cash flows (profit rate income and fees).

d. Recognition of deferred tax assets

Deferred tax assets in relation to tax losses should only be recognised when it is probable that sufficient taxable profits will be available against which the unused tax losses can be utilised. Judgement has been applied in estimating the future profitability of the business and when considering whether these will be generated in a timely manner.

e. Consolidation assessments

The Group consolidates subsidiaries and structured entities when management considers the Group to have power and control over the investee. Judgement has been applied in determining whether control has been established by considering if the company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 during the period:

Corporate Banking
Corporate Banking provides senior debt 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, Real Estate, Trade Finance and Corporate & Structured Finance. Facilities are either separate or offered as one package. We have also provided senior financing syndicated facilities across the GCC.

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 Sharia'a compliant hedging, yield and FX structures.

Information regarding the results of the Group's three reportable segments 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 2016

	Treasury Division £000	Corporate Banking £000	Wealth Management £000	Unallocated items £000	Total £000
Net margin from financing and investing activities	834	17,327	2,209	-	20,370
Operating lease income	461	4,590	-	-	5,051
Net fee income	95	1,052	174	-	1,321
Net fair value losses on investment securities	(366)	-	(245)	-	(611)
Net fair value (losses) / gains on investment properties	-	-	(290)	-	(290)
Other operating income	337	633	751	-	1,721
Total operating income	**1,361**	**23,602**	**2,599**	**0**	**27,562**
Directly attributable segment expenses	(1,224)	(6,225)	(2,012)	-	(9,461)
Operating lease depreciation	-	(3,923)	-	-	(3,923)
Change in third party interest in consolidated funds	-	(73)	(4)	-	(77)
Loss on disposal of group company	-	(1,720)	-	-	(1,720)
Net impairment charge on financial assets	230	(9,155)	(772)	-	(9,697)
Net segment contribution	**367**	**2,506**	**(189)**	**0**	**2,684**
Common costs not directly attributable to segments					(11,459)
Net operating loss before tax					**(8,775)**
Reportable segment assets	**271,050**	**878,213**	**88,342**	**17,194**	**1,254,799**

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 2015*

	Treasury Division £000	Corporate Banking £000	Wealth Management £000	Unallocated items £000	Total £000
Net margin from financing and investing activities	1,078	13,023	1,155	-	15,256
Operating lease income	636	7,316	-	-	7,952
Net fee income	241	741	72	1	1,055
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*	-	1,487	1,159	-	2,646
Total operating income	**2,068**	**22,567**	**3,993**	**1**	**28,629**
Directly attributable segment expenses	(808)	(2,879)	(2,366)	-	(6,053)
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**	**4,545**	**316**	**1**	**6,119**
Common costs not directly attributable to segments					(8,629)
Net operating loss before tax					**(2,510)**
Reportable segment assets	**373,473**	**832,703**	**117,723**	**6,046**	**1,329,945**

* "Other operating income" has been restated as outlined in Note 2.

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 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 loss before tax					**(8,397)**
Reportable segment assets	**284,280**	**877,247**	**127,697**	**11,046**	**1,300,270**

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

Entity wide disclosures

Geographical analysis of non-current assets

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Dubai	166	224	210
Luxembourg	18,711	32,998	31,437
United Kingdom	71,097	46,705	50,045
USA	8,755	13,324	11,011
Others	55	54	53
Total	**98,784**	**93,305**	**92,756**

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 2016 £000	6 months to 30 June 2015* £000	Year to 31 December 2015 £000
Gain on foreign exchange transactions	102	5	-
Gain on leased asset sales	356	879	2,026
Rental income from investment properties	731	1,002	1,968
Other*	532	760	931
	1,721	**2,646**	**4,925**

* “Other” has been restated as outlined in Note 2.

6. Personnel expenses

	6 months to 30 June 2016 £000	6 months to 30 June 2015 £000	Year to 31 December 2015 £000
Wages and salaries	6,337	5,821	12,543
Social security costs	715	755	1,499
Defined contribution pension scheme costs	532	515	1,084
Sharia’a Supervisory Board fees	32	30	62
Recruitment and relocation costs	439	235	645
Other staff costs	250	469	685
	8,305	**7,825**	**16,518**

	6 months to 30 June 2016 Number	6 months to 30 June 2015 Number	Year to 31 December 2015 Number
Number of employees at period end	124	126	148
Average for the period - management	7	6	7
Average for the period - non-management	132	121	128

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 2016 £000	6 months to 30 June 2015 £000	Year to 31 December 2015 £000
Opening impairment balance	39,087	33,470	33,470
Exchange translation and other movements	1,927	(1,473)	(741)
Income statement:			
Gross specific impairment charge for the period	10,009	8,222	20,095
Gross collective impairment charge for the period	1,175	1,312	3,346
Amounts recovered during the period	(1,487)	(60)	(2,782)
Net impairment charge for the period	**9,697**	**9,474**	**20,659**
Amounts written off during the period	(2,838)	(12,432)	(14,301)
Closing impairment balance	**47,873**	**29,039**	**39,087**
Being impairments against:			
Due from financial insitutions	-	-	117
Financing arrangements	36,582	26,844	33,086
Finance lease receiveables	11,032	2,054	5,718
Operating lease assets	142	138	136
Other financial assets	117	3	30
	47,873	**29,039**	**39,087**

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 2016 £000	6 months to 30 June 2015 £000	Year to 31 December 2015 £000
Opening net carrying balance	41,766	22,797	22,797
Exchange translation and other movements	1,399	(470)	287
Change in allowance for impairment	(6,860)	(2,014)	7,188
Classified as impaired during the period	10,560	27,145	41,761
Transferred to not impaired during the period	(5,130)	-	(9,349)
Amounts written off	(2,838)	(12,432)	(14,301)
Disposals	-	-	(6,617)
Closing net carrying balance	**38,897**	**35,026**	**41,766**

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 2016	**Gross exposure £000**	**Specific impairment £000**	**Collective impairment £000**	**Net exposure £000**
Analysed by statement of financial position line:				
Financing arrangements	54,131	(34,025)	(2,557)	17,549
Finance lease receivables	22,221	(9,068)	(1,964)	11,189
Operating lease assets	9,930	(142)	-	9,788
Other financial assets	488	(117)	-	371
Balance as at 30 June 2016	**86,770**	**(43,352)**	**(4,521)**	**38,897**
Analysed by country:				
Bahrain	2,608	(373)	-	2,235
Cayman Islands	14,274	(13,600)	-	674
Dubai	3,497	(576)	-	2,921
France	-	-	-	-
Saudi Arabia	7,451	(1,856)	-	5,595
United Kingdom	57,309	(26,865)	(4,521)	25,923
USA	1,631	(82)	-	1,549
Balance as at 30 June 2016	**86,770**	**(43,352)**	**(4,521)**	**38,897**
Analysed by economic sector:				
Financial Services				
GCC Financial Institutions	6,105	(949)	-	5,156
Manufacturing	12,731	(3,050)	-	9,681
Real estate	14,886	(11,606)	-	3,280
Transportation and storage	53,048	(27,747)	-	25,301
Waste management	-	-	-	-
Others	-	-	(4,521)	(4,521)
Balance as at 30 June 2016	**86,770**	**(43,352)**	**(4,521)**	**38,897**

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)	(955)	29,522
Finance lease receivables	6,256	(1,700)	(354)	4,202
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 31 December 2015	Gross exposure £000	Specific impairment £000	Collective impairment £000	Net exposure £000
Analysed by statement of financial position line:				
Financing arrangements	53,329	(30,624)	(2,462)	20,243
Finance lease receivables	24,995	(4,951)	(767)	19,277
Operating lease assets	2,342	(136)	-	2,206
Other assets	187	(30)	-	157
Other financial assets	-	-	(117)	(117)
Balance as at 31 December 2015	**80,853**	**(35,741)**	**(3,346)**	**41,766**
Analysed by country:				
Bahrain	2,373	(339)	-	2,034
Cayman Islands	12,330	(11,597)	-	733
Dubai	3,539	(383)	-	3,156
France	2,634	(2,634)	-	-
Saudi Arabia	6,781	(595)	-	6,186
United Kingdom	51,712	(20,118)	(3,346)	28,248
USA	1,484	(75)	-	1,409
Balance as at 31 December 2015	**80,853**	**(35,741)**	**(3,346)**	**41,766**
Analysed by economic sector:				
Financial Services				
GCC Financial Institutions	5,912	(722)	-	5,190
Manufacturing	6,781	(595)	-	6,186
Real estate	20,062	(10,896)	-	9,166
Transportation and storage	45,464	(20,894)	-	24,570
Waste management	2,634	(2,634)	-	-
Others	-	-	(3,346)	(3,346)
Balance as at 31 December 2015	**80,853**	**(35,741)**	**(3,346)**	**41,766**

8. Taxation

	6 months to 30 June 2016 £000	6 months to 30 June 2015* £000	Year to 31 December 2015 £000
UK Corporation tax			
- on current period (loss) / profit	(134)	(100)	(20)
	(134)	(100)	(20)
Overseas tax for the period	7	19	15
Deferred tax charge / (credit) for the period	3,062	(173)	(1,542)
Tax charge / (credit) in income statement	**2,935**	**(254)**	**(1,547)**

* “Deferred tax credit” has been restated as outlined in Note 2.

The effective tax rate for the period is 20% (six months ended 30 June 2015: 42% and year ended 31 December 2015: 18%), 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.

Further to the Chancellor's 8 July 2015 Budget, which included a proposal to reduce the UK corporation tax rate from 20% to 19% from 1 April 2017, the Budget on 16 March 2016 also proposed to further reduce the rate to 17% from 1 April 2020. These proposed changes had not been enacted into UK law at the balance sheet date. Accordingly deferred tax has been calculated using a corporation tax rate of 20% (30 June 2015 and 31 December 2015: 20%).

During the period, management derecognised the deferred tax asset of £3.1 million, which had primarily arisen as a result of tax losses carried forward from prior years. Management deemed it appropriate to de-recognise this asset on the basis of current and prior year losses and after an assessment of the timeliness of generating sufficient taxable profits.

Tax recognised in other comprehensive income

	6 months to 30 June 2016 £000	6 months to 30 June 2015 £000	Year to 31 December 2015 £000
Cash flow hedging reserve	(46)	(130)	(153)
Fair value reserve	(185)	74	20
	(231)	**(56)**	**(133)**

9. Earnings per share

The calculation of basic earnings per share is based on the (loss) / 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.

	6 months to 30 June 2016	6 months to 30 June 2015*	Year to 31 December 2015
Earnings per share	**pence**	**pence**	**pence**
Basic	(6.06)	(1.17)	(3.55)
Diluted	(6.06)	(1.17)	(3.55)
(Loss) / profit attributable to ordinary shareholders	**£000**	**£000**	**£000**
(Loss) / profit attributable to shareholders (basic)	(11,710)	(2,256)	(6,850)
(Loss) / profit attributable to shareholders (diluted)	(11,710)	(2,256)	(6,850)

	At 30 June 2016	At 30 June 2015	At 31 December 2015
Weighted average number of ordinary shares	**Number**	**Number**	**Number**
Number of ordinary shares of 25p in issue	195,733,691	195,733,691	195,733,691
Shares held in Treasury by the BLME Holdings EBT	(2,592,247)	(2,601,477)	(2,601,478)
Weighted average number of shares (basic)	193,141,444	193,132,214	193,132,213
Effect of dilutive share options in issue	6,520,247	4,872,970	2,115,194
Weighted average number of shares (diluted)	199,661,691	198,005,184	195,247,407

* Basic and diluted earnings per share have been restated as outlined in Note 2.

10. Investment securities

	At 30 June 2016		
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	31,276	-	31,276
Available-for-sale			
Equity	-	3,500	3,500
Sukuk	141,982	-	141,982
	173,258	**3,500**	**176,758**

	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 31 December 2015		
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	63,415	1,373	64,788
Available-for-sale			
Equity	315	3,802	4,117
Sukuk	125,807	-	125,807
	189,537	**5,175**	**194,712**

11. Investment properties

Group	At 30 June 2016	At 30 June 2015	At 31 December 2015
	£000	£000	£000
Opening valuation	26,790	28,580	28,580
Purchases at cost	-	1,487	3,860
Disposals	-	-	(10,357)
Movements in fair value *	(290)	1,753	4,707
Closing valuation	**26,500**	**31,820**	**26,790**

** This item has been included in "Net fair value (loss) / 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. No purchases or disposals were made during the period (2015: two and one respectively).

The income statement includes rental income from the investment properties of £0.7 million (six months to 30 June 2015: £1.0 million and year to 31 December 2015: £2.0 million) in the line "Other operating income" and direct operating expenses of £0.05 million (six months to 30 June 2015: £0.3 million and year to 31 December 2015: £0.6 million) including repairs and maintenance in the line "Other operating expenses".

12. Financing arrangements

	Less than 1 year	1-5 years	At 30 June 2016 Total
	£000	£000	£000
Murabaha	523,997	126,245	650,242
Mudaraba	-	3,497	3,497
Musharaka	-	1,563	1,563
Sukuk	4,844	4,863	9,707
	528,841	**136,168**	**665,009**
Provision for impairment			(36,582)
			628,427

	Less than 1 year	1-5 years	At 30 June 2015 Total
	£000	£000	£000
Murabaha	435,039	147,676	582,715
Mudaraba	-	3,270	3,270
Musharaka	-	2,205	2,205
Sukuk	4,596	5,348	9,944
	439,635	**158,499**	**598,134**
Provision for impairment			(26,844)
			571,290

	Less than 1 year	1-5 years	At 31 December 2015 Total
	£000	£000	£000
Murabaha	514,475	118,560	633,035
Mudaraba	-	3,539	3,539
Musharaka	-	1,896	1,896
Sukuk	17	8,352	8,369
	514,492	**132,347**	**646,839**
Provision for impairment			(33,086)
			613,753

These tables represent contractual maturities. For definitions of the above products, refer to Note 1 of the Group's annual financial statements for the year ended 31 December 2015.

13. Finance lease receivables

	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Gross investment in finance lease receivables			
Less than one year	74,987	76,688	66,542
One to five years	60,107	79,209	86,846
More than five years	9,765	-	7,343
	144,859	155,897	160,731
Gross investment in hire purchase			
Less than one year	66,323	47,179	57,762
One to five years	102,343	81,585	98,278
More than five years	131	6,160	83
	168,797	134,924	156,123
Unearned future income on finance leases	(11,021)	(11,779)	(12,116)
Unearned future income on hire purchase	(13,538)	(14,983)	(16,344)
Provision for impairment	(11,032)	(2,054)	(5,718)
Amounts written off	-	-	(69)
Net investment in finance leases & hire purchase	**278,065**	**262,005**	**282,607**
The net investment in finance lease receivables comprises:			
Less than one year	59,536	69,008	55,312
One to five years	54,612	73,233	81,031
More than five years	9,230	-	6,939
	123,378	**142,241**	**143,282**
The net investment in hire purchase comprises:			
Less than one year	58,983	40,168	49,447
One to five years	95,576	73,685	89,797
More than five years	128	5,911	81
	154,687	**119,764**	**139,325**

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 2015 £000	Additions 2016 £000	Disposals 2016 £000	Depreciation 2016 £000	Translation differences 2016 £000	At 30 June 2016 £000
Gross carrying amount	81,299	501	(20,673)	-	3,786	64,913
Less depreciation	(41,522)	-	16,245	(3,923)	(2,831)	(32,031)
	39,777	**501**	**(4,428)**	**(3,923)**	**955**	**32,882**
Provision for impairment						(142)
						32,740

	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 2014 £000	Additions 2015 £000	Disposals 2015 £000	Depreciation 2015 £000	Translation differences 2015 £000	At 31 December 2015 £000
Gross carrying amount	96,479	8,914	(26,324)	-	2,230	81,299
Less depreciation	(44,050)	-	16,078	(12,025)	(1,525)	(41,522)
	52,429	**8,914**	**(10,246)**	**(12,025)**	**705**	**39,777**
Provision for impairment						(136)
						39,641

Rental receipts under operating leases

	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Future rentals are as follows:			
Less than one year	5,715	9,240	6,523
Between one and five years	8,462	18,090	10,981
More than five years	81	2,746	138
	14,258	**30,076**	**17,642**

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

15. Other assets

	At 30 June 2016	At 30 June 2015	At 31 December 2015
	£000	£000	£000
VAT recoverable	-	528	2,670
Accrued income	94	86	81
Collateral deposits	452	677	466
Prepayments	2,186	1,781	5,381
Foreign exchange economic hedge	25,618	-	5,303
Other receivables	7,062	4,300	3,282
	35,412	**7,372**	**17,183**

16. Other liabilities

	At 30 June 2016	At 30 June 2015*	At 31 December 2015
	£000	£000	£000
Trade payables	2,493	244	883
VAT payable	1,918	2,175	33
Deferred income	3,202	778	229
Social security and income tax	54	616	532
Accruals	6,822	5,392	7,081
Other creditors*	3,605	6,032	6,612
	18,094	**15,237**	**15,370**

* “Other creditors” has been restated as outlined in Note 2.

17. Subsidiaries and other entities

Subsidiaries (not structured entities)	**Place of business & 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 Asset Management Limited	England & Wales	100%	£2
BLME Holdco Limited	England & Wales	100%	£102
BLME Holdings EBT	Jersey	100%	£100
BLME Limited	England & Wales	100%	£2
BLME Nominees LIBF Limited	England & Wales	100%	£100
BLME (UK) GP Limited	England & Wales	100%	£100
BLME Umbrella Fund Management Sarl	Luxembourg	100%	US$ 25,000
Global Liquidity Solutions Limited	England & Wales	100%	£1
MKL Construction Equipment Finance Limited	England & Wales	60%	£1,000
Renaissance Property Finance Limited	England & Wales	100%	£2
Renaissance Trade Finance Limited	England & Wales	100%	£2

As the Group owns 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.

With effect from 30 June 2015, the Group consolidated Renaissance Asset Finance ("RAF") into the Group results; management determined that it had control of the entity due to an option to purchase 100% of RAF's issued share capital becoming exercisable on 30 June 2015. Under IFRS 10, this resulted in the Group deeming to have power over, and control of, RAF. For the first three months of the current reporting period, BLME continued to consolidate RAF into the Group results. The option to purchase the business lapsed at the beginning of April 2016. Accordingly, under IFRS 10 control of the entity was lost and it was considered appropriate to deconsolidate RAF. Consequently, a loss of £1.7 million has been recognised in "loss on disposal of group company" in the income statement.

	At 31 March 2016 £000
Derecognition of outstanding consideration	2,192
Derecognition of the carrying amount of net assets	(3,912)
Loss on disposal of group company	**(1,720)**

Asset Management seed capital investment

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 2016 No. of shares**	**30 June 2015 No. of shares**	**31 December 2015 No. of shares**
BLME Income Fund	Management	1	1	1
	B	21,441.107	25,741.369	25,741.369
	C	5,124.402	24,995.251	24,995.251
	G	1,234.491	1,234.491	1,234.491
	M	-	198.766	198.766
BLME Global Sukuk Fund	A	8,239.545	8,239.545	8,239.545
BLME Light Industrial Building Fund	A	8,824.313	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 68.0% of the shares issued (30 June 2015: 58.8% and 31 December 2015: 57.6%). The Group recognised an expense of £0.1 million (six months to 30 June 2015: £0.8 million and year to 31 December 2015: £1.7 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 32.0% (30 June 2015: 41.2% and 31 December 2015: 42.4%) has been reported in the Group's balance sheet liabilities line "Third party interest in consolidated funds".

There are two active structured entities ("SE") (2015: two) 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 above are reported as Group operating lease assets and amount to £7.8 million (30 June 2015: £13.0 million and 31 December 2015: £10.6 million).

The BLME Holdings EBT holds a stock of own shares acquired at a cumulative cost of £4.2 million (30 June 2015: £4.2 million and 31 December 2015: £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 2015 and year to 31 December 2015: nil). No stamp duty costs were incurred by the Group on behalf of the BLME Holdings EBT (six months to 30 June 2015 and year to 31 December 2015: 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 £1,221 million and £995 million respectively (30 June 2015: £1,334 million and £1,091 million respectively and 31 December 2015: £1,241 million and £1,003 million respectively).

- **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 2015 and year to 31 December 2015: nil).

The Group did not provide financial support to any of its consolidated or unconsolidated structured entities during 2016 and does not have any current intentions to provide such support (six months to 30 June 2015 and year to 31 December 2015: nil).

18. Related parties

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

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 December 2015
	£000	£000	£000
Boubyan Bank K.S.C			
Wakala placement	226,610	32,218	98,325
Wakala deposit taking	167,496	-	11,168
The Public Institution for Social Security			
Due to financial institutions	304,745	255,626	570,865

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

	At 30 June 2016	At 30 June 2015	At December 2015
Included within:	£000	£000	£000
Cash and balances with banks			
Nostros	2,080	15,081	1,244
Due from financial institutions			
Wakala placement	2,608	13,701	-
Due to financial institutions			
Wakala deposit taking	30,086	-	11,175

On 22 September 2010 the Group entered into a 5 year marketing and advisory services agreement with Boubyan Bank K.S.C. The Bank paid KWD 0.5 million (equivalent to £0.9 million as at 30 June 2015), annually in arrears for the services with the first payment made on 30 September 2011. In return Boubyan Bank K.S.C committed to providing 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.

As at 30 June 2016, Boubyan Bank K.S.C held 26.39% of the Company's shares (30 June 2015 and 31 December 2015: 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 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Due to financial institutions	637,763	537,188	585,426

As at 30 June 2016, The Public Institution for Social Security held 7.67% (30 June 2015 and 31 December 2015: 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 2016 £000	6 months to 30 June 2015 £000	Year to 31 December 2015 £000
Key management emoluments *	417	307	760
Bank contributions to pension plans	-	-	-
	417	**307**	**760**

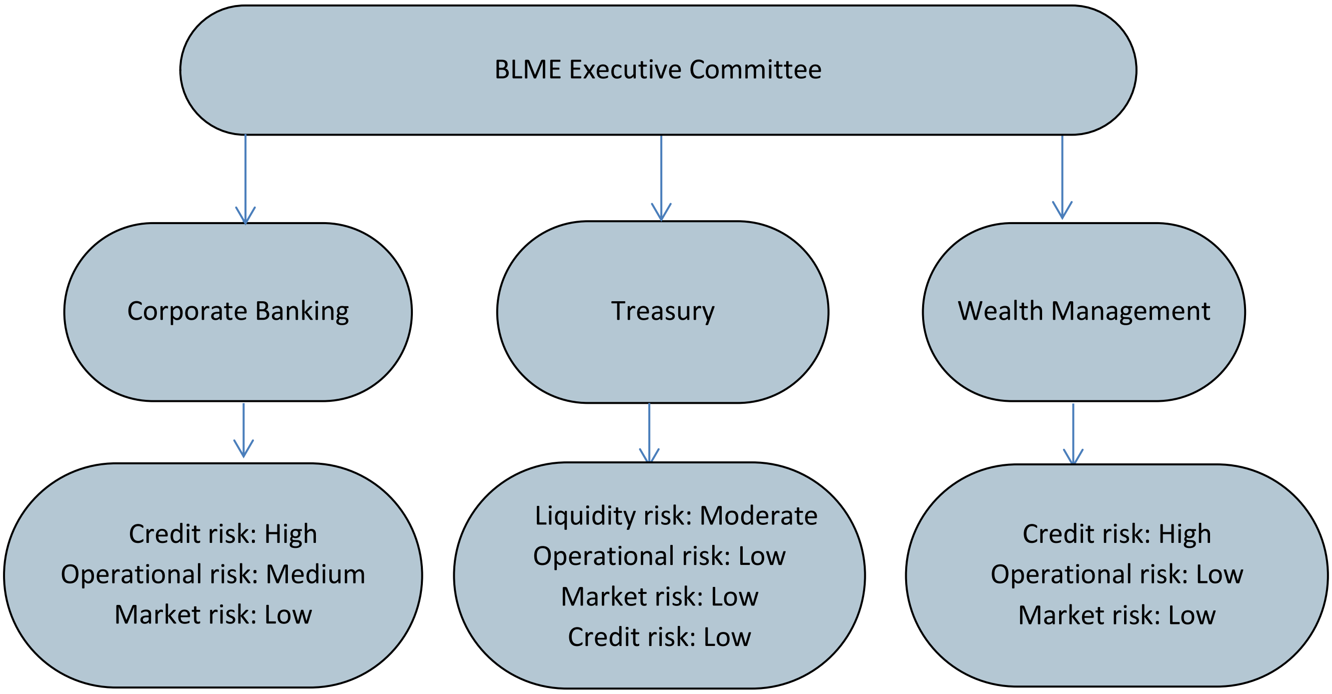
* Key management emoluments include share-based payments of £0.1 million (six months to 30 June 2015: £0.01 million and year to 31 December 2015: £0.01 million).

19. 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
- capital risk
- conduct 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.

Following the appointment of the new management team a review of the Bank's business strategy has been undertaken and the following objectives have been identified:

- Reducing exposure to capital intensive and less profitable business lines;
- Growing its presence in the Gulf Cooperation Council (GCC) states and the Middle East;
- Reducing funding concentration. This will be achieved by attracting more deposits through BLME's Premier Deposit Account (PDA);
- Realising its investment in the BLME Umbrella fund compartments.

As referred to in the Chairman and CEO statements, the Bank has undergone significant changes in the first six months of 2016 which has included a refinement of the Bank's risk management framework and Board risk appetite.

Risk management framework

The Group's risk management framework ("RMF") provides the foundation for ensuring risk-taking activity is consistent with the Bank's strategy and risk appetite, and that the Bank delivers good service and good outcomes for customers from its products. The RMF establishes an appropriate balance between risks and reward and ensuring robust controls and management of risk.

The Group's method of managing risk begins with the definition of the Bank's Risk Appetite, which when combined with the Bank's strategy articulates its willingness to be exposed to risk events and losses.

The RMF is subject to regular evaluation to ensure that it meets the challenges and requirements of the market in which the Bank operates, including regulatory standards and industry best practices. The Bank requires a strong and proactive RMF, in order to:

- Manage the Bank in line with the Board's approved Risk Appetite;
- Achieve the Bank's strategic objectives whilst adhering to its Risk Tolerance levels;
- Empower and equip the Bank's staff to make decisions in a risk-aware manner; with roles, responsibilities, and delegated authorities clearly defined; and
- Embed a culture of treating customers fairly, ensuring Sharia 'a compliant products in order to mitigate all principal risks.

The RMF lays out systematic processes to identify, evaluate, mitigate, report, and manage risk:

- Risk identification – ensure there is a clear definition of each risk entered into by the Bank with an identified Risk Owner;
- Risk assessment – agree and implement appropriate, effective risk measurement and reporting standards for each identified risk. Set metrics together with reporting monitoring controls, processes and standards;
- Risk mitigation – establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements. Ensure all frameworks and policies are regularly reviewed and kept relevant and up to date;
- Execution & monitoring – separate control functions independent of business lines are responsible for monitoring the operation of the controls and adherence to risk direction and limits;
- Manage and challenge – review and challenge all aspects of the Bank's risk profile;
- The roles of each line of defence.

The Bank's RMF requires the following principles to be adhered to:

- All risks assessed as being principal risks to be covered by a Risk Appetite Statement, Policy and operating process to mitigate the risk;
- The Board retains overall responsibility for approving business strategy, understanding major risks and ensuring that the risks are adequately controlled and monitored;
- The Board Risk Committee provides overall supervision and assurance of the RMF, with independent reporting lines for the Chief Risk Officer and Head of Credit Risk respectively to enable this;
- Adoption of a "4 eyes" maker / checker control system throughout the Bank, with independent review / approval of key risk decisions in a 3 Lines of Defence (3 LOD) model.

Board Risk Appetite

The Board defines its appetite and tolerance for risk expressed in terms of qualitative and quantitative metrics which are measured on a stressed and unstressed basis.

The BLME Risk Appetite Statement is set by the BLME Board and is reviewed at least semi-annually, as part of the BLME strategic discussion. The risk appetite is set at least annually.

The Board has set risk appetite within the context of projected financial earnings and balance sheet over the short and medium term. The risk appetite will be set to clearly articulate the Board's objectives under a stress event, and to align to the Board's stated strategy.

The Board's appetite for risk is stated as an appetite for potential loss under stressed and normal market scenarios which drives the business to focus on business that has adequate rewards for the risks taken, and to reduce the overall level of risk undertaken

The principal risks faced by the Group, together with details of how these risks are managed (which have not changed in terms of impact significantly during the period), remain as detailed in the Group's 2015 Annual Report and Accounts and are expected to remain unchanged in the final six months of the financial year to 31 December 2016.

UK referendum on EU membership

On 23 June 2016, the UK electorate voted to leave the European Union ("EU"). During the contingency planning period in the run-up to the vote, management had modelled scenarios that introduced the following risks from an 'exit-vote':

- Increased volatility to the foreign exchange market, with particular reference to the weakening sterling;
- Increased default risks of companies with links to the EU
- Increased volatility in gilt prices, with particular reference to deposit rates
- Exposure to the London prime real estate market

Given the proximity of the vote to the reporting date and this set of results, it remains too early to determine the full impact of the vote to leave the EU and the overall impact. This has resulted in financial market and macroeconomic uncertainty as the exit process is expected to take a number of years to plan, negotiate and implement. We are continuing to closely monitor and actively manage our positions in light of the vote in addition to strengthening the Bank's already strong capital and liquidity positions. Certain foreign exchange hedges have also been entered into to help mitigate FX risk arising from sterling volatility. In addition, we take comfort from our relatively low loan-to-value ratios in our property lending portfolio.

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 exposure to credit risk on balance sheet financial instruments as at 30 June 2016, 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 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Cash and balances with banks	70,157	72,653	88,732
Due from financial institutions			
Murabaha	-	17,548	23,690
Wakala	2,608	84,911	-
Due from customers	-	13,288	-
Investment securities	176,758	212,444	194,712
Financing arrangements	628,427	571,290	613,753
Finance lease receivables	278,065	262,005	282,607
Total credit exposure	**1,156,015**	**1,234,139**	**1,203,494**

As at 30 June 2016 there were 33 off balance sheet letters of guarantee outstanding (30 June 2015: 50 and 31 December 2015: 54) with a total exposure of £27.8 million (30 June 2015: £29.2 million and 31 December 2015: £21.2 million). These letters of guarantee mainly relate to short dated Trade Finance and Corporate & Structured Finance facilities with a maturity of less than six months.

ii. Exposure by country of incorporation of the borrower

The Group's exposure to credit risk at balance sheet date was dispersed across the following countries:

Group	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
GCC countries			
Bahrain	2,236	12,595	1,722
Kuwait	36,230	61,021	29,638
Qatar	12,597	48,922	21,129
Saudi Arabia	155,191	116,140	158,752
United Arab Emirates	20,953	72,885	51,393
EEA countries			
France	-	3,264	1,375
Ireland	7,667	3,924	9,482
Luxembourg	24,126	10,551	10,043
Norway	1,241	5,012	-
United Kingdom	796,651	776,518	847,201
Other countries			
Bermuda	-	3,749	-
British Virgin Islands	13,377	19,435	6,471
Cayman Islands	6,625	7,961	7,573
Djibouti	1,563	2,205	1,896
Guernsey	14,051	8,790	10,347
Hong Kong	3,529	2,634	4,241
Indonesia	605	1,565	1,007
Isle of Man	15,592	-	-
Jersey	20,697	7,272	7,273
Malaysia	1,490	27,357	5,402
Pakistan	-	491	517
Singapore	-	-	-
South Africa	152	484	131
South Korea	2,658	5,137	3,981
Switzerland	-	1,182	-
Turkey	9,659	13,421	9,690
USA	9,125	21,624	14,230
Total credit exposure	**1,156,015**	**1,234,139**	**1,203,494**

iii. Exposure by economic sector

The Group's exposure to credit risk at balance sheet date was dispersed across the following economic sectors:

Group	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Financial services			
GCC financial institutions	142,376	237,679	156,119
UK financial institutions	109,117	63,612	128,414
European financial institutions	19,898	14,500	7,713
Other financial institutions	15,101	38,078	19,017
Mining and quarrying	7,422	-	6,799
Manufacturing	39,781	33,132	56,895
Real estate	402,887	330,386	374,935
Transportation and storage	128,080	130,728	128,418
Government	36,122	53,136	58,221
Wholesale / Retail	117,952	135,378	47,610
Oil and gas	10,880	30,430	23,651
Commodities	44,105	51,635	92,035
Energy	18,362	11,989	4,585
Construction	26,004	29,270	27,936
Telecommunications	9,121	17,958	1,783
Others	28,807	56,228	69,363
Total credit exposure	**1,156,015**	**1,234,139**	**1,203,494**

iv. Credit risk quality

The Group's credit quality and direct investments are managed by Counterparty Credit Risk Committee ("CCRC") and Assets and Liabilities Committee respectively, under the oversight of the Executive Committee, and in the case of CCRC, Board Credit Committee. 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. BLME internal ratings are assigned an ECAI rating for comparison purposes. The table below shows the breakdown of credit quality as at 30 June 2016. Of the total portfolio 24% (30 June 2015: 34% and 31 December 2015: 28%) was directly rated by at least one of the ECAI, with 76% (30 June 2015: 66% and 31 December 2015: 72%) mapped using internal ratings.

For counterparties not rated by the major ECAI the Group determines underlying counterparty credit quality by use of its internal credit rating procedures. These procedures assess in combination, the financial and managerial strength, business model robustness, collateral value and availability and the sector and geography of the counterparty concerned. Following this assessment an internal BLME rating is allocated.

At 30 June 2016	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade equivalent	Sub-Investment Grade equivalent	Unlisted Equity Investments	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	70,157	-	-	-	-	70,157
Due from financial institutions	2,608	-	-	-	-	2,608
Due from customers	-	-	-	-	-	-
Investment securities	162,121	-	11,138	752	2,747	176,758
Financing arrangements	17,130	5,762	240,713	364,822	-	628,427
Finance lease receivables	9,364	5,312	64,670	198,719	-	278,065
Total credit exposure	**261,380**	**11,074**	**316,521**	**564,293**	**2,747**	**1,156,015**

At 30 June 2015	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade equivalent	Sub-Investment Grade equivalent	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	19,744	8,878	181,706	360,962	-	571,290
Finance lease receivables	35,701	4,259	105,407	116,638	-	262,005
Total credit exposure	**403,239**	**16,737**	**319,475**	**491,010**	**3,678**	**1,234,139**

At 31 December 2015	ECAI ratings		BLME Internal Rating		Unrated	Total
	Investment Grade	Sub-Investment Grade	Investment Grade equivalent	Sub-Investment Grade equivalent	Unlisted Equity Investments	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	88,732	-	-	-	-	88,732
Due from financial institutions	23,690	-	-	-	-	23,690
Due from customers	-	-	-	-	-	-
Investment securities	190,596	-	-	-	4,116	194,712
Financing arrangements	16,921	6,382	203,058	387,392	-	613,753
Finance lease receivables	8,813	2,446	70,879	200,469	-	282,607
Total credit exposure	**328,752**	**8,828**	**273,937**	**587,861**	**4,116**	**1,203,494**

The Group's cash balances, amounts due from financial institutions and investment securities were neither past due nor impaired as at 30 June 2016, 30 June 2015 and 31 December 2015.

v. Analysis of past due amounts and impairments

Group	Financing arrangements			Finance leases		
	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Neither past due nor impaired	539,215	497,423	560,253	250,191	244,966	256,901
Past due but not impaired	71,663	42,902	33,257	16,685	12,837	6,429
Gross exposure associated with impairment provision	54,131	57,809	53,329	22,221	6,256	24,995
Less: allowance for impairments	(36,582)	(26,844)	(33,086)	(11,032)	(2,054)	(5,718)
Total	**628,427**	**571,290**	**613,753**	**278,065**	**262,005**	**282,607**
Past due but not impaired	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Past due up to 30 days	5,842	-	8,980	16,552	12,719	5,742
Past due 30 to 60 days	27,211	18,729	24,277	-	86	687
Past due 60 to 90 days	10,460	9,978	-	1		-
Past due over 90 days	28,150	14,195	-	132	32	-
Total	**71,663**	**42,902**	**33,257**	**16,685**	**12,837**	**6,429**

Group	Operating leases		
	At 30 June 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Neither past due nor impaired	22,267	45,325	37,435
Past due but not impaired	685	-	-
Gross exposure associated with impairment provision	9,930	1,443	2,342
Less: allowance for impairments	(142)	(138)	(136)
Total	**32,740**	**46,630**	**39,641**
Past due but not impaired	**£000**	**£000**	**£000**
Past due up to 30 days	-	-	-
Past due 30 to 60 days	-	-	-
Past due 60 to 90 days	-	-	-
Past due over 90 days	685	-	-
Total	**685**	**0**	**0**

The past due but not impaired balances as at 30 June 2016 include £61.6 million (30 June 2015: £42.9 million and 31 December 2015: £29.8 million) relating to seven real estate transactions (30 June 2015: five and 31 December 2015: four) where the facility balances are lower than the collateral values. One of the seven facilities became current in July

2016 and the remaining six are currently being re-negotiated. An analysis of impairments is provided in Note 7 “Impairment of financial assets and operating leases”.

vi. Fair value of financial assets and liabilities

We have not identified any material movements between fair value and carrying value for our assets.

vii. Valuation of financial instruments

Level 1: Valuation is based upon quoted market price in an active market for an identical instrument.
Level 2: Valuation techniques are primarily based upon observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Valuation techniques using significant unobservable inputs.

Further detail on 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 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investment securities	173,258	-	3,500	176,758
Investment properties	-	26,500	-	26,500
Profit rate swaps liability	-	2,542	-	2,542

At 30 June 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£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 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investment securities	190,909	-	3,803	194,712
Investment properties	-	26,790	-	26,790
Profit rate swaps liability	-	1,369	-	1,369

During the six month period ended 30 June 2016, 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 (January 2014 and revised April 2015) – ‘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 2016**	**6 months to 30 June 2015**	**Year to 31 December 2015**
	£000	**£000**	**£000**
Balance at 1 January	3,803	3,339	3,339
Total (losses) / gains recognised in:			
- profit or loss*	107	(9)	(214)
- other comprehensive (expense) / income **	(410)	21	549
Purchases	-	100	130
Sales	-	-	(1)
Balance at period end	**3,500**	**3,451**	**3,803**

** This amount is included in "net fair value losses 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 £0.1 million in the income statement (30 June 2015: £0.009 million and 31 December 2015: £0.2 million), £0.1 million is attributable to the change in unrealised gains or losses relating to those assets held at the balance sheet date (30 June 2015: £0.09 million and 31 December 2015: £0.2 million).

viii. 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.

i. Residual contractual maturities of financial assets

At 30 June 2016	**Less than 1 month**	**1-3 months**	**3 - 12 months**	**1-5 years**	**5+ years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	70,157	-	-	-	-	70,157
Due from financial institutions	2,609	-	-	-	-	2,609
Due from customers	-	-	-	-	-	-
Investment securities	23,956	-	6,094	146,708	-	176,758
Financing arrangements	376,291	103,402	46,212	140,660	-	666,565
Finance lease receivables	12,364	22,153	95,685	162,450	9,895	302,547
	485,377	**125,555**	**147,991**	**449,818**	**9,895**	**1,218,636**

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	93,831	77,863	245,193	377	661,019
Finance lease receivables	961	8,826	26,843	248,917	9,915	295,462
	476,287	**114,272**	**121,291**	**634,521**	**10,974**	**1,357,345**

At 31 December 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	88,732	-	-	-	-	88,732
Due from financial institutions	21,522	2,315	-	-	-	23,837
Due from customers	-	-	-	-	-	-
Investment securities	5,688	419	29,120	164,798	2,989	203,014
Financing arrangements	280,287	79,452	132,028	158,279	-	650,046
Finance lease receivables	7,109	22,719	88,688	185,124	7,427	311,067
	403,338	**104,905**	**249,836**	**508,201**	**10,416**	**1,276,696**

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 2015: £0.7million and 31 December 2015: £0.5 million) as security against rental payments on the Group's premises.

ii. Residual contractual maturities of financial liabilities

At 30 June 2016	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	130,766	105,403	380,242	172,866	-	789,277
Due to customers	19,697	1,575	4,815	4,428	183,786	214,301
Profit rate swaps	-	-	19	2,522	-	2,541
	150,463	**106,978**	**385,076**	**179,816**	**183,786**	**1,006,119**

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 31 December 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	22,965	130,802	521,691	11,748	-	687,206
Due to customers	49,497	27,691	151,559	113,750	-	342,497
Profit rate swaps	83	-	35	1,251	-	1,369
	72,545	**158,493**	**673,285**	**126,749**	**-**	**1,031,072**

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 £123.5 million as at 30 June 2016 (30 June 2015: £113.8 million and 31 December 2015: £115.3 million). These LAB holdings have increased in the first half of 2016 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 2016, 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 £6,007 (30 June 2015: £1,614 and 31 December 2015: £6,383). 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 2016		At 30 June 2015		At 31 December 2015	
	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	2,795	-	742	-	1,893	-
Decrease in profit & loss	-	3,852	-	213	-	1,749
Increase in equity	1,159	-	841	-	2,447	-
Decrease in equity	-	2,268	-	101	-	2,386

ii. Credit spread risk

During 2015, the Bank operated a sukuk trading book, within which the portfolio size and individual issuer risks were limited to modest proportions. These positions were exited during 2015 and as such, no credit spread risk existed at 30 June 2016 or 31 December 2015 (30 June 2015: Value of trading book: £4.2 million / impact on equity and profit & loss of a 10% change in sukuk trading prices: £0.4 million).

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 2016 £000	At 30 June 2015 £000	At 31 December 2015 £000
Resultant FX revaluation gain from a 10% strengthening or weakening of the net foreign currency positions against Sterling	118	54	22
	6 months to 30 June 2016 £000	**6 months to 30 June 2015 £000**	**Year to 31 December 2015 £000**
Net foreign exchange gain / (loss) for the period	102	(221)	(528)

iv. Equity price risk

Equity prices are monitored by the Group's Assets and Liabilities 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 risk

Capital risk is the risk that low risk adjusted returns, or stress events reduce the Bank's profitability, which result in a reduction in available capital. This could potentially lead to a breach in the bank regulatory capital requirements. Capital adequacy and capital risk was assessed during the 2016 ICAAP submission at balance sheet date, which showed BLME internal assessment of capital requirements is sufficient to cover the capital requirements set by the Prudential Regulation Authority ("PRA").

At 30 June 2016 and throughout the period BLME complied with the capital requirements that were in force as set out by the PRA.

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 III Pillar 3 (the Pillar 3 disclosures) which can be found in the Investor Relations section of the BLME website www.blme.com.

20. 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 2016. The statutory accounts for the year ended 31 December 2015 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 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).

The Directors, who are required to prepare the financial statements on a going concern basis unless it is not appropriate, are satisfied that the Group has the resources to continue in business for the foreseeable future and that the financial statements continue to be prepared on a going concern basis.

By order of the Board:

Jabra Ghandour
Chief Executive Officer
24 August 2016

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 2016 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 2016 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
15 Canada Square
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E14 5GL
24 August 2016

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