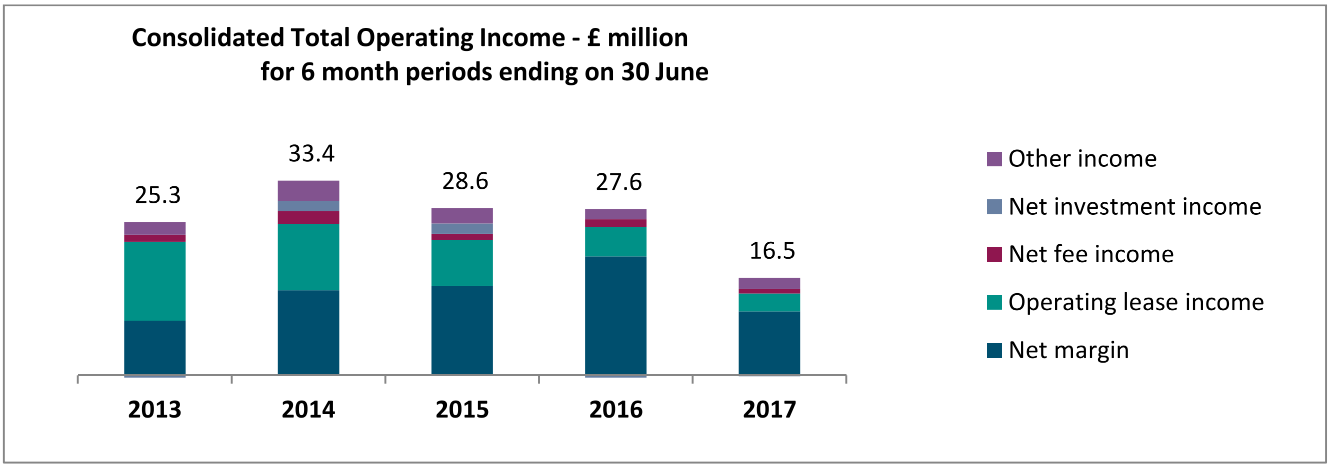
بنك لندن والشرق الأوسط
Bank of London & The Middle East

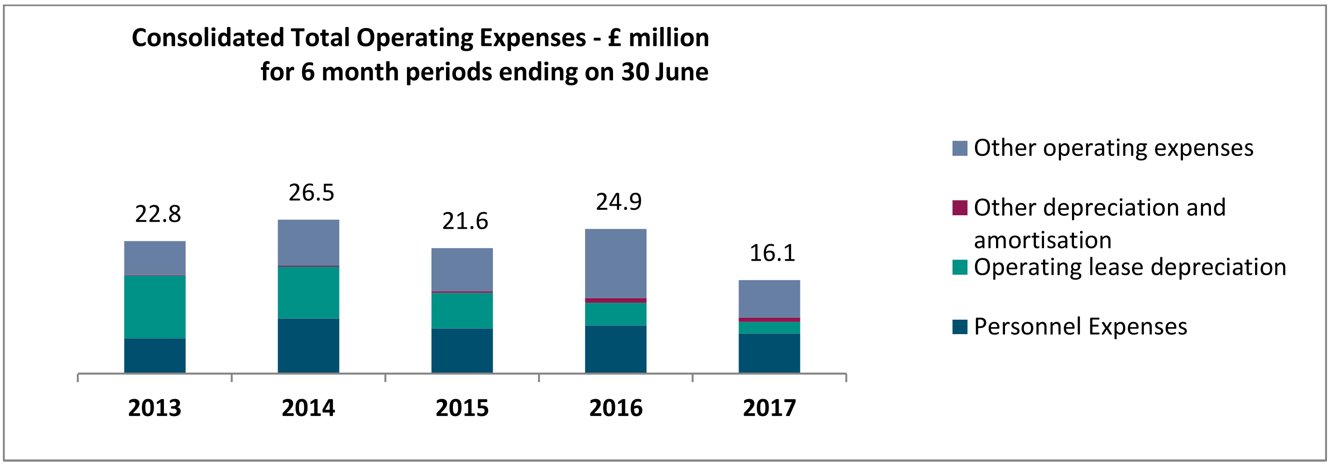
BLME Holdings plc
Interim Report
For the six months ended 30 June 2017
Registered number 08503102

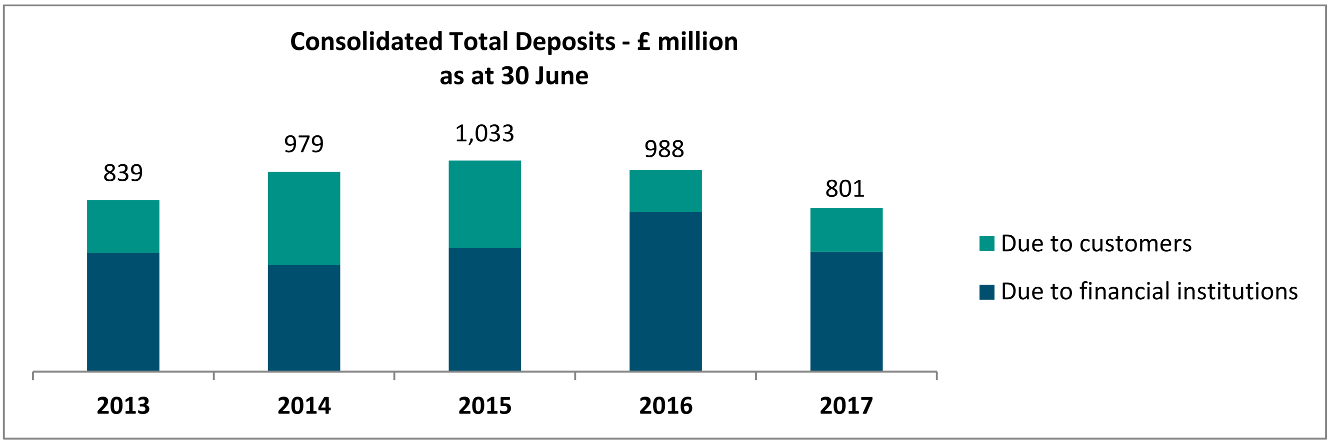
CONTENTS

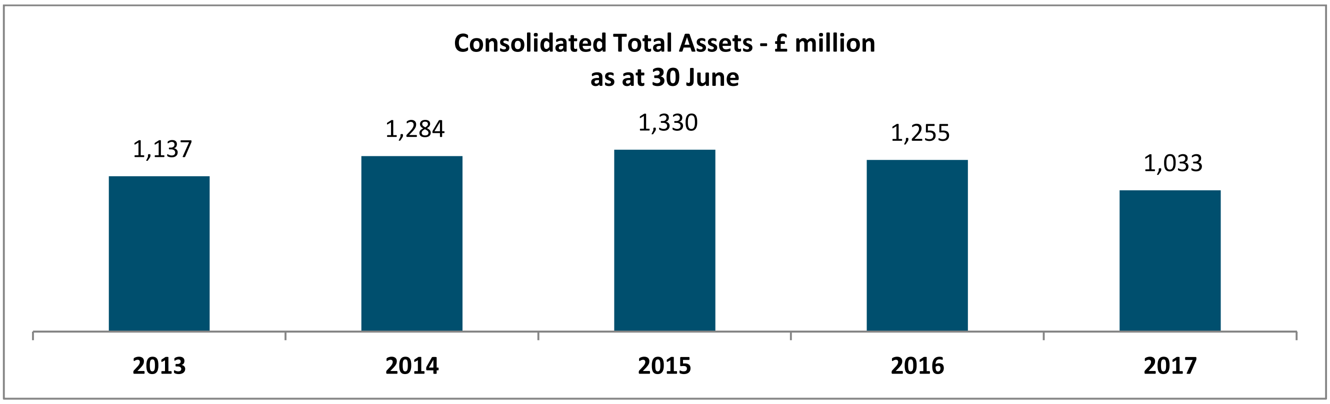
Group Highlights for BLME Holdings plc for the six months to 30 June 2017

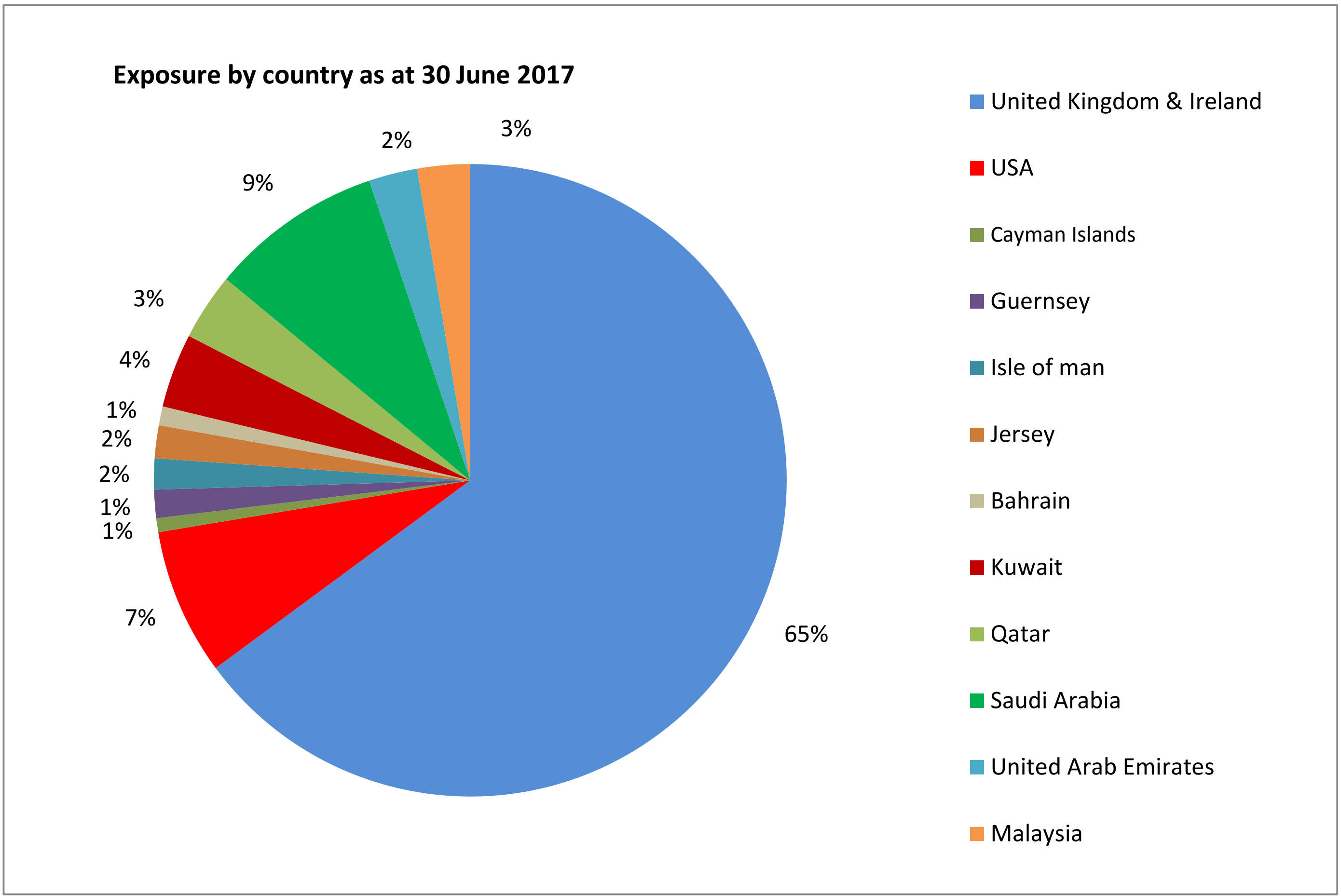
The group's profit after tax for the six months ended 30 June 2017 was £1.5 million (six months to 30 June 2016: loss after tax of £11.7 million and year to 31 December 2016: loss after tax of £21.4 million)

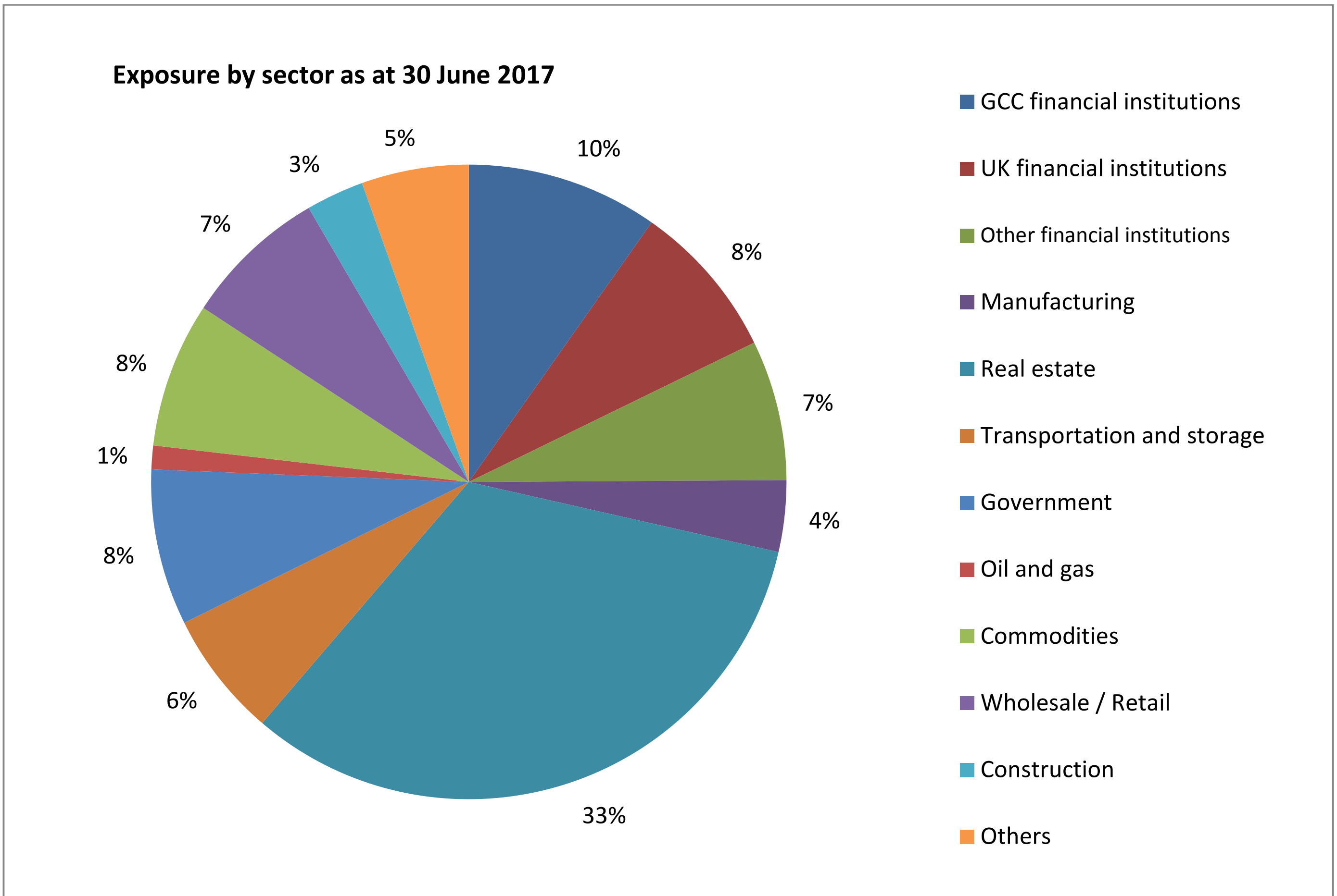




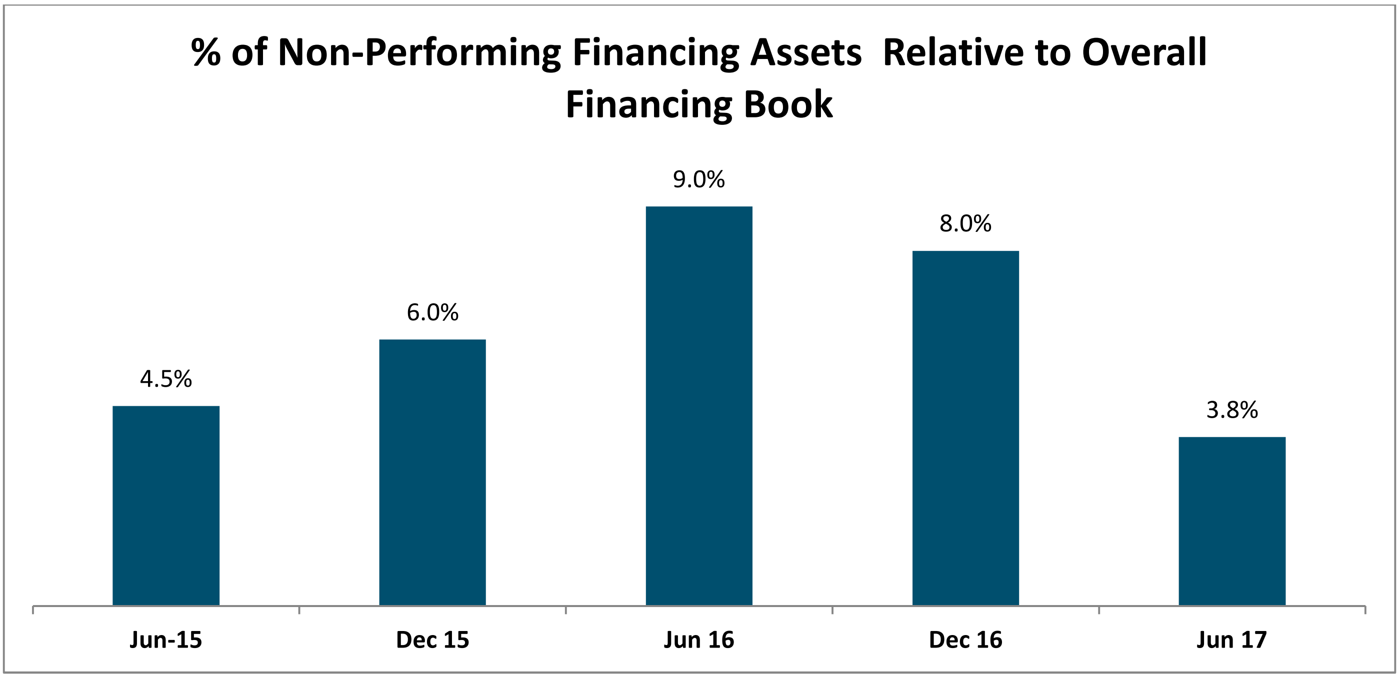


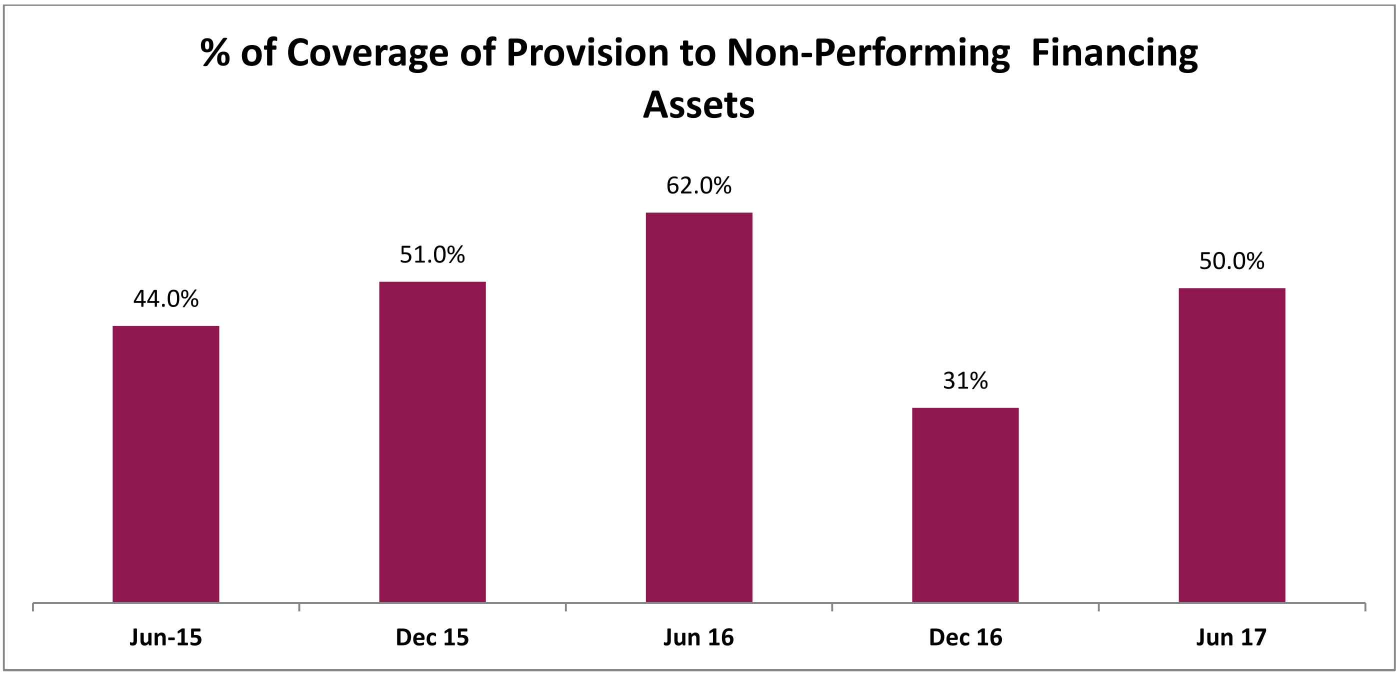






*GCC: Gulf Cooperation Council





Naming convention and abbreviations:

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

Chairman’s statement

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

To the Shareholders of BLME Holdings plc

Dear Shareholders,

I am encouraged by the progress made by the BLME Group during the first half of 2017 and in particular that the Bank has returned to profit. I am pleased to see a significant improvement in cost management and hope to see income improve by the end of 2017.

With the support of the Board, BLME are making great strides in building a more efficient and focussed Bank with a more conservative and robust approach to risk. I look forward to seeing further progress and sharing the Bank’s successes with you at the end of 2017.

I would like to extend my, and the Board’s gratitude for guidance and support provided by the Sharia’a Supervisory Board and our Shareholders.

Adel Abdul Wahab Al-Majed
Chairman
23 August 2017

Chief Executive Officer’s statement

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

At the end of 2016 I set out BLME's Wealth led strategy detailing what we needed to do in order to deliver sustainable performance and create long-term value for our shareholders. We have made good progress in implementing this strategy and this is already having a positive impact on the Bank’s financial performance.

Financial Performance

I am pleased to report that the Group has returned to profit in the first half of 2017 with a Profit after tax of £1.5 million compared to a loss after tax of £11.7 million in the first half of 2016. The Group’s Balance Sheet has stabilised at £1 billion as we both de-risk our portfolio and add new, quality assets.

A priority for the Bank has been to reduce operating expenses whilst developing diversified income streams. The reduction in recurring costs of 30%, despite investment in key strategic initiatives, has been key to the turnaround in our financial performance.

The reduction of legacy and non-core assets has impacted our operating income of £16.5 million which is down 40% for the first half of the year, however, our deal pipeline is strong and we are starting to see a significant new business opportunities from both the GCC and the UK. BLME has, pleasingly, returned to an Operating Profit of £0.4 million and impairments have been well contained.

Strategy Implementation

Product development is central to developing new income streams. We have recently relaunched regulated mortgages, which fall outside of Mortgage Conduct of Business regulations. BLME also offers a concierge service for selected clients. We have also leveraged our expertise in Leasing to offer specialist finance for luxury yachts and jets to our private banking clients. These products and services will further develop our Wealth Management division which is central to the future success of BLME.

Commercial Finance is building a strong pipeline of new business in our targeted areas of Leasing, Corporate and Asset Finance. Our regional office in Manchester is performing well and our Joint Venture with a leading global provider of construction equipment is an important contributor to Commercial Finance’s overall performance.

We are developing our relationships with investors and as a result have started seeing more client introductions and new transactions from our key shareholders. BLME is building links with GCC Financial Institutions with the aim of supporting their clients in the UK.

We are putting in place the foundations for a lower risk, more sustainable bank. We have invested in Compliance and Financial Crime functions and ensure we meet the standard of conduct required by the regulators.

Our management of credit risk is reflected in the reduction in non-performing financing relative to the overall financing book from 9% in June 2016 to 3.8% at the 30 June 2017. Coverage provisions to non-performing financing sit at 50%. We have also reduced concentration risks in both assets and liabilities. We have seen a slight increase of 4% in the number of depositors and expect this to continue to increase as we launch new savings products.

Culture and Values

Considerable focus has been on developing a culture and corporate values that are aligned with our objectives and which reinforce and complement regulatory compliance. These values inform how we interact with our clients, each other and our stakeholders. This investment in people and culture puts BLME firmly on the road to becoming a great place to work and an attractive partner in business.

On 29 June 2017, BLME Holdings plc directors' Michael Williams, Calum Thomson, David Williams, and Jabra Ghandour purchased 30,000 ordinary shares each in the Company. In addition, Jabra Ghandour exercised a number of share options as detailed in note 19.

We have taken the first steps in implementing a sustainable strategy that can deliver long term returns to our Shareholders, and the outlook for the remainder of 2017 is encouraging.

Giles Cunningham
Chief Executive Officer
23 August 2017

Condensed consolidated income statement

For the six months ended 30 June 2017	Note	(Unaudited) 6 months to 30 June 2017 £000	(Unaudited) 6 months to 30 June 2016 £000	(Audited) Year to 31 December 2016 £000
Income				
Income from financing and investing activities		19,417	29,985	54,995
Returns to financial institutions and customers		(8,487)	(9,615)	(19,530)
Net margin		**10,930**	**20,370**	**35,465**
Fee and commission income		1,059	1,427	2,687
Fee and commission expense		(257)	(106)	(520)
Net fee and commission income		**802**	**1,321**	**2,167**
Net fair value losses on investment securities		(201)	(611)	(3,117)
Net fair value losses on investment properties	*11*	-	(290)	(40)
Operating lease income		3,071	5,051	8,703
Other operating income	*5*	1,882	1,721	3,682
Total operating income		**16,484**	**27,562**	**46,860**
Expenses				
Personnel expenses	*6*	(6,880)	(8,273)	(15,465)
Operating lease depreciation	*14*	(1,987)	(3,923)	(6,366)
Other depreciation and amortisation		(781)	(754)	(1,522)
Other operating expenses		(6,459)	(11,893)	(24,783)
Change in third party interest in consolidated funds		-	(77)	(45)
Total operating expenses		**(16,107)**	**(24,920)**	**(48,181)**
Operating profit/ (loss) before impairment charges & loss on disposal of group company		**377**	**2,642**	**(1,321)**
Net impairment gain/ (charge) on financial assets and operating leases	*7*	1,168	(9,697)	(15,843)
Loss on disposal of group company		-	(1,720)	(1,720)
Profit/ (loss) before tax		**1,545**	**(8,775)**	**(18,884)**
Tax expense	*8*	(40)	(2,935)	(2,499)
Profit/ (loss) for the period		**1,505**	**(11,710)**	**(21,383)**
Attributable to:				
Owners of the parent		1,300	(11,710)	(21,833)
Non controlling interest		205	-	-
		1,505	**(11,710)**	**(21,383)**
		Pence	**Pence**	**Pence**
Earnings per share				
Basic earnings per share	*9*	0.67	(6.06)	(11.07)
Diluted earnings per share	*9*	0.67	(6.06)	(11.07)

The notes on pages 16 to 49 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2017 (unaudited)

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Income			
Profit/(Loss) for the period	**1,505**	**(11,710)**	**(21,383)**
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)	(8)	25
Foreign currency translation differences for cash flow hedging reserve	-	(195)	-
Changes in fair value of cash flow hedges taken to equity	-	30	-
Foreign currency translation differences for fair value reserve	-	-	94
Cashflow hedging reserve recycled to the income statement	-	-	1,971
Changes in fair value of available-for-sale financial assets taken to equity	(461)	747	231
Changes in fair value of hedging instruments	239	-	(1,193)
Income tax on other comprehensive income	-	(231)	(589)
Other comprehensive income / (expense) for the period net of income tax	**(230)**	**343**	**539**
Total comprehensive income/(expense) for the period	**1,275**	**(11,367)**	**(20,844)**
Attributable to:			
Owners of the parent	1,070	(11,367)	(20,844)
Non controlling interest	205	-	-
Total comprehensive income/(expense) for the period	**1,275**	**(11,367)**	**(20,844)**

The notes on pages 16 to 49 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2017 (unaudited)

	Note	30 June 2017	30 June 2016	31 December 2016
		£000	£000	£000
Assets				
Cash and balances with banks		103,617	70,157	71,152
Due from financial institutions		48,533	2,608	107,182
Due from customers		9,025	-	-
Investment securities	10	151,300	176,758	112,161
Financing arrangements	12	518,777	628,427	473,304
Finance lease receivables	13	161,113	278,065	232,701
Operating lease assets	14	28,026	32,740	24,361
Investment properties	11	-	26,500	-
Property and equipment		1,243	1,896	1,523
Intangible assets		1,380	2,236	1,693
Other assets	15	10,061	35,412	8,276
Total assets		**1,033,075**	**1,254,799**	**1,032,353**
Liabilities				
Due to financial institutions		588,268	780,586	586,964
Due to customers		213,197	206,960	213,804
Profit rate swaps		987	2,542	1,305
Third party interests in consolidated funds		-	19,908	433
Other liabilities	16	11,949	18,094	12,739
Current tax liability		159	129	-
Total liabilities		**814,560**	**1,028,219**	**815,245**
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		(552)	1,099	(331)
Cash flow hedging reserve		-	(1,593)	-
Share-based payment reserve		1,766	1,649	1,604
Foreign currency translation reserve		8	(17)	16
Retained earnings		136,907	145,233	135,610
Non-controlling interests		177	-	-
Total equity		**218,515**	**226,580**	**217,108**
Total liabilities and equity		**1,033,075**	**1,254,799**	**1,032,353**

These financial statements were approved by the Board of Directors on 23 August 2017 and were signed on its behalf by:

Giles Cunningham
Chief Executive Officer

Chris Power
Chief Financial Officer

The notes on pages 16 to 49 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2017 (unaudited)

Cash flows from operating activities	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Profit/(Loss) for the period	1,505	(11,710)	(21,383)
Adjusted for:			
Exchange differences	1,033	102	711
Fair value gains on investment properties	-	290	40
Fair value gains/(losses) on investment securities	187	(347)	202
Release/(Increase) in cash flow hedge reserve	-	-	2,305
Provision for impairment	(1,168)	9,697	15,843
Depreciation and amortisation	2,774	4,677	7,888
Share-based payment awards	161	180	171
Loss on disposal of group company	-	1,720	1,720
Mark-to-market movement in profit rate swaps	-	1,085	(250)
Tax expense	40	2,935	2,499
	4,532	**8,629**	**9,746**
Net decrease / (increase) in operating assets:			
Due from financial institutions	60,334	21,082	(77,443)
Due from customers	(9,024)	-	-
Financing arrangements	(46,259)	(20,725)	126,909
Finance lease receivables	71,645	(1,457)	44,190
Operating lease assets	(4,841)	2,053	6,407
Other assets	(1,807)	(13,520)	12,865
	70,048	**(12,567)**	**112,928**
Net increase / (decrease) in operating liabilities:			
Due to financial institutions	710	121,558	(131,306)
Due to customers	(538)	(115,303)	(108,712)
Third party interest in consolidated funds	(637)	19,258	(9,247)
Other liabilities	(1,548)	(3,739)	6,390
Non controlling interest	177	-	-
	(1,836)	**21,774**	**(242,875)**
Corporation tax received	-	700	1,003
Net cash inflow/(outflow) from operating activities	**72,744**	**18,536**	**(119,198)**
Cashflow from investing activities			
Purchase of property and equipment	-	(73)	8
Purchase of intangible assets	(184)	(440)	(372)
Sale of investment properties	-	-	26,750
Purchase of investments	(69,441)	39,417	(56,808)
Sale of investments	23,946	(37,426)	167,408
Loss on disposal of group company	-	1,763	-
Cash outflow upon deconsolidation of subsidiary	-	-	(1,705)
Net cash (outflow) / inflow from investing activities	**(45,679)**	**3,241**	**135,281**
Cash flows from financing activities			
Subscriptions to consolidated funds	-	4,310	4,680
Redemptions from consolidated funds	-	(47,800)	(43,639)
Net cash (outflow) from financing activities	**-**	**(43,490)**	**(38,959)**
Net change in cash and cash equivalents	**27,065**	**(21,713)**	**(22,876)**
Cash and cash equivalents at the beginning of the period	71,152	88,732	88,732
Exchange differences in respect of cash and cash equivalents	5,400	3,138	5,296
Cash and cash equivalents at the end of the period	**103,617**	**70,157**	**71,152**

The notes on pages 16 to 49 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2017 (unaudited)

	Share capital	Merger reserve	Other reserve	Capital redemption reserve	Fair value reserve	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total	Non Controlling Interest	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 December 2016	48,933	16,000	15,226	50	(331)	1,604	135,610	16	217,108	192	217,300
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**1,300**	**-**	**1,300**	**205**	**1,505**
Other comprehensive income/(expense)											
Foreign currency translation	-	-	-	-	-	-	-	(8)	(8)	-	(8)
Change in fair value of AFS financial assets	-	-	-	-	(461)	-	-	-	(461)	-	(461)
Changes in fair value hedged item	-	-	-	-	240	-	-	-	240	-	240
Total other comprehensive (expense)	**-**	**-**	**-**	**-**	**(221)**	**-**	**-**	**(8)**	**(229)**	**-**	**(229)**
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**(221)**	**-**	**1,300**	**(8)**	**1,071**	**205**	**1,276**
Contributions by and distributions to owners											
Dividend		-	-		-	-	-	-	-	(220)	(220)
Share-based payment awards	-	-	-	-	-	162	-	-	162	-	162
Other movements							(3)		(3)		(3)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**162**	**(3)**	**-**	**159**	**(220)**	**(61)**
Balance at 30 June 2017	**48,933**	**16,000**	**15,226**	**50**	**(552)**	**1,766**	**136,907**	**8**	**218,338**	**177**	**218,515**

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.

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 2016.

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.

Non-Controlling Interest relates to the minority shareholders in MKL Construction Equipment Finance Limited.

The notes on pages 16 to 49 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 £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	Non Controlling Interest £000	Total Equity £000
Balance at 31 December 2015	48,933	16,000	15,226	50	537	(1,382)	1,484	156,928	(9)	237,767	-	237,767
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,710)**	**-**	**(11,710)**	**-**	**(11,710)**
Other comprehensive income/(expense)												
Foreign currency translation	-	-	-	-	-	(195)	-	-	(8)	(203)	-	(203)
Changes in fair value of cash flow hedges	-	-	-	-	-	30	-	-	-	30	-	30
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(46)	-	-	-	(46)	-	(46)
Change in fair value of AFS financial assets	-	-	-	-	747	-	-	-	-	747	-	747
Tax on change in fair value of AFS financial assets	-	-	-	-	(185)	-	-	-	-	(185)	-	(185)
Total other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**562**	**(211)**	**-**	**-**	**(8)**	**343**	**-**	**343**
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**562**	**(211)**	**-**	**(11,710)**	**(8)**	**(11,367)**	**-**	**(11,367)**
Contributions by and distributions to owners												
Share-based payment awards	-	-	-	-	-	-	165	-	-	165	-	165
Other movements	-	-	-	-	-	-	-	15	-	15	-	15
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**165**	**15**	**-**	**180**	**-**	**180**
Balance at 30 June 2016	**48,933**	**16,000**	**15,226**	**50**	**1,099**	**(1,593)**	**1,649**	**145,233**	**(17)**	**226,580**	**-**	**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 2016.
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.
Non-Controlling Interest relates to the minority shareholders in MKL Construction Equipment Finance Limited.

The notes on pages 16 to 49 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the year ended 31 December 2016 (audited)	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	Non Controlling Interest	Total Equity
	£000	**£000**	**£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	-	237,767
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21,383)**	**-**	**(21,383)**	**-**	**(21,383)**
Other comprehensive income / (expense)												
Foreign currency translation	-	-	-	-	94		-	-	25	119	-	119
Cashflow hedging reserve recycled to income statement	-	-	-	-	-	1,971	-	-	-	1,971	-	1,971
Recognition of tax asset on cash flow hedge reserve	-	-	-	-	-	(589)	-	-	-	(589)	-	(589)
Change in fair value of AFS financial assets	-	-	-	-	231	-	-	-	-	231	-	231
Reclassification of the fair value hedging instruments	-	-	-	-	(1,193)	-	-	-	-	(1,193)	-	(1,193)
Tax on change in fair value of AFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**(868)**	**1,382**	**-**	**-**	**25**	**539**	**-**	**539**
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**(868)**	**1,382**	**-**	**(21,383)**	**25**	**(20,844)**	**-**	**(20,844)**
Contributions by and distributions to owners												
Equity-settled share-based payment awards	-	-	-	-	-	-	171	-	-	171	-	171
Transfer to Retained Earnings	-	-	-	-	-	-	(51)	51	-	-	-	-
Other movements	-	-	-	-	-	-	-	14	-	14	-	14
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**120**	**65**	**-**	**185**	**-**	**185**
Balance at 31 December 2016	**48,933**	**16,000**	**15,226**	**50**	**(331)**	**-**	**1,604**	**135,610**	**16**	**217,108**	**-**	**217,108**

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. The change in fair value of AFS financial assets includes a £1.2 million adjustment relating to fair value hedging. During 2016, management identified that fair value movements in hedging instruments relating to the fair value risk being hedged were recorded against financing arrangements rather than being recognised against the fair value reserve.

Cash flow hedging reserve: During 2016, the Group identified that cash flow hedge accounting had not been appropriately adopted as the hedging transactions did not satisfy the criteria for hedge accounting under IAS 39. This was corrected in the annual financial statements for the year ended 2016.

Share-based payment reserve represents the amortised portion of the fair value of equity instruments issued under the Group's share incentive schemes and accounted for as equity-settled share-based payments. The transfer to retained earnings represents the recycling of credits previously recognised within the Share Based Payment Reserve in relation to DABS options which have been settled, have forfeited or have lapsed.

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The **Merger reserve** and **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 2016.

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.

Non-Controlling Interest relates to the minority shareholders in MKL Construction Equipment Finance Limited

The notes on pages 16 to 49 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 2017 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 2016. 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. 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 2016. All amounts have been rounded to the nearest thousand except when otherwise indicated.

a. Adoption of new and amended accounting standards in 2017

The following new amendments or interpretations are required to be applied for an annual period beginning on 1 January 2017 however none are deemed material to the Group:

- IAS 7 Statement of Cashflows – Amendments as a result of Disclosure Initiative
- IAS 12 Income Taxes - Amendments regarding the recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 12 Disclosure of Interest in Other Entities – Amendments resulting from Annual Improvements 2014-2016 Cycle

b. Future accounting developments

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these interim financial statements:

- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- IAS 28 Investments in Associates and Joint Ventures, effective 1 January 2018
- IAS 40 Investment Property, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018

IFRS 9 will replace the existing standard on the recognition and measurement of financial instruments (IAS 39) and is effective for annual periods beginning on or after 1 January 2018. The Group does not plan to adopt this standard early.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. The Group is in the process of evaluating the impact of adopting this standard; updates have been provided on a regular basis to the Audit Committee explaining the considerations required.

Classification

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Management is still in the process of assessing the impact of IFRS 9 on the classification and measurement of financial assets and impairment of financial assets.

With regards to financial liabilities, IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income (OCI); and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so; consequently management does not expect this to have a material impact on the Group's consolidated financial statements when transitioning to IFRS 9.

Impairment

IFRS 9 replaces the 'incurred loss model' under IAS 39 with a forward-looking expected credit loss ("ECL") model. This will require significant judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. It will also apply to finance lease receivables, trade receivables and off-balance sheet commitments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12-months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39 as applied in our current impairment assessment.

Transition and disclosure

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- the Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018;
- new hedge accounting requirements should generally be applied prospectively however the Group may elect to apply the expected change in accounting for forward points retrospectively. The Group has not made a decision in relation to this election.
- the following assessments have to be made on the basis of facts and circumstances that exist at the date of initial application:
    - the determination of the business model within which a financial asset is held;
    - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL (if any); and
    - the designation of certain debt securities and equity investments not held for trading as at FVOCI.

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss.

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 2016.

c. Presentation of comparative figures

The comparative financial information for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

3. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best assessment of the outcome, actual results may ultimately differ from those estimates. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

There have been no significant changes in the basis upon which critical estimates and judgements have been determined, compared to those applied at 31 December 2016.

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:

Commercial Finance

Commercial Finance specialises in providing competitive financing solutions to the UK Mid-Market and particularly supports those companies that have links to the GCC region. The clients range from multinational corporations to family businesses generally earning a minimum operating profit of £1 million across a variety of business sectors. The facilities offered typically range in size from £1 million - £20 million and the credit approval process is centralised in the London office.

Commercial Finance, have particular expertise in following sectors: real estate, transportation, healthcare and energy and can offer companies a comprehensive package of facilities. The business is relationship focussed so the same team remains with the transaction from origination to repayment. Commercial Finance division is organised into three departments:

- Leasing solutions for the UK mid-market, including international facilities and wholesale finance
- Corporate and Asset Finance for the GCC including vendor programmes.
- Trade Finance offering inventory finance, structured trade transactions and letters of credit

Wealth Management

Wealth Management includes the Group's complementary businesses of Private Banking, Investment Solutions and Real Estate Finance.

The Private Banking business focuses on providing private banking services leveraging our Real Estate and Leasing capabilities. It provides deposit products, banking services and residential and investment property finance targeted towards GCC and MENA based High Net Worth Individuals and also provide business jet and super yacht finance.

Investment Solutions offers targeted Sharia 'a compliant investments through in-house capabilities or third parties.

Real Estate Finance provides finance to small and medium sized Real Estate developers, investors and High Net Worth Individuals looking to invest in UK property across all sectors.

Treasury

The Treasury division funds the Group's financing activities in Commercial Finance 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 2017

	Treasury Division £000	Commercial Finance £000	Wealth Management £000	Total £000
Net margin from financing and investing activities	253	6,237	4,440	10,930
Operating lease income	401	2,670	-	3,071
Net fee income	12	570	220	802
Net fair value losses on investment securities	(201)	-	-	(201)
Other operating income	1,074	791	17	1,882
Total operating income	**1,539**	**10,268**	**4,677**	**16,484**
Directly attributable segment expenses	(880)	(2,454)	(1,502)	(4,836)
Operating lease depreciation	-	(1,987)	-	(1,987)
Net impairment gain/(charge) on financial assets	(18)	263	923	1,168
Net segment contribution	**641**	**6,090**	**4,098**	**10,829**
Common costs not directly attributable to segments				(9,284)
Net operating profit before tax				**1,545**
Segment assets	298,221	475,869	255,035	1,029,125
Unallocated assets				3,950
Total reportable segments assets				**1,033,075**

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 2016

	Treasury Division £000	Commercial Finance* £000	Wealth Management* £000	Total £000
Net margin from financing and investing activities	834	9,348	10,188	20,370
Operating lease income	461	4,590	-	5,051
Net fee income	95	986	240	1,321
Net fair value losses on investment securities	(366)	-	(245)	(611)
Net fair value losses on investment properties	-	-	(290)	(290)
Other operating income*	337	633	751	1,721
Total operating income	**1,361**	**15,557**	**10,644**	**27,562**
Directly attributable segment expenses	(1,224)	(6,000)	(2,237)	(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 gain/(charge) on financial assets	230	(9,157)	(770)	(9,697)
Net segment contribution	**367**	**(5,316)**	**7,633**	**2,684**
Common costs not directly attributable to segments				(11,459)
Net operating loss before tax				**(8,775)**
Segment assets	271,050	602,344	364,211	1,237,605
Unallocated assets				17,194
Total reportable segment assets				**1,254,799**

*During the period ended 30 June 2017, the Real Estate business moved from the Commercial Finance division to the Wealth Management division and therefore the comparatives have been reclassified to reflect the move.

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 2016

	Treasury Division £000	Commercial Finance* £000	Wealth Management* £000	Total £000
Net margin from financing and investing activities	682	16,499	18,284	35,465
Operating lease income	881	7,822	-	8,703
Net fee income	381	1,684	102	2,167
Net fair value gains/(losses) on investment securities	(3,361)	-	244	(3,117)
Net fair value losses on investment properties	-	-	(40)	(40)
Other operating income	977	1,133	1,572	3,682
Total operating income	**(440)**	**27,138**	**20,162**	**46,860**
Directly attributable segment expenses	(2,144)	(9,594)	(4,937)	(16,675)
Operating lease depreciation	-	(6,366)	-	(6,366)
Net impairment credit/(charge) on financial assets	608	(14,470)	(1,981)	(15,843)
Loss on disposal of group company	-	(1,720)	-	(1,720)
Change in third party interest in consolidated funds	-	(295)	250	(45)
Net segment contribution	**(1,976)**	**(5,307)**	**13,494**	**6,211**
Common costs not directly attributable to segments				(25,095)
Net operating loss before tax				**(18,884)**
Segment assets	290,779	487,450	249,593	1,027,822
Unallocated assets				4,531
Total reportable segment assets				**1,032,353**

*During the period ended 30 June 2017, the Real Estate business moved from the Commercial Finance division to the Wealth Management division and therefore the comparatives have been reclassified to reflect the move.

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	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Dubai	133	166	155
Luxembourg	29	18,711	253
United Kingdom	39,459	71,097	32,546
USA	1,075	8,755	2,850
Others	14	55	49
Total	**40,710**	**98,784**	**35,853**

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 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Gain on foreign exchange transactions	1,033	102	756
Gain on leased asset sales	832	356	1,135
Rental income from investment properties	-	731	1,540
Other	17	532	251
	1,882	**1,721**	**3,682**

6. Personnel expenses

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Wages and salaries	5,579	6,337	11,138
Social security costs	610	715	1,194
Defined contribution pension scheme costs	493	532	1,082
Recruitment and relocation costs	51	439	951
Other staff costs	147	250	1,100
	6,880	**8,273**	**15,465**

	6 months to 30 June 2017 Number	6 months to 30 June 2016 Number	Year to 31 December 2016 Number
Number of employees at period end	119	124	123
Average for the period - management	9	7	8
Average for the period - non-management	111	132	118

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 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Opening impairment balance	23,163	39,087	39,087
Exchange translation and other movements	(222)	1,927	1,369
Income statement:			
Gross specific impairment charge for the period	79	10,009	17,421
Gross collective impairment charge for the period	100	1,175	799
Amounts recovered during the period	(1,347)	(1,487)	(2,377)
Net impairment (gain)/charge for the period	**(1,168)**	**9,697**	**15,843**
Amounts written off during the period	(4,257)	(2,838)	(33,136)
Closing impairment balance	**17,516**	**47,873**	**23,163**
Being impairments against:			
Financing arrangements	10,595	36,582	15,338
Finance lease receivables	6,626	11,032	6,992
Operating lease assets	295	142	833
Other financial assets	-	117	-
	17,516	**47,873**	**23,163**

8. Taxation

	6 months to 30 June 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
UK Corporation tax			
- on current period profit / loss	111	(134)	40
- prior period adjustment	(71)	-	-
	40	(134)	40
Overseas tax for the period	-	7	22
Deferred tax charge / (credit) for the period	-	3,062	2,437
Tax charge / (credit) in income statement	**40**	**2,935**	**2,499**

The effective tax rate for the period is 3% (six months ended 30 June 2016: 33% and year ended 31 December 2016: 13%), representing the best estimate of the annual effective tax rate expected for the full year, applied to the operating profit before tax for the six month period.

The UK corporation tax rate reduced from 20% to 19% (effective from 1 April 2017) and will reduce to 17% effective from 1 April 2020; the latter rate change was enacted on 15 September 2016. New legislation was enacted in 2016 with the effect that from 1 April 2016, only 25% of a Bank's taxable profits can be relieved by brought forward losses. The Government announced on 16 March 2016 that further changes to the rules on the utilisation of tax losses will be introduced effective from 1 April 2017; however, the new legislation has not yet been enacted.

During the period ended 30 June 2016, 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 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 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Cash flow hedging reserve	-	(46)	-
Fair value reserve	-	(185)	-
	-	**(231)**	**-**

9. Earnings per share

The calculation of basic earnings per share is based on the profit/ (loss) 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 2017	6 months to 30 June 2016	Year to 31 December 2016
Earnings per share	**pence**	**pence**	**pence**
Basic	0.67	(6.06)	(11.07)
Diluted	0.67	(6.06)	(11.07)

Profit/(loss) attributable to ordinary shareholders	**£000**	**£000**	**£000**
Profit/(loss) attributable to shareholders (basic)	1,300	(11,710)	(21,383)
Profit/(loss) attributable to shareholders (diluted)	1,300	(11,710)	(21,383)

	At 30 June 2017	At 30 June 2016	At 31 December 2016
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 Employee Benefit Trust	(2,258,915)	(2,592,247)	(2,592,248)
Weighted average number of shares (basic)	193,474,776	193,141,444	193,141,443
Effect of dilutive share options in issue	1,234,752	6,520,247	8,908,352
Weighted average number of shares (diluted)	194,709,528	199,661,691	202,049,795

10. Investment securities

	At 30 June 2017		
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	-	-	-
Available-for-sale			
Equity	-	2,628	2,628
Sukuk	100,606	27,026	127,632
Held to maturity			
Sukuk	9,455	11,585	21,040
	110,061	**41,239**	**151,300**

	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 31 December 2016		
	Listed	Unlisted	Total
	£000	£000	£000
Fair value through profit and loss			
Sukuk	-	-	-
Available-for-sale			
Equity	-	3,170	3,170
Sukuk	90,171	820	90,991
Held to Maturity			
Sukuk	-	18,000	18,000
	90,171	**21,990**	**112,161**

11. Investment properties

Group	At 30 June 2017	At 30 June 2016	At 31 December 2016
	£000	£000	£000
Opening valuation	-	26,790	26,790
Purchases at cost	-	-	-
Disposals	-	-	(26,750)
Movements in fair value *	-	(290)	(40)
Closing valuation	**-**	**26,500**	-

** This item has been included in "Net fair value losses 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.

During 2016, the Light Industrial Building Fund portfolio was sold which resulted in investment properties being derecognised from the Group's consolidated statement of financial position.

The income statement for 2017 includes rental income from the investment properties of £Nil (six months to 30 June 2016: £0.7 million and year to 31 December 2016: £1.5 million) in the line "Other operating income" and direct operating expenses including repairs and maintenance of £Nil (six months to 30 June 2016: £0.05 million and year to 31 December 2016: £0.02 million) in the line "Other operating expenses".

12. Financing arrangements

	Less than 1 year	1-5 years	Over 5 years	At 30 June 2017 Total
	£000	£000	£000	£000
Murabaha	421,839	98,588	(50)	520,377
Mudaraba	-	3,567	-	3,567
Musharaka	-	-	-	-
Sukuk	42	5,386	-	5,428
	421,881	**107,541**	**(50)**	**529,372**
Provision for impairment				(10,595)
				518,777
Specific Impairment				(8,956)
Collective Impairment				(1,639)
				(10,595)

	Less than 1 year	1-5 years	Over 5 years	At 30 June 2016 Total
	£000	£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
Specific Impairment				(34,025)
Collective Impairment				(2,557)
				(36,582)

	Less than 1 year	1-5 years	Over 5 years	At 31 December 2016 Total
	£000	£000	£000	£000
Murabaha	417,319	59,895	-	477,214
Mudaraba	-	3,798	-	3,798
Musharaka	1,133	-	-	1,133
Sukuk	-	6,497	-	6,497
	418,452	**70,190**	**-**	**488,642**
Provision for impairment				(15,338)
				473,304
Specific Impairment				(13,511)
Collective Impairment				(1,827)
				(15,338)

These tables represent contractual maturities. For definitions of the above Sharia'a financing terminology, refer to Note 1 of the Group's annual financial statements for the year ended 31 December 2016.

13. Finance lease receivables

	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Gross investment in finance lease receivables			
Less than one year	36,825	74,987	56,136
One to five years	42,505	60,107	49,953
More than five years	7,941	9,765	9,281
	87,271	144,859	115,370
Gross investment in hire purchase			
Less than one year	50,575	66,323	64,133
One to five years	43,209	102,343	80,403
More than five years	-	131	37
	93,784	168,797	144,573
Unearned future income on finance leases	(8,421)	(11,021)	(10,745)
Unearned future income on hire purchase	(4,895)	(13,538)	(9,505)
Provision for impairment	(6,626)	(11,032)	(6,992)
Net investment in finance leases & hire purchase	**161,113**	**278,065**	**232,701**
Specific Impairment	(4,668)	(9,068)	(4,674)
Collective Impairment	(1,958)	(1,964)	(2,318)
	(6,626)	**(11,032)**	**(6,992)**
The net investment in finance lease receivables comprises:			
Less than one year	28,488	59,536	46,610
One to five years	38,095	54,612	44,393
More than five years	7,550	9,230	8,769
	74,133	**123,378**	**99,772**
The net investment in hire purchase comprises:			
Less than one year	45,658	58,983	56,630
One to five years	41,322	95,576	76,262
More than five years	-	128	37
	86,980	**154,687**	**132,929**

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

14. Operating lease assets

	At 31 December 2016 £000	Additions 2017 £000	Disposals 2017 £000	Depreciation 2017 £000	Translation differences 2017 £000	At 30 June 2017 £000
Gross carrying amount	45,325	6,806	(5,733)	-	(782)	45,616
Less depreciation	(20,131)	-	4,166	(1,986)	656	(17,295)
	25,194	**6,806**	**(1,567)**	**(1,986)**	**(126)**	**28,321**
Provision for impairment						(295)
						28,026
Specific Impairment						(295)
						(295)

	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
Specific Impairment						(142)
						(142)

	At 31 December 2015 £000	Additions 2016 £000	Disposals 2016 £000	Depreciation 2016 £000	Translation differences 2016 £000	At 31 December 2016 £000
Gross carrying amount	81,299	501	(43,883)	-	7,408	45,325
Less depreciation	(41,522)	-	33,401	(6,366)	(5,644)	(20,131)
	39,777	**501**	**(10,482)**	**(6,366)**	**1,764**	**25,194**
Provision for impairment						(833)
						24,361
Specific Impairment						(833)
						(833)

Rental receipts under operating leases

	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Future rentals are as follows:			
Less than one year	5,277	5,715	4,981
Between one and five years	7,333	8,462	6,177
More than five years	1,453	81	32
	14,063	**14,258**	**11,190**

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 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Accrued income	100	94	99
Collateral deposits	454	452	482
Prepayments	959	2,186	1,124
Foreign exchange economic hedge	-	25,618	-
Other receivables	8,548	7,062	6,571
	10,061	**35,412**	**8,276**

16. Other liabilities

	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Trade payables	296	2,493	257
VAT payable	1,306	1,918	1,284
Deferred income	1,170	3,202	48
Social security and income tax	317	54	352
Accruals	5,275	6,822	7,532
Provisions	654	-	1,180
Other creditors	2,931	3,605	2,086
	11,949	**18,094**	**12,739**

The provisions balance of £0.7 million relates to an onerous lease.

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 Employee Benefit Trust	Jersey	100%	£100
BLME Limited	England & Wales	100%	£2
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.

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	Share Class	30 June 2017 No. of shares	30 June 2016 No. of shares	31 December 2016 No. of shares
BLME Income Fund	Management	-	1	1
	B	-	21,441	-
	C	-	5,124	-
	G	-	1,234	-
	M	-	-	-
BLME Global Sukuk Fund	A	-	8,240	-
BLME Light Industrial Building Fund	A	-	8,824	176
	Management	1	-	-

These holdings used to represent a majority interest in the three compartments of the BLME Sharia'a Umbrella Fund SICAV SIF. During 2017, the Bank redeemed the last remaining 'A' shares in the Light Industrial Building Fund (during 2016, the Bank redeemed its investment in the Income Fund and Global Sukuk Fund) and the management share was transferred from BLME Income Fund to BLME Light Industrial Building Fund. Under IFRS 10, control of the entity was lost and it was deconsolidated from Group results. The Group did not recognise any expense during the period (30 June 2016: £0.1 million and 31 December 2016: £0.05 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 (30 June 2016: 32.0% and 31 December 2016: 44.4%) was previously reported in the Group's balance sheet liabilities line "Third party interest in consolidated funds".

There are two active structured entities ("SE") (2016: 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

During the period the participation agreement with Kalakane Transatlantic Investors II, Inc. (USA) has expired and the group no longer expect any further business activity with this SE during the rest of the year.

Lease assets owned by the SEs' amount to £1.1 million (30 June 2016: £3.1 million and 31 December 2016: £2.2 million).

The BLME Holdings Employee Benefit Trust ('EBT') holds a stock of own shares acquired at a cumulative cost of £3.7 million (30 June 2016: £4.2 million and 31 December 2016: £4.2 million) which has been deducted from retained earnings in the Condensed Consolidated Statement of Changes in Equity. The EBT did not purchase any of its own shares during the period ending 30 June 2017 (six months to 30 June 2016 and year to 31 December 2016: Nil). No stamp duty costs were incurred by the Group on behalf of the BLME Holdings EBT (six months to 30 June 2016 and year to 31 December 2016: 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 £1,030 million and £813 million respectively (30 June 2016: £1,221 million and £995 million respectively and 31 December 2016: £1,029 million and £812 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 neither did it provide any to a consolidated or unconsolidated structured entity during the period (six months to 30 June 2016 and year to 31 December 2016: nil).

18. Non-Controlling Interest:

The group holds a 60% shareholding in MKL Construction Equipment Finance Limited, and consolidates it as a subsidiary under IFRS 10. The non-controlling interest represents the minority shareholders of 40%. Due to amounts being insignificant in the prior periods it has been disclosed for the first time in the current period.

19. Related parties

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

	6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 December 2016
	£000	£000	£000
Boubyan Bank K.S.C.P			
Wakala placement	309,083	226,610	490,532
Wakala deposit taking	45,007	167,496	304,049
Foreign exchange transactions	-	-	249
The Public Institution for Social Security			
Due to financial institutions	152,475	304,745	505,294

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

	At 30 June 2017	At 30 June 2016	At 31 December 2016
Included within:	£000	£000	£000
Cash and balances with banks			
Nostros	2,076	2,080	1,941
Due from financial institutions			
Wakala placement	-	2,608	-
Due to financial institutions			
Wakala deposit taking	12,701	30,086	-

As at 30 June 2017, Boubyan Bank K.S.C.P held an economic interest of 26.39% of the Company's shares (30 June 2016 and 31 December 2016: 26.39%). 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.P.

The amounts outstanding with The Public Institution for Social Security (of Kuwait) were as follows:

	At 30 June 2017	At 30 June 2016	At 31 December 2016
Included within:	£000	£000	£000
Due to financial institutions	491,277	637,763	522,812

As at 30 June 2017, The Public Institution for Social Security held 7.67% (30 June 2016 and 31 December 2016: 7.67%) of the Bank's shares. The Company's Vice Chairman holds the position of Deputy Director General for Investment and Operations 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 2017 £000	6 months to 30 June 2016 £000	Year to 31 December 2016 £000
Key management emoluments *	382	417	827
Bank contributions to pension plans	32	-	10
	414	**417**	**837**

* Key management emoluments include share-based payments of £0.05 million (six months to 30 June 2016: £0.05 million and year to 31 December 2016: £0.09 million).

Jabra Ghandour exercised options over 333,333 ordinary shares in the Company on 29 June 2017 at nil cost per share. He was granted these options in November 2015 when he was Head of Wealth Management. Following this transaction he holds 363,333 shares in the Company representing 0.186% of the issued share capital.

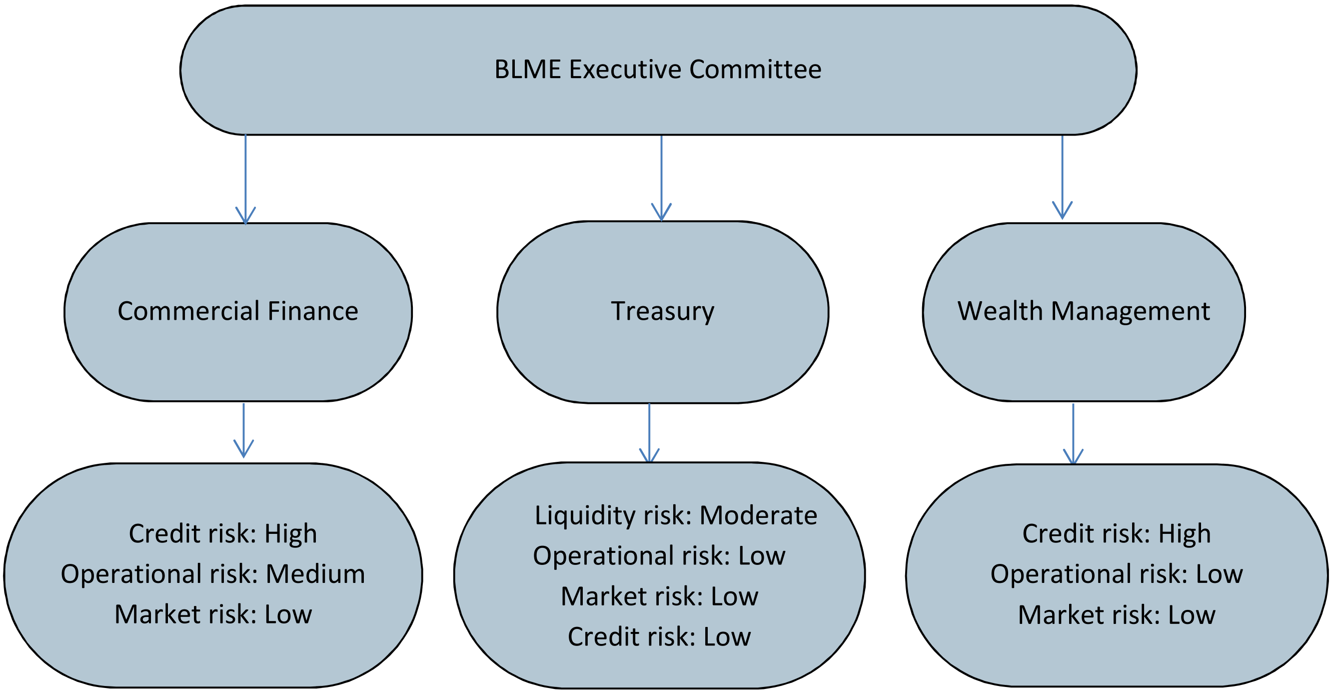
On 17 October 2016 the Bank's Dubai Representative Office entered into a consultancy agreement with Jabra Ghandour to provide services to help build the Bank's Wealth Management brand and revenues. The agreement was made in the ordinary course of business and on an arms' length basis and can be terminated by either party giving to the other party not less than one month's notice in writing. The Group recognised an expense of £0.15 million (six months to 30 June 2016: £Nil and year to 31 December 2016: £0.03 million) in the income statement line "Other operating expenses" in relation to this agreement. The amount outstanding as at 30 June 2017 is £0.035m (30 June 2016: £Nil and 31 December 2016: £Nil).

20. 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 (includes cyber 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 over the last two years 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 2017 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 and 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 and 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; and
- 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; and
- 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 2016 Annual Report and Accounts and are expected to remain unchanged in the final six months of the financial year to 31 December 2017.

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 2017, 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 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Cash and balances with banks	103,617	70,157	71,152
Due from financial institutions			
Murabaha	25,431	-	62,652
Wakala	23,102	2,608	44,530
Due from customers	9,025	-	-
Investment securities	151,300	176,758	112,161
Financing arrangements	518,777	628,427	473,304
Finance lease receivables	161,113	278,065	232,701
Other assets	10,061	35,412	8,276
Total credit exposure	**1,002,426**	**1,191,427**	**1,004,776**

As at 30 June 2017 there were 18 off balance sheet letters of guarantee outstanding (30 June 2016: 33 and 31 December 2016: 40) with a total exposure of £15.4 million (30 June 2016: £27.8 million and 31 December 2016: £24.8 million). These letters of guarantee mainly relate to short dated Trade Finance and Corporate and Asset

Finance facilities with a maturity of less than twelve months. BLME is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. BLME expects most guarantees it provides to expire unused.

ii. Exposure by country of the borrower

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

Group	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
GCC countries			
Bahrain	9,675	2,236	7,747
Kuwait	37,985	36,230	16,112
Qatar	34,249	12,597	42,779
Saudi Arabia	88,779	155,191	119,577
United Arab Emirates	24,879	33,333	28,157
EEA countries			
France	-	-	8,094
Ireland	1,425	7,667	3,295
Luxembourg	-	24,126	420
Norway	-	1,241	-
United Kingdom	649,013	819,683	667,699
Other countries			
British Virgin Islands	-	13,377	1,118
Cayman Islands	7,115	6,625	16,954
Djibouti	-	1,563	1,133
Guernsey	14,630	14,051	12,927
Hong Kong	-	3,529	-
Indonesia	-	605	-
Isle of Man	15,782	15,592	15,540
Jersey	16,868	20,697	15,080
Malaysia	27,026	1,490	-
South Africa	-	152	-
South Korea	-	2,658	1,240
Turkey	-	9,659	-
USA	75,000	9,125	46,904
Total credit exposure	**1,002,426**	**1,191,427**	**1,004,776**

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 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Financial services			
GCC financial institutions	97,851	154,756	126,774
UK financial institutions	80,189	121,472	161,247
European financial institutions	-	19,898	8,514
Other financial institutions	71,594	15,101	40,696
Mining and quarrying	4,929	7,422	5,413
Manufacturing	36,613	39,781	36,104
Real estate	327,955	402,887	290,194
Transportation and storage	64,221	128,080	81,711
Government	79,712	36,122	37,047
Wholesale / Retail	73,612	118,835	76,475
Oil and gas	12,033	10,880	14,232
Commodities	74,337	44,105	54,974
Energy	-	18,362	-
Construction	29,638	26,004	26,935
Telecommunications	-	9,121	-
Others	49,742	38,601	44,460
Total credit exposure	**1,002,426**	**1,191,427**	**1,004,776**

iv. Credit risk quality

The Group's credit quality and direct investments are managed by Counterparty Credit Risk Committee ("CCRC") and the Assets and Liabilities Committee ("ALCO") respectively, under the oversight of the Executive Risk Committee ("ERC"), 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.
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.

The table below shows the breakdown of credit quality as at 30 June 2017. Of the total portfolio 26% (30 June 2016: 24% and 31 December 2016: 27%) was directly rated by at least one of the ECAI, with 74% (30 June 2016: 76% and 31 December 2016: 73%) mapped using internal ratings.

At 30 June 2017	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	103,617	-	-	-	-	103,617
Due from financial institutions	30,799	-	7,700	10,034	-	48,533
Due from customers	-	-	9,025	-	-	9,025
Investment securities	119,399	-	29,273	2,628	-	151,300
Financing arrangements	4,102	-	285,888	226,616	2,171	518,777
Finance lease receivables	3,607	-	74,794	81,640	1,072	161,113
Other assets	-	-	68	190	9,803	10,061
Total credit exposure	**261,524**	**-**	**406,748**	**321,108**	**13,046**	**1,002,426**

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
Other assets	22,437	-	876	2,305	9,794	35,412
Total credit exposure	**261,380**	**11,074**	**316,521**	**564,293**	**2,747**	**1,191,427**

At 31 December 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	71,152	-	-	-	-	71,152
Due from financial institutions	89,075	-	8,095	10,012	-	107,182
Due from customers	-	-	-	-	-	-
Investment securities	96,815	-	12,178	612	2,556	112,161
Financing arrangements	-	-	197,299	272,845	3,160	473,304
Finance lease receivables	13,498	-	48,060	170,040	1,103	232,701
Other assets	274	-	2,054	506	5,442	8,276
Total credit exposure	**270,814**	**-**	**267,686**	**454,015**	**12,261**	**1,004,776**

The Group’s cash balances, amounts due from financial institutions and investment securities were neither past due nor impaired as at 30 June 2017, 30 June 2016 and 31 December 2016.

v. Analysis of past due amounts and impairments

Group	Financing arrangements			Finance leases		
	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Neither past due nor impaired	486,106	539,215	421,474	156,446	250,191	221,286
Past due but not impaired	32,665	71,663	23,758	4,663	16,685	6,596
Gross exposure associated with impairment provision	17	54,131	43,410	11	22,221	11,811
Less: allowance for impairments	(11)	(36,582)	(15,338)	(7)	(11,032)	(6,992)
Total	**518,777**	**628,427**	**473,304**	**161,113**	**278,065**	**232,701**
Past due but not impaired	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Past due up to 30 days	1,114	5,842	23,758	3,112	16,552	5,031
Past due 30 to 60 days	14,911	27,211	-	1,551	-	403
Past due 60 to 90 days	3,689	10,460	-	-	1	608
Past due over 90 days	12,951	28,150	-	-	132	554
Total	**32,665**	**71,663**	**23,758**	**4,663**	**16,685**	**6,596**

Group	Operating leases		
	At 30 June 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Neither past due nor impaired	27,890	22,267	24,361
Past due but not impaired	135	685	-
Gross exposure associated with impairment provision	1	9,930	-
Less: allowance for impairments	-	(142)	-
Total	**28,026**	**32,740**	**24,361**
Past due but not impaired	**£000**	**£000**	**£000**
Past due up to 30 days	135	-	-
Past due 30 to 60 days	-	-	-
Past due 60 to 90 days	-	-	-
Past due over 90 days	-	685	-
Total	**135**	**685**	-

The past due but not impaired balances as at 30 June 2017 include £32.2 million (30 June 2016: £61.6 million and 31 December 2016: £21.4 million) relating to four real estate transactions (30 June 2016: seven and 31 December 2016: four) where the facility balances are lower than the collateral values. 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 of the Group's annual financial statements for the year ended 31 December 2016.

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 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investment securities	110,061	38,611	2,628	151,300
Investment properties	-	-	-	-
Profit rate swaps liability	-	987	-	987
Other liabilities (FX deals)		2,121	-	2,121

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 31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investment securities	90,171	18,820	3,170	112,161
Investment properties	-	-	-	-
Profit rate swaps liability	-	1,305	-	1,305
Other assets (FX deals)	-	3,888	-	3,888

During the six month period ended 30 June 2017, 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 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 2017 £000**	**6 months to 30 June 2016 £000**	**Year to 31 December 2016 £000**
Balance at 1 January	3,170	3,803	3,803
Total gains /(losses) recognised in:			
- profit or loss*	119	107	(487)
- other comprehensive (expense) / income **	(420)	(410)	34
Purchases	-	-	-
Sales	(241)	-	(180)
Balance at period end	**2,628**	**3,500**	**3,170**

** 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*

For the fair values of available-for-sale equity securities, reasonable possible changes at the reporting date to one of the significant unobservable inputs, holding the other inputs constant, would have the following effects:

				30 June 2017
	Income statement		**Other comprehensive income**	
	Increase	**Decrease**	**Increase**	**Decrease**
	£000	**£000**	**£000**	**£000**
Valuation adjustment +30%	-	-	788	-
Valuation adjustment -30%	-	(497)	-	(292)

				30 June 2016
	Income statement		**Other comprehensive income**	
	Increase	**Decrease**	**Increase**	**Decrease**
	£000	**£000**	**£000**	**£000**
Valuation adjustment +30%	-	-	951	-
Valuation adjustment -30%	-	(239)	-	(712)

				31 December 2016
	Income statement		**Other comprehensive income**	
	Increase	**Decrease**	**Increase**	**Decrease**
	£000	**£000**	**£000**	**£000**
Valuation adjustment +30%	-	-	1,050	-
Valuation adjustment -30%	-	(372)	-	(678)

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 2017	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	103,617	-	-	-	-	103,617
Due from financial institutions	38,511	-	-	10,090	-	48,601
Due from customers	9,040	-	-	-	-	9,040
Investment securities	2,776	27,694	1,518	122,800	5,992	160,780
Financing arrangements	312,357	94,642	25,806	100,206	-	533,011
Finance lease receivables	2,130	24,510	54,234	85,714	7,941	174,529
Other assets	9,461	-	146	454	-	10,061
	477,892	**146,846**	**81,704**	**319,264**	**13,933**	**1,039,639**

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
Cash and balances with banks	70,157	-	-	-	-	70,157
Due from financial institutions	2,609	-	-	-	-	2,609
Due from customers	-	-	-	-	-	-
Investment securities	24,186	808	7,796	150,849	-	183,639
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
Other assets	16,929	18,049	35	399	-	35,412
	502,536	**126,363**	**149,728**	**454,358**	**9,895**	**1,225,517**

At 31 December 2016	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	71,152	-	-	-	-	71,152
Due from financial institutions	68,845	28,388	-	10,090	-	107,323
Due from customers	-	-	-	-	-	-
Investment securities	3,341	496	1,560	109,006	6,455	120,858
Financing arrangements	303,061	63,355	70,650	81,028	-	518,094
Finance lease receivables	3,755	22,134	87,387	130,356	9,318	252,950
Other assets	5,251	1,072	1,481	472		8,276
	455,405	**115,445**	**161,078**	**330,952**	**15,773**	**1,078,653**

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 £0.5 million (30 June 2016: £0.7 million and 31 December 2016: £0.5 million) pledged as security against rental payments on the Group's premises.

ii. Residual contractual maturities of financial liabilities

At 30 June 2017	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	20,724	99,729	443,452	30,540	-	594,445
Due to customers	22,754	29,318	77,238	100,300	948	230,558
Profit rate swaps	-	-	81	906	-	987
	43,478	**129,047**	**520,771**	**131,746**	**948**	**825,990**

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	-	-	20	2,522	-	2,542
	150,463	**106,978**	**385,077**	**179,816**	**183,786**	**1,006,120**

At 31 December 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	-	153,820	292,767	154,808	-	601,395
Due to customers	21,751	10,736	100,339	100,384	1,256	234,466
Profit rate swaps	-	-	-	1,305	-	1,305
	21,751	**164,556**	**393,106**	**256,497**	**-**	**837,166**

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 £86.7 million as at 30 June 2017 (30 June 2016: £123.5 million and 31 December 2016: £89.7 million). These LAB holdings 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. The Group manages such risks through the use of time based limits that measure the profit rate sensitivity to changes in profit rates.

As at 30 June 2017, 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 £7,781 (30 June 2016: £6,007 and 31 December 2016: £24,853). 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 2017		At 30 June 2016		At 31 December 2016	
	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	-	816	2,795	-	4,575	-
Decrease in profit & loss	258	-	-	3,852	-	5,228
Increase in equity	218	347	1,159	-	3,160	-
Decrease in equity	-	-	-	2,268	-	3,739

ii. Credit spread risk

No credit spread risk existed at 30 June 2017 or 31 December 2016 (30 June 2016: Nil) because the group exited the Sukuk trading book in 2015.

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 2017 £000	At 30 June 2016 £000	At 31 December 2016 £000
Resultant FX revaluation gain from a 10% strengthening or weakening of the net foreign currency positions against Sterling	7	118	68
	6 months to 30 June 2017 £000	**6 months to 30 June 2016 £000**	**Year to 31 December 2016 £000**
Net foreign exchange gain for the period	1,032	102	756

iv. Equity price risk

Equity prices are monitored by the Group's Assets and Liabilities Committee ("ALCO") 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's regulatory capital requirements. Capital adequacy and capital risk was assessed during the 2017 ICAAP process, which showed BLME's internal assessment of capital requirements was sufficient to cover the capital requirements set by the Prudential Regulation Authority ("PRA").

At 30 June 2017 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 (the Pillar 3 disclosures) which can be found in the Investor Relations section of the BLME website www.blme.com.

21. Contingent Asset

BLME commenced legal proceedings against three counterparties in relation to a non-payment of an insurance claim. Having taken legal advice, BLME is seeking damages in these proceedings. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets standard, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the case and is subject to privilege.

22. Post Balance Sheet Event

On 28 July 2017, the group acquired 100% of the shares in Aspenway Limited for a consideration of £26 million. Aspenway Limited has in turn contributed the amount to a Murabaha with another entity to fund the acquisition of a tenanted retail warehouse. The group expects to sell part or all of its shareholding to Wealth Management clients and third party finance providers.

23. 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 23 August 2017. The statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies for England and Wales in accordance with section 446 of the Companies Act 2006. The former 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:

Giles Cunningham
Chief Executive Officer
23 August 2017

Independent review report to BLME Holdings plc

Independent review report to the directors of BLME Holdings plc

Introduction

We have been engaged by the Company to review the interim condensed consolidated financial statements in the Interim Report for the six months ended 30 June 2017 which comprises condensed consolidated statement of financial position, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement, 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

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 United Kingdom. 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 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

For and on behalf of Ernst & Young LLP
Chartered Accountants
London

23 August 2017

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