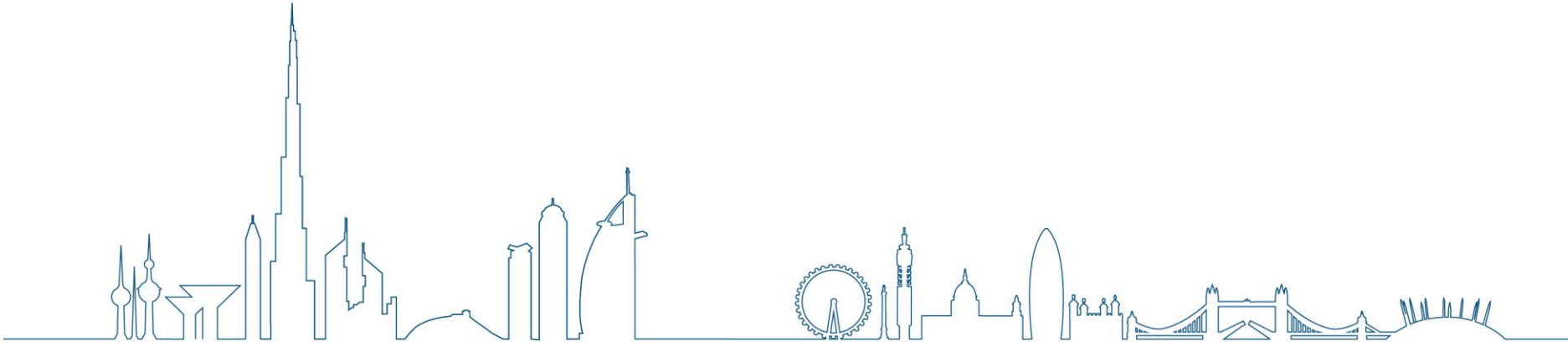


blme

بنك لندن والشرق الأوسط
Bank of London & The Middle East

BLME Holdings plc

2018 Results



| | |
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- The highlights of the 2018 financial results were a record profit after tax of £11.2m and an improved efficiency ratio of 72% compared to a profit of £5.7m and efficiency ratio of 93% in 2017.

| Key performance indicators | 2018 | 2017 |
|---|--------|-------|
| Net operating profit before tax | £8.4m | £5.8m |
| Profit after tax | £11.2m | £5.7m |
| Post-tax return on equity | 4.8% | 2.8% |
| Cost income ratio | 72% | 93% |
| Net fee income / total income | 4.8% | 3.7% |
| Non-performing Financing Assets to overall Financial Assets | 2.2% | 5.5% |
| Premier Deposit Account balances | £331m | £249m |
| Number of depositors | 4,857 | 3,204 |

- Improvement in the cost income ratio was achieved through a combination of increased revenues and reduced costs.
- The non-performing financing assets ratio continued on a downward trend in 2018 through the continued focus on asset quality over asset growth.

Other Highlights

- In 2018 we undertook a share repurchase programme, acquiring 5.3% or 10,357,374 of the Company's shares for a total consideration of US\$4.51m at a price of up to a 50% premium to the previously traded price.

| Number of shares | Highest price paid per share | Lowest price paid per share | Average price paid per share | Aggregate price paid |
|------------------|------------------------------|-----------------------------|------------------------------|----------------------|
| | £ (equivalent) | £ (equivalent) | £ (equivalent) | £ (equivalent) |
| 10,357,374 | 0.4748 | 0.3126 | 0.3446 | 3,569,622 |

- Winner of 2018 Moneyfacts® Award for Best Fixed Account Provider.
- The B&Q building in Castleford, West Yorkshire that was acquired in 2017 through a £25m investment in a wholly owned subsidiary, was sold down to 56% in 2018.
- The acquisition of the Atlantic Quay One, an office building in Glasgow, 86% let to Government tenants, was completed in October 2018 for a consideration of £54.75m. BLME owns 100% of the equity of AQ1 Limited, the Jersey company which financed the transaction.

BLME will be the UK's leading provider of Sharia'a compliant wealth solutions for GCC nationals

BLME's Aspirations

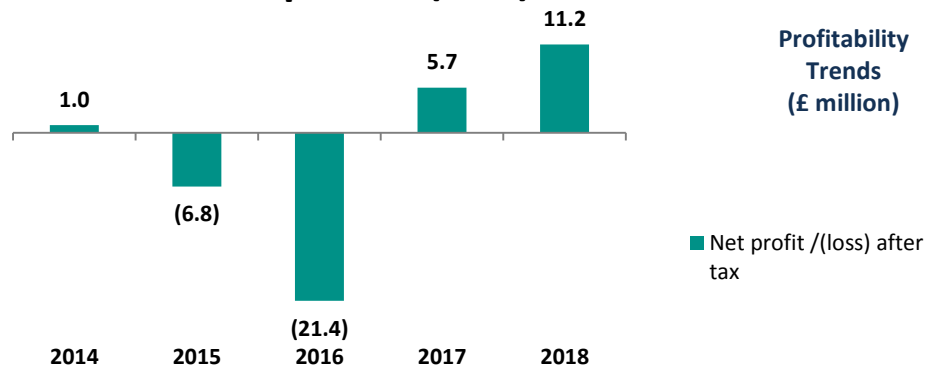
- To build a strong, established and respected wealth management brand across the GCC
- To become the UK partner of choice for GCC Islamic banks
- To deliver sustainable profitability and stable returns
- To provide excellent service to clients, demonstrated by long-term relationships and recommendations
- To create a culture that drives a well-governed, innovative and client-centric Sharia'a bank

Strategic Themes

- 1 **Develop new wealth management products and services** for GCC clients
- 2 **Build a robust GCC acquisition and distribution capability** by expanding BLME's presence in the region and leveraging Shareholder support
- 3 **Maximise efficiencies**, creating a streamlined business with acceptable concentration risk ensuring our activities are strategically aligned and our funding strategy delivers competitive pricing
- 4 **Develop new income streams** aligned with the Bank's risk appetite by leveraging BLME's current capabilities including leasing and real estate finance, to drive higher fee income
- 5 **Build a high-performance culture** with a clear set of values and strong focus on customer service, innovation and risk management

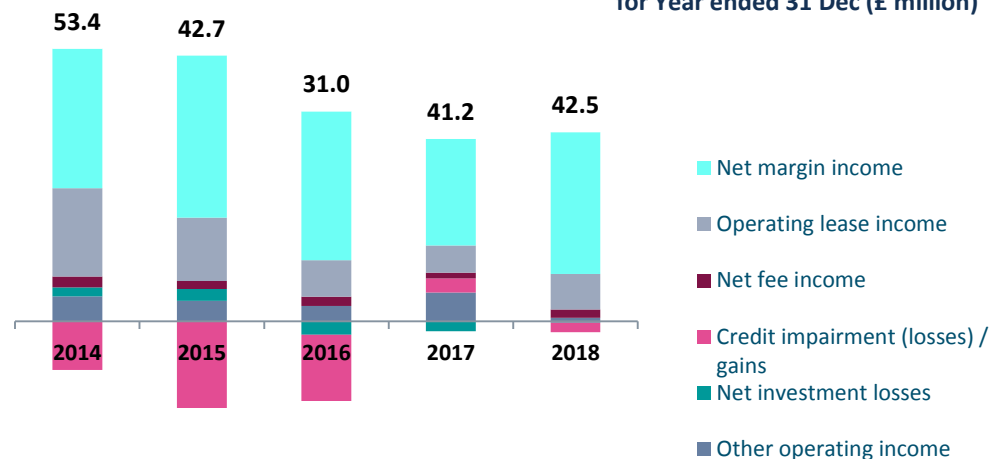
- BLME reported a record profit in 2018.

Net profit /(loss) after tax

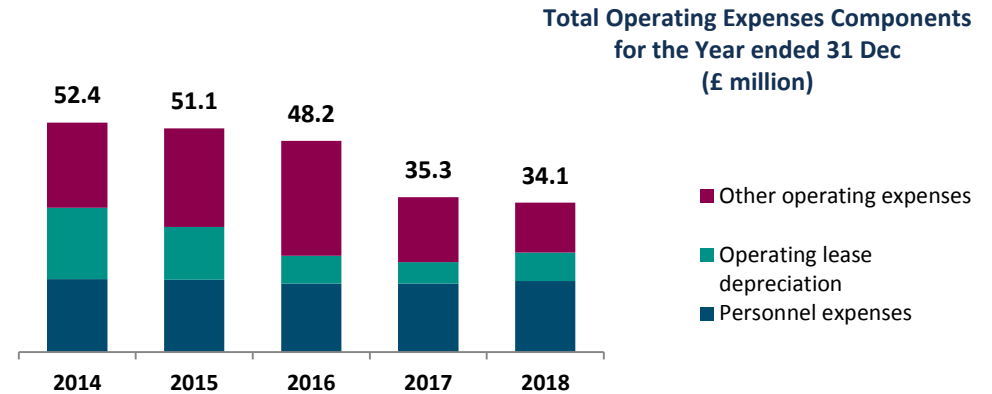


- Net operating income increased in 2018 due to a combination of higher volumes in financing assets and the exit of non-core and higher risk business following a move towards a lower risk return portfolio of assets.

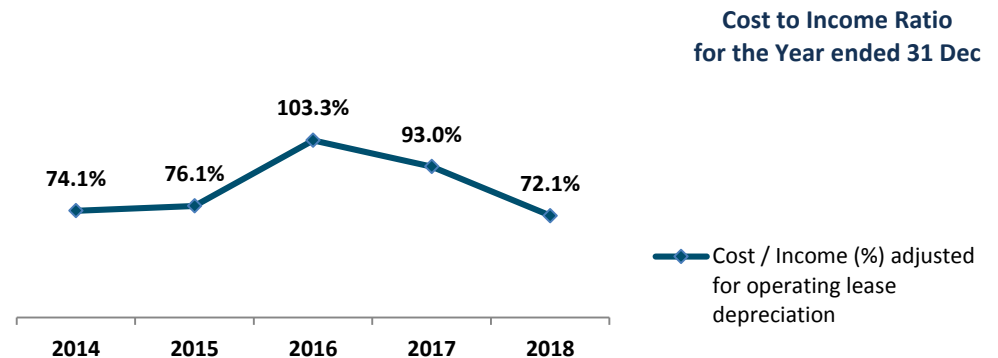
Net Operating Income for Year ended 31 Dec (£ million)



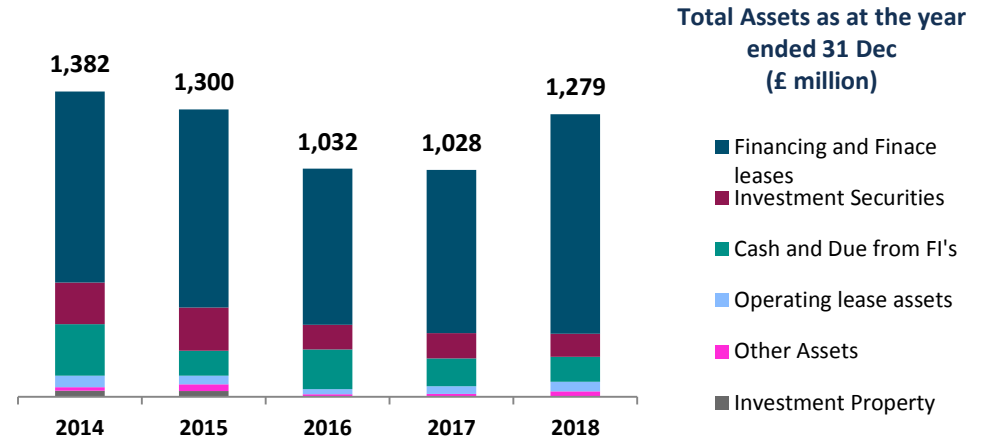
- Total costs were reduced by 3% from the prior year.
- Operating lease depreciation increased in line with operating lease income.



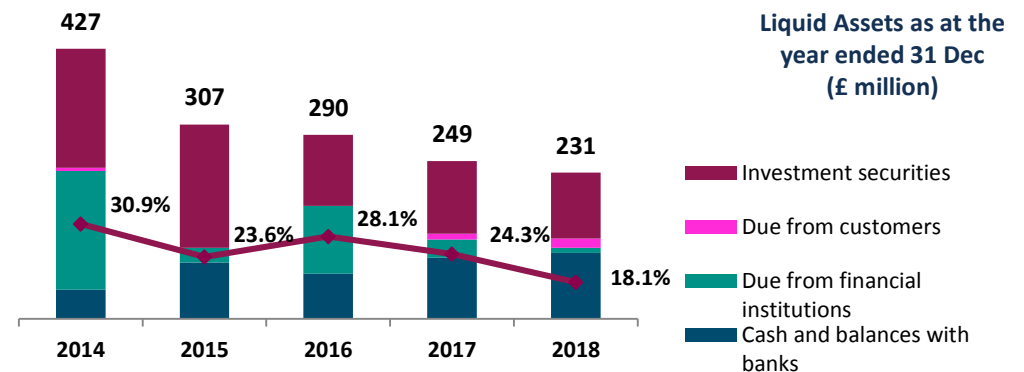
- BLME's cost income (efficiency) ratio which was reported in the 2018 Annual Report and Financial Statements excludes operating lease income and depreciation and credit impairment gains / (losses). This ratio has improved significantly in 2018 from 93% to 72%.



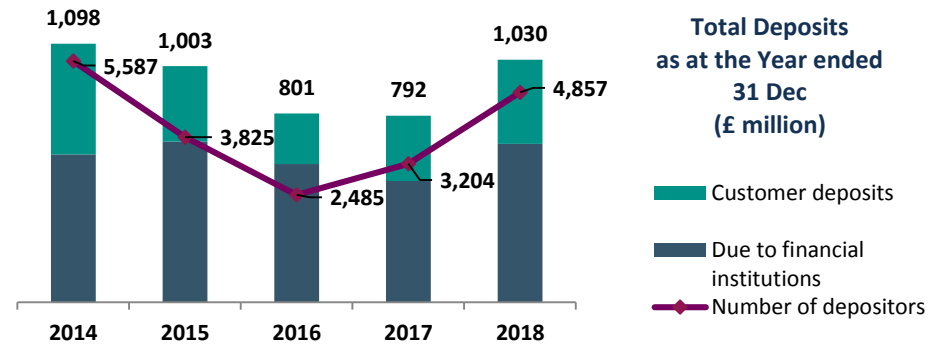
- Balance Sheet assets have grown steadily by 24% to £1.3bn, with asset growth in all the major business lines.



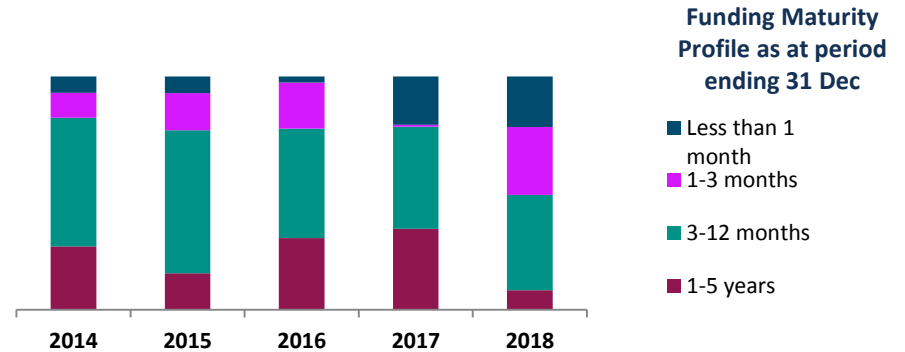
- The Group's liquidity has been reduced as strategically planned. Excess liquidity has been deployed and the current position is still strong with BLME well positioned to support growth, finance the new business pipeline and comfortably meet the new regulatory liquidity ratios.
- We expect the Bank of England to introduce Sharia'a compliant facilities. These facilities will provide an alternative to holding concentrated positions in the highest rated Sukuk and cash on nostros.



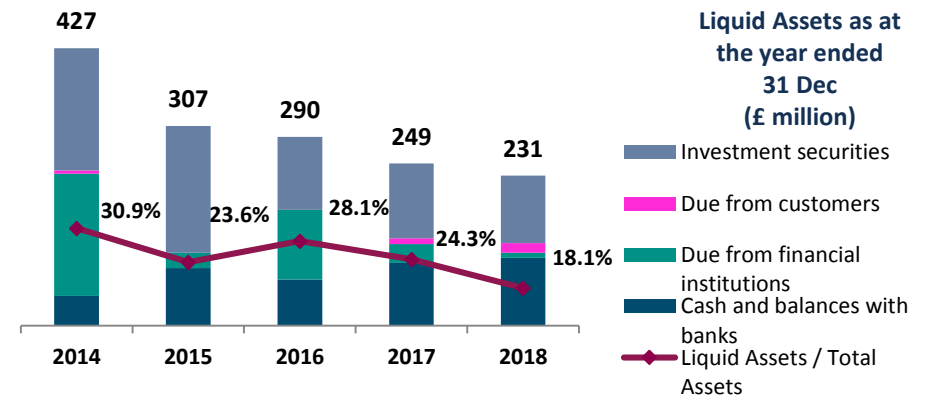
- The Bank has diversified its depositor base.
- The number of depositors has increased by 52% to 4,857 at 31 December 2018.



- BLME increased term deposits of up to one year as the Bank took advantage of the overall low rates environment.

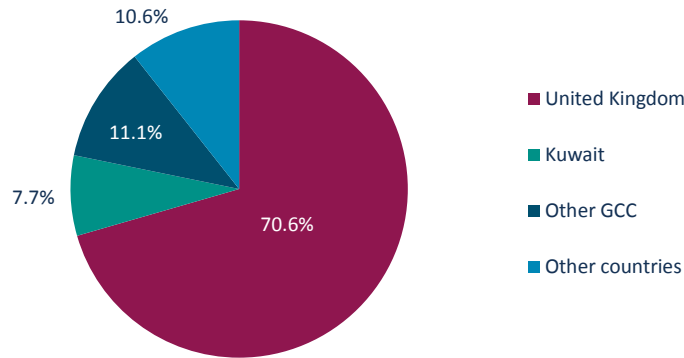


- The downward trend in Due from financial institutions continued as the 2018 year end balance fell to nil.

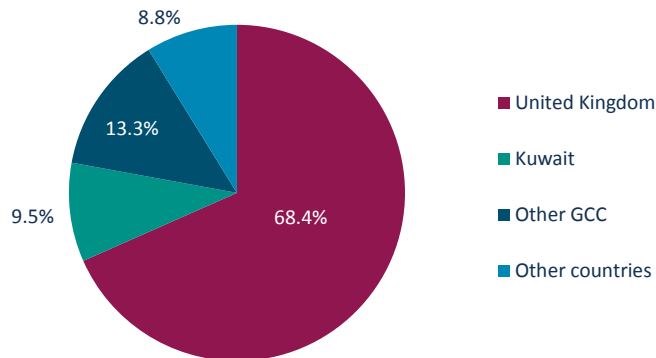


Geographic Diversification

Credit exposure by Country of incorporation as at 31 Dec 2018



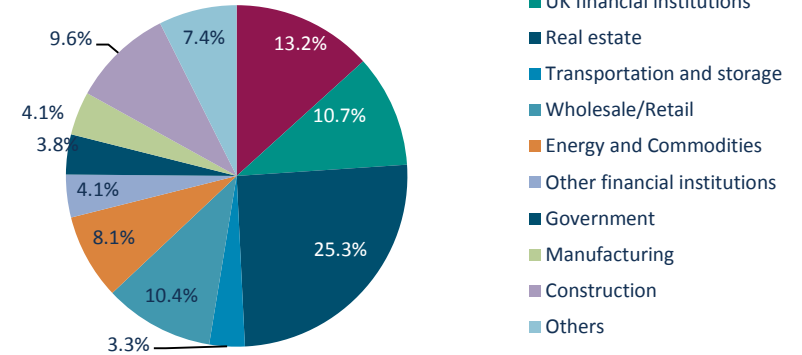
Credit exposure by Country of incorporation as at 31 Dec 2017



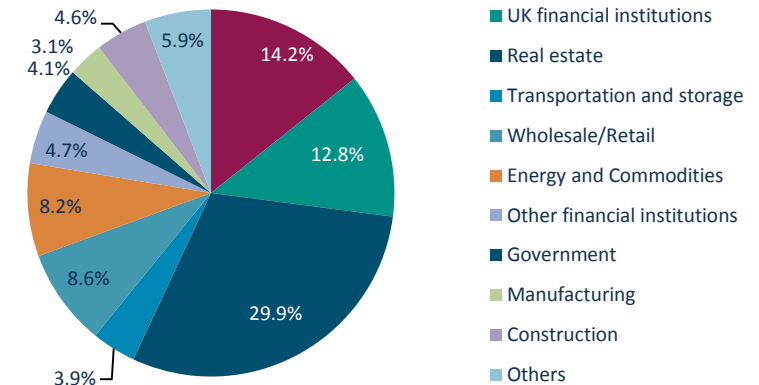
- UK exposure has increased to 70.6% (68.4%: 2017).
- Kuwait and other GCC exposures have fallen marginally to 18.8% (22.8%: 2017).
- The largest sectorial exposures to GCC financial institutions and Real Estate together represent 38.5% (44.1%: 2017)

Sector Diversification

Credit exposure by Sector as at 31 Dec 2018

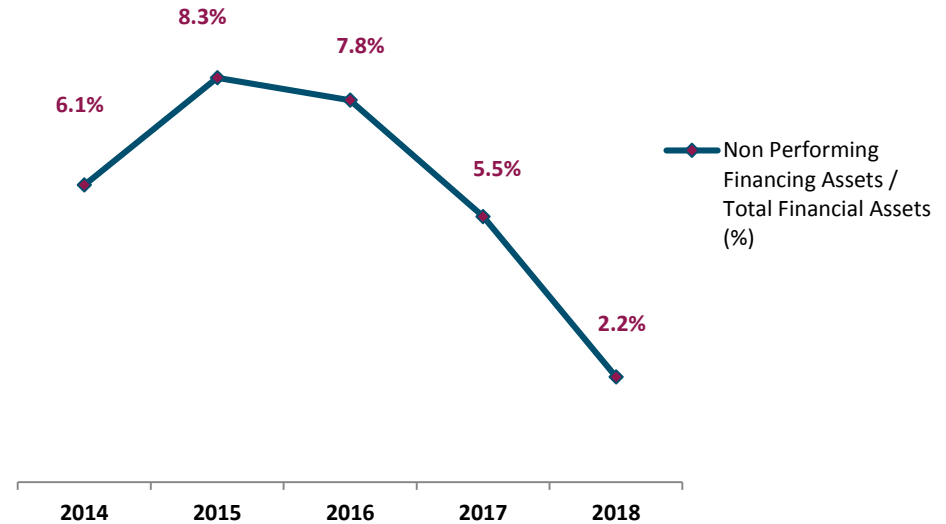


Credit exposure by Sector as at 31 Dec 2017

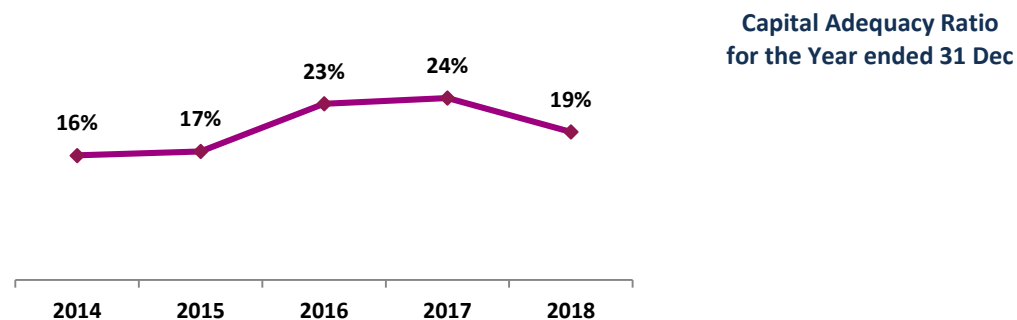


- Due to the better overall credit quality across the asset portfolios the Group has seen continued improvements in our non-performing financing assets ratio.
- The Group has adjusted the financing portfolio to reflect a lower risk appetite which resulted in better quality collateral against exposures.
- The move to IFRS 9 in 2018 did not materially impact the Group's impairment provisions. A net impairment loss of £2.3m (of which £2.6m is a result of the new IFRS 9 stage 1 and 2 ECL model implementation) reflects both the Group's credit quality and also the efficient management and recovery of historic distressed assets.

Non Performing Financing Assets Ratio as at the Year ended 31 Dec



- The Bank's capital adequacy ratio remains well in excess of the increased regulatory requirements.



- The Bank maintains a strong capital position

| Pillar 1 Capital Requirements (£ million) | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------------|--------------|--------------|--------------|--------------|
| Credit risk | 93.3 | 97.6 | 76.8 | 75.5 | 93.0 |
| Market risk – foreign exchange PRR | 0.2 | 0.3 | 0.6 | 0.1 | 0.3 |
| Counterparty risk capital component | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 |
| Operational risk | 5.4 | 6.4 | 6.9 | 7.0 | 6.2 |
| Total Pillar 1 capital requirement | 99.2 | 104.4 | 84.4 | 82.6 | 99.6 |
| Total regulatory capital in place (after deducting material holdings) | 189.2 | 204.3 | 219.1 | 223.7 | 224.3 |
| Excess of capital in place over minimum requirement under Pillar 1 | 90 | 99.9 | 135.9 | 141.1 | 124.7 |

- **Placing Customers first:**

The Group's customers are at the centre of BLME's strategy, products and day-to-day operations. The Group continues to identify ways to simplify its operating model.

- **Resilience and Consistency:**

When the Bank was launched 12 years ago its risk appetite was less conservative than today and resulted in exposures to some asset classes which heightened the Bank's risk profile. BLME now applies a focussed business plan to clearly define target customers within a disciplined risk framework. This will continue to create a more resilient bank with less volatility.

- **Product Development:**

In order to meet the needs of customers BLME has increased its focus on new products and services for target customers. Several new products are in development and will be launched over the course of 2019.

- **Controlled and Contained Costs:**

BLME will continue to focus on cost efficiencies over the course of the year.

- **Enhanced Risk Management:**

The Group has continued to enhance risk management through improved processes, new policies and procedures. BLME has reviewed and amended its risk appetite and is implementing appropriate risk management processes to manage the operational and conduct risks associated with expanding its wealth management business.

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Bank of London & The Middle East

Appendix

BLME Holdings plc

2018 Financial Results



For the year 1 January 2018 to 31 December 2018

| | 2018 £000 | 2017 £000 |
|---|------------------------|------------------------|
| Income | | |
| Income from financing and investing activities | 51,266 | 41,708 |
| Returns to financial institutions and customers | <u>(17,551)</u> | <u>(16,284)</u> |
| Net margin | <u>33,715</u> | <u>25,424</u> |
| Fee and commission income | 2,444 | 1,909 |
| Fee and commission expense | <u>(417)</u> | <u>(494)</u> |
| Net fee and commission income | <u>2,027</u> | <u>1,415</u> |
| Net investment losses | (256) | (2,330) |
| Credit impairment (losses) / gains | (2,287) | 3,305 |
| Operating lease income | 8,477 | 6,443 |
| Other operating income | <u>831</u> | <u>6,897</u> |
| Net operating income | <u>42,507</u> | <u>41,154</u> |
| Expenses | | |
| Personnel expenses | (16,233) | (15,647) |
| Operating lease depreciation | (6,443) | (4,858) |
| Other depreciation and amortisation | (1,070) | (1,517) |
| Other operating expenses | <u>(10,336)</u> | <u>(13,324)</u> |
| Total operating expenses | <u>(34,082)</u> | <u>(35,346)</u> |
| Profit before tax | 8,425 | 5,808 |
| Tax credit / (expense) | 2,817 | (75) |
| Profit for the year | <u>11,242</u> | <u>5,733</u> |
| Attributable to: | | |
| Owners of the parent | 10,793 | 5,284 |
| Non controlling interest | <u>449</u> | <u>449</u> |
| | <u>11,242</u> | <u>5,733</u> |

For the year 1 January 2018 to 31 December 2018

| | 2018 £000 | 2017 £000 |
|--|---------------|--------------|
| Income | | |
| Profit for the year | 11,242 | 5,733 |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss if specific conditions are met: | | |
| Foreign currency translation differences for foreign operations | 73 | (46) |
| Fair value reserve recycled to the income statement | - | 506 |
| Net losses in fair value of FVOCI debt instruments | (70) | |
| Net losses in fair value of available-for-sale financial assets taken to equity | - | (452) |
| Income tax credit / (expense) on other comprehensive income | 135 | (105) |
| | 138 | (97) |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Net gains in fair value of FVOCI equity instruments | 426 | - |
| Other comprehensive income for the year net of income tax | 426 | - |
| Total comprehensive income for the year attributable to equity holders of the Parent company | 11,806 | 5,636 |
| Attributable to: | | |
| Owners of the parent | 11,357 | 5,187 |
| Non Controlling Interest | 449 | 449 |
| | 11,806 | 5,636 |

Consolidated Statement of Financial Position

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بنك لندن والشرق الأوسط
Bank of London & The Middle East

As at 31 December 2018

| | 2018 £000 | 2017 £000 |
|--|------------------|------------------|
| Assets | | |
| Cash and balances with banks | 104,339 | 96,780 |
| Due from financial institutions | 8,045 | 28,544 |
| Due from customers | 14,612 | 9,027 |
| Investment securities | 103,872 | 114,930 |
| Financing arrangements | 737,522 | 567,820 |
| Finance lease receivables | 256,198 | 170,546 |
| Operating lease assets | 43,378 | 34,922 |
| Profit rate swaps | 73 | - |
| Property and equipment | 488 | 987 |
| Intangible assets | 266 | 837 |
| Other assets | 6,641 | 3,141 |
| Deferred tax asset | 3,514 | - |
| Total assets | 1,278,948 | 1,027,534 |
| Liabilities | | |
| Due to financial institutions | 672,240 | 514,392 |
| Due to customers | 357,353 | 277,341 |
| Profit rate swaps | 469 | 636 |
| Other liabilities | 12,710 | 12,032 |
| Current tax liability | 482 | 251 |
| Total liabilities | 1,043,254 | 804,652 |
| Equity | | |
| Share capital | 48,933 | 48,933 |
| Other reserve | 15,226 | 15,226 |
| Capital redemption reserve | 50 | 50 |
| Fair value reserve | (715) | (382) |
| Non Controlling Interest | 5,221 | 280 |
| Share-based payment reserve | 2,207 | 1,911 |
| Foreign currency translation reserve | 43 | (30) |
| Retained earnings | 164,729 | 156,894 |
| Total equity attributable to equity holders of the Parent company | 235,694 | 222,882 |
| Total liabilities and equity | 1,278,948 | 1,027,534 |

For the year ended 31 December 2018

| | Treasury Division £000 | Commercial Finance £000 | Wealth Management £000 | Unallocated items £000 | Total £000 |
|--|------------------------------|-------------------------------|------------------------------|------------------------------|------------------|
| Net margin from financing and investing activities | 2,652 | 17,097 | 13,966 | - | 33,715 |
| Operating lease income | 1,079 | 7,398 | - | - | 8,477 |
| Net fee income | 24 | 1,316 | 687 | - | 2,027 |
| Net impairment credit/(charge) | (24) | (2,022) | (241) | - | (2,287) |
| Net fair value (losses)/gains | (278) | - | 22 | - | (256) |
| Other operating income | 173 | 560 | 98 | - | 831 |
| Total operating income | 3,626 | 24,349 | 14,532 | - | 42,507 |
| Directly attributable segment expenses | (1,298) | (4,733) | (2,313) | - | (8,344) |
| Operating lease depreciation | - | (6,443) | - | - | (6,443) |
| Net segment contribution | 2,328 | 13,173 | 12,219 | - | 27,720 |
| Common costs not directly attributable to segments | | | | | (19,295) |
| Net operating profit before tax | | | | | 8,425 |
| Reportable segment assets | 240,638 | 655,346 | 375,136 | 7,828 | 1,278,948 |

For the year ended 31 December 2017

| | Treasury Division £000 | Commercial Finance £000 | Wealth Management £000 | Unallocated items £000 | Total £000 |
|--|------------------------------|-------------------------------|------------------------------|------------------------------|------------------|
| Net margin from financing and investing activities | 459 | 12,828 | 12,137 | - | 25,424 |
| Operating lease income | 857 | 5,586 | - | - | 6,443 |
| Net fee income | 37 | 1,057 | 321 | - | 1,415 |
| Net fair value losses on investments | (2,330) | - | - | - | (2,330) |
| Other operating income | 1,745 | 5,135 | 17 | - | 6,897 |
| Total operating income | 768 | 24,606 | 12,475 | - | 37,849 |
| Directly attributable segment expenses | (1,832) | (4,687) | (2,295) | - | (8,814) |
| Operating lease depreciation | - | (4,858) | - | - | (4,858) |
| Net impairment credit/(charge) | 11 | 3,466 | (172) | - | 3,305 |
| Net segment contribution | (1,053) | 18,527 | 10,008 | - | 27,482 |
| Common costs not directly attributable to segments | | | | | (21,674) |
| Net operating profit before tax | | | | | 5,808 |
| Reportable segment assets | 240,701 | 533,024 | 249,771 | 4,038 | 1,027,534 |

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**BLME Holdings plc and Bank of London and The Middle East plc
Registered Office**

Cannon Place
78 Cannon Street
London
EC4N 6HL

Tel: +44 (0) 20 7618 0000
Fax: +44 (0) 20 7618 0001
Email: info@blme.com
Website: www.blme.com

**Bank of London and The Middle East plc
Commercial Finance Regional Office**

Lowry House
17 Marble Street
Manchester
M2 3AW

Tel: +44 (0) 16 1661 4575
Email: info@blme.com
Website: www.blme.com

**Bank of London and The Middle East plc
DIFC Branch**

Office No 2904, Level 29
Tower 2, Al Fattan Currency House,
Dubai International Financial Centre,
P.O. Box 506557
Dubai, UAE

Tel: + 971 (0) 4 365 0700
Fax: + 971 (0) 4 365 0799
Email: info@blme.com
Website: www.blme.com