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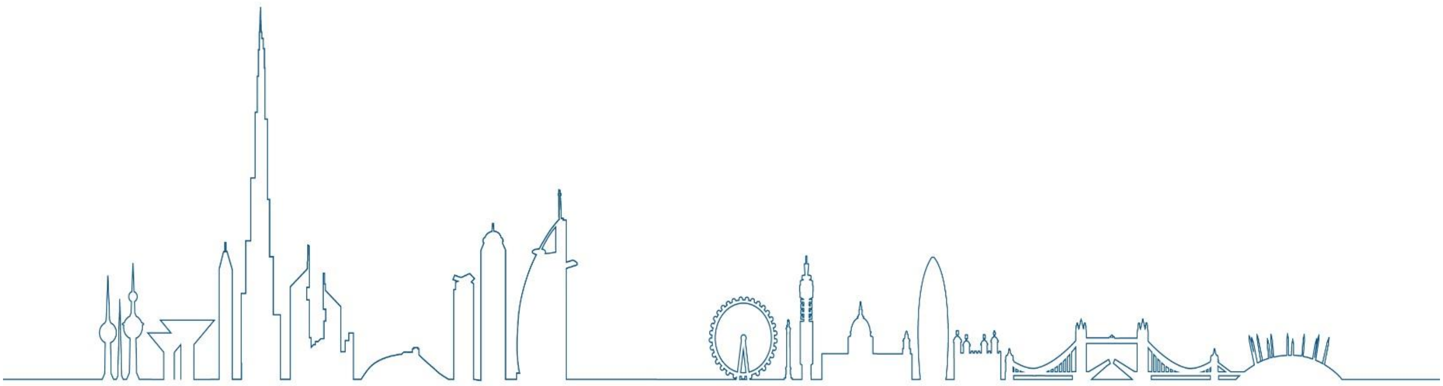
Bank of London & The Middle East

BLME Holdings Limited
Annual Report and Financial Statements
For the year ended 31 December 2024

Registered number 08503102



Contents

CHAIRMAN'S STATEMENT

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

Dear Shareholders

I am pleased to report a year of good performance for the Group with a profit before tax of £6.5 million despite challenging UK market conditions.

BLME has a core strategic focus on GCC clients complemented by real estate finance services, private banking, wealth management and digital banking products. BLME's vision is to be the Go-to Digital and Wealth Management Bank for our High Net Worth and Affluent/Mass Affluent GCC Customers and to be a distinctive real estate franchise with a comprehensive offering for investors in the UK market.

I am encouraged by the good progress made in 2024 by BLME's asset management subsidiary in the Kingdom of Saudi Arabia ('KSA'). Two real estate funds were launched in 2024 with the KSA business having a successful first full year of operation.

During 2024, the Nomo Property Finance product of BLME's digital banking business unit ('Nomo') gained good traction enhancing its reputation with brokers and started to provide meaningful growth in income earning assets. Nomo also launched new fixed term and instant access savings accounts during the year.

Good progress continued to be made with the controlled wind-down of the non-core leasing business, with total leasing assets reducing by approximately 50% from £275 million as of 31 December 2023 to £138 million as of 31 December 2024.

In June 2024 Chris Power retired from the Board as Chief Financial Officer. I would like to thank Chris for his service, support, and guidance to the Board over the last eight years. I would like to welcome Simon Gibbons who was appointed to the Board on 1 July 2024 as Chief Financial Officer.

I am encouraged by the progress and achievements during the year which are part of our journey to become the leading UK-based Islamic wealth management offering for HNWIs. I am confident we have strengthened our foundations for sustainable growth in the future with a core strategic focus on wealth management and the GCC.

I would like to close by thanking our employees and my fellow Board members for their support and hard work during 2024.

My thanks too for the continued guidance of our esteemed Sharia'a Supervisory Board.

Adel Abdul Wahab Al-Majed
Chairman
23 April 2025

Naming convention and abbreviations:
The expression "the Group" refers to BLME Holdings Limited and its subsidiaries. BLME Holdings Limited ("the Company" or "the Parent Company") is the immediate parent company.
The name of the principal subsidiary, Bank of London and The Middle East plc is shortened to "BLME" or "the Bank" in narrative text. The name of the main Leasing subsidiary, Walbrook Asset Finance Limited is shortened to "WAF" or Walbrook."

CHIEF EXECUTIVE OFFICER'S STATEMENT

2024 has been a challenging but successful year with the Group consolidating its return to profitability. Our strategic ambitions are bold, and we believe we have the capability and credibility to deliver on these ambitions whilst continuing to be a great place to work. 2024 was another year that demanded dedication, growth, and focus from colleagues across all the Group's business units. The pace of change for an organisation of our size is substantial and we are progressing the implementation of our five-year strategic plan. Our independent overall Employee Engagement Index survey score has remained at 86% and retains BLME in the top tier of firms.

Our Real Estate Finance team has continued to develop with clear focus on a comprehensive offering for the UK market with an emphasis on developing the proportion of the portfolio financing nationals from the GCC countries. Whilst UK market conditions were challenging in 2024 with margins tightening due to increased competition, we experienced a good flow of new business from GCC referrals and originated a good level of new facilities. For example, in February 2024 BLME provided Orka Investments Ltd with a new finance facility to refinance The Croft, a prime best-in-class 326-bed Purpose Built Student Accommodation (PBSA) scheme located in Derby City Centre.

BLME's asset management subsidiary in the Kingdom of Saudi Arabia made a promising start in its first full year of operation including launching two real estate funds, with two more launched in Q1 2025. During the year we opened an office in Jeddah.

Nomo continued to develop during 2024 with positive momentum gained in customer numbers, customer deposits and mortgages. We refreshed the team with several important new hires during the year and the new marketing and communications team were very active which has helped to enhance Nomo's reputation with brokers. Nomo also launched new fixed term and instant access savings accounts during the year and enhanced its highly competitive Sharia-compliant Property Finance product. The focus of Nomo going forward is to grow and accelerate its path to profitability through its increased focus on wealth products.

BLME sets high standards to provide market-leading products for its clients. The FCA's consumer protection rules that were introduced in 2023 set higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers. This closely aligns with our PROUD values of doing the right thing by our customers and providing open and straightforward banking solutions for our clients. We continue to develop the new Consumer Duty dashboards that were introduced across the Bank in 2023 to monitor customer outcomes.

Financial Performance

The Group reports a profit before tax of £6.5m, compared with an £2.75m loss before tax for 2023 (restated). This improved financial performance reflects a combination of increased net fee and commission income and an increased share of profit of equity-accounted investments. More detailed information regarding the highlights of the financial performance of the Group is included in the Group Strategic Report on page 10.

The Group's Balance Sheet total assets increased slightly in 2024 to £1.57 billion from £1.53 billion in 2023 which is positive given the good progress we continued to make in managing a controlled wind-down of the non-core leasing business. Total leasing assets fell by approximately 50% during 2024 from £275 million to £138 million.

In 2024, BLME retained its credit rating of A issued by Fitch Ratings. The Group has maintained healthy liquidity and capital ratios well in excess of regulatory requirements throughout the reporting period. We continue to monitor market conditions and political and economic developments, ensuring that we maintain and continue to enhance our robust risk management framework.

Outlook

The UK has experienced slower economic growth in recent years combined with higher inflation and interest rates. Whilst inflation and interest rates started to fall in 2024 and the start of 2025, there remains downside economic and geopolitical risks for 2025. This includes the conflict in Ukraine, fragile cease fire in the Israel / Gaza conflict and the prospect of retaliatory actions to US trade tariffs from China, EU and other trading partners that may prevent the world's central banks from lowering policy rates any further. The broader consequences of the impact of such events over the short and medium term remain unclear but currently the Group is not experiencing any significant adverse business impacts.

This coming year will see the continuation of strategic change as we continue to scale up our digital banking arm Nomo through product proposition and partnerships in GCC countries; build out Wealth Management including the further development of asset management product initiatives from BLME Capital Company in Saudi Arabia; and further develop our Real Estate led proposition to grow our Real Estate Financing and Mortgage Finance portfolios.

I am very proud of our staff performance in 2024. Their resilience and hard work give me great hope for the prospects of the Bank. I would like to thank them, our Board, and our clients for their support and I look forward to a 2025 in which we will meet its challenges and opportunities together.

Andrew Ball
Chief Executive Officer
23 April 2025

THE BOARD AND EXECUTIVE MANAGEMENT

Adel Abdul Wahab Al-Majed – Chairman

Adel is the Non-executive Chairman of the Board of BLME Holdings. He has over 40 years of experience in banking. He is currently Group Chief Executive Officer and Vice-Chairman of the Company's owner group, Boubyan Bank K.S.C.P, having previously held the position of Chairman. Adel is currently a Board member of Kuwait Banking Association and is a Board member of the Kuwait Institute of Banking Studies. From 1980 to 2009 Adel worked for National Bank of Kuwait where he held a number of positions including Deputy Chief Executive Officer and General Manager – Consumer Banking Group. Adel graduated from the University of Alexandria with a bachelor's degree in accounting and attended various executive management development programs at various universities, including Harvard, Wharton, Stanford, and other reputable institutions.

Executive Directors

Andrew Ball – Chief Executive Officer

Andrew has more than 30 years of global experience in the Financial Services sector, specialising in Private and Retail Banking services. In 2020 Andrew stepped into the role of CEO. Having worked at BLME as Head of Wealth Management and Head of Business since 2015, he is uniquely placed to lead the Group as it continues to sharpen its focus on wealth management and real estate as its core offerings. Andrew's motive continues to be creating the best possible outcome for clients. He believes success is achieved through focusing on the Group's values, maintaining good governance and continuing to grow positive culture. In doing so, the BLME team remain empowered to provide exceptional expertise and service to our valued clients. Andrew is also a member of the Board of Directors of Walbrook Asset Finance Limited and a Board member of BLME Capital Company in Saudi Arabia. Before joining BLME in 2015, Andrew was Head of Strategy and Head of Retail Banking at International Bank of Qatar (IBQ). He began his career with Lloyds Bank in 1989, working onshore in the branch network as well as in the Offshore Banking Group in the Channel Islands before moving to Citibank International PLC where he held several roles including Head of Sales and Distribution. In 2004 Andrew joined National Bank of Kuwait as Head of Affluent Sales, after which he worked at Al Khaliji where he held several senior positions including Group Head of Consumer Banking and Head of Premium and Business Banking.

Simon Gibbons – Chief Financial Officer

Simon has over 30 years of C-Suite experience in banking and financial services across multiple disciplines throughout finance, operations, and front/middle/back office. Simon returned to BLME in 2021 as Group Chief Operating Officer (SMF24) which he previously held between 2015 and 2017 and additionally assumed the role of Group Chief Financial Officer (SMF2) in 2024. Simon is a member of the board of directors at BLME Holdings Limited, Bank of London and The Middle East plc, Walbrook Asset Finance Limited as well as BB2 Digital and Technology Services Limited. Simon leads our change & transformation, outsourcing & procurement functions, day-to-day operations, IT infrastructure, Treasury in addition to the financial day to day running of the bank.

Before joining BLME in 2015, Simon was Regional Chief Operating Officer (Europe & Americas) at First Abu Dhabi Bank UK. Simon held other roles in the UK and internationally, these include Chief Financial Officer at International Bank of Qatar, Chief Financial Officer for National Bank of Oman and Chief Financial Officer for Commercial Bank of Qatar. Simon began his early career at PWC as well as holding roles in Deloitte and Barclays. Simon is a Fellow of the Institute of Chartered Accountants in England and Wales.

Non-executive Directors

Abdullah Abdulkareem Al Tuwaijri (Deputy Chairman)

Abdullah joined the Board of BLME Holdings as a Non-executive Director in June 2021. He is a member of the Audit Committee and the Nominations and Remuneration Committee. Abdullah is Chief Executive Officer – Consumer, Private, and Digital Banking of Boubyan Bank, which he joined in December 2011, Chairman of Boubyan Capital Investment Company and Chairman of BB2 Digital and Technology Services Limited. Abdullah has more than 34 years of banking experience, including 23 years at National Bank of Kuwait. During his time with NBK, he held different leadership roles in retail banking in Kuwait and London. Abdullah received his bachelor’s degree in finance from Kuwait University and attended several executive development programs at Harvard Business School, INSEAD, and other reputable institutions. Abdullah is also a Board member of BLME Capital Company in Saudi Arabia.

David Williams (Independent)

David Williams joined the Group in October 2015 as an Independent Non-Executive Director and Chairman of the Risk Committee. David was appointed as Chairman of Walbrook Asset Finance Limited and of Walbrook Construction Equipment Finance Limited in October 2021. He is a senior credit risk professional with over 30 years of experience in international banking operating at executive and board level in the Middle East, Europe and Asia. Over a career with Barclays PLC his executive roles included Wholesale Credit Risk Director of the Barclays Group and Chief Credit Officer at Barclays Capital. David was a Non-executive Board Director of LCH Clearnet Group Ltd. David is a former British Army officer and is currently Chairman of veterans’ charity Haig Housing Trust and Deputy Chairman of Care for Veterans.

Calum Thomson (Independent)

Calum Thomson joined the Board of BLME Holdings in April 2017 as Chairman of the Audit Committee and a member of the Risk Committee, the Nominations Committee and the Remuneration Committee. Calum is a chartered accountant with 30 years of experience in the Financial Services industry including 21 years at Deloitte LLP, specialising in the Financial Services sector. During his career at Deloitte, he led the global and UK asset management groups. His experience includes clients in the Middle East, Malaysia, UK and the US covering wealth and investment management, private banking, private equity and the General Insurance Markets. Calum is a Non-executive Director and Audit Committee Chair of The Diverse Income Trust plc, AVI Global Trust plc, Patria Private Equity Trust PLC and Ghana International Bank plc; and Trustee and Chairman of Tarbat Historic Trust, and Trustee and Honorary Treasurer of Suffolk Wildlife Trust. In addition, he is an independent Non-executive Director of Schroder Pension Management Ltd, a Non-executive Director of Schroder Unit Trusts Ltd, a Non-executive Director and Audit and Risk Committee Chair of TPT Retirement Solutions Limited, and Chair of the Audit Committee at Verity Trustees Limited.

Joanne Hindle (Independent)

Joanne Hindle joined the Board of BLME Holdings as an Independent Non-executive Director in July 2018. She chairs the Nominations and Remuneration Committee and sits on the Audit and Risk Committees. She has over 30 years of experience in the financial services industry having held both executive and board level positions. Over her career Joanne has been Corporate Services Director at Unum Limited and Director of Pensions Development at NatWest Life. Amongst her portfolio of non-executive board positions, Joanne was Chairman of Shepherd’s Friendly Society until June 2021 and served on the board as a Non-Executive Director and chair of their remuneration committee until June 2022. In addition, Joanne is Chairman of Stafford Building Society, Chairman of Co-op Funeral Plans Ltd and a Non-executive Director of Guaranty Trust Bank (UK) Limited. She was a legal and compliance consultant for AXA Assistance until December 2019 and formerly was Chairman of Holmesdale Building Society.

Abdul-Salam Mohammed Al Saleh

Abdul-Salam joined the Board of BLME Holdings as a Non-executive Director in June 2020. He is a member of the Audit Committee and the Nominations and Remuneration Committee and is a member of the Board of Directors of Walbrook Asset Finance Limited. Abdul-Salam is Chief Executive Officer – Corporate Banking, Financial Control, Treasury and Legal Affairs of Boubyan Bank, which he joined in October 2012, and Chairman of Boubyan Takaful Insurance Company. Abdul-Salam has more than 35 years of banking experience. He worked for 18 years at National Bank of Kuwait, where he gained experience in Financial Control and Corporate Banking; and his last position was the head of Domestic Corporate Banking. Prior to joining Boubyan Bank, he worked for over 7 years for National Bank of Abu Dhabi as the Regional Manager of its branch in Kuwait. Abdul-Salam received his bachelor's degree in finance from Kuwait University and has attended various executive management development programs over the course of his career.

Bader Abdullah Al Kandari

Bader Abdullah Al Kandari joined the Board of BLME Holdings as a Non-executive Director in March 2019. He is a member of the Risk Committee. He is an experienced investment professional. He began his career in 2004 at the Kuwait Fund for Arab Economic Development and held a senior position at Al-Mal Investment Company. Bader is currently Chief Investment Officer- Liquid Investments at Kuwait's Public Institution for Social Security. Prior to this position he was Investment Global Manager at Dimah Capital from 2012 until 2015. Bader has an MBA and is Vice Chairman of Boursa Kuwait and Vice Chairman of Wafra International Investment Company, Kuwait.

GROUP STRATEGIC REPORT

THE BUSINESS MODEL

BLME Holdings Limited (the "Company") operates as the holding company of The Bank of London and The Middle East plc ("BLME" or "the Bank") which is one of the largest Islamic banks in Europe. BLME aims to become the leading UK provider of Wealth Management solutions to GCC clients, complemented by its comprehensive Real Estate Finance services. BLME operates under the ethical principles of Islamic finance.

The Bank is authorised by the Prudential Regulatory Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). In February 2020, Boubyan Bank ("Boubyan") successfully increased their stake in the Company to 71.08%. In June 2021 the Company delisted from the Nasdaq Dubai stock exchange and in July 2021 was reregistered as a private limited company.

Boubyan has been the Company's largest shareholder since the Bank launched in 2006 with active representation on the Boards of BLME and the Company. The Boubyan Group currently has a 72.37% holding in the Company. The Bank works closely with Boubyan to exploit opportunities and group synergies. The Group seeks to benefit from Boubyan's expertise in technology and systems, as well as enhanced client collaboration to bring our products and services to a wider audience across their franchise and to build capability and offer products to customers using digital channels.

Economic Climate

2024 witnessed prolonged bouts of market volatility, probably not experienced by most economists and traders in a generation. Just as we had warned in last years' Annual Report and Accounts, risks were that markets would over-estimate the extent to which global central banks would lower policy rates. Inflation has proven harder to bring down to comfortable levels than most had forecast, and global economic growth – on the whole – has been stronger than expected despite these higher market yields. Geopolitical shocks failed to severely impact the economic landscape, with energy prices and global commodity prices essentially ignoring those pockets of conflict around the world.

The latter stages of 2024 were consumed with the outcome of the US Presidential Election race and the prospect of sweeping US trade tariffs expected to raise inflation and prevent the world's central banks lowering policy rates any further.

Although the prospects for tariffs are real, it is by no means a foregone conclusion Europe and the UK will be unable to lower rates in the face of tariffs. Whilst the themes for 2025 are likely to be dictated by the 47th US President, here in the UK markets will be wary of the UK Government's ability to successfully fund its ambitious spending plans, and whether Gilt yields will have to move higher in order to remain attractive to (predominantly) overseas buyers. Early signs are that economic growth in the Eurozone and the UK is anaemic at best. In the UK, the onus on the Bank of England to help support growth via the blunt tools of interest rates and regulatory cyclical buffers, will be intense and challenging.

The Group regularly assesses the impact to recruitment and retention due to these external pressures but remains confident their competitive remuneration package and benefits will continue to attract and retain key staff.

Nomo

Nomo is a brand of BLME that aims to provide affluent and mass affluent customers with seamless, secure, and Sharia-compliant digital banking. Nomo provides account holders access to a suite of the latest banking products, including daily banking across multiple currencies, simple wealth management solutions, and home financing products, all managed via the Nomo App. Nomo offers savings products in the form of the newly launched Instant Access Savings account to complement the existing Fixed Term Deposit accounts in GBP, USD and EUR with market leading expected profit rates. Nomo's highly competitive Sharia-compliant Property Finance product helps customers to finance UK property purchases for both rental and residential purchases.

Nomo continues to be a core pillar in the next phase of our strategic growth plan aimed at leveraging our digital capability with products and services to support our customers' financial wellbeing. The focus of Nomo going forward is to grow and accelerate its path to profitability through its increased focus on wealth products.

Wealth Management

Wealth Management includes the Group's complementary businesses of Private Banking and Real Estate. It provides deposit products, banking services, mortgages, residential and investment property finance targeted towards GCC-based High Net Worth individuals. Wealth Management is the main part of the Group's business that is benefitting from closer collaboration with the Boubyan franchise and business model. In the first half of 2023 BLME opened an office in the KSA to help drive our Wealth Management initiatives.

Our Private Banking team leverages our Real Estate capabilities to provide a range of solutions that meet the requirements of our High-Net-Worth Clients in the GCC. Our distribution capabilities in London are supported by our subsidiary in the Kingdom of Saudi Arabia and our Dubai International Financial Centre ("DIFC") office which is a branch of the Bank with a retail endorsement providing the perfect base to connect with our clients in the GCC and MENA region.

Real Estate remains the asset class of choice for GCC Wealth Management clients, and our Real Estate Investments team offers Sharia'a-compliant investments through in-house capabilities or third parties. BLME's Real Estate Finance team 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. The Real Estate Finance business has strong links to our GCC clients with over a third of the portfolio having ultimate beneficial owners from the region.

Commercial Finance

Commercial Finance includes the Group's leasing and specialist assets and syndications business units. This division provides competitive financing solutions to the UK mid-market and supports companies with links to the GCC region across a variety of sectors.

Following a strategic review and separation process, the Board decided to explore a sale of its leasing business during 2021. Due to unfavourable market conditions in 2022, the sale process did not result in a disposal. In June 2022 the Group Board made the decision to exit the leasing business. The leasing business continues to trade, and the portfolio is being run down in an orderly fashion, a process that was expected to take approximately three to four years.

A strategic decision was taken in 2021 to commence the implementation of an orderly withdrawal from the specialist assets and syndications business line.

Treasury

The Treasury division manages the Group's capital, liquidity and funding, ensuring that the Group operates within its market and liquidity risk appetites. To this end Treasury ensures funding sources are diversified and at cost-effective rates.

During 2024 Treasury continued to ensure liquidity remained readily available to the asset generating business units whilst at the same time also maintaining sound regulatory ratios. The Bank of England's Alternative Liquidity Facility serves as BLME's primary means of ensuring its stock of HQLA is better positioned to handle intra-day Sterling liquidity requirements. Treasury maintains a broad range of Sharia'a-compliant wholesale market counterparties for liquidity management and market risk hedging purposes, as well as a small US dollar-denominated Sukuk investment portfolio.

Communications and Marketing

In 2024, our new Communications team set out to continue to build BLME's reputation among current and potential clients and partners, and to establish Nomo's reputation with brokers and customers. We significantly increased our communication output for Nomo in 2024, leading to coverage in media outlets which have not previously covered the bank. We built on the success of our previous thought leadership reports for BLME, securing more media coverage and increased social media engagement from previous years. We also delivered our first thought leadership piece for Nomo, which enhanced relationships with brokers and led to media coverage in key publications.

The marketing team developed a number of propositional documents for Nomo during 2024. This included developing an overarching story deck for Nomo, and other product specific decks. Marketing output also included a range of email campaigns to both Brokers and Customers on subjects such as rates, re-finance and SPV opportunities. 2024 also saw the inaugural Nomo Broker event in London. This was run in conjunction with Rightmove and saw over 40 Brokers attend. Nomo also supported property events in both London and Kuwait.

STRATEGY AND OBJECTIVES

We are proud of our efforts in delivering steady operating performance. We continue to monitor and manage our costs closely. We want to create sustainable value for all of our stakeholders.

The Group works hard to align our core values with our strategic objectives to ensure that our employees operate in accordance with our risk appetite. Central to our values are the principles of Sharia'a and to support this we maintain a close relationship with our esteemed Sharia'a Supervisory Board. We are very grateful for the support, guidance and advice we receive from our Sharia'a Supervisory Board.

FINANCIAL RESULTS

The financial statements for the year ended 31 December 2024 are shown on pages 38 to 47. The profit after tax for the year amounted to £7.6 million (2023: restated loss after tax £5.9 million).

Below are the highlights of the financial performance of the group for the year and the position as of 31 December 2024.

Key performance indicators - £ million	**2024**	**2023* (Restated)**
Profit / (loss) before tax	6.5	(2.8)
Profit / (loss) after tax	7.6	(5.9)
Consolidated total operating income (excluding credit impairment losses)	71.1	53.7
Consolidated total operating income (excluding credit impairment losses and Nomo business unit costs recharged to BB2 TechCo – see Note 35)	58.3	40.6
Consolidated total operating expenses	58.0	55.5
Consolidated total operating expenses (excluding Nomo business unit costs recharged to BB2 TechCo - see Note 35)	42.3	41.6
Credit impairment losses	6.5	0.9
Total finance lease receivables and operating lease assets	137.8	275.3
Total assets	1,573	1,527
Total Tier 1 capital (unaudited)	236	228

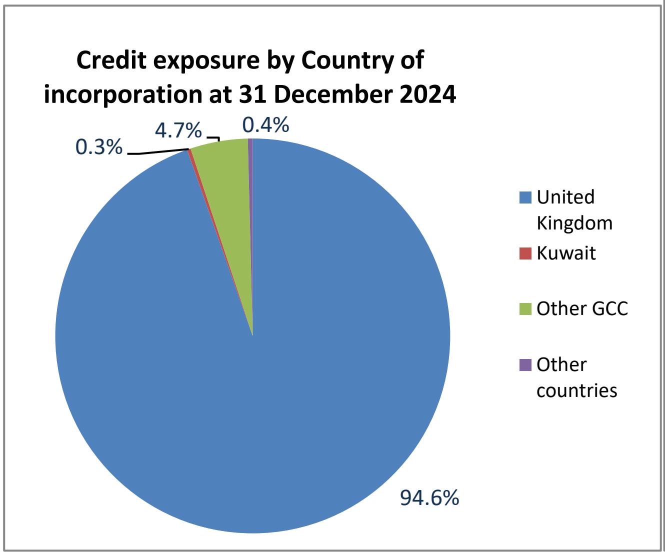
Other performance measures	**2024**	**2023**
Pre-tax return on equity	2.8%	-1.2%
Cost income ratio	79.7%	104.0%
Cost income ratio (excluding Nomo business unit costs recharged to BB2 TechCo - see Note 35)	74.6%	105.6%
Non-performing Financing Assets to overall Financial Assets	7.4%	7.9%

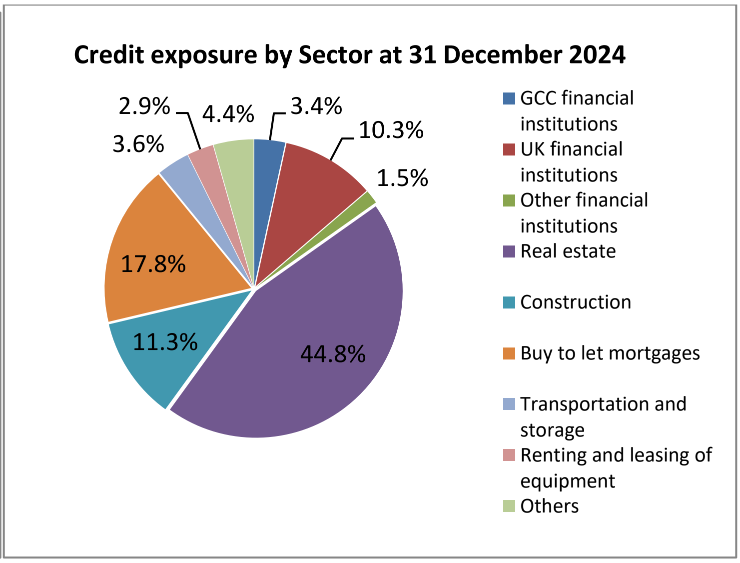
**The 2023 results have been restated, please see Note 2b for further information*

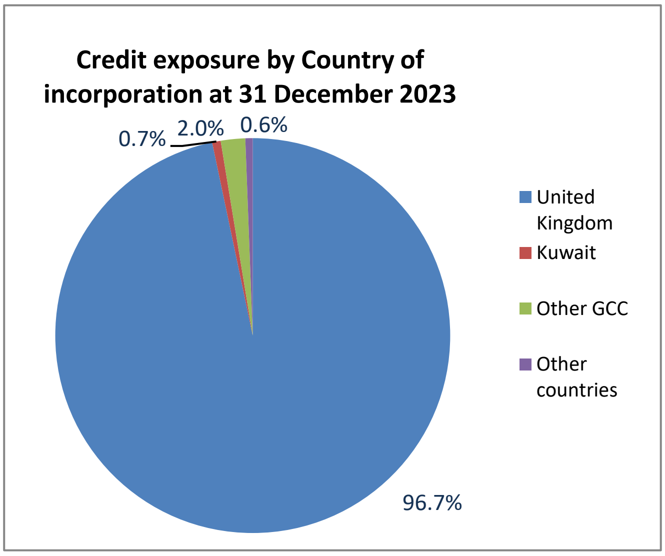
The underlying results of the Group in 2024 are encouraging. Total consolidated operating income (excluding credit impairment losses) increased from £53.7m in 2023 to £71.1m in 2024. The Group reports a profit after tax of £7.6m, compared with a £5.9m loss after tax for 2023 (restated). The return to profitability in 2024 mainly reflects the increase in net fee income and share of profit of investments in joint ventures. The Group's Balance Sheet increased slightly in 2024 to £1.57 billion (2023: £1.53 billion) despite the good progress made in the strategic run off of the Leasing business. The Group maintained its healthy capital and liquidity positions.

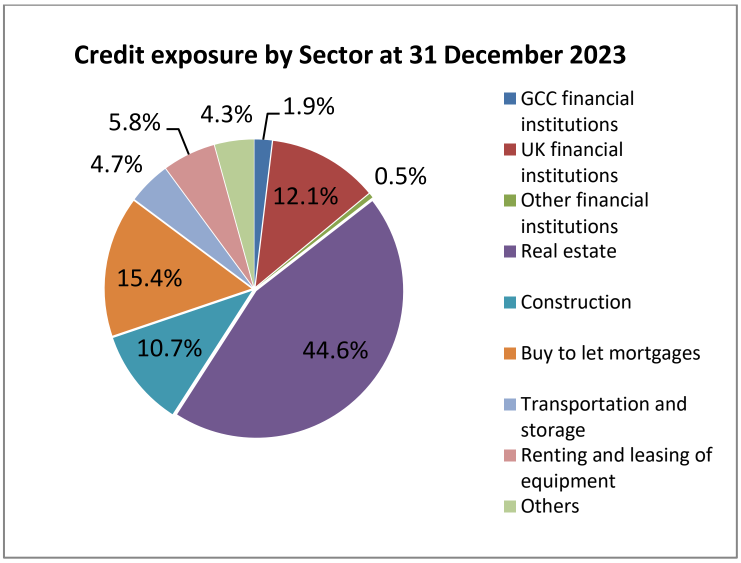
The Parent Company reports a loss for the year of £11.9m (2023: loss £10.5m). The loss arose due to impairment charges related to the Parent company's investment in subsidiaries. Further details can be found in Note 17.

The charts below show the credit exposure by country of incorporation and by sector. Further details can be found in Note 37.









GROUP NON-FINANCIAL INFORMATION STATEMENT

Our Stakeholders

The Group has a diverse and wide range of stakeholders. A priority for the Group is to positively engage with all our stakeholders ensuring that we maintain mutually beneficial relationships and fulfil our obligations from a regulatory, legal and social responsibility perspective.

BLME operates in a fully Sharia'a-compliant way. As such we do not put money in interest-bearing investments or the tobacco, alcohol or gambling industries. The Group's engagement with its stakeholders as described below plays an important role in guiding strategy-related and general decision-making by the Board.

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders, but with regard to all its stakeholders and matters set out in s172 (a-f) of the UK Companies Act 2006.

Shareholders
We appreciate the support and patience our Shareholders have shown over the years, and we understand how important it is to communicate openly and engage with them. As of 31 December 2024, Boubyan Bank owned 72.37% (31 December 2023: 72.08%) of the Group. We remain open to ongoing dialogue with minority shareholders and sharing our annual reports.

Customers
Our customers are central to all that we do, and we work hard at being a customer-centric bank aligned to the principals and rules of the Consumer Duty regulations. We will

- Take all reasonable steps to avoid causing foreseeable harm to customers.
- Take all reasonable steps to enable customers to pursue their financial objectives.
- Act in good faith

with good customer outcomes a priority.

Customer service and delivering good customer outcomes is the platform on which we will build and drive better quality business and demonstrate a clear and differentiated value proposition. This is at all levels of our organisation, so whatever our role, we try to 'think good customer outcome.' Consumer Duty dashboards are embedded in the business to monitor customer outcomes, with actions being taken to address poor outcomes when they occur.

We launched a number of new products and services in 2024. For BLME, this included the Ekko Planet Saver account, specifically designed for customers who would like to contribute some of their savings towards planet positive projects. £10 from every £1000 a customer saves is donated to causes including Conservation International, Tusk, Gold Standard and Prevented Ocean Plastic. Nomo also launched fixed term and instant access savings accounts.

These new products complement the Nomo strategy as a market-fit product, designed to meet customers' savings needs with flexibility and competitive returns. Propositional surveys conducted confirmed that customers value immediate access to funds and liquidity, while also seeking high returns through competitive rates.

Suppliers
We rely on our suppliers to help the Group run smoothly, from day-to-day business to our future operations. In order to maintain beneficial and productive relationships with our suppliers the Group frequently reviews supplier relationships and applies rigorous due diligence requirements.

Employees
In our Employee Engagement Survey 2024 our colleagues' scores produced an Employee Engagement Index of 86%, keeping BLME in the top tier of peer firms.

In 2024, we launched a further enhanced maternity leave package which offers maximum flexibility and support to our female colleagues. The Bank's new policy outlines 4 different possible options for their colleagues to choose from. The initiative was covered by HR trade publication Employee Benefits, and we also featured an employee's experience of maternity leave and partner leave with BLME on our LinkedIn page.

As we do every year, we held a substantial number of staff gatherings and fundraising activities to support our charitable partners and to mark various cultural points throughout the year including Bake Sale for Maggie's Cancer Care; Standard Chartered Great City Race; Clothes, shoes and books collection for The Dream Factory via We are Matchable; End of Year Party; Santa in the City run; London Night Hike; BLME KidCo (Kids at work day); Chinese New Year; Shrove Tuesday; St. Valentine's Day; Halloween; International Women's Day; UK Pride; British Pie week; Eid al Fitr; Eid al Adha; St Patrick's

Day; Easter; Rosh Hashanah; Festa Della BLME; UK Black History Month; Diwali, Chrismukkah and Christmas, alongside local lunch venue discounts.

We also did monthly walk-in back-rub massages, Majlis, Isma'a sessions, BLME Women in Banking lunch and learn and Summer in the city ice creams.

As in previous years, we continued to acknowledge the achievements of our employees through our Tatawar social media series. In 2024, we also introduced two additional recognitions to the series including 'A Year Here' and '3 with BLME'. These are significant pieces of employee recognition which regularly receive very high levels of engagement on our social media channels. They also support our efforts to attract new talent to BLME and Nomo, by highlighting that it's a great place to build careers.

Communities and the Environment

We support operating in a socially responsible manner, and recognise our social, civic, economic, and environmental responsibilities. Our role and positive impact in the community is important to the Group and our stakeholders, and we support building a Corporate Social Responsibility ("CSR") programme that drives positive change for individuals and for society.

Employees at all levels of the Bank are expected to operate in an economically, socially, and environmentally sustainable manner, whilst upholding the Group's values and Sharia'a compliance. We support our employees to volunteer with and raise funds for local communities and charitable causes and, as a bank, we partner with many charities every year.

Our community related sponsorships and other community engagement activities for 2024 included partnership with Matchable Volunteering; Santa in the City Run for Little Gate; using Fat Macy's and Luminary Bakery for catering; Standard Chartered Great City Race 5k, partnership with Wild Hearts Group; From Babies with Love gifts for new parents at BLME; Future Frontiers Mentoring Programme; sponsoring four teachers through the Aspiring Heads programme to become headteachers; Harry Specters; Change Please coffee; Shetland Soap Company and Luminary Bakery.

As signatories of HM Treasury's Women in Finance Charter, BLME submitted its Annual Update to the Treasury in September. In the 12 months to 30 September 2024, BLME's workforce totalled 195 employees. We increased our percentage of female senior managers as a percentage of total senior management from 30% to 33%. This means we are very much on track to meet our target of 35% of senior leadership positions held by women by the end of 2025.

We have maintained a 43% representation of women in our workforce and have continued to host quarterly Women in Banking events with strong attendance and feedback.

OTHER NON-FINANCIAL INFORMATION

Funding

The Group continues to operate within our market and liquidity risk appetite, and reviews funding sources on an ongoing basis. We remain cognisant of our obligations to our clients, particularly in these times of heightened volatility. We have acted prudently throughout a period of tightening monetary conditions and ensured that the Consumer Duty is embedded into our practices particularly around sourcing liquidity from the retail market. Efficient means of attracting funding for the Group remain vital to deliver our Strategy. We will continue to use direct channels to depositors as well as avail ourselves of services offered by deposit aggregators in order to ensure diversity and reduce depositor concentration risks.

Conduct Risk

Conduct Risk is a principal risk for all organisations and one the Group takes very seriously. We promote and require high standards of conduct and compliance without exception regarding integrity from our employees. BLME's Compliance function supports management in identifying our regulatory obligations and enabling these to be met through relevant training and procedures. Compliance with regulatory requirements is monitored in accordance with a risk-based plan. The Gorup has designed its systems and controls to mitigate those risks.

All staff receive annual training on conduct alongside regular communication and internal blogs about building a culture based on our values and good conduct. The Group has appointed Conduct Champions from the front-office business areas who are responsible for overseeing the Group’s approach to conduct and communicating what good conduct looks like and highlighting conduct risk. Our PROUD values (see Glossary of abbreviations for further information) are central in guiding good conduct and providing a clear purpose to everyone at the Group. These values are incorporated into all aspects of our operations from recruitment to training. We recognise good conduct that is aligned with our values with awards.

Financial Crime and Anti-Corruption and Anti-Bribery

The Group has heavily invested in building a robust financial crime risk management function with supporting policies and processes alongside regular financial crime training and communications. All Group staff including Board members receive annual training on anti-corruption and anti-bribery matters. The Group’s core financial crime policies are the Anti-Bribery and Corruption Policy, the Fraud Prevention Policy and Anti-Money Laundering, Counter Terrorism Financing and Sanctions Policy.

Human Rights

BLME is a wholly Sharia’a-compliant bank. Accordingly, we value traditional finance principles, and strive to be straightforward, competitive and prudent. We are committed to acting ethically in all our business relationships, as well as complying at all times with laws and regulations applicable to us.

We are committed to ensuring that our supply chain is free from the practice of modern slavery and human trafficking. All current and future relationships with our Suppliers will be managed with this commitment in mind, and we will not knowingly do business with any third party guilty of such practices. Further, we have put in place the appropriate key performance indicators to manage this risk. Our full statement on modern slavery can be found on our website, pursuant to section 54 of the Modern Slavery Act 2015.

Whistleblowing

The Group has a Whistleblowing Policy. A whistleblower is a person who raises a genuine concern related to suspected wrongdoing or dangers at work. We support staff who have genuine concerns related to suspected wrongdoing or danger affecting any of the Group's activities to report their concerns to our whistleblowing champion.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s principal risks and uncertainties have been highlighted and discussed in detail in Note 37. The impact of other external factors impacting the economy have been discussed in the Directors’ report.

GLOBAL ECONOMIC STRESSES

Throughout 2024, markets experienced volatility of a magnitude rarely encountered in recent decades, yet geopolitical shocks only had a limited impact on the global economic landscape. Energy and commodity prices were largely unaffected by ongoing conflicts in Ukraine and the Middle East, but although it appears some recent years’ conflicts may draw to an end in 2025, there remains a real risk others may flare up and continue to add uncertainty to the global economic outlook.

If the United States implements trade tariffs on a broad scale, there is a significant risk that such measures could proliferate globally, as countries respond with reciprocal actions against the initiators or their close economic partners. Such measures would initially add an overlay of further inflationary pressures, over already sticky inflation environment, such that ultimately the outcome is inevitably economic growth as a result of otherwise higher interest rates.

Domestically, the main challenge for the UK centres on the fiscal position, and whether the Government will be able to maintain its course as laid out in 2024, promising record spending alongside increases in taxes which it says will not need to be raised any further. Markets are not generally forgiving of Labour governments, so whilst the prospects of economic growth currently look underwhelming, the Bank of England will be all the more conscious it needs to help promote economic growth whilst at the same time contending with inflation which proved harder to bring down in 2024 and alongside tariff-induced headwinds.

FUTURE

We have a strong team that is fully aligned with our goals and who drive the positive culture and success of the Group. I want to thank them for their commitment and resilience in 2024.

2025 will be a period of ongoing strategic change with the continued development of both Nomo and the asset management business in KSA presenting opportunities for growth.

I would also like to thank the Chairman and the Board for their ongoing support. I also look forward to building on our success with the support of Boubyan Bank.

Approved by the Board of Directors on 23 April 2025 and signed on its behalf by:

Andrew Ball
Chief Executive Officer

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2024.

Principal activities

BLME Holdings Limited ("the Company") was incorporated in the United Kingdom on 24 April 2013 and its principal activity is to act as a holding company for Bank of London and The Middle East plc ("the Bank" or "BLME") and its subsidiaries including Walbrook Asset Finance Limited ("Walbrook"). The insertion of the Company as a holding company of the Bank was effected pursuant to a Scheme of Arrangement in 2013. The Company and its subsidiaries are collectively referred to as "the Group". Following on from the acquisition by Boubyan in 2020, the Company was delisted from the Nasdaq Dubai stock exchange on 17 June 2021. The Company was formerly registered as a public limited company and was reregistered as a private limited company on 21 July 2021.

BLME is a wholly Sharia'a-compliant bank authorised by the UK's Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The Bank provides a range of Sharia'a-compliant banking services to businesses and individuals with a strong focus on the UK and the Middle East. The Bank operates a branch in Dubai at the Dubai International Financial Centre (DIFC). The branch has been fully operational since 2018 and in 2019 obtained a retail endorsement. The team continue to build the Bank's brand in the region.

On 8 May 2023 the approval for the commencement of business for BLME Capital Company, a Single Shareholder Closed Joint Stock Company 100% owned by the Bank, was received from the Capital Market Authority of the Kingdom of Saudi Arabia ('KSA'). On 23 May 2023 the Ministry of Investment in KSA issued a Services Investment License for BLME Capital Company for managing investments and operating funds, arranging and advising.

Financial results and dividends

The financial statements for the year ended 31 December 2024 are shown on pages 38 to 47. The consolidated Group profit after tax for the year amounted to £7.6 million (2023: restated loss after tax £5.9 million). The result for the stand-alone company, BLME Holdings Limited, for the year was a loss of £11.9 million (2023: £10.5 million loss). The Directors do not recommend the payment of a dividend for the year ended 31 December 2024 (2023: £Nil). The results for the year are discussed further in the Group's strategic report.

In June 2022 the board of BLME Holdings Limited took the decision to wind down its leasing businesses. The Walbrook leasing business continues to trade in an orderly fashion during the wind down and continues to realise assets and meet obligations as they fall due, a process that is expected to last a number of years.

Directors and Directors' interests

The Directors who held office during the year, and their committee memberships and functions as of 31 December 2024 and up to the date of approval of the financial statements were as follows:

Name and Board/Committee Chairs	Date of Appointment	Date of Resignation	Board Committee Memberships
Adel Abdul Wahab Al-Majed *Chair of the Board*	26 April 2013		
Abdullah Abdulkareem Al Tuwaijri *Deputy Chair of the Board*	18 June 2021		Audit Nominations and Remuneration
Andrew Ball *Chief Executive Officer*	11 December 2020		
Chris Power *Chief Financial Officer*	26 September 2016	28 June 2024	
Simon Gibbons *Chief Financial Officer*	01 July 2024		

David Williams (Independent) *Chair of the Board Risk Committee*	15 October 2015		Nominations and Remuneration Risk
Jabra Ghandour	25 March 2016	31 March 2024	
Calum Thomson (Independent) *Chair of the Audit Committee*	1 April 2017		Audit Nominations and Remuneration Risk
Joanne Hindle (Independent) *Chair of the Nominations and Remuneration Committee*	1 July 2018		Audit Nominations and Remuneration Risk
Bader Abdullah Al Kandari	20 March 2019		Risk
Abdul-Salam Mohammed Al Saleh	26 June 2020		Audit Nominations and Remuneration Risk

As a private limited company, BLME Holdings Limited is not required to hold an annual general meeting each year and its directors are not required to retire by rotation and a new director appointed by the Board does not need to be re-appointed by the shareholders at a general meeting.

The Group had a Directors and Officers insurance policy in place during the financial year which provides all Directors with cover and at the date of this report. The Group did not provide Directors with qualifying third-party indemnity provisions during the financial year and at the date of this report.

The Directors who held office on 31 December 2024 had the following beneficial interests in the ordinary shares of the Company at the end of the year.

Name	Class of share	Number of shares held of 31 December 2024	Number of shares held of 31 December 2023
Adel Abdul Wahab Al-Majed	Ordinary 25p	1,000,000	1,000,000
Andrew Ball	Ordinary 25p	Nil	Nil
Simon Gibbons	Ordinary 25p	Nil	Nil
David Williams	Ordinary 25p	Nil	Nil
Calum Thomson	Ordinary 25p	Nil	Nil
Joanne Hindle	Ordinary 25p	Nil	Nil
Bader Abdullah Al Kandari	Ordinary 25p	Nil	Nil
Abdul-Salam Mohammed Al Saleh	Ordinary 25p	Nil	Nil
Abdullah Abdulkareem Al Tuwaijri	Ordinary 25p	Nil	Nil

Chairman’s other significant commitments

Director	Company	Appointment	Date of Appointment
Adel Abdul Wahab Al-Majed (Group Chairman 31 March 2014 to present)	Boubyan Bank K.S.C.P.	Chief Executive Officer and Vice Chairman	27 March 2013

The Board acknowledges that Adel Abdul Wahab Al-Majed's other commitments may give rise to conflicts of interest and have procedures in place to ensure that the Group is not disadvantaged. A Director shall not vote at a meeting of the Board or of a Committee of the Board on any resolution concerning a matter in which a direct or indirect interest is held.

The Directors complete annual conflicts of interest declarations and ensure the Board is informed of any change in circumstances throughout the year.

Sharia'a Supervisory Board members

The Sharia'a Supervisory Board ('SSB') members during the year were as follows:

- Sheikh Dr. Abdulaziz Al-Qassar (Chair)
- Sheikh Dr. Esam Khalaf Al-Enezi
- Sheikh Dr. Mohammad Al-Barrak

Sulaiman Zaki Al Othman was the Sharia'a Consultant to the SSB during the year.

Financial Risk Management

The Group has exposure to the following risk categories:

- Credit risk
- Liquidity risk
- Market risk (including profit rate risk in the banking book)
- Operational risk (including conduct and cyber risk)
- Capital risk

A description of how the Group manages these risks is provided in Note 37.

Political contributions

The Group made no political contributions during the year (2023: £nil).

Climate change risk

The Group remains committed to embedding the requirements set out within the Policy Statement PS11/19 'Enhancing Banks and Insurers approaches to managing the financial risks from Climate Change' in the following areas:

Climate change poses both transition and physical risks, which could impact the bank's operations, clients and wider financial performance. A series of scoring metrics at a customer level for both Transition and Physical Risk have been introduced in order to build a picture of the Bank's exposure to Climate Change Risk.

- **Transition risks** arise from the adjustment towards a net-zero economy, which will require significant structural changes to the economy. Changes in policy, technology and shifting consumer preferences and interpretations of the law could prompt a reassessment of the value of a large range of assets. In turn, this will give rise to credit risk. The resultant risks would be more pronounced in the case of a sudden adjustment and could, dependent on scale, be a source of financial instability.
- **Physical risks** arise from changes in the long-term climate and the increasing severity and frequency of weather events. Physical risks can damage property and other infrastructure, disrupt business supply chains, impact human working conditions and health and, more broadly, can lead to internal displacement and conflict. This reduces asset values, results in lower profitability for companies, damages public finances, and increases the cost of settling underwriting losses for insurers. Indirect effects on the macroeconomic environment, such as lower output and productivity, exacerbate these direct impacts.

Details of the Bank's metrics for transition risk and physical risks are included in the climate-related risks section of the Financial Risk Management note to the accounts on pages 129 and 130.

Progress has been achieved in the climate change risk identification and addressing gaps related to climate change risk data for the Bank's portfolios. The Bank has continued to incorporate climate change considerations into its credit policy, ensuring that climate change risks are assessed as part of the overall credit decision-making process. While these considerations are now embedded within the existing framework, the merits of establishing a standalone climate change policy remain under active review.

The Group has conducted some initial sessions to build awareness of climate-related risks across the organisation and this represents an important starting point, but we remain committed to expanding and enhancing training efforts.

As we continue to deepen our understanding of the underlying climate related risks, work related to the integration of these considerations into the risk appetite setting process remains ongoing.

Activities related to exploring data and methodologies for measuring and reporting Scope 1, 2 & 3 emissions has not yet commenced, however this continues to be a work in progress as the Group continues to monitor evolving regulatory expectations and industry standards.

Carbon reporting

The Group's direct business impact on the environment is limited with the main carbon footprint relating to office premises, which are modern and energy efficient, with the majority of staff being based out of our Head Office in London.

The Group's Head Office is situated at 7th Floor North in 20 Churchill Place in Canary Wharf, a building where the main tenant is State Street Bank and Trust Company. The 20 Churchill Place premises use an Eneco Energy electricity contract that is 100% renewable (REGOS backed), has LED lighting, and waste recycling is in place. Based on square footage we occupy just over 3% of the building.

The UK Group does not have any company cars or fleet vehicles and there is minimal use by the Group's employees of personal or hire cars for business purposes. There is one company vehicle in the subsidiary in Saudi Arabia. Walbrook has not written any new business to finance diesel buses since 2017 and approximately 93% of Walbrook's residual value exposure to buses is to electric and hybrid buses (31 December 2023: 80%).

The Group consumed more than 40,000 kWh of energy during the year and is therefore above the threshold for reporting under the Streamlined Energy and Carbon Reporting (SECR) framework requirements that were introduced by the UK Government for accounting periods beginning on or after 1 April 2019. SECR is relevant for the Group as BLME meets two out of three of the size criteria to be classified as a large unquoted company.

The Group's total gross carbon emissions for calendar year 2024 were 1.03 tonnes of carbon dioxide equivalent, or tCO_2e all from employees' fuel reimbursement as all purchased electricity was from renewable backed contracts (2023: 10.65 tCO_2e).

The emissions data is disclosed in relation to the same period in respect of which the directors' report is prepared (i.e. the calendar year).

Streamlined Energy Carbon Reporting ('SECR') Report

Our SECR report is shown in the table below and relates to the UK energy use of gas, electricity and transport energy consumption for both the current and prior year.

	FY2024	FY2023
Energy Consumption used to calculate emissions	443,572 kWh	278,499 kWh
Emissions from the combustion of gas tCO_2e (Scope 1, market-based)	0 tCO_2e	0 tCO_2e
Emissions from the combustion of fuel for transport purposes (Scope 2, location-based)	0 tCO_2e	0 tCO_2e
Emissions from purchased electricity, heat, steam, and cooling (Scope 2, location-based)	0 tCO_2e	10.65 tCO_2e
Emissions from business travel in colleague-owned vehicles where we compensate for fuel based on the HMRC mileage rate (Scope 3.6, market-based)	1.03 tCO_2e	0.61 tCO_2e
Total gross tCO_2e based on the above fields	1.03 tCO_2e	11.26 tCO_2e
Intensity ratio: gross tCO_2e per £ million of revenue based on the above field	0.014	0.16
Energy efficiency actions in 2024	In 2024 we moved the electricity supply for our Brook Street, Mayfair Office onto a Zero Carbon for Business contract backed by Renewable Energy Guarantees of Origin (REGOS) supplies. Our Churchill Place Office has been on a REGOS backed contract since we moved in. We place focus on recycling in the office and in 2024 we worked with CBRE to monitor our levels achieved. Overall, we recycled 63.2% of our waste including 935.89 kg of Dry Mixed Recyclables (DMR), 745.79 kg of food waste and 138.17 kg of coffee waste.	
Methodology	The Group has chosen an intensity ratio using tC02e (tonnes of carbon dioxide equivalent) per £ millions of income as being the most relevant carbon emissions intensity metric for its business type. The emissions details have been calculated using the utility bills' details for the buildings and estimated taking account of the floorspace occupied by BLME.	

Future developments

The business strategy and prospects for future financial years are included in the Group Strategic Report on pages 8 to 15. This includes a section referring to Global Economic Stresses including US trade tariffs being introduced on a broad scale with the risk of reciprocal actions. The material business risks are set out in Note 37 Financial Risk Management from page 104.

Going concern

The Directors have reviewed the business activities and financial position of the Group and have a reasonable expectation that it has adequate resources to continue in operational existence until at least 12 months from the financial statements signing date. In making this assessment the Directors have considered a wide range of information about the current and future condition of the Group including the strategic direction, activities and risks that affect the financial position. This review included an assessment of the impact of the current macroeconomic environment on the Group's financial statements, liquidity and capital positions; including downside risks from geopolitical tensions including the Russia/Ukraine and Gaza/ Israel conflicts and the impact of climate change. More information regarding the Going Concern review is outlined in Note 2 d on page 54.

For these reasons the consolidated financial statements of the Group and parent Company have been prepared on a going concern basis.

Subsequent events

The Directors are not aware of any matters or circumstances that have occurred since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

The Company has dispensed with the requirement to hold an Annual General Meeting. In accordance with Section 485 of the Companies Act 2006 the board will reappoint Deloitte LLP as auditors during the course of the year.

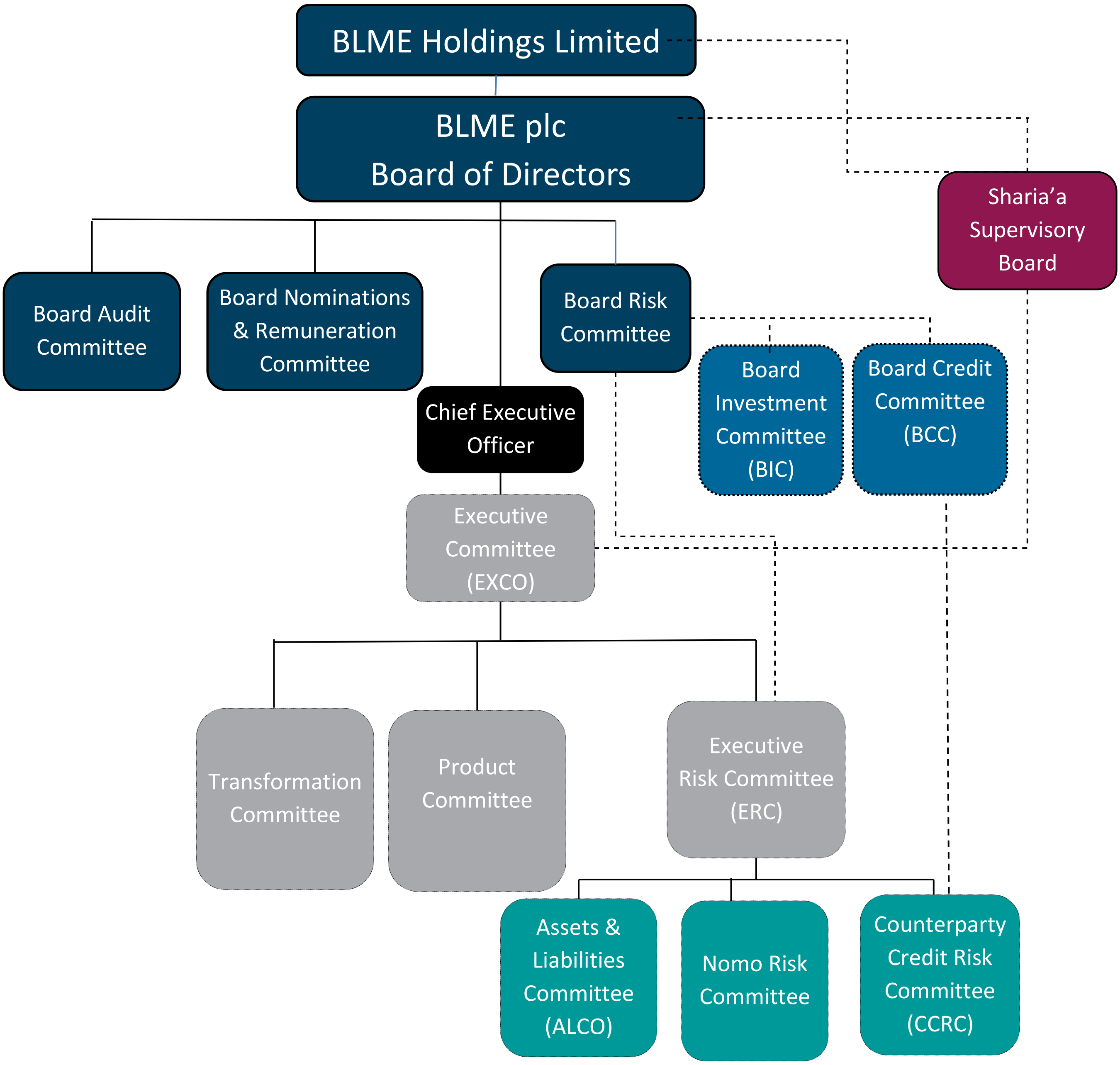
Approved by the Board of Directors on 23 April 2025 and signed on its behalf by:

Peter Bulkeley
Company Secretary

CORPORATE GOVERNANCE REPORT

The Board considers that good corporate governance is central to achieving the Group's objectives. To this end, the Board has established a governance framework that sets out procedures, policies and practices that are required by law, regulation and/or best practice guidelines. The framework is also used to determine risk appetite in line with the Group's defined strategic objectives. Risk appetite adherence is monitored through a formalised process of risk identification, control assessment and performance monitoring. Board and executive committee structures have been implemented, together with clearly defined roles and responsibilities for both the individuals and the committees. These committees oversee the activities of the Group and help ensure controls are operating as designed. These structures, including individual department business plans, ensure that appropriate financial and human resources are in place to deliver the Group's strategic objectives. Policies and behavioural standards have been established and reiterated to all staff through regular training programmes, including anti-money laundering and financial crime, the UK Bribery Act, conflicts of interest and Consumer Duty.

Committee structure for governance of the UK banking subsidiary



The Group has outsourced its Internal Audit Function to BDO LLP.

The Board of Directors

The BLME Holdings Limited Board is responsible for the Group’s system of corporate governance.

As of 31 December 2024, the Board of Directors comprised two Executive Directors:

- Andrew Ball – Chief Executive Officer
- Simon Gibbons – Chief Financial Officer

and seven Non-executive Directors, including the Non-executive Chair:

- Adel Abdul Wahab Al-Majed – Non-executive Chair
- Abdullah Abdulkareem Al Tuwaijri – Deputy Chair
- Calum Thomson – Chair of Audit Committee (Independent)
- David Williams – Chair of Risk Committee (Independent)
- Joanne Hindle – Chair of Nominations and Remuneration Committee (Independent)
- Bader Abdullah Al Kandari
- Abdul-Salam Mohammed Al Saleh

The appointment of Directors is considered by the Board Nominations and Remuneration Committee and ratified by the Board. Non-executive Directors are appointed for three-year renewable terms, which may be terminated by giving three months’ notice. All the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with Board procedures and applicable regulations. Independent professional advice is available to the Directors at the Group’s expense where they judge it necessary to discharge their duties as Directors.

Board Meetings

The Board of Directors meets at least quarterly and has a defined agenda of matters reserved for its decision. The Board is responsible for the overall Group strategy, setting the risk appetite, approval of major capital expenditure projects and consideration of major financing matters. The Directors discharge their duties within a framework of controls relating to the assessment and management of risk.

The matters specifically referred to the Board for decision include the approval of the annual report and financial statements, the payment of dividends, the long-term objectives of the Group, the strategies necessary to achieve these objectives, the Group’s budgets and plans, significant credit exposures, significant capital expenditure items, significant investments and disposals, the organisational structure of the Group, the arrangements for ensuring that the Group manages risk effectively and any significant change in accounting policies or practices.

Board Committees

The Board has delegated to the Committees of the Group the responsibility to review and make recommendations to the full Board. The Board Committees operate within clearly defined terms of reference.

Board and Committee meetings attendance record for 2024

	Board			Nominations and Remuneration Committee			Audit Committee			Risk Committee		
	Regular meetings attended	Ad hoc meetings attended	Meetings eligible to attend	Regular meetings attended	Ad hoc meetings attended	Meetings eligible to attend	Regular meetings attended	Ad hoc meetings attended	Meetings eligible to attend	Regular meetings attended	Ad hoc meetings attended	Meetings eligible to attend
Executive Directors												
Andrew Ball	4	0	4									
Simon Gibbons	2	0	2									
Christopher Power	2	0	2									
Non-executive Directors												
Adel Abdul Wahab Al-Majed	3	0	4									
David Williams	4	0	4	5	0	5				4	0	4
Jabra Ghandour	1	0	1				1	0	1			
Calum Thomson	3	0	4	4	0	5	4	0	4	4	0	4
Joanne Hindle	4	0	4	5	0	5	4	0	4	4	0	4
Abdul-Salam Mohammed Al Saleh	4	0	4	3	0	5	2	0	2	1	0	4
Bader Abdullah Al Kandari	4	0	4							4	0	4
Abdullah Abdulkareem Al Tuwaijri	4	0	4	5	0	5	4	0	4			

All four board meetings held during the year were scheduled quarterly meetings. There were no ad hoc board meetings held in 2024. The Executive Directors regularly attend the meetings of the Board Committees as guests.

Board Audit Committee

The Board Audit Committee is chaired by Calum Thomson (FCA) and for the calendar year comprised Joanne Hindle, Abdul Salam Mohammed Al Saleh, and Abdullah Abdulkareem Al Tuwaijri. The independent chair has a casting vote.

The Committee's main responsibilities include to review any reports from management, the internal auditor, and the external auditor regarding the internal control systems implemented throughout the Group, along with consideration of the Annual Report and Financial Statements. The Committee also oversees the relationships and provides input into the planning of the internal and external auditors; and makes recommendations to the Board on the appointment of the auditors and the audit fee. The Board considers that the members of the Board Audit Committee possess recent and relevant financial experience. The Audit Committee has unrestricted access to the Group's auditors. The external auditor, Deloitte LLP (Deloitte), provided very limited non-audit services in addition to the provision of audit services. Further details regarding the fees paid to Deloitte for these services are included in Note 11 on page 76.

The Board Audit Committee is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process. The process through which the Committee assesses the auditor's independence and objectivity each year includes the following:

- review and discussion of the external audit plan and results of the annual audit
- a review of non-audit services provided to the Group and related fees

- discussion with the auditors of any relationships with the Group and any other parties that could affect independence or the perception of independence
- a review of the auditor's own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent

More information regarding the Group's Audit Committee's functions and activities is included in the Audit Committee report on pages 29 to 30.

Board Risk Committee

The Board Risk Committee (BRC) is chaired by David Williams and comprises Bader Abdullah Al Kandari, Joanne Hindle, Calum Thomson and Abdul-Salam Mohammed Al Saleh.

BRC is responsible for the oversight of the risk profile of the Group and for providing guidance, advice and recommendations to the Board on credit, market, liquidity and operational risks with a view to re-enforcing a culture that encourages good stewardship of risk. Within this mandate it reviews risk levels in consideration of the Group's overall risk appetite, market conditions and business strategy. It also reviews the Group's Internal Capital Adequacy Assessment Process (ICAAP), Individual Liquidity Adequacy Assessment Process (ILAAP) and Recovery and Resolution Planning Process (RRP) and assesses the adequacy of stress testing and risk policies.

Ultimate responsibility for risk rests with the Board which, with advice and recommendations from BRC, approves the risk appetite for each major class of risk in line with the Group's business model and strategic priorities and also approves the annual ICAAP and ILAAP.

The management of risk is delegated to the Chief Executive Officer who in turn delegates the day-to-day management of risk to the Executive Committee and, in particular, to the Executive Risk Committee which oversees the three sub-committees of the Group responsible for risk oversight (being ALCO, CCRC and the Nomo Risk Committee). The day-to-day independent oversight of risk is performed by the Group's risk department. This process is supported by the regulatory reporting team's internal control role in monitoring adherence to risk limits, management action triggers and regulatory limits.

Board Nominations and Remuneration Committee

The Board Nominations and Remuneration Committee is chaired by Joanne Hindle and comprises David Williams, Calum Thomson, Abdul-Salam Mohammed Al Saleh and Abdullah Abdulkareem Al Tuwaijri.

The Board Nominations and Remuneration Committee is responsible for matters relating to the composition of the Board, including the appointment of new Directors, and making recommendations to the Board as appropriate. The Committee is also responsible for overseeing the annual performance evaluation of the Board, its principal Committees and the Chairman. The Board Nominations and Remuneration Committee identifies qualified candidates to be Directors, through a robust and prudent process, with the use of external consultants as necessary.

The Board Nominations and Remuneration Committee ensures that employees, management and executive compensation is appropriately aligned to business and individual performance and is consistent with Shareholder interests and is in compliance with the FCA's Remuneration Code. It performs these duties within a framework that takes account of prevailing market conditions, best market practice and regulatory compensation guidelines. The Board Nominations and Remuneration Committee's appointed independent professional advisor for 2024 was PricewaterhouseCoopers LLP ('PwC'). PwC is independent and has no connection with the Group.

More information regarding the Group's Board Nominations and Remuneration policy is included in the Nomination and Remuneration report on pages 31 and 32.

Chair and Chief Executive

The roles of Chair and executive management, led by the Chief Executive Officer, are separated and clearly defined:

a. The Non-executive Chair, Adel Abdul Wahab Al-Majed, is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its role, reviewing the Board's agenda and conducting Board meetings, and ensuring effective communication with Shareholders.

b. Executive management is led by the Chief Executive Officer (CEO), Andrew Ball, who has been delegated responsibility by the Board for the day-to-day management of the Group within the control and authority framework set by the Board. The CEO is supported in managing the business by the Chief Financial Officer (CFO), Simon Gibbons.

c. The Company Secretary, Peter Bulkeley, is responsible for ensuring good information flows within the Board and its Committees and between senior management and Non-executive Directors, as well as facilitating inductions and assisting with professional development of Board members as required. The Company Secretary ensures that Board procedures are complied with, and advises the Board, through the Chair, in all governance matters. The Board has the responsibility for appointing and removing the Company Secretary.

In light of the "comply or explain" corporate governance best practice guidance in the UK that an independent Chair of a board should not serve on a board for more than nine years, the Nominations and Remuneration Committee considered the Group's circumstances and made a recommendation to the Board that retaining the services of Adel Abdul Wahab Al-Majed as the non-independent Chair would be in the best interest of the Group.

This recommendation took account of the substantive ongoing strategic change, including the closure of the leasing business, the ongoing transition and development of Nomo as a digital banking business unit and expansion into the GCC; and that it would be disruptive to bring in a new chair. The Board accepted the Committee's recommendation and accordingly Mr. Al-Majed was retained as Chair of the Board for the short to medium term with the position to be reviewed annually. Given his tenure, the Board will assess the continued independence status of Mr. Williams in advance of the Bank's 2025 Annual General Meeting.

Board balance

The Board includes a balance of Executive and Non-executive Directors such that no individual, or small group of individuals, can dominate the Board's decision taking. The size of the Board and balance of skills is considered appropriate for the requirements of the business. No one other than the Committee Chairs and Committee members is entitled to be present at a meeting of the Audit, Nomination and Remuneration or Risk Committees, but others may attend at the invitation of each Chair.

During the year ended 31 December 2024, two of the Directors were Executive Directors and three were Non-executive Directors who were considered by the Company to be independent.

The Board believes that the Non-executive Directors who are classified as independent have retained their independent character and judgement. The Board periodically reviews the independence of its Non-executive Directors to assess whether their judgement could be impaired in any way which could affect the interests of the Company. The Board uses objective criteria to make this assessment, including:

- the length of term which the Non-executive Director has already served
- whether the Non-executive Director has any material business relationships which may conflict with the interests of the Group
- relationships with other Directors
- whether the Non-executive Director is a Shareholder
- the nature of the non-executive remuneration, including any participation in employee incentive arrangements

Information and professional development

The Board is supplied in a timely manner with information in a form, and of a quality appropriate to enable it to discharge its duties. The Company Secretary is responsible for ensuring the Directors receive accurate, timely and clear information, which is provided by operational management and enhanced or clarified where necessary. Professional development and training for the Board is monitored by the Board Nominations and Remuneration Committee as part of the annual performance evaluation review. In addition, the Continued Professional Development of the individual Directors are assessed as part of the annual fit and proper assessment and compliance with the Senior Managers and Certification Regime.

Board effectiveness review

An external effectiveness review of the Board was conducted during 2022 by a specialist consultancy firm with no connections with the Group. This independent review consisted of a review of board papers; confidential interviews with all Directors; confidential interviews with selected executives who have significant interaction with the Board and its Committees; and observation of a committee meeting and a Board meeting. The final report was issued during the first half of 2023 with no major findings or concerns raised. The report was discussed with the Board during 2023, and an action plan was instigated to track related actions from the recommendations. All action points have since been closed.

Financial reporting

The Board is responsible for presenting a balanced and understandable assessment of the Group's position and prospects, extending to annual reports and returns to regulators, including statutory requirements.

Internal control

The Directors are responsible for reviewing the effectiveness of the Group's internal controls on an annual basis. There is an on-going process to identify, evaluate and manage risk, which has been in place throughout the year and is regularly reviewed by the Board with guidance from the Board Risk Committee and Board Audit Committee.

The internal control framework covers financial, operational and compliance areas and risk management. There are limitations to any system of internal control, which can only provide reasonable but not absolute assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of misstatement or loss.

As the first line of defence, management design and perform the control function. They are then periodically tested independently through the Compliance Monitoring Plan and by the Risk department providing a second line of defence. They are monitored and assured by thorough reviews conducted by internal audit acting as the third line of defence. The findings of these reports and subsequent tracking of the remedial actions required are monitored by the appropriate internal committees and by the Audit Committee to ensure all open action points are closed and the adequacy of all systems and controls are maintained.

Relations with Shareholders

The Directors place great importance on maintaining good communications with all investors. The Group reports formally to Shareholders once a year with the publication of its annual report.

SHARIA'A SUPERVISORY BOARD REPORT

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

To the Shareholders of BLME Holdings Limited

Assalamu Alaikum wa Rahmat Allah wa Barakatuh.

The management of the Group is responsible for ensuring that the Group conducts its business through its offices in England and Dubai, UAE in accordance with the principles of the Sharia'a. It is the responsibility of the Sharia'a Supervisory Board to form an independent opinion, based on the review of the operations, agreements and transactions conducted by the Group. It is the responsibility of management to implement the decisions of the Sharia'a Supervisory Board.

We, the Sharia'a Supervisory Board of BLME Holdings Limited, have reviewed and monitored the operations, agreements and transactions conducted by the Group through its offices in England and in the Dubai International Financial Centre during the period 1 January 2024 to 31 December 2024 and have reviewed the BLME Holdings Limited Annual Report and Accounts for the year ended 31 December 2024. We conducted our reviews to form an opinion as to whether the Group has complied with the principles of the Sharia'a and with specific fatwa rulings and guidelines issued by the Sharia'a Supervisory Board.

It is the Sharia'a Supervisory Board's opinion that:

1. The operations, agreements and transactions entered into and conducted by the Group through its offices in England and in the Dubai International Financial Centre during the year 1 January 2024 to 31 December 2024 and which were reviewed by the Sharia'a Supervisory Board are in compliance with the principles of the Sharia'a.
2. The distribution of profits and the sharing of losses in terms of the investment accounts at the Group are in compliance with the principles of the Sharia'a.
3. All profit generated by the Group during the year 1 January 2024 to 31 December 2024 has been derived from Sharia'a-compliant sources.
4. The Sharia'a Supervisory Board has reviewed all income received from non-Sharia'a-compliant sources during the year 1 January 2024 to 31 December 2024 and will oversee Group's dealings in the disposal of this income in a Sharia'a-compliant manner.

The Company will provide shareholders with a calculation of the zakat payable on their shareholdings, but it is the sole responsibility of shareholders to pay the zakat.

We ask Allah to lead the management and staff of the Group towards integrity, correctness and further success.

Wassalam Alaikum wa Rahmat Allah wa Barakatuh

Signed on behalf of the Sharia'a Supervisory Board of BLME Holdings Limited

Sheikh Dr. Abdulaziz Al-Qassar
Chairman
23 April 2025

AUDIT COMMITTEE REPORT

Statement from the Chairman of the Board Audit Committee

Audit Committee Members
Calum Thomson – Chair
Joanne Hindle– Deputy Chair
Abdullah Abdulkareem Al Tuwaijri
Abdul Salam Mohammed Al Saleh

Audit Committee Guests
Deloitte – (external auditor)
BDO – (internal audit)
David Williams – INED
Chief Executive Officer
Chief Financial Officer
Chief Risk and Compliance Officer
MLRO

The Audit Committee met four times during 2024.

The Group uses an outsourced model for internal audit having appointed BDO LLP as its internal audit partner. BDO presents an annual internal audit plan for each calendar year to the Committee for review and approval and subsequent updates are agreed by the Committee throughout the year. During 2024, the Committee received and reviewed a total of fourteen individual BDO review reports.

Role of the Audit Committee

The Audit Committee's main functions are:

- To monitor the financial reporting process and integrity of the Annual Report and Financial Statements of the Group by reviewing and challenging, where necessary the actions of the management, its significant judgements, applicability of the accounting standards adopted, and estimates contained within the financial statements and the Group's accounting policies.
- To monitor the effectiveness of the Group's internal financial controls and risk management systems including the effectiveness of the internal audit function. The Committee reviews and approves the annual internal audit plan, ensuring it utilises the Group's Operational Risk Register. The Committee is presented with regular reports showing management responses on delivering recommended changes.
- To meet the independent external auditor of the Group to review their proposed Audit Plan and the subsequent Audit Report and to assess the effectiveness of the audit process, the nature of the non-audit work and the levels of fees paid in respect of both audit and non-audit work.
- To make recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor, and to negotiate their remuneration and terms of engagement on audit and non-audit work.
- To monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualifications.

To ensure it fulfils its responsibilities under its terms of reference the Committee establishes an annual agenda. The Committee also reviews reports received from management on key business areas, with particular emphasis on compliance (including financial crime and compliance monitoring).

2024 activity

- The Committee reviewed the Internal Auditor's risk assessment and provided input into the internal audit annual plans for 2024 and 2025.
- The Committee reviewed each internal audit review report issued during the year and the key findings were discussed with Internal Audit during Committee meetings. The Committee evaluated the risk and control framework of those areas considering the reports and recommendations and did not note any critical weaknesses in the Group's internal controls.
- Internal Audit issued fourteen reports for the Committee to review in 2024. The reports covered the following areas of activity:
    - IT General Controls - Change and Access Management
    - SWIFT Customer Security Programme Attestation Review
    - Cyber Security
    - ICAAP and ILAAP Review
    - Transaction Monitoring
    - Fraud Risk Management
    - Core Financial Controls Review
    - Real Estate Finance & Private Banking – Loan and Account Reviews and Monitoring
    - Operational Risk Management Phase 1
    - Consumer Duty Phase 1

    - Real Estate Finance & Private Banking - Arrears, Collections and Recoveries
    - Compliance Function Review
    - Operational Resilience
    - UAE Partnership Agreement
- In addition to reviewing individual internal audit review reports, the Committee was kept up to date on the status of action taken by management to address the findings raised by Internal Audit. This included Committee approval of any extensions to original implementation dates (as requested by management).
- The Committee reviewed regular quarterly updates from the Chief Compliance Officer including full access to Compliance Monitoring Reports issued during the year.
- The Committee reviewed regular quarterly financial crime updates from the MLRO.
- The Committee reviewed and challenged the level of impairments including IFRS 9 Stage 1, 2 and 3 provisions and the IFRS 9 model assumptions throughout the year.
- The Committee reviewed the financial statements including the appropriateness of the accounting policies adopted for the recognition of income, allowance for expected credit losses as required by IFRS 9 and the valuation of the Company's investment in its subsidiaries.
- In addition to the regular annual program of activities, the Committee covered various other matters during the year. This included the continued oversight of the implementation and embedding of compliance with the FCA's Consumer Duty, the oversight of product development initiatives by BLME Capital Company, the oversight of the partially outsourcing of the Fraud and Transaction monitoring function and approval of the use of the exemption available under the Companies Act 2006 to dispense with the requirement for a statutory audit of Walbrook Asset Finance Limited, Walbrook Construction Equipment Finance Limited and WAF 1 Limited for the year ended 31 December 2023.

External Audit Process

The Committee makes recommendations to the Board on the appointment of the external auditors and has unrestricted access to the Group's external auditors. The Audit Committee is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

The process through which the Committee assesses the auditor's independence and objectivity each year includes the following is described within the Corporate Governance report on pages 22 to 27.

The Audit Committee meets twice a year with the external auditor in the absence of Management. The external auditor provides a planning report in advance of the annual audit, a results report on the annual audit of the Annual Report and Financial Statements and a control themes and observations report on matters that came to their attention during the normal course of their audit work. The Audit Committee has an opportunity to question and challenge the external auditor in respect of each of these reports. The Audit Committee challenge the external auditor's area of focus at the planning stage and where considered necessary ask for other areas of focus to be added. In particular the committee question the external auditor on the audit process relating to the level of provisioning, the appropriateness of the ECL provision, and the level of deferred tax.

After each audit, the Audit Committee reviews the audit process and considers its effectiveness. The review of the 2024 audit concluded that the audit process had worked well, and the issues raised during the year have been adequately addressed.

Auditor Assessment and Independence

The Audit Committee has reviewed Deloitte's independence policies and procedures including quality assurance procedures. It was considered that those policies and procedures remained fit for purpose.

Calum Thomson
Chairman, Board Audit Committee
23 April 2025

NOMINATIONS AND REMUNERATION REPORT

Statement from the Chair of the Board Nominations and Remuneration Committee

Committee Members
Joanne Hindle – Chair
Calum Thomson – Deputy Chair
David Williams – INED
Abdul-Salam Mohammed Al Saleh – NED
Abdullah Abdulkareem Al Tuwaijri – NED

Committee Guests
Andrew Ball – CEO
Tracey Carlton – Chief People Officer
Duncan Nicholls – Advisor from PwC

The Committee met five times during 2024.

Role of the Nominations and Remuneration Committee
The Committee's main remuneration related functions are to:

- Decide and report to the Board on the framework for remuneration including the overall level of salary reviews, other incentive awards, pension and contractual arrangements;
- Oversee compliance with regulations, including the FCA's Remuneration Code;
- Set the remuneration of the Chairman of the Board, the CEO, and the CFO;
- Monitor and review the remuneration of senior executive management (being all material risk-takers, all direct reports to the CEO, and all other highly paid staff), and
- Directly oversee the remuneration of the senior managers in the Risk and Compliance functions.

The Committee's main nominations related functions are to:

- Ensure that there is a formal, rigorous and transparent procedure for the appointment of directors to the Board;
- Ensure that any person nominated for election to the Board is fit and proper with the appropriate skills and experience for the post in accordance with regulatory requirements and principles of good corporate governance;
- Make recommendations to the Board on the appointment of any new Directors to the Board and accept an overseeing role in any appointment process having prepared a description of the role and capabilities required for a particular appointment and having regard to the overall balance of the Board;
- Oversee the Board assessment process including the creation and maintenance of a Board skills matrix, to ensure that satisfactory analysis is undertaken of the performance of the Board, and report to the Board on at least an annual basis on its assessment taking account of the balance of skills, knowledge, independence and experience on the Board;
- Identify any skill gaps on the Board and any succession planning issues and recommend to the Board how these gaps will be addressed;
- Oversee the training as necessary of all Board members; and
- Support the Board in ensuring that diversity and inclusion is embedded in the corporate culture and values.

Remuneration policy
Our ability to deliver against our strategy requires us to attract and retain high calibre staff and align their interest with our shareholders. Our Remuneration Framework is designed to support the strategy. This includes discouraging inappropriate risk taking and is guided by the following principles:

- Remuneration is set at appropriate levels and is benchmarked against the external marketplace;
- A total remuneration philosophy is operated wherein the Group seeks to balance short term considerations against alignment of the longer-term interests of shareholders;
- Remuneration is designed to promote effective risk management, consistent with the Group's stated risk appetite;
- Any breaches of risk appetite or conduct failures are considered by the Committee when determining both the overall bonus pool and individual executive remuneration;
- Performance measures and targets contain both financial and non-financial metrics and are cascaded from the Group's strategy to the CEO metrics and downwards. They are aligned with shareholder interests and consistent with the business strategy and objectives; and
- Compliance with the regulatory environment is mandatory.

2024 activity

The Committee's activity during the year included:

- Approval of updates to the regulatory Remuneration Policy Statement and categorisation of Material Risk Takers ('MRTs');
- Annual review of staff salaries in conjunction with a salary benchmarking survey and considering total remuneration as well as market conditions and other economic factors such as UK inflation;
- Review of the benefits package offered to employees which aims to support their physical, mental, family, and financial well-being;
- Review of gender pay gap results (although the Group is not required to formally report on this);
- Review and approval of Executive Directors, MRTs, and other higher-paid staff remuneration;
- Review and approval of the remuneration of the Chairman of the Board;
- Review and challenge of the treatment of deferred bonus awards;
- Approval of the 2024 bonus pool payable in 2025 including the discretionary bonuses for senior staff and MRTs with mandatory deferral applied above a threshold of £50,000;
- Review and approval of the cash deferral portions due to be paid out in 2025 (from the 2021, 2022 and 2023 bonus year awards);
- Review and approval of the design of and the issue of any strategic awards and incentive plans as appropriate, including oversight of variable pay incentive proposals in relation to BLME Capital Company in KSA;
- People and culture updates from Management including but not limited to Employee Engagement Survey results, benefits enhancements or reviews, employee attrition, learning and development, and other employee engagement initiatives;
- Oversight of management initiatives to further embed diversity and inclusion into the Bank's culture;
- Oversight of executive rewards and incentives at Walbrook Asset Finance Limited;
- Succession planning in respect of the board as well as reviewing succession planning for the executives and senior managers in the Bank;
- Review and recommend to the Board the extension of the tenure of the Chairman of the Board for another year;
- Review and recommend to the Board the rotation of the Deputy Chairman role from Mr. Abdul-Salam Al Saleh to Mr. Abdullah Al Tuwaijri, effective from 1 July 2024; and
- Review and recommendation to the Board the appointment of Simon Gibbons as Executive Director and Chief Financial Officer, effective from 1 July 2024.

Remuneration report

In order to set remuneration levels, the Group assesses the extent to which targets have been met and performance achieved. Total remuneration includes salary, city allowance, annual discretionary bonus, pension contributions or pensions allowance and potentially long-term incentives. In line with the Group's Remuneration and Benefits Policy performance measures and targets are linked to business objectives. Long-term incentives are designed with external independent expert advice and in keeping with relevant industry best practice. The Group does not apply a formulaic approach to remuneration on the grounds that this could encourage inappropriate risk taking. The pay-out levels depend on the performance of the Group, the relevant business units and the individual; forfeiture and claw-back mechanisms operate where appropriate and consistent with Sharia'a law and FCA rules. A discretionary bonus forms part of the Group's remuneration package. For Executive Directors, senior executives and staff designated as MRTs a portion of the annual discretionary bonus is deferred over a three-year period and is subject to forfeiture relating to malus, gross misconduct or leaving to join a direct competitor.

Joanne Hindle
Chair, Board Nominations and Remuneration Committee
23 April 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom laws and regulations. The Section 172 report has been included within the Group Strategic Report on pages 11 to 13.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the Group financial statements state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and / or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

INDEPENDENT AUDITOR'S REPORT
To the members of BLME Holdings Limited

Opinion

In our opinion:

- the financial statements of BLME Holdings Limited (the "Parent Company" or the "Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statement of financial position;
- the consolidated and Parent Company statement of cash flows;
- the consolidated and Parent Company statement of changes in equity; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included Prudential Regulation Authority ("PRA") Rulebook and Financial Conduct Authority ("FCA") Handbook.

We discussed among the audit engagement team including relevant internal specialists such as tax, treasury, economic, regulatory, credit, financial instruments, IT, real estate and analytics and modelling specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas within expected credit loss (“ECL”) provision, and our specific procedures performed to address them are described below:

- There is significant management judgement surrounding the collateral valuations used in stage 3 facility. As a response to identified fraud risk, we engaged our real estate specialist to independently value a sample of stage 3 facilities and compared it with the Group’s collateral valuation.

- The identification of significant increase in credit risk involves significant management judgement. For a sample of facilities classified in stage 1, we assessed whether the facility is recorded in the correct stage, considering the qualitative or quantitative SICR criteria.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC, PRA and FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Atif Yusuf (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 April 2025

CONSOLIDATED INCOME STATEMENT

For the year 1 January 2024 to 31 December 2024

	Note	2024 £000	2023* £000
Income			
Income from financing and investing activities	*5a*	99,755	88,494
Returns to financial institutions and customers	*6*	(59,603)	(47,024)
Net margin		**40,152**	**41,470**
Fee and commission income	*5b*	5,994	1,786
Fee and commission expense	*7*	(3,264)	(2,420)
Net fee and commission income / (expense)		**2,730**	**(634)**
Net fair value losses on investment properties	*22*	-	(9,700)
Credit impairment losses	*12*	(6,464)	(914)
Operating lease income	*5c*	8,676	9,707
Other operating income	*8*	16,575	15,428
Share of profit of equity-accounted investees, net of tax	*29*	2,921	(2,576)
Net operating income		**64,590**	**52,781**
Expenses			
Personnel expenses	*9*	(31,541)	(28,392)
Operating lease depreciation		(7,076)	(7,868)
Other depreciation and amortisation		(1,139)	(1,291)
Other operating expenses	*11*	(18,289)	(17,987)
Total operating expenses		**(58,045)**	**(55,538)**
Profit / (loss) before tax		**6,545**	**(2,757)**
Tax credit / (charge)	*13*	1,010	(3,107)
Profit / (loss) for the period		**7,555**	**(5,864)**
Attributable to:			
Equity holders of the parent		7,287	(4,332)
Non-controlling interest	*34*	268	(1,532)
		7,555	**(5,864)**

**The Group has restated its consolidated financial statements for the year ended 31 December 2023. Refer to Note 2b for further details.*

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year 1 January 2024 to 31 December 2024

	Note	**2024** **£000**	**2023*** **£000**
Income			
Profit / (loss) for the year		7,555	(5,864)
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		46	(220)
Net losses in fair value of FVOCI debt instruments		(285)	-
Income tax credit on other comprehensive income	*13*	-	-
		(239)	**(220)**
Items that will not be reclassified subsequently to profit or loss:			
Net gains / (losses) in fair value of FVOCI equity instruments		1	(5)
Other comprehensive income / (expense) for the year net of tax		**1**	**(5)**
Total comprehensive income / (expense) for the year		**7,317**	**(6,089)**
Attributable to:			
Equity holders of the parent		7,049	(4,557)
Non-controlling Interest	*34*	268	(1,532)
		7,317	**(6,089)**

**The Group has restated its consolidated financial statements for the year ended 31 December 2023. Refer to Note 2b for further details.*

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 £000	2023* £000
Assets			
Cash and cash equivalents		101,266	82,438
Due from financial institutions	*15*	7,831	24,660
Investment securities	*16*	44,584	16,115
Financing arrangements	*18*	1,151,123	1,010,255
Finance lease receivables	*19*	113,936	242,470
Operating lease assets	*21*	23,901	32,866
Investment property	*22*	38,000	38,000
Investment in joint ventures	*29*	32,157	31,520
Property and equipment	*20*	2,744	3,145
Intangible assets	*23*	2,619	1,607
Other assets	*24*	23,116	13,242
Current tax asset		4,401	2,259
Deferred tax asset	*13*	25,676	25,361
Assets held for sale	*30*	-	1,800
Total assets		**1,571,354**	**1,525,738**
Liabilities			
Due to financial institutions	*25*	56,251	29,384
Due to customers	*26*	1,262,309	1,248,606
Other liabilities	*27*	18,039	20,064
Total liabilities		**1,336,599**	**1,298,054**
Equity attributable to equity holders of parent			
Share capital	*32*	50,091	50,091
Share premium		1,140	1,140
Other reserve		15,226	15,226
Capital redemption reserve		50	50
Fair value reserve		(347)	(63)
Foreign currency translation reserve		(325)	(371)
Retained earnings		165,175	157,888
Total equity attributable to parent		231,010	223,961
Total equity attributable to non-controlling interest	*34*	3,745	3,723
Total equity		**234,755**	**227,684**
Total liabilities and equity		**1,571,354**	**1,525,738**

**The Group has restated its consolidated financial statements for the year ended 31 December 2023. Refer to Note 2b for further details.*

These financial statements were approved by the Board of Directors on 23 April 2025 and were signed on its behalf by:

Andrew Ball
Chief Executive Officer

Simon Gibbons
Chief Financial Officer

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 £000	2023 £000
Assets			
Cash and cash equivalents		374	374
Investment in subsidiaries	*17*	164,356	176,231
Total assets		**164,730**	**176,605**
Liabilities			
Other liabilities		1	1
Total liabilities		**1**	**1**
Equity			
Share capital	*32*	50,091	50,091
Share premium		1,140	1,140
Retained earnings		113,498	125,373
Total equity attributable to equity holders of the Parent Company		**164,729**	**176,604**
Total liabilities and equity		**164,730**	**176,605**

The company loss for the year ended 31 December 2024 was £11.9 million (2023: loss £10.5 million). As permitted by section 408 of the Companies Act 2006, a separate profit and loss account of the parent has not been presented.

These financial statements were approved by the Board of Directors on 23 April 2025 and were signed on its behalf by:

Andrew Ball
Chief Executive Officer

Simon Gibbons
Chief Financial Officer

Company Registration Number: 08503102

The notes pages 48 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year 1 January 2024 to 31 December 2024		2024	2023*
Cash flows from operating activities	*Note*	**£000**	**£000**
Profit / (loss) before tax		6,545	(2,757)
Adjusted for:			
Exchange differences		(8)	(5)
Fair value loss on investment property	*22*	-	9,700
Share of (profit) / loss of equity-accounted investees, net of tax	*29*	(2,921)	2,576
Provision for impairment	*12*	6,464	914
Depreciation and amortisation	*20, 21, 23*	7,562	8,257
IFRS 16 - depreciation and finance charges	*28*	745	902
Amortisation of investment securities		364	152
		18,751	**19,739**
Net (increase)/decrease in operating assets:			
Due from financial institutions	*15*	15,949	498
Financing arrangements	*18*	(143,228)	(97,025)
Finance lease receivables	*19*	123,728	186,093
Other assets	*24*	(10,588)	7,077
		(14,139)	**96,643**
Net increase/(decrease) in operating liabilities:			
Due to financial institutions	*25*	27,046	(52,069)
Due to customers	*26*	13,450	(75,983)
Other liabilities	*27*	(2,273)	(4,541)
		38,223	**(132,593)**
Corporation tax paid		(597)	(2,351)
Net cash inflow / (outflow) from operating activities		**42,238**	**(18,562)**
Cashflow from investing activities			
Purchase of property and equipment	*20*	(377)	(793)
Proceeds from disposal of property and equipment		5	15
Purchase of intangible assets	*23*	(1,040)	(893)
Purchase of investment securities	*16*	(34,858)	(8,125)
Sale of investment securities	*16*	8,006	1,711
Purchase of interest in assets held for sale	*30*	-	(35,934)
Sale of interest in assets held for sale	*30*	1,800	6,000
Purchase of interest in joint ventures	*29*	-	(6,269)
Dividends received from joint ventures	*29*	2,284	1,461
Proceeds from disposal of operating lease assets		1,890	1,791
Net cash outflow from investing activities		**(22,290)**	**(41,036)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	*14*	(716)	(869)
Dividend paid by a subsidiary to a Non-controlling interest	*34*	(245)	(73)
Sale of investments in Non-controlling interest	*34*	-	984
Net cash (outflow) / inflow from financing activities		**(961)**	**42**
Net change in cash and cash equivalents		**18,987**	**(59,556)**
Cash and cash equivalents at the beginning of the period		82,438	142,015
Exchange differences in respect of cash and cash equivalents		(159)	(21)
Cash and cash equivalents at the end of the period		**101,266**	**82,438**

**The Group has restated its consolidated financial statements for the year ended 31 December 2023. Refer to Note 2b for further details.*

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year 1 January 2024 to 31 December 2024

	Note	2024 £000	2023 £000
Cash flows from operating activities			
Loss for the year before tax	*17*	(11,875)	(10,503)
Adjusted for:			
Net impairment charge / (reversal) on subsidiaries		11,875	10,503
Net cash inflow from operating activities		-	-
Cash flows from financing activities			
Proceeds from issue of new ordinary shares		-	-
Net cash inflow from financing activities		-	-
Cash flows from investing activities			
Purchase of investment in subsidiaries		-	-
Net cash outflow from investing activities		-	-
Net change in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at the beginning of the period		374	374
Cash and cash equivalents at the end of the period		**374**	**374**

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024	Note	Share capital	Share premium account	Other reserve	Capital redemption reserve	Fair value reserve	Retained earnings*	Foreign currency translation reserve	Total equity attributable to parent	Non-Controlling Interest*	Total Equity*
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as reported at 31 December 2023		50,091	1,140	15,226	50	(63)	172,098	(371)	238,171	4,911	243,082
Prior period adjustment	2b	-		-	-	-	(14,210)	-	(14,210)	(1,188)	(15,398)
Restated balance at 31 December 2023*		**50,091**	**1,140**	**15,226**	**50**	**(63)**	**157,888**	**(371)**	**223,961**	**3,723**	**227,684**
Profit for the year		**-**	**-**	**-**	**-**	**-**	7,287	**-**	**7,287**	268	**7,555**
Other comprehensive income / (expense)											
Foreign currency translation		-	-	-	-	-	-	46	46	-	46
Net change in fair value of equity/debt instrument at FVOCI		-	-	-	-	(284)	-	-	(284)	-	(284)
Tax on items transferred directly to equity	13	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / (expense)		**-**	**-**	**-**	**-**	**(284)**	**-**	**46**	**(238)**	**-**	**(238)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(284)**	**7,287**	**46**	**7,049**	**268**	**7,317**
Contributions by and distributions to owners											
Dividends paid by subsidiaries to Non-controlling interest	34	-	-	-	-	-	-	-	-	(246)	(246)
Increase in investment by NCI shareholders	34	-	-	-	-	-	-	-	-	-	-
Sale of equity instrument at FVOCI		-	-	-	-			-	-	-	-
Tax on items transferred directly to equity	13	-	-	-	-	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(246)**	**(246)**
Balance at 31 December 2024		**50,091**	**1,140**	**15,226**	**50**	**(347)**	**165,175**	**(325)**	**231,010**	**3,745**	**234,755**

**The Group has restated its consolidated financial statements for the year ended 31 December 2023. Refer to Note 2b for further details.*

FVOCI – Fair value through other comprehensive income

Fair value reserve includes the cumulative net change in fair value of FVOCI instruments until the investment is either derecognised or becomes impaired.

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

The **Capital redemption reserve** arose on 26 June 2014 following the redemption of 50,000 preference shares of £1 each and the repurchase of one A ordinary share of £1. The redeemable preference shares and the A ordinary shares being the original issued share capital of the Company on incorporation on 24 April 2013.

The **Other reserve** arose when the BLME Scheme of Arrangement, whereby the Company became the parent company of the Bank, took effect on 2 October 2013.

Non-Controlling Interest relates to the minority shareholders in AQ1 Limited and its related underlying structured entities.

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023	Note	Share capital	Share premium account	Other reserve	Capital redemption reserve	Fair value reserve	Retained earnings*	Foreign currency translation reserve	Total equity attributable to parent*	Non-Controlling Interest*	Total Equity*
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 December 2022		50,091	1,140	15,226	50	(108)	166,825	(151)	233,073	4,430	237,503
Prior period adjustment	*2b*	-		-	-	-	(4,555)	-	(4,555)	(86)	(4,641)
Restated balance at 1 January 2023		**50,091**	**1,140**	**15,226**	**50**	**(108)**	**162,270**	**(151)**	**228,518**	**4,344**	**232,862**
Loss for the year		-	-	-	-	-	(4,332)	-	**(4,332)**	(1,532)	**(5,864)**
Other comprehensive expense											
Foreign currency translation		-	-	-	-	-	-	(220)	(220)	-	(220)
Net change in fair value of equity/debt instrument at FVOCI		-	-	-	-	(5)	-	-	(5)	-	(5)
Tax on items transferred directly to equity	*13*	-	-	-	-	-	-	-	-	-	-
Total other comprehensive expense		-	-	-	-	**(5)**	-	**(220)**	**(225)**	-	**(225)**
Total comprehensive expense for the year		-	-	-	-	**(5)**	**(4,332)**	**(220)**	**(4,557)**	**(1,532)**	**(6,089)**
Contributions by and distributions to owners											
Dividends paid by subsidiaries to Non-controlling interest	*34*	-	-	-	-	-	-	-	-	(73)	(73)
Increase in investment by NCI shareholders	*34*	-	-	-	-	-	-	-	-	984	984
Sale of equity instrument at FVOCI		-	-	-	-	50	(50)	-	-	-	-
Tax on items transferred directly to equity	*13*	-	-	-	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	**50 -**	**50**	-	-	**911**	**911**
Balance at 31 December 2023		**50,091**	**1,140**	**15,226**	**50**	**(63)**	**157,888**	**(371)**	**223,961**	**3,723**	**227,684**

**The Group has restated its consolidated financial statements for the year ended 31 December 2023. Refer to Note 2b for further details.*

FVOCI – Fair value through other comprehensive income
Fair value reserve includes the cumulative net change in fair value of FVOCI instruments until the investment is either derecognised or becomes impaired.
Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
The **Capital redemption reserve** arose on 26 June 2014 following the redemption of 50,000 preference shares of £1 each and the repurchase of one A ordinary share of £1. The redeemable preference shares and the A ordinary shares being the original issued share capital of the Company on incorporation on 24 April 2013.
The **Other reserve** arose when the BLME Scheme of Arrangement, whereby the Company became the parent company of the Bank, took effect on 2 October 2013.
Non-Controlling Interest relates to the minority shareholders in AQ1 Limited and its related underlying structured entities.
The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024	Note	Share capital	Share premium account	Retained earnings	Total
		£000	£000	£000	£000
Balance at 31 December 2023		**50,091**	**1,140**	**125,373**	**176,604**
Loss for the year		-	-	(11,875)	(11,875)
Other comprehensive income / (expense)		-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(11,875)**	**(11,875)**
Contributions by and distributions to owners					
Issue of new ordinary shares	*32*	-	-	-	-
		-	-	-	-
Transfer to Retained Earnings		-	-	-	-
Tax on items transferred directly to equity	*13*	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**
Balance at 31 December 2024		**50,091**	**1,140**	**113,498**	**164,729**

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023	Note	Share capital	Share premium account	Retained earnings	Total
		£000	£000	£000	£000
Balance at 31 December 2022		**50,091**	**1,140**	**135,876**	**187,107**
Loss for the year		-	-	(10,503)	(10,503)
Other comprehensive income / (expense)		-	-	-	-
Total comprehensive expense for the period		**-**	**-**	**(10,503)**	**(10,503)**
Contributions by and distributions to owners					
Issue of new ordinary shares	*32*	-	-	-	-
Transfer to Retained Earnings		-	-	-	-
Tax on items transferred directly to equity	*13*	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**
Balance at 31 December 2023		**50,091**	**1,140**	**125,373**	**176,604**

The notes on pages 48 to 131 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

BLME Holdings Limited ("the Company") is a company incorporated and domiciled in England. The address of the Company's registered office is 20 Churchill Place, Canary Wharf, London, England, E14 5HJ. 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") and its subsidiaries and Walbrook Asset Finance Limited ("Walbrook"). BLME is a wholesale bank involved in real estate finance, commercial finance, private client banking, digital banking and wealth management. The consolidated financial statements of the Group are presented as at and for the year ended 31 December 2024 and comprise BLME Holdings Limited and its subsidiaries (together referenced as "the Group").

The Company was inserted as a holding Company of the Bank during 2013 pursuant to a Scheme of Arrangement. The transaction was outside the scope of IFRS 3 and therefore no business combination occurred.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

a. Presentation of financial statements

The Group and Company have prepared its financial statements in accordance with UK adopted international accounting standards and effective for the Group's reporting for the year ended 31 December 2024.

In preparing the financial statements the Directors have considered the impact of the physical and transition risks of climate change and for the reasons outlined on page 71 and pages 129 and 130 concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as of 31 December 2024. This may change as time passes and societal responses develop.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

b. Correction of material errors and reclassification restatement in prior year

i. Investments in joint ventures and assets held for sale

In prior year 2023, the Group held investments in joint ventures: Waterfront Holdings Limited ("Waterfront") since 2019, Longbarn Holdings Limited ("Longbarn"), and Q12 Holdings Limited ("Q12") both since 2023 and they are classified as investment in joint ventures. The investment properties are the main underlying assets recorded in investment in joint ventures. On review of the joint venture management accounts, the investment properties in Longbarn and Q12 were measured at cost and the investment property in Waterfront was measured at fair value. Since Q12 and Longbarn were bought in 2023 and in order to equity account for these investment in joint ventures, IAS 28 requires uniform accounting policies between the investment in joint ventures and the Group. As Waterfront has been accounted for as investment properties at Fair value since 2019, reflecting the group's accounting policy, the investment properties in Longbarn and Q12 also need to be accounted for at fair value for the purposes of the Group equity accounting. The error has been corrected by restating the affected financial statement line items for the prior period as below.

Furthermore, in 2023 the Group had committed to a plan to sell all but 10% of its interest in Longbarn and Q12. This was in line with the investment memorandum provided to all eligible prospective investors. Accordingly, in the 2023 financial statements the excess of the Group's investment above 10% in Longbarn and Q12 was presented as assets held for sale. No sales of these investment in joint ventures have occurred since February 2024 (the Group managed to sell £1.8m during January 2024) and there is no active marketing campaign in place. The commercial circumstances no longer meet the conditions set out in IFRS 5 for these investments to continue to be classified as assets held for sale; accordingly, and in line with IAS 28 the prior year amounts that were not sold shall be reclassified from assets held for sale to investment in joint ventures. Also, as a portion of the investment in joint ventures was classified as assets held for sale, equity accounting should not have been applied in the prior year. However, the Group continued to recognise the corresponding share of results presented as other dividends in other operating income in 2023. The reclassification has been corrected by restating the affected financial statement line items for the prior period as below.

ii. Consolidation of AQ1 property structure

In the 2023 and prior years consolidated financial statements, the Group consolidated AQ1 Limited as a subsidiary undertaking but did not consolidate two related structured entities AQ1 Holdings Limited and AQ1 Properties Limited. An updated IFRS 10 control assessment concluded that a prior period error occurred as AQ1 Holdings Limited and AQ1 Properties Limited should have been consolidated in the 2023 and prior years consolidated financial statements. This has been corrected by restating the prior year consolidated financial statements and the opening reserves for 2023 to include AQ1 Holdings Limited and AQ1 Properties Limited as consolidated structured entities.

The impact of the above reclassifications and restatements on the affected consolidated financial statement line items for the prior period is illustrated in the below tables:

Consolidated Income Statement For the year 1 January 2023 to 31 December 2023	Before restatement	Joint Venture adjustments	Consolidation adjustments	Restated
	£000	£000	£000	£000
Income				
Income from financing and investing activities	89,594	-	(1,100)	88,494
Returns to financial institutions and customers	(45,555)	-	(1,469)	(47,024)
Net margin	**44,039**	**-**	**(2,569)**	**41,470**
Fee and commission income	1,906	-	(120)	1,786
Fee and commission expense	(2,339)	-	(81)	(2,420)
Net fee and commission expense	**(433)**	**-**	**(201)**	**(634)**
Net fair value losses on investment properties	-	-	(9,700)	(9,700)
Credit impairment losses	(5,014)	-	4,100	(914)
Other operating income	15,048	(1,307)	1,687	15,428
Share of profit of equity-accounted investees, net of tax	81	(2,657)	-	(2,576)
Net operating income	**63,427**	**(3,964)**	**(6,683)**	**52,781**
Expenses				
Other operating expenses	(17,876)	-	(111)	(17,987)
Total operating expenses	**(55,427)**	**-**	**(111)**	**(55,538)**
Profit / (loss) before tax	**8,000**	**(3,964)**	**(6,794)**	**(2,757)**
Profit / (loss) for the period	**4,893**	**(3,964)**	**(6,794)**	**(5,864)**
Attributable to:				
Equity holders of the parent	5,323	(3,964)	(5,692)	(4,332)
Non-controlling interest	(430)	-	(1,102)	(1,532)
	4,893	**(3,964)**	**(6,794)**	**(5,864)**

Consolidated Statement of Financial Position As at 31 December 2023	Before restatement £000	Joint Venture adjustments £000	Consolidation adjustments £000	Restated £000
Assets				
Cash and cash equivalents	81,589	-	849	82,438
Financing arrangements	1,040,401	-	(30,146)	1,010,255
Investment property	-	-	38,000	38,000
Investment in joint ventures	7,350	24,170	-	31,520
Other assets	7,947	-	5,295	13,242
Assets held for sale	29,934	(28,134)	-	1,800
Total assets	**1,515,704**	**(3,964)**	**13,998**	**1,525,738**
Liabilities				
Due to financial institutions	6,967	-	22,417	29,384
Other liabilities	17,049	-	3,015	20,064
Total liabilities	**1,272,622**	**-**	**25,432**	**1,298,054**
Equity attributable to equity holders of parent				
Retained earnings	172,098	(3,964)	(10,246)	157,888
Total equity attributable to parent	238,171	(3,964)	(10,246)	223,961
Total equity attributable to non-controlling interest	4,911	-	(1,188)	3,723
Total equity	**243,082**	**(3,964)**	**(11,434)**	**227,684**
Total liabilities and equity	**1,515,704**	**(3,964)**	**13,998**	**1,525,738**

Consolidated Statement of Cash Flows For the year 1 January 2023 to 31 December 2023	Before restatement	Joint Venture adjustments	Consolidation adjustments	Restated
	£000	£000	£000	£000
Cash flows from operating activities				
Profit / (loss) before tax	8,000	(3,964)	(6,794)	(2,757)
Fair value loss on investment property	-	-	9,700	9,700
Share of (profit) / loss of equity-accounted investees, net of tax	(81)	2,657	-	2,576
Provision for impairment	5,014	-	(4,100)	914
	22,239	**(1,307)**	**(1,194)**	**19,739**
Net (increase)/decrease in operating assets:				
Financing arrangements	(106,399)	-	9,374	(97,025)
Other assets	6,451	-	626	7,077
	86,643	**0**	**10,000**	**96,643**
Net increase/(decrease) in operating liabilities:				
Due to financial institutions	(42,286)	-	(9,783)	(52,069)
Other liabilities	(4,921)	171	209	(4,541)
	(123,190)	**171**	**(9,574)**	**(132,593)**
Net cash inflow / (outflow) from operating activities	**(16,659)**	**(1,136)**	**(768)**	**(18,562)**
Cashflow from investing activities				
Purchase of interest in assets held for sale	(35,763)	(171)	-	(35,934)
Purchase of interest in joint ventures	(6,440)	171	-	(6,269)
Dividends received from joint ventures	325	1,136	-	1,461
Net cash inflow / (outflow) from investing activities	**(42,172)**	**1,136**	**0**	**(41,036)**
Net change in cash and cash equivalents	**(58,789)**	0	**(768)**	**(59,556)**
Cash and cash equivalents at the beginning of the period	140,399	0	1,616	142,015
Cash and cash equivalents at the end of the period	**81,589**	**0**	**848**	**82,438**

Consolidated Statement of Changes in Equity For the year ended 31 December 2023	Before restatement £000	Joint Venture adjustments £000	Consolidation adjustments £000	Restated £000
Balance at 31 December 2022				
Retained Earnings	166,825	-	(4,555)	162,270
Total equity attributable to parent	233,073	-	(4,555)	228,518
Non-Controlling Interest	4,430	-	(86)	4,344
Total Equity	237,503	-	(4,641)	232,862
Profit / (loss) for the year				
Retained Earnings	5,323	(3,964)	(5,691)	(4,332)
Total equity attributable to parent	5,323	(3,964)	(5,691)	(4,332)
Non-Controlling Interest	(430)	-	(1,102)	(1,532)
Total Equity	4,893	(3,964)	(6,793)	(5,864)
Total comprehensive income / (expense) for the year				
Retained Earnings	5,323	(3,964)	(5,691)	(4,332)
Total equity attributable to parent	5,098	(3,964)	(5,691)	(4,557)
Non-Controlling Interest	(430)	-	(1,102)	(1,532)
Total Equity	4,668	(3,964)	(6,793)	(6,089)
Balance at 31 December 2023				
Retained Earnings	172,098	(3,964)	(10,246)	157,888
Total equity attributable to parent	238,171	(3,964)	(10,246)	223,961
Non-Controlling Interest	4,911	-	(1,188)	3,723
Total Equity	243,082	(3,964)	(11,434)	227,684

c. Use of estimates and judgements

The preparation of financial statements in conformity with UK adopted international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of UK adopted international accounting standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment cover impairment losses on financial assets, fair value measurement, effective profit rate adjustments, deferred taxes, consolidation assessments, impairment of subsidiary and determining the lease term of contracts with renewal and termination options. Refer to Note 3 from page 69 for further detail.

d. Going concern

Accounting standards require the Directors to assess the Group's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them.

The Board is required to assess going concern at each reporting period. This assessment includes the Directors reviewing the business activities, financial position and future forecast of the Group in order to support a conclusion that the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence until at least 12 months from the financial statements signing date.

As set out below, the Directors have considered three main factors in reaching their conclusions on going concern – liquidity management, preserving capital buffers, and the impact of winding down the leasing business. In addition, they considered the broader current macroeconomic and geopolitical conditions including the outlook for inflation, interest rates and climate change.

Liquidity management
The Group adopts a prudent approach to liquidity management. Balance sheet liquidity remains strong with over £97m of cash as of 31 December 2024 and the regulated Group reported a Liquidity Coverage Ratio ("LCR") significantly in excess of the minimum regulatory requirement of 100%. The Bank has a credit rating of A from Fitch which assists institutional relationships providing the Bank with new avenues for sourcing liquidity. The Bank's High-Quality Liquid Assets ("HQLA") are predominantly held with the Bank of England Alternative Liquidity Facility.

Preserving capital buffers
As of 31 December 2024, the Group had excess regulatory capital over and above the PRA minimum requirements. The Group adopts a cautious approach / risk appetite to the maintenance of internal capital buffers over and above the regulatory banking rules.

Winding down the leasing business
In June 2022 the Group Board made the decision to wind down the leasing business in an orderly manner, running off the existing portfolio over the next three to four years. Based on the forecast cashflows during run-off the Directors are satisfied this will have no impact on the Group's ability to continue as a going concern.

Based on the above assessment the directors have a reasonable expectation that the Group has sufficient capital and liquidity resources to enable it to continue to meet its regulatory capital requirements and continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. The Directors are satisfied that the Group will be able to continue to meet all its obligations as, and when, they fall due. Accordingly, they continue to adopt a going concern basis in preparing these financial statements.

e. Changes in accounting policies and disclosures

New and amended standards and interpretations

The following new standards, amendments or interpretations are required to be applied for an annual period beginning on 1 January 2024 however none are deemed material to the Group:

- Amendments to IAS 1 'Presentation of financial statements' - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

- Amendments to IFRS 16 ‘Leases’ - Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 ‘Statement of Cash Flows’ and IFRS 7 ‘Financial Instruments: Disclosures’ – Disclosures: Supplier Finance Arrangements

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

f. New standards and interpretations not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ – Lack of exchangeability *
- IFRS 18 ‘Presentation and Disclosure in Financial Statements’ **
- IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’ **

** effective for annual periods beginning on or after 1 January 2025*
*** effective for annual periods beginning on or after 1 January 2027*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 ‘Presentation of Financial Statements’. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

IFRS 18 also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 ‘Statement of Cash Flows’, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. In 2025 the Group will work to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Apart from IFRS 18, these new and amended standards and interpretations are either not relevant to the group, not expected to have any impact or it is not feasible to determine whether there will be an impact to the Group’s consolidated financial statements.

g. Basis of consolidation

i. Subsidiaries

Subsidiaries are investees controlled by the Company. The Company ‘controls’ an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date control ceases (see Note 33).

ii. Structured Entities ("SE")

An SE is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well- defined objective (see Note 33).

iii. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in the income statement.

h. Consolidation of foreign operations

All assets and liabilities of foreign consolidated companies and other entities with a functional currency other than Sterling are translated using the exchange rates in effect at the balance sheet date.

Income and expenses are translated at the average exchange rate for the period. Translation differences arising from the application of this method are classified in equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

i. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment securities at fair value through other comprehensive income, foreign exchange forward deals and profit rate swaps, which are stated at their fair value. Financial instruments are recognised on a trade date basis.

All amounts have been rounded to the nearest thousand except when otherwise indicated.

j. Functional and presentation currency

The financial statements are presented in Sterling, which is also the Company's functional currency. The method of translation is explained below.

k. Foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Foreign currency differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities, which are measured at historical cost, are translated into the functional currency at the effective historical rate used on the date of initial recognition. Foreign exchange for non-monetary items measured at fair value is determined at the spot rate at the time the fair value is determined. The associated foreign exchange differences for non-monetary assets and liabilities go to other comprehensive income or the income statement depending on where the underlying fair value movement of asset or liability was recognised initially.

l. Revenue recognition

i. Murabaha, Wakala, Sukuk and Ijara income and expense *(please refer to the Glossary of Islamic Finance Terminology on page 134)*

Profit rate income or expense is recognised in the income statement throughout the period of the contract using the ‘effective profit share’ basis. The ‘effective profit share rate’ is the rate that exactly discounts the estimated future cash payments and receipts through the agreed payment term of the contract to the carrying amount of the financial asset or liability. When calculating the effective profit rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

ii. Fees and commission

Fees and commission which are not recognised on an effective profit rate basis over the life of the financial instruments to which they relate, such as fees for negotiating transactions for third parties, underwriting fees and commission, and non-discretionary asset management fees are recognised in revenue when control of the underlying services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. This will normally be at the point when the activity to which the fees and commission relate has been completed.

iii. Financial assets

The Group classifies its financial assets in the following categories: ‘due from financial institutions’, ‘due from customers’, ‘financing arrangements’ and ‘investment securities’. Investment securities are financial assets whose classification and measurement basis is either at amortised cost, fair value through profit or loss or fair value through other comprehensive income. Management determines the classification of financial assets at initial recognition based on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

iv. Due from financial institutions and customers and financing arrangements

Due from financial institutions and customers and financing arrangements are financial assets measured at amortised cost as they are held within a business model with the objective of collecting contractual cash flows that are solely payments of principal and yield. Amortised cost is determined using the effective profit share basis. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

m. Financial Instruments

i) Categories of financial assets

- **Financial Instruments measured at amortised cost (‘AC’)**

The financial assets held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and yield are measured at amortised cost. These include ‘Financing Arrangements’, ‘Due from financial institutions’, ‘Due from customers’ and ‘Investment securities’ and are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less impairment losses.

Undrawn finance commitments and letters of credit are commitments under which, over the duration of the commitment the Group is required to provide finance with pre-specified terms to the customer. The premium received is amortised over the life of the facility.

- **Financial Assets measured at fair value through other comprehensive income (‘FVOCI’)**

Financial assets held within a business model with the objective of both holding to collect contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and yield are measured at FVOCI. The Group has an unlisted equity portfolio which it accounts for at fair value through other comprehensive income as they are equity instruments that meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. These financial assets can be either debt or equity non-derivative financial assets. Investment securities classified as equity instruments are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. For debt instruments, gains and losses arising from changes in the fair value are recognised in a separate component of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

- **Financial instruments at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

- **Derivatives measured at Fair value through profit and loss (‘FVPL’)**

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, profit rates or other indices. Derivatives are recognised initially and subsequently measured at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. ‘FX Forwards’, and ‘Profit rate swaps’ held for trading are measured at FVPL under this category. The profit and /or foreign exchange on certain fixed rate Sukuk issued has been matched with the profit and/or foreign exchange exposure of certain profit rate swaps as part of a documented risk management strategy. The changes in fair values are recorded in the income statement.

ii) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

iii) The Solely Payments of Principal and Yield (SPPY) test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPY test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are payments of principal or amortisation of the premium/discount).
The most significant elements of the yield from a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPY assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.
In contrast, contractual terms that introduce more than a de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and yield on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

iv) Impairment of financial assets

The Group uses a forward-looking expected credit loss (ECL) approach. IFRS 9 *Financial Instruments* requires the Group to record an allowance for ECLs for all financing and other debt financial assets not held at FVPL, together with financing commitment contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

- **Overview of the ECL principles**

The Group records the allowance for expected credit losses for all financing and other debt financial assets not held at FVPL, together with financing arrangements, due from financial institutions and customers, finance lease receivable contracts and cash and balances with banks (collectively 'financial instruments'). The simplified approach for finance lease receivables has not been adopted. An ECL allowance is also recorded for off-balance sheet credit exposures such as undrawn finance commitments, letters of credit and guarantees where current circumstances indicate that losses may be incurred.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Group's policies for determining if there has been a significant increase in credit risk are set out on pages 60 and 61.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in below.

Based on the above process, the Group groups its financing into Stage 1, Stage 2, and Stage 3 as described below:

• Stage 1: When financing is first advanced, the Group recognises an allowance based on 12mECLs. Stage 1 financing also include facilities where the credit risk has been stable or has improved, resulting in their reclassification from Stage 2.

• Stage 2: When a financing has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 financing also include facilities, where the credit risk has improved, and the financing has been reclassified from Stage 3.

• Stage 3: Financing considered credit-impaired, the Group records a specific provision calculated using a discounted cash flow approach to determine the overall exposure and/or using net exposure after taking into account any collateral. The process to determine whether a customer is in default is explained on pages 109 and 110 in Note 37 Financial Risk Management.

- **The calculation of ECLs**

In line with industry best practice, the Group uses vendor impairment tools to calculate ECL consistent with IFRS 9 guidance. The tools generate discounted cash flows adjusted for credit risks inputs, such as probability of default (PD), loss given default (LGD), and exposure at default (EAD) to produce loss allowance for each facility in the portfolio. Additionally, the tools are able to incorporate projected macroeconomic changes that have an impact on the portfolio's performance.

For the Group, the outcome of the ECL is based on the weighted outcome of three scenarios (baseline (40%), which captures the view of the most likely economic future, upside (30%), which presents future favourable economic conditions, and downside (30%), which presents possible adverse future economic developments. These scenarios, that are utilised for the ECL calculation, are sourced from the same vendor (Moody's) as the ECL model. The weighting of the above macroeconomic scenarios has been set in alignment with recommendations provided by the vendor.

More specifically, for all portfolios except for the mortgage portfolios, after inserting contractual terms and other credit risk related information such as credit rating and loss given default, the impairment tool produces an unconditional Point in Time ('PIT') PD term structure. Then the Unconditional PIT Term Structure is converted to a scenario-dependent PD and LGD term structure, as the borrower's future performance will depend on the state of the macroeconomic environment.

For the mortgage portfolios, utilising macroeconomic data and key facility and borrower level characteristics, the tool models the probability of default (PD), prepayment probability (PP) and loss-given-default (LGD), which are used to calculate the expected loss allowances.

After defining the Stages of the facilities based on specific criteria, loss allowances calculated are either 1-year (Stage 1) or lifetime expected credit losses (Stage 2). For financing considered credit-impaired (Stage 3), the Group recognises the lifetime expected credit losses for these financings, with the PD set at 100%.

The Group calculates ECLs on an individual basis for all Stage 3 assets, regardless of the class of financial assets. Stage 1 and Stage 2 ECLs are calculated on a collective basis by grouping financial assets based on the different segments.

- **Significant increase in credit risk (Criteria for escalation into Stage 2)**

The transition from recognising 12-month expected credit losses (i.e. Stage 1) to lifetime expected credit losses (i.e. Stage 2) in IFRS 9 is based on the notion of a significant increase in credit risk over the remaining life of the instrument. The focus is on the changes in the risk of a default, and not the changes in the amount of expected credit losses.

The criteria to downgrade an exposure from Stage 1 to Stage 2 are the following:

1) The counterparty's payment performance has deteriorated to being past due (arrears) of 30 days+.
2) The counterparty has been added to the Watchlist, this includes considering judgemental trigger events, with expert credit analysis to identify Significant Increase(s) In Credit Risk (i.e., SICR). Detailed examples of the judgemental trigger events that result in a facility being added to the Watchlist are included on pages 106 and 107 in Note 37. In addition, when a customer is granted any item of Forbearance it is added to the Watchlist.

3) The counterparty is subject to a downgrade as detailed in the paragraph below.

The Group measures the increase in credit risk by monitoring the changes in credit scores of its counterparties since origination. The notch downgrade is based on the credit score, where a “BBB+” or higher rated counterparty has a 3-notch movement required to show deterioration, whilst a lower quality counterparty (“BBB-” to “BB-”) needing a 2-notch movement, and the worst quality (“B+” and below) a 1 notch. This follows the broad principles of credit deterioration being seen when a default rate doubles.

- **Default**

Refer to pages 109 and 110 in Note 37 for the definition of default.

v) Forward looking information

The following macroeconomic factors are used for determining the forward-looking projections across all segments of the portfolio – UK GDP, UK Unemployment, UK House Price Index, UK Equity Index (FTSE 100 share price index) and Treasury 10Yr. The selected macroeconomic factors are updated monthly from reports received by a reputable external source. The econometric modelling from Moody’s will include the impact of inflation and interest rates on the macroeconomic variables used within the ECL impairment model. Climate risk has been considered when assessing the drivers of impairment but due to the short tenor and diversification of the Group’s portfolio of assets it is not considered to be a core driver.

vi) Multiple economic scenarios

The Group carries out three forward looking scenarios per material portfolio. Each scenario is based on the macroeconomic conditions most impactful to each of the Group’s material portfolios and is taken from Moody’s Analytics. Details of the scenario weights and macroeconomic assumptions used in respect of all three scenarios, are summarised in Note 12 on page 80.

vii) Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The following events represent examples of circumstances which could lead to a full or partial write-off:

- The borrower is declared bankrupt or insolvent, especially in the case of unsecured exposures where the liquidator or administrator has indicated that there are not sufficient resources available to satisfy the unsecured creditors;
- There is external evidence (for example, third-party valuations) available that there has been an irreversible decline in expected cash flow and, accordingly, the Bank has no reasonable expectation of recovery; or
- Individually assessed loans that are secured, are generally written off after the receipt of the proceeds from the realisation of the security, and there is no expectation that any further amounts will be recovered by any other means.

viii) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

ix) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual right to receive the cash flows of the financial assets and either:

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged or cancelled or expires.

x) Forbearance

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the customer, then an assessment is made of whether the financial asset should be derecognised. The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, for example due to new covenant conditions, and the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective profit rate of the existing financial asset; or
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Further disclosures on forbearance can be found on pages 117 to 119 in Note 37.

xi) Financial liabilities

Financial liabilities that create an obligation include funds received from financial institutions and customers. These are initially measured at fair value less the transaction costs that are directly attributable to the acquisition of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective profit share rate payable to the deposit holders. Financial liabilities are derecognised only when the obligations specified in the contract are discharged, cancelled or expired.

xii) Determining fair value

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities at an ask price. Where no active market exists for the particular asset or liability, the Group uses another valuation technique to arrive at the fair value, including the use of prices obtained in recent arms-length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

xiii) Derivatives and hedge accounting

Derivatives are recognised initially, and are subsequently re-measured, at fair value. Fair values of over-the-counter derivatives (profit rate swaps and foreign exchange forward deals) are obtained using valuation techniques, including discounted cash flow models provided by internationally known third-party vendors.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments and, if the latter, the nature of the risks being hedged. When derivatives are designated as hedges, the Group classifies them as hedges of the change in fair value of recognised assets or liabilities or firm commitments (‘fair value hedges’). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value hedge provided certain criteria are met.

- **Hedge accounting**

As allowed by IFRS 9, this accounting policy continues to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9.

At the inception of a hedging transaction, the Group documents the relationship between the hedging instrument(s) and the hedged items, as well as its risk management objective and its strategy for undertaking the hedge. The Group policy also requires a documented assessment, both at the hedge inception and on a regular on-going basis, of whether or not the hedging instruments, primarily Profit Rate Swaps, used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. Ineffective changes in profit share on designated qualifying hedges are included in ‘Other operating income / expenses’ as applicable.

- **Fair value hedge**

A fair value hedge relationship exists when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The only financial instruments hedged for profit rate risk in a fair value hedge relationship by the Bank is fixed rate Sukuk. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, along with changes in the fair value of the hedged assets, liabilities or group thereof that are attributable to the hedged risk. Any gain or loss in fair value relating to the hedged item and hedging instrument is recognised in “Net fair value gains / losses on investment securities.”

If the hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective yield method is used, is amortised to the income statement over the residual period to maturity.

- **Hedge effectiveness testing**

To qualify for hedge accounting, IAS 39 requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness) and demonstrate actual effectiveness (retrospective effectiveness) on an on-going basis; the Group assesses this at inception (prospective effectiveness) and on a monthly basis (retrospective effectiveness). The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved and the hedge deemed effective, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent.

- **Sharia'a-compliant derivatives (hereafter described as profit rate swaps, "PRSs") that do not qualify for hedge accounting**

  All gains and losses from changes in the fair values of PRSs not qualifying for hedge accounting are recognised immediately in the income statement. These gains and losses are reported in 'Other operating income / expenses' as applicable.

n. Collateral and netting

The Bank enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

- **Collateral**

The Bank obtains collateral in respect of customer advances where this is considered appropriate. The collateral normally takes the form of a charge over the customer's assets and gives the Bank a claim on these assets for both existing and future advances.

- **Netting**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise and settle an asset and a liability simultaneously.

o. Investment property

Properties held for long term rental yields not occupied by the Bank are classified as investment property. This category includes investment properties reported by the Group as a result of the consolidation of AQ1 Properties Limited. More detail is provided in Note 2b, Note 22, and Note 33.

The Bank has elected to adopt the fair value model under IAS 40; as such investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are conducted annually by independent external professionally qualified valuation agents.
The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Changes in fair value are recorded in the Bank's income statement within "Net fair value gains / (losses) on investment properties".

p. Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

ii. Depreciation

Property and equipment are depreciated down to their estimated residual value. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Assets leased out under operating leases are depreciated over the shorter of the lease term and their useful lives.

Useful Lives:

- Computer equipment – 3 years
- Office equipment – 3 years
- Fixtures and fittings – 4 years
- Leasehold improvements – 4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

q. Intangible assets

Intangible assets acquired separately from a business combination consist of computer licences and software development. Intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure on software development is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life, from the date available for use. The estimated useful life of computer licences reflects the contractual period.

- Software development – 7 years
- Computer licences – 1 to 3 years

r. Impairment of property and equipment including right-of-use assets, intangible assets and assets leased out under operating leases

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, equipment and intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, which is taken as the higher of value in use or fair value less cost to sell. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

s. Operating leases

Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating lease assets on the balance sheet. Depreciation is taken on the depreciable amount of these assets on a straight-line basis over their estimated useful lives. The depreciable amount is the cost of the asset less the estimated residual value. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Residual value exposure occurs in the leasing portfolio due to the uncertain nature of the value of the underlying asset at the end of the lease. Throughout the life of an asset, its residual value will fluctuate due to changes in asset usage, uncertainty of the future market for that asset and general economic conditions. Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. During the course of the lease, these values are monitored and compared to past history and future projections. Any change to the residual value is reflected in the depreciation charges in current and future periods.

t. Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Minimum lease payments are apportioned between the finance income and the reduction of the outstanding receivable. The finance income receivable is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the receivable.

Hire purchase arrangements are also classified as finance leases as they share the same characteristics as mentioned above.

u. Lessee accounting

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

- Buildings 1 to 10 years
- Motor vehicles 1 to 3 years

Right-of-use assets are subject to impairment. Refer to the accounting policies in Note 2(r) *Impairment of property and equipment including right-of-use assets, intangible assets and assets leased out under operating leases*.

The Group's Right-of-use assets are included in Property and Equipment (see Note 20).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses the incremental financing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in Other Liabilities (see Note 28).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below the pound sterling equivalent of €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

v. Employee benefits

The Group operates a defined contribution pension scheme for all staff. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, and where the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group pays contributions to Scottish Widows. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Short-term employee benefits such as salaries, paid absences and other benefits are accounted for on an accruals basis over the period for which employees have provided services. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

w. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of cost of funds and, where appropriate, the risks specific to the liability.

x. Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group has determined that the global minimum top-up tax, which it is required to pay under the OECD’s BEPS Pillar Two rules legislation, is an income tax in the scope of IAS 12. In 2023, the Group applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

The Group operates in the UK which has enacted new legislation to implement the OECD’S Pillar Two framework (global minimum top-up tax), including a Qualified Domestic Minimum Top-Up Tax rule. The Group also operates in the United Arab Emirates ('UAE'), the Kingdom of Saudi Arabia ('KSA') and the Channel Islands, specifically Jersey. The Group does not expect to be subject to the top-up tax in relation to its operations in these countries as it expects to be able to apply the transitional safe harbours for the first fiscal year to which the global minimum top-up tax applies.

The Group has not recognised any current or deferred tax liabilities related to Pillar Two top-up income taxes in these 2024 financial statements as it is considered that the impact would be immaterial.

y. Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with banks held in non-profit rate earning accounts, and deposits placed with the Bank of England Alternative Liquidity Facility.

z. Other receivables

Trade and other receivables are stated at their nominal amount less expected credit losses. Refer to Note 2(m) (iv) from page 59 for more detail on the forward-looking expected credit loss (ECL) approach.

aa. Segmental information

Segment results that are reported to the Group's Executive Committee (being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office and back-office expenses, other assets and deferred tax assets.

bb. Investments in subsidiary undertakings

The investment in BLME in the Company's financial statements is stated at the IFRS net asset value of the BLME Group at the effective date of the BLME Scheme of Arrangement (which became the effective cost of investment) less impairment. The Company's investments in subsidiary undertakings are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the Company only income statement. Where the recoverable amount is an excess of the carrying amount, the reversal of previous impairment is recognised in the Company only income statement. The reversal is limited to the previous impairment recognised.

cc. Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint ventures is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

dd. Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset, and the sale expected to be completed within one year from the date of the classification.

ee.Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

The below areas involve using a combination of account estimates and judgments in applying policies and estimation uncertainty.

Estimates

a. Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulae and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as inflation levels and collateral values, and the effect on PDs, EADs and LGDs.

Elements of the ECL models that are considered accounting judgements include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

A major source of estimation uncertainty at the end of the reporting period that has a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year is the level of financing arrangements that have been classified as ECL Stage 3. The majority of these ECL Stage 3 exposures relate to financing arrangements where the underlying collateral is represented by UK real estate assets. The carrying amounts of these impaired financial assets are disclosed in Note 12 Impairments.

b. Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available in the future against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

An analysis was conducted on the sensitivity of the recognised deferred tax assets ('DTA') to reductions in the forecast future taxable profits in the five-year approved Budget for 2025 to 2029. A 15% reduction in future profitability in all five years did not result in a derecognition of DTA. A 20% reduction in future profitability in all five years resulted in a £1.5m derecognition of DTA and a 25% reduction in future profitability in all five years resulted in a £3.2m derecognition of DTA.

c. Residual value risk

As disclosed in note 2 s, the Group is required to make judgments, estimates and assumptions on the residual value of operating leases. Uncertainty about these assumptions and estimates could result in outcomes that may materially impact the carrying amount of the operating leases.

d. Impairment of subsidiaries

Under IAS 36, an investment is impaired if the cost of investment is greater than the recoverable amount. A formal estimate of recoverable amount is performed for the Company's investments in the Bank and Walbrook if there are indications that an impairment loss may have occurred.

The value in use of the Bank and Walbrook are estimated using a discounted cash flow model based on the latest business plan. This estimation technique is sensitive to changes in the cash flow assumptions and the discount rates used. A sensitivity analysis has been included in Note 17 'Investment in Subsidiaries'.

Judgements

a. Effective profit rate adjustments

IFRS 9 requires financial instruments to be recognised at the effective profit rate of the asset, which is considered to be the rate that exactly discounts estimated future cash flows through the expected life of the instrument. As the timing of certain cash flows is uncertain, judgement has been applied in estimating all contractual cash flows (profit rate income and fees).

b. Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available in the future against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

c. Consolidation assessments

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

As explained in Note 2 b, following an updated IFRS 10 control assessment two structured entities, AQ1 Holdings Limited and AQ1 Properties Limited have been consolidated in these 2024 consolidated financial statements and the prior year consolidated financial statements have been restated.

d. Joint ventures assessments

The Group equity accounts for joint ventures when Management considers that the Group have contractually agreed the sharing of control of an arrangement and the relevant activities require the unanimous consent of the parties sharing control. Judgement has been applied in determining whether joint control has been established.

e. Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

f. Impact of climate risk on accounting judgments and estimates

The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures.

The Group has identified the potential physical and transition risks and opportunities presented by rising temperatures and climate change for the business and have also considered the scale of this risk to the Group and concluded that the Group has not been materially exposed to climate change risk for the year ended 31 December 2024.

This conclusion is based on the fact that almost all of the Group's assets are based in the United Kingdom, where the main physical risk is considered to be flood risk, and as indicated in the table on page 130 only 4% (2023: 5%) of the Bank's portfolios' assets are considered to be located in areas of high flood risk from rivers and the sea.

More information about the assessment of physical and transition risks is included within the climate-related risks section of Note 37 on pages 129 to 130.

4. SEGMENTAL INFORMATION

The Group has four operating segments. These are business divisions that offer different products and services and are managed separately based on the Group's management and internal reporting structure.

Information regarding the results of the Group's four reportable segments is included in the following two 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.

The following tables analyses the results of each of the Group's reportable segments, which are described in the Group Strategic Report, during the year:

For the year ended 31 December 2024

	Wealth Management	Commercial Finance	Treasury Division	Nomo	Unallocated items	Total
	£000	£000	£000	£000	£000	£000
Net margin from financing and investing activities	30,118	6,790	458	2,786	-	40,152
Operating lease income	-	8,676	-	-	-	8,676
Net fee and commission income / (expense)	3,116	(552)	16	150	-	2,730
Net fair value losses on investment properties	-	-	-	-	-	0
Net impairment (charge) / credit	(6,808)	374	(25)	(5)	-	(6,464)
Share of profit of equity-accounted investees, net of tax	2,921	-	-	-	-	2,921
Other operating income	3,277	533	1	12,764		16,575
Net operating income	**32,624**	**15,821**	**450**	**15,695**	**-**	**64,590**
Directly attributable segment expenses	(9,405)	(2,946)	(1,268)	(15,695)	-	(29,314)
Operating lease depreciation	-	(7,076)	-	-	-	(7,076)
Net segment contribution	**23,219**	**5,799**	**(818)**	**-**	**-**	**28,200**
Common costs not directly attributable to segments						(21,655)
Net operating profit before tax						**6,545**
Reportable segment assets	**1,153,163**	**156,748**	**128,153**	**77,257**	**57,943**	**1,573,264**

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 2023

	Wealth Management*	Commercial Finance	Treasury Division	Nomo	Unallocated items	Total*
	£000	£000	£000	£000	£000	£000
Net margin from financing and investing activities	30,368	7,655	2,207	1,240	-	41,470
Operating lease income	-	9,707	-	-	-	9,707
Net fee and commssion expense / (income)	797	(1,031)	4	(404)	-	(634)
Net fair value losses on investment properties	(9,700)	-	-	-	-	(9,700)
Net impairment (charge) / credit	(2,753)	1,840	-	(1)	-	(914)
Share of profit of equity-accounted investees, net of tax	(2,576)	-	-	-	-	(2,576)
Other operating income	1,687	643	5	13,093	-	15,428
Net operating income	**17,823**	**18,814**	**2,216**	**13,928**	**-**	**52,781**
Directly attributable segment expenses	(8,084)	(5,710)	(1,459)	(13,928)	-	(29,181)
Operating lease depreciation	-	(7,868)	-	-	-	(7,868)
Net segment contribution	**9,739**	**5,236**	**757**	**-**	**-**	**15,732**
Common costs not directly attributable to segments						(18,489)
Net operating loss before tax						**(2,757)**
Reportable segment assets	**1,074,198**	**282,316**	**114,047**	**37,309**	**19,175**	**1,527,045**

**The year to 31 December 2023 has been restated, please see Note 2b*

Entity wide disclosures

Geographical analysis of net operating income

	31 December 2024	31 December 2023
	£000	£000
United Kingdom	58,286	64,757
Channel Islands	2,921	(12,276)
Kingdom of Saudi Arabia	3,383	300
Total	**64,590**	**52,781**

Geographical analysis of non-current assets

	31 December 2024	31 December 2023*
	£000	£000
United Kingdom	77,495	70,043
Channel Islands	70,157	76,121
Kingdom of Saudi Arabia	2,126	670
United Arab Emirates	346	214
Total	**150,124**	**147,048**

Non-current assets include operating lease assets, deferred tax assets, property and equipment, intangible assets, other assets, investment property and investment in joint ventures.

**The 31 December 2023 figures have been restated, please see Note 2b*

5. INCOME

5 (a) Income from financing and investing activities:	2024 £000	2023* £000
Financing arrangements:		
Murabaha income*	86,538	68,542
Due from financial institutions:		
Murabaha income	426	680
Wakala income	958	1,058
Alternative Liquidity Facility	2,206	1,943
Other income	18	19
Finance lease receivables:		
Finance lease income	1,731	3,321
Hire Purchase income	6,731	12,591
Istisna and Ijara income	359	173
Investment securities:		
Sukuk income	788	167
	99,755	**88,494**

**The year to 31 December 2023 has been restated, please see Note 2b*

5 (b) Fee and commission income	2024 £000	2023 £000
Management fees	762	163
Acquisition and structuring transaction fees	1,826	707
Card fee income	1,869	680
Other	1,537	236
	5,994	**1,786**

5 (c) Operating Lease income	2024 £000	2023 £000
Operating lease rentals	8,676	9,707
	8,676	**9,707**

Operating lease income does not include any income relating to variable lease payments that do not depend on an index or a rate.

6. RETURNS TO FINANCIAL INSTITUTIONS AND CUSTOMERS

	2024 £000	2023 £000
Customer deposits	55,180	43,328
Murabaha	1,512	2,345
Cost of funding*	(27)	236
Wakala	2,938	1,115
	59,603	**47,024**

*This amount represents the cost of managing non-GBP funding incurred by the Group. This cost arises due to the profit rate differential between the GBP and non-GBP currencies and also the markets factoring economic/political impact on the future exchange rates.

7. FEE AND COMMISSION EXPENSE

	2024 £000	2023 £000
Agent fees	376	-
Brokerage fees	1,049	1,234
Card fees	1,737	1,084
Management fees	80	80
Mortgage broker fees	22	22
	3,264	**2,420**

8. OTHER OPERATING INCOME

	2024 £000	2023* £000
Net gain on foreign exchange transactions	30	5
Gains on leased asset sales	502	643
Gain on sale of fixed assets	2	-
Rental income from investment property	3,261	1,687
Recharges from a Related Party **	12,764	13,093
Other income	16	-
	16,575	**15,428**

**The year to 31 December 2023 has been restated, please see Note 2b*

** This amount relates to recharges to BB2 Digital and Technology Services Limited as described in Note 35.

9. PERSONNEL EXPENSES

	2024 £000	2023 £000
Wages and salaries	24,968	21,988
Social security costs	2,331	2,220
Defined contribution pension scheme costs	2,224	2,003
Recruitment costs	501	537
Other staff costs	1,517	1,644
	31,541	**28,392**

Included within personnel expenses above is £8.9m (2023: £6.7m) of cost related to the Nomo digital banking business unit that has been recharged to BB2 Digital and Technology Services Limited, a fellow subsidiary of Boubyan Bank K.S.C.P., as a component of the £12.8m (2023: £13.1m) total cost recharge disclosed in Note 8 Other Operating Income and Note 35 Related Parties.

The following table summarises the number of employees of the Group for 2024:

	2024 Number	2023 Number
As at 31 December	212	247
Monthly average number of employees for the period - management	9	13
Monthly average number of employees for the period - non-management	223	225

10. DIRECTORS' EMOLUMENTS

	2024	2023
	£000	£000
Directors' emoluments	2,076	1,973
Pension contributions	104	102
	2,180	**2,075**

The aggregate emoluments of the highest paid Director was £0.85 million (2023: £0.8 million), and pension contributions of £0.06m (2023: £0.06m) were made on his behalf. Two directors are accruing retirement benefits in respect of a money purchase pension scheme.

During the year, compensation for loss of office amounting to £0.17 million (2023: £nil) was expensed in relation to an Executive Director who resigned during that year.

11. OTHER OPERATING EXPENSES

	2024	2023
	£000	£000
Advertising and market development	2,047	981
Board and SSB related expenses	714	721
Communications and IT costs	3,407	3,443
Consultancy	2,170	3,641
Legal and professional fees	6,908	4,815
Other operating charges	2,196	3,673
Rent and other occupancy costs	847	713
	18,289	**17,987**

Included within other operating expenses above is £6.8m (2023: £7.2m) of cost related to the Nomo digital banking business unit that has been recharged to BB2 Digital and Technology Services Limited, a fellow subsidiary of Boubyan Bank K.S.C.P., as a component of the £12.8m (2023: £13.1m) total cost recharge disclosed in Note 8 Other Operating Income and Note 35 Related Parties.

Included within other operating expenses are fees payable to the Group's auditors categorised as follows:

	2024	2023
Auditor's remuneration	£000	£000
Audit of financial statements		
- Current auditors	860	-
- Previous auditors	8	816
Audit of financial statements of subsidiaries		
- Current auditors	34	-
- Previous auditors	-	31
Other advisory and assurance services		
- Current auditors	40	-
- Previous auditors	-	48
	942	**895**

12. IMPAIRMENTS OF FINANCIAL ASSETS

The table below shows the ECL charges and provisions on financial and other assets in the income statement and statement of financial position:

Statement of Financial Position

As at 31 December 2024	Stage 1 Collective £000	Stage 2 Collective £000	Stage 3 Specific £000	Total £000
Financing arrangements	533	798	12,554	13,885
Finance lease receivables	94	70	61	225
Other assets (inventory)	2	13	335	350
Due from financial institutions	6	-	-	6
Investment securities	23	-	-	23
Total Impairment	**658**	**881**	**12,950**	**14,489**

Statement of Financial Position

As at 31 December 2023	Stage 1 Collective £000	Stage 2 Collective £000	Stage 3 Specific £000	Total £000
Financing arrangements	504	750	7,646	8,900
Finance lease receivables	261	107	142	510
Other assets (inventory)	2	19	340	361
Due from financial institutions	5	-	-	5
Investment securities	-	-	-	-
Total Impairment	**772**	**876**	**8,128**	**9,776**

**The year to 31 December 2023 has been restated, please see Note 2b*

Within Stage 1 and Stage 2 for financing arrangements there is an ECL balance of £4k relating to undrawn commitments (2023: £67k).

Forborne exposures that have not been specifically provided for within Stage 3 equate to £Nil (2023: £Nil). The Stage 1 and Stage 2 ECLs relating to these seven forborne exposures is £650k (2023: £334k relating to fifteen forborne exposures).

The gross exposure value for these forborne exposures is £70,797k supported by collateral held of £71,785k (2023: gross exposure value of £69,272k and collateral held of £85,719k).

The analysis by statement of financial position classification was £69,976k of exposure and £70,845k of collateral related to financing arrangements (2023: £67,153k of exposure and £84,005k of collateral); and £821k of exposure and £940k of collateral related to finance lease receivables (2023: £2,119k of exposure and £1,714k of collateral).

Refer to pages 117 to 119 for further details on how the Group monitors its forborne exposure.

Income Statement

	2024	2023*
	£000	£000
New and increased provisions (net of releases)	5,917	(53)
Amounts written off during the year (net of write-backs)	547	967
Total Impairment Loss	**6,464**	**914**

**The year to 31 December 2023 has been restated, please see Note 2b*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

ECL by Stage

	Stage 1 Collective	Stage 2 Collective	Stage 3 Specific*	Total*
	£000	£000	£000	£000
Carrying amount as at 1 January 2024*	772	876	8,128	9,776
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	242	(242)	-	-
Transferred to Stage 2	(122)	122	-	-
Transferred to Stage 3	(1)	(58)	59	-
New and increased provisions (net of releases)	(231)	183	5,965	5,917
Write-offs from specific provisions*	-	-	(1,201)	(1,201)
Foreign currency translation adjustments	-	-	(3)	(3)
As at 31 December 2024	**660**	**881**	**12,948**	**14,489**
Carrying amount as at 1 January 2023	1,254	2,390	11,505	15,149
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	105	(105)	-	-
Transferred to Stage 2	(205)	205	-	-
Transferred to Stage 3	(3)	7	(4)	-
New and increased provisions (net of releases)*	(379)	(1,621)	1,947	(53)
Write-offs from specific provisions**	-	-	(5,320)	(5,320)
Foreign currency translation adjustments	-	-		0
As at 31 December 2023*	**772**	**876**	**8,128**	**9,776**

**The year to 31 December 2023 has been restated, please see Note 2b*

* *The Write-off from specific provisions figures in the ECL by Stage table above do not correlate to the Amounts written off during the year (net of write backs) figures in the previous Income Statement table as the above amounts represent Stage 3 Specific ECL balances which have been written off during the period and can include ECL amounts included in the opening carrying amount figures.

A major source of estimation uncertainty at the end of the reporting period that has a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year is the level of financing arrangements that have been classified as ECL Stage 3. The majority of these ECL Stage 3 exposures relate to financing arrangements where the underlying collateral is represented by UK real estate assets. A sensitivity analysis was conducted as of 31 December 2024 on the underlying cashflows, and collateral values were dropped by 10% for each individual case which resulted in a cumulative increase in ECL Stage 3 provision of £3.9m.

Exposure by Stage

	Stage 1 Collective £000	Stage 2 Collective £000	Stage 3 Specific* £000	Total £000
Carrying amount as at 1 January 2024	1,048,067	360,108	65,143	1,473,318
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	53,166	(53,166)	-	-
Transferred to Stage 2	(49,199)	49,199	-	-
Transferred to Stage 3	(1,124)	(40,853)	41,977	-
New and increased exposure (net of repayments)	92,059	(60,309)	(44,961)	(13,211)
Write-offs from specific provisions	-	-		-
Foreign currency translation adjustments	-	-	15	15
As at 31 December 2024	**1,142,969**	**254,979**	**62,174**	**1,460,122**
Carrying amount as at 1 January 2023	1,307,151	240,232	79,176	1,626,559
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	25,040	(25,040)	-	-
Transferred to Stage 2	(189,452)	189,452	-	-
Transferred to Stage 3	(2,017)	(25,305)	27,322	-
New and increased exposure (net of repayments)*	(92,655)	(19,231)	(36,035)	(147,921)
Write-offs from specific provisions	-	-	(5,320)	(5,320)
Foreign currency translation adjustments	-	-	-	-
As at 31 December 2023*	**1,048,067**	**360,108**	**65,143**	**1,473,318**

**The year to 31 December 2023 has been restated, please see Note 2b*

Contractual amounts outstanding on financial assets of £8.4m that were written off during the reporting period are still subject to enforcement activity (2023: £8.4m).

The total exposure is higher than the total assets due to undrawn credit facilities and off-balance sheet commitments.

IFRS 9 model using multiple economic scenarios

When estimating the ECLs, the Group considers three scenarios (a baseline, an upside and a downside case). Each scenario is based on the macroeconomic conditions most impactful to each of the Group's material portfolios and is taken from Moody's Analytics.

The scenario weights and macroeconomic assumptions for 2025 are summarised below:

	Upside	Baseline	Downside
Scenario Weights	30%	40%	30%
GDP%, yearly[1]	4.23%	1.70%	-1.77%
Equity%, yearly[2]	11.3%	3.0%	-15.58%
Unemployment Rate[3]	3.92%	4.37%	5.5%
HPI%, yearly[3]	10.54%	2.04%	-4.51%
Treasury10Yr[3]	4.72%	4.50%	3.86%

[1] Denotes Core Macroeconomic Variable for all segments
[2] Denotes the macroeconomic variable for all segments except for Mortgages and Nomo
[3] Denotes the macroeconomic variables for Mortgages and Nomo

A sensitivity analysis was conducted as of 31 December 2024 on the macroeconomic scenarios, this involved modelling the impact of a change from the blended scenario weighting approach to 100% for each of the individual scenarios.

This analysis resulted in the following output in terms of the total of the ECL Stage 1 and Stage 2 collective provisions:

Existing blended:	£1.54m
100% base line:	£1.38m
100% downside:	£2.48m
100% upside:	£1.06m

The comparative scenario weights and macroeconomic assumptions for 2024, as applied in the 2023 ECL, are summarised below. The scenarios and associated weightings in the prior year were sourced from Oxford Economics.

	2024 Assumptions					
	Upside	Mild Upside	Base	Stagnation	Downside	Severe Downside
Scenario Weights	10%	10%	50%	10%	10%	10%
GDP%, yearly[1]	4.6%	3.0	0.5%	-2.0%	-3.1%	-5.1%
Equity%, yearly[2]	16.5%	11.7%	4.6%	-2.5%	-5.7%	-11.2%
Unemployment Rate[3]	3.7%	4.2%	4.5%	5.3%	5.4%	5.6%
HPI%, yearly[3]	0.2%	-2.3%	-5.9%	-10.1%	-11.9%	-15.0%

[1] Denotes Core Macroeconomic Variable for all segments
[2] Denotes the macroeconomic variable for all segments except for Mortgages and Nomo
[3] Denotes the macroeconomic variables for Mortgages and Nomo

Exposure by credit rating

	Cash	Due from financial institutions		Finance lease receivables			Financing arrangements			Investment securities	Other assets	Undrawn commitments		Total
	£000 Stage 1	£000 Stage 1	£000 Stage 2	£000 Stage 1	£000 Stage 2	£000 Stage 3	£000 Stage 1	£000 Stage 2	£000 Stage 3	£000 Stage 1	£000 Stage 1	£000 Stage 1	£000 Stage 2	£000
AAA	-	-	-	-	-	-	-	-	-	16,277	-	-	-	**16,277**
AA+	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
AA	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
AA-	41,723	-	-	-	-	-	-	-	-	-	-	-	-	**41,723**
A+	44,131	-		2,706	-	-	-	-	-	27,983	232	-		**75,052**
A	9,758	7,837	-	-	-	-	-	-	-	-	216	-	-	**17,811**
aa-	-	-	-	-	-	-	-	-	-	-	-	438	-	**438**
a+	-	-	-	1,347	-	-	9,338	-	-	-	-	2,543	-	**13,228**
a	-	-	-	3,068	-	-	47,260	-	-	-	-	5,188	-	**55,516**
a-	10		-	688	-	-	56,332	-	-	-	-	6,529	-	**63,559**
bbb+	3,315	-	-	1,059	337	-	167,960	-	-	-	-	562	-	**173,233**
bbb	2,329	-	-	7,237	3,272	-	91,579	28,356	-	-	50	-	-	**132,823**
bbb-	-	-	-	13,607	857	-	274,498	33,527	-	-	-	-	553	**323,042**
bb+		-	-	20,557	7,407	-	195,056	31,992	-	-	-	6,011	-	**261,023**
bb	-	-	-	16,422	5,899	-	29,237	45,728	-	-	-	-	1,408	**98,694**
bb-	-	-	-	15,099	4,454	-	9,321	62,973	-	-	-	458	3,055	**95,360**
b+	-	-	-	2,692	3,600	-	646	-	-	-	-	-	-	**6,938**
b	-	-	-	702	1,532	-	-	13,809	-	347	-	-	-	**16,390**
b-	-	-	-	557	608	-	-	5,365	-	-	-	-	-	**6,530**
ccc+	-	-	-	65	245	-	-	-	-	-	-	-	-	**310**
ccc	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
ccc-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d	-	-	-	-	-	144	-	-	62,031	-	-	-	-	**62,175**
At 31 December 2024	**101,266**	**7,837**	**-**	**85,806**	**28,211**	**144**	**881,227**	**221,750**	**62,031**	**44,607**	**498**	**21,729**	**5,016**	**1,460,122**

The total exposure is higher than the total assets due to undrawn credit facilities and off-balance sheet commitments.

Exposure by credit rating

	Cash	Due from financial institutions		Finance lease receivables			Financing arrangements			Investment securities	Other assets	Undrawn commitments		Total
	£000 Stage 1	£000 Stage 1	£000 Stage 2	£000 Stage 1	£000 Stage 2	£000 Stage 3	£000 Stage 1	£000 Stage 2	£000 Stage 3	£000 Stage 1	£000 Stage 1	£000 Stage 1	£000 Stage 2	£000
AAA	-	-	-	-	-	-	-	-	-	15,774	-	-	-	**15,774**
AA+	-	-	-		-	-	-	-	-	-	-	-	-	**-**
AA	-	-	-		-	-	-	-	-	-	-	-	-	**-**
AA-	46,428	-	-	-	-	-	1,662	-	-	-	-	-	-	**48,090**
A+	23,864	-		3,016			-							**26,880**
A	3,571	24,665	-	-	-	-	12,577	-	-	-	-	5,048	-	**45,861**
a+	-	-	-	426	-	-	-	-	-	-		-	-	**426**
a	-	-	-	14,377		-	-	-	-	-	-	-	-	**14,377**
a-	9		-	6,165	-	-	64,219	2,997	-	-	-	4,214	-	**77,604**
bbb+	4,998	-	-	5,503	629	-	221,265	2,805	-	-	-	4,106	-	**239,306**
bbb	3,568	-	-	22,059	2,428	-	96,958	3,352	-	-	50	-		**128,415**
bbb-	-	-	-	40,028	4,793	-	123,355	49,002	-	-	-		5,435	**222,613**
bb+		-	-	64,190	4,132	41	111,282	62,361	-	-		29,498	7,412	**278,916**
bb	-	-	-	39,460	4,633	103	17,191	59,557	-	-	-	19,153	11,442	**151,539**
bb-	-	-	-	12,258	3,288	42	-	67,083	-	-	-	-	1,812	**84,483**
b+	-	-	-	4,827	3,149	37	-	-	-	-	-	-	-	**8,013**
b	-	-	-	1,003	1,313	-	-	26,885	-	341	-	-	-	**29,542**
b-	-	-	-	960	4,072	-	-	17,543	-	-	-	-	-	**22,575**
ccc+	-	-	-		22	-	-	13,962	-	-	-	-	-	**13,984**
ccc	-	-	-	-	-	26	-	-	-	-	-	-	-	**26**
ccc-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d	-	-	-	-	-		-	-	64,894	-	-	-	-	**64,894**
At 31 December 2023	**82,438**	**24,665**	**-**	**214,272**	**28,459**	**249**	**648,509**	**305,547**	**64,894**	**16,115**	**50**	**62,019**	**26,101**	**1,473,318**

The total exposure is higher than the total assets due to undrawn credit facilities and off-balance sheet commitments.

13.TAXATION

Group	2024	2023
	£000	£000
UK Corporation Tax		
- current tax for the year	388	3,029
- adjustments in respect of prior years	(1,088)	(521)
	(700)	2,508
Deferred tax for the year	852	321
Prior year adjustment to deferred tax	(901)	469
Overseas deferred tax for the year	(301)	-
Effect of change In tax rates	40	(191)
Tax (credit) / charge in income statement	**(1,010)**	**3,107**

The tax credit for the year is lower (2023: tax charge higher) than the standard rate of corporation tax which is explained as follows:

Group	2024	2023*
	£000	£000
Reconciliation of effective tax rate		
Profit / (loss) for the year before tax	6,545	(2,757)
Profit / (loss) for the year multiplied by standard rate of corporation tax in the UK of 25% (2023: 23.5%)	1,636	(648)
Tax exempt income	(1,006)	(398)
Expenses not deductible for tax purposes	269	3,427
Tax on controlled foreign companies	435	603
Prior year adjustment - current tax	(1,088)	(521)
Prior year adjustment - deferred tax	(900)	469
Effect of change in tax rates	40	(191)
Movement in unrecognised deferred tax: UK	(95)	-
Movement in unrecognised deferred tax: Overseas	(301)	366
Tax (credit) / charge in income statement	**(1,010)**	**3,107**

**The year to 31 December 2023 has been restated, please see Note 2b*

The main rate of corporate tax for the year ended 31 December 2024 is 25% (2023: 23.5%).

The main UK corporation tax rate increased from 19% to 25% with effect from 1 April 2023. As a result, deferred tax assets related to temporary differences have been recognised at a corporation tax rate of 25%.

Tax recognised in other comprehensive income

Group	2024	2023
	£000	£000
Fair value reserve:		
-current tax	-	-
-deferred tax	-	-
	-	**-**

Deferred tax

A deferred tax asset (DTA) is recognised on deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilised. The Group has forecast taxable profits in future years. Management has recognised a DTA as of 31 December 2024 on accelerated depreciation of £20.7m (net) (2023: £21.5m), tax losses carried forward of £3.6m (2023: £2.8m) and other temporary differences of £1.3m (net) (2023: £1.0m net).

Movements in deferred tax assets

Group - 2024	Balance at 1 January	Recognised in profit or loss	Recognised in OCI/Equity	Balance at 31 December
	£000	£000	£000	£000
Accelerated depreciation	21,490	(774)	-	20,716
Tax losses carried forward	2,828	792	-	3,620
Other temporary differences	1,043	297	-	1,340
Deferred tax assets	**25,361**	**315**	**-**	**25,676**

Group - 2023	Balance at 1 January	Recognised in profit or loss	Recognised in OCI/Equity	Balance at 31 December
	£000	£000	£000	£000
Accelerated depreciation	21,106	384	-	21,490
Tax losses carried forward	3,780	(952)	-	2,828
Other temporary differences	1,074	(31)	-	1,043
Deferred tax assets	**25,960**	**(599)**	**-**	**25,361**

There are no unrecognised deferred tax assets.

14.CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

Group	1 January 2024	Cashflows	FX Movement	Additions to Right of Use assets	Termination of leases	Other	31 December 2024
	£000	£000	£000	£000	£000	£000	£000
Lease liabilities	1,935	(716)	10	330	-	86	1,645

Group	1 January 2023	Cashflows	FX Movement	Additions to Right of Use assets	Termination of leases	Other	31 December 2023
	£000	£000	£000	£000	£000	£000	£000
Lease liabilities	3,503	(869)	(3)	1,238	(2,026)	92	1,935

15.DUE FROM FINANCIAL INSTITUTIONS

Due from financial institutions

	0 - 3 months	4 - 12 months	1 - 5 years	2024
	£000	£000	£000	£000
Wadiah	3,481	-	-	3,481
Wakala	14	4,342		4,356
	3,495	**4,342**	**-**	**7,837**
Provision for impairment				(6)
				7,831
IFRS 9 Stage 1 and 2 ECL				(6)
				(6)

Due from financial institutions

	0 - 3 months	4 - 12 months	1 - 5 years	2023
	£000	£000	£000	£000
Wadiah	-	-	-	-
Wakala	24,567	98		24,665
	24,567	**98**	**-**	**24,665**
Provision for impairment				(5)
				24,660
IFRS 9 Stage 1 and 2 ECL				(5)
				(5)

16. INVESTMENT SECURITIES

Group	Listed	Unlisted	2024 Total
	£000	£000	£000
Fair value through other comprehensive income			
Equity *	-	347	347
Sukuk	12,722	-	12,722
Amortised cost			
Sukuk	31,538	-	31,538
	44,260	**347**	**44,607**
Provision for impairment			(23)
			44,584
IFRS 9 Stage 1 and 2 ECL			(23)
			(23)

*The Group has a small unlisted equity portfolio which it accounts for at fair value through other comprehensive income as they are equity instruments that meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. This is a legacy portfolio, and the above value relates to one remaining investment. No dividends were recognised in the period (2023: Nil) from this equity investment.

See page 120 in Note 37 for further detail on fair value measurements of investment securities.

Group	Listed	Unlisted	2023 Total
	£000	£000	£000
Fair value through other comprehensive income			
Equity	-	341	341
Sukuk	-	-	-
Amortised cost			
Sukuk	15,774	-	15,774
	15,774	**341**	**16,115**
Provision for impairment			-
			16,115
IFRS 9 Stage 1 and 2 ECL			-
			-

17.INVESTMENT IN SUBSIDIARIES

Company	Cost	Impairment provision	2024 Total
	£000	£000	£000
Investment in subsidiaries			
Bank of London and The Middle East plc	243,144	(85,004)	158,140
Walbrook Asset Finance Limited	11,811	(5,595)	6,216
	254,955	(90,599)	164,356

Company	Cost	Impairment provision	2023 Total
	£000	£000	£000
Investment in subsidiaries			
Bank of London and The Middle East plc	243,144	(74,313)	168,831
Walbrook Asset Finance Limited	11,811	(4,411)	7,400
	254,955	(78,724)	176,231

The Company was inserted as a holding Company of the Bank during 2013 pursuant to a Scheme of Arrangement. The transaction was outside the scope of IFRS 3 and therefore no business combination occurred. As a result, acquisition accounting using fair value was not mandatory and the Company's investment in the Bank was recognised at the IFRS net asset value of the Bank at the effective date of the BLME Scheme of Arrangement (which became the effective cost of investment).

Pursuant to the scheme, all existing options under the Bank's share incentive plans lapsed and replacement options were offered on substantially the same terms and conditions. Furthermore, the Bank was relieved of its obligations under the share incentive plans and those responsibilities were assumed by the Company for no consideration. As this transaction was a non-monetary transaction for no consideration with a parent Company, it was in effect additional investment in the Bank by the Company.

In June 2022, the Group Board took the decision to wind-down the leasing business. The leasing business will continue to trade, and the portfolio will be run down in an orderly fashion, a process that is expected to take approximately three to four years. An impairment assessment of the recoverable amount of the Parent's investment in Walbrook was undertaken and an impairment of £8.8m of the equity investment was booked in the Company only financial statements in 2022.

Company	2024	2023
	£000	£000
Investment in subsidiaries		
Opening balance	176,231	186,734
Impairment (charge) - Bank of London and The Middle East plc	(10,691)	(14,903)
Impairment (charge) / reversal - Walbrook Asset Finance Limited	(1,184)	4,400
Closing balance at 31 December	**164,356**	**176,231**

The value in use of BLME as of 31 December 2024 was estimated using a discounted cash flow model based on the latest business plan (with the future profits reduced by 15%) and a discount rate of 13.25%. This resulted in a £10.7m impairment charge (2023: £14.9m impairment charge). A 1% increase or decrease in the discount factor assumption results in an increase or decrease of £17.1m in the impairment amount. An additional 1% reduction in the future profits results in an increase of £1.86m in the impairment amount.

The value in use of WAF as of 31 December 2024 was estimated using a discounted cash flow model based on the latest business plan (with the future profits reduced by 15%) and a discount rate of 14% (2023: 8.45%). This resulted in a £1.2m impairment charge (2023: £4.4m impairment reversal). A 1% increase or decrease in the discount factor assumption results in an increase or decrease of £477k in the impairment amount. An additional 10% reduction in the future profits results in an increase of £0.73m in the impairment amount.

18. FINANCING ARRANGEMENTS

Group	Less than 1 year	1 - 5 years	Over 5 years	2024 Total
	£000	£000	£000	£000
Murabaha	373,641	734,995	56,372	1,165,008
	373,641	**734,995**	**56,372**	**1,165,008**
Provision for impairment				(13,885)
				1,151,123
IFRS 9 Stage 1 and 2 ECL				(1,331)
IFRS 9 Stage 3 ECL				(12,554)
				(13,885)

Refer to Note 12 for the analysis of changes in IFRS 9 Stages 1 and 2 and IFRS 9 Stage 3 ECLs.

Group	Less than 1 year	1 - 5 years	Over 5 years	2023* Total
	£000	£000	£000	£000
Murabaha	356,571	657,710	4,874	1,019,155
	356,571	**657,710**	**-**	**1,019,155**
Provision for impairment				(8,900)
				1,010,255
IFRS 9 Stage 1 and 2 ECL				(1,253)
IFRS 9 Stage 3 ECL				(7,647)
				(8,900)

**The 31 December 2023 balance has been restated, please see Note 2b*

19. FINANCE LEASE RECEIVABLES

Group	2024	2023
	£000	£000
Gross investment in finance lease receivables		
Within one year	14,560	25,097
One to five years	14,388	30,196
Over five years	-	18
	28,948	55,311
Hire purchase		
Within one year	55,962	99,906
One to five years	34,993	102,997
Over five years	-	150
	90,955	203,053
Unearned future income on finance leases	(1,532)	(3,667)
Unearned future income on hire purchase	(4,210)	(11,717)
IFRS 9 Stage 1 & 2 ECL	(164)	(368)
IFRS 9 Stage 3 ECL	(61)	(142)
Net investment in finance leases and hire purchase	**113,936**	**242,470**
The net investment in finance leases comprises:		
Within one year	13,523	23,158
One to five years	13,831	28,329
Over five years	-	17
	27,354	**51,504**
The net investment in hire purchase comprises:		
Within one year	52,880	92,702
One to five years	33,702	98,116
Over five years	-	148
	86,582	**190,966**
	113,936	**242,470**

These tables represent contractual maturities. The Group's investment in finance lease receivables covers a wide range of equipment types including transport, commercial vehicles, construction and heavy machinery equipment. The risk associated with the underlying assets is mitigated by the mandatory insurance cover taken out by the customers. The Group also monitors the value of the underlying asset which is provided as collateral to ensure there is sufficient coverage of the exposure.

With the exception of one lease recognised in the Bank, that had a carrying amount of £2,705k as at 31 December 2024 (31 December 2023: £3,014k), all of the above net investment in finance leases arises in Walbrook Asset Finance Limited ('WAF'). As explained in the Group Strategic Report, the WAF leasing business is being run down in an orderly fashion.

As part of the risk management strategy for the WAF run-down, in October 2023 WAF announced that it had engaged Investec Asset Finance Plc ('IAF'), to manage the runoff of the portfolio under an Outsourced Services Agreement ('the OSA'). After extensive due diligence and a detailed handover programme, IAF took over all aspects of customer support, billing and collecting from 3rd November 2023.

Key staff from the Group meet IAF on a monthly basis to review the performance under the OSA taking into account any impact on customers. In addition, a Quarterly Executive OSA Committee meets to provide oversight of the outsourced relationship. Refer to Note 12 for the analysis of changes in IFRS 9 Stages 1 and 2 and IFRS 9 Stage 3 ECLs.

20. PROPERTY AND EQUIPMENT

	Computer Equipment £000	Office Equipment £000	Fixtures & Fittings £000	Buildings £000	Motor vehicles £000	Total £000
Cost						
At 1 January 2024	573	19	1,275	2,951	-	4,818
Additions	231	2	96	330	48	707
Disposals	(53)	-	-	-	-	(53)
FX difference	1	-	4	9	-	14
At 31 December 2024	**752**	**21**	**1,375**	**3,290**	**48**	**5,486**
At 1 January 2023	297	31	2,802	6,220	-	9,350
Additions	406	2	829	1,541	-	2,778
Disposals	(130)	(14)	(2,356)	(4,682)		(7,182)
FX difference	-	-	-	(128)	-	(128)
At 31 December 2023	**573**	**19**	**1,275**	**2,951**	**-**	**4,818**
Depreciation						
At 1 January 2024	229	17	262	1,165	-	1,673
Charge for the year	180	1	274	659	3	1,117
Disposals	(48)	-	-	-	-	(48)
At 31 December 2024	**361**	**18**	**536**	**1,824**	**3**	**2,742**
At 1 January 2023	149	29	2,033	3,295	-	5,506
Charge for the year	149	-	231	900	-	1,280
Disposals	(69)	(12)	(2,002)	(3,030)	-	(5,113)
At 31 December 2023	**229**	**17**	**262**	**1,165**	**-**	**1,673**
Net Book Value						
At 1 January 2024	344	2	1,013	1,786	-	3,145
At 31 December 2024	**391**	**3**	**839**	**1,466**	**45**	**2,744**
At 31 December 2023	**344**	**2**	**1,013**	**1,786**	**-**	**3,145**

Buildings relate to right-of-use assets recognised in line with IFRS 16 Leases in relation to the Group's leased premises. See Note 28 for further detail.

The Group had contractual commitments for the acquisition of property, plant and equipment as of 31 December 2024 of £968k (31 December 2023: None).

21. OPERATING LEASE ASSETS

The following operating lease assets arise when the Group is the lessor in a leasing arrangement; and all arise in the subsidiary Walbrook Asset Finance Limited ('WAF').

Group **Cost**	**Commercial Vehicles £000**	**Plant and Equipment £000**	**Total £000**
At 31 December 2023	68,403	1,262	69,665
Change on full application of subsidiary disposals*	(5,632)	-	(5,632)
Restated balance at 1 January 2024	**62,771**	**1,262**	**64,033**
Additions during the year	-	-	-
Disposals during the year	(6,769)	-	(6,769)
At 31 December 2024	**56,002**	**1,262**	**57,264**
At 1 January 2023	73,357	1,262	74,619
Additions during the year	-	-	-
Disposals during the year	(4,954)	-	(4,954)
At 31 December 2023	**68,403**	**1,262**	**69,665**

Group **Depreciation**	**Commercial Vehicles £000**	**Plant and Equipment £000**	**Total £000**
At 31 December 2023	36,222	577	36,799
Change on full application of subsidiary disposals*	(5,632)	-	(5,632)
Restated balance at 1 January 2024	**30,590**	**577**	**31,167**
Charge for the year	6,906	170	7,076
Disposals during the year	(4,880)	-	(4,880)
At 31 December 2024	**32,616**	**747**	**33,363**
At 1 January 2023	31,685	408	32,093
Charge for the year	7,699	169	7,868
Disposals during the year	(3,162)	-	(3,162)
At 31 December 2023	**36,222**	**577**	**36,799**
Net Book Value			
At 1 January 2024	32,181	685	32,866
At 31 December 2024	**23,386**	**515**	**23,901**
At 31 December 2023	**32,181**	**685**	**32,866**

* The adjustment of £5,632k to the cost and depreciation figures has been made to reflect the full impact of disposals arising in the Group's leasing subsidiary during 2021, 2022 and 2023 which had only been partially reflected in the group note to the accounts. These leases had formed part of an inter-company transfer from BLME to WAF during 2020 which was reflected as an addition in WAF's books at net book value at the time of the transfer.

Rental receipts under operating leases* Future rentals are as follows:	**2024** **£000**	**2023** **£000**
Less than one year	5,445	8,402
Between one and five years	2,578	5,149
More than five years	62	-
	8,085	**13,551**

*These future rental receipts represent undiscounted cash flows.

22. INVESTMENT PROPERTY

Group	2024	2023*
	£000	£000
As at 1 January	38,000	47,700
Movements in fair value **	-	(9,700)
As at 31 December	**38,000**	**38,000**

** The Group has restated its consolidated financial statements for the year ended 31 December 2023- Refer to Note 2b for further details.*
*** This item has been included in "net fair value losses on investment properties" in the consolidated income statement. No items have been included in the consolidated statement of 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 IFRS 13.

The investment property relates to AQ1 Properties Limited which is consolidated into the Group's results as disclosed in Note 2b and Note 33.

The income statement includes rental income from the investment property of £3,261k (2023: £1,687k) in the line "Other operating income" and direct operating expenses of £55k (2023: £111k) in the line "Other operating expenses".

23. INTANGIBLE ASSETS

Group	2024	2023
Cost	**£000**	**£000**
Opening balance	4,679	5,631
Additions	1,040	893
Disposals	(3,064)	(1,845)
Closing balance	**2,655**	**4,679**
Amortisation and impairment losses		
Opening balance	3,072	4,908
Charge for the year	29	9
Disposals	(3,065)	(1,845)
Closing balance	**36**	**3,072**
Net Book Value	**2,619**	**1,607**

Intangible assets consist of computer licences and software development. The above note does not include any internally generated intangible assets.

24. OTHER ASSETS

Group	2024	2023
	£000	£000
Amounts due from fellow subsidiary of majority shareholder	-	1,578
Collateral deposits*	51	129
Prepayments	1,343	1,312
VAT recoverable	10,527	1,470
Foreign exchange forward contracts**	447	303
Other receivables and assets	10,748	8,450
	23,116	**13,242**

* The Group has pledged cash collateral deposits of £0.05million (2023: £0.13million) as security against rental payments on office premises, and £Nil (2023: £0.28m) of cash collateral deposits placed with financial institutions. The pledged cash collateral deposits are subject to industry standard terms and conditions typical of short-term property leases in the London office rental market.

** Foreign exchange forward contracts relate to deal balances with a notional contract amount of £20.2 million (2023: £19.0m). Further disclosure on the Group's foreign exchange forward deals is covered in Note 37.

25. DUE TO FINANCIAL INSTITUTIONS

	£000	£000
Reverse Murabaha	22,497	22,417
Wakala	33,754	6,967
	56,251	**29,384**

26. DUE TO CUSTOMERS

Group	2024	2023
	£000	£000
Customer deposits	1,258,647	1,239,729
Security deposits	3,662	8,877
	1,262,309	**1,248,606**

27. OTHER LIABILITIES

Group	2024	2023
	£000	£000
Trade payables	2,736	3,287
Social security and income tax	508	545
Accruals	7,560	11,908
Lease liability*	1,645	1,935
Amount due to fellow subsidiary of majority shareholder	1,764	-
Other creditors**	3,246	2,389
Deferred income	580	-
	18,039	**20,064**

* Refer to Note 28 for further detail on lease liabilities recognised in line with IFRS 16.

****** Other creditors include a foreign exchange forward deal balance of £0.3m (2023: £0.03m) with a notional contract amount of £5.4m (2023: £8.5m). Further disclosure on the Group's foreign exchange forward deals is covered in Note 37.

28. LEASES

The Group has lease contracts for office premises in London, Dubai, Jeddah, and Riyadh. Leases of offices have lease terms between 1 and 10 years. The Group's obligations under its leases are stipulated in the respective lease agreements. Generally, the Group is restricted from assigning and subleasing its leased assets with the exception of the premises in London which do permit subletting by way of an unsecured underletting. Some of the lease contracts include extension and termination options.

Set out below are the carrying amounts of right-of-use assets recognised (included under property and equipment) and the movements during the year:

	£000
At 1 January 2024	1,786
Additions	330
Termination of lease	-
Depreciation expense	(659)
Foreign currency translation adjustments	9
At 31 December 2024	**1,466**

	Buildings £000
At 1 January 2023	2,925
Additions	1,295
Termination of lease	(1,406)
Depreciation expense	(900)
Foreign currency translation adjustments	(128)
At 31 December 2023	**1,786**

Set out below are the carrying amounts of lease liabilities (included under other liabilities) and the movements during the year:

	2024 £000
At 1 January 2024	1,935
Additions	330
Termination of lease	-
Accretion of finance charges	86
Payments	(716)
Foreign currency translation adjustments	10
At 31 December 2024	**1,645**

	2023 £000
At 1 January 2023	3,503
Additions	1,238
Termination of lease	(2,026)
Accretion of finance charges	92
Payments	(869)
Foreign currency translation adjustments	(3)
At 31 December 2023	**1,935**

The maturity analysis of lease liabilities is as follows:

At 31 December 2024	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Future lease payments (undiscounted)	78.00	175	518	1,015	-	1,786
Total future finance charges						(141)
Lease liability						**1,645**

At 31 December 2023	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	Total £000
Future lease payments (undiscounted)	-	96	630	1,409	-	2,135
Total future finance charges						(200)
Lease liability						**1,935**

Further detail on how the Group manages its liquidity risk inherent in its financial liabilities is disclosed in section (b) of Note 37.

The following are the amounts recognised in profit or loss:

	2024 £000	2023 £000
Depreciation expense of right-of-use assets	659	900
Finance charge on lease liabilities	86	92
Total amount recognised in profit or loss	**745**	**992**

The amounts recognised in profit or loss in respect of short-term leases and unrecognised leases of low-value assets was £Nil (2023: £Nil). Depreciation expense of right-of-use assets is disclosed in Note 20 while finance charge on lease liabilities is included in rent and other occupancy costs per Note 11. The Group had total cash outflows for leases of £0.7m in the year (2023: £0.9m). The Group also had non-cash additions to right-of-use assets and lease liabilities of £0.3m and £0.3m respectively in the year (2023: £1.3m and £1.2m).

The Group has several lease contracts some that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3 (e)).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years £000	More than five years £000	Total £000
Extension options expected not to be exercised	-	-	-
At 31 December 2024	**-**	**-**	**-**

	Within five years £000	More than five years £000	Total £000
Extension options expected not to be exercised	-	-	-
At 31 December 2023	**-**	**-**	**-**

29.INVESTMENT IN JOINT VENTURES

The Group holds half of the issued management shares of Waterfront Holdings Limited (“Waterfront”), Longbarn Holdings Limited (“Longbarn”), and Q12 Holdings Limited (“Q12”); giving it 50% of each set of voting rights and thereby joint control of these three entities alongside BLME’s joint venture partner a privately-owned real estate investment and asset management specialist based in London. The purpose of these joint ventures arrangements is to source and co-invest in real estate opportunities alongside professional investors seeking to allocate capital to UK real estate.

Summary of the Group's shareholdings in entities classified as investments in joint ventures

	Redeemable Participating Ordinary shares of £1	Non Redeemable Management shares of £1	Non Redeemable Promote shares of £1
As of 31 December 2024			
Waterfront Holdings Limited	10.13%	50%	50%
Longbarn Holdings Limited	47.76%	50%	50%
Q12 Holdings Limited	65.98%	50%	50%
As of 31 December 2023			
Waterfront Holdings Limited	10.13%	50%	50%
Longbarn Holdings Limited	47.76%	50%	50%
Q12 Holdings Limited	74.99%	50%	50%

The country of incorporation of the above three joint venture entities is Jersey, and they all have their registered address as 26 New Street, St Helier, Jersey JE2 3RA.

Summary of investments in joint ventures

	2024 £000	2023* £000
Waterfront Holdings Limited	428	876
Longbarn Holdings Limited	17,506	16,470
Q12 Holdings Limited	14,223	14,174
	32,157	**31,520**

**The 31 December 2023 figures have been restated, please see Note 2b*

The primary purpose of Waterfront is the ownership of an investment property in Edinburgh in the United Kingdom through its wholly owned subsidiary Waterfront Property Limited. The primary purpose of Longbarn is the ownership of an investment property in Warrington in the United Kingdom through its wholly owned subsidiary Longbarn Property Limited. The primary purpose of Q12 is the ownership of an investment property in Newcastle in the United Kingdom through its wholly owned subsidiary Q12 Property Limited. Waterfront, Longbarn and Q12 are private entities that are not listed on any public exchange.

The Group holds a 10.13% (2023: 10.13%) equity interest in Waterfront having initially planned to sell all but 10% of its investment. The Group does not intend to sell the residual excess amount above 10% of 0.13%. Accordingly, 10.13% is accounted for using the equity method with no balance (2023: Nil) accounted for as an asset classified as held for sale in accordance with IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’.

The Group holds a 47.76% equity interest in Longbarn as of 31 December 2024 (2023: 47.76%) which is accounted for as an Investment in Joint Venture. In 2023 the Group had intended to sell all but 10% of its investment in Longbarn. Accordingly, only 10% was accounted for using the equity method in 2023 with the balance of 37.76% accounted for as an asset classified as held for sale per IFRS 5. As described in Note 29 the commercial circumstances no longer meet the conditions set out in IFRS 5 for Longbarn to continue to be classified as an asset held for sale.

The Group holds a 65.98% equity interest in Q12 as of 31 December 2024 (2023: 74.99%) which is accounted for as an Investment in Joint Venture. In 2023 the Group had intended to sell all but 10% of its investment in Q12. Accordingly, only 10% was accounted for using the equity method in 2023 with the balance of 64.99% accounted for as an asset classified as held for sale in accordance with IFRS 5. As described in Note 29 the commercial circumstances no longer meet the conditions set out in IFRS 5 for Q12 to continue to be classified as an asset held for sale.

The following tables illustrates the summarised financial information of the Group’s joint venture investments:

Statement of Financial Position - 2024	**Waterfront**	**Longbarn**	**Q12**	**Total**
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	589	1,443	2,561	4,593
Other assets	521	39	951	1,511
Investment properties	18,910	36,000	18,480	73,390
Total assets	**20,020**	**37,482**	**21,992**	**79,494**
Other liabilities	590	830	436	1,856
Due to financial institutions	15,206	-	-	15,206
Total liabilities	**15,796**	**830**	**436**	**17,062**
Net Assets	**4,224**	**36,652**	**21,556**	**62,432**
Equity accounting share in the Net Assets	**428**	**17,506**	**14,223**	**32,157**

Statement of Financial Position - 2023*	**Waterfront**	**Longbarn***	**Q12***	**Total***
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	843	1,650	3,006	5,499
Other assets	89	34	428	551
Investment properties*	24,000	33,650	18,300	75,950
Total assets*	**24,932**	**35,334**	**21,734**	**82,000**
Other liabilities	619	851	432	1,902
Due to financial institutions	15,668	-	-	15,668
Total liabilities	**16,287**	**851**	**432**	**17,570**
Net Assets*	**8,645**	**34,483**	**21,302**	**64,430**
Equity accounting share in the Net Assets*	**876**	**16,470**	**14,174**	**31,520**

**The 31 December 2023 figures have been restated, please see Note 2b*

Income Statement - 2024	Waterfront	Longbarn	Q12	Total
	£000	£000	£000	£000
Revenue	2,766	2,699	1,737	7,202
Unrealised profit / (loss) on revaluation of investment	(4,969)	2,350	180	(2,439)
Management and advisory fees	135	(125)	(55)	(45)
Murabaha profit expense	(392)	-	-	(392)
Other expenses	(1,355)	(112)	(187)	(1,654)
Profit / (loss) before tax	**(3,815)**	**4,812**	**1,675**	**2,672**
Income tax expense	(114)	-	(18)	(132)
Profit / (loss) for the year	**(3,929)**	**4,812**	**1,657**	**2,540**

Income Statement - 2023*	Waterfront	Longbarn*	Q12*	Total*
	£000	£000	£000	£000
Revenue	1,584	2,469	887	4,940
Unrealised profit / (loss) on revaluation of investment*	(2,829)	(10,108)	1,152	(11,785)
Management and advisory fees	(134)	(92)	(49)	(275)
Murabaha profit expense	(478)	-	-	(478)
Other expenses	(118)	(232)	(141)	(491)
Profit / (loss) before tax*	**(1,975)**	**(7,963)**	**1,849**	**(8,089)**
Income tax expense	(29)	-	-	(29)
Profit / (loss) for the year*	**(2,004)**	**(7,963)**	**1,849**	**(8,118)**

**The year to 31 December 2023 has been restated, please see Note 2b*

Movements in carrying amounts - 2024

	Waterfront	Longbarn	Q12	Total
	£000	£000	£000	£000
Opening balance	876	16,470	14,174	31,520
Share of profit / (loss) of equity-accounted investees, net of tax	(398)	2,306	1,013	2,921
Dividends received	(50)	(1,270)	(964)	(2,284)
Closing net book amount	**428**	**17,506**	**14,223**	**32,157**

Movements in carrying amounts - 2023*

	Waterfront	Longbarn*	Q12*	Total*
	£000	£000	£000	£000
Opening balance	1,154	-	-	1,154
Acquisition of interest in joint venture	-	4,374	1,895	6,269
Reclassification from Assets Held for Sale	-	16,839	11,295	28,134
Share of profit / (loss) equity-accounted investees, net of tax	(203)	(3,760)	1,387	(2,576)
Dividends received	(75)	(983)	(403)	(1,461)
Closing net book amount	**876**	**16,470**	**14,174**	**31,520**

**The year to 31 December 2023 has been restated, please see Note 2b*

The Waterfront, Longbarn and Q12 joint ventures had no contingent liabilities or capital commitments as of 31 December 2024 (2023 – none).

30. ASSETS HELD FOR SALE

In 2023 the Group had committed to a plan to sell all but 10% of its interest in Longbarn and Q12. This was in line with the investment memorandum provided to all eligible prospective investors. Accordingly, in the 2023 financial statements the excess of the Group's investment above 10% in Longbarn and Q12 was presented as assets held for sale. No sales of these investments have occurred since February 2024 and there is no active marketing campaign in place. The commercial circumstances no longer meet the conditions set out in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' for these investments to continue to be classified as assets held for sale. These investments have been reclassified on the Group Balance Sheet as Investments in Joint Ventures.

	2024	2023*
Assets held for sale	**£000**	**£000**
Opening balance as at 1 January	1,800	-
Acquisitions during the year	-	35,934
Amounts sold during the year	(1,800)	(6,000)
Reclassification to investment in joint ventures	-	(28,134)
Closing balance as at 31 December	**-**	**1,800**
Analysed by:		
Longbarn Holdings Limited	-	-
Q12 Holdings Limited	-	1,800
Total	**-**	**1,800**

* *The comparative information for 2023 has been restated, please see Note 2b.*

There are no cumulative income or expenses included in OCI relating to assets held for sale. The assets held for sale were included within the Wealth Management reportable segment of the Group.

31.CONTINGENT LIABILITIES

Except for the cost recharge arrangements described in Note 35 in conjunction with BB2 Digital and Technology Services Limited, there are no contingent liabilities as of 31 December 2024 to be disclosed (2023: none).

32. SHARE CAPITAL

Group and Company	**Number of shares**	**Share capital £000**	**Share premium £000**
Allotted, called up and fully paid 25p per Ordinary share			
At 31 December 2022	200,365,281	50,091	1,140
At 31 December 2023	200,365,281	50,091	1,140
At 31 December 2024	**200,365,281**	**50,091**	**1,140**

As permitted by the Companies Act 2006, BLME Holdings Limited does not have an authorised share capital.

Ordinary shares have the rights attaching to them under Section 284 and 285 of the Companies Act 2006 (as amended). On a vote on a resolution by a show of hands each member shall have one vote. On a vote on a resolution on a poll, each member shall have one vote in respect of each ordinary share legally owned by him / her.

The ordinary shares carry the right to participate in any dividends in the Company which may be declared by the Directors. There are no shares reserved for issue under options and no contracts for the sale of shares.

33. SUBSIDIARIES AND OTHER ENTITIES

Principal Subsidiaries	Country of incorporation and principal operations	BLME interest in equity capital	Issued equity capital	Profit / (loss) for year in GBP unless stated otherwise ('000s)	Principal business activity	Ultimate parent undertaking	Immediate parent undertaking
Directly held:							
Bank of London and The Middle East plc	United Kingdom	100%	£48,933,422	6,850	Regulated Bank	Boubyan Bank K.S.C.P.	BLME Holdings Ltd
Walbrook Asset Finance Limited	United Kingdom	100%	£11,811,000	610	Leasing	Boubyan Bank K.S.C.P.	BLME Holdings Ltd
Indirectly held:							
BLME Asset Management Limited	United Kingdom	100%	£2	-	Dormant	Boubyan Bank K.S.C.P.	BLME plc
BLME Holdco Limited	United Kingdom	100%	£102	-	Dormant	Boubyan Bank K.S.C.P.	BLME plc
BLME Limited	United Kingdom	100%	£2	-	Dormant	Boubyan Bank K.S.C.P.	BLME plc
Global Liquidity Solutions Limited	United Kingdom	100%	£1	-	Dormant	Boubyan Bank K.S.C.P.	BLME plc
Walbrook Construction Equipment Finance Limited	United Kingdom	100%	£1,000	1	Leasing	Boubyan Bank K.S.C.P.	Walbrook Asset Finance Limited
WAF 1 Limited	United Kingdom	100%	£2	-	Dormant	Boubyan Bank K.S.C.P.	Walbrook Asset Finance Limited
Renaissance Property Finance Limited	United Kingdom	100%	£2	-	Dormant	Boubyan Bank K.S.C.P.	BLME plc
Renaissance Trade Finance Limited	United Kingdom	100%	£2	-	Dormant	Boubyan Bank K.S.C.P.	BLME plc
AQ1 Limited	Jersey	84%	£33,030,750	1,023	Investment Holding Company	Boubyan Bank K.S.C.P.	BLME plc
AQ1 Holdings Limited	Jersey	-	£2	(572)	Investment Holding Company	Boubyan Bank K.S.C.P.	AQ1 Limited
AQ1 Properties Limited	Jersey	-	£17,555,827	233	Property Management	Boubyan Bank K.S.C.P.	AQ1 Limited
BLME Capital Company	Kingdom of Saudi	100%	SAR 20 million	(330)	Asset	Boubyan	BLME plc
BLME Asia & GCC Consumer Growth GP Limited	Cayman Islands	100%	USD 200,000	(3)	Asset Management	Boubyan Bank K.S.C.P.	BLME plc

Global Liquidity Solutions Limited ('GLS') has an accounting reference date ('ARD') of 31 October. The ARD for all the other above entities is 31 December. The GLS ARD was set automatically on incorporation and had not been changed as it is non-trading.

The registered office address for all subsidiaries incorporated in the UK is 20 Churchill Place, Canary Wharf, London, E14 5HJ.
The registered office address for AQ1 Limited is 26 New Street, St Helier, Jersey JE2 3RA
The registered office address for BLME Asia & GCC Consumer Growth GP Limited is C/o IQEQ Corporate Services (Cayman) Limited, 3rd floor, Whitehall House, 238 North Church Street, George Town, Grand Cayman, Cayman Islands

As explained in Note 2 b ii there are two structured entities AQ1 Holdings Limited and AQ1 Properties Limited, that have been consolidated following an updated IFRS 10 control assessment. These Jersey-based entities have the same registered office address as AQ1 Limited.

Walbrook Asset Finance (Ireland) DAC was liquidated on 31 December 2024. During 2023 the Bank increased its equity contribution in AQ1 Limited from £24.87m to £33m.

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.

- **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 £1,540.4 million and £1,309.5 million respectively (2023: £1,493.5 million and £1,269.3 million respectively).

- **Interests in unconsolidated structured entities**

The Group does not have any interests in unconsolidated structured entities.

- **Contractual arrangements, audit exemption and financial support**

The Board of BLME Holdings Limited has agreed to guarantee the liabilities of Walbrook Asset Finance Limited, registered company number 11792589, in order that it qualifies for the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for an audit of its annual financial statements for the year ended 31 December 2024. The liabilities of Walbrook Asset Finance Limited at the year-end was £146,567,789 (31 December 2023: £277,816,258).

The Board of BLME Holdings Limited has agreed to guarantee the liabilities of Walbrook Construction Equipment Finance Limited, registered company number 09019700, in order that it qualifies for the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for an audit of its annual financial statements for the year ended 31 December 2024. The liabilities of Walbrook Construction Equipment Finance Limited at the year-end was £ Nil (31 December 2023: £1,710).

The Board of BLME Holdings Limited has agreed to guarantee the liabilities of WAF 1 Limited, registered company number 13712678, in order that it qualifies for the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for an audit of its annual financial statements for the period ended 31 December 2024. The liabilities of WAF 1 Limited at the year-end was £ 998 (31 December 2023: £998).

Except for the above guarantees under Section 479C of the Companies Act 2006, the Group does not have any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated or unconsolidated structured entity (2023: none).

The Group did not provide financial support to any of its consolidated or unconsolidated structured entities during 2024 (2023: nil) and does not have any current intentions to provide such support (2023: none).

- **Parent company**

As of 31 December 2024, the Company's parent undertaking was Boubyan Bank K.S.C.P, a public shareholding company incorporated in Kuwait and listed on the Kuwait Stock Exchange. BLME Holdings Limited is the parent undertaking of the smallest group of undertakings for which Group consolidated financial statements are drawn up and of which the Company is a member. Boubyan Bank K.S.C.P. is the parent undertaking of the largest group of undertakings for which Group consolidated financial statements are drawn up and of which the Company is a member. Copies of the annual reports of Boubyan Bank K.S.C.P. are readily available for download from the investor relations section of Boubyan's corporate website.

The address of Boubyan Bank K.S.C.P.'s registered office is P.O. Box 25507, Safat 13116, State of Kuwait.

34. NON-CONTROLLING INTEREST

The group holds an 83.77% (2023: 83.77%) shareholding in AQ1 Limited and consolidates it as a subsidiary under IFRS 10. The non-controlling interest represents the minority shareholders position of 16.23% (2023: 16.23%) in AQ1 Limited (who hold nil voting rights).

As explained in Note 2 b ii there are two related structured entities AQ1 Holdings Limited and AQ1 Properties Limited, that have been consolidated following an updated IFRS 10 control assessment.

The following tables illustrates summarised financial information in respect of AQ1 Limited, AQ1 Holdings Limited and AQ1 Properties Limited:

Statement of Financial Position	**2024**	**2023***
	£000	**£000**
Cash and cash equivalents	1,424	855
Investment property	38,000	38,000
Other assets	7,086	6,601
Total assets	**46,510**	**45,456**
Other liabilities	4,567	4,323
Due to financial institutions	22,497	22,418
Total liabilities	**27,064**	**26,741**
Net Assets	**19,446**	**18,715**
Equity attributable to non-controlling interest	**3,745**	**3,723**

Income Statement	**2024**	**2023***
	£000	**£000**
Income from financing and investing activities	-	254
Returns payable to financial institutions	(1,464)	(1,469)
Net fee and commission expense	(200)	(200)
Net fair value loss on investment property	-	(9,700)
Other operating income	3,261	1,687
Other operating expenses	54	(112)
Profit / (loss) before tax	**1,651**	**(9,540)**
Income tax expense	-	-
Profit / (loss) for the year	**1,651**	**(9,540)**
Dividends paid during the year	**920**	**417**
Profit / (loss) for the period attributable to non-controlling interest	**268**	**(1,532)**

**The year to 31 December 2023 has been restated, please see Note 2b*

35. RELATED PARTIES

As of 31 December 2024, Boubyan Bank K.S.C.P held an economic interest of 72.37% of the Company's voting shares (2023: 72.08%). Transactions entered into during the year with BB2 Digital and Technology Services Limited are described below.

All deposits with related parties (outstanding balances that are classified as *due to financial institutions*) are treated as interbank deposits. They are dealt using the standard wholesale template Wakala / Commodity Murabaha documentation i.e., the same treatment that would be applied for any other interbank deposit. There are no collateral arrangements in relation to these.

During the year the Group entered into transactions on an arm's length basis with related counterparties as detailed below.

	Relationship	**2024**	**2023**
		£000	**£000**
Boubyan Bank K.S.C.P	Majority shareholder		
Wakala placement		68,569	107,627
Participation deposit		74,633	19,533
NBK International PLC	Fellow subsidiary of majority shareholder		
Reverse Murabaha		5,000	15,000
Commodity Murabaha		153,000	230,000
Waterfront Holdings Limited	Joint venture		
Sharia'a and strategic advisory fee		81	81
Longbarn Holdings Limited	Joint venture		
Sharia'a and strategic advisory fee		63	58
Structuring fee		-	487
Q12 Holdings Limited	Joint venture		
Sharia'a and strategic advisory fee		45	24
Structuring fee		-	220

BLME has an agreement in place with BB2 Digital and Technology Services Limited ("BB2 TechCo"), a fellow subsidiary of Boubyan Bank K.S.C.P., to be reimbursed for all costs incurred in the development and related expenditure of Nomo until the business unit becomes profitable. Upon Nomo becoming profitable, BLME will reimburse BB2 TechCo for all development costs incurred through a recharge which is capped by the annual profits generated by Nomo. Once those costs have been fully recuperated by BB2 TechCo, 45% of annual net profits generated by Nomo will be paid to BB2 TechCo as part of a commercial agreement.

The total amount to be reimbursed to BB2 TechCo and the repayment period cannot be reliably measured due to uncertainty over the timing and quantum of profitability. Furthermore, repayment is contingent on the Nomo business unit being profitable. The net cost recharged by BLME under this agreement to BB2 TechCo for the year ending 31 December 2024 was £12,767,838 (31 December 2023: £13,093,243). If Nomo does not come to profitability there will be no overall cost to BLME.

BB2 TechCo is a member of the BLME Holdings Limited VAT group registration with HMRC. During the year BLME made payments to HMRC in respect of BB2 TechCo amounting to £71,505 (2023: £2,170,381).

During the year BLME paid £Nil of insurance premiums on behalf of BB2 TechCo (2023: £25,062).

During the year BLME recharged £266,993 in respect of office fixtures and fittings to BB2 TechCo (2023: £Nil).

The amounts outstanding with related counterparties as at 31 December were as follows:

	Relationship	2024 £000	2023 £000
Boubyan Bank K.S.C.P.	Majority shareholder		
Cash and balances with banks			
Nostros		1,947	249
Due from financial institutions			
Wakala placement		-	24,567
Financing arrangements			
Participation deposit		18,027	19,858
BB2 Digital and Technology Services Limited	Fellow subsidiary of majority shareholder		
Other assets			
Nomo Business Unit recharge to BB2 TechCo		(1,834)	1,546
Insurance premiums paid on behalf of BB2 TechCo		-	25
VAT payment made on behalf of BB2 TechCo		72	7
Waterfront Holdings Limited	Joint venture		
Other assets			
Other receivables		20	20
Longbarn Holdings Limited	Joint venture		
Other assets			
Other receivables		16	16
Q12 Holdings Limited	Joint venture		
Other assets			
Other receivables		11	11

The above related party balances are unsecured, and settlement occurs in cash.

The key management of the Group are the Executive Directors. The compensation of key management personnel for the year was as follows:

	2024 £000	2023 £000
Key management emoluments *	1,723	1,563
Bank contributions to pension plans	104	102
	1,827	**1,665**

* Key management emoluments includes other long-term benefits of £0.185m (2023: £0.15m).

36. SUBSEQUENT EVENTS

The Directors are not aware of any matters or circumstances that have occurred since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

37. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following primary risk categories arising from the use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk (including cyber and conduct risk)
- capital risk

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.

The Group's strategic business objectives include the following:

- Expansion of its presence in the Gulf Cooperation Council (GCC) states and the Middle East;
- Continued development of a digital banking offering; and
- Continue to reduce exposure to capital intensive and non-strategic business lines.

The Group does not engage in supplier finance or reverse factoring.

Risk management framework

The Group's risk management framework ("RMF") provides the foundation for ensuring that business risk-taking activity is consistent with the Group's strategy and risk appetite, and that the Group 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 Group's Risk Appetite, which when combined with the Group'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 Group operates, including regulatory standards and industry best practices. The Group requires a strong and proactive RMF in order to mitigate all principal risks and:

- Manage the Group in line with the Board's approved Risk Appetite;
- Achieve the Group's strategic objectives whilst adhering to its Risk Tolerance levels;
- Empower and equip the Group'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 complying with the FCA's Consumer Duty rules.

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

- Risk identification – the process of determining risks that could potentially prevent the Group from achieving its goals and objectives;
- Risk assessment – a careful examination and quantification of the impact and likelihood of potential events;
- Risk mitigation – a strategy to prepare for and reduce the adverse effects and exposure to risks and their likelihood of occurrence. Risk mitigation is achieved through establishing 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;
- Assurance – assurance and advice are provided by the Group's Third Line of Defence where the Internal Audit function provides the Board with independent, objective assurance or advice whether the risk management, control and governance processes are adequate and operating in line with expectations. Additional assurance is provided by external audit; and
- Monitoring and reporting – the Second Line of Defence is responsible for monitoring the operation of the controls and adherence to risk direction and limits.

The RMF provides the necessary discipline to oversee risks comprehensively through the Group and in line with the Board Risk Appetite, and the overall strategy.

The constituting elements of the RMF are:

- Sharia'a principles;
- Group governance;
- Business strategy, vision, values and culture;
- Risk appetite;
- Risk management approach;
- Policies and procedures;
- Infrastructure; and
- Training, remuneration and rewards.

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 Group Risk Appetite Statement is set by the Company's Board and reviewed 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 are described below, together with details of how these risks are managed. Quantitative information indicates the amounts of such risks at the reporting date. The amounts at the reporting date are indicative of the amounts of such risks which have been experienced throughout the year.

Impairment of Financial assets

- **Customer Classifications – Normal, Watchlist and Asset Recovery Unit**

  The Group operates a 3-step customer classification system:

  - Normal

- Watchlist
- Asset Recovery Unit

Counterparties are classified in these categories based on a set of Judgemental Trigger Events (Early Warning Indicator's) which once triggered will require escalation.

Normal

Normal customer classification are those for which no adverse material credit information has been identified and does not trigger either Watchlist or ARU classification.

As part of the Normal customer classification the First Line of Defence ('1LOD') have ongoing primary responsibility, supported by the Second Line of Defence ('2LOD'), for identifying any Early Warning Indicator's from judgemental trigger events for consideration of a transfer to either Watchlist or the Asset Recovery Unit ('ARU').

Watchlist

Watchlist classification is for customers that require increased Credit oversight due to connection concerns. Watchlist classified names would typically exhibit one or more Judgemental Trigger Events. Additionally, any customer with a currently granted item of Forbearance requires mandatory Watchlist classification (unless classified as ARU).

These **Judgemental Trigger Events** (Early Warning Indicator's) include, but are not limited to:

- Weak or weakening financial performance (including existence of a Red (14-17) rating or deterioration to an Orange (11-13) rating)
- Unpaid VAT, PAYE, NI or Tax
- Loss or death of key manager
- Non-payment of scheduled profit or capital, albeit wider consideration of the exceptional circumstances caused by the COVID-19 pandemic is discussed in further detail later in this note
- Covenant or other such documented condition breach, including collateral values and profit rate covenants
- Negative shareholder's funds
- Legal action by other creditors (incl. CCJs)
- Other banks requesting collateral
- Auditor's qualification
- Non-respect of important commitments
- Regular payment problems
- Improper use of credit lines
- Request for consolidation or renegotiation of credits
- Known or suspected reputational or regulatory damage
- Delayed project progress
- External market considerations, i.e. credit spreads, credit ratings and sector risks

Notwithstanding the above, the Credit department would reserve the right to recommend that any name is elevated to Watchlist status. Furthermore, depending on mitigating circumstances Credit can recommend to CCRC that any name is removed from the Watchlist.

As part of this process where counterparties show judgemental trigger events and are not considered to warrant transfer to Watchlist details of why are to be documented and reported where appropriate to CCRC with the client remaining under Normal classification.

The Group's Credit Watchlist is maintained by the Credit Risk Management department and is subject to monthly presentation to CCRC.

Recommendations for Watchlist classification may be made by the relevant business area (1LOD– Relationship Manager / Head of Business Unit) or Credit Managers (2LOD) with acceptance to Watchlist approved by Head of Credit Risk Management and ratified by CCRC.

The Watchlist contains 3 RAG Criteria, below, and client transactions are classified upon transition to Watchlist and reviewed on an ongoing basis. The classification is recommended by the 1LoD and/or 2LoD and ratified at CCRC

Red: High likelihood to default within the next 12 months.
Yellow: Elevated risk level which would require putting facility as a Stage 2/watchlist exposure. Might not default with some restructuring or other form of support.
Green: Will survive given adequate profit covers and resilient business model, likely to transition back to normal.

Watchlist accounts considered RED are automatically transferred to the Asset Recovery Unit for ongoing management, noting this ownership of the relationship is not considered an immediate default classification / credit rating. In these cases, it is prudent to have specialised asset management assessment and re-structuring advice / recommendations.

CCRC at their discretion, with or without 1LoD and/or 2LoD recommendation may instruct the Asset Recovery Unit to oversight transactions classified as Yellow to assist with any necessary support and/or re-structuring.

Removal criteria from Watchlist would either be:

- On a downgrade to ARU classification
- All obligations to the Group being extinguished
- On an upgrade to Normal classification – where mitigants to Judgemental Triggers are evident over a suitable recovery period. The recovery period requires to be a minimum of 3 months and would usually see evidence of <u>at least all of</u>:
    - 2 satisfactory covenant tests
    - 3 monthly payments/2 quarterly payments being made
    - 3 months of satisfactory financial information.

A recommendation for removal from the Watchlist can be made from the relevant business area (1LOD– Relationship Manager / Head of Business Unit) or Credit Managers (2LOD) with removal being approved by Head of Credit Risk Management and noted to CCRC monthly.

<u>Asset Recovery Unit ('ARU')</u>
ARU classified cases are those where the Group is or could be faced with a non-performing exposure (NPE) situation and specialist intensive care is required either to:

- Restructure exposure with a view to returning to normal status
- Restructure exposure with a view to achieving a bank/customer consensually managed exit of the connection
- Recover assets/realise security to pay outstanding finance.

ARU classification occurs as a result of:

- Mandatory Default trigger criteria being met
- Judgemental Indicator(s) being met and the customer being considered to be in a distressed situation and considered “unlikely to pay”
- Watchlist RED RAG Status

It is possible that Judgemental triggers are evident however if the customer is not considered to be distressed (e.g. minor covenant breach that will be reset/waived) ARU classification is not considered appropriate.

Responsibility for identifying ARU cases primarily sits with the 1LoD. Review and Challenge is provided by the 2LoD. ARU classification is finally approved by CCRC after recommendation by either Head of Credit Risk Management, ARU designated Credit Manager (2LOD) or automatically if Mandatory Default Triggers are met.

Appointment of administrators/receivers

When dealing with distressed cases, to ensure that the Group’s interests are protected in the best possible way, it may be deemed necessary to appoint administrators / receivers or/and external lawyers. These parties must come from an approved panel of independent and qualified parties.

Depending on the circumstances of each case and wherever is considered necessary to protect the Group’s position, the appointment for a specific distressed case must be agreed by the Counterparty Credit Risk Committee (CCRC) after recommendation by the 1LoD with review and challenge provided by the 2LoD. In case of a decision to appoint one of the above parties, oversight of the implementation of the process by the Legal department is necessary.

To ensure that an audit trail is always maintained, all the requests related to the appointment of these parties should be submitted to Credit through a Facility Loss Reserve (FLR) template which will be completed by the 1LoD and reviewed by the 2LoD for presentation to CCRC. The minutes of the meeting will track the discussion and the decision taken by the committee at the meeting and all the relevant documents will be kept at the client’s directory in the shared drive of the Bank.

All actions related to the appointment of the above parties should be governed by the consumer protection framework of treating customer fairly (TCF). An example of TCF related to this process is that the distressed customers are given clear information and are kept appropriately informed during the process and all actions taken by the Bank and the third party should take into account their circumstances.

Especially when dealing with vulnerable customers (as per the FCA definition, a vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care), conducting a review through which the Group will be able to identify and respond to the needs of these clients is essential during this process. This is detailed in the Group’s Vulnerable Customer Policy.

- **Definition of Default**

  The presence of three Judgemental Trigger Events is considered sufficient to prompt a Basel II default classification however as an element of judgement is required, materiality requires to be taken into consideration when assessing and therefore by definition a default rating does not necessarily require to be assigned. The Group defines default in line with EBA guidance for Non-Performing Exposures in that a counterparty is considered to be in default if any of the following Mandatory Default Trigger Events occur:

  - The Group considers that the obligor is 'Unlikely to Pay' its credit obligations to the institution through contractual cash flows, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security.
  - The obligor is more than 90 Days Past Due on any material (over €500) equivalent credit obligation to the Group.
  - A performing forborne exposure has >30 days past due credit obligations.

  Following EBA Guidelines it is considered that the following are strong indicators of an 'Unlikely to Pay' defined position and, under any of these circumstances, classification of a default position is highly likely to be seen:

  - Placement of any credit obligation onto non-accrued status (profit no longer recognised by the Group as accrued income).
  - Facility is accelerated or called.
  - BLME has called any collateral including a Guarantee.
  - Appointment of Receiver / Administrator.
  - Extensions / Postponement of Facility beyond their economic lifetime.
    - Economic loss is likely
  - Obligors' sources of recurring income are no longer available to meet BLME finance payments.
  - Material concerns about the obligor's future ability to generate stable and sufficient cashflows.
    - Obligors overall leverage has significantly increased or there are justified expectations of such changes in leverage
    - Debt service coverage ratio indicates the debt is not sustainable
    - Connected customer has filed for bankruptcy
    - Expectation that bullet repayment cannot be re-financed and/or re-finance options have disappeared
  - Fraud Cases.
  - Facility is put on non-accrual.
  - Obligor and/or third Party has filed for bankruptcy or insolvency.

  Additionally, a combination of smaller factors (Judgemental Trigger Events – see in Watchlist section above) may also lead to a determination that the obligor would fall into the 'Unlikely to Pay' default category.

  The Group will consider the following mitigants and assessment of the client / transaction classified as a Non-Performing Exposure to consider a return to Normal status and reported on the Watchlist for heightened monitoring.

  - Regular Assessment of the Financial Status / Credit Rating of a client, the evidence provided would need to be certified or sourced independently and show future payments of profit and principle (without realisation of collateral) is proven.

- Re-finance or Roll-over options are available on standard market conditions, BLME would determine this by assessing their underwriting guidelines and other lender metrics.
- Customers show commitment and evidence to working alongside the Bank to remedy the “unlikely to pay” classification.
- BLME should also consider their Consumer Duty obligations when considering classifying the client as “unlikely to pay” particularly if this is created by unprecedented macro-economic events.

- **Credit Ratings and PD estimation process**

  Credit ratings are used to assess the credit worthiness of the clients i.e. their ability to meet their financial obligations.

  The Group’s Internal Credit Ratings follow a numerical scale (1-20) and are equated to ECAI ratings in accordance with the Group Internal Credit Ratings Masterscale as follows:

	Fitch	Moody's	Group (Internal Ratings)	
Investment Grade	AAA	Aaa	aaa	1
	AA+	Aa1	aa+	2
	AA	Aa2	aa	3
	AA-	Aa3	aa-	4
	A+	A1	a+	5
	A	A2	a	6
	A-	A3	a-	7
	BBB+	Baa1	bbb+	8
	BBB	Baa2	bbb	9
	BBB-	Baa3	bbb-	10
Non-Investment Grade “ Junk”	BB+	Ba1	bb+	11
	BB	Ba2	bb	12
	BB-	Ba3	bb-	13
	B+	B1	b+	14
	B	B2	b	15
	B-	B3	b-	16
	CCC+	Caa1	ccc+	17
	CCC	Caa2	ccc	17
	CCC-	Caa3	ccc-	17
	CC+	Ca1	d	18
	CC	Ca2	d	18
	CC-	Ca3	d	18
	C+	C1	d	19
	C	C2	d	19
	C-	C3	d	19
	D	D	d	20

Various credit rating sources are used depending on the profile of the client and the transaction:

1. ECAI (Moody's, and Fitch only) long-term issuer rating: For Financial Institutions or Corporates/ Trading Companies when available.
2. Moody's Credit edge rating (to be mapped to BLME Internal rating): For Listed Corporates/ Trading Companies when ECAI rating is not available.
3. Moody's RiskCalc: For Private Corporates/ Trading Companies where ECAI rating is not available.
4. Moody's Commercial Real Estate Model: For Real Estate Investment/ Development Facilities & Private Banking Holiday Home and Buy-to-Let Mortgages
5. Moody's Mortgage Portfolio Analyser: For Nomo Mortgages

Probability of Default is the likelihood that over a specified period, an obligor will not be able to make their scheduled repayments. PDs are generated by vendor rating/impairment models depending on the profile of the client and the transaction.

The First Line of Defence (1LoD) has the primary responsibility for performing credit assessments during the onboarding process, periodically for existing facilities as part of the annual review process and if/whenever circumstances change during the facility term. In any of those cases, this includes and is not limited to generating PDs and credit ratings using a rating methodology or/and a rating tool best suited to the profile of client and the transaction.

The Second Line of Defence (2LoD, Credit Risk) is responsible for an independent review of the creditworthiness of new or existing clients, for recommended and/or approving the proposed by 1LoD Credit Ratings and PDs after ensuring adequate challenge. Formal approval of those is the responsibility of the relevant delegated authority holder, in all cases being the most senior signatory to such a proposal.

Once agreement has been reached between 1LoD and 2LoD, it is the 1LoD's responsibility for updating the relevant records in the relevant Group systems. Any changes to the rating methodology and applicability of the credit rating tools require ERC approval.

- **Group Provisioning Guidelines**

  Provisions are applied to all counterparty exposures and based on IFRS 9 guidelines, are designated as 3 different stages:

Stage 1 and Stage 2 provisions are calculated via the use of vendor risk models. Stage 3 provisions are raised on connections that have been designated ARU status. Stage 3 provisions are calculated by the ARU / Remediations Team and overviewed/recommended by Credit Risk Management which are then submitted to CCRC for approval.

Stage 1 & 2 IFRS 9 Model is owned by the 2LoD as per Prudential Risk with 2LoD being responsible for definition, accuracy and documentation of the Models.

For an instrument to be assigned to Stage 2, the counterparty must have been added to the watch-list, this includes considering judgemental trigger events, with expert credit analysis to identify a Significant Increase In Credit Risk.

For an instrument to be assigned to Stage 2 it must have experienced, since origination, a downgrade of 3 notches if it had the best rating (AAA to A-), 2 notches if it had ratings BBB+ to BB- and 1 notch if it had the worst ratings (B+ to C).

An instrument is also assigned to Stage 2 if it is 30 days past due, with no wider evidence of Significant Increase in Credit Risk.

An instrument is assigned to Stage 3 if it is listed as default and included in the Group's ARU list with other individually impaired connections. See further detail below.

ARU designated connections (and related Stage 3 provisions) are reported via an individual Facility Loss Reserve (FLR) template completed by the ARU/Remediations Team and reviewed by the 2LoD for presentation to CCRC (unless individual Departmental Underwriting Guidelines allow otherwise):

- when there is a newly designated customer with ARU status
- for minimum quarterly review
- where a material deterioration in circumstances is seen
- where a material change to the provision level is considered appropriate
- when removal of ARU status is being proposed

There are legacy relationships within ARU currently where no 1LoD history or connection is available and these accounts will continue to be managed by the ARU/Remediations Team until resolution.

When calculating Provision levels the following requires to be taken into consideration:

- Amount outstanding
- Profit already received from the customer but not taken into the Group P&L
- Cash expected to be received from customer payments, asset sales and rental income
- Other cash income expected
- All costs through to full payment/write off
- Timings of expected cash receipt/cost payment timings
- Assumptions supporting the above

A minimum of two sensitivity calculations are required to be undertaken on a Discounted Cash flow Analysis basis. Once individual sensitivity calculation provision figures have been undertaken, these are weighted (totalling 100%) to account for 'likeliness of occurring'. The final provision amount will be a blended weighted amount.

- **Transfers between stage categorisation**

Once an asset has been moved from Stage 1 to Stage 2 there is no minimum 'cure' period before the asset can be moved back to Stage 1. There is no minimum 'cure period' before an asset can be moved from Stage 3 to Stage 2 as defaulted assets are reviewed on a case-by-case basis. However, assets that have been upgraded from Stage 3 to Stage 2 require a minimum recovery period of three months before it can be upgraded to Stage 1.

For facilities that are classified as Watchlist, the Group's policy does not dictate a specific credit risk rating after moving the asset from the Watchlist (Stage 2) back to Normal (Stage 1) and the rating is agreed on a case-by-case basis. As long as the asset is removed from the Watchlist and back to Normal, it is automatically classified as Stage 1.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty is not able to pay capital and/or profit, or otherwise meet its contractual obligations under credit facilities or in respect of other agreements. This risk is managed in accordance with the Group's Credit Risk Management Policy. The Group has a credit review process in place covering all its customers and counterparties whereby it assigns an in-house rating and maximum permitted tenor. External rating agency ratings are used where available. Ratings are subject to regular review as is the amount of credit that can be made available to the risk counterparty.

i. Management of credit risk

The Group manages credit risk by the use of Risk Appetite Statement, Portfolio Limits and Key Risk Indicators ("KRIs") within the Group's Credit Risk Management Policy. These sector and business-based expressions of credit risk appetite provide guidance on the acceptable level of credit exposure by counterparty rating, country and sector, including the adequacy of collateral. Credit risks are monitored on a daily basis and regularly re-assessed for creditworthiness.

A separate Credit Risk Department, accountable to the CCRC, is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with other business units, covering credit assessments, collateral requirements, risk reporting, legal requirements and compliance with regulatory and statutory requirements
- Establishing authorisation limits and structures for the approval and renewal of credit exposure limits
- Reviewing and assessing credit risk prior to agreements being entered into with customers
- Establishing limits for counterparties and reviewing these limits
- On-going assessment of exposure and implementation of procedures to reduce this exposure
- Providing advice, guidance and specialist skills to all business areas throughout the Group in the management of credit risk.

Adherence to country and counterparty limits is monitored on an on-going basis by the Group's Credit Risk Department, with a detailed review of all limits being undertaken at least annually. Senior management receives regular reports on the utilisation of these limits.

The Group also employs a credit grading system, to facilitate monitoring of the quality of the overall portfolio and individual segments.

ii. Exposure by Statement of Financial Position line

The tables below present the Group's exposure to credit risk on balance sheet financial instruments as of 31 December 2023, before taking account of any collateral held or other credit enhancements. The amounts at the current reporting date are indicative of the amounts at risk throughout the year. The amounts are stated net of ECL impairment provisions where applicable.

	2024	**2023**
	£000	**£000**
Cash and balances with banks	101,266	82,438
Due from financial institutions		
Wadiah	3,481	-
Wakala	4,350	24,660
Investment securities	44,584	16,115
Financing arrangements	1,151,123	1,010,255
Finance lease receivables	113,936	242,470
Other assets (Foreign exchange forward deals)	447	303
Total credit exposure	**1,419,187**	**1,376,241**

Except for the subsidiary audit exemption guarantees under Section 479C of the Companies Act 2006 disclosed in Note 33, the Group had no letters of credit or guarantees outstanding as of 31 December 2024 (2023: none).

The Group has a credit exposure to £27m in undrawn commitments (2023: £88m).

iii. Exposure by country of the financed counterparty

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

	2024 £000	2023 £000
GCC countries		
Kuwait	4,114	9,500
Qatar	2,705	3,014
Saudi Arabia	61,209	22,473
United Arab Emirates	2,449	2,147
EEA countries		
United Kingdom	1,342,810	1,331,246
Other countries		
Jersey	2,067	855
USA	3,833	7,006
Total credit exposure	**1,419,187**	**1,376,241**

iv. Exposure by economic sector

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

	2024 £000	2023 £000
Financial services		
GCC financial institutions	48,388	25,985
UK financial institutions	146,325	167,095
Other financial institutions	21,164	7,520
Mining and quarrying	3,413	6,191
Manufacturing	3,192	6,445
Real estate	634,168	614,112
Transportation and storage	50,348	64,750
Wholesale / Retail	10,366	7,594
Commodities	3,131	6,850
Energy	2,705	3,014
Construction	160,189	146,710
Education	8,079	15,456
Buy to let mortgages	251,742	211,614
Renting and Leasing of Equipment	41,613	79,845
Others	34,364	13,060
Total credit exposure	**1,419,187**	**1,376,241**

v. Credit risk quality

The Group's credit quality and direct investments are managed by CCRC and the Assets & Liabilities Committee (ALCO) respectively, under the oversight of the Executive Risk Committee. Credit quality is assessed using techniques that include information from the major External Credit Assessment Institutions (ECAI) as well as internal ratings for customers who are not externally rated.

The table below shows the breakdown of credit quality as of 31 December 2024. Of the total portfolio 10% (31 December 2023: 7%) was directly rated by at least one of the ECAI, with 90% (31 December 2023: 93%) using internal ratings.

For counterparties not rated by the major ECAI the Group determines underlying counterparty credit quality by use of rating agency systems including Moody's CreditEdge, Moody's RiskCalc and Moody's Commercial Real Estate Models and 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 rating is allocated.

	Neither Past Due Nor Impaired							
At 31 December 2024	**ECAI Rating**		**BLME Internal Rating**					
	Investment Grade	Sub-Investment Grade	Investment Grade equivalent	Sub-Investment Grade	Ungraded	Past due but not impaired	Individually Impaired	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	101,266	-	-	-	-	-	-	101,266
Due from financial institutions		-	7,831	-	-	-	-	7,831
Investment securities								
FVOCI								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	12,722	-	-	347	-	-	-	13,069
Amortised Cost								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	31,515	-	-	-	-	-	-	31,515
Financing arrangements	-	-	707,868	346,317	-	34,907	62,031	1,151,123
Finance lease receivables	-	-	34,176	79,528	-	88	144	113,936
Other assets (Foreign exchange forward deals)	447	-	-	-	-	-	-	447
Total credit exposure	**145,950**	**-**	**749,875**	**426,192**	**-**	**34,995**	**62,175**	**1,419,187**

At 31 December 2023	Neither Past Due Nor Impaired							
	ECAI Rating		BLME Internal Rating					
	Investment Grade	Sub-Investment Grade	Investment Grade equivalent	Sub-Investment Grade	Ungraded	Past due but not impaired	Individually Impaired	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cash and balances with banks	82,438	-	-	-	-	-	-	82,438
Due from financial institutions	98	-	24,562	-	-	-	-	24,660
Investment securities								
FVOCI								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	-	-	-	341		-	-	341
Amortied Cost								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	15,774	-	-	-	-	-	-	15,774
Financing arrangements	-	-	602,830	302,033	10,668	29,830	64,894	1,010,255
Finance lease receivables	-	-	99,358	141,941	-	217	954	242,470
Other assets (Foreign exchange forward deals)	303	-	-	-	-	-	-	303
Total credit exposure	**98,613**	**-**	**726,750**	**444,315**	**10,668**	**30,047**	**65,848**	**1,376,241**

The Group's cash balances, amounts due from financial institutions and customers, investment securities and derivative financial instruments were neither past due nor impaired as of 31 December 2024 and 31 December 2023.

Analysis of past due amounts and impairments

	Financing arrangements		Finance Leases	
	2024	**2023**	**2024**	**2023**
	£000	**£000**	**£000**	**£000**
Neither past due nor impaired	1,066,739	923,178	113,765	242,145
Past due but not impaired	34,907	29,829	88	217
Impaired exposure	62,031	64,894	144	249
Less: allowance for impairments	(12,554)	(7,646)	(61)	(142)
Total	**1,151,123**	**1,010,255**	**113,936**	**242,469**
Past due but not impaired	**£000**	**£000**	**£000**	**£000**
Past due up to 30 days	34,907	17,102	59	189
Past due 30 to 60 days	-	262	14	16
Past due 60 to 90 days	-	173	8	5
Past due over 90 days	-	12,292	7	7
Total	**34,907**	**29,829**	**88**	**217**

The past due but not impaired balances as of 31 December 2024 include £34.9 million (2023: £28.4 million) relating to five real estate transactions (2023: five) where the facility balances are lower than the collateral values. The Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group.

An analysis of impairments is provided in Note 12 "Impairment of financial assets".

Forbearance

The Group assist customers in financial difficulty through modification of terms or agreements where identified financial difficulty could otherwise prevent satisfactory payment. Such agreements may be initiated by the customer or the Group.

The Group will use reasonable efforts to reach an agreement with the customer for the clearance of any payment or sale shortfalls. The Group will only consider forbearance treatment or a combination of treatments with the full awareness of the customer's individual circumstances.

Forbearance classification

Forbearance:

- is a concession granted to a counterparty for reasons of financial difficulty that would not be otherwise considered by the Group. A concession is provided on a transaction basis.
- can be provided to any current classification of customer (Normal, Watchlist, ARU).
- is considered to be granted when, the Group, for reasons pertaining to the actual, imminent or perceived financial stress of a customer, allows, grants or restructures facilities on terms that are outside of its current financing appetite when considered against the credit risk of the customer. Nevertheless, receiving more favourable new conditions than those practised by the market is not a prerequisite for the identification of concessions and therefore forbearance.
- For clarity, positive identification of a customer being in financial difficulty is a prerequisite to Forbearance being granted. This does not necessarily mean that any granting of facilities that fall outside of the Group acceptable financing parameters constitutes Forbearance. Agreement to Forbearance does not necessarily convey a necessity for a Stage 3 impairment.

- Forbearance would typically be evident where the concession(s) agreed positively impact the ability of the customer to service finance obligations or avoid recognising a default and risk mitigation/structural enhancement(s) are of benefit to the Group in return for that concession.

A concession refers to either of the following actions:

- A modification of the previous terms and conditions of a contract that the obligor is considered unable to comply with due to its financial difficulties in order to allow for sufficient finance serviceability that would not have been granted had the obligor not been in financial difficulty.
- A total or partial refinancing of a stressed exposure contract that would not have been granted had the obligor not been in financial difficulty.

Examples of a concession includes:

- A difference in favour of the obligor between the modified and the previous terms of the contract.
- Modification of a contract that includes more favourable terms than other obligors, with a similar risk profile, could have obtained from the Group.

Modification of a contract that:

- is currently classified as non-performing; or
- would have been classified as non-performing if the modification was not undertaken; or
- results in a total or partial cancellation of the exposure by means of a write-off.

Group approval of the use of embedded forbearance clauses for an obligor already classified as nonperforming or who would be considered to be non-performing without the use of those clauses.

Examples of Forbearance include but are not limited to:

- A reduction of current contractual profit rate or other fees for the sole purpose of maintaining performing finance status with no other improvement to terms of benefit to the Group
- Non-enforcement of a material covenant breach impacting the obligor's ability to meet the Group financial obligations
- Converting a fully or partially amortising facility to bullet payment at maturity (with no other improvement to terms or benefit to the Group) for the sole purpose of avoiding a payment default due to the customer's inability to meet amortisation.
- Extension in maturity date for a Property Development or Project Finance facility that gives an effective contractual term longer than the underlying project contract being financed
- Any release of a material security interest without receiving appropriate value by way of payment/alternate security offered or other improvement in terms available to the Group commensurate with the value of the security released.

Monitoring

Forborne classified positions are to be monitored closely. If not already subject to Watchlist/ARU classification, new positions should be immediately classified as either Watchlist or ARU, as appropriate, as at the date of Forbearance. Individual connections that have a current Forbearance classification will be reviewed/assessed on a monthly basis by the Credit Department, as part of the Watchlist report.

Forbearance Exit

Once forborne exposures are classified as performing, either because they have met the conditions for being reclassified from the non-performing category or because the granting of forbearance measures did not lead to the classification of the exposure as non-performing, they will continue to be identified as forborne until all the following conditions have been met:

- The contract is considered as performing after an analysis of the financial condition of the obligor showed it no longer met the conditions to be considered as non-performing.
- A minimum 2-year probation period has passed from the date the forborne exposure was last considered as performing
- Regular payments of more than an insignificant aggregate amount of principal and profit have been made during at least the last half of the probation period.
- None of the Group's exposure to the obligor is more than 30 days past due at the end of the probation period.
- For non-performing forborne exposures there is a one-year observation period in which the exposure has to be kept non-performing.

Forbearance Register

Forbearance decision approvals are taken by the Head of Credit Risk Management and provided to CCRC for approval. The Group's forbearance register is maintained by the Credit Risk Management department (2LOD) and is included within the monthly Watchlist report to CCRC for oversight. It is 1LOD responsibility to ensure that appropriate internal systems record Forbearance. 2LOD are responsible for overview of the internal system Forbearance list. The Audit Committee also reviews reports on Forbearance activities.

Based on the credit exposures existing as of 31 December 2024 there had been seven instances (2023: fifteen):

- where the Group waived material financial covenants or agreed to temporary relaxation of payment terms which were subsequently cured;
- where the Group agreed to provide temporary facilities beyond the terms upon which the facilities were intended to operate; and/or
- where the Group agreed to extend facilities beyond their contractual term outside of its normal credit criteria.

The carrying value as of 31 December 2024 of exposures relating to forborne counterparties with no specific impairment charge was £70.8 million, which represents 4.50% of the Group's total assets (2023: £69.3 million and 4.54%). The Stage 1 and 2 ECLs relating to these forborne exposures is £652k (2023: £334k).

- **Allowance for impairment**

The Group has established a policy to monitor impairment events that could lead to losses in its asset portfolio. This policy covers specific loss events for individual significant exposures as well as for events that relate to collective losses on groups of homogenous assets that have yet to be identified and assessed individually for impairment. The Group writes off a balance (and any related allowances for impairment) when the Credit Risk Department determines that the balance is uncollectible. This determination would be reached after considering information such as the occurrence of significant changes in the counterparty's financial position such that the counterparty can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

vi. Collateral

The Group monitors the market value of its collateral on an on-going basis which, dependent upon the collateral type, can vary from monthly to yearly. The Group uses external valuers to perform independent valuations of assets. These valuations are reviewed and challenged by management and, where applicable, corroborated with internal estimations. In calculating collateral value, the Group considers factors such as asset condition, market environment, ease of liquidation and the interdependency between the financed party and collateral.

Financial assets or non-financial assets obtained by the Group by taking possession of collateral held as security against financing arrangements and finance leases and held at the year-end are disclosed within Note 24 Other Assets.

The approach to the disposal of financial or non-financial collateral assets that are not readily convertible into cash, when dealing with distressed cases, is to appoint licensed Insolvency Practitioners from an approved panel of independent and qualified parties. The appointment must be agreed by the Counterparty Credit Risk Committee ('CCRC'). All actions related to the appointment of licensed Insolvency Practitioners are governed in accordance with the FCA's consumer protection framework and, where relevant, the Bank's Vulnerable Customer Policy.

	2024 On balance sheet exposure	**2024 Collateral**	**2023 On balance sheet exposure**	**2023 Collateral**
	£000	**£000**	**£000**	**£000**
Cash and balances with banks	101,266	-	82,438	-
Due from financial institutions	7,831	-	24,660	-
Investment securities	44,584	-	16,115	-
Financing arrangements	1,151,123	957,499	1,010,255	958,502
Finance lease receivables	113,936	110,899	242,470	238,997
Other assets (Foreign exchange forward deals)	447	-	303	-
Total credit exposure	**1,419,187**	**1,068,398**	**1,376,241**	**1,197,499**

As of 31 December 2024, collateral represented 75% (2023: 87%) of the Group's total credit exposure.

Analysis of Group collateral	**2024**	**2023**
	£000	**£000**
Plant and equipment	112,175	238,997
Property	956,223	958,502
Total credit exposure	**1,068,398**	**1,197,499**

In addition, the Group holds financial guarantees of £Nil (2023: Nil) against financing arrangements.

Collateral is disclosed at the lower of 100% of the exposure or management estimation of the value of the collateral based on prevailing valuations.

As of 31 December 2024, 75% (2023: 71%) of the Group's property financing exposure had an average financing-to-value ratio equal to or less than 70%.

vii. Fair value of financial assets and liabilities

The following table summarises the carrying amounts and estimated fair values of the Group's financial assets and liabilities.

	Note	**Fair value hierarchy**	**2024 Carrying value £000**	**2024 Fair value £000**	**2023 Carrying value £000**	**2023 Fair value £000**
Cash and balances with banks		1	101,266	*	82,438	*
Due from financial institutions	i	2	7,831	8,333	24,660	24,660
Investment securities	ii, iv	See next table**	44,584	44,584	16,115	16,115
Financing arrangements	iii	3	1,151,123	1,116,209	1,010,255	1,006,991
Finance lease receivables	iii	3	113,936	106,584	242,470	222,734
Other assets (Foreign exchange forward deals)	iv	2	447	447	303	303
Due to financial institutions	iii	3	56,251	54,831	29,384	25,844
Due to customers	iii	3	1,262,309	1,249,498	1,248,606	1,227,430
Other liabilities (Foreign exchange forward deals)	iv	2	318	318	27	27

* The carrying amount of these financial assets and financial liabilities are representative of their fair values.
** Investment securities not included in the table below are accounted for as financial assets at amortised cost.

Notes

i. These assets represent short term liquidity. The majority of these assets have an average residual life of less than one month and a maximum individual residual maturity of 6 months. The assets are placed with banks with an average credit rating of A. On this basis, carrying value reflects fair value.

ii. Fair value represents independent external valuation or last trade or, in the case of investments in subsidiaries, cost less any impairment provisions.

iii. For financial assets and financial liabilities measured at amortised cost, the fair value has been estimated by calculating the present value of future cash flows associated with each deal using a risk-adjusted discount rate, which is an unobservable input.

iv. For other assets and liabilities held at amortised cost, fair value is approximately equal to carrying value.

Valuation of Financial Instruments

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the fair value hierarchy.

	2024 Level 1 £000	2024 Level 2 £000	2024 Level 3 £000	2024 Total £000
Investment securities	12,722	-	347	13,069
Foreign exchange forward deals (assets)	-	447	-	447
Foreign exchange forward deals (liabilities)	-	318	-	318

	2023 Level 1 £000	2023 Level 2 £000	2023 Level 3 £000	2023 Total £000
Investment securities	-	-	341	341
Foreign exchange forward deals (assets)	-	303	-	303
Foreign exchange forward deals (liabilities)	-	27	-	27

During the year, there were no transfers between Level 1 and Level 2 fair value measurements (2023: none), and no transfers into or out of Level 3 fair value measurements (2023: none). Transfers between levels occur at the date of the event or change in circumstances that caused the transfer.

Level 3 investment securities comprise investments in subsidiaries, which are held at cost less any impairment provisions, and one unlisted equity investment. The unlisted equity investment's market value is determined by using prices and other relevant information generated by market transactions involving the individual security and/or identical or comparable securities.

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.

	2024	2023
Investment securities	**£000**	**£000**
Balance at 1 January	341	659
Total gains / (losses) recognised in:		
- profit or loss	6	(20)
Purchases	-	-
Sales	-	(298)
Balance at 31 December	**347**	**341**

The analysis of investment securities is included in Note 16.

viii. Financial assets and liabilities

The following table details the carrying value by category of financial assets and liabilities as of 31 December 2024.

	2024 Fair value through profit and loss	2024 Fair value through other comprehensive income	2024 Financial assets at amortised cost	2024 Total
Assets	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	-	-	101,266	101,266
Due from financial institutions	-	-	7,831	7,831
Investment securities:				
Sukuk	-	12,722	31,515	44,237
Equity	-	347	-	347
Financing arrangements	-	-	1,151,123	1,151,123
Finance lease receivables	-	-	113,936	113,936
Other assets (foreign exchange forward deals)	447	-	-	447
Total financial assets	**447**	**13,069**	**1,405,671**	**1,419,187**

	2024 Fair value through profit and loss	2024 Fair value through other comprehensive income	2024 Financial liabilities at amortised cost	2024 Total
Liabilities	**£000**	**£000**	**£000**	**£000**
Due to financial institutions		-	56,251	56,251
Due to customers	-	-	1,262,309	1,262,309
Other liabilities (Foreign exchange forward deals)	318	-	-	318
Total financial liabilities	**318**	**-**	**1,318,560**	**1,318,878**

	2023 Fair value through profit and loss	2023 Fair value through other comprehensive income	2023 Financial assets at amortised cost	2023 Total
Assets	**£000**	**£000**	**£000**	**£000**
Cash and balances with banks	-	-	82,438	82,438
Due from financial institutions	-	-	24,660	24,660
Investment securities:				
Sukuk	-	-	15,774	15,774
Equity	-	341	-	341
Financing arrangements	-	-	1,010,255	1,010,255
Finance lease receivables	-	-	242,470	242,470
Other assets (foreign exchange forward deals)	303	-	-	303
Total financial assets	**303**	**341**	**1,375,597**	**1,376,241**

	2023 Fair value through profit and loss	2023 Fair value through other comprehensive income	2023 Financial liabilities at amortised cost	2023 Total
Liabilities	**£000**	**£000**	**£000**	**£000**
Due to financial institutions		-	29,384	29,384
Due to customers	-	-	1,248,606	1,248,606
Other liabilities (Foreign exchange forward deals)	27	-	-	27
Total financial liabilities	**27**	**-**	**1,277,990**	**1,278,017**

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 as and when they fall due. Liquidity risk also includes the funding concentration risk which is the risk associated to the dependence on a single or limited number of counterparties to provide funding for the Group’s activities.

The Treasury Division is responsible for monitoring the liquidity profile of financial assets and liabilities, including projected cash flows from current and future business. This area maintains a portfolio of short-term money market assets and marketable securities and seeks to ensure that sufficient liquidity is maintained. The liquidity position is monitored on a daily basis in accordance with guidelines issued by ALCO and approved by Board Risk Committee. Overall, the management of liquidity risk is conducted in accordance with the Group’s Liquidity Risk Management Policy and its annual ILAAP, as required by the PRA. Included in the Recovery Plan is the Group’s Contingency Funding Plan that details actions during a liquidity stress.

Over and above regulatory liquidity, ALCO establishes its own liquidity performance measures and PRA guidelines. These include a series of early warning triggers and management data on liability stability (i.e. the likelihood of deposits being withdrawn), liability diversification, reserve liquidity, Net Stable Funding Ratio (NSFR), maturity mismatch and forecasting the Liquidity Coverage Ratio (LCR).

The Group monitors retail funding as part of its Executive Risk Appetite Statement to ensure that its funding sources are adequately diversified. Retail deposits are collected directly (through the BLME website) and through the use of deposit aggregators, which offer greater exposure to the retail market across a variety of terms.

Residual contractual maturities of financial assets

Group	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	2024 Total £000
Cash and balances with banks	101,266	-	-	-	-	101,266
Due from financial institutions	8,138	-	-	-	-	8,138
Investment securities	86	537	1,440	34,976	17,096	54,135
Financing arrangements	117,867	34,132	216,086	752,622	60,591	1,181,298
Finance lease receivables	587	21,158	48,776	49,382	-	119,903
Other assets (Foreign exchange forward deals)	447	-	-	-	-	447
	228,391	**55,827**	**266,302**	**836,980**	**77,687**	**1,465,187**

Group	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	2023 Total £000
Cash and balances with banks	82,438	-	-	-	-	82,438
Due from financial institutions	24,597	-	-	-	-	24,597
Investment securities	311	-	361	16,766	-	17,438
Financing arrangements	84,072	54,749	229,829	671,957	4,688	1,045,295
Finance lease receivables	-	34,809	90,208	133,193	167	258,377
Other assets (Foreign exchange forward deals)	158	145	-	-	-	303
	191,576	**89,703**	**320,398**	**821,916**	**4,855**	**1,428,448**

The tables above show the contractual, undiscounted cash flows of the Group's financial assets apart from profit rate swaps which are stated at fair value.

None of the Group's assets have been pledged as collateral apart from cash collateral deposits of £0.05 million (2023: £0.13 million) pledged as security against rental payments on the Group's premises and £Nil (31 December 2023: £0.28m) of cash held as deposits with financial institutions related to foreign exchange forward deals. The pledged cash collateral deposits are subject to industry standard terms and conditions typical of short-term property leases in the London office rental market.

The relatively short-dated tenor and diversification of our assets mitigates any material climate risk exposure to the overall financial statements in the short term. However, work to further review the longer-term risks and opportunities posed by climate change remains ongoing at present.

Residual contractual maturities of financial liabilities

Group	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £	2024 Total £000
Due to financial institutions	19,992	10,083	2,145	29,705	-	61,925
Due to customers	204,195	212,562	672,103	225,426	3,299	1,317,585
Other liabilities (Foreign exchange forward deals)	43	275	-	-	-	318
	224,230	**222,920**	**674,248**	**255,131**	**3,299**	**1,379,828**

Group	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £	2023 Total £000
Due to financial institutions	5,031	-	865	30,470	-	36,366
Due to customers	165,254	124,601	818,841	247,670	3,044	1,359,410
Other liabilities (Foreign exchange forward deals)	27	-	-	-	-	27
	170,312	**124,601**	**819,706**	**278,140**	**3,044**	**1,395,803**

The above tables analyse assets and liabilities into relevant maturity groupings based on the remaining period to contractual maturity. The maturity profiles disclosed above do not include the impact of behavioural characteristics observed by the Group. This has a material impact on the maturity profile and forms a key part of our liquidity management and stress testing. A diverse set of key risk indicators covering all areas of liquidity risk, including liquidity concentration risk, are monitored on a frequent basis to ensure that the liquidity risk profile remains within appetite. This includes monitoring internal limits placed on the use of Deposit Aggregators. The liquidity risk metrics are monitored by the Risk department and reported to ALCO on a monthly basis.

Whilst the Group has sufficient assets in the short-dated time buckets to cover its short-dated liabilities as they become due, it also holds significant High Quality Liquid Assets ("HQLA") in line with CRR requirements as implemented in the UK by the Prudential Regulation Authority. These HQLA holdings have been greater than the regulatory liquidity requirement throughout the year (unaudited).

The following table sets out components of the Group's liquidity reserves on the balance sheet:

Group	2024 £000	2023 £000
Highly liquid securities (included in HQLA)	31,515	15,774
Bank of England Alternative Liquidity Facility	37,972	42,207
Other cash and cash equivalents	63,294	40,231
Total	**132,781**	**98,212**

As of 31 December 2024, there are no limitations on the use of the liquidity reserves held by the Group (2023: none).

c. Market risk

Market risk is the risk that changes in market prices will affect income. It covers profit rate risk, credit spread risk, equity price risk and foreign exchange 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. In accordance with the Group's Market Risk Management Policy, ALCO is responsible for reviewing all classes of market price risk and positions, sanctioning dealing limits and approving the Group's stress testing program in accordance with the Group's Stress Testing and Scenario Analysis Policy.

The principal exposure to market risk relates to asset and liability market rate re-price risk within the accrual- based Banking Book. These risks are governed by mismatch limits expressed as the present value sensitivity of a 1 basis point change in profit rates. The main stress tests relate to asset and liability re-price, credit spread and foreign exchange risks.

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 limits that measure the profit rate sensitivity to changes in profit rates.

As of 31 December 2024, the Group's net profit rate sensitivity to profit and loss on its fixed and variable rate assets and liabilities, and its capital and reserves, as measured by the discounted value of a one basis point change in market rates, was £25,885 (2023: £15,052). 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 31 December 2024		At 31 December 2023	
	Increase of 100 bp £000	Decrease of 100 bp £000	Increase of 100 bp £000	Decrease of 100 bp £000
Increase in profit & loss	-	2,680	1,504	-
Decrease in profit & loss	2,501	-	-	1,506
Increase in off-balance sheet	-	-	-	-
Decrease in off-balance sheet	-	-	-	-

The method used to calculate the sensitivity is under the Present Value of a Basis Point (PV01) shift and a 100bp (PV100) shift, both positive and negative, under the standardised approach.

A PV01 is calculated by taking the difference between Assets and Liabilities in the Banking Book, presented as the increase/decrease in Profit and Loss. Following the guidance of the Basel Committee, the metric is calculated by applying parallel shocks to interest rates across the yield curve. The total impact from a 100bp shock is recorded, whilst the impact of a 1bp shift on assets and liabilities in their respective reprice buckets and currencies are detailed as shown below.

The reprice buckets assets and liabilities are grouped into are as follows:

- 0– 3 Months
- 3 – 6 Months
- 6 – 12 Months
- 1 – 2 Years
- 2 – 3 Years
- 3– Five Years
- 5 – 7 Years
- 7 – 10 Years
- 10 – 15 Years
- 15 – 25 Years

The PV01/100 values the sensitivity of instruments up to the date the instrument reprices. Similarly to how a fixed income instrument is valued, the Present Value (PV) of all future cash flows up to the repricing date for an instrument is calculated. In addition, the PV is calculated under each shock scenario and the sensitivity is taken as the difference between the base PV (no shocks) and the shocked PV. The difference between assets and liabilities is also taken to determine whether the Bank is more asset or liability sensitive to interest rates. The sum of these differences amounts to the net reported PV01. The PV100 is derived under the same approach.

ii. 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 Group does not take significant foreign exchange positions, and the majority of foreign exchange risk originates from exposure to US Dollar, UAE Dirham, Saudi Riyal and Euro denominated assets and liabilities. Foreign exchange risk is manged through a Board approved risk appetite limit and early warning indicator, monitored daily and reported to Senior Management through ALCO and Risk Committees.

	At 31 December 2024 £000	At 31 December 2023 £000
Resultant foreign exchange revaluation (loss) / gain from a 10% strengthening or weakening of the net foreign currency positions against Sterling	(168)	(671)

	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Net foreign exchange gain for the year	1	5

iii. Equity price risk

The Group has limited exposure to equity price risk and 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.

The responsibility for the operating framework for risk governance rests with the Board. This extends to determining risk appetite in line with the Group's strategy and ensuring that there is a clearly defined risk management structure with distinct roles and responsibilities that allow risks to be monitored, controlled and reported effectively. Risk governance is underpinned by ensuring that the Board and its committees are provided with transparent and risk sensitive reporting to facilitate their accountabilities and decision making. The Operational Risk Policy is built around the three lines of defence model. This Policy has been approved and is periodically reviewed by the risk Committees of the Board.

Senior Management ensures the identification and assessment of operational risk through a Risk and Control Self-Assessment ("RCSA") process. Operational Risk events, issues and near misses are also reportable and are centrally tracked to ensure appropriate action is taken and issues remediated. All staff are responsible for reporting, managing and escalating operational risk as part of their role. All identified operational risks, issues and events are discussed at the monthly Executive Risk Committee meeting and reported to the Board Risk Committee.

The Bank's has a separate Nomo Risk Committee to ensure that all identified operational risks, issues and events within the digital banking business unit are managed and reported into the Executive Risk Committee.

Basel III requires Pillar 1 capital to be retained for operational risk, which the Group has calculated to be £7.3 million using the Basic Indicator Approach (2023: £5.7 million) (unaudited).

e. Capital risk

Capital risk is the risk that low risk adjusted returns or stress events reduce the Group's profitability, which result in a reduction in available capital.

BLME and WAF together comprise a UK Regulatory Consolidation Group that came into being during 2020 and which is subject to regulatory capital requirements. The Consolidated regulatory position as of 31 December 2024 has been set out below.

Throughout the year the Group complied with the capital requirements that were in force as set out by the Prudential Regulation Authority ("the PRA") (unaudited). The PRA adopted the Basel III requirements with effect from 1 January 2014.

The components of Common Equity Tier 1, which the Group manages as its capital, are outlined in the unaudited UK Regulatory Consolidation Group capital return as of 31 December detailed below:

	2024	2023
	£000	£000
Tier 1 Capital - CET1	(Unaudited)	(Unaudited)
Ordinary share capital	60,744	60,744
Share premium	140,623	140,623
Capital contribution	3,527	3,527
Fair Value reserve	(347)	(63)
Retained earnings	31,161	23,324
Total Tier 1 capital	**235,708**	**228,155**
Deductions from Tier 1 capital		
Intangible assets	(2,611)	(1,607)
Others	(79)	(70)
Total Tier 1 capital after deductions	**233,018**	**226,478**
Tier 2 capital	-	-
Total Tier 2 capital	**-**	**-**
Total Tier 1 and Tier 2 capital	**233,018**	**226,478**
Deductions from Tier 2 capital:	NIL	NIL
Total regulatory capital	**233,018**	**226,478**

The amounts of regulatory capital shown above differ from the equity balances shown in the Group's statement of financial position in light of adjustments in respect of certain reserves, which are not eligible under the PRA's capital adequacy rules.

Under the capital adequacy rules applicable from 1 January 2008, the Group adopted the Standardised Approach to Credit Risk and the Basic Indicator Approach to Operational Risk. Counterparty Credit Risk ("CCR") is measured using the CCR mark-to-market method, and Market Risk is determined using the standard Position Risk Requirement ("PRR") rules.

The Group's overall minimum capital resource requirement under Pillar 1 is calculated by adding the credit risk charge to that required for Operational Risk, for Market Risk and for CCR.

The following table shows both the Group's overall minimum capital requirement and capital adequacy position under Pillar 1 as of 31 December:

	2024 £000 (Unaudited)	2023 £000 (Unaudited)
Pillar 1 capital requirements		
Credit risk	93,623	101,671
Market risk - foreign currency PRR	-	-
Counterparty risk capital component	29	12
Operational risk	7,319	5,710
Total Pillar 1 capital requirement	**100,971**	**107,393**
Total regulatory capital in place	**233,018**	**226,478**

The Group undertakes regular internal assessments of the amount of capital which it requires to support its activities. This assessment process is called the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP identifies a number of other risks faced by the Group which do not explicitly attract a capital requirement under the Pillar 1 rules. The Group allocates additional capital for these Pillar 2 risks ("the Pillar 2 capital requirement"). The total capital requirement of the Bank is determined as the sum of the Pillar 1 and the Pillar 2 capital requirements.

The PRA reviews the group's ICAAP assessment of its Pillar 2 capital requirement as part of the Individual Capital Guidance (ICG) process. The Group manages its capital in accordance with its Pillar 2 capital requirement and was in compliance throughout the year.

The Bank has put in place processes to monitor and manage capital adequacy including reporting regulatory capital headroom against the Pillar 2 capital requirement to executive management on a weekly basis. Liquidity is monitored on a daily basis. Further information regarding the Bank's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Basel II Pillar 3 (the Pillar 3 disclosures) which can be found in the Investor Relations section of the Group website www.blme.com.

The Group will continue to prudently employ capital and maintain appropriate capital adequacy, liquidity and leverage ratios. BLME reported to the PRA ratios above the minimum requirement throughout 2024. The capital planning process continues to incorporate these measures.

f. Climate-related risks

The Group and its customers may face significant climate-related risks in the future as they are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy.

Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. As the Group's assets are all based in the United Kingdom the main physical risk that has been considered is flood risk. It is expected that the Group will start exploring the impact from subsidence risk and coastal erosion risk.

The Bank has no appetite for new business in a location that is deemed by the UK Environment Agency to be in Flood Zone 3 (High Risk).

The Bank's exposure to River and Sea flooding risk covering the Real Estate Finance, Private Banking and Nomo portfolios is detailed below:

Flood Risk from Rivers and the Sea	31-Dec-24	31-Dec-23
	%	%
Very Low	82	73
Low	13	12
Medium	-	2
High	4	5
Not Available	1	8
	100	**100**

Flood risk can arise also through a number of different transmission channels and work has been undertaken to extend the physical risk assessment and measurement to be wider than river and sea flooding. Other types of flood risk include risks arising from surface water, reservoirs, and ground water. For the Bank's current portfolio surface water flooding (occurs when the volume of rainfall exceeds the capacity of drains and surface water sewers and is unable to drain away through drainage systems or soak into the land and instead flows over the land) is a considerable risk and the physical risk assessment and measurement has been extended to include this risk.

The Bank's exposure within the Real Estate Finance, Private Banking and Nomo portfolios to Surface Water risk is detailed below:

Surface Water Flood Risk	31-Dec-24	31-Dec-23
	%	%
Very Low	44	42
Low	32	27
Medium	5	7
High	17	16
Not Available	2	8
	100	**100**

Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The UK Government – similar to other governments worldwide – has set a target to be net zero for carbon emissions by 2050 and an 81% reduction in carbon emissions by 2035. On the basis that majority of the Bank's assets are backed by Real Estate properties in the Unted Kingdom, the Bank's exposure to transition risk is currently measured by reference to Energy Performance Certificates ('EPC'), which include an energy efficiency rating on a scale from A to G, with 'A' being the most energy efficient, and 'G' being the least.

The Bank's assessment covers the Real Estate Finance, Private Banking and Nomo portfolios. For the Real Estate Development Finance facilities for which the project is ongoing and for new build assets for which the EPC rating is not yet available, transition risk has been assumed as Low, as for both cases it is expected that the EPC for the new build assets, once issued, it will most likely range between A and C.

Transition Risk - EPC ratings	31-Dec-24	31-Dec-23
	%	%
Low Risk (A to C)	66	73
Medium Risk (D and E)	18	14
High Risk (F and G)	2	1
Not Available	13	11
Exempt	1	1
	100	**100**

38. COUNTRY-BY-COUNTRY REPORTING

The Group is required to disclose annually under UK legislation the following information:

CBCR - 2024	**Turnover**	**Profit / (loss) before tax**	**Corporation tax paid**	**Average number of employees**
	£000	**£000**	**£000**	**£000**
United Kingdom	58,286	3,769	597	218
Jersey	2,921	3,558	-	-
Kingdom of Saudi Arabia	3,383	(782)	-	14
Total	**64,590**	**6,545**	**597**	**232**

Total turnover is net operating income as disclosed in the consolidated income statement.

The Group received no public subsidies during the period.

GLOSSARY OF ABBREVIATIONS

ALCO	Assets & Liabilities Committee
AML	Anti-Money Laundering
Basel	Basel Accord or Basel Standards
BB2 TechCo	BB2 Digital and Technology Services Limited
BCC	Board Credit Committee
BLME	Bank of London and The Middle East plc
BLMEH	BLME Holdings Limited
BREEAM	Building Research Establishment Environmental Assessment Method
BRC	Board Risk Committee
CCR	Counterparty Credit Risk
CCRC	Counterparty Credit Risk Committee
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CMA	Saudi Arabian Capital Market Authority
CSR	Corporate Social Responsibility
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Finance Centre
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Loss
EG	Estates Gazette
EPC	Energy Performance Certificate
EU	European Union
EXCO	Executive Committee
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GCC	Gulf Cooperation Council
HQLA	High-Quality Liquid Assets
HTM	Held to Maturity
HNWIs	High Net Worth Individuals
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
IFRIC	International Financial Reporting Interpretations Committee of the IASB
IFRS	International Financial Reporting Standard
ILAAP	Individual Liquidity Adequacy Assessment Process
INED	Independent Non-executive Director
ISA	International Standards on Auditing

KSA	Kingdom of Saudi Arabia
kWh	kilowatt- hour
LAB	Liquid Asset Buffer
LGD	Loss Given Default
LLP	Limited Liability Partnership
LOD	Lines of Defence
MENA	Middle East and North Africa
MLRO	Money Laundering Reporting Officer
MRT	Material Risk Taker
NCI	Non-Controlling Interest
NEDs	Non-executive Directors
Nomo	Digital banking business unit of BLME
NPE	Non-Performing Exposure
OCI	Other Comprehensive Income
OSA	Outsourced Services Agreement
PBSA	Purpose-Built Student Accommodation
PDA	Premier Deposit Account
PPI	Producer Price Index
PRA	Prudential Regulation Authority
PROUD	*Passionate* - Our people are passionate about their job and the company and are driven to achieve our aspirations and those of our clients. *Resilient* - We are resilient and agile. Challenges and setbacks create opportunities to develop solutions together. *Open* - We build open and straightforward relationships. Our products and services are transparent and fair. *United* - We believe success is achieved through our diversity, collaboration and honest communication. *Doing the right thing* - We do the right thing by our clients, people, shareholders and the wider community.
PRR	Position Risk Requirement
PRS	Profit Rate Swap
PVO1	Present Value of 1 basis point
REGO	Renewal Energy Guarantees of Origin
RMF	Risk Management Framework
RRP	Recovery Resolution Plans
RCSA	Risk Control Self-Assessment
SE	Structured Entities
SECR	Streamlined Energy and Carbon Reporting framework
SIC	Standard Interpretations Committee of the IASB
SICR	Significant Increase in Credit Risk
SMEs	Small and Medium-sized Enterprises
SM&CR	Senior Managers and Certification Regime
SSB	Sharia'a Supervisory Board
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
WAF	Walbrook Asset Finance Limited
Walbrook	Walbrook Asset Finance Limited

GLOSSARY OF ISLAMIC FINANCE TERMINOLOGY

Murabaha	A Murabaha contract is a deferred sale of goods at cost plus an agreed profit mark-up under which one party purchases goods from a supplier and sells the goods to another party at cost price plus an agreed mark-up. The delivery of the goods is immediate whilst payment is deferred. Murabaha has a variety of applications and is often used as a financing arrangement, for instance for working capital and trade finance.
Commodity Murabaha	A Commodity Murabaha contract (a subset of Murabaha) is often used as a liquidity management tool by financial institutions. The Commodity Murabaha is today the mainstay of the Islamic interbank short term liquidity market. In these transactions the commodity, usually a London Metal Exchange base metal, is sold on a deferred basis with a mark-up. The mark-up is close to conventional money market levels.
Wakala	Wakala means agency and is often used in an arrangement where one party (the principal) places funds with another (the agent). The agent invests funds on the behalf of the principal for an agreed fee or profit share.
Ijara	An Ijara is a contract allowing the granting of the right to use an asset by one party to another which equates to the leasing of an asset in return for rental payments. Ijara is typically used for medium to long term financing of real estate, equipment, machinery, vehicles, vessels or aircraft.
Mudaraba	A Mudaraba is a partnership contract in which a capital owner (Rab al Mal) enters into a contract with a partner (Mudarib) to undertake a specific business or project. The Mudarib provides the labour or expertise to undertake a business or activity. Profits are shared on a pre-agreed ratio, but losses are borne by the Rab al Mal unless negligence of the Mudarib is demonstrated.
Musharaka	An agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. All providers of capital are entitled to participate in the management but not necessarily required to do so. The profit is distributed among the partners in predetermined ratios, while the loss is borne by each partner in proportion to his/her contribution.
Sukuk	Sukuk (also referred to as Islamic bonds) are certificates that reflect ownership in an underlying asset. Profits are calculated according to the performance of the underlying asset or project. Sukuk are usually issued by Structured Entities (“SE”) which are set up to acquire and to issue financial claims on the assets. Such financial claims represent a proportionate beneficial ownership for a defined period when the risk and the return associated with cash-flows generated by the underlying asset are passed to the Sukuk holders. Sukuk are commonly used as funding and investment tools.
Istisna	An Istisna contract is usually used for construction finance. The asset is not in existence at the start of the contract and is built or manufactured according to detailed specifications defined by the client and delivered at the agreed date and price. Payment is deferred. Istisna contracts are commonly applied in project finance, construction finance and pre-export finance where the bank acts as an intermediary between the producer and the ultimate client.
Profit rate swaps	A profit rate swap is a contract between two parties where each counterparty agrees to pay either a fixed or floating rate denominated in a particular currency to the other counterparty providing a means of exchanging fixed rate profit rate risk for floating rate risk – or vice versa.
Participation agreement	A participation agreement is an agreement executed between the relevant SE and the Bank. The main objective of this agreement is to facilitate the required funding to enable the SE to acquire leased assets or investment property and to convey the beneficial ownership of the asset to the Bank. Under this agreement the risks and rewards are transferred to the Bank and the SE is indemnified against actual losses that arise as a result of any lease transaction it enters into except in cases where it misappropriates any funds.
Zakat	Zakat is a legitimate obligation to donate a proportion on certain kinds of wealth each year to certain deserving classes of recipients prescribed for in accordance with the principles of Sharia’a. The purpose of Zakat is to make society coherent so that the rich feel the suffering of the poor and the needy in society. Zakat is paid by Muslims who have wealth above a certain threshold. Zakat is paid on "shares" and shareholders of the Company are responsible for paying Zakat on their shareholding.
Fatwa	Islamic law given by a recognised authority
Wadiah	Wadiah is a trust or deposit agreement where the customer entrusts their funds to the bank, and the bank is obligated to return the funds upon demand. This is often used for current accounts and some types of savings accounts.

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