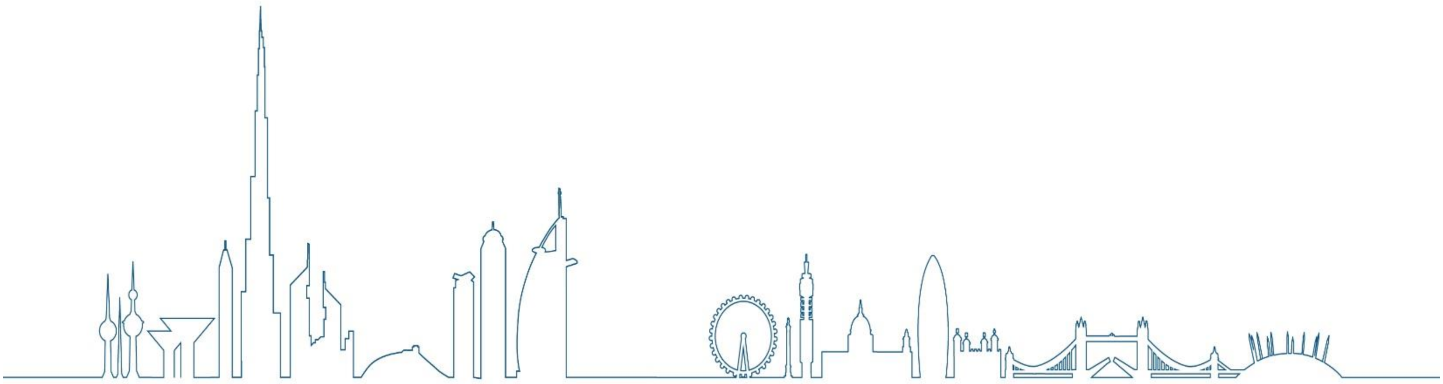
Bank of London and The Middle East plc
Annual Report and Financial Statements
For the year ended 31 December 2024

Registered number 05897786



CONTENTS

Naming convention and abbreviations:

The expression “the Company” or “BLME” or “the Bank” refers to Bank of London and The Middle East plc which is the principal subsidiary of BLME Holdings Limited (“the Group” or “the Parent Company”). The name of the fellow subsidiary undertaking, Walbrook Asset Finance Limited is shortened to “WAF” or Walbrook.”

STRATEGIC REPORT

THE BUSINESS MODEL

The Bank of London and The Middle East plc (the “Bank” or “BLME”) 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 BLME Holdings plc to 71.08%. Boubyan has been the largest shareholder since the Bank launched in 2006 with active representation on the Boards of BLME and the Parent Company. The Boubyan Group currently have a 72.37% holding in the Parent Company. The Bank works closely with Boubyan to exploit opportunities and group synergies. The Bank 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 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 Bank 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 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 BLME business that will seek to benefit from closer collaboration with the Boubyan franchise and business model. In the first half of 2023 BLME opened an office in the Kingdom of Saudi Arabia ('KSA') to help drive our Wealth Management initiative.

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 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 Bank'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. A strategic decision was taken during 2021 to commence the implementation of an orderly withdrawal from the specialist assets and syndications business line. Most of the Bank's leasing assets were migrated to Walbrook Asset Finance Limited ("WAF" or "Walbrook") during 2020 and 2021 and Walbrook operates as a separate subsidiary of BLME Holdings Limited.

Treasury

The Treasury division manages the Bank's capital, liquidity and funding, ensuring that the Bank 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 our 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, primarily 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.

BLME 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 28 to 33. The profit after tax for the year amounted to £6.85 million (2023: restated profit after tax £1.35 million). Below are the highlights of the financial performance for the year and the position as of 31 December 2024.

Key performance indicators - £ million	**2024**	**2023* (Restated)**
Profit before tax	7.7	3.9
Profit after tax	6.85	1.35
Total operating income (excluding credit impairment losses/(gains))	55.0	43.5
Total operating income (excluding credit impairment losses/(gains) and Nomo business unit costs recharged to BB2 TechCo – see Note 34)	42.3	30.4
Total operating expenses	44.0	40.2
Total operating expenses (excluding Nomo business unit costs recharged to BB2 TechCo - see Note 34)	28.4	26.3
Credit impairment losses/(gains)	3.2	(0.6)
Total assets	1,540	1,494
Total Tier 1 capital (unaudited)	228	223
Other performance measures	**2024**	**2023* (Restated)**
Pre-tax return on equity	3.4%	1.7%
Cost income ratio	80.1%	92.4%
Cost income ratio (excluding Nomo business unit costs recharged to BB2 TechCo – see Note 34)	74.0%	89.1%
Non-performing Financing Assets to overall Financial Assets	5.3%	6.3%

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

The results of the Bank in 2024 are encouraging. Total operating income (excluding credit impairment losses/(gains)) increased from £43.5m in 2023 to £55.0m in 2024. The Bank reports a profit after tax of £6.85m, compared with a £1.35m restated profit after tax for 2023. The increased profitability mainly reflects that the share of profit of investments in joint ventures for 2024, amounted to £2.9m compared with a £2.6m loss in 2023. Total Balance Sheet assets increased slightly in 2024 to £1.54 billion from £1.49 billion in 2023 with the Bank maintaining its healthy capital and liquidity positions.

SECTION 172(1) STATEMENT

Our Stakeholders

BLME has a diverse and wide range of stakeholders. A priority for the Bank 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 Bank’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 Bank 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. In particular:

Shareholders

The Bank’s sole shareholder is BLME Holdings Limited (“the Group” or “the Parent Company”). As such, please refer to the Group’s 2024 Annual Report for details on how the Directors engage with the shareholders of the Parent Company.

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 £1,000 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 BLME run smoothly, from day-to-day business to our future operations. In order to maintain beneficial and productive relationships with our suppliers BLME 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; Maggie's 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

BLME 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 which BLME 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. BLME 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. BLME has appointed Conduct Champions from the front-office business areas who are responsible for overseeing the Bank'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 Bank. 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

BLME 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 BLME staff including Board members receive annual training on anti-corruption and anti-bribery matters. BLME'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 Bank 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 BLME's activities to report their concerns to our whistleblowing champion.

PRINCIPAL RISKS AND UNCERTAINTIES

The Bank's principal risks and uncertainties have been highlighted and discussed in detail in Note 34. 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

The Bank is focussed on delivery of its strategy to concentrate on wealth management and real estate. We have a strong team that is fully aligned with our goals and who drive the positive culture and success of the Bank. 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 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:

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

Bank of London and The Middle East plc ("the Bank" or "BLME") was originally incorporated on 7 August 2006 as United House of Britain plc in the United Kingdom and received FSA authorisation to launch and start trading as a bank in the City of London on 5 July 2007.

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. BLME Holdings Limited is the parent company of BLME. This was effected pursuant to a Scheme of Arrangement in 2013 which is explained in more detail in Notes 29 and 30. The results for the year are discussed further in the Bank's strategic report.

On 23 June 2023 the Bank sold its 100% equity stake in Walbrook Construction Equipment Finance Limited to Walbrook Asset Finance Limited at book cost.

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 28 to 33. The Bank's profit after tax for the year amounted to £6.85 million (2023: restated profit after tax £1.35 million). 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 Bank's strategic report.

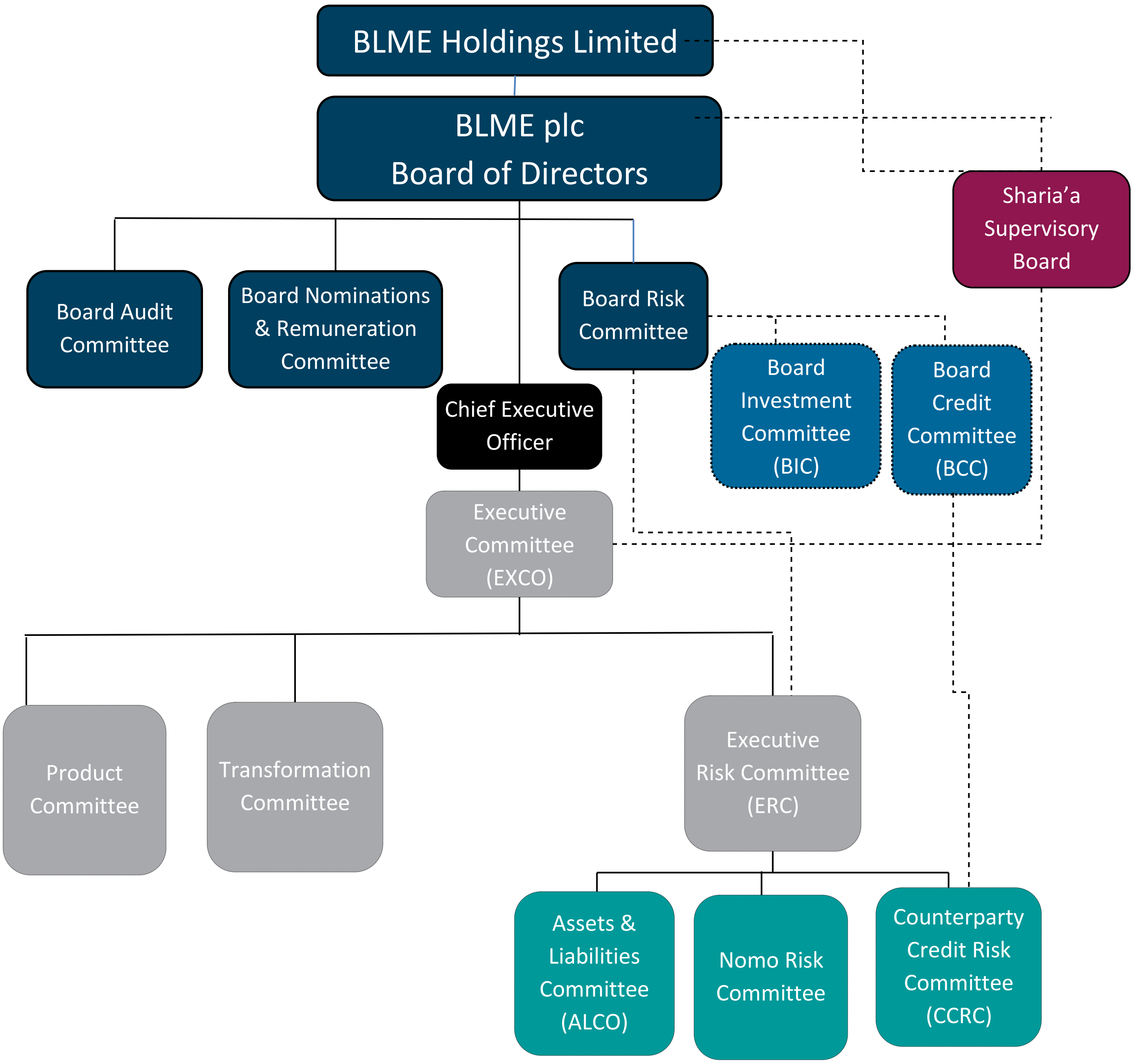
Corporate governance

The Board considers that good corporate governance is central to achieving the Bank'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 Bank'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 Bank 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 Bank'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.

Governance structure



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

For further details on the composition and operation of these Board committees please refer to the Corporate Governance section in the BLME Holdings Limited 2024 Annual Report.

In light of 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 Board Nominations and Remuneration Committee considered the Bank'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 Bank.

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 BLME's 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 of the Bank for the short to medium term with the position to be reviewed annually.

Directors

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 and Board Sub-Committee Memberships**
Adel Abdul Wahab Al-Majed *Chair of the Board*	6 December 2012		
Abdullah Abdulkareem Al Tuwaijri *Deputy Chair of the Board*	18 June 2021		Audit Nominations and Remuneration Credit Investment
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 Credit Investment
Jabra Ghandour	25 March 2016	31 March 2024	
Calum Thomson (Independent) *Chair of the Audit Committee*	1 April 2017		Audit Nominations and Remuneration Risk Credit Investment
Joanne Hindle (Independent) *Chair of the Nominations and Remuneration Committee*	1 July 2018		Audit Nominations and Remuneration Risk Credit Investment
Bader Abdullah Al Kandari	20 March 2019		Risk
Abdul-Salam Mohammed Al Saleh	26 June 2020		Audit Nominations and Remuneration Risk Credit Investment

In accordance with the Articles of Association of the Company, Abdullah Abdulkareem Al Tuwaijri, Adel Abdul Wahab Al-Majed and Andrew Ball are subject to retirement by rotation at the next Annual General Meeting. They will retire by rotation and offer themselves for re-appointment at the 2025 Annual General Meeting. The Board will assess the independence status of Mr. Williams in advance of the 2025 Annual General Meeting.

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

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 Bank 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 Bank manages these risks is provided in Note 34.

Political contributions

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

Climate change risk

The Bank 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 109 and 110.

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

Carbon reporting

Please refer to the Directors Report in the BLME Holdings Limited 2024 Annual Report for details on carbon emissions 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.

Future developments

The business strategy and prospects for future financial years are included in the Strategic Report on pages 3 to 9. 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 34 from page 83.

Going concern

The Directors have reviewed the business activities and financial position of the Bank 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 Bank 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 Bank'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 37.

For these reasons the financial statements of the Bank 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 Bank, the results of those operations or the state of affairs of the Bank 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 Bank'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 Bank's Auditor is aware of that information.

Auditor

A resolution concerning the re-appointment of Deloitte LLP as auditors and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting.

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

Peter Bulkeley
Company Secretary

SHARIA'A SUPERVISORY BOARD REPORT

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

To the Shareholders of Bank of London and The Middle East plc

Assalamu Alaikum wa Rahmat Allah wa Barakatuh.

The management of BLME is responsible for ensuring that the Bank 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 BLME. It is the responsibility of BLME management to implement the decisions of the Sharia'a Supervisory Board.

We, the Sharia'a Supervisory Board of BLME have reviewed and monitored the operations, agreements and transactions conducted by BLME 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 Annual Report and Accounts for the year ended 31 December 2024. We conducted our reviews to form an opinion as to whether BLME 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 BLME 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 BLME are in compliance with the principles of the Sharia'a.
3. All profits generated by BLME 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 BLME's dealings in the disposal of this income in a Sharia'a-compliant manner.

BLME 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 BLME towards integrity, correctness and further success.

Wassalam Alaikum wa Rahmat Allah wa Barakatuh

Signed on behalf of the Sharia'a Supervisory Board of Bank of London and The Middle East plc

Sheikh Dr. Abdulaziz Al-Qassar
Chairman
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 Strategic Report on pages 6 to 8.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's 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 Company and of the profit or loss of 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 company financial position and financial performance;
- in respect of the Company's 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 will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 Company's website.

Independent Auditor's Report to the Member of Bank of London and The Middle East plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Bank of London and The Middle East plc (the "Bank"):

- give a true and fair view of the state of the Bank's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of cash flows
- the statement of changes in equity; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. 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 Bank 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Bank for the year are disclosed in note 11 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year is expected credit loss provisions.
Materiality	The materiality that we used in the current year was £2.3m which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

4. 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.

Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Bank, the financial services industry, the financial services regulatory environment and the general economic environment including, macroeconomic pressures affecting the Bank's operations, to identify inherent risks in the business model and how such risks might affect the Bank's financial resources or ability to continue operations over the going concern period;

- making enquiries of management about the assumptions, including climate risk considerations, used in their going concern models, and assessing the reasonableness of those assumptions and historical forecasting accuracy;

- with the help of our prudential regulation specialists, evaluating the Bank's strategic plans in light of the changing macroeconomic environment, short and longer term financial budgets, funding, liquidity and capital adequacy plans including internal stress tests;

- reading industry data, Bank of England reports and other external information to determine if it provided corroborative or contradictory evidence in relation to the Bank's assumptions;

- reviewing correspondence and meeting with prudential and conduct regulators to assess whether there are any matters that may impact the going concern assessment;

- testing the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecasts; and

- evaluating the appropriateness of the Bank's disclosures on going concern disclosures against the requirements of IAS 1 – *Presentation of Financial Statements*.

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 Bank'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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Expected credit loss provisions

Key audit matter description	IFRS 9 - *Financial Instruments* requires financing provisions to be calculated using an expected credit loss ("ECL") model. As disclosed in note 12, the Bank had an outstanding balance of financing arrangements to customers at amortised cost, net of ECL provision, amounting to £1,151m (2023: £1,010m) with a total ECL provision balance of £14.0m (2023: £9.3m) as at 31 December 2024. ECL is calculated both for individually significant financing balances and collectively on a portfolio basis which requires the use of statistical models incorporating loss data and assumptions on the recoverability of customers' outstanding balances. The current macroeconomic environment, along with geopolitical tension and interest rates, has increased the complexity in estimating the ECL provision, particularly with regards to determining appropriate forward-looking macroeconomic scenarios and appropriately identifying significant increases in credit risk. In addition, significant judgement is involved in estimating the impact of rising inflation on delinquencies and determining the appropriate probability of default ("PD") in the current economic environment. We identified three specific areas in relation to the ECL that require management judgement or relate to assumptions to which the overall ECL provision is sensitive. i. **Significant increase in credit risk ("SICR") on real estate financing:** The assessment of whether there has been a significant increase in credit risk from the date of origination of the exposure to 31 December 2024. There is a risk, whether due to fraud or error, that management's staging criteria do not capture SICR and/or are applied incorrectly. ii. **Collateral valuations used in individually-assessed stage 3 financings:** Management uses third-party valuers or their own judgement to estimate the expected cash flows from collaterals for stage 3 financings on a case-by-case basis. The use of incorrect or inappropriate assumptions in estimating these recoveries, whether due to fraud or error, could lead to a material misstatement of the ECL. iii. **Multiple economic scenarios:** As set out in note 2 (k), the Bank sources economic forecasts from a third-party economic specialist and considers a minimum of three probability-weighted scenarios. Due to economic uncertainty, there have been significant changes to the economic assumptions in each of the scenarios. The key economic variables were determined to be the Gross domestic product ("GDP") growth and FTSE 100 index. There is significant judgement involved in determining the probability weighting of each scenario and the assumptions and characteristics of each scenario applied. Further information on these key areas of the determination of the ECL can be found in note 2 (k), note 3 (a), note 12 and note 34.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the ECL provision with a particular focus on controls over significant management assumptions and judgements used in the ECL determination. To challenge the Bank's SICR criteria, we:

- evaluated the Bank's SICR policy and assessed whether it complies with IFRS 9 - *Financial Instruments*;

- assessed the quantitative thresholds used in the SICR assessment by reference to standard validation metrics including: the proportion of transfers to stage two driven solely by being 30 days past due; the volatility of financing balances in stage two; and the proportion of financing balances that spend little or no time in stage two before moving to stage three;

- with assistance from our credit modelling specialists, we assessed whether the SICR assumption methodology and code script used in the ECL model are consistent with the approved SICR methodology;

- tested whether the quantitative and qualitative thresholds set by management had been appropriately applied in practice as at 31 December 2024; and

- performed an independent assessment for a sample of financing balances, including forborne financing balances, to determine whether they have been appropriately allocated to the correct staging;

To challenge the Bank's collateral valuation used in individually-assessed stage 3 financing balances, we:

- supported by our real estate specialists, examined management's valuation policies and tested a sample of collateral valuations by reference to available market data;

- performed independent assessments to determine the appropriateness of recovery scenarios and associated cash flows, including the timing of expected cash flows and considerations of climate risks on recoveries; and

- independently assessed and challenged the completeness of recovery scenarios identified and weightings applied.

To challenge the Bank's multiple economic scenarios and the probability weightings applied we:

- agreed the multiple economics scenarios used in the ECL model to reports prepared by the third-party economics specialists;

- assessed the competence, capability and objectivity of the third-party economics expert, which included making specific inquiries to understand their approach and modelling assumptions to derive the scenarios;

- supported by our economic specialists, assessed and challenged management's assessment of scenarios and forecasting of selected economic variables, and considered the probability weightings assigned to them in light of the economic position as at 31 December 2024; and

- assessed whether the macroeconomics methodology and scenarios used in the ECL model are consistent with the macroeconomic assessment approved by the Audit Committee. We were supported by our credit modelling specialists.

Key observations	We are satisfied that the ECL provisions are reasonable and recognised in accordance with the requirements of IFRS 9 – *Financial Instruments*.

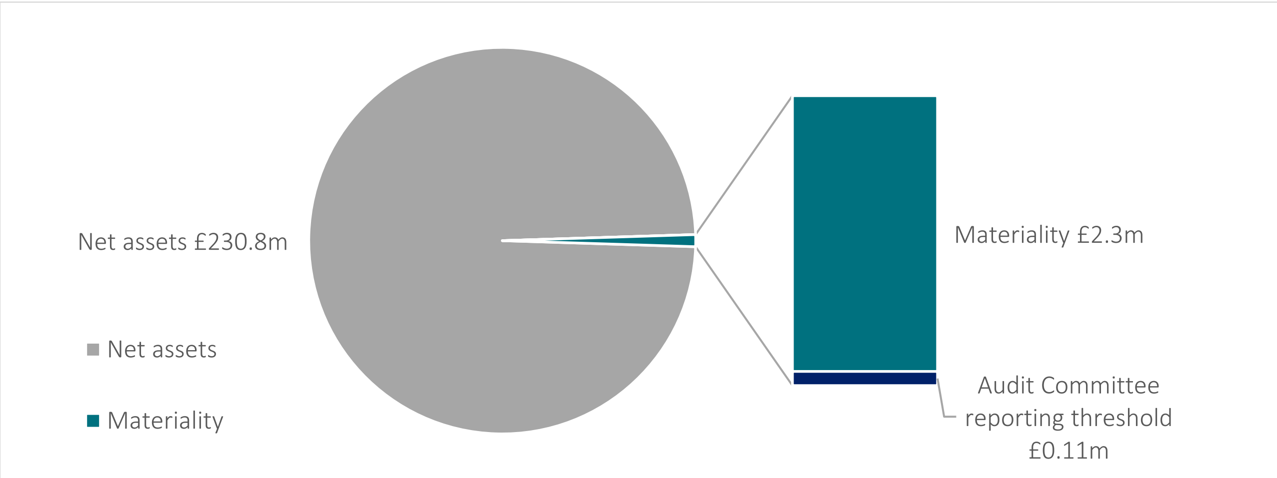
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.3m
Basis for determining materiality	1% of net assets
Rationale for the benchmark applied	In determining our benchmark for materiality, we have considered the metrics used by the shareholder and other users of the financial statements, including regulatory authorities. We have determined net assets to be the most relevant to users of the financial statements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit. In determining performance materiality, we considered the Bank's control environment, including entity-level controls and our understanding of the business and its industry.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £114,600, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Bank and its environment, including internal controls, and assessing risks of material misstatements. Audit work to respond to risks of material misstatement was performed directly by the audit engagement team in the UK.

7.2. Our consideration of the control environment

We identified the key IT systems relevant to the audit to be those used in the business process for financial reporting, due from financial institutions, financing arrangements, finance lease receivables, expected credit losses, treasury, and due to financial institutions, including service organisation controls. For these controls, we involved our IT specialists to gain an understanding of the general IT controls, including over user access and change management systems.

We performed walkthroughs with management to understand the process and controls and identified and gained an understanding of relevant controls that address risks of material misstatement in financial reporting. Whilst the Bank continues to improve and implement a more robust system of internal control, we adopted a fully substantive audit approach.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Bank's operations and potential impact on its financial statements. The Bank continue to execute their business strategy in line with their Environment, Social and Governance ("ESG") strategy. The Bank sets out its assessment of the potential impact of climate change in the directors' report within the Annual Report. Management have determined that the impact of climate related risks on the financial statements for the year is not material, as described in note 3 [e] to the financial statements. We have held discussions with the Bank to understand:

- the process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Bank; and
- the long-term strategy to respond to climate change risks as they evolve.

Our audit work has involved:

- reviewing management's assessment of the physical and transition risks identified and considering the Bank's climate risk assessment and the conclusion that there is no material impact of climate change risk on current year financial reporting;
- assessing management's approach to the incorporation and quantification of climate change risks within the ECL model; and
- assessing disclosures in the Annual Report and challenging the consistency between the financial statements and the rest of the Annual Report.

We have not been engaged to provide assurance over the accuracy of climate change disclosures in the front half of the annual report. As part of our audit procedures, we read these disclosures to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit and we did not identify any material inconsistencies as a result of these procedures.

8. 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.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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 Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Bank's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Bank's sector;
- any matters we identified having obtained and reviewed the Bank's documentation of their policies and procedures relating to:

    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, real estate, treasury, economic, regulatory, credit modelling, financial instruments, IT, and analytics and modelling specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in expected credit loss provisions. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Bank operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Bank's ability to operate or to avoid a material penalty. These included the Bank's compliance with the Prudential Regulation Authority ("PRA") Rulebook and the Financial Conduct Authority ("FCA") Handbook.

11.2. Audit response to risks identified

As a result of performing the above, we identified expected credit loss provisions as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee, internal audit, and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 Bank and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 17 August 2023 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ended 31 December 2024.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Bank'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 Bank'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 Bank and the Bank'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

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*	96,103	81,198
Returns to financial institutions and customers	*6*	(57,877)	(45,550)
Net margin		**38,226**	**35,648**
Fee and commission income	*5b*	2,232	1,764
Fee and commission expense	*7*	(2,135)	(1,381)
Net fee and commission income		**97**	**383**
Credit impairment (losses) / gains	*12*	(3,236)	555
Impairment of investment in subsidiary	*16*	339	(3,434)
Other operating income	*8*	13,440	13,478
Share of profit / (loss) of equity-accounted investees, net of tax	*26*	2,921	(2,576)
Net operating income		**51,787**	**44,054**
Expenses			
Personnel expenses	*9*	(27,850)	(23,624)
Other operating expenses	*11*	(15,301)	(15,547)
Other depreciation and amortisation	*19, 20*	(897)	(1,010)
Total operating expenses		**(44,048)**	**(40,181)**
Profit before tax		**7,739**	**3,873**
Tax charge	*13*	(889)	(2,515)
Profit for the year		**6,850**	**1,358**

All of the profit for the financial year and loss for the prior year were derived from continuing activities.

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

The notes on pages 34 to 110 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year 1 January 2024 to 31 December 2024

	Note	2024 £000	2023* £000
Income			
Profit for the year		6,850	1,358
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss if specific conditions are met:			
Net losses in fair value of FVOCI debt instruments		(285)	-
Income tax credit on other comprehensive income	*13*	-	-
		(285)	**-**
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 for the year attributable to equity holders of the Company		**6,566**	**1,353**

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

The notes on pages 34 to 110 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 £000	2023* £000
Assets			
Cash and cash equivalents		90,139	76,008
Due from financial institutions	*15*	153,704	299,363
Investment securities	*16*	44,584	16,115
Investment in subsidiaries	*16*	29,151	28,812
Financing arrangements	*17*	1,151,123	1,010,255
Finance lease receivables	*18*	2,705	3,014
Investment in joint ventures	*26*	32,157	31,520
Property and equipment	*19*	2,136	2,548
Intangible assets	*20*	2,611	1,607
Other assets	*21*	16,450	6,421
Current tax asset		1,998	2,243
Deferred tax asset	*13*	13,600	13,830
Assets held for sale	*27*	-	1,800
Total assets		**1,540,358**	**1,493,536**
Liabilities			
Due to financial institutions	*22*	33,754	6,967
Due to customers	*23*	1,262,682	1,248,979
Other liabilities	*24*	13,088	13,322
Total liabilities		**1,309,524**	**1,269,268**
Equity			
Share capital	*29*	48,933	48,933
Share premium	*29*	140,623	140,623
Capital contribution	*30*	3,527	3,527
Fair value reserve		(347)	(63)
Retained earnings		38,098	31,248
Total equity attributable to equity holders of the Bank		**230,834**	**224,268**
Total liabilities and equity		**1,540,358**	**1,493,536**

**The Bank has restated its 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
Company Registration Number: 05897786

Simon Gibbons
Chief Financial Officer

The notes on pages 34 to 110 are an integral part of these financial statements.

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 before tax		7,739	3,873
Adjusted for:			
Exchange differences		(3)	(5)
Share of (profit) / loss of equity-accounted investees, net of tax	*26*	(2,921)	2,576
Provision for impairment	*12, 16*	2,897	2,879
Depreciation and amortisation	*19, 20*	343	235
IFRS 16 - depreciation and finance charges	*25*	630	775
Amortisation of investment securities		365	152
		9,050	**10,485**
Net (increase)/decrease in operating assets:			
Due from financial institutions	*15*	145,520	152,940
Financing arrangements	*17*	(143,580)	(97,301)
Finance lease receivables	*18*	(1,367)	32,645
Other assets	*21*	(10,275)	10,797
		(9,702)	**99,081**
Net increase/(decrease) in operating liabilities:			
Due to financial institutions	*22*	26,815	(42,286)
Due to customers	*23*	13,193	(75,983)
Other liabilities	*24*	(649)	465
		39,359	**(117,804)**
Corporation tax paid		-	(260)
Net cash inflow / (outflow) from operating activities		**38,707**	**(8,498)**
Cashflow from investing activities			
Purchase of property and equipment	*19*	(123)	(791)
Purchase of intangible assets	*20*	(1,031)	(893)
Purchase of investment securities and investment in subsidiaries	*16*	(34,858)	(15,629)
Sale of investment securities	*16*	8,006	1,741
Sale of subsidiary to a fellow subsidiary	*31*	-	298
Purchase of interest in assets held for sale	*27*	-	(35,934)
Sale of interest in assets held for sale	*27*	1,800	6,000
Purchase of interest in joint venture	*26*	-	(6,269)
Dividends received from joint ventures	*26*	2,284	1,461
Net cash outflow from investing activities		**(23,922)**	**(50,016)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	*14*	(589)	(719)
Net cash outflow from financing activities		**(589)**	**(719)**
Net change in cash and cash equivalents		**14,196**	**(59,233)**
Cash and cash equivalents at the beginning of the period		76,008	135,262
Exchange differences in respect of cash and cash equivalents		(65)	(21)
Cash and cash equivalents at the end of the period		**90,139**	**76,008**

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

The notes on pages 34 to 110 are an integral part of these financial statements.

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024	Note	Share capital £000	Share premium £000	Capital contribution £000	Fair value reserve £000	Retained earnings* £000	Total* £000
Balance as reported at 31 December 2023		48,933	140,623	3,527	(63)	35,212	228,232
Prior period adjustment	*2b*	-	-	-	-	(3,964)	(3,964)
Restated balance at 31 December 2023*		**48,933**	**140,623**	**3,527**	**(63)**	**31,248**	**224,268**
Profit for the year		**-**	**-**	**-**	**-**	**6,850**	**6,850**
Other comprehensive income /(expense)							
Net change in fair value of equity/debt instruments at FVOCI		-	-	-	(284)	-	(284)
Tax on items transferred directly to equity	*13*	-	-	-	-	-	-
Total other comprehensive income		**-**	**-**	**-**	**(284)**	**-**	**(284)**
Total comprehensive income for the year		**-**	**-**	**-**	**(284)**	**6,850**	**6,566**
Contributions by and distributions to owners							
Sale of equity instrument at FVOCI		-	-	-	-	-	-
Tax on items transferred directly to equity	*13*	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2024		**48,933**	**140,623**	**3,527**	**(347)**	**38,098**	**230,834**

**The Bank has restated its 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 available-for-sale investments until the investment is either derecognised or becomes impaired.
Capital contribution
This is the share-based payment reserve in prior years representing the amortised portion of the fair value of equity instruments issued under the BLME share incentive schemes and accounted for as equity-settled share-based payments. During 2013, the Deferred Annual Bonus Scheme was reclassified back from cash-settled to equity-settled accounting and the obligations under all the BLME share incentive schemes were assumed by BLME Holdings plc for no consideration. This assumption of liability was treated as an injection of equity and was recognised as a Capital contribution in 2013**.**

The notes on pages 34 to 110 are an integral part of these financial statements.

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023	Note	Share capital	Share premium	Capital contribution	Fair value reserve	Retained earnings*	Total*
		£000	£000	£000	£000	£000	£000
Balance at 31 December 2022		48,933	140,623	3,527	(108)	29,940	222,915
Profit for the year		**-**	**-**	**-**	**-**	**1,358**	**1,358**
Other comprehensive expense							
Net change in fair value of equity/debt instruments at FVOCI		-	-	-	(5)	-	(5)
Tax on items transferred directly to equity	*13*	-	-	-	-	-	-
Total other comprehensive expense		**-**	**-**	**-**	**(5)**	**-**	**(5)**
Total comprehensive expense for the year		**-**	**-**	**-**	**(5)**	**1,358**	**1,353**
Contributions by and distributions to owners							
Sale of equity instrument at FVOCI		-	-	-	50	(50)	-
Tax on items transferred directly to equity	*13*	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**50**	**(50)**	**-**
Balance at 31 December 2023		**48,933**	**140,623**	**3,527**	**(63)**	**31,248**	**224,268**

**The Bank has restated its 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 available-for-sale investments until the investment is either derecognised or becomes impaired.
Capital contribution
This is the share-based payment reserve in prior years representing the amortised portion of the fair value of equity instruments issued under the BLME share incentive schemes and accounted for as equity-settled share-based payments. During 2013, the Deferred Annual Bonus Scheme was reclassified back from cash-settled to equity-settled accounting and the obligations under all the BLME share incentive schemes were assumed by BLME Holdings plc for no consideration. This assumption of liability was treated as an injection of equity and was recognised as a Capital contribution in 2013**.**

The notes on pages 34 to 110 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Bank of London and The Middle East plc is a Company domiciled in the United Kingdom. The address of the Company's registered office is 20 Churchill Place, Canary Wharf, London, England, E14 5HJ. BLME is a wholesale bank involved in real estate finance, commercial finance, private client banking, digital banking and wealth management. The financial statements of the Bank are presented as at and for the year ended 31 December 2024.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

a. Presentation of financial statements

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

The Bank has not produced consolidated financial statements as under Section 401 of the Companies Act 2006 consolidated financial statements are not required, the Bank being a wholly owned subsidiary of BLME Holdings Limited which consolidates the financial statements of the Bank as detailed in Note 31. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its consolidated group. The Parent Company's annual report and financial statements are prepared in accordance with UK adopted international accounting standards in order to qualify for the exemption.

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 52 and pages 109 to 110 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 error and reclassification restatement in prior year

In prior year 2023, the Bank 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 Bank. 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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.

INCOME STATEMENT **For the year 1 January 2023 to 31 December 2023**	**Before restatement £000**	**Restatement adjustments £000**	**Reclassification restatement £000**	**Restated £000**
Income				
Other operating income	14,785	(1,307)	-	13,478
Share of profit / (loss) of equity-accounted investees, net of tax	81	(2,657)	-	(2,576)
Net operating income	**48,018**	**(3,964)**	**-**	**44,054**
Profit before tax	**7,837**	**(3,964)**	**-**	**3,873**

STATEMENT OF FINANCIAL POSITION **As at 31 December 2023**	**Before restatement £000**	**Restatement adjustments £000**	**Reclassification restatement £000**	**Restated £000**
Assets				
Investment in joint ventures	7,350	(3,964)	28,134	31,520
Assets held for sale	29,934	-	(28,134)	1,800
Total assets	**1,497,500**	**(3,964)**	**-**	**1,493,536**
Equity				
Retained earnings	35,212	(3,964)	-	31,248
Total equity attributable to equity holders of the Bank	**228,232**	**(3,964)**	**-**	**224,268**
Total liabilities and equity	**1,497,500**	**(3,964)**	**-**	**1,493,536**

STATEMENT OF CASH FLOWS **For the year 1 January 2023 to 31 December 2023**	**Before restatement £000**	**Restatement adjustments £000**	**Reclassification restatement £000**	**Restated £000**
Cash flows from operating activities				
Profit before tax	7,837	(3,964)	-	3,873
Share of (profit) / loss of equity-accounted investees, net of tax	(81)	2,657	-	2,576
	11,792	**(1,307)**	**-**	**10,485**
Net increase/(decrease) in operating liabilities:				
Other liabilities	294	171	-	465
	(117,975)	**171**	**-**	**(117,804)**
Net cash outflow from operating activities	**(7,362)**	**(1,136)**	**-**	**(8,498)**
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 outflow from investing activities	**(51,152)**	**1,136**	**-**	**(50,016)**

STATEMENT OF CHANGES IN EQUITY For the year 1 January 2023 to 31 December 2023	Before restatement £000	Restatement adjustments £000	Reclassification restatement £000	Restated £000
Profit for the year				
Retained Earnings	5,322	(3,964)	-	1,358
Total	5,322	(3,964)	-	1,358
Total comprehensive income for the year				
Retained Earnings	5,322	(3,964)	-	1,358
Total	5,317	(3,964)	-	1,353
Balance at 31 December 2023				
Retained Earnings	35,212	(3,964)	-	31,248
Total	228,232	(3,964)	-	224,268

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 and determining the lease term of contracts with renewal and termination options. Refer to Note 3 from page 51 for further detail.

d. Going concern

Accounting standards require the Directors to assess the Bank'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 Bank in order to support a conclusion that the Directors have a reasonable expectation that the Bank 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 two main factors in reaching their conclusions on going concern – liquidity management an, preserving capital buffers. In addition, they considered the broader current macroeconomic and geopolitical conditions including the outlook for inflation, interest rates and climate change.

Liquidity management

The Bank adopts a prudent approach to liquidity management. Balance sheet liquidity remains strong with £90m of cash as of 31 December 2024 and a Liquidity Coverage Ratio ("LCR") of significantly above 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 Bank had significant excess regulatory capital over and above the PRA minimum requirements. BLME adopts a cautious approach / risk appetite to the maintenance of internal capital buffers over and above the regulatory banking rules.

Based on the above assessment the directors have a reasonable expectation that the Bank 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 Bank 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 Bank:

- 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 Bank 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 Bank's financial statements are disclosed below. The Bank 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 Bank 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 Bank, not expected to have any impact or it is not feasible to determine whether there will be an impact to the Bank’s financial statements.

g. 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.

h. Functional and presentation currency

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

i. 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.

j. Revenue recognition

i. Murabaha, Wakala, Sukuk and Ijara income and expense (please refer to the Glossary of Islamic Finance Terminology on page 113)

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, BLME 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 Bank 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 Bank 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 are 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 Bank'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.

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

The Bank'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 Bank's assessment.

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

As a second step of its classification process the Bank 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 Bank 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 Bank uses a forward-looking expected credit loss (ECL) approach. IFRS 9 *Financial Instruments* requires the Bank 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 Bank 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 (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out on pages 43 and 44.

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 Bank's policy for grouping financial assets measured on a collective basis is explained in below.

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

• Stage 1: When financing is first advanced, the Bank recognises an allowance based on 12mECLs. Stage 1 financing also include facilities where the credit risk has been stable or it 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 Bank 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 Bank 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 91 and 92 in Note 34 Financial Risk Management.

- **The calculation of ECLs**

In line with industry best practice, the Bank 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 Bank, 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 Bank 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 page 89 in Note 34. 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.

BLME 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 88 and 89 in Note 34 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 10 Yr. 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 Bank’s portfolio of assets it is not considered to be a core driver.

vi) Multiple economic scenarios

The Bank carries out three forward looking scenarios per material portfolio. Each scenario is based on the macroeconomic conditions most impactful to each of the Bank’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 61.

vii) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank 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 flows and, accordingly, the Bank has no reasonable expectation of recovery; or
- Individually assessed financing balances 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 Bank 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 Bank derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing balance, 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 96 to 98 in Note 34.

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 Bank 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 Bank 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, BLME 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 Bank 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 Bank 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; BLME 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.

l. 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.

m. 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.

n. Intangible assets

Intangible assets acquired separately from a business combination consist of computer licenses and software development. Intangible assets acquired by the Bank 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

o. Impairment of property and equipment, 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.

p. 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.

q. 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 liability. 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 liability.

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

r. Lessee accounting

Right-of-use assets

The Bank 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 Bank 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

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

The Bank's Right-of-use assets are included in Property and Equipment (see Note 19).

Lease liabilities

At the commencement date of the lease, the Bank 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 Bank 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 Bank's lease liabilities are included in Other Liabilities (see Note 24).

Short-term leases and leases of low-value assets

The Bank 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.

s. Employee benefits

The Bank operates a defined contribution pension scheme for all staff. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity, and where the Bank 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 Bank pays contributions to Scottish Widows. The Bank 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 Bank has a present obligation to its employees that can be measured reliably.

t. Provisions

A provision is recognised if, as a result of a past event, the Bank 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.

u. 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.

v. 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.

w. Other receivables

Trade and other receivables are stated at their nominal amount less expected credit losses. Refer to Note 2(k)(iv) from pages 41 to 43 for more detail on the forward-looking expected credit loss (ECL) approach.

x. Segmental information

Segment results that are reported to the Bank'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.

y. Investment in subsidiary undertakings

The investment in subsidiary undertakings in the Company's financial statements is stated at the historical cost of investment less impairment. The investment in subsidiary undertakings is 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 income statement.

z. Investments 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 Bank's investments in its joint ventures are 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 Bank's share of net assets of the joint venture since the acquisition date.

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

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

aa. Assets held for sale

The Bank 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.

3. USE OF CRITICAL ACCOUNTING ESTIMATES, 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 Bank'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 Bank'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 Bank'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 from page 58.

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.

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. Joint ventures assessments

The Bank equity accounts for joint ventures when Management considers that the Bank has 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.

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

The Bank 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 Bank has the option, under some of its leases to lease the assets for additional terms. The Bank 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 Bank 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 Bank 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.

e. Impact of climate risk on accounting judgments and estimates

The Bank 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 Bank 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 BLME and concluded that the Bank has not been materially exposed to climate change risk for the year ended 31st December 2024.

This conclusion is based on the fact that almost all of the Bank'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 110 only 4% (2023: 5%) of the 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 34 on pages 109 to 110.

4. SEGMENTAL INFORMATION

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

Information regarding the results of the Bank'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 Bank 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 table analyses the results of each of the Bank's reportable segments, which are described in the 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	31,600	3,382	458	2,786	-	38,226
Net fee and commission income / (expense)	(69)	-	16	150	-	97
Net impairment (charge) / credit	(6,469)	3,392	185	(5)	-	(2,897)
Share of profit of equity-accounted investees, net of tax	2,921	-	-	-	-	2,921
Other operating income	675	-	1	12,764	-	13,440
Net operating income	**28,658**	**6,774**	**660**	**15,695**	**-**	**51,787**
Directly attributable segment expenses	(5,291)	(138)	(1,268)	(15,695)	-	(22,392)
Net segment contribution	**23,367**	**6,636**	**(608)**	**-**	**-**	**29,395**
Common costs not directly attributable to segments						(21,656)
Net operating profit before tax						**7,739**
Reportable segment assets	**1,132,202**	**14,924**	**272,367**	**77,257**	**43,608**	**1,540,358**

The Treasury Division manages the Bank's liquidity as a whole and the Bank'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	31,488	713	2,207	1,240	-	35,648
Net fee and commission income / (expense)	792	(9)	4	(404)	-	383
Net impairment (charge) / credit	(6,187)	2,926	383	(1)	-	(2,879)
Share of profit / (loss) of equity-accounted investees, net of tax	(2,576)	-	-	-	-	(2,576)
Other operating income	343	37	5	13,093	-	13,478
Net operating income	**23,860**	**3,667**	**2,599**	**13,928**	**-**	**44,054**
Directly attributable segment expenses	(6,114)	(191)	(1,459)	(13,928)	-	(21,692)
Net segment contribution	**17,746**	**3,476**	**1,140**	**-**	**-**	**22,362**
Common costs not directly attributable to segments						(18,489)
Net operating profit before tax						**3,873**
Reportable segment assets	**1,054,729**	**10,564**	**386,305**	**19,176**	**22,762**	**1,493,536**

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	48,866	46,630
Channel Islands	2,921	(2,576)
Total	**51,787**	**44,054**

Geographical analysis of non-current assets

	31 December 2024	31 December 2023*
	£000	£000
United Kingdom	34,448	24,181
Channel Islands	32,157	31,520
Kingdom of Saudi Arabia	4	11
United Arab Emirates	346	214
Total	**66,955**	**55,926**

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

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	68,287
Due from financial institutions:		
Murabaha income	426	680
Wakala income	5,768	9,292
Alternative Liquidity Facility	2,206	1,943
Other income	18	19
Finance lease receivables:		
Finance lease income	-	-
Hire Purchase income	-	637
Istisna and Ijara income	359	173
Investment securities:		
Sukuk income	788	167
	96,103	**81,198**

5(b) Fee and commission income	2024 £000	2023 £000
Management fees	308	283
Acquisition and structuring transaction fees	-	707
Card fee icome	1,869	680
Other	55	94
	2,232	**1,764**

6. RETURNS TO FINANCIAL INSTITUTIONS AND CUSTOMERS

	2024 £000	2023 £000
Customer deposits	55,180	43,328
Murabaha	48	876
Cost of funding*	(27)	236
Wakala	2,676	1,110
	57,877	**45,550**

* This amount represents the cost of managing non-GBP funding incurred by the Bank. This cost arises due to the profit rate differential between 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	205
Portfolio management fee paid to a fellow subsidiary	-	70
Card fees	1,737	1,084
Mortgage broker fees	22	22
	2,135	**1,381**

8. OTHER OPERATING INCOME

	2024	2023*
	£000	£000
Net gain on foreign exchange transactions	1	5
Gains on leased asset sales	-	37
Dividends from subsidiaries	675	343
Recharges from a fellow subsidiary **	12,764	13,093
	13,440	**13,478**

**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 32.

9. PERSONNEL EXPENSES

	2024	2023
	£000	£000
Wages and salaries	21,695	18,461
Social security costs	2,266	1,920
Defined contribution pension scheme costs	2,178	1,711
Recruitment costs	501	537
Other staff costs	1,210	995
	27,850	**23,624**

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 32 Related Parties.

The following table summarises the number of employees within the Bank:

	2024	2023
	Number	Number
As at 31 December	198	215
Monthly average number of employees for the period - management	8	8
Monthly average number of employees for the period - non-management	208	187

10. DIRECTORS' EMOLUMENTS

	2024	2023
	£000	£000
Directors' emoluments	2,045	1,938
Pension contributions	104	102
	2,149	**2,040**

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	2,038	981
Board and SSB related expenses	680	721
Communications and IT costs	3,209	3,085
Consultancy	2,144	3,641
Legal and professional fees	4,421	3,336
Other operating charges	1,903	3,245
Rent and other occupancy costs	906	538
	15,301	**15,547**

Included within other operating expenses above is £6.8m (2023: £7.2m) 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 32 Related Parties.

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

	2024	2023
	£000	£000
Auditor's remuneration		
Audit of financial statements		
- Current auditors	760	-
- Previous auditors	8	611
Other advisory and assurance services		
- Current auditors	40	-
- Previous auditors	-	48
	808	**659**

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	534	797	12,554	13,885
Finance lease receivables	1	-	-	1
Due from financial institutions	184	-	-	184
Investment securities	23	-	-	23
Total Impairment	**742**	**797**	**12,554**	**14,093**

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	749	7,647	8,900
Finance lease receivables	2	-	-	2
Due from financial institutions	392	-	-	392
Investment securities	-	-	-	-
Total Impairment	**898**	**749**	**7,647**	**9,294**

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 three forborne exposures is £650k (2023: £330k relating to four forborne exposures).

The gross exposure value for these forborne exposures which are all classified within Financing Arrangements is £69,976k supported by collateral held of £70,845k (2023: gross exposure value of £67,153k and collateral held of £84,005k).

Refer to pages 96 to 98 for further details on how the Group monitors its forborne exposure.

Income Statement

	2024 £000	2023 £000
New and increased provisions (net of releases)	6,003	(266)
Amounts written off during the year (net of write backs)	(3,257)	(289)
Modification loss on financing arrangement	490	-
Total impairment loss / (gain)	**3,236**	**(555)**

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

ECL by Stage

	Stage 1 Collective £000	Stage 2 Collective £000	Stage 3 Specific £000	Total £000
Carrying amount as at 1 January 2024	898	749	7,647	9,294
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	197	(197)	-	-
Transferred to Stage 2	(79)	79	-	-
Transferred to Stage 3	-	(55)	55	-
New and increased provisions (net of releases)	(274)	221	6,056	6,003
Write-offs from specific provisions	-	-	(1,201)	(1,201)
Foreign currency translation adjustments	-	-	(3)	(3)
As at 31 December 2024	**742**	**797**	**12,554**	**14,093**
Carrying amount as at 1 January 2023	1,493	2,151	11,236	14,880
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	48	(48)	-	-
Transferred to Stage 2	(174)	174	-	-
Transferred to Stage 3	-	(39)	39	-
New and increased provisions (net of releases)*	(469)	(1,489)	1,692	(266)
Write-offs from specific provisions*	-	-	(5,320)	(5,320)
Foreign currency translation adjustments	-	-	-	-
As at 31 December 2023	**898**	**749**	**7,647**	**9,294**

* 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	1,105,472	331,650	64,893	1,502,015
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	59,122	(59,122)	-	-
Transferred to Stage 2	(88,368)	88,368	-	-
Transferred to Stage 3	-	(40,408)	40,408	-
New and increased exposure (net of repayments)	118,568	(93,720)	(43,285)	(18,437)
Write-offs from specific provisions	-	-	-	-
Foreign currency translation adjustments	-	-	15	15
As at 31 December 2024	**1,194,794**	**226,768**	**62,031**	**1,483,593**
Carrying amount as at 1 January 2023	1,379,874	195,379	78,708	1,653,961
Changes due to financial assets recognised in the opening balance that have				
Transferred to Stage 1	13,170	(13,170)	-	-
Transferred to Stage 2	(169,782)	169,782	-	-
Transferred to Stage 3	-	(23,889)	23,889	-
New and increased exposure (net of repayments)*	(117,790)	3,548	(32,384)	(146,626)
Write-offs from specific provisions	-	-	(5,320)	(5,320)
Foreign currency translation adjustments	-	-	-	-
As at 31 December 2023*	**1,105,472**	**331,650**	**64,893**	**1,502,015**

Contractual amounts outstanding on financial assets of £1.5m that were written off during the reporting period are still subject to enforcement activity (2023: £7.1m).

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 Bank 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 Bank's material portfolios and is taken from Moody's Analytics.

The scenario weights and macroeconomic assumption 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 3	£000 Stage 1	£000 Stage 1	£000 Stage 2	£000
AAA	-	-	-	-	-	-	-	-	-	16,276	-	-	-	-	**16,276**
aa+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
aa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
AA-	41,723	-	-	-	-	-	-	-	-	-	-		-	-	**41,723**
A+	44,130	-	-	2,706	-	-	-	-	-	27,984	-	232	-	-	**75,052**
A	1,947	9,673	-	-	-	-	-	-	-	-	-	216	-	-	**11,836**
aa-	-	-	-	-	-	-	-	-	-	-	-	-	438	-	**438**
a+	-	-	-	-	-	-	9,339	-	-	-	-	-	2,543	-	**11,882**
a	-	-	-	-	-	-	47,260	-	-	-	-	-	5,188	-	**52,448**
a-	10	-	-	-	-	-	56,332	-	-	-	-	-	6,529	-	**62,871**
bbb+	-	-	-	-	-	-	167,960	-	-	-	-	-	562	-	**168,522**
bbb	2,329	-	-	-	-	-	91,579	28,356	-	-	-	50	-	-	**122,314**
bbb-	-	-	-	-	-	-	274,498	33,526	-	-	-	-	-	554	**308,578**
bb+	-	144,215	-	-	-	-	195,056	31,992	-	-	-	-	6,011	-	**377,274**
bb	-	-	-	-	-	-	29,237	45,728	-	-	-	-	-	1,408	**76,373**
bb-	-	-	-	-	-	-	9,321	62,973	-	-	-	-	458	3,056	**75,808**
b+	-	-	-	-	-	-	646	-	-	-	-	-	-	-	**646**
b	-	-	-	-	-	-	-	13,809	-	347	-	-	-	-	**14,156**
b-	-	-	-	-	-	-	-	5,365	-	-	-	-	-	-	**5,365**
ccc+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
ccc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d	-	-	-	-	-	-	-	-	62,031	-	-	-	-	-	**62,031**
At 31 December 2024	**90,139**	**153,888**	**-**	**2,706**	**-**	**-**	**881,228**	**221,749**	**62,031**	**44,607**	**-**	**498**	**21,729**	**5,018**	**1,483,593**

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	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Stage 1	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	Stage 1	Stage 2	
AAA	-	-	-	-	-	-	-	-	-	15,774	-	-	-	-	**15,774**
aa+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
aa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
AA-	46,428	-	-	-	-	-	1,662	-	-	-	-	-	-	-	**48,090**
A+	23,864	-	-	3,016	-	-	-	-	-	-	-	-	-	-	**26,880**
A	2,139	27,497	-	-	-	-	12,577	-	-	-	-	-	5,048		**47,261**
a	-	-	-	-	-	-	-	-	-	-	-	-		-	**-**
a-	9		-	-	-	-	64,219	2,997	-	-	-	-	4,214	-	**71,439**
bbb+	-	-	-	-	-	-	221,265	2,805	-	-	-	-	4,106	-	**228,176**
bbb	3,568	-	-	-	-	-	96,958	3,352	-	-	-	50	-		**103,928**
bbb-	-	-	-	-	-	-	123,355	49,002	-	-	-	-	-	5,435	**177,792**
bb+	-	272,258	-	-	-	-	111,282	62,361	-	-	-	-	29,498	7,412	**482,811**
bb	-	-	-	-	-	-	17,191	59,557	-	-	-	-	19,153	11,443	**107,344**
bb-	-	-	-	-	-	-	-	67,083	-	-	-	-	-	1,812	**68,895**
b+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
b	-	-	-	-	-	-	-	26,885	-	341	-	-	-	-	**27,226**
b-	-	-	-	-	-	-	-	17,543	-	-	-	-	-	-	**17,543**
ccc+	-	-	-	-	-	-	-	13,962	-	-	-	-	-	-	**13,962**
ccc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d	-	-	-	-	-	-	-	-	64,894	-	-	-	-	-	**64,894**
At 31 December 2023*	**76,008**	**299,755**	**-**	**3,016**	**-**	**-**	**648,509**	**305,547**	**64,894**	**16,115**	**-**	**50**	**62,019**	**26,102**	**1,502,015**

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

13.TAXATION

	2024	2023
	£000	£000
UK Corporation Tax		
- current tax for the year	435	603
- prior year current tax adjustment	224	1
	659	604
Deferred tax for the year	1,171	2,277
Prior year adjustment to deferred tax	(941)	(174)
Effect of change in tax rates	-	(192)
Tax charge in income statement	**889**	**2,515**

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

	2024	2023*
	£000	£000
Reconciliation of effective tax rate		
Profit for the year before tax	7,739	3,873
Profit for the year multiplied by standard rate of corporation tax in the UK of 25% (2023: 23.5%)	1,935	910
Tax exempt income	(899)	(407)
Expenses not deductible for tax purposes	230	1,774
Movements on unrecognised deferred tax	(95)	-
Tax on controlled foreign companies	435	603
Prior year adjustment - current tax	224	1
Prior year adjustment - deferred tax	(941)	(174)
Effect of change in tax rates	-	(192)
Tax charge in income statement	**889**	**2,515**

**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

	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 Bank has forecast taxable profits in future years. Based on the evidence, Management has recognised a DTA as of 31 December 2024 on accelerated depreciation of £9.1m (net) (2023: £10.25m), tax losses carried forward of £3.2m (2023: £2.8m) and other temporary differences of £1.3m (net) (2023: £0.75m).

Movements in deferred tax balances (net)

2024	Balance at 1 January £000	Recognised in profit or loss £000	Recognised in OCI/Equity £000	Balance at 31 December £000
Accelerated depreciation	10,252	(1,151)	-	9,101
Tax losses carried forward	2,827	335	-	3,162
Other temporary differences	751	586	-	1,337
Deferred tax assets	**13,830**	**(230)**	**-**	**13,600**

2023	Balance at 1 January £000	Recognised in profit or loss £000	Recognised in OCI/Equity £000	Balance at 31 December £000
Accelerated depreciation	11,451	(1,199)	-	10,252
Tax losses carried forward	3,779	(952)	-	2,827
Other temporary differences	511	240	-	751
Deferred tax assets	**15,741**	**(1,911)**	**-**	**13,830**

14.CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	1 January 2024 £000	Cashflows £000	FX Movement £000	Additions to Right of Use assets £000	Termination of leases £000	Other £000	31 December 2024 £000
Lease liabilities	1,674	(589)	6	330	-	76	1,497

	1 January 2023 £000	Cashflows £000	FX Movement £000	Additions to Right of Use assets £000	Termination of leases £000	Other* £000	31 December 2023 £000
Lease liabilities	3,503	(719)	(3)	1,147	(2,026)	(228)	1,674

**The "Other" movement line in 2023 included a transfer of £303k from the UK to its KSA subsidiary.*

15.DUE FROM FINANCIAL INSTITUTIONS

Due from Institutions

	0 - 3 months	4 - 12 months	1 - 5 years	Over 5 years	2024
	£000	£000	£000	£000	£000
Wadiah	3,481	-	-	-	3,481
Wakala	1,374	20,209	128,824		150,407
	4,855	**20,209**	**128,824**	**-**	**153,888**
Provision for impairment					(184)
					153,704
IFRS 9 Stage 1 and 2 ECL					(184)
					(184)

Due from Institutions

	0 - 3 months	4 - 12 months	1 - 5 years	Over 5 years	2023
	£000	£000	£000	£000	£000
Wadiah	-	-	-	-	-
Wakala	32,196	21,200	232,268	14,091	299,755
	32,196	**21,200**	**232,268**	**14,091**	**299,755**
Provision for impairment					(392)
					299,363
IFRS 9 Stage 1 and 2 ECL					(392)
					(392)

16. INVESTMENT SECURITIES AND INVESTMENT IN SUBSIDIARIES

Investment securities	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**
IFRS 9 Stage 1 and 2 ECL			(23)
			44,584

*The Bank 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 pages 100 and 101 in Note 34 for further detail on fair value measurements of investment securities.

Investment securities

	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**
IFRS 9 Stage 1 and 2 ECL			-
			16,115

Investment in subsidiaries	2024	2023
	£000	£000
AQ1 Limited	27,671	27,671
BLME Capital Company	4,575	4,575
Total cost of investment in subsidiaries	32,246	32,246
Provision for impairment related to AQ1 Limited	(3,095)	(3,434)
Net investment in subsidiaries	**29,151**	**28,812**

17. FINANCING ARRANGEMENTS

These tables represent contractual maturities.

	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.

	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**	**4,874**	**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)

18. FINANCE LEASE RECEIVABLES

	2024	2023
	£000	£000
Gross investment in finance lease receivables		
Within one year	1,170	37
One to five years	1,698	3,429
Over five years	-	-
	2,868	3,466
Unearned future income on finance leases	(162)	(450)
IFRS 9 Stage 1 & 2 ECL	(1)	(2)
IFRS 9 Stage 3 ECL	-	-
Net investment in finance leases	**2,705**	**3,014**
The net investment in finance leases comprises:		
Within one year	1,076	-
One to five years	1,629	3,014
Over five years	-	-
Net investment in finance leases	**2,705**	**3,014**

These tables represent contractual maturities. The Bank'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 asset is mitigated by the mandatory insurance cover taken out by the customer. The Bank also monitors the value of the underlying asset which is provided as collateral to ensure there is sufficient coverage of the exposure.

During June and July 2023, the remaining balance of the Bank's Hire Purchase portfolio totalling approximately £23.6m was transferred to Walbrook Asset Finance Limited at book value.

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

19. PROPERTY AND EQUIPMENT

	Computer Equipment £000	Office Equipment £000	Fixtures & Fittings £000	Buildings £000	Total £000
Cost					
At 1 January 2024	423	17	928	2,558	3,926
Additions	187	3	201	330	721
Recharge to BB2 TechCo	-	-	(267)	-	(267)
Disposals	-	-	-	-	-
Transfer to KSA subsidiary	-	-	-	-	-
FX differences	-	-	-	5	5
At 31 December 2024	**610**	**20**	**862**	**2,893**	**4,385**
At 1 January 2023	196	31	2,795	6,220	9,242
Additions	306	-	485	1,148	1,939
Disposals	(79)	(14)	(2,352)	(4,379)	(6,824)
Transfer to KSA subsidiary	-	-	-	(303)	(303)
FX differences	-	-	-	(128)	(128)
At 31 December 2023	**423**	**17**	**928**	**2,558**	**3,926**
Depreciation					
At 1 January 2024	159	17	162	1,040	1,378
Charge for the year	132	1	184	554	871
Disposals	-	-	-	-	-
Transfer to KSA subsidiary	-	-	-	-	-
At 31 December 2024	**291**	**18**	**346**	**1,594**	**2,249**
At 1 January 2023	90	29	2,027	3,295	5,441
Charge for the year	101	-	134	775	1,010
Disposals	(32)	(12)	(1,999)	(2,973)	(5,016)
Transfer to KSA subsidiary	0	-	0	(57)	(57)
At 31 December 2023	**159**	**17**	**162**	**1,040**	**1,378**
Net Book Value					
At 1 January 2024	264	-	766	1,518	2,548
At 31 December 2024	**319**	**2**	**516**	**1,299**	**2,136**
At 31 December 2023	**264**	**-**	**766**	**1,518**	**2,548**

Buildings relate to right-of-use assets recognised in line with IFRS 16 *Leases* in relation to the Bank's leased premises. See Note 25 for further detail.

The Bank had no contractual commitments for the acquisition of property, plant and equipment as of 31 December 2024 (31 December 2023: None).

20. INTANGIBLE ASSETS

	2024	2023
Cost	**£000**	**£000**
Opening balance	4,216	5,168
Additions	1,032	893
Disposals	(2,610)	(1,845)
Closing balance	**2,638**	**4,216**
Amortisation and impairment losses		
Opening balance	2,609	4,454
Charge for the year	28	-
Disposals	(2,610)	(1,845)
Closing balance	**27**	**2,609**
Net Book Value	**2,611**	**1,607**

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

21. OTHER ASSETS

	2024	2023
	£000	**£000**
Amounts due from fellow subsidiary of BLME Holdings Limited	1,303	185
Amounts due from fellow subsidiary of majority shareholder	-	1,578
Collateral deposits*	51	129
Prepayments	1,255	1,200
VAT recoverable	9,736	1,470
Foreign exchange forward contracts**	447	303
Other receivables and assets	3,658	1,556
	16,450	**6,421**

* Includes cash collateral deposits of £0.05 million (2023: £0.13 million) pledged as security against rental payments on office premises, and £Nil million (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 Bank's foreign exchange forward deals is covered in Note 34.

22. DUE TO FINANCIAL INSTITUTIONS

	2024	2023
	£000	**£000**
Wakala	33,754	6,967
	33,754	**6,967**

23.DUE TO CUSTOMERS

	2024	2023
	£000	£000
Customer deposits	1,259,020	1,240,102
Security deposits	3,662	8,877
	1,262,682	**1,248,979**

24. OTHER LIABILITIES

	£000	£000
Trade payables	65	272
Social security and income tax	508	545
Accruals	6,887	9,919
Lease liability*	1,497	1,674
Amount due to fellow subsidiary of majority shareholder	1,763	-
Other creditors**	2,368	912
	13,088	**13,322**

*Refer to Note 25 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 Bank's foreign exchange forward deals is covered in Note 34.

25. LEASES

The Bank has lease contracts for office premises in London and Dubai. Leases of offices have lease terms between 1 and 10 years. The Bank's obligations under its leases are stipulated in the respective lease agreements. Generally, the Bank 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 (included within property and equipment) recognised and the movements during the year:

	Buildings
	£000
At 1 January 2024	1,518
Additions	330
Termination of lease	-
Transfer to KSA subsidiary	-
Depreciation expense	(554)
Foreign currency translation adjustments	5
At 31 December 2024	**1,299**

	Buildings
	£000
At 1 January 2023	2,925
Additions	1,148
Termination of lease	(1,406)
Transfer to KSA subsidiary	(246)
Depreciation expense	(775)
Foreign currency translation adjustments	(128)
At 31 December 2023	**1,518**

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	1,674
Additions	330
Termination of lease	-
Transfer to KSA subsidiary	-
Accretion of finance charges	76
Payments	(589)
Foreign currency translation adjustments	6
At 31 December 2024	**1,497**

	2023 £000
At 1 January 2023	3,503
Additions	1,147
Termination of lease	(2,026)
Transfer to KSA subsidiary	(303)
Accretion of finance charges	75
Payments	(719)
Foreign currency translation adjustments	(3)
At 31 December 2023	**1,674**

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)	77	158	410	982	-	1,627
Total future finance charges						(130)
Lease liability						**1,497**

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)	-	80	524	1,255	-	1,859
Total future finance charges						(185)
Lease liability						**1,674**

Further detail on how the Bank manages its liquidity risk inherent in its financial liabilities is disclosed in section (b) of Note 34. The following are the amounts recognised in profit or loss:

	2024 £000	2023 £000
Depreciation expense of right-of-use assets	554	775
Finance charge on lease liabilities	76	75
Total amount recognised in profit or loss	**630**	**850**

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 19 while finance charge on lease liabilities is included in rent and other occupancy costs per Note 11.

The Bank had total cash outflows for leases of £0.6m in the year (2023: £0.7m). The Bank had non-cash additions to right-of-use assets and lease liabilities of £0.3m and £0.3m respectively in the year (2023: £1.1m and £1.1m).

The Bank 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 Bank's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3 (d)).

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

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

26. INVESTMENT IN JOINT VENTURES

The Bank holds half of the issued management shares of each 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 its 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 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 entities is Jersey, and they all have their registered address as 26 New Street, St Helier, Jersey JE2 3RA.

Summary of balance sheet 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 Bank holds a 10.13% (2023: 10.13%) equity interest in Waterfront having initially planned to sell all but 10% of its investment. The Bank does not intend to sell the residual excess amount above 10% of 0.13%. Accordingly, 10.13% is accounted for using the equity method (2023: 10.13%) 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 Bank 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 Bank 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 in accordance with IFRS 5. As described in Note 27 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 Bank 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 Bank 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 27 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 Bank's joint venture investments in Waterfront, Longbarn and Q12:

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) of 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).

27.ASSETS HELD FOR SALE

In 2023 the Bank 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 Bank'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 Balance Sheet as Investments in Joint Ventures.

Assets held for sale	2024 £000	2023* £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 Bank.

28.CONTINGENT LIABILITIES

Except for the cost recharge arrangements described in Note 32 in conjunction with BB2 Digital and Technology Services Limited, there are no contingent liabilities as of 31 December 2024 to be disclosed (2023: none).

29. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital £000	Share premium £000
Allotted, called up and fully paid 25p per ordinary share			
At 31 December 2023	195,733,691	48,933	140,623
At 31 December 2024	**195,733,691**	**48,933**	**140,623**

	Number of shares	Share capital £000	Share premium £000
Allotted, called up and fully paid 25p per ordinary share			
At 31 December 2022	195,733,691	48,933	140,623
At 31 December 2023	**195,733,691**	**48,933**	**140,623**

As permitted by the UK Companies Act 2006, the Company does not have an authorised share capital.

The ordinary shares have attached to them full voting, dividend and capital distribution (including on a winding-up) rights. The ordinary shares all rank pari passu as respects dividend distributions. The ordinary shares are entitled pari passu to participate in a distribution arising from a winding up of the Company. The ordinary shares do not confer any rights of redemption.

In addition to the 195,733,691 ordinary shares of 25p each, as of 31 December 2024 there is one deferred share of 1p in issue which is held by BLME Holdings Limited (31 December 2023: One). The deferred share class is not entitled to vote at any general meeting of the Company. The deferred share class is not entitled to receive dividends. The deferred share class is entitled on a return of capital, subject to the payment to the holder of all other classes of shares of the amount paid up or credited as paid up on such shares, to repayment of the amount paid up or credited as paid up on the deferred share, but shall have no further or other right to participate in profits or assets of the Company. The deferred share class does not confer any rights of redemption. There are no shares reserved for issue under options and no contracts for the sale of shares.

In 2018 the Bank reduced its Share Premium account by £40 million with the resulting credit balance being transferred into Retained Earnings. This was conducted by way of a Special Resolution of BLME passed in accordance with section 283 of the Companies Act 2006 at a general meeting of BLME duly convened and held on 22 August 2018. This process was formally approved by the High Court of Justice in London and became effective on 25 September 2018.

In 2015 the Bank reduced its Share Premium account by £25 million with the resulting credit balance being transferred into Retained Earnings. This was conducted by way of a Special Resolution of BLME passed in accordance with section 283 of the Companies Act 2006 at a general meeting of BLME duly convened and held on 24 November 2015. This process was formally approved by the High Court of Justice in London and became effective on 16 December 2015.

In 2013, as part of the preparation of the BLME Bank for Admission to the Official List of Securities of Dubai Financial Services Authority and Admission to Trading on Nasdaq Dubai, a corporate reorganisation was implemented by means of a Court-approved scheme of arrangement under sections 895 to 899 of the UK Companies Act. Pursuant to the Scheme of Arrangement, BLME's Shareholders exchanged their ordinary shares in Bank of London and The Middle East plc for a beneficial interest in the ordinary shares of BLME Holdings plc.

The effects of the implementation of the BLME Scheme of Arrangement were as follows:

i. instead of having its issued share capital owned by BLME's Shareholders, Bank of London and The Middle East plc became a wholly owned subsidiary of BLME Holdings plc
ii. instead of owning a given number of Bank of London and The Middle East plc shares, each BLME Shareholder beneficially owned approximately one BLME Holdings plc share for every 25 Bank of London and The Middle East plc shares that it held prior to the BLME Scheme of Arrangement becoming effective
iii. BLME Holdings plc became the new holding company of the BLME.

Pursuant to the BLME Scheme of Arrangement, the issued share capital of Bank of London and The Middle East plc was reduced by cancelling and extinguishing the ordinary shares of Bank of London and The Middle East plc in issue immediately prior to the BLME Scheme of Arrangement becoming effective (the "Scheme shares"), following which the credit arising in the books of Bank of London and The Middle East plc as a result of the cancellation was applied in paying up in full new ordinary shares of Bank of London and The Middle East plc, such that the aggregate nominal value of such new ordinary shares equalled the aggregate nominal value of the Scheme shares cancelled. The Bank of London and The Middle East plc new ordinary shares were issued to BLME Holdings plc which, as a result, became the holding company of the Bank.

In consideration for the cancellation of the Scheme shares, the BLME Shareholders were entitled to a beneficial interest in one BLME Holdings plc share for every 25 Scheme shares held. The principal purpose of the consolidation was to enable a price to be established for the BLME Holdings plc shares at Admission which the Directors considered to be at an appropriate level for effective and orderly market dealings in BLME Holdings plc shares to commence on Nasdaq Dubai.

A meeting of the holders of Bank of London and The Middle East plc shares convened by an order of the Court pursuant to section 896 of the UK Companies Act was held on 10 June 2013 at which the BLME Scheme of Arrangement was approved by a majority in number, representing not less than 75 per cent. in value of shareholders present and voting, either in person or by proxy.

A general meeting of the Bank of London and The Middle East plc Shareholders, to approve amongst other things:

i. the BLME Scheme of Arrangement
ii. the cancellation of the Scheme shares
iii. the application of the reserve arising as a result of the cancellation of the Scheme shares to paying up the new Bank of London and The Middle East plc shares and the allotment of the new Bank of London and The Middle East plc shares to BLME Holdings plc

was also held on 10 June 2013 and the above proposals were approved as special resolutions by not less than 75 per cent. in value of the votes cast.

The Court hearing at which the BLME Scheme of Arrangement was sanctioned was held on 2 October 2013 and the BLME Scheme of Arrangement became effective on that date.

30. CAPITAL CONTRIBUTION

	2024	2023
	£000	£000
At 31 December 2024 and 31 December 2023	**3,527**	**3,527**

Pursuant to a scheme of arrangement under sections 895 to 899 of the UK Companies Act that was implemented on 2 October 2013, all existing options under the Bank of London and The Middle East plc share incentive plans lapsed and replacement options were offered by BLME Holdings plc on substantially the same terms and conditions.

Furthermore, Bank of London and The Middle East plc was relieved of its obligations under the share incentive plans and those responsibilities were assumed by BLME Holdings plc 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 Bank of London and The Middle East plc by BLME Holdings plc. Therefore, Bank of London and The Middle East plc derecognised its share-based payment reserve and recognised a corresponding increase in equity as a contribution from its parent company.

There are no BLME Holdings share options in existence anymore. In February 2020 the options were either settled or lapsed as a consequence of the acquisition of BLME Holdings by Boubyan Bank.

31.PARENT COMPANY AND SUBSIDIARIES

As of 31 December 2024, the Bank's ultimate parent undertaking was Boubyan Bank K.S.C.P, a public shareholding company incorporated in Kuwait and listed on the Kuwait Stock Exchange. The Bank's immediate parent undertaking is BLME Holdings Limited, a limited liability company incorporated in the UK and domiciled in England & Wales. 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 Bank is a member. Boubyan Bank K.S.C.P. is the ultimate parent undertaking of the largest group of undertakings for which Group consolidated financial statements are drawn up and of which the Bank is a member.

Copies of the consolidated Group financial statements of BLME Holdings Limited can be obtained from the Company Secretary, BLME Holdings Limited, 20 Churchill Place, Canary Wharf, London E14 5HJ and are readily available for download from the investor relations section of the BLME website. 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.

Below is the list of the principal subsidiaries directly held by the Bank of London and The Middle East plc.

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:							
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
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
BLME Capital Company	Kingdom of Saudi Arabia	100%	SAR 20 million	(330)	Asset Management	Boubyan Bank K.S.C.P.	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
Indirectly held:							
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

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, AQ1 Holdings Limited and AQ1 Properties 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

During 2023 the Bank sold its 100% interest in the equity capital of Walbrook Construction Equipment Finance Limited at book cost to Walbrook Asset Finance Limited, a fellow subsidiary of BLME Holdings Limited; and increased its equity contribution in AQ1 Limited from £24.87m to £33m.

On 30 January 2024 the Bank subscribed for 20 ordinary shares of $1 nominal value per share representing 100% of the issued capital of BLME Asia & GCC Consumer Growth GP Limited an Exempted Company incorporated in the Cayman Islands with Limited Liability. This entity performs the role of General Partner to a fund launched by the BLME Wealth Management business during 2024.

32. RELATED PARTIES

As of 31 December 2024, Boubyan Bank K.S.C.P held an economic interest of 72.37% of the Parent Company's voting shares (2023: 72.08%).

During 2023 the Bank sold its 100% interest in the equity capital of Walbrook Construction Equipment Finance Limited at book cost to Walbrook Asset Finance Limited, a fellow subsidiary of BLME Holdings Limited; and increased its equity contribution in AQ1 Limited from £24.87m to £33m. Transactions entered into during the year with BB2 Digital and Technology Services Limited are included / described on pages 82 and 83. 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 Bank entered into transactions on an arm's length basis with related counterparties as detailed below.

	Relationship	**2024** **£000**	**2023** **£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
Walbrook Asset Finance Limited	Fellow subsidiary of BLME Holdings Limited		
Wakala placement		1,111	37,116
Foreign currency transactions		21	900
Working capital facility		-	36,580
Portfolio management and agency fees		-	70
Premises cost recharge		-	35
BLME Capital Company	Subsidiary		
Working capital facility		76	2,349
Introduction fee payable		376	205
AQ 1 Limited	Subsidiary		
Sharia'a and strategic advisory fee		120	120
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

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
Walbrook Asset Finance Limited	Fellow subsidiary of BLME Holdings Limited		
Wakala placement		144,214	270,557
Working capital facility		-	1,701
Other assets		1,303	185
BLME Capital Company	Subsidiary		
Due from financial institutions			
Working capital facility debtor		6,192	2,930
Other liabilities		(575)	(122)
BB2 Digital and Technology Services Limited	Fellow subsidiary of majority shareholder		
Other assets / (liabilities)			
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
AQ1 Limited	Subsidiary		
Other assets			
Other receivables		30	30
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		11	11
BLME Holdco Limited	Subsidiary		
Due to Customers		(0.1)	(0.1)
BLME Holdings Limited	Parent company		
Due to Customers		(374)	(374)

The above related party balances are unsecured, and settlement occurs in cash. The Company funds Walbrook Asset Finance Limited through block and working capital facilities and is committed to continue to make these facilities available for the foreseeable future.

The Company 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, the Company 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 to BB2 TechCo for the year ending 31 December 2024 was £12,767,838 (2023: £13,093,243). If Nomo does not come to profitability there will be no overall cost to the Company.

BB2 TechCo is a member of the BLME Holdings Limited VAT group registration with HMRC. During the year the Company 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 key management of the Bank are the Executive Directors. The compensation of key management personnel for the year was as follows:

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

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

33.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 Bank, the results of those operations or the state of affairs of the Bank in subsequent financial years.

34. FINANCIAL RISK MANAGEMENT

The Bank 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 Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing these risks, and the management of capital.

The Bank'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 Bank does not engage in supplier finance or reverse factoring.

Risk management framework
The Bank's risk management framework ("RMF") provides the foundation for ensuring that business risk-taking activity is consistent with the Bank's strategy and risk appetite, and that the Bank delivers good service and good outcomes for customers from its products.

The RMF establishes an appropriate balance between risks and reward and ensuring robust controls and management of risk.

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

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

- Manage the Bank in line with the Board's approved Risk Appetite;
- Achieve the Bank's strategic objectives whilst adhering to its Risk Tolerance levels;
- Empower and equip the Bank's staff to make decisions in a risk-aware manner; with roles, responsibilities, and delegated authorities clearly defined; and
- Embed a culture of treating customers fairly and 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 BLME 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 Bank'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 Bank and in line with the Board Risk Appetite, and the overall strategy.

The constituting elements of the RMF are:

- Sharia’a principles;
- BLME 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 BLME Risk Appetite Statement is set by the BLME 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 Bank 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**

  BLME 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.

  <u>Normal</u>

  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 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 Bank'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 Bank 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 BLME are 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.

<u>Appointment of administrators/receivers</u>
When dealing with distressed cases, to ensure that the Bank'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 Bank'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 Bank will be able to identify and respond to the needs of these clients is essential during this process. This is detailed in the Bank'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. BLME 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:

  - BLME 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 Bank.
  - 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 BLME 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.

BLME 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 obligation to Consumer Duty 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.

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

	Fitch	Moody's	BLME (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 Bank systems. Any changes to the rating methodology and applicability of the credit rating tools require ERC approval.

- **BLME 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 automatically 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 bank'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 Sub Policies 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 BLME 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 categorisations**

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 Bank'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 Bank 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 Bank's Credit Risk Management Policy. The Bank 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 Bank manages credit risk by the use of Risk Appetite Statement, Portfolio Limits and Key Risk Indicators ("KRIs") within the Bank'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.

The Board Credit Committee is a sub-committee of Board Risk Committee (BRC) established to review and agree decisions made by the CCRC that are outside of stated risk appetite and/or meet other escalation criteria. A separate Credit Risk Department, accountable to the CCRC, is responsible for oversight of the Bank'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 Bank in the management of credit risk.

Adherence to country and counterparty limits is monitored on an on-going basis by the Bank'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 Bank 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 Bank's exposure to credit risk on balance sheet financial instruments as of 31 December 2024, 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	90,139	76,008
Due from financial institutions		
Wadiah	3,481	-
Wakala	150,223	299,363
Investment securities	73,735	44,927
Financing arrangements	1,151,123	1,010,255
Finance lease receivables	2,705	3,014
Other assets (Foreign exchange forward deals)	447	303
Total credit exposure	**1,471,853**	**1,433,870**

The Bank had no letters of credit or guarantees outstanding as of 31 December 2024 (2023: none).
The Bank has a credit exposure to £27m in undrawn commitments (2023: £88m).

iii. Exposure by country of the financed counterparty

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

	2024	2023
	£000	£000
GCC countries		
Kuwait	4,114	9,500
Qatar	2,705	3,014
Saudi Arabia	64,305	24,881
United Arab Emirates	2,449	2,147
EEA countries		
United Kingdom	1,369,228	1,363,085
Other countries		
Jersey	25,219	24,237
USA	3,833	7,006
Total credit exposure	**1,471,853**	**1,433,870**

iv. Exposure by economic sector

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

	2024	**2023**
	£000	**£000**
Financial services		
GCC financial institutions	51,484	28,394
UK financial institutions	278,799	407,728
Other financial institutions	44,315	30,902
Real estate	633,895	613,584
Transportation and storage	39,738	32,837
Wholesale / Retail	1,653	2,659
Energy	2,705	3,014
Construction	137,521	102,797
Buy to let mortgages	251,742	211,614
Others	30,001	341
Total credit exposure	**1,471,853**	**1,433,870**

v. Credit risk quality

The Bank'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 and, in the case of CCRC under the oversight of BCC. 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 9% (31 December 2023: 6%) was directly rated by at least one of the ECAI, with 91% (31 December 2023: 94%) using internal ratings.

For counterparties not rated by the major ECAI the Bank 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.

At 31 December 2024	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	90,139	-	-	-	-	-	-	90,139
Due from financial institutions	-	-	9,667	144,037	-	-	-	153,704
Due from customers	-	-	-	-	-	-	-	-
Investment securities								
FVOCI								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	12,722	-	-	347	-	-	-	13,069
Amortised Cost								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	31,515	-	4,575	-	24,576	-	-	60,666
Financing arrangements	-	-	707,868	346,317	-	34,907	62,031	1,151,123
Finance lease receivables	-	-	2,705	-	-	-	-	2,705
Other assets (Foreign exchange forward deals)	447	-	-	-	-	-	-	447
Total credit exposure	**134,823**	**-**	**724,815**	**490,701**	**24,576**	**34,907**	**62,031**	**1,471,853**

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	76,008	-	-	-	-	-	-	76,008
Due from financial institutions	-	-	27,492	271,870	-	-	-	299,362
Due from customers	-	-	-	-	-	-	-	-
Investment securities								
FVOCI								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	-	-	-	341	-	-	-	341
Amortised Cost								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	15,774	-	4,575	-	24,237	-	-	44,586
Financing arrangements	-	-	602,831	302,033	10,668	29,830	64,894	1,010,256
Finance lease receivables	-	-	3,014	-	-	-	-	3,014
Other assets (Foreign exchange forward deals)	303	-	-	-	-	-	-	303
Total credit exposure	**92,085**	**-**	**637,912**	**574,244**	**34,905**	**29,830**	**64,894**	**1,433,870**

The Bank'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	2,705	3,014
Past due but not impaired	34,907	29,829	-	-
Impaired exposure	62,031	64,894	-	-
Less: allowance for impairments	(12,554)	(7,646)	-	-
Total	**1,151,123**	**1,010,255**	**2,705**	**3,014**

Past due but not impaired	**£000**	**£000**	**£000**	**£000**
Past due up to 30 days	34,907	17,102	-	-
Past due 30 to 60 days	-	262	-	-
Past due 60 to 90 days	-	173	-	-
Past due over 90 days	-	12,292	-	-
Total	**34,907**	**29,829**	**-**	**-**

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 Bank 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 Bank.

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

Forbearance

BLME assists 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 BLME.

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

<u>Forbearance classification</u>

Forbearance:

- is a concession granted to a counterparty for reasons of financial difficulty that would not be otherwise considered by BLME. 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, BLME, 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 BLME 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 Bank 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 BLME.

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.

Bank 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 Bank
- Non-enforcement of a material covenant breach impacting the obligor's ability to meet BLME financial obligations
- Converting a fully or partially amortising facility to bullet payment at maturity (with no other improvement to terms or benefit to the Bank) 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 Bank commensurate with the value of the security released.

<u>Monitoring</u>

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 Bank'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 BLME'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 three instances (2023: four):

- where the Bank waived material financial covenants or agreed to temporary relaxation of payment terms which were subsequently cured;
- where the Bank agreed to provide temporary facilities beyond the terms upon which the facilities were intended to operate; and/or
- where the Bank 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 £70.0 million, which represents 4.54% of the Bank's total assets (2023: £67.1 million and 4.49%). The Stage 1 and 2 ECLs relating to these forborne exposures is £650k (2023: £330k).

- **Allowance for impairment**

The Bank 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 Banks of homogenous assets that have yet to be identified and assessed individually for impairment. The Bank 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 Bank 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 Bank 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 Bank 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 Bank by taking possession of collateral held as security against financing arrangements and finance leases and held at the year-end are disclosed within Note 21 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	90,139	-	76,008	-
Due from financial institutions	153,704	110,899	299,363	238,997
Investment securities	73,735	-	44,927	-
Financing arrangements	1,151,123	957,499	1,010,255	958,502
Finance lease receivables	2,705	-	3,014	-
Other assets (Foreign exchange forward deals)	447	-	303	-
Total credit exposure	**1,471,853**	**1,068,398**	**1,433,870**	**1,197,499**

As of 31 December 2024, collateral represented 73% (2023: 84%) of the Bank's total credit exposure.

Analysis of 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 Bank 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 Bank'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 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	90,139	*	76,008	*
Due from financial institutions	i	2	153,704	136,711	299,363	256,444
Investment securities	ii, iv	See next table**	73,735	73,735	44,927	44,927
Financing arrangements	iii	3	1,151,123	1,116,209	1,011,255	1,006,991
Finance lease receivables	iii	3	2,705	2,636	3,014	2,470
Other assets (Foreign exchange forward deals)	iv	2	447	447	303	303
Due to financial institutions	iii	3	33,754	34,615	6,967	6,180
Due to customers	iii	3	1,262,682	1,249,872	1,248,979	1,277,804
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. Due from Financial Institutions includes £Nil (2023 £24.5m) of assets representing short term liquidity; the majority of which 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. The remainder of this line item represents intercompany funding to Walbrook Asset Finance Limited and BLME Capital Company.

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	-	29,498	42,220
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	-	-	29,153	29,153
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 fair 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.

Investment securities	**2024 £000**	**2023 £000**
Balance at 1 January	29,153	25,729
Total gains / (losses) recognised in:		
- profit or loss*	345	(3,454)
Purchases	-	7,176
Sales	-	(298)
Balance at 31 December	**29,498**	**29,153**

* This amount includes a £339k credit reversal (2023: £3.434m debit) in the "Impairment of investment in subsidiary" line in the income statement

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	-	-	90,139	90,139
Due from financial institutions	-	-	153,704	153,704
Investment securities:				
Sukuk	-	12,722	31,515	44,237
Equity	-	347	-	347
Investment in subsidiaries	-	-	29,151	29,151
Financing arrangements	-	-	1,151,123	1,151,123
Finance lease receivables	-	-	2,705	2,705
Other assets (foreign exchange forward deals)	447	-	-	447
Total financial assets	**447**	**13,069**	**1,458,337**	**1,471,853**

	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	-	-	33,754	33,754
Due to customers	-	-	1,262,682	1,262,682
Other liabilities (Foreign exchange forward deals)	8	-	-	8
Total financial liabilities	**8**	**-**	**1,296,436**	**1,296,444**

	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	-	-	76,008	76,008
Due from financial institutions	-	-	299,363	299,363
Investment securities:				
Sukuk	-	-	15,774	15,774
Equity	-	341	-	341
Investment in subsidiaries	-	-	28,812	28,812
Financing arrangements	-	-	1,010,255	1,010,255
Finance lease receivables	-	-	3,014	3,014
Other assets (foreign exchange forward deals)	303	-	-	303
Total financial assets	**303**	**341**	**1,433,226**	**1,433,870**

	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	-	-	6,967	6,967
Due to customers	-	-	1,248,979	1,248,979
Other liabilities (Foreign exchange forward deals)	27	-	-	27
Total financial liabilities	**27**	**-**	**1,255,946**	**1,255,973**

b. Liquidity risk

Liquidity risk is the risk that the Bank 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 Bank 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 Bank'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 Bank's Liquidity Risk Management Policy and its annual ILAAP, as required by the PRA. Included in the Recovery Plan is BLME'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 Bank 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

	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	90,139	-	-	-	-	90,139
Due from financial institutions	4,652	431	24,341	150,472	-	179,896
Investment securities and investment in subsidiaries	86	537	1,440	34,976	46,247	83,286
Financing arrangements	117,867	34,132	216,086	752,622	60,591	1,181,298
Finance lease receivables	587	-	583	1,698	-	2,868
Other assets (Foreign exchange forward deals)	447	-	-	-	-	447
	213,778	**35,100**	**242,450**	**939,768**	**106,838**	**1,537,934**

	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	76,008	-	-	-	-	76,008
Due from financial institutions	26,851	6,759	24,716	258,718	15,605	332,649
Investment securities and investment in subsidiaries	-	-	361	16,766	29,123	46,250
Financing arrangements	84,072	54,749	229,829	671,957	4,688	1,045,295
Finance lease receivables	-	-	51	3,429	-	3,480
Other assets (Foreign exchange forward deals)	158	145	-	-	-	303
	187,089	**61,653**	**254,957**	**950,870**	**49,416**	**1,503,985**

The tables above show the contractual, undiscounted cash flows of the Bank's financial assets.

None of the Bank's assets have been pledged as collateral apart from cash collateral deposits of £0.05 million (31 December 2023: £0.13 million) pledged as security against rental payments on the Bank'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 the Bank's assets mitigate 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

	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	2024 Total £000
Due to financial institutions	19,992	10,083	2,145	1,758	-	33,978
Due to customers	204,569	212,562	672,103	225,426	3,299	1,317,959
Other liabilities (Foreign exchange forward deals)	43	275	-	-	-	318
	224,604	**222,920**	**674,248**	**227,184**	**3,299**	**1,352,255**

	Less than 1 month £000	1-3 months £000	3 - 12 months £000	1-5 years £000	5+ years £000	2023 Total £000
Due to financial institutions	5,031	-	865	1,215	-	7,111
Due to customers	165,627	124,601	818,841	247,670	3,044	1,359,783
Other liabilities (Foreign exchange forward deals)	27	-	-	-	-	27
	170,685	**124,601**	**819,706**	**248,885**	**3,044**	**1,366,921**

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 Bank. 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 BLME 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 Bank's liquidity reserves on the balance sheet:

	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	52,167	33,801
Total	**121,654**	**91,782**

As of 31 December 2024, there are no limitations on the use of the liquidity reserves held by the Bank (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 Bank's Market Risk Management Policy, ALCO is responsible for reviewing all classes of market price risk and positions, sanctioning dealing limits and approving BLME's stress testing program in accordance with BLME'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 Bank 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 Bank'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 £30,017 (2023: £5,634). 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	-	3,100	583	-
Decrease in profit & loss	2,907	-	-	543
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 Bank 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	329	(325)

	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Net foreign exchange gain for the year	3	5

iii. Equity price risk

The Bank 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 Bank.

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 Bank'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 Committee 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 has a separate Nomo Risk Committee has helped 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 Bank has calculated to be £5.2 million using the Basic Indicator Approach (2023: £4.1 million) (unaudited).

e. Capital risk

Capital risk is the risk that low risk adjusted returns or stress events reduce the Bank's profitability, which result in a reduction in available capital. On 31 December 2024 and throughout the year the Bank complied with the capital requirements that were in force as set out by the Prudential Regulation Authority ("the PRA") (unaudited).

The components of Common Equity Tier 1, which the Bank manages as its capital, are outlined in the Bank's unaudited regulatory capital return as of 31 December detailed below:

	2024	2023
	£000	£000
Tier 1 Capital - CET1	**(Unaudited)**	**(Unaudited)**
Ordinary Share Capital	48,933	48,933
Share Premium	140,623	140,623
Capital Contribution	3,527	3,527
Fair Value reserve	(347)	(63)
Retained earnings	35,212	29,890
Total Tier 1 capital	**227,948**	**222,910**
Deductions from Tier 1 Capital		
Intangible assets	(2,611)	(1,607)
Others	(79)	(70)
Total Tier 1 capital after deductions	**225,258**	**221,233**
Tier 2 capital	-	-
Total Tier 2 capital	-	-
Total Tier 1 and Tier 2 capital	**225,258**	**221,233**
Deductions from Tier 2 Capital	NIL	NIL
Total regulatory capital	**225,258**	**221,233**

The amounts of regulatory capital shown above differ from the equity balances shown in the Bank'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 Bank 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 Bank'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 Bank'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	82,564	82,375
Market risk - foreign currency PRR	-	-
Counterparty risk capital component	29	12
Operational risk	5,183	4,104
Total Pillar 1 capital requirement	**87,776**	**86,491**
Total regulatory capital in place	**225,258**	**221,233**

The Bank 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 Bank which do not explicitly attract a capital requirement under the Pillar 1 rules. The Bank 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 Bank's ICAAP assessment of its Pillar 2 capital requirement as part of the Individual Capital Guidance (ICG) process. The Bank 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 BLME website www.blme.com.

The Bank 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 Bank 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 Bank'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 Bank 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	0	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**

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
CGs	Commercial Guidelines
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
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

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
NCI	Non-Controlling Interest
NEDs	Non-executive Directors
Nomo	Digital banking business unit of BLME
NPE	Non-Performing Exposure
OCI	Other Comprehensive Income
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
RMF	Risk Management Framework
RRP	Recovery Resolution Plans
RCSA	Risk Control Self-Assessment
SCV	Single Customer View
SE	Structured Entities
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 BLME 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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