

Bank of London and The Middle East plc

Key Rating Drivers

Parent Support Drives Ratings: Bank of London and The Middle East plc's (BLME) Issuer Default Ratings (IDRs) reflect potential support from its parent, Kuwait's Boubyan Bank K.S.C.P. (BBY; A/Stable), as captured by BLME's 'a' Shareholder Support Rating (SSR). BLME's Long- and Short-Term IDRs are equalised with those of BBY, which, in turn, are based on potential support from the Kuwaiti authorities. The SSR underlines BLME's role for the parent as a strategically important subsidiary that provides BBY with access to the highly developed UK market.

Fitch Ratings does not assign a Viability Rating to BLME due to its high reliance on, and close integration with, BBY. BLME's business is driven by, and related to, its parent; its franchise, therefore, cannot be assessed on its own.

Integral to Parent's Strategy: BLME is integral to BBY's strategy to expand wealth management and private banking for GCC clients, complemented by UK real estate finance and the Nomo digital bank. BBY's CEO chairs BLME's board, and the parent is represented in three of the board's nine directors. The equalisation of BLME's ratings with BBY's considers the very high reputational risk of a BLME default for BBY's franchise due to their close ties. BLME accounted for about 7% of BBY's assets at end-2024, meaning that support would be manageable for BBY.

Evolved Business Model: BLME's business model has been reshaped to align with that of BBY, following divestments of businesses after acquisition by the parent. BLME's business in Saudi Arabia, through its subsidiary BLME Capital, has been rapidly growing since it started operations in 1H23, providing further expansion opportunities. BLME's financing growth slowed to 3% in 9M25 (2024: 14%) due to the rundown of the bank's legacy leasing portfolio and repayments. We expect expansion to accelerate in 2026, as interest rates continue to fall.

Conservative Risk Profile: Risks associated with high levels of concentration at BLME are mitigated by appropriate risk-control tools and good-quality, large exposures.

Financing Quality to Recover: Financing to customers was around 75% of assets by end-3Q25. The Stage 3 financing ratio increased to 6.6% at end-3Q25 (end-2024: 5.3%). Stage 2 financing ratio was high at 20% (end-2024: 19%; end-2023: 30%) but due to conservative classification policies. Stage 3 coverage was low at 18% (end-2024: 22%) but is supported by high-quality collateral. We expect the Stage 3 financing ratio to decline below 5% by end-2026 with likely settlements and restructuring, while lower interest rates should support credit performance.

Profitability to Improve: BLME's net income growth was flat in 9M25 due to non-recurring costs, while the cost/income ratio remained high (2024: 80.3%; 2023: 74.5%), reflecting IT development and personnel investments. We expect operating profitability to improve in 2026 on strong fee income growth, higher financing income and lower financing impairment charges.

Strong Capitalisation: BLME has maintained solid core capital buffers, with a common equity Tier 1 capital ratio around 20% at end-3Q25 (end-2024: 20%), well above the regulatory minimum. We expect capital ratios to reduce as the bank expands, and BBY to address any capital needs.

Stable Deposits; High Liquidity: Customer deposits remained the primary funding source at 97.4% of non-equity funding at end-3Q25. The gross financing/customer deposits ratio remained stable at end-3Q25 (end-2024: 92.5%) due to low financing growth. The liquidity coverage and net stable funding ratios remained comfortably above the 100% regulatory minimum at 408% and 123%, respectively, at end-2024.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of BBY's ratings would trigger a downgrade of BLME's SSR and IDRs. BLME's ratings would also be downgraded if the propensity of BBY or the Kuwaiti authorities to support BLME diminished. This would most likely be the result of a reduction in BLME's strategic role for BBY, its integration with BBY or in BBY's ownership. However, this is unlikely.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

BLME's IDRs and SSR could be upgraded if BBY's IDRs were upgraded.

Other Debt and Issuer Ratings

BLME's IDRs (xgs) are aligned with BBY's IDRs (xgs), based on support considerations.

BLME's IDRs (xgs) are primarily sensitive to changes in BBY's IDRs (xgs).

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(GBPm)	(GBPm)	(GBPm)	(GBPm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	49	38.9	35.6	36.0	31.7
Net fees and commissions	0	0.1	0.4	-0.6	-1.8
Other operating income	4	2.9	-2.2	0.7	1.3
Total operating income	53	41.9	33.8	36.1	31.2
Operating costs	39	31.3	27.1	31.7	25.8
Pre-impairment operating profit	13	10.6	6.7	4.4	5.4
Financing and other impairment charges	4	3.2	-0.6	13.4	12.5
Operating profit	9	7.4	7.3	-9.0	-7.1
Other non-operating items (net)	0	0.3	-3.4	0.0	-0.1
Tax	1	0.8	2.5	-2.2	-2.9
Net income	9	6.9	1.4	-6.8	-4.3
Other comprehensive income	0	-0.3	0.0	0.0	-0.2
Fitch comprehensive income	8	6.6	1.4	-6.8	-4.5
Summary balance sheet					
Assets					
Gross financing	1,465	1,167.7	1,022.2	962.5	883.5
- Of which impaired	78	62.0	64.9	79.4	29.8
Financing loss allowances	17	13.9	8.9	14.1	15.4
Net financing	1,447	1,153.8	1,013.3	948.4	868.1
Interbank	193	153.7	299.4	451.7	479.2
Derivatives	1	0.4	0.3	0.6	0.7
Other securities and earning assets	133	105.9	76.4	37.0	61.0
Total earning assets	1,774	1,413.8	1,389.4	1,437.7	1,409.0
Cash and due from banks	113	90.1	76.0	135.3	112.1
Other assets	46	36.5	28.1	39.4	27.8
Total assets	1,933	1,540.4	1,493.5	1,612.4	1,548.9
Liabilities					
Customer deposits	1,584	1,262.7	1,249.0	1,323.9	1,031.9
Interbank and other short-term funding	42	33.8	7.0	51.0	272.6
Other long-term funding	n.a.	n.a.	n.a.	n.a.	n.a.
Trading liabilities and derivatives	0	0.3	0.0	1.1	2.0
Total funding and derivatives	1,627	1,296.8	1,256.0	1,376.0	1,306.5

Other liabilities	16	12.8	13.2	13.5	12.7
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	290	230.8	224.3	222.9	229.7
Total liabilities and equity	1,933	1,540.4	1,493.5	1,612.4	1,548.9
Exchange rate		USD1 = GBP0.797099	USD1 = GBP0.789827	USD1 = GBP0.828638	USD1 = GBP0.74438

Sources: Fitch Ratings, Fitch Solutions, BLME

Key Ratios

(%; annualised as appropriate)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	0.7	0.7	-0.9	-0.8
Net interest income/average earning assets	2.8	2.5	2.5	2.2
Non-interest expense/gross revenue	80.3	74.5	88.1	83.0
Net income/average equity	3.0	0.6	-3.0	-1.9
Asset quality				
Impaired financing ratio	5.3	6.4	8.3	3.4
Growth in gross financing	14.2	6.2	8.9	-17.9
Financing loss allowances/impaired financing	22.4	13.7	17.8	51.7
Financing impairment charges/average gross financing	0.3	-0.1	1.5	1.3
Capitalisation				
Common equity Tier 1 ratio	20.5	20.5	23.0	24.5
Tangible common equity/tangible assets	14.7	14.8	13.6	14.1
Net impaired financing/common equity Tier 1	21.4	25.3	29.3	6.3
Funding and liquidity				
Gross financing/customer deposits	92.5	81.8	72.7	85.6
Liquidity coverage ratio	408.0	391.0	465.0	194.0
Customer deposits/total non-equity funding	97.4	99.4	96.3	79.1
Net stable funding ratio	123.0	137.0	143.0	n.a.

Sources: Fitch Ratings, Fitch Solutions, BLME

Support Assessment

Shareholder Support

Shareholder	Boubyan Bank K.S.C.P.
Shareholder LT Issuer Default	● A/Stable
Total adjustment (notches)	0
Shareholder Support Rating	a
Shareholder ability to support	
Shareholder regulation	● Equalised
Relative size	● 1 notch
Country risks	● Equalised
Shareholder propensity to support	
Role in group	● Equalised
Reputational risk	● Equalised
Integration	● Equalised
Support record	● 1 notch
Subsidiary performance and prospects	● 1 notch
Legal commitments	● 2+ notches

The colours below indicate the influence of each support factor in our assessment.

Influence: Light blue = lower; Dark blue = moderate; Red = higher

Source: Fitch Ratings

We believe BBY would have a strong propensity to support BLME due to BLME's key role for the group, and this has a higher influence on our assessment. BLME helps the parent in building its wealth management and private banking franchise. BLME also offers digital banking services, benefitting from BBY's support, advanced technology and expertise in Kuwait.

BLME's strategic objectives are a continuation of BBY's objectives, and its franchise, business model and risk management are highly correlated with those of the parent. We also believe a default of BLME would have very high reputational risk for BBY's franchise given the close links between the two entities. This constitutes a strong incentive for BBY to support its subsidiary in case of need.

We believe the Kuwaiti authorities would not restrict support from BBY to BLME, as a default of BLME could affect BBY's reputation, and given links between BLME and Kuwait via the state's indirect stake in the bank through government-related entities.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify issuers whose credit profiles have a higher potential exposure to climate-related risks, and to subject those ratings to additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk).

Environmental, Social and Governance Considerations



Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality



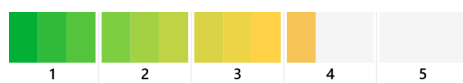
Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	4	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)



ESG Scoring






ESG relevance scores range from '1' to '5' based on a 15-level colour gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.

Credit-Relevant ESG Scale

	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.
	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to 'Moderate' relative importance within the Navigator.
	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to 'Lower' relative importance within the Navigator.
	2	Irrelevant to the entity rating but relevant to the sector.
	1	Irrelevant to the entity rating and irrelevant to the sector.

As an Islamic bank, BLME needs to ensure the compliance of its operations and activities with sharia principles and rules, leading to additional costs, processes, disclosures, regulations, reporting and a sharia audit. This results in an ESG Relevance Score of '4' for Governance Structure, which has a negative impact on the bank's credit profile and is relevant to the ratings in combination with other factors.

In addition, Islamic banks have an ESG Relevance Score of '3' for Exposure to Social Impacts, above the sector guidance of a score of '2' for comparable conventional banks. This reflects certain sharia limitations being embedded in Islamic banks' operations and obligations, although this has only a minimal credit impact on the entities.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1
Long-Term IDR (xgs)	BBB(xgs)
Short-Term IDR (xgs)	F2(xgs)
Shareholder Support Rating	a

Sovereign Risk (United Kingdom)

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

ESG and Climate

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	4

Applicable Criteria

Sukuk Rating Criteria (October 2025)
Bank Rating Criteria (March 2025)

Related Research

EMEA Islamic Banks Outlook 2026 (December 2025)
Middle East Banks Outlook 2026 (December 2025)
Western European Banks Outlook 2026 (December 2025)
Boubyan Bank K.S.C.P. (December 2025)
Fitch Affirms Boubyan Bank at 'A'; Stable Outlook (November 2025)
Fitch Affirms National Bank of Kuwait at 'A+'; Outlook Stable (November 2025)
GCC Banks See Limited Impact as Basel III Implementation Continues (November 2025)
Fitch Affirms Kuwait at 'AA-'; Outlook Stable (September 2025)
GCC Sovereigns: Oil Price Vulnerabilities (May 2025)
Presentation: GCC Macroeconomic Update (May 2025)
Kuwaiti Bank Ratings Unaffected by Domestic Minimum Top-Up Tax (June 2025)
Kuwaiti Banking Sector to Benefit from Public Debt and Mortgage Laws (April 2025)

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