

Registration number: 05897786

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Bank of London & The Middle East

Bank of London and The Middle East plc

Annual Report and Financial Statements

for the Year Ended 31 December 2025



Bank of London and The Middle East plc

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Bank of London and The Middle East plc

Bank information

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Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025

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.

In May 2023, BLME Capital Company, a wholly owned subsidiary incorporated in the Kingdom of Saudi Arabia ("KSA"), received approval from the Capital Market Authority to commence business and was granted a Services Investment License by the Ministry of Investment to manage investments, operate funds, arrange, and advise.

BLME Capital Company is excluded from the Sharia compliance review as the Saudi Capital Market Authority (CMA) does not require a Sharia'a audit or Sharia'a Supervisory Board report for entities operating in Saudi Arabia under its current regulatory framework.

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).

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

Nomo

Nomo is a brand of BLME that aims to provide high net worth, 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 and home financing products, all managed via the Nomo App. Nomo offers savings products in the form of 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 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. Nomo are planning to provide wealth management solutions in the form of a managed portfolio of funds in 2026.

Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025(continued)

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.

Treasury

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

During 2025 Treasury continued to ensure liquidity remained readily available to the asset generating business units whilst at the same time also maintaining sound regulatory ratios. The Bank of England's Alternative Liquidity Facility serves as BLME's primary means of ensuring its stock of HQLA is better positioned to handle intra-day Sterling liquidity requirements. Treasury maintains a broad range of Sharia'a-compliant wholesale market counterparties for liquidity management and market risk hedging purposes, as well as a small US dollar-denominated Sukuk investment portfolio.

STRATEGY AND OBJECTIVES

We are proud of our efforts in delivering steady operating performance. We continue to monitor and manage our costs closely and strive towards creating sustainable value for 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.

Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025(continued)

FINANCIAL RESULTS

The financial statements for the year ended 31 December 2025 are shown on pages 26 to 111. The profit after tax for the year amounted to £1.4m (2024: £7.1m as restated). Below are the highlights of the financial performance for the year and the position as at 31 December 2025.

		(As restated)
Key performance indicators - £ million	2025	2024
Profit before tax	1.6	8.0
Profit after tax	1.4	7.1
Total operating income (excluding credit impairment losses/(gains))	53.9	54.7
Total operating income (excluding credit impairment losses/(gains) and Nomo business unit costs recharged to BB2 TechCo - see Note 32)	39.0	41.9
Total operating expenses	49.5	44.0
Total operating expenses (excluding Nomo business unit costs recharged to BB2 TechCo - see Note 32)	31.1	28.4
Credit impairment losses/(gains)	2.8	2.6
Total assets	1,484.8	1531.6
Total Tier 1 capital (unaudited)	229	228
Key performance indicators - %	2025	2024
Pre-tax return on equity	0.7%	3.6%
Cost income ratio	91.8%	80.4%
Cost income ratio (excluding Nomo business unit costs recharged to BB2 TechCo)	79.7%	67.8%
Non-performing Financing Assets to overall Financial Assets	5.1%	5.3%

Other performance measures

Total operating income (excluding credit impairment losses/(gains)) decreased from £54.7m (as restated) in 2024 to £53.3m in 2025. The Bank reports a profit after tax of £1.4m, compared with £7.1m for 2024 (as restated). The decreased profitability mainly reflects that the share of profit of investments in joint ventures for 2025, amounted to £0.7m compared with £2.9m in 2024 as well as an increase in other operating expenses from £15.3m to £20.2m driven by legal and professional fees. Total balance sheet assets decreased slightly in 2025 to £1,485m from £1,532m in 2024 (as restated) with the Bank maintaining its healthy capital and liquidity positions.

Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025(continued)

SECTION 172(1) STATEMENT

Our Stakeholders

The Bank has a diverse range of stakeholders, and a key priority is to engage positively with them to maintain mutually beneficial relationships and meet our regulatory, legal, and social responsibilities. BLME operates in a fully Sharia'a-compliant manner, avoiding interest-bearing investments and industries such as tobacco, alcohol, and gambling. Engagement with stakeholders informs both strategic and operational decisions taken by the Board.

The Directors confirm that they have acted in good faith to promote the success of the Bank for the benefit of shareholders, while considering the interests of all stakeholders in line with section 172 of the UK Companies Act 2006.

In 2025, we widened our stakeholder engagement through enhanced communications, events and marketing initiatives. The Marketing and Communications team focused on building BLME's reputation with targeted clients and partners through events. We also drove Nomo's profile among brokers and customers alike. Once again we delivered thought leadership pieces for both BLME and Nomo and achieved our highest ever social media engagement. Marketing activities included developing core proposition materials, targeted email campaigns, and hosting Nomo's inaugural broker event in Dubai in partnership with other stakeholders in the region. Nomo also supported property events in London and Dubai, reinforcing relationships with key partners and received a nomination for specialist lender of the year at the Mortgage Introducer Awards.

Shareholders

The Bank's sole shareholder is BLME Holdings Limited ("the Group" or "the Parent Company"). As such, please refer to the Group's 2025 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 principles 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.

Nomo products are designed to complement our target market customers' needs with flexibility and competitive returns. In Property Finance, we have enhanced our product offering by adding portfolio landlords, which has been a significant improvement. Additionally, we have improved our service and customer communication this year by adding WhatsApp as a channel, making it easier to reach our customers. Customer advocacy remains strong, as evidenced by our Net Promoter Score (NPS) reaching 62, placing us firmly in the top decile of UK banks. Moreover, our app store rating is an impressive 4.7, demonstrating our commitment to delivering an excellent customer experience.

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Strategic Report for the year ended 31 December 2025(continued)

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 2025, our Employee Engagement Survey delivered an Employee Engagement Index of 85% (2024:86%), placing BLME among the top tier of peer firms.

We introduced two new benefits for our employees, an alternative medical and dental cash plan insurance benefit and menopause support benefit, to expand our current offering and give more choice.

Throughout the year, we hosted numerous staff events and charitable activities, including fundraising for Maggie's Cancer Care, the Standard Chartered Great City Race, and cultural celebrations such as Eid, Diwali, UK Pride, and Black History Month.

Employee wellbeing remained a priority with monthly back-rub massages, Majlis and Isma'a sessions, Women in Banking lunch-and-learns, and summer ice cream socials.

We continued our Tatawar recognition series, A Year Here and 3 with BLME-which achieved high engagement and showcased BLME as a great place to build a career.

Communities and the Environment

We operate in a socially responsible manner, recognizing our social, civic, economic, and environmental responsibilities. Building a strong Corporate Social Responsibility (CSR) program is central to our commitment to creating positive change for individuals and society.

Employees at all levels are expected to act sustainably while upholding the Group's values and Sharia compliance. We encourage volunteering and fundraising for local communities and charitable causes, and the Bank partners with multiple charities each year.

In 2025, our community initiatives included partnerships with Matchable Volunteering, Santa in the City Run for Little Gate, catering through Fat Macy's and Luminary Bakery, the Standard Chartered Great City Race, Wild Hearts Group, From Babies with Love gifts, Future Frontiers Mentoring, and sponsoring teachers through the Aspiring Heads program. We also supported social enterprises such as Harry Specters, Change Please, and Shetland Soap Company.

As a signatory to HM Treasury's Women in Finance Charter, we submitted our annual update in September. We have achieved 36% (2024: 33%) of women in senior leadership roles, surpassing our set target of 35% by the end of 2025. Women represent 48% (2024: 43%) of our workforce, and we continue to host quarterly Women in Banking events with strong engagement.

Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025(continued)

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. Whereas we believe we are currently served by a satisfactory number of Deposit Aggregators, and importantly with diversified business models, we continue to add new relationships for wholesale funding to expand our efficiency levers across both sides of the balance sheet.

Financial Crime and Anti-Corruption and Anti-Bribery

The Company continues to maintain and develop its robust Financial Crime framework with supporting policies and processes alongside Financial Crime training, ongoing monitoring, and Risk Management. All staff including Board members receive annual training on key Financial Crime areas. The Company's core financial crime policies are, the Fraud Prevention Policy and Anti-Money Laundering and Counter Terrorism Financing policy, Sanctions Policy, Fraud Prevention Policy and the Anti-Bribery and Corruption 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 Group's activities to report their concerns to our whistleblowing champion, the Chairman of the Board Audit Committee or the Head of Compliance.

Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025(continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, through the Board Risk Committee (BRC), has considered the provisions of the Companies Act 2006 relating to financial risk management objectives and policies. As part of this review, the BRC identified a subset of risks as principal risks, which are detailed in Note 34 under financial risk management, with further discussion and mitigation techniques outlined below. These are risks that, individually or collectively, could materially impact the Group's strategy, business model, performance, capital, liquidity, or long-term viability. Classification reflects factors such as likelihood, potential financial and non-financial impact, velocity, and the Bank's ability to mitigate. This assessment is reviewed at least quarterly within the Risk Management Framework and against the Bank's risk appetite. In addition to these principal risks, the Bank monitors a broader range of other risks. While these are not currently considered material to long-term viability, they are actively managed to ensure they remain within appetite and do not escalate into principal risks.

Credit Risk

Credit risk is the potential loss arising from a counterparty failing to meet its contractual obligations. The Bank manages this risk through its Credit Risk Management Policy, internal rating systems, and regular portfolio reviews. Risk appetite statements, portfolio limits, and key risk indicators guide exposure levels, with oversight from the Credit Risk Department and governance by the Board Credit Committee. Exposures are monitored daily, supported by authorisation structures and ongoing assessments to ensure compliance with approved limits and regulatory requirements.

Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet its financial obligations as they fall due. It is managed through adherence to the Liquidity Risk Management Policy and Internal Liquidity Adequacy Assessment Process ("ILAAP"), robust monitoring, and diversified funding sources. The Treasury Division oversees daily liquidity positions under frameworks approved by ALCO and the Board, maintaining sufficient short-term assets and marketable securities. Internal metrics, early warning indicators, and a Contingency Funding Plan support resilience under stress and compliance with PRA requirements.

Market Risk

Market risk is the potential impact on income from changes in market variables, including profit rates, credit spreads, equity prices, and foreign exchange rates. The Bank manages this risk through Board-approved limits, stress testing, and oversight by ALCO in line with its Market Risk Management Policy. The primary exposure is to repricing risk in the banking book, while foreign exchange risk remains low and is monitored daily.

Operational Risk

Operational risk arises from failures in internal processes, systems, people, or external events. It is managed through a governance framework underpinned by the three lines of defence model and overseen by the Executive and Board Risk Committees. Risks are identified and assessed through self-assessments, incident reporting, and monitoring. All staff contribute to operational risk management, with additional oversight for digital banking provided by the Nomo Risk Committee.

Capital Risk

Capital risk refers to the possibility that low risk-adjusted returns or stress events could erode profitability and reduce available capital. The Bank manages this risk by maintaining a strong capital base aligned with its risk appetite and regulatory requirements, ensuring resilience under normal and stressed conditions.

Bank of London and The Middle East plc

Strategic Report for the year ended 31 December 2025(continued)

Climate Risk

Climate-related risk includes physical risks (e.g., floods, extreme weather) and transition risks linked to the shift toward a net-zero economy. The Bank actively monitors these risks, with a focus on flood exposure due to its UK-based asset portfolio. In line with its risk appetite, the Bank does not pursue new business in areas designated as Flood Zone 3 (High Risk) by the UK Environment Agency and is expanding assessments to include subsidence and coastal erosion.

Conduct Risk

Conduct risk is managed through high standards of integrity and compliance across the Bank. The Compliance function supports this through training, procedures, and risk-based monitoring, while Conduct Champions promote awareness and accountability. The Bank's PROUD values are embedded in recruitment, training, and recognition, fostering a culture of good conduct.

ECONOMIC OUTLOOK

Geopolitical tensions continued to be a central external risk for 2025. Trade friction, particularly between major economies, heightened policy uncertainty and generated volatility in commodity prices and financial markets as well as subdued investment from lingering supply chain frictions. Whereas some conflicts and tensions in the Middle East may appear to be reaching an inflection point, 2026 brings new risks of breaking old alliances and shifting world order. There will be a spotlight on NATO's standing in light of the United States' aggressive stance on Greenland.

Tighter global monetary conditions deployed to contain inflation have dampened growth and increased debt-servicing burden while simultaneously subduing labour markets. Pushing through monetary loosening could risk reigniting inflationary pressures when underlying components have not been fully addressed. The environment complicates balance sheet management, pricing strategies and forward looking risk assessments.

Domestically, inflationary and monetary conditions entering 2026 are expected to remain finely balanced. While headline inflation has indeed moderated from recent peaks, services inflation and wage growth continue to pose upside risk. On the fiscal side, there is limited scope for stimulus given the tight budgetary headroom and thus there will be greater emphasis on the banking sector's role in facilitating credit and private sector investment.

FUTURE DEVELOPMENTS

The Bank will prioritise sustainable growth in its core markets, strengthen relationships with GCC clients, and enhance digital capabilities through Nomo. Strategic initiatives include expanding broker engagement, improving operational efficiency, and embedding climate risk considerations into lending decisions. These actions aim to support long-term profitability while ensuring compliance with regulatory requirements and alignment with our risk appetite.

Approved by the board of Directors on 08 April 2026 and signed on its behalf:

Andrew Ball
Chief Executive Officer

Bank of London and The Middle East plc

Directors' Report for the year ended 31 December 2025

The Directors present their annual report and audited financial statements for financial statements the year ended 31 December 2025.

The Bank operated the BLME DIFC branch outside the United Kingdom during the year ended 31 December 2025.

Financial results and dividends

The financial statements for the year ended 31 December 2025 are shown on pages 26 to 32. The Bank's profit after tax for the year amounted to £1.4m (2024: £7.1m). The Directors do not recommend the payment of a dividend for the year ended 31 December 2025 (2024: £Nil). The results for the year are discussed further in the Bank's Strategic report.

Corporate governance

The Board recognises that robust corporate governance is fundamental to achieving the Group's strategic objectives. Accordingly, it has implemented a comprehensive governance framework that defines the procedures, policies, and practices required by law, regulation, and recognised best practice standards. This framework also underpins the Group's approach to risk management by establishing its risk appetite in alignment with strategic priorities. Adherence to risk appetite is monitored through a structured process of risk identification, control evaluation, and performance oversight.

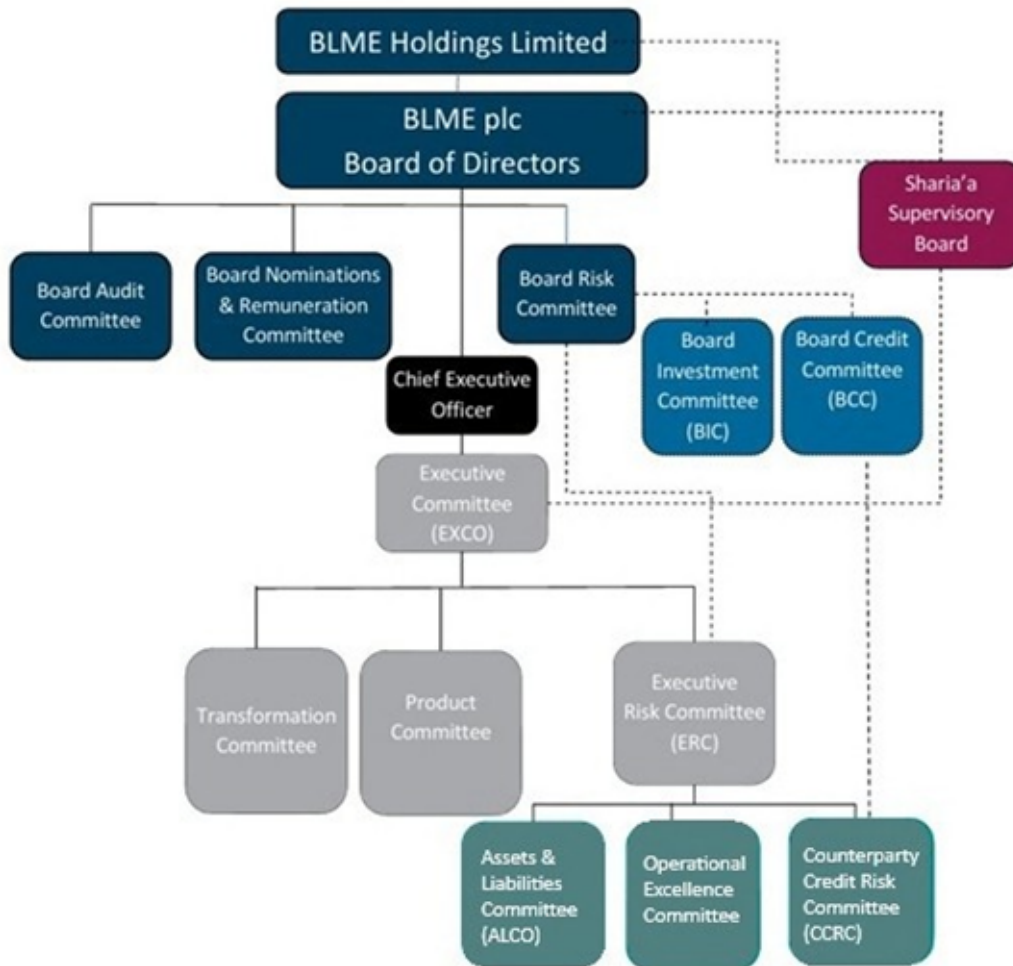
To support effective governance, the Board and Executive Committee structures have been established with clearly defined roles and responsibilities for both individuals and committees. These committees oversee the Group's activities and ensure that internal controls operate as intended. Furthermore, these structures, together with departmental business plans, ensure that adequate financial and human resources are available to deliver the Group's objectives.

The Group has also implemented policies and behavioural standards, which are reinforced through regular training programmes covering key areas such as anti-money laundering and financial crime, the UK Bribery Act, conflicts of interest, and Consumer Duty.

Bank of London and The Middle East plc

Directors' Report for the year ended 31 December 2025(continued)

Governance structure



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

Directors

The following Directors have held office since 1 January 2025:

Adel Abdul Wahab Al- Majed

Abdullah Abdulkareem Al Tuwajri

Andrew Ball

Simon Gibbons

David Williams

Calum Thomson

Joanne Hindle

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Directors' Report for the year ended 31 December 2025(continued)

Bader Abdullah Al Kandari

Abdul-Salam Mohammed Al Saleh

On 1st January 2026 the Board also appointed Alan Devine (Independent Director) and Dr Bader Al Hashel.

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

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.

Political contributions

The Bank made no political contributions during the year (2024: £Nil).

Climate change risk

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



In addition, the Group is assessing the implications of the PRA's climate-related Supervisory Statement SS5/25 issued on 3 December 2025 to ensure continued alignment with evolving regulatory expectations.

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.

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Directors' Report for the year ended 31 December 2025(continued)

- **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 107 to 109.

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 2025 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 2 to 9.

Going concern

The Directors have assessed the Bank's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. This assessment considered the Bank's latest forecasts, liquidity position, capital adequacy and broader macroeconomic and climate-related risks. Liquidity and capital resources remain strong, with regulatory ratios comfortably above minimum requirements. Scenario analysis, including severe but plausible stress cases, confirmed that the Bank can meet its obligations as they fall due. No material uncertainties were identified. Accordingly, the financial statements have been prepared on a going concern basis.

Bank of London and The Middle East plc

Directors' Report for the year ended 31 December 2025(continued)

Subsequent events

Subsequent to the reporting date, the Bank has continued to monitor the rapidly evolving conflict across the Middle East. The Bank has considered these developments as part of its going concern assessment. Despite the heightened uncertainty, the Bank maintained a strong liquidity position throughout the period, with Pillar 2 LCR levels consistently above 220%, supported by a diversified and predominantly fixed-term UK retail deposit base, complemented by GCC retail funding. The Bank's liquidity profile is considered structurally resilient to developments in the region, and further steps have been taken to strengthen liquidity buffers where appropriate.

Considering this event, the Directors are not aware of any further 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.

Auditors

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 08 April 2026 and signed on its behalf by:

Neil Sawbridge
Company Secretary

Bank of London and The Middle East plc

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 (BLME Capital Company was excluded from Sharia'a oversight) 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 2025 to 31 December 2025 and have reviewed BLME's Annual Report and Accounts for the year ended 31 December 2025. 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 2025 to 31 December 2025 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 2025 to 31 December 2025 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 2025 to 31 December 2025 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

Date: 08 April 2026

Bank of London and The Middle East plc

Statement of Directors' Responsibilities

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 5 to 6.

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.

Bank of London and The Middle East plc

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

Report on the audit of the financial statements

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 2025 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 applied in their preparation is applicable law and United Kingdom-adopted International Accounting Standards.

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.

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 £2.1m 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.

Bank of London and The Middle East plc

Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

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:

- assessing inherent risks in the business model by leveraging our knowledge of the Bank, the financial services regulatory environment, and macroeconomic pressures;
- 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 involvement of our prudential regulation specialists, evaluating the Bank's strategic plans in light of the changing macroeconomic and geopolitical 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;
- evaluating the appropriateness of the Bank's going concern disclosures made in the financial statements against the requirements of the applicable financial reporting framework.

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.

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.

Bank of London and The Middle East plc

Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

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 19, the Bank had an outstanding balance of financing arrangements to customers at amortised cost, net of ECL provision, amounting to £1,128m (2024: £1,151m) with a total ECL provision balance on financing arrangement of £7.1m (2024: £13.9m) as at 31 December 2025. The decrease in ECL provision balance is mainly attributable to the write-off of stage 3 ECL amounting to £10.9m which is offset by a net ECL charge of £4.1m during the year. ECL is calculated both for individually significant financing arrangements 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.

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”) for real estate financing arrangements:** The assessment of whether there has been a significant increase in credit risk for real estate financing from the date of origination of the exposure to 31 December 2025. 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 loans:** Management uses third-party valuers or their own judgement to estimate the expected cash flows from collaterals for stage 3 loans 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:** the Bank sources economic forecasts from a third-party economic specialist and considers a set of three probability-weighted scenarios including baseline, upside and downside. The key economic variables were determined to be the Gross domestic product (“GDP”) growth, and the UK Equity Index (FTSE 100 share price index). Due to its inherent nature, 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 (f), 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;

Bank of London and The Middle East plc

Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

- with the involvement of our credit modelling specialists, and for a sample of financing arrangements, we assessed whether the SICR assumption methodology and code script used in the ECL model is 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 2025; and
- performed an independent assessment for a sample of financing arrangements, including watchlisted borrowers, 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:

- with the involvement of our real estate valuation specialists, tested a sample of collateral valuations for individually assessed financing arrangements 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;
- with the involvement of our credit modelling specialists, evaluated whether the macroeconomics methodology and scenarios used in the ECL model are consistent with the macroeconomic assessment approved by the Audit Committee; and
- with the involvement of our economic specialists, reviewed 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 2025.

Key observations

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

Bank of London and The Middle East plc

Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

Our application of materiality

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	£2.1m (2024: £2.3m)
Basis for determining materiality	Approximately 1% (2024: 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.

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 2025 audit (2024: 70%). In determining performance materiality, we considered the Bank's control environment, including entity-level controls, our understanding of the business.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £104,000 (2024: £110,000), 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.

An overview of the scope of our audit

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.

Our consideration of the control environment

We identified the key IT systems relevant to the audit to be those used in the business processes for financial reporting. 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 and ECL. Whilst the Bank continues to improve and implement a more robust system of internal control, we adopted a fully substantive audit approach.

Our consideration of climate-related risks

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Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

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:

- evaluating 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; and
- assessing management's approach to the incorporation and quantification of climate change risks within the ECL model.

As part of our audit procedures, we read the climate related disclosures in the Annual Report to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the 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.

Bank of London and The Middle East plc

Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

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.

Auditor's Responsibilities for the audit of the financial statements

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

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

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

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

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.

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Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

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.

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.

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.

Bank of London and The Middle East plc

Independent Auditor's Report to the Members of Bank of London and The Middle East plc (continued)

Matters on which we are required to report by exception

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.

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.

Other matters which we are required to address

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 two years, covering the years ended 31 December 2024 and 31 December 2025.

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).

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

8 April 2026

Bank of London and The Middle East plc

Income Statement for the year ended 31 December 2025

	Note	2025 £000	(As restated) 2024 £000
Income			
Income from financing and investing activities	5	92,246	96,103
Returns to financial institutions and customers	6	(53,752)	(57,877)
		<u>38,494</u>	<u>38,226</u>
Net margin			
Fee and commission income	5	2,274	2,232
Fee and commission expense	7	(5,321)	(2,135)
		<u>(3,047)</u>	<u>97</u>
Net fee and commission income			
Credit impairment losses	12	(3,938)	(3,236)
Impairment of investment in subsidiary	16	1,185	612
Other operating income	8	17,795	13,440
Share of profit of equity-accounted investees, net of tax	26	658	2,921
		<u>51,147</u>	<u>52,060</u>
Net operating income			
Staff costs	9	(28,090)	(27,850)
Other operating expenses	11	(20,212)	(15,301)
Other depreciation and amortisation	19, 20	(1,242)	(897)
		<u>(49,544)</u>	<u>(44,048)</u>
Total operating expenses			
		<u>1,603</u>	<u>8,012</u>
Profit before tax			
Tax charge	13	(184)	(889)
		<u>1,419</u>	<u>7,123</u>
Profit for the year			

The above results were derived from continuing operations.

The Bank has restated its financial statements for the period ended 1 January 2024. Refer note 2.3 for further details.

Bank of London and The Middle East plc

Statement of Comprehensive Income for the year ended 31 December 2025

	(As restated)	
	2025	2024
	£ 000	£ 000
Income		
Profit for the year	1,419	7,123
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 - net of tax	(43)	(285)
Items that will not be reclassified subsequently to profit or loss:		
Foreign currency translation gains or losses	-	1
Other comprehensive expense for the year	<u>(43)</u>	<u>(284)</u>
Total comprehensive income for the year	<u><u>1,376</u></u>	<u><u>6,839</u></u>

The Bank has restated its financial statements for the period ended 1 January 2024. Refer note 2.3 for further details.

Bank of London and The Middle East plc

(Registration number: 05897786)

Statement of Financial Position as at 31 December 2025

		(As restated)	(As restated)
	Notes	2025 £ 000	2024 £ 000
			1 January 2024 £000
Assets			
Cash and cash equivalents		130,528	90,139
Due from financial institutions	15	26,703	153,704
Investments in securities	16	29,228	44,584
Financing arrangements	17	1,218,128	1,151,123
Finance lease receivables	18	1,424	2,705
Investments in subsidiaries	16	21,574	20,389
Investments in joint ventures	26	28,994	32,157
Property and equipment	19	1,336	2,136
Intangible assets	20	2,661	2,611
Other assets	21	8,793	16,450
Current tax asset		1,015	1,998
Deferred tax asset	13	14,418	13,600
Total assets		<u>1,484,802</u>	<u>1,531,596</u>
Liabilities			
Due to financial institutions	22	49,571	33,754
Due to customers	23	1,197,104	1,262,682
Other liabilities	24	14,059	13,088
Total liabilities		<u>1,260,734</u>	<u>1,309,524</u>
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		(145)	(347)
Retained earnings		31,130	29,336
Total equity attributable to equity holders of the Bank		<u>224,068</u>	<u>222,072</u>
Total liabilities and equity		<u>1,484,802</u>	<u>1,484,501</u>

The Bank has restated its financial statements for the period ended 1 January 2024. Refer note 2.3 for further details. Approved by the board on 8 April 2026 and signed on its behalf by:

Andrew Ball
Chief Executive Officer

Simon Gibbons
Chief Financial Officer

The notes on pages 33 to 111 form an integral part of these financial statements.

Bank of London and The Middle East plc

Statement of Changes in Equity for the year ended 31 December 2025

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2025 (as restated)	48,933	140,623	3,527	(347)	29,336	222,072
Profit for the year	-	-	-	-	1,419	1,419
Other comprehensive income	-	-	-	202	(245)	(43)
Total comprehensive income	-	-	-	202	1,174	1,376
Sale of equity instrument at FVOCI	-	-	-	-	620	620
At 31 December 2025	<u>48,933</u>	<u>140,623</u>	<u>3,527</u>	<u>(145)</u>	<u>31,130</u>	<u>224,068</u>

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 33 to 111 form an integral part of these financial statements.

Bank of London and The Middle East plc

Statement of Changes in Equity for the year ended 31 December 2025(continued)

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2024	48,933	140,623	3,527	(63)	31,248	224,268
Prior period adjustment	-	-	-	-	(9,035)	(9,035)
At 1 January 2024 (As restated)	48,933	140,623	3,527	(63)	22,213	215,233
Profit for the year	-	-	-	-	7,123	7,123
Other comprehensive income	-	-	-	(284)	-	(284)
Total comprehensive income	-	-	-	(284)	7,123	6,839
At 31 December 2024	48,933	140,623	3,527	(347)	29,336	222,072

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 Bank has restated its financial statements for the period ended 1 January 2024. Refer note 2.3 for further details.

The notes on pages 33 to 111 form an integral part of these financial statements.

Bank of London and The Middle East plc

Statement of Cash Flows for the Year Ended 31 December 2025

(As restated)

	Notes	2025 £ 000	2024 £ 000
Cash flows from operating activities			
Profit before tax for the year		1,603	8,012
Adjusted for:			
Exchange differences		(21)	(3)
Share of profit of equity-accounted investees, net of tax	26	(658)	(2,921)
Credit impairment losses	12, 16	3,938	3,236
Impairment of investment in subsidiary		(1,185)	(612)
Depreciation and amortisation		748	343
IFRS 16 - depreciation and additions	25	494	630
Accretion of finance charge on lease liabilities		65	-
Amortisation of investment securities		(195)	365
Net change in fair value of investment in equity and debt instruments at FVOCI		280	-
		<u>5,069</u>	<u>9,050</u>
Net increase/decrease in operating assets/liabilities:			
Due from financial institutions	15	127,437	145,520
Financing arrangements	17	(69,536)	(143,580)
Finance lease receivables	18	1,262	(1,367)
Other assets	21	7,645	(10,275)
Due to financial institutions	22	15,709	26,815
Due to customers	23	(64,011)	13,193
Other liabilities	24	1,403	(649)
		<u>19,909</u>	<u>29,657</u>
Income taxes paid	13	(7)	-
Net cash inflow/(outflow) from operating activities		<u>24,971</u>	<u>38,707</u>
Cash flows from investing activities			
Purchase of property and equipment	19	23	(123)
Purchase of intangible assets	20	(452)	(1,031)
Purchase of investment securities	16	(7,598)	(34,858)
Sale of investment securities	16	19,615	8,006
Sale of interest in assets held for sale	27	-	1,800
Dividends received from joint ventures	26	2,170	2,284
Sale of equity instrument at FVOCI		620	-
Sale of interest in joint venture		1,650	-
Net cash outflow from investing activities		<u>16,028</u>	<u>(23,922)</u>

The notes on pages 33 to 111 form an integral part of these financial statements.

Bank of London and The Middle East plc

Statement of Cash Flows for the Year Ended 31 December 2025 (continued)

		(As restated)	
	Notes	2025 £ 000	2024 £ 000
Cash flows from financing activities			
Payment of principal portion of lease liabilities	14	(512)	(589)
Payment of finance charge on lease liabilities		(65)	-
Net cash outflow from financing activities		<u>(577)</u>	<u>(589)</u>
Net change in cash and cash equivalents		40,422	14,196
Cash and cash equivalents at the beginning of the period		90,139	76,008
Exchange differences in respect of cash and cash equivalents		(33)	(65)
Cash and cash equivalents at the end of the period		<u>130,528</u>	<u>90,139</u>

The Bank has restated its financial statements for the period ended 1 January 2024. Refer note 2.3 for further details.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025

1 Reporting Entity

The Bank is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of the Bank'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 2025.

2 Basis of Preparation

2.1 Basis of preparation

The Bank have prepared their financial statements in accordance with UK adopted international accounting standards that are effective for the year ended 31 December 2025 and the Companies Act 2006. The financial statements have been prepared on a historical cost basis, except for certain financial instruments and investment property that are measured at fair value at each reporting date. These include investment securities measured at fair value through other comprehensive income and foreign exchange forward contracts. Investment property is also measured at fair value at the year-end date.

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 these financial statements the Directors have considered the potential impact of physical and transition risks associated with climate change. Based on the assessment outlined on page 52 and pages 109 to 110 the Directors concluded that these risks do not have a material impact on the recognition or measurement of assets and liabilities as at 31 December 2025. 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.

The financial statements are presented in Sterling which is also the Bank's functional currency. The method of translation applied is described in the relevant accounting policy note.

2.2 Going concern

The Directors have assessed the Bank's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. This assessment considered the Bank's latest forecasts, liquidity position, capital adequacy and broader macroeconomic and climate-related risks.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

As part of this process, the Directors have also evaluated the potential impact of the ongoing Middle East conflict. The Bank's liquidity sources are diversified across both gathering channels and geographies and further steps are being taken to bolster liquidity buffers in the coming weeks. Liquidity and capital resources remain strong, with regulatory ratios comfortably above minimum requirements. Scenario analysis, including severe but plausible stress cases, confirmed that the Bank can meet its obligations as they fall due. No material uncertainties were identified. Accordingly, the financial statements have been prepared on a going concern basis.

2.3 Correction of material error and disaggregation restatement in prior years

A material prior period error, originating before 2024, was identified in the impairment assessment of the investment in AQ1 Limited for the year ended 31 December 2024. This error, which constitutes a prior period error under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, arose from a misapplication of IAS 36 Impairment of Assets. In accordance with IAS 8.42, the financial statements for 1 January 2024 and 31 December 2024 have been retrospectively restated to correct this error, leading to the following impacts on the financial statements:

In the Statement of Financial Position:

'Investment in subsidiaries' balance has decreased by £9.0m as at 1 January 2024; and

'Investment in subsidiaries' balance has decreased by £8.8m as at 31 December 2024.

In the Income Statement, the 'Reversal of impairment of investment in subsidiaries', 'Profit before tax' and 'Profit for the year' balances have increased by £0.3m for the year ended 31 December 2024.

In the Statement of Comprehensive Income, the 'Profit for the year' and 'Total comprehensive income attributable to equity holders of the Company' balances have increased by £0.3m for the year ended 31 December 2024.

The 'Retained earnings' balance **in the Statement of Changes in Equity** as at 1 January 2024 has decreased by £9.0m.

In the Statement of Cash Flows:

'Profit before tax' balance has been increased by £0.28m for the year ended 31 December 2024; and

'Reversal of impairment of investment in subsidiaries' balance has decreased by £0.3m for the year ended 31 December 2024.

Disaggregation in cashflow statement

The prior period cash flow statement has been re-presented to reflect the following disaggregation:

Within the adjustments for non-cash items, the 'Provision for impairment' balance, which was previously presented on a net basis, has been re-presented to separately disclose 'Reversal of impairment of investment in subsidiaries' and 'Credit impairment losses'.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

2.4 Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Bank

a) Standards effective from 1 January 2025

The following new standards, amendments or interpretations are required to be applied for an annual period beginning on 1 January 2025. None had a material impact on the Bank's financial statements.

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of exchangeability

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

b) Standards issued but 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.

- IFRS 18 'Presentation and Disclosure in Financial Statements' effective 1 January 2027
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures' effective 1 January 2027
- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' – Classification and Measurement of Financial Instruments effective 1 January 2026
- Annual Improvements to IFRS Accounting Standards – Volume 11 effective 1 January 2026

IFRS 18 replaces IAS 1 and introduces new requirements for presentation within the statement of profit or loss, including specified subtotals and classification of income and expenses into five categories: operating, investing, financing, income taxes and discontinued operations. It also requires disclosure of management-defined performance measures and enhanced aggregation and disaggregation principles. IFRS 18 will apply retrospectively, and early adoption is permitted.

The Bank will assess the impact of IFRS 18 and related amendments during 2026. Apart from IFRS 18, the other new and amended standards are either not relevant or not expected to have a material impact on the Group's consolidated financial statements.

c) 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

d) 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 over the term of the contract using the effective profit share method. This method calculates the rate that exactly discounts estimated future cash flows through the agreed payment term to the carrying amount of the financial asset or liability. Future cash flows are estimated based on contractual terms, excluding expected credit losses.

ii. Fees and commission

Fees and commission not linked to an effective profit rate basis, such as transaction negotiation and non-discretionary asset management fees, are recognised when the related service is provided and control transfers to the customer. This is typically at the point the activity is completed.

e) Financial Instruments

i) Financial assets

Financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). Classification is determined at initial recognition based on the Group's business model for managing the assets and the contractual cash flow characteristics of the instrument.

Financial assets include cash and cash equivalents, trade and other receivables (excluding prepayments and accrued income), amounts due from financial institutions and customers, and investment securities measured at FVOCI or FVTPL.

To qualify for amortised cost or FVOCI, contractual terms must give rise to cash flows that are solely payments of principal and yield on the remaining principal. This assessment is performed at the instrument level.

The business model assessment reflects whether financial assets are managed to collect contractual cash flows, to sell financial instruments, or a combination of both.

• Financial Instruments measured at amortised cost

Financial assets held to collect contractual cash flows, and that contain contractual terms giving 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. They are initially measured at fair value plus any directly attributable transaction costs. After initial recognition, they are carried at amortised cost, net of impairment losses.

Undrawn finance commitments and letters of credit represent commitments under which, during the commitment period, the Group is required to provide financing on pre-specified terms to the customer. Any premium received is amortised over the life of the facility.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

• Financial assets measured at fair value through other comprehensive income

Financial assets held within a business model aimed at both collecting contractual cash flows and selling, and that have contractual terms resulting in cash flows solely of principal and interest on specified dates, are measured at fair value through other comprehensive income (FVOCI). The Group holds an unlisted equity portfolio accounted for at FVOCI, as these instruments meet the definition of equity under IAS 32 and are not held for trading. Such financial assets may be debt or equity non-derivative instruments. Equity instruments classified under FVOCI are measured at fair value when management makes an irrevocable election. Changes in fair value are recognised in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends on these investments are recognised in profit or loss unless they represent a recovery of investment cost. For debt instruments, fair value changes are recorded in equity, and upon disposal, cumulative gains or losses previously recognised in OCI are reclassified to the income statement.

• Financial instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss include those held for trading, those designated at initial recognition as fair value through profit or loss, and those that must be measured at fair value. Assets are classified as held for trading if they are acquired with the intention of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model. These assets are presented in the statement of financial position at fair value, with all changes in fair value recognised in profit or loss.

• Derivatives

Derivatives are initially and subsequently measured at fair value. Positive fair values are recognised as assets; negative fair values as liabilities. Changes in fair value are recorded in profit or loss.

ii) Business model assessment

The Bank determines its business model at a portfolio level based on how financial assets are managed, evaluated, and reported to key management, considering factors such as risk management, performance measurement, and expected sales activity.

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

Financial assets must have contractual cash flows that are solely payments of principal and yield on the outstanding amount to qualify for measurement at AC or FVOCI.

‘Principal’ is defined as the fair value of the financial asset at initial recognition and may change over time (e.g., through repayments or amortisation of premium/discount). ‘Yield’ typically represents consideration for the time value of money and credit risk in a Sharia-compliant structure.

Contractual terms that introduce exposure to risks or volatility unrelated to a basic financing arrangement (e.g., returns linked to equity prices or commodities) do not meet the SPPY criteria. Such instruments are measured at FVPL.

f) Impairment of financial assets

The Bank applies a forward-looking Expected Credit Loss (ECL) model in accordance with IFRS 9 to financial assets measured at amortised cost and off-balance sheet credit exposures (such as undrawn commitments, letters of credit, and guarantees).

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

i) Measurement

Financial assets are classified into three stages based on credit risk. Stage 1 includes performing assets, for which an allowance is calculated using a 12-month expected credit loss (ECL). Stage 2 applies when there has been a significant increase in credit risk; in this case, the allowance is based on lifetime ECL. Stage 3 covers credit-impaired assets, where lifetime ECL is recognised and the probability of default (PD) is set at 100%.

ii) Write-offs

Financial assets are written off when recovery is not reasonably expected, considering collateral and enforcement prospects. Subsequent recoveries are credited to credit loss expense.

iii) Derecognition of financial assets

Financial assets are derecognised when contractual rights to cash flows expire or when substantially all risks and rewards of ownership are transferred. If risks and rewards are neither fully transferred nor retained but control is lost, derecognition also occurs.

Financial liabilities are derecognised when the obligation is discharged, cancelled, or expires.

iv) Forbearance

Forbearance refers to concessions granted to customers in financial difficulty that modify contractual terms outside standard credit appetite.

If modification results in substantially different terms, the original asset is derecognised and a new asset recognised at fair value.

g) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset when a legally enforceable right exists and settlement is intended on a net basis or simultaneously.

h) Financial liabilities

Financial liabilities arising from funds received from financial institutions and customers are initially recognised at fair value minus directly attributable transaction costs and are subsequently measured at amortised cost using the effective profit rate. Financial liabilities are derecognised when the obligation is discharged, cancelled, or expires.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

i) Fair value measurement

Fair value is measured as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.

- Quoted prices in an active market (e.g., bid/ask) are used where available; otherwise, valuation techniques commonly used by market participants are applied (e.g., recent arm's-length transactions, discounted cash flows, and models using observable inputs).
- Fair value measurements are classified into a hierarchy based on input observability:
- Level 1: quoted prices in active markets;
- Level 2: observable inputs other than quoted prices;
- Level 3: significant unobservable inputs.

For Level 3 instruments, the Group uses techniques reflecting assumptions such as discount rates, credit spreads, and liquidity adjustments, reviewed regularly to reflect current market conditions.

j) Derivatives

Derivatives such as foreign exchange forwards and profit rate swaps are initially recognised and subsequently measured at fair value. Positive fair values are recognised as assets, and negative fair values as liabilities.

Changes in fair value are recognised in profit or loss, unless hedge accounting is applied.

Derivative balances with different counterparties are not offset; offsetting is only applied where a legally enforceable right of set off exists and there is an intention to settle on a net basis.

k. Collateral and netting

The Bank enters into master agreements, such as ISDA or Sharia compliant equivalents, and obtains collateral where appropriate.

• Collateral

Typically, a charge over customer assets, providing recourse for existing and future advances. Collateral does not result in offsetting unless set off conditions are met.

• Netting

Financial assets and liabilities are presented on a net basis only when there is a legally enforceable right to set off and an intention to settle net or simultaneously.

l. 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

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
- Motor vehicles - 1-3 years

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

m. 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.

- Core banking software - 7 years
- Other software development - 3 years
- Computer licences - 1 to 3 years

n. Impairment of non-financial assets

At each reporting date, or when events indicate, property, equipment, right-of-use assets, and intangible assets are assessed for impairment. An impairment loss is recognised when the carrying amount exceeds the recoverable amount, which is the higher of:

- Value in use – discounted future cash flows from continued use and disposal, using a pre-tax market-based discount rate; or
- Fair value less costs to sell.

Impairment losses are recognised in the income statement.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

o. Operating leases

Assets leased under agreements that do not transfer substantially all risks and rewards of ownership are classified as operating leases. These assets are depreciated on a straight-line basis over their useful lives, based on cost less estimated residual value. Lease income is recognised on a straight-line basis unless another method better reflects the pattern of benefits.

Residual values are set at lease inception and reviewed periodically based on market conditions and historical trends. Changes are reflected prospectively in depreciation charges.

p. Finance leases

Assets leased under agreements transferring substantially all risks and rewards of ownership, other than legal title, are classified as finance leases. Minimum lease payments are apportioned between finance income (to achieve a constant rate of return) and reduction of the receivable. Hire purchase arrangements are treated as finance leases.

q. 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
- Motor vehicles 1 to 3 years

Right-of-use assets are subject to impairment. Refer to the accounting policies in this note.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

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.

r. 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.

s. 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

2 Basis of Preparation (continued)

t. 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 Bank 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 2024, 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 Bank 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 Bank also operates in the United Arab Emirates ('UAE'), the Kingdom of Saudi Arabia ('KSA') and the Channel Islands, specifically Jersey. The Bank 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 Bank has not recognised any current or deferred tax liabilities related to Pillar Two top-up income taxes in these 2025 financial statements as it is considered that the impact would be immaterial.

u. 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

3 Critical judgements and key sources of estimation uncertainty

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These judgments and estimates are based on historical experience and other factors, including expectations of future events, and are subject to uncertainty. Actual results may differ from these estimates.

3.1 Key sources of estimation uncertainty

a. Expected credit losses on financial assets

The measurement of expected credit losses (ECL) under IFRS 9 involves complex models and assumptions about future cash flows, collateral values and macroeconomic conditions. These models incorporate interdependent variables such as probability of default, exposure at default and loss given default, which are sensitive to changes in economic scenarios. At the reporting date, a major source of uncertainty is the level of financing arrangements classified as Stage 3, most of which are secured by UK real estate.

A sensitivity assessment was performed around the Stage 2 SICR threshold. The review considered accounts transferred to Stage 2 in 2025 that may not have met SICR criteria, with the impact measured as the difference between lifetime and 12-month ECL, and Stage 1 accounts one notch below the SICR trigger (“likely-to-roll” population), for which lifetime ECL was assessed to estimate potential understatement of impairment. The net impact of £0.1m reflects the combined over- and under-statement of ECL across both scenarios.

3.2 Significant judgements

a. Effective profit rate adjustments

Judgement is applied in determining the effective profit rate for financial instruments under IFRS 9, which requires estimating uncertain future cash flows over the expected life of the instrument.

b. Determination of incremental borrowing rate

The bank uses the market swap rate for the relevant lease term at commencement and adjusts it for an entity-specific credit spread to reflect the cost of borrowing on a secured basis over a similar duration.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

3 Critical judgements and key sources of estimation uncertainty (continued)

c. Deferred taxes

Deferred tax assets are recognised for unused tax losses only when it is probable that future taxable profits will be available against which the losses can be utilised. This assessment requires significant judgement regarding the timing and level of future taxable profits and the implementation of tax planning strategies. Management considers approved budgets, forecasts and other relevant factors when determining the recoverability of deferred tax assets.

As part of this assessment, the Bank performed a sensitivity analysis over a 6-year and 7-year forecast period. A downside sensitivity applying a 10% reduction in profit before tax was modelled and deferred tax assets were over 100% recoverable in both scenarios, with no amount deemed at risk.

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 2025

	Wealth Management £ 000	Commercial Finance £ 000	Treasury Division £ 000	Nomo £ 000	Unallocated items £ 000	Total £ 000
Income from financing and investing activities	33,811	130	56,931	1,375	-	92,247
Returns from financing and investing activities	(256)	-	(55,733)	2,236	-	(53,753)
Net fee and commission income/ (expense)	(2,899)	-	(53)	(94)	-	(3,046)
Net impairment (charge)/ credit	(2,902)	2	153	(7)	-	(2,754)
Share of profit of equity-accounted investees, net of tax	658	-	-	-	-	658
Other operating income	810	-	2,058	14,928	-	17,796
Net operating income	29,222	132	3,356	18,438	-	51,148
Directly attributable segment expenses	(5,450)	-	(1,146)	(18,438)	-	(25,034)

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

4 Segmental information (continued)

	Wealth Management £ 000	Commercial Finance £ 000	Treasury Division £ 000	Nomo £ 000	Unallocated items £ 000	Total £ 000
Net segment contribution	<u>23,772</u>	<u>132</u>	<u>2,210</u>	-	-	26,114
Common costs not directly attributable to segments						(24,510)
Net operating profit before tax						<u>1,604</u>
Reportable segment assets	<u>1,097,288</u>	<u>10,129</u>	<u>181,878</u>	<u>172,463</u>	<u>23,042</u>	<u>1,484,800</u>

For the year ended 31 December 2024

	(As restated) Wealth Management £ 000	Commercial Finance £ 000	Treasury Division £ 000	Nomo £ 000	Unallocated items £ 000	Total £ 000
Income from financing and investing activities	31,075	3,382	61,116	530	-	96,103
Returns from financing and investing activities	525	-	(60,658)	2,256	-	(57,877)
Net fee and commission income/ (expense)	(69)	-	16	150	-	97
Net impairment (charge)/ credit	(6,195)	3,392	185	(5)	-	(2,623)
Share of profit of equity-accounted investees, net of tax	2,921	-	-	-	-	2,921
Other operating income	<u>675</u>	<u>-</u>	<u>1</u>	<u>12,764</u>	<u>-</u>	<u>13,440</u>
Net operating income	<u>28,932</u>	<u>6,774</u>	<u>660</u>	<u>15,695</u>	<u>-</u>	<u>52,061</u>
Directly attributable segment expenses	<u>(5,291)</u>	<u>(138)</u>	<u>(1,268)</u>	<u>(15,695)</u>	<u>-</u>	<u>(22,392)</u>
Net segment contribution	<u>23,641</u>	<u>6,636</u>	<u>(608)</u>	-	-	29,669
Common costs not directly attributable to segments						(21,656)
Net operating profit before tax						<u>8,012</u>
Reportable segment assets	<u>1,123,441</u>	<u>14,924</u>	<u>272,367</u>	<u>77,257</u>	<u>43,608</u>	<u>1,531,597</u>

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.

The Group has restated 2024 comparatives to reflect the restatement outlined in note 2.3.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

4 Segmental information (continued)

Entity wide disclosures

Geographical analysis of net operating income

	31 December 2025 £ 000	31 December 2024 £ 000
United Kingdom	50,490	48,866
Channel Islands	658	3,195
	<u>51,148</u>	<u>52,061</u>

Geographical analysis of non-current assets

	31 December 2025 £ 000	31 December 2024 £ 000
United Kingdom	12,591	20,848
Channel Islands	28,994	32,157
Kingdom of Saudi Arabia	3	4
United Arab Emirates	195	346
	<u>41,783</u>	<u>53,355</u>

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

Deferred tax assets have been removed from the geographical analysis of non-current assets in accordance with IFRS 8. The comparative information for 2024 has been updated accordingly to ensure consistency with the revised presentation.

5 Income

	2025 £ 000	2024 £ 000
5(a) Income from financing and investing activities		
Financing arrangements: Murabaha income*	83,270	86,538
Due from financial institutions: Murabaha income	388	426
Due from financial institutions: Wakala income	2,882	5,768
Due from financial institutions: Alternative Liquidity facility	1,681	2,206
Due from financial institutions: Other income	-	18
Finance lease receivables: Istisna and Ijara income	2,612	359
Investment securities: Sukuk income	1,413	788
	<u>92,246</u>	<u>96,103</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

5 Income (continued)

*Included in this balance is £3.6m (2024: £2.7m) related to the Nomo digital banking business unit and £2.3m related to Ijara fund income.

	2025 £ 000	2024 £ 000
5(b) Fee and commission income		
Management fees	309	308
Card fee income	1,794	1,869
Other	171	55
	<u>2,274</u>	<u>2,232</u>

6 Returns to financial institutions and customers

	2025 £ 000	2024 £ 000
Customer deposits	50,437	55,180
Murabaha	141	48
Cost of funding*	(91)	(27)
Wakala	3,265	2,676
	<u>53,752</u>	<u>57,877</u>

* 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

	2025 £ 000	2024 £ 000
Agent fees	3,153	376
Card fees	2,078	1,737
Mortgage broker fees	90	22
	<u>5,321</u>	<u>2,135</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

8 Other operating income

	2025	2024
	£ 000	£ 000
Net gain on foreign exchange transactions	-	1
Dividends from subsidiaries	810	675
Recharges from a fellow subsidiary*	14,928	12,764
Income from related party**	2,030	-
Other Income	27	-
	<u>17,795</u>	<u>13,440</u>

*This amount relates to recharges to BB2 Digital and Technology Services Limited in relation to the Nomo digital banking business unit as described in Note 32.

**This amount relates to recharges to BB2 Digital and Technology Services Limited as described in Note 32.

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2025	2024
	£ 000	£ 000
Wages and salaries	22,257	21,695
Social security costs	2,256	2,266
Pension costs, defined benefit scheme	2,024	2,178
Other employee expense	1,553	1,711
	<u>28,090</u>	<u>27,850</u>

Included within personnel expenses above is £10.9m (2024: £8.9m) 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 £14.9m (2024: £12.8m) 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:

	2025	2024
	Number	Number
As at 31 December	152	198
Monthly average number of employees for the period - management	5	8
Monthly average number of employees for the period - non-management	165	208

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

10. Directors' emoluments

	2025	2024
	£ 000	£ 000
Directors' emoluments	2,362	2,045
Pension contributions	110	104
	<u>2,472</u>	<u>2,149</u>

The aggregate emoluments of the highest paid Director was £1.0m (2024: £0.9m), and pension contributions of £0.06m (2024: £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 £nil (2024: £0.2m) was expensed in relation to an Executive Director who resigned during that year.

11 Other operating expenses

	2025	2024
	£ 000	£ 000
Advertising and market development	1,237	2,038
Board and SSB related expenses	653	680
Communications and IT costs	3,578	3,209
Consultancy	1,866	2,144
Legal and professional fees	8,929	4,421
Other operating charges	2,918	1,903
Rent and other occupancy costs	1,031	906
	<u>20,212</u>	<u>15,301</u>

Included within other operating expenses above is £7.5m (2024: £6.8m) 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 £14.9m (2024: £12.8m) total cost recharge disclosed in Note 8 Other Operating Income and Note 32 Related Parties.

The increase in legal and professional fees primarily reflects higher levels of advisory, project-related and one-off support costs incurred during the year.

Included within legal and professional fees are fees paid to the Bank's auditors categorised as follows:

	2025	2024
	£ 000	£ 000
Auditor's remuneration		
Audit of financial statements		
- Current auditors	1,026	760
- Previous auditors	-	8
Other assurance services		
- Current auditors	44	40
	<u>1,070</u>	<u>808</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

11 Other operating expenses (continued)

Included as part of the current year auditor remuneration is £0.2m (2024: nil) in relation to overruns from the 2024 audit.

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

	Stage 1 Collective £ 000	Stage 2 Collective £ 000	Stage 3 Specific £ 000	Total £ 000
As at 31 December 2025				
Financing arrangements	998	1,230	4,851	7,079
Finance lease receivables	1	-	-	1
Due from financial institutions	32	-	-	32
Investment securities	22	-	-	22
Total Impairment	<u>1,053</u>	<u>1,230</u>	<u>4,851</u>	<u>7,134</u>

Statement of Financial Position

	Stage 1 Collective £ 000	Stage 2 Collective £ 000	Stage 3 Specific £ 000	Total £ 000
As at 31 December 2024				
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	<u>742</u>	<u>797</u>	<u>12,554</u>	<u>14,093</u>

Within Stage 1 and Stage 2 for financing arrangements there is an ECL balance of £0.1m relating to undrawn commitments (2024: £0.04m).

Forborne exposures that have not been specifically provided for within Stage 3 equate to £nil (2024: £nil). The Stage 1 and Stage 2 ECLs relating to these three forborne exposures is £0.5m (2024: £0.7m relating to four forborne exposures).

The gross exposure value for these forborne exposures which are all classified within Financing Arrangements is £56.8m supported by collateral held of £56.1m (2024: gross exposure value of £70.0m and collateral held of £70.8m).

Refer to pages 102 to 104 for further details on how the Bank monitors its forborne exposure.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

12 Impairments of financial assets (continued)

Income Statement

	2025	2024
	£ 000	£ 000
New and increased provisions (net of releases)	4,176	6,003
Amounts written off during the year (net of write backs)	(238)	(3,257)
Modification loss on financing arrangement	-	490
Total impairment loss/(gain)	<u>3,938</u>	<u>3,236</u>

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 2025	742	797	12,554	14,093
Changes due to financial assets recognised in the opening balances that have				
Transferred to Stage 1	21	(21)	-	-
Transferred to Stage 2	(126)	468	(342)	-
Transferred to Stage 3	(9)	-	9	-
Increase in originations	738	468	3,924	5,130
Repayments	(313)	(482)	(159)	(954)
Write-offs from specific provisions	-	-	(11,135)	(11,135)
Foreign currency translation adjustments	-	-	-	-
As at 31 December 2025	<u>1,053</u>	<u>1,230</u>	<u>4,851</u>	<u>7,134</u>
Carrying amount as at 1 January 2024	898	749	7,647	9,294
Changes due to financial assets recognised in the opening balances 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	<u>742</u>	<u>797</u>	<u>12,554</u>	<u>14,093</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

12 Impairments of financial assets (continued)

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 2025 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 2025	1,194,794	226,768	62,031	1,483,593
Changes due to financial assets recognised in the opening balances that have				
Transferred to Stage 1	43,429	(43,429)	-	-
Transferred to Stage 2	(174,731)	190,826	(16,095)	-
Transferred to Stage 3	(32,022)	(2,754)	34,776	-
Increase in originations	388,688	25,006	654	414,348
Repayments	(328,210)	(66,133)	(5,424)	(399,767)
Write-offs from specific provisions	-	-	(13,774)	(13,774)
Foreign currency translation adjustments	-	-	-	-
As at 31 December 2025	<u>1,091,948</u>	<u>330,284</u>	<u>62,168</u>	<u>1,484,400</u>
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 balances 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 provisions (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	<u>1,194,794</u>	<u>226,768</u>	<u>62,031</u>	<u>1,483,593</u>

Contractual amounts outstanding on financial assets of £9.0m that were written off during the reporting period are still subject to enforcement activity (2024: £1.5m).

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

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

12 Impairments of financial assets (continued)

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
GDP%, yearly ¹	3.55%	1.05%		-2.25%
Equity%, yearly ²	13.30%	4.87%		-14.06%
Unemployment rate ³	4.67%	5.12%		6.26%
HPI%, yearly ³	10.14%	1.68%		-4.84%
Treasury10Yr ³	4.73%	4.52%		3.51%

¹ Denotes core macroeconomic variables for all segments

² Denotes the macroeconomic variables for all segments except for Private Banking and Nomo

³ Denotes the macroeconomic variables for Private Banking and Nomo

A sensitivity analysis was conducted as of 31 December 2025 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: £2.3m

100% base line: £2.0m

100% downside: £3.7m

100% upside: £1.3m

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

12 Impairments of financial assets (continued)

Exposure by credit rating

Exposure by credit rating	Cash		Due from financial institutions		Due from customers		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	£000	£000	£000	£000	
	Stage 1	Stage 1	Stage 2	Stage 1	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	£000	£000	
AAA	-	-	-	-	-	-	-	-	-	-	-	-	15,082	-	-	-	-	-	-	15,082
AA+	-	721	-	-	-	-	-	-	-	-	-	-	14,168	-	-	-	-	-	-	14,889
AA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
AA-	51,088	-	-	-	-	-	-	-	-	-	-	-	-	-	68	-	-	-	-	51,156
A+	77,532	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77,532
A	634	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	634
BBB-	1,262	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	1,312
aa	-	-	-	-	-	-	-	1,308	-	-	-	-	-	-	-	-	-	-	-	1,308
aa-	-	-	-	-	-	-	-	605	-	-	-	-	-	-	-	-	-	-	-	605
a+	-	-	-	-	1,486	-	-	13,927	-	-	-	-	-	-	-	-	-	5,338	-	20,751
a	-	22,010	-	-	-	-	-	11,953	-	-	-	-	-	-	-	-	-	14,312	-	48,275
a-	-	-	-	-	-	-	-	122,301	-	-	-	-	-	-	-	-	-	14,992	-	137,294
bbb+	-	-	-	-	-	-	-	182,775	-	-	-	-	-	-	-	-	-	2,923	-	185,698
bbb	-	-	-	-	-	-	-	79,875	692	-	-	-	-	-	-	-	-	242	-	80,810
bbb-	-	-	-	-	-	-	-	163,861	49,086	-	-	-	-	-	-	-	-	-	-	212,947
bb+	-	-	-	-	-	-	-	138,382	9,935	-	-	-	-	-	-	-	-	3,999	-	152,315
bb	-	-	-	-	-	-	-	32,394	78,255	-	-	-	-	-	-	-	-	-	7,396	118,046
bb-	-	-	-	-	-	-	-	48,100	112,737	-	-	-	-	-	-	-	-	21,888	-	182,726
b+	-	4,000	-	-	-	-	-	667	-	-	-	-	-	-	-	-	-	-	-	4,667
b	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
b-	-	-	-	-	-	-	-	-	64,746	-	-	-	-	-	-	-	-	-	-	64,746
ccc+	-	-	-	-	-	-	-	51,440	-	-	-	-	-	-	-	-	-	-	-	51,440
ccc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
ccc-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
d	-	-	-	-	-	-	-	-	-	62,168	-	-	-	-	-	-	-	-	-	62,168
At 31 December 2025	130,516	26,731	0	0	1,486	0	0	847,589	315,451	62,168	29,250	0	118	0	0	63,694	7,396			1,484,400

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

12 Impairments of financial assets (continued)

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	
	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	£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
ccct	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

13 Taxation

	2025 £ 000	2024 £ 000
UK Corporation Tax		
- current tax for the year	1,001	435
- prior year current tax adjustment	-	224
	<u>1,001</u>	<u>659</u>
Deferred taxation		
Deferred tax for the year	(582)	1,171
Prior year adjustment to deferred tax	(235)	(941)
Tax charge in income statement	<u>184</u>	<u>889</u>

The tax charge for the year is lower (2024: lower) than the standard rate of corporation tax which is explained as follows:

	(As restated)	
	2025 £ 000	2024 £ 000
Reconciliation of effective tax rate		
(Loss) / Profit before tax	1,603	8,012
(Loss) / Profit for the year multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	401	1,935
Tax exempt income	(367)	(899)
Expenses not deductible for tax purposes	44	230
Movements on unrecognised deferred tax	(81)	(95)
Tax on controlled foreign companies	422	435
Prior year adjustment - current tax	-	224
Prior year adjustment - deferred tax	(235)	(941)
Tax (credit) / charge in income statement	<u>184</u>	<u>889</u>

The main rate of corporate tax for the year ended 31 December 2025 is 25% (2024: 25%).

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

13 Taxation (continued)

Tax recognised in other comprehensive income

	2025 £ 000	2024 £ 000
Fair value reserve:		
- current tax	-	-
- deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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 2025 on accelerated depreciation of £9.2m (net) (2024: £9.1m), tax losses carried forward of £3.8m (2024: £3.2m) and other temporary differences of £1.4m (net) (2024: £1.3m).

Movements in deferred tax balances (net)

	Balance at 1 January £ 000	Recognised in profit or loss £ 000	Recognised in OCI/Equity £ 000	Balance at 31 December £ 000
2025				
Accelerated depreciation	9,101	123	-	9,224
Tax losses carried forward	3,162	676	-	3,838
Other temporary differences	1,337	18	-	1,355
Deferred tax assets	<u>13,600</u>	<u>817</u>	<u>-</u>	<u>14,417</u>
	Balance at 1 January £ 000	Recognised in profit or loss £ 000	Recognised in OCI/Equity £ 000	Balance at 31 December £ 000
2024				
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	<u>13,830</u>	<u>(230)</u>	<u>-</u>	<u>13,600</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

14 Changes in liabilities from financing activities

	1 January 2025 £ 000	Cashflows £ 000	FX Movement £ 000	Additions to Right of Use assets £ 000	Termination of leases £ 000	Other £ 000	31 December 2025 £ 000
Lease liabilities	1,497	(577)	(19)	82	-	65	1,048

	1 January 2024 £	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

15 Due from financial institutions

Due from Institutions

	0 - 3 months £ 000	4 - 12 months £ 000	1 - 5 years £ 000	Over 5 years £ 000	2025 £ 000
Wadiah	721	-	-	-	721
Wakala	4,172	6,301	-	-	10,473
Murabaha	15,537	-	-	-	15,537
	<u>20,430</u>	<u>6,301</u>	<u>-</u>	<u>-</u>	<u>26,731</u>
Provision for impairment					<u>(28)</u>
					<u>26,703</u>
IFRS 9 Stage 1 and 2 ECL					<u>(28)</u>
					<u>28</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

15 Due from financial institutions (continued)

Due from Institutions

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

16 Investment Securities and Investment in Subsidiaries

Investment securities

	Listed £ 000	Unlisted £ 000	2025 Total £ 000
Fair value through other comprehensive income			
Amortised cost			
Sukuk	29,250	-	29,250
	<u>29,250</u>	<u>-</u>	<u>29,250</u>
IFRS 9 Stage 1 and 2 ECL			(22)
			<u>29,228</u>

*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 (2024: £Nil) from this equity investment.

See pages 107 and 108 in Note 34 for further detail on fair value measurements of investment securities.

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

16 Investment Securities and Investment in Subsidiaries (continued)

Investment securities

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

Investment in subsidiaries

	2025 £ 000	(As restated) 2024 £ 000	(As restated) 1 January 2024 £ 000
AQI Limited	27,671	27,671	27,671
BLME Capital Company	4,575	4,575	4,575
Total cost of investment in subsidiaries	32,246	32,246	32,246
Provision for impairment related to AQI Limited	(10,672)	(11,857)	(12,469)
Net investment in subsidiaries	<u>21,574</u>	<u>20,389</u>	<u>19,777</u>

A prior period error was identified in the impairment assessment of the investment in AQI Limited for the year ended 31 December 2024 and 31 December 2023. The Bank has retrospectively restated to correct this error.

17 Financing arrangements

These tables represent contractual maturities.

	Less than 1 year £ 000	1 - 5 years £ 000	Over 5 years £ 000	2025 Total £ 000
Murabaha	354,107	674,712	144,960	1,173,779
Ijara fund	-	51,428	-	51,428
	<u>354,107</u>	<u>726,140</u>	<u>144,960</u>	<u>1,225,207</u>
Provision for impairment				<u>(7,079)</u>
				<u>1,218,128</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

17 Financing arrangements (continued)

IFRS 9 Stage 1 and 2 ECL	(2,228)
IFRS 9 Stage 3 ECL	(4,851)
	<u>(7,079)</u>

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

18 Finance lease receivables

	2025 £ 000	2024 £ 000
Gross investment in finance lease receivables		
Within one year	1,058	1,170
One to five years	482	1,698
Over five years	-	-
	<u>1,540</u>	<u>2,868</u>
Unearned future income on finance leases	(115)	(162)
IFRS 9 Stage 1 & 2 ECL	(1)	(1)
IFRS 9 Stage 3 ECL	-	-
Net investment in finance leases	<u>1,424</u>	<u>2,705</u>
The net investment in finance leases comprises:		
Within one year	966	1,076
One to five years	458	1,629
Over five years	-	-
Net investment in finance leases	<u>1,424</u>	<u>2,705</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

18 Finance lease receivables (continued)

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.

On 30 December 2025, Walbrook Asset Finance (a sister company) entered into a sale and purchase agreement to transfer its entire lease portfolio to Investec Asset Finance. As part of the transaction, BLME plc provided a number of guarantees to Investec in respect of certain lease agreements within the portfolio. These include:

- Credit Support Guarantees covering credit risk exposures on 11 customers; and
- Residual Value Guarantees relating to 9 lessees.

These guarantees give rise to derivative financial assets in accordance with IFRS 9. The residual value guarantee has been measured using a probability-weighted assessment of expected disposal proceeds compared with the guaranteed amounts. As at the reporting date, a derivative asset of £0.2m has been recognised and is included within Other assets.

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

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

19 Property, plant and equipment

	Land and buildings £ 000	Computer Equipment £ 000	Office Equipment £ 000	Fixtures & Fittings £ 000	Total £ 000
Cost					
At 1 January 2025	2,504	610	20	862	3,996
Additions	82	94	-	(117)	59
Disposals	(1,000)	-	-	-	(1,000)
FX differences	(47)	-	-	-	(47)
	<u>1,539</u>	<u>704</u>	<u>20</u>	<u>745</u>	<u>3,008</u>
At 31 December 2025	<u>1,539</u>	<u>704</u>	<u>20</u>	<u>745</u>	<u>3,008</u>
At 31 December 2024	<u>2,504</u>	<u>610</u>	<u>20</u>	<u>862</u>	<u>3,996</u>
Depreciation					
At 1 January 2025	1,205	291	18	346	1,860
Charge for the year	495	182	1	162	840
Disposals	(1,000)	-	-	-	(1,000)
Foreign exchange movements	(28)	-	-	-	(28)
	<u>672</u>	<u>473</u>	<u>19</u>	<u>508</u>	<u>1,672</u>
At 31 December 2025	<u>672</u>	<u>473</u>	<u>19</u>	<u>508</u>	<u>1,672</u>
At 31 December 2024	<u>1,205</u>	<u>291</u>	<u>18</u>	<u>346</u>	<u>1,860</u>
Net book value					
At 31 December 2025	<u><u>867</u></u>	<u><u>231</u></u>	<u><u>1</u></u>	<u><u>237</u></u>	<u><u>1,336</u></u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

19 Property, plant and equipment (continued)

	Land and buildings £ 000	Computer Equipment £ 000	Office Equipment £ 000	Fixtures & Fittings £ 000	Total £ 000
At 31 December 2024	<u>1,299</u>	<u>319</u>	<u>2</u>	<u>516</u>	<u>2,136</u>

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 at 31 December 2025 and in the prior year.

During the year, the Bank identified an error in the presentation of prior year PPE whereby the land and buildings cost and accumulated depreciation were overstated by £0.4m. The comparative amounts have been adjusted to reduce both cost and accumulated depreciation by £0.4m. There is no impact on the net book value of PPE.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

20 Intangible assets

	2025 £ 000	2024 £ 000
Cost		
Opening balance	2,638	4,216
Additions	452	1,032
Disposals	-	(2,610)
	<u>3,090</u>	<u>2,638</u>
Amortisation and impairment losses		
Opening balance	27	2,609
Additions	402	28
Disposals	-	(2,610)
	<u>429</u>	<u>27</u>
Net book value	<u><u>2,661</u></u>	<u><u>2,611</u></u>

The above note does not include any internally generated intangible assets.

21 Other assets

	2025 £ 000	2024 £ 000
Amounts due from fellow subsidiary of BLME Holdings Limited	24	1,303
Collateral deposits*	128	51
Prepayments	1,161	1,255
VAT recoverable	802	9,736
Foreign exchange forward contracts**	-	447
Other receivables and assets	5,232	3,658
Amounts due from fellow subsidiary of majority shareholder	1,446	-
	<u>8,793</u>	<u>16,450</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

21 Other assets (continued)

* Includes cash collateral deposits of £0.1m (2024: £0.1m) pledged as security against rental payments on office premises, and £nil (2024: £nil) 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 £28.4m (2024: £20.2m). Further disclosure on the Bank's foreign exchange forward deals is covered in Note 34.

22 Due to financial institutions

	2025 £ 000	2024 £ 000
Reverse Murabaha	7,445	-
Wakala	42,126	33,754
	<u>49,571</u>	<u>33,754</u>

23 Due to customers

	2025 £ 000	2024 £ 000
Customer deposits	1,183,875	1,259,020
Security deposits	13,229	3,662
	<u>1,197,104</u>	<u>1,262,682</u>

24 Other liabilities

	2025 £ 000	2024 £ 000
Trade payables	2,692	65
Social security and income tax	10	508
Accruals	8,758	6,887
Lease liability*	1,049	1,497
Amounts due to fellow subsidiary of majority shareholder	-	1,763
Other creditors**	1,550	2,368
	<u>14,059</u>	<u>13,088</u>

*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 £0.2m (2024: £0.3m) with a notional contract amount of £34.5m (2024: £5.4m). Further disclosure on the Bank's foreign exchange forward deals is covered in Note 34.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

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 recognised and the movements during the year:

	Buildings £ 000
At 1 January 2025	1,299
Additions	82
Depreciation expense	(494)
Foreign currency translation adjustments	(20)
At 31 December 2025	<u>867</u>

	Buildings £ 000
At 1 January 2024	1,518
Additions	330
Depreciation expense	(554)
Foreign currency translation adjustments	5
At 31 December 2024	<u>1,299</u>

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

	Buildings £ 000
At 1 January 2025	1,497
Additions	82
Accretion of finance charges	65
Payments	(577)
Foreign currency translation adjustments	(19)
At 31 December 2025	<u>1,048</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

25 Leases (continued)

	Buildings £ 000
At 1 January 2024	1,674
Additions	330
Accretion of finance charges	76
Payments	(589)
Foreign currency translation adjustments	6
At 31 December 2024	<u>1,497</u>

The maturity analysis of lease liabilities is as follows:

	Less than 1 month £ 000	1-3 months £ 000	3-12 months £ 000	1-5 years £ 000	5+ years £ 000	Total £ 000
At 31 December 2025						
Future lease payments (undiscounted)	84	84	362	587	-	1,117
Total future finance charges						(69)
Lease liability						<u>1,048</u>
31 December 2024						
Future lease payments (undiscounted)	77	158	410	982	-	1,627
Total future finance charges						(130)
Lease liability						<u>1,497</u>

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:

	2025 £ 000	2024 £ 000
Depreciation expense of right-of-use assets	494	554
Finance charge on lease liabilities	65	76
	<u>559</u>	<u>630</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

25 Leases (continued)

The amounts recognised in the Income Statement in respect of short-term leases and unrecognised leases of low-value assets was £0.1m (2024: £nil).

Depreciation expense of right-of-use assets is disclosed in Note 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 (2024: £0.6m). The Bank had non-cash additions to right-of-use assets and lease liabilities of £0.1m and £0.1m respectively in the year (2024: £0.3m and £0.3m).

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)).

There are no 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.

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 2025			
Waterfront Holdings Limited	10.13%	50%	50%
Longbarn Holdings Limited	47.76%	50%	50%
Q12 Holdings Limited	57.73%	50%	50%

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

26 Investment in Joint ventures (continued)

	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%

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.

In 2025, the Bank sold £1.7m of shares in Q12, reducing their shareholding from 65.98% to 57.73%.

Summary of balance sheet investments in joint ventures

	2025 £ 000	2024 £ 000
Waterfront Holdings Limited	175	428
Longbarn Holdings Limited	16,963	17,506
Q12 Holdings Limited	11,857	14,223
	<u>28,995</u>	<u>32,157</u>

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 following tables illustrates the summarised financial information of the Bank's joint venture investments in Waterfront, Longbarn and Q12:

	Waterfront £ 000	Longbarn £ 000	Q12 £ 000	Total £ 000
Statement of Financial Position - 2025				
Cash and cash equivalents	292	1,199	1,742	3,233
Other assets	323	16	1,719	2,058
Investment properties	16,170	35,100	17,580	68,850
Total assets	<u>16,785</u>	<u>36,315</u>	<u>21,041</u>	<u>74,141</u>
Other liabilities	1,225	799	503	2,527
Due to financial institutions	13,837	-	-	13,837
Total liabilities	<u>15,062</u>	<u>799</u>	<u>503</u>	<u>16,364</u>
Net Assets	<u>1,723</u>	<u>35,516</u>	<u>20,538</u>	<u>57,777</u>
Equity accounting share in the Net Assets	<u>175</u>	<u>16,963</u>	<u>11,857</u>	<u>28,995</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

26 Investment in Joint ventures (continued)

	Waterfront	Longbarn	Q12	Total
Statement of Financial Position - 2024	£ 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

	Waterfront	Longbarn	Q12	Total
Income Statement - 2025	£ 000	£ 000	£ 000	£ 000
Revenue	2,117	2,683	1,699	6,499
Unrealised profit/ (loss) on revaluation of investment	(2,619)	(900)	(900)	(4,419)
Management and advisory fees	(192)	(192)	(221)	(605)
Murabaha profit expense	(1,443)	-	-	(1,443)
Other expenses	(350)	(62)	(31)	(443)
Profit / (loss) before tax	(2,487)	1,529	547	(411)
Income tax expense	(13)	-	(166)	(179)
Profit/ (loss) for the year	(2,500)	1,529	381	(590)

	Waterfront	Longbarn	Q12	Total
Income Statement - 2024	£ 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)	(315)
Murabaha profit expense	(392)	-	-	(392)
Other expenses	(1,085)	(112)	(187)	(1,384)
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

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

26 Investment in Joint ventures (continued)

	Waterfront £ 000	Longbarn £ 000	Q12 £ 000	Total £ 000
Movements in carrying amounts - 2025				
Opening balance	428	17,506	14,223	32,157
Share of profit/ (loss) of equity-accounted investees, net of tax	(253)	730	265	742
Dividends received	-	(1,273)	(898)	(2,171)
Disposal of shares	-	-	(1,650)	(1,650)
Impact of change of shareholding	-	-	(84)	(84)
Closing net book amount	175	16,963	11,856	28,994
	Waterfront £ 000	Longbarn £ 000	Q12 £ 000	Total £ 000
Movements in carrying amounts - 2024				
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

The Waterfront, Longbarn and Q12 joint ventures had no contingent liabilities or capital commitments as of 31 December 2025 (2024: £nil).

27 Assets held for sale

	2025 £ 000	2024 £ 000
Opening balance as at 1 January	-	1,800
Acquisitions during the year	-	-
Amounts sold during the year	-	(1,800)
Reclassification to investment in joint ventures	-	-
Closing balance as at 31 December	-	-
Analysed by:		
Longbarn Holdings Limited	-	-
Q12 Holdings Limited	-	-
Total	-	-

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

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 2025 to be disclosed (2024: £nil).

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 2024	195,733,691	48,933	140,623
At 31 December 2025	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 2023	195,733,691	48,933	140,623
At 31 December 2024	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 2025 there is one Deferred share of 1p in issue which is held by BLME Holdings Limited (31 December 2024: 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.

30 Capital contribution

	2025 £ 000	2024 £ 000
At 31 December 2025 and 31 December 2024	<u>3,527</u>	<u>3,527</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

30 Capital contribution (continued)

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 Control

As of 31 December 2025, 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 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 consolidated financial statements are drawn up and of which the Bank is a member.

Copies of the consolidated 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

31 Control (continued)

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 ('OOOs)	Principal business activity	Immediate parent undertaking	Ultimate parent undertaking
Directly held:							
BLME Asset Management Limited	United Kingdom	1	£2	-	Dormant	BLME plc	Boubyan Bank K.S.C.P.
BLME Holdco Limited	United Kingdom	1	£102	-	Dormant	BLME plc	Boubyan Bank K.S.C.P.
BLME Limited	United Kingdom	1	£2	-	Dormant	BLME plc	Boubyan Bank K.S.C.P.
Global Liquidity Solutions Limited	United Kingdom	1	£1	-	Dormant	BLME plc	Boubyan Bank K.S.C.P.
Renaissance Property Finance Limited	United Kingdom	1	£2	-	Dormant	BLME plc	Boubyan Bank K.S.C.P.
Renaissance Trade Finance Limited	United Kingdom	1	£2	-	Dormant	BLME plc	Boubyan Bank K.S.C.P.
AQI Limited	Jersey	0.84	£33,030,750	443	Investment Holding Company	BLME plc	Boubyan Bank K.S.C.P.
BLME Capital Company	Kingdom of Saudi Arabia	1	SAR 20 million	5,014	Asset Management	BLME plc	Boubyan Bank K.S.C.P.
BLME Asia & GCC Consumer Growth GP Limited	Cayman Islands	1	USD 20	(17)	Asset Management	BLME plc	Boubyan Bank K.S.C.P.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

31 Control (continued)

	Country of incorporation and principal operations	BLME interest in equity capital	Issued equity capital	Profit / (loss) for year in GBP unless stated otherwise ('OOOs)	Principal business activity	Immediate parent undertaking	Ultimate parent undertaking
Principal Subsidiaries Indirectly held:							
					Investment Holding		Boubyan Bank
AQI Holdings Limited	Jersey		£2	395	Company	AQI Limited	K.S.C.P.
AQI Properties Limited	Jersey		£17,555,827	1,053	Property Management	AQI Limited	Boubyan Bank K.S.C.P.

32 Related party transactions

At the reporting date Boubyan Bank K.S.C.P held an economic interest of 72.37% of the parent company's voting shares (2024: 72.37%).

Transactions entered into during the year with BB2 Digital and Technology Services Limited are described on pages 78 and 79. 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

32 Related party transactions (continued)

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

		Transactions type	2025 £ 000	2024 £ 000
Boubyan Bank K.S.C.P	Majority shareholder	Wakala placement	-	68,569
		Participation deposit	17,783	74,633
NBK International PLC	Fellow subsidiary of majority shareholder	Reverse Murabaha	-	5,000
		Commodity Murabaha	-	153,000
Walbrook Asset Finance Limited	Fellow subsidiary of BLME Holdings Limited	Wakala placement	-	1,111
		Foreign currency transactions	-	21
		Working capital facility	4,000	-
BLME Capital Company	Subsidiary	Working capital facility	242	76
		Introduction fee payable	716	376
		NIM revenue share for REF and PB	(2,687)	-
AQ 1 Limited	Subsidiary	Sharia'a and strategic advisory fee	120	120
Waterfront Holdings Limited	Joint venture	Sharia'a and strategic advisory fee	82	81
Longbarn Holdings Limited	Joint venture	Sharia'a and strategic advisory fee	63	63
Q12 Holdings Limited	Joint venture	Sharia'a and strategic advisory fee	45	45

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

32 Related party transactions (continued)

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

		Transactions type	2025 £ 000	2024 £ 000
Boubyan Bank K.S.C.P	Majority shareholder	Cash and balances with banks - Nostros	634	1,947
		Financing arrangements - Participation deposit	17,992	18,027
Walbrook Asset Finance Limited	Fellow subsidiary of BLME Holdings Limited	Wakala placement	-	144,214
		Working capital facility	4,000	-
		Other assets	24	1,303
BLME Capital Company	Subsidiary	Due from financial institutions - Working capital facility debtor	6,472	6,192
		Other liabilities	2,763	(575)
BB2 Digital and Technology Services Limited	Fellow subsidiary of majority shareholder	Other assets/ (liabilities) - Nomo Business Unit recharge to BB2 TechCo	1,446	(1,834)
		VAT payment made on behalf of BB2 TechCo	-	72
AQI 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	-	-
BLME Holdings Limited	Parent company	Due to Customers	(374)	(374)

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

32 Related party transactions (continued)

The above related party balances are unsecured, and settlement occurs in cash. The Company funds Walbrook Asset Finance Limited through 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 2025 was £14.9m (2024: £12.8m). If Nomo does not come to profitability there will be no overall cost to the Company.

During the year, £2m (2024: nil) was recharged by BLME to BB2 TechCo in relation to the management and support services agreement.

BB2 TechCo is a member of the BLME Holdings Limited VAT group registration with HMRC. During the year the Company received payments from HMRC in respect of BB2 TechCo amounting to £0.3m (2024: £0.1m).

During the year BLME paid £nil of insurance premiums on behalf of BB2 TechCo (2024: £nil).

During the year BLME recharged £nil in respect of office fixtures and fittings to BB2 TechCo (2024: £0.3m).

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

	2025	2024
	£ 000	£ 000
Key management emoluments *	2,003	1,723
Bank contributions to pension plans	110	104
	<u>2,113</u>	<u>1,827</u>

* Key management emoluments include other long-term benefits of £0.2m (2024: £0.2m).

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

33 Subsequent events

Subsequent to the reporting date, the Bank has continued to monitor the rapidly evolving conflict across the Middle East. The Bank has considered these developments as part of its going concern assessment. Despite the heightened uncertainty, the Bank maintained a strong liquidity position throughout the period, with Pillar 2 LCR levels consistently above 220%, supported by a diversified and predominantly fixed-term UK retail deposit base, complemented by GCC retail funding. The Bank's liquidity profile is considered structurally resilient to developments in the region, and further steps have been taken to strengthen liquidity buffers where appropriate. Considering this event, the Directors are not aware of any further 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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; 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;

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

- 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.

Credit risk

Credit risk is the potential for financial loss if a customer or counterparty fails to meet its contractual obligations, including repayment of capital or profit. The Bank manages this risk in line with its Credit Risk Management Policy. A comprehensive credit review process applies to all customers and counterparties. Each is assigned an internal rating and a maximum permitted tenor, supplemented by external ratings where available. Both ratings and credit limits are subject to regular review.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

• Management of credit risk

The Bank manages credit risk through its Risk Appetite Statement, portfolio limits, and Key Risk Indicators (KRIs) as outlined in the Credit Risk Management Policy. These measures define acceptable exposure by counterparty rating, country, sector, and collateral adequacy. Creditworthiness is monitored daily and reassessed regularly. Oversight is provided by a dedicated Credit Risk Department, accountable to the CCRC, which is responsible for:

Developing credit policies covering assessments, collateral, reporting, and regulatory compliance;

Setting authorisation structures for approving and renewing credit limits;

Reviewing credit risk before agreements are executed;

- Establishing and monitoring counterparty limits;
- Continuously assessing exposures and implementing mitigation measures; and
- Advising business units on credit risk management.

Compliance with country and counterparty limits is monitored continuously, with a full review conducted at least annually. Senior management receives regular utilisation reports.

The Bank also employs a credit grading system to monitor portfolio quality and segment performance.

Customer Classification Framework

The Bank applies a three-tier customer classification system to manage credit risk:

- Normal: Customers with no material adverse credit indicators.
- Watchlist: Customers requiring heightened credit oversight due to emerging concerns or forbearance arrangements.
- Asset Recovery Unit (ARU): Customers in distressed situations or where non-performing exposure (NPE) is likely, requiring specialist management.

Classification is based on judgemental trigger events (early warning indicators) and mandatory default criteria. These classifications influence credit risk monitoring, escalation, and management actions.

Normal customers are monitored by the First Line of Defence (1LOD), supported by the Second Line of Defence (2LOD), to identify indicators that may warrant escalation.

Watchlist customers exhibit one or more judgemental triggers or have forbearance measures in place.

The Watchlist is maintained by Credit Risk Management and reviewed monthly by the Credit Committee (CCRC).

Customers are assigned a risk category (Red, Yellow, Green) reflecting likelihood of default and recovery prospects. Red-rated customers are automatically transferred to ARU.

ARU classification applies where mandatory default criteria are met or customers are considered “unlikely to pay.” ARU focuses on restructuring, managed exit, or asset recovery. Approval for ARU classification rests with CCRC.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

Appointment of administrators/receivers

For distressed cases, the Bank may appoint administrators, receivers, or external legal advisors to protect its interests. Such appointments must be from an approved panel of independent and qualified parties and require CCRC approval following recommendation by 1LOD and review by 2LOD. Oversight of implementation is provided by the Legal department. All requests are documented through a formal template and retained for audit purposes. The process adheres to the Bank's Treating Customers Fairly (TCF) principles, ensuring clear communication and consideration of customer circumstances, including additional care for vulnerable customers as defined by regulatory standards.

• **Default**

The Bank defines default in line with EBA guidance for Non-Performing Exposures. A counterparty is considered in default if any of the following occur:

- Unlikely to Pay: The obligor is assessed as unlikely to meet credit obligations in full without enforcement actions.
- Past Due: Any material credit obligation (>€500) is more than 90 days past due.
- A performing forbore 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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**

The Bank uses internal credit ratings (scale 1-20) aligned to ECAI ratings to assess client creditworthiness. Ratings and Probability of Default (PD) are determined using vendor models and internal methodologies based on client type and transaction profile, including:

ECAI ratings (Moody's, Fitch) for financial institutions and corporates where available. Moody's models for listed and private corporates, real estate facilities, and mortgage portfolios.

PD represents the likelihood that an obligor will fail to meet scheduled repayments over a specified period.

Credit assessment responsibilities:

- First Line of Defence (1LoD): Performs initial and ongoing credit assessments, generates ratings and PDs.
- Second Line of Defence (2LoD): Independently reviews and challenges ratings and PDs before approval.
- Changes to rating methodologies or tools require ERC approval.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

• BLME Provisioning Guidelines

Assets can move between IFRS 9 stages without rigid cure periods in most cases. When an asset moves from Stage 1 to Stage 2, it may return to Stage 1 immediately once the conditions for SICR no longer apply. Similarly, there is no mandatory waiting period for an asset downgraded to Stage 3 to be upgraded to Stage 2; these decisions are made on a case-by-case basis, reflecting the borrower's recovery progress and overall credit profile.

However, when an asset has been upgraded from Stage 3 to Stage 2, the Bank requires a minimum recovery period of three months before it can be further upgraded to Stage 1. This ensures that improvements in credit quality are sustainable and not temporary.

For facilities previously classified as Watchlist (Stage 2), the Bank does not prescribe a specific credit risk rating once the asset is removed from the Watchlist and returned to Normal status. The rating is determined individually, based on expert judgment and the borrower's circumstances. Once the Watchlist designation is lifted, the asset is automatically classified as Stage 1 under IFRS 9.

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.

- 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:

- The counterparty's payment performance has deteriorated to being past due (arrears) of 30 days+.
- The counterparty has been added to the Watchlist, this includes considering judgemental trigger events, with expert credit analysis to identify Significant Increase(s) In Credit Risk (i.e., SICR). Detailed examples of the judgemental trigger events that result in a facility being added to the Watchlist are included on pages 91 and 92 in Note 36. In addition, when a customer is granted any item of Forbearance it is added to the Watchlist.
- The counterparty is subject to a downgrade as detailed in the paragraph below.

The Bank 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

• 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.

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 2025, 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. In 2025, the Bank removed investment of subsidiaries and included other assets and liabilities balances in the note per IFRS 7. The comparative information for 2024 has been updated accordingly to ensure consistency with the revised presentation throughout this note.

	2025	(Amended) 2024
	£ 000	£ 000
Cash and cash equivalents	130,528	90,139
Due from financial institutions - Wadiah	721	3,481
Due from financial institutions - Wakala	25,982	150,223
Investments in securities	29,228	44,584
Financing arrangements	1,218,128	1,151,123
Finance lease receivables	1,424	2,705
Foreign exchange forward contracts**	-	447
Other assets	6,830	5,013
Total credit exposure	<u>1,412,841</u>	<u>1,447,715</u>

The Bank had no letters of credit or guarantees outstanding as of 31 December 2025 (2024: none).

The Bank has a credit exposure to £61m in undrawn commitments (2024: £27m).

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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:

	2025 £ 000	(Amended) 2024 £ 000
GCC countries		
Kuwait	17,381	4,114
Qatar	1,485	2,705
Saudi Arabia	44,319	59,730
United Arab Emirates	3,013	2,449
EEA countries		
United Kingdom	1,294,923	1,374,242
Luxembourg	50,983	-
Other countries		
Jersey	-	642
USA	737	3,833
Total credit exposure	<u>1,412,841</u>	<u>1,447,715</u>

iv. Exposure by economic sector

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

	2025 £ 000	(Amended) 2024 £ 000
Financial services:		
GCC financial institutions	48,442	46,909
UK financial institutions	196,716	278,799
Other financial institutions	66,780	19,739
Real estate	539,898	633,895
Transportation and storage	50,693	39,738
Wholesale/ Retail	1,658	1,653
Energy	1,485	2,705
Construction	165,313	137,521
Buy to let mortgages	305,211	251,742
Others	36,645	35,014
Total credit exposure	<u>1,412,841</u>	<u>1,447,715</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 2025. Of the total portfolio 11% (31 December 2024: 9%) was directly rated by at least one of the ECAI, with 89% (31 December 2024: 91%) 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

At 31 December 2025	ECAI Rating		<u>Neither Past Due Nor Impaired</u>		Ungraded £ 000	Past due but not impaired £ 000	Individually Impaired £ 000	Total £ 000
	Investment Grade £ 000	Sub- Investment Grade £ 000	BLME Internal Rating Investment Grade equivalent £ 000	Sub- Investment Grade £ 000				
Cash and balances with banks	130,528	-	-	-	-	-	-	130,528
Due from financial institutions	-	-	22,725	3,978	-	-	-	26,703
Due from customers	-	-	-	-	-	-	-	-
Investment securities								
FVOCI								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	-	-	-	-	-	-	-	-
Amortised Cost								
Government debt securities	-	-	-	-	-	-	-	-
Other Investment securities	29,228	-	-	-	-	-	-	29,228
Financing arrangements	-	-	650,696	512,714	-	1,448	53,270	1,218,128
Finance lease receivables	-	-	1,424	-	-	-	-	1,424
Other assets (Foreign exchange forward deals)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	6,830	-	-	6,830
Total credit exposure	<u>159,756</u>	<u>-</u>	<u>674,845</u>	<u>516,692</u>	<u>6,830</u>	<u>1,448</u>	<u>53,270</u>	<u>1,412,841</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

At 31 December 2024	<u>Neither Past Due Nor Impaired</u>							
	ECAI Rating		BLME Internal Rating			(As restated) Ungraded £ 000	Past due but not impaired £ 000	Individually Impaired £ 000
Investment Grade £ 000	Sub- Investment Grade £ 000	Investment Grade equivalent £ 000	Sub- Investment Grade £ 000	(As restated) Ungraded £ 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	-	-	-	-	-	-	31,515
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
Other assets	-	-	-	-	5,013	-	-	5,013
Total credit exposure	<u>134,823</u>	<u>-</u>	<u>720,240</u>	<u>490,701</u>	<u>5,013</u>	<u>34,907</u>	<u>62,031</u>	<u>1,447,715</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 2025 and 31 December 2024.

Analysis of past due amounts and impairments

	Financing arrangements		Finance Leases	
	2025	2024	2025	2024
	£ 000	£ 000	£ 000	£ 000
Neither past due nor impaired	1,168,262	1,066,739	1,424	2,705
Past due but not impaired	1,448	34,907	-	-
Impaired exposure	53,270	62,031	-	-
Less: allowance for impairments	(4,852)	(12,554)	-	-
Total	1,218,128	1,151,123	1,424	2,705
Past due but not impaired	£ 000	£ 000	£ 000	£ 000
Past due up to 30 days	82	34,907	-	-
Past due 30 to 60 days	107	-	-	-
Past due over 90 days	1,259	-	-	-
Total	1,448	34,907	-	-

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.

Forbearance classification

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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

- 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 obliger 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 obliger not been in financial difficulty.
- A total or partial refinancing of a stressed exposure contract that would not have been granted had the obliger not been in financial difficulty.

Examples of a concession includes:

- A difference in favour of the obliger 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 obliger 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 obliger'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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

Monitoring

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

Forbearance Exit

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

- The contract is considered as performing after an analysis of the financial condition of the obligor showed it no longer met the conditions to be considered as non-performing.
- A minimum 2-year probation period has passed from the date the forborne exposure was last considered as performing
- Regular payments of more than an insignificant aggregate amount of principal and profit have been made during at least the last half of the probation period.
- None of the 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 HOD 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 2025 there had been three instances (2024: 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

The carrying value as of 31 December 2025 of exposures relating to forborne counterparties with no specific impairment charge was £56.8m, which represents 3.72% of the Bank's total assets (2024: £70.0m and 4.54%). The Stage 1 and 2 ECLs relating to these forborne exposures is £0.6m (2024: £0.7m).

- **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.

	2025		(Amended)	
	On balance		2024	
	sheet		sheet	
	exposure	2025	exposure	2024
	£ 000	Collateral	£ 000	Collateral
		£ 000		£ 000
Cash and balances with banks	130,528	-	90,139	-
Due from financial institutions	26,703	-	153,704	110,899
Investment securities	29,228	-	44,584	-
Financing arrangements	1,218,128	1,107,378	1,151,123	957,499
Finance lease receivables	1,424	-	2,705	-
Other assets (Foreign exchange forward deals)	-	-	447	-
Other assets	6,830	-	5,013	-
Total credit exposure	<u>1,412,841</u>	<u>1,107,378</u>	<u>1,447,715</u>	<u>1,068,398</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

As of 31 December 2025, collateral represented 77% (2024: 73%) of the Bank's total credit exposure.

	2025 £ 000	2024 £ 000
Analysis of collateral		
Plant and equipment	-	112,175
Property	1,107,378	956,223
Total credit exposure	<u>1,107,378</u>	<u>1,068,398</u>

In addition, the Bank holds financial guarantees of £nil (2024: £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 2025, 65% (2024: 75%) 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.

				(Amended)		
		2025		2024	(Amended)	
	Note	Fair value hierarchy £ 000	Carrying value £ 000	Fair value £ 000	Carrying value £ 000	Fair value £ 000
Cash and balances with banks		1	130,528	*	90,139	*
Due from financial institutions	i	2	26,703	26,945	153,704	136,711
Investment securities	ii, iv	See next table**	29,228	29,228	44,584	44,584
Financing arrangements	iii	3	1,218,128	1,161,979	1,151,123	1,116,209
Finance lease receivables	iii	3	1,424	1,168	2,705	2,636
Other assets (Foreign exchange forward deals)	iv	2	-		447	447
Other assets	iv	2	6,830	6,830	5,013	5,013
Due to financial institutions	iii	3	49,571	49,628	33,754	34,615
Due to customers	iii	3	1,197,104	1,187,883	1,262,682	1,249,872
Other liabilities (Foreign exchange forward deals)	iv	2	150	150	318	318
Other liabilities	iv	2	<u>14,046</u>	<u>14,046</u>	<u>12,580</u>	<u>12,580</u>

* 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

Notes

- i. Due from Financial Institutions includes £nil (2024 £nil) 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.

	2025 Level 1 £ 000	2025 Level 2 £ 000	2025 Level 3 £ 000	2025 Total £ 000
Investment securities	-	-	-	-
Foreign exchange forward deals (assets)	-	-	-	-
Foreign exchange forward deals (liabilities)	-	150	-	150

	2024 Level 1 £ 000	2024 Level 2 £ 000	(Amended) 2024 Level 3 £ 000	(Amended) 2024 Total £ 000
Investment securities	12,722	-	347	13,069
Foreign exchange forward deals (assets)	-	447	-	447
Foreign exchange forward deals (liabilities)	-	318	-	318

During the year, there were no transfers between Level 1 and Level 2 fair value measurements (2024: none), and no transfers into or out of Level 3 fair value measurements (2024: 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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

	2025 £ 000	(Amended) 2024 £ 000
Investment securities		
Balance at 1 January	347	341
Total gains/ (losses) recognised in:		
- profit or loss	(347)	6
Balance at 31 December	<u>-</u>	<u>347</u>

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 2025.

	2025 Fair value through profit and loss £ 000	2025 Fair value through other comprehensive income £ 000	2025 Financial assets at amortised cost £ 000	2025 Total £ 000
Assets				
Cash and balances with banks	-	-	130,528	130,528
Due from financial institutions	-	-	26,702	26,702
Investment securities:				
Sukuk	-	-	29,228	29,228
Equity	-	-	-	-
Financing arrangements	-	-	1,218,128	1,218,128
Finance lease receivables	-	-	1,425	1,425
Other assets (foreign exchange forward deals)	-	-	-	-
Other assets	-	-	6,830	6,830
Total financial assets	<u>-</u>	<u>-</u>	<u>1,412,841</u>	<u>1,412,841</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

	2025 Fair value through profit and loss £ 000	2025 Fair value through other comprehensive income £ 000	2025 Financial assets at amortised cost £ 000	2025 Total £ 000
Liabilities				
Due to financial institutions	-	-	49,571	49,571
Due to customers	-	-	1,197,104	1,197,104
Other liabilities (foreign exchange forward deals)	150	-	-	150
Other liabilities	-	-	14,046	14,046
Total financial liabilities	<u>150</u>	<u>-</u>	<u>1,260,721</u>	<u>1,260,871</u>
	2024 Fair value through profit and loss £ 000	2024 Fair value through other comprehensive income £ 000	(Amended) 2024 Financial assets at amortised cost £ 000	(Amended) 2024 Total £ 000
Assets				
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
Financing arrangements	-	-	1,151,123	1,151,123
Finance lease receivables	-	-	2,705	2,705
Other assets (foreign exchange forward deals)	447	-	-	447
Other assets	-	-	5,013	5,013
Total financial assets	<u>447</u>	<u>13,069</u>	<u>1,434,199</u>	<u>1,447,715</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

	2024 Fair value through profit and loss £ 000	2024 Fair value through other comprehensive income £ 000	2024 Financil assets at amortised cost £ 000	2024 Total £ 000
Liabilities				
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
Other liabilities	-	-	12,580	12,580
Total financial liabilities	<u>8</u>	<u>-</u>	<u>1,309,016</u>	<u>1,309,024</u>

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.

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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	2025 Total £ 000
Cash and balances with banks	130,528	-	-	-	-	130,528
Due from financial institutions	721	19,820	6,517	-	-	27,058
Investment securities and investment in subsidiaries	-	7,761	683	17,084	7,842	33,370
Financing arrangements	5,902	-	20,842	947,789	437,349	1,411,882
Finance lease receivables	576	-	543	482	-	1,601
Other assets (Foreign exchange forward deals)	-	-	-	-	-	-
Other assets	1	4	5,012	-	1,813	6,830
	<u>137,728</u>	<u>27,585</u>	<u>33,597</u>	<u>965,355</u>	<u>447,004</u>	<u>1,611,269</u>

	Less than 1 month £ 000	1-3 months £ 000	3-12 months £ 000	1-5 years £ 000	(As restated) 5+ years £ 000	(As restated) 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	17,096	54,135
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
Other assets	-	-	5,013	-	-	5,013
	<u>213,778</u>	<u>35,100</u>	<u>247,463</u>	<u>939,768</u>	<u>77,687</u>	<u>1,513,796</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 £0.1m {31 December 2024: £0.05m) pledged as security against rental payments on the Bank's premises and £nil (31 December 2024: £nil) 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	2025 Total £ 000
Due to financial institutions	32,691	14,467	1,355	1,267	-	49,780
Due to customers	271,677	211,233	559,986	196,799	1,713	1,241,408
Other liabilities (Foreign exchange forward deals)	196	(46)	-	-	-	150
Other liabilities	-	-	12,997	-	1,049	14,046
	<u>304,564</u>	<u>225,654</u>	<u>574,338</u>	<u>198,066</u>	<u>2,762</u>	<u>1,305,384</u>

	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
Other liabilities	-	-	11,082	-	1,498	12,580
	<u>224,604</u>	<u>222,920</u>	<u>685,330</u>	<u>227,184</u>	<u>4,797</u>	<u>1,364,835</u>

Bank of London and The Middle East plc

Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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:

	2025	2024
	£ 000	£ 000
Highly liquid securities (included in HQLA)	29,228	31,515
Bank of England Alternative Liquidity Facility	47,000	37,972
Other cash and cash equivalents	83,528	52,167
Total	159,756	121,654

As of 31 December 2025, there are no limitations on the use of the liquidity reserves held by the Bank (2024: 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.

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 2025, 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 £0.1m (2024: £0.3m). 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 2025		At 31 December 2024	
	Increase of 100 bp £ 000	Decrease of 100 bp £ 000	Increase of 100 bp £ 000	Decrease of 100 bp £ 000
Increase in profit & loss	-	7,838	-	3,100
Decrease in profit & loss	7,467	-	2,907	-
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- 5 Years
- 5- 7 Years
- 7-10 Years
- 10 - 15 Years
- 15 - 25 Years

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 managed 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 2025 £ 000	At 31 December 2024 £ 000
Resultant foreign exchange revaluation (loss)/ gain from a 10% strengthening or weakening of the net foreign currency positions against Sterling	466	329

	At 31 December 2025 £ 000	At 31 December 2024 £ 000
Net foreign exchange gain for the year	(27)	3

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.

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 £6.7m using the Basic Indicator Approach (31 December 2024: £5.2m) (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 2025 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:

	2025 £ 000 (Unaudited)	2024 £ 000 (Unaudited)
Tier 1 Capital - CET1		
Ordinary Share Capital	48,933	48,933
Share Premium	140,623	140,623
Capital Contribution	3,527	3,527
Fair Value reserve	(145)	(347)
Retained earnings	38,474	35,212
Total Tier 1 capital	231,412	227,948
Deductions from Tier 1 Capital		
Intangible assets	(2,721)	(2,611)
Others	-	(79)

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

	2025 £ 000 (Unaudited)	2024 £ 000 (Unaudited)
Total Tier 1 capital after deductions	<u>228,691</u>	<u>225,258</u>
Tier 2 capital	-	-
Total Tier 2 capital	<u>-</u>	<u>-</u>
Total Tier 1 and Tier 2 capital	228,691	225,258
Deductions from Tier 2 Capital	-	-
Total regulatory capital	<u>228,691</u>	<u>225,258</u>

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:

	2025 £ 000 (Unaudited)	2024 £ 000 (Unaudited)
Pillar 1 capital requirements		
Credit risk	82,491	82,564
Market risk - foreign currency PRR	-	-
Counterparty risk capital component	22	29
Operational risk	6,652	5,183
Total Pillar 1 capital requirement	<u>89,165</u>	<u>87,776</u>
Total regulatory capital in place	<u>228,691</u>	<u>225,258</u>

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 2025. 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).

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

The Bank's exposure to River and Sea flooding risk covering the Real Estate Finance, Private Banking and Nomo portfolios is detailed below:

	31 December 2025 %	31 December 2024 %
Flood Risk from Rivers and the Sea		
Very Low	69	82
Low	24	13
Medium	3	-
High	3	4
Not Available	1	1
	<u>100</u>	<u>100</u>

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:

	31 December 2025 %	31 December 2024 %
Surface Water Flood Risk		
Very Low	49	44
Low	33	32
Medium	7	5
High	10	17
Not Available	1	2
	<u>100</u>	<u>100</u>

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Notes to the Financial Statements for the year ended 31 December 2025(continued)

34 Financial risk management (continued)

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 United 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.

	31 December 2025 %	31 December 2024 %
Transition Risk - EPC ratings		
Low Risk (A to C)	69	66
Medium Risk (D and E)	17	18
High Risk (F and G)	-	2
Not Available	14	13
Exempt	-	1
	<u>100</u>	<u>100</u>

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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 while 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 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. The investor trades the commodity, usually a London Metal Exchange base metal, 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 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 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 Islamic banks provide funds which are mingled with the funds of the business enterprise or individual. All providers of capital are entitled to participate in the management but are not necessarily required to do so. The profit is distributed among the partners in accordance with the ratio mutually agreed between them. Losses must be borne by each partner in proportion to his contribution.
Sukuk	Sukuk (also referred to as Islamic bonds) are certificates that reflect ownership of 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 hold the asset or issue financial claims on the assets. Sukuk claims represent a proportionate beneficial ownership for a defined period whereby the risk and return associated with cash-flows generated by the underlying assets are passed to the Sukuk holders. Sukuk are commonly used in long-term asset financing and investment.

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Glossary of Islamic Finance Terminology (continued)

Istisna	An Istisna contract is usually used for construction finance. The asset is not in existence at the start of the contract and must be manufactured or constructed. The manufacturer agrees to manufacture/construct and deliver a specific asset at a future date. Payment is deferred, at intervals, or paid upfront. Istisna is often combined with forward lease or pre-payment finance where the bank sells the asset upon completion.
Profit rate swaps	A profit rate swap is a contract between two parties where each counterparty agrees to pay a series of cashflows representing the financing cost of a particular structure to the other counterparty, providing a means of exchanging profit-rate exposure for floating rate — or vice versa.
Participation agreement	A participation agreement is an agreement executed between the relevant SE and the Bank. The main objective of the agreement is to facilitate the required funding to enable the SE to acquire tangible assets or investment property or to carry out the relevant project. It sets out the terms under which the bank provides funds, including repayment terms and profit-sharing mechanics.
Zakat	Zakat is a compulsory religious levy imposed on certain types of income and wealth and directed to certain deserving classes of people in accordance with the principles of Sharia. The payment of Zakat is made by shareholders at the bank's Annual General Meeting and distributed to deserving recipients. The bank reimburses the shareholders by paying Zakat on their shareholdings.
Fatwa	Islamic laws given by a recognised authority.
Wadia	Wadia is a trust or deposit arrangement 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.