BACB

year ended 31 December 2024

ANNUAL REPORT & FINANCIAL STATEMENTS

LOYAL TRUSTED AGILE DRIVEN

A UK BANK DELIVERING TRADE FINANCE & INVESTMENT EXPERTISE

to enable clients, countries & communities to prosper

OUR VISION

Be the preferred international banking partner across Africa and core markets.

OUR STRATEGY

Drive sustainable growth and stay relevant to our clients and markets by leveraging our people, knowledge and relationships.

BACB

AWARDS

winners

GLOBAL FINANCE MAGAZINE
AWARDS 2024
**BEST TRADE FINANCE BANK
IN FRONTIER MARKETS**

GTR LEADERS IN TRADE 2024
**BEST TRADE FINANCE BANK
NORTH AFRICA**

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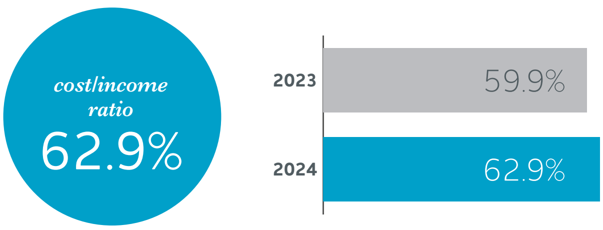
HIGHLIGHTS

KEY PERFORMANCE INDICATORS

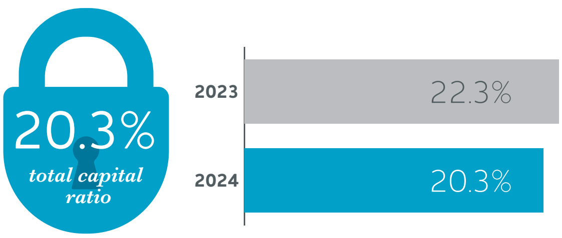
2024 YEAR END RESULTS

PROFIT BEFORE TAX

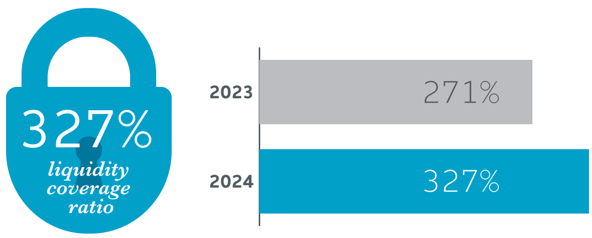
COST/INCOME RATIO[1]



TOTAL CAPITAL RATIO[2]



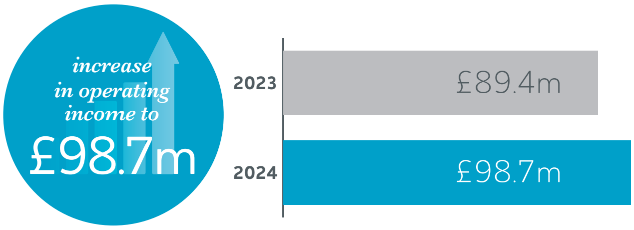
LIQUIDITY COVERAGE RATIO[3]



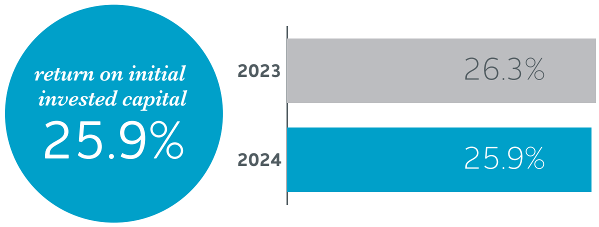
1 Based on Administrative Expenses divided by Operating Income.
2 Total Capital Ratio is calculated in accordance with Prudential requirements.
3 Liquidity Coverage Ratio is calculated by dividing high quality liquid assets by stressed net cash outflows over a 30-day time period based on Prudential requirements.

FINANCIAL MEASURES

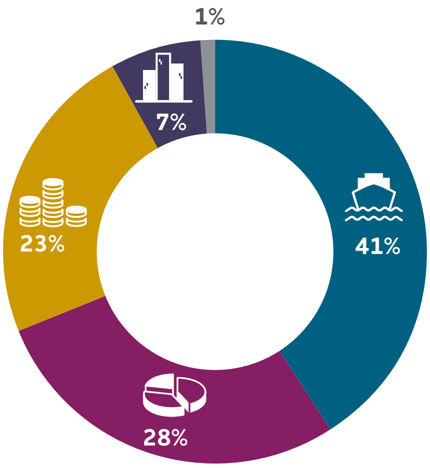
OPERATING INCOME[1]



RETURN ON INITIAL INVESTED CAPITAL[2]



2024 OPERATING INCOME BY BUSINESS[3]



TRADE FINANCE £40.1m

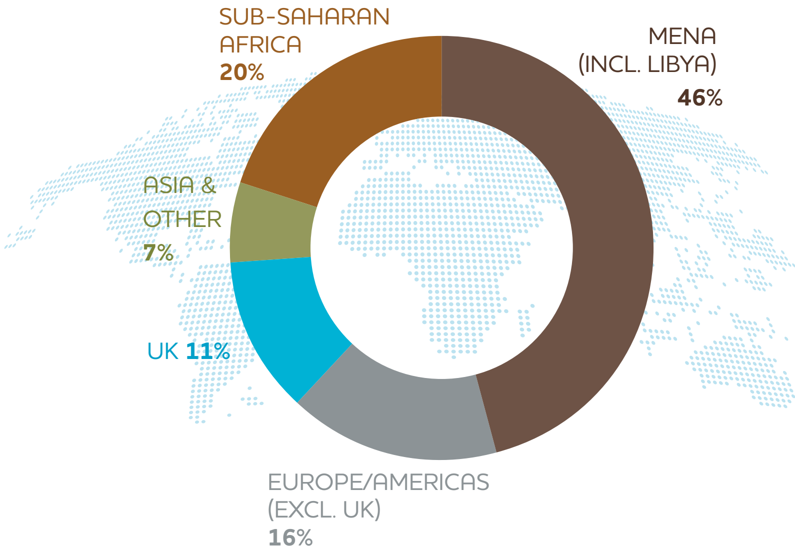
CASH MANAGEMENT £28.0m

TREASURY £22.7m

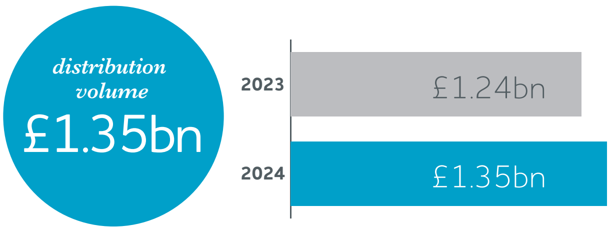
REAL ESTATE FINANCE £7.3m

£0.5m OTHER

2024 OPERATING INCOME BY REGION



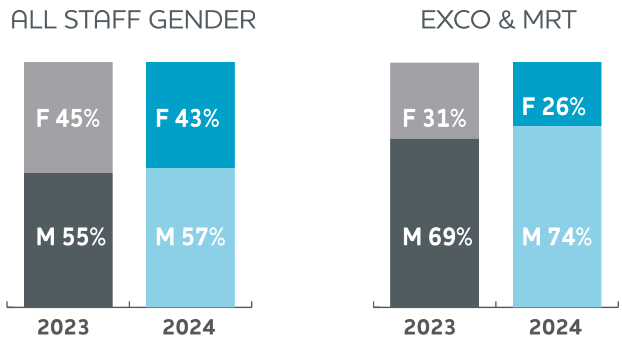
DISTRIBUTION VOLUME[4]



1 References to Operating Income on this page refer to operating income before allowance for credit losses as per Statement Of Comprehensive Income.
2 Based on Profit After Tax for the year divided by Shareholder's funds (Called up share capital and Capital redemption reserve).
3 Global Transaction Banking activities include Trade Finance and Cash Management business lines.
4 The volume of assets shared with partners with an aim to manage balance sheet efficiently and create more capacity for business origination.

NON-FINANCIAL MEASURES

GENDER RATIO



COLLEAGUE NET PROMOTER SCORE[1]

2024

38.0%

2023 ***13%***

EMPLOYEE ENGAGEMENT SCORE[2]

2024

7.9/10

2023 ***7.4***

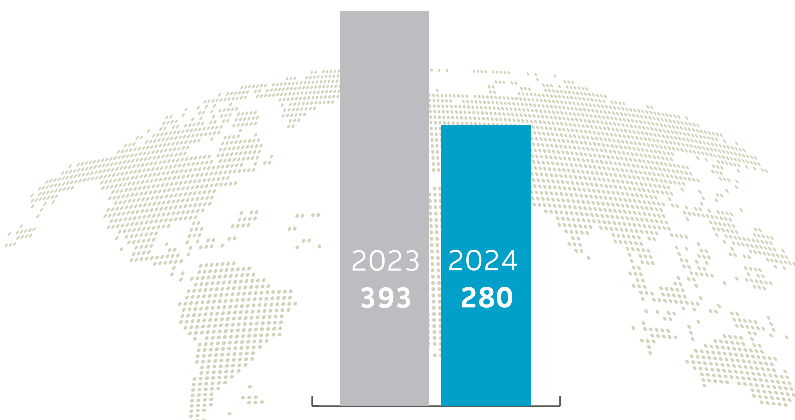
VOLUNTARY EMPLOYEE TURNOVER[3]

2024

3.9%

2023 ***7.6%***

tCO2e[4]



1 Colleague Net Promoter Score measures employee satisfaction and engagement by asking how likely colleagues are to recommend their workplace to others. A higher CNP is an indicator of a more engaged workforce.
2 Employee Engagement Score uses the Peakon survey tool to measure employee engagement through real-time pulse surveys. A higher score reflects a more engaged workforce.
3 Voluntary Employee Turnover is generated by dividing the number of leavers in a rolling 12 month period by the average headcount in the same 12 month period.
4 tCO2e stands for tonnes (t) of carbon dioxide (CO2) equivalent (e).

STRATEGIC REPORT

CHAIRMAN'S STATEMENT AND CEO REVIEW

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted to present the Annual Report and Audited Financial Statements of British Arab Commercial Bank Public Limited Company ("the Bank" or "BACB"), for the twelve months ended 31 December 2024.

I am proud to share that these results deliver record revenue and profit before tax for the second consecutive year.

CELEBRATING ANOTHER STRONG FINANCIAL YEAR

The shift to a more dynamic and forward-looking approach helped spur the Bank on to success in 2024 and we achieved this through a strategic realignment as part of our three-year plan. Our focus has remained on our core areas of expertise in trade finance, treasury and real estate but our service has been more agile and responsive which has been favourably received by our client base resulting in 10% overall revenue growth.

This revenue growth supports our decision to increase investment, assisting us in developing a business model designed for safe and sustainable success. Our balance sheet now stands at £3.3bn (up from £3.0bn in 2023) with profits before tax reaching £38.2m.

Navigating emerging and frontier specialist markets requires a combination of local expertise, time-honed relationships and prudent risk management, all of which are provided by our team of professionals. In 2024, we invested heavily in our people, successfully expanding our team and making some key leadership appointments.

NAVIGATING CHALLENGES THROUGH ROBUST GOVERNANCE

The Bank's success is founded on the principle of good governance. As a UK bank regulated by the Financial Conduct Authority and the Bank of England's Prudential Regulation Authority, we are cognisant of the need to apply the highest standards and remain up to date with current regulatory requirements.

Of course, 2024 was not without challenges. BACB is skilled at dealing with emerging and frontier markets, but the escalation of geopolitical tensions in many of the regions we serve was especially difficult this year. My thoughts are with the many thousands of people affected in the Middle East and other regions across the world that are experiencing conflict.

Our prudent risk management approach, strong local partnerships and the steadfast support of our Shareholders enable us to support our core markets even in times of stress.

As Chairman of the Board, I am also responsible for ensuring the ongoing robustness of the Bank's governance and during 2024 we have commenced a Board effectiveness review (as detailed on page 33).

We also established an additional Board committee in Q3 2024, focussed specifically on governing financial crime and compliance. Of course, financial crime risk is a key consideration in emerging and frontier markets and our compliance teams have worked tirelessly to establish a solid framework that allows our operations to run smoothly, enabling us to provide the best services possible to our customers.

RECOGNITION OF OUR TEAM AND OUR PARTNERS

BACB was recognised for the third consecutive year as Best Trade Finance Bank in North Africa by Global Trade Review and also secured Best Bank for Trade Finance in Frontier Markets from Global Finance for the second consecutive year. Such recognition extended to the honour I received from the Arab Bankers Association UK award for Distinguished Service to Arab Banking. This award also recognises BACB's incredible growth story, and our teams across London, Tripoli, Algiers and Abidjan can feel proud of what they have achieved.

As Chairman, it was an honour to lead a senior delegation from BACB to Libya during 2024 to meet with all of the major financial institutions and corporations with whom BACB has long-standing relationships. Without their trust and support, we could not have prepared such an impressive set of results to present today. Together with CEO, Paul Jennings, we were able to meet with Libyan Foreign Bank, our majority Shareholder, and express our gratitude for their continued and unwavering support.

Looking ahead, the Bank's strategy will require us to grow the business while continuing to adequately invest in our operations to maintain pace. As outlined in the CEO Statement, we remain committed to delivering another strong year in 2025, building on the solid foundations of recent years.

While macroeconomic and geopolitical headwinds will no doubt ensure that 2025 is a busy year, the Bank's ability to navigate challenges and its commitment to operational excellence is as strong as ever. It has been a pleasure working with my colleagues and partners around the world in 2024, and together we are optimistic about what we can accomplish in 2025.

DR YOUSEF AL AWADI KBE

Chairman

14 March 2025

CHIEF EXECUTIVE OFFICER REVIEW

“we are now in the position to announce another outstanding year, both in terms of financial and non-financial measures.”

Dear Shareholders,

It is my pleasure to present to you our financial results for 2024, the strongest in BACB’s 52-year history. Thanks to the support of our Shareholders and Board of Directors, combined with the commitment and expertise of our people, we are now in the position to announce another outstanding year, both in terms of financial and non-financial measures.

In 2024, the Bank’s strategic priorities evolved. We accelerated a programme of internal change focused around two priorities – safe and sustainable business growth and building a more resilient organisation. Achieving these two goals required significant investment plans in physical, human and digital infrastructure and form part of our Board approved three-year strategic plan.

AN INTERGRATED OFFERING AT THE HEART OF OUR BUSINESS MODEL

At its core, BACB is a specialist trade finance bank and connecting our key markets to the global financial system will always be our core business. Our knowledge of our markets is what sets us apart, and we are focused on measured expansion in Africa and other frontier and emerging markets we know best. In 2024, our headline trade finance revenues are up 23% reflecting a strong performance in many of our core markets.

The Global Transaction Banking (“GTB”) model – the umbrella under which our Trade Finance and Cash Management activities have been brought together, complementing and working with our Treasury Sales business – is central to our business. This is far from a theoretical change to reporting lines, but a shift with real practical implications. By consolidating and aligning our operations we have been able to provide a superior quality of service. Our teams are organised so that our clients are onboarded efficiently without compromising on high levels of due diligence.

Our Treasury activity provides strong cross-sell opportunities for our GTB business together with balance sheet management and new initiatives to diversify funding.

BACB's Real Estate offering remains important to the Bank and notwithstanding challenging market conditions the book has been stable whilst new business opportunities have been successfully concluded.

ANOTHER RECORD YEAR

Building on last year's success, BACB has demonstrated significant year-on-year operating income growth of 10% and a record end of year profit before tax of £38.2m, the highest in the Bank's history. Although the investment in our organisation is reflected, our revenue growth has resulted in a healthy 63% cost-income ratio.

Total assets at the end of 2024 stand at £3.3bn, representing an 11% increase compared to 2023. More detailed commentary around the balance sheet, as well as an in-depth exploration of the performance of each business line, follows in the Business & Performance Overview.

In terms of funding, BACB has maintained its robust fundamentals. Our liquidity coverage ratio has averaged a healthy 327% and our capital ratios throughout the year have remained strong, with a total capital ratio of 20.3% at year end.

We recognise the importance of providing a healthy return for our shareholders and for 2024 our Return on Initial Invested Capital has reached 25.9%, representing the Bank's commitment to providing shareholder return underpinned by strong financial performance for the year.

BUILDING STRUCTURAL RESILIENCE

Of course, the fact that we specialise in emerging and frontier markets and the current challenging macroeconomic environment means it is more important than ever to ensure that our operations remain resilient to external headwinds present and future.

In 2024, the instability around the banking sector in a number of our core markets was one such headwind but, with prudent risk management and the steadfast support of our Shareholders and Board, continuity of service was maintained for all our clients.

Resilience is also about looking ahead, and through our consistent investment in people and infrastructure, we have made strides in future-proofing our business this year.

2024 saw us identify a Bank-wide set of strategic initiatives, targeting objectives such as upgrading core systems, enhancing data and reporting capabilities and improving operational processes.

We have made a number of key appointments during the year. Vikram Yadav was recruited as Head of Treasury and has already had a significant impact on the Treasury function, both internally by ensuring increased collaboration and externally in terms of visibility with our key clients and core markets.

As part of our succession planning, Paul Rew, who joined BACB in 2014, was appointed as Chief Financial Officer having previously successfully served as Chief Operating Officer. In turn, Ross McNay was promoted internally as Chief Operating Officer bringing a wealth of banking experience centred around operations, risk and compliance.

This demonstrates the Bank's commitment to attract new talent to the firm whilst ensuring opportunities are given to our existing staff in line with our succession planning.

We are also looking ahead to the future, having expanded our early careers programme with the goal of attracting and developing the next generation of banking professionals. In October, we hosted a roundtable discussion in partnership with the Association of Foreign Banks, about the importance of measuring psychological safety in the workplace, bringing together HR and risk compliance leaders from across the industry.

As a result of our efforts, employee turnover is now down to 3.9%, a number we are incredibly proud of, especially when compared to 19.5% only two years ago. The focus on creating a stable and supportive work environment, with a particular emphasis on developing and retaining top talent, has been a key driver of the Bank's performance.

AN EVOLVING GEOPOLITICAL ENVIRONMENT

Looking ahead, there will no doubt be challenges for us in 2025, with global macroeconomic conditions continuing to be uncertain. The expectations are for further interest rate cuts in 2025 in major currencies.

The ongoing crisis in the Middle East will continue to create instability in many of our key markets and could potentially disrupt a number of the trade flows we support.

Dealing in emerging and frontier specialist markets is our strength and we have skilled people with unrivalled knowledge who provide innovative financial solutions to support opportunities offered to our clients.

To close, I must pay tribute to our dedicated teams in London, Tripoli, Algiers and Abidjan who have made this extraordinary set of results possible. Underpinning these achievements has been the unwavering support of our Chairman, Board of Directors and Shareholders whose knowledge, experience and guidance has been instrumental.

We at BACB are optimistic about what the future holds for 2025 and beyond. We recognise that this growth trajectory creates expectations which could prove challenging, but by making ongoing investments in our people and infrastructure, we can build towards continued safe and sustainable growth.

PAUL JENNINGS

Chief Executive Officer

14 March 2025

STRATEGIC REPORT

BUSINESS AND PERFORMANCE OVERVIEW

STRATEGIC REPORT

BUSINESS AND PERFORMANCE OVERVIEW

OVERVIEW

BACB is an international wholesale bank with over 50 years of experience providing global trade finance and treasury solutions to clients operating in and out of specialised markets.

The Bank, headquartered in the City of London, is authorised by the Prudential Regulation Authority ("PRA") and regulated by both the Financial Conduct Authority ("FCA") and the PRA.

BACB uses its position in one of the most prominent financial market centres to build strong ties with the global banking community. Our objective is to leverage our trade finance and investment expertise to enable clients, countries and communities to prosper. We are a trusted partner operating in Africa, the Middle East, and Asia, facilitating trade flows and connecting these markets and trade corridors across the globe.

BACB's ability to leverage local knowledge and product expertise makes it the banking partner of choice for our clients, in and operating in, specialist markets.

As a result, 2024 saw strong growth in BACB's business, with revenue growth up 10% from £89.4m in 2023 to £98.7m in 2024. 2024 revenues were £14.4m ahead of projections from the start of the year, which underscores the impressive work done across all areas of the Bank's operation. Operating income by region can be viewed in the Highlights section on page 6.

The Bank's business lines performed well throughout the year at a time when economic headwinds hampered the financial sector more generally. See operating income by business on page 6 for further detail. Real Estate business's revenue contraction was an outlier in a widely positive year for growth, income from our Real Estate portfolio was in line with our plan as we continued to manage existing exposures with selective replacement of legacy assets refinanced or repaid.

BACB remains committed to its successful client-first execution strategy, continuously enhancing service delivery and investing in the development of its core markets.

OUR STRATEGY

As outlined by our Chief Executive, BACB's strategy is one of measured expansion, focused on those specialist African, frontier and emerging markets that we know best. Our goal continues to be to originate quality assets in our core markets that will generate long-term sustainable revenue.

2024 was a year of consolidation and greater strategic alignment across the Bank – bringing together business lines around this shared goal. The successes of 2023 also permitted BACB to invest in its operations this year, building a more self-confident and agile organisation.

MACROECONOMIC ENVIRONMENT

BACB is a niche provider with leading geographic and product expertise, and it remains focused on its core markets while closely monitoring economic and political developments that may have an impact on the Bank's strategy.

Challenging global macroeconomic conditions, combined with geopolitical uncertainty, have been and will continue to be at the forefront of our robust risk management strategy, influencing where and how we conduct business.

Despite these challenging conditions, we are seeing central banks begin to control inflation, with interest rates expected to stabilise and be moderately lower throughout 2025 in the majority of leading markets.

Geopolitical tensions unfortunately remain high around the world and the thoughts of everyone at BACB are with those whose lives have been affected by conflict and violence. The resulting market volatility and supply chain disruption has inevitably affected global trade and the regions we serve.

These tensions impacted a number of our key markets during the year, however BACB's deep knowledge of its core markets meant the Bank could maintain relative stability for its clients and partners.

Despite challenging conditions, our loyalty and unwavering commitment to the specialist markets in which we operate will continue to generate opportunities for our clients.

Furthermore, the Bank's ability to structure transactions to mitigate risk in frontier markets provides additional comfort, as do the Bank's strong trade distribution channels, which enable BACB to be more relevant to its customers and markets and provide much needed additional credit appetite and liquidity to the regions we serve.

GLOBAL TRANSACTION BANKING

Set up in 2023, BACB's GTB function is now at the heart of the Bank's business model – and has resulted in far greater alignment between our wholesale banking business lines.

Our GTB business now accounts for 69% of the Bank's revenue, having brought in revenues of £68.1m (2023: £60.4m).

Bringing down internal silos has not only created cross-selling opportunities, but genuinely improved services for clients, who now receive a more streamlined experience.

Our Treasury team and the products they offer to clients are aligned with our wider business and are a sustainable growth driver. BACB prides itself on its client service levels and in the Trade Finance space delivers turnaround times at the top of industry norms. The Bank's three-client approach (banks, exporting and importing clients and distribution partners) has underpinned the client-centric ethos that has defined BACB's success in 2024.

BACB's GTB offering will be central to the future of the Bank, helping to facilitate even closer collaboration between key business lines, as well as greater diversification of funding sources and providing solutions to existing and new customers.

TRADE FINANCE

BACB has continued to offer its core trade finance activities across 44 markets, including 22 in Africa, and facilitated over £3.8bn (2023: £3bn) of trade finance for our clients.

With a clear mandate to grow within the Board approved risk appetite, the Trade Finance book has grown (29%) over the course of 2024 (2023: 15%) and business leads have felt increasingly empowered to make decisions that have contributed to this growth.

In spite of wider global challenges, the trade flows to and from the Bank's core markets strengthened over the course of the year. Indeed, the support we provide remains critically important in ensuring that exporters can mitigate the risks they face in trading in emerging and frontier markets and that they and their clients are serviced through the provision of trade services.

Owing to our growing reputation and product suite, we are able to facilitate and finance the movement of goods and services across much of the African continent and into other emerging and frontier markets, giving our clients more financial protection and better control over their foreign exposures and cash flows. BACB offers custom solutions to meet the demands of each client. Import and Export Letters of Credit, Standby Letters of Credit, Bills for Collection and/or Discount, Payment Guarantees, Bid/Performance Bonds, Trade Loans, and Invoice and Receivables Discounting are some of the many trade finance services and supply chain solutions that BACB provides.

The Trade Finance business contributed 41% of the Bank's total revenue (2023: 37%). The business has been on a significant growth momentum in the last two years with a year-on-year increase of 23% in 2024 following a year-on-year increase in 2023 of 34%.

During 2024, BACB continued to build its network of partners across financial institutions ("FIs") and non-banking financial institutions ("NBFIs") to create greater appetite and liquidity for the markets and clients the Bank serves, cementing its role as a partner of choice for specialist markets. Assets distributed increased from £1.24bn to £1.35bn, an increase of 9% year-on-year.

Thanks to over 50 years of experience serving predominantly Middle Eastern and African markets, BACB has developed a comprehensive and award-winning trade finance service designed to give confidence to our clients. Key to this is local market expertise combined with the operational advantages of dealing with a UK-domiciled and regulated bank.

In 2024, BACB was awarded Global Trade Review's Award for the Best Trade Finance Bank in North Africa, having also previously won the award 4 times in the last five years. BACB is one of the few banks which facilitates transactions from every North African market, and the award recognised BACB's significant contribution to supporting trade flows across the region.

For the second consecutive year, BACB also secured Best Bank for Trade Finance in Frontier Markets from Global Finance in 2024. This further talks to the niche specialism of the Bank, highlighting our pedigree as a trade finance provider.

Investing in the future

BACB has also continued its efforts to prepare for the future. In joining the Komgo network in Q4 2024, BACB will be able to enhance and streamline its trade finance solutions for its global client-base.

Komgo is a software development and technology services provider based in Switzerland, whose platform empowers financial institutions, traders and corporates to collaborate more efficiently. BACB joining the Komgo network marks a defining step in the Bank's digital transformation journey and will support ongoing innovation and efficiency in the Trade Finance space.

BACB also partnered with a deposit aggregator platform as part of ongoing efforts to diversify the Bank's funding. The service allows users to access multiple deposit-protected savings accounts across multiple banks using only one transaction account, gaining access to one-year fixed rate deposits at competitive rates.

TREASURY

BACB's Treasury has evolved over the past year to become a key strategic business partner. Treasury actively manages the Bank's interest rate risk, exchange rate risk and liquidity risk as well as the Bank's liquidity buffer of High Quality Liquid Assets ("HQLA").

Having adopted a more client-focused approach aligned with the GTB model, the Treasury business has expanded its revenues to £22.7m, up 18% from the £19.3m in 2023.

The Bank's Treasury has two primary functions. Firstly, facilitating client flows complementing our GTB product offering by leveraging BACB's access to financial markets, and secondly, managing the Bank's balance sheet. The team provides FX/Derivative execution and risk solutions to clients and counterparties to support BACB's trade finance business, whilst ensuring that the Bank adheres to the PRA regulatory framework.

Treasury balance sheet management ensures the Bank's compliance with regulatory funding and liquidity requirements, including the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") metrics, as well as the Bank's own risk appetite.

The average LCR during 2024 was 327% (2023: 271%) compared to a regulatory requirement of 100%, reflecting the Bank's strong liquidity position, as seen on page 5.

Continuing from a strong year in 2023, the foreign exchange and fixed-income business flows remained healthy in 2024. Treasury facilitated BACB's clients' evolving foreign exchange trading needs and activity in Money Markets, including financing solutions under Islamic law, and in fixed-income markets. The Treasury team expanded its presence in the primary bond markets, participating in over 200 new issuances. The Bank continues to strengthen its relationships with lead managers, aiming to secure increased allocations in the coming year.

REAL ESTATE

The Real Estate business provides term lending facilities secured against high-quality UK Real Estate assets, both residential and commercial.

Real Estate saw a managed reduction of 19% in revenue over the past year, in alignment with BACB's risk appetite and in response to the current economic climate, which has seen a high inflationary environment, heightened interest rates, and increased borrowing costs. The business has contracted from contributing 18% of the total Bank's revenues in 2022, down to 10% in 2023 and now 7% in 2024.

Despite the difficult interest rate cycle seen throughout 2024, Real Estate has seen its highest levels of new business for five years, driven by an emphasis on quality assets and larger debt quantum. The resilience of BACB's Real Estate business, against a backdrop of high interest rates, is a testament to our partnership approach with clients, combined with strong risk management.

Throughout the year, the portfolio has continued to evolve via a mixture of repayments, the renewal of high-quality transactions, and the generation of new business. As at 2024 year-end, the Real Estate book stood at £366m (2023: £368m).

Looking ahead, the Real Estate business is looking to grow its book, having overseen a managed cycle downward. With new products and partnerships on the roadmap, we will seek to support the borrowing requirements of both new and existing clients.

BALANCE SHEET COMMENTARY

Total assets at the end of 2024 stand at £3.3bn, representing an 11% increase compared to 2023 (£3bn). Our balance sheet strategy is intentionally prudent, maintaining a relatively sizable book of liquid assets.

Assets

Loans to customers and other banks as a percentage of total assets were 50% in 2024 compared to 41% in 2023. This increase was offset by a decline in financial investments from 57% of total assets in 2023 to 49% in 2024.

Growth in assets was underpinned by an increase in loans and advances to other banks from £856m to £1.27bn between 2023 and 2024, reflecting an expansion of the Trade Finance business.

Financial investments which are mainly made up of debt securities designated as fair value through other comprehensive income ("FVOCI") and reverse repurchase agreements have marginally decreased during the year by £71m demonstrating the agility of the Bank's balance sheet management activities to support the growth of Trade Finance.

Liabilities

- Deposits from banks and other institutions grew by £318m (12%) over 2023. The growth was driven by non-related parties' balances, reflecting the business's success in diversifying the Bank's sources of funding.
- Movements in derivative financial instruments are driven by market volatility.

The Bank's overall increase in operating income during the year arose due to an increase in interest from loans, advances and overdrafts as well as increased fees as a result of the growth in Trade Finance assets and exposures.

INTERNAL OPERATIONS

The Bank is committed to continuous enhancement of the efficiency and effectiveness of its internal operations as well as meeting its regulatory and compliance obligations in all its activities, as detailed below.

FINANCIAL CRIME RISK

As a UK-regulated financial institution, BACB recognises the importance of maintaining a robust financial crime control framework that is commensurate with the risks posed by its products and services, client base, and geographic footprint. BACB complies with all applicable anti-bribery and corruption laws in relation to the Bank's operations, it has an Anti-Bribery and Corruption Policy, and annual training is provided to all employees.

BACB operates a 'three lines of defence' model and has a dedicated Financial Crime Risk Team within the second line of defence. This team is responsible for providing oversight and guidance to the first line of defence on all financial crime risk matters. The Bank's employees are required to undertake annual financial crime compliance training and receive supplementary guidance and training in response to regulatory developments and changes to industry best practice.

During 2024, BACB continued to strengthen its financial crime risk mitigation abilities by enhancing key components of its financial crime control framework. Most notably, during the year, BACB completed the final attestation required under the Settlement Agreement entered in to with the US Office of Foreign Asset Control ('OFAC') in 2019.

BACB proactively engages with partner institutions to assist their understanding of the regulatory standards to which BACB adheres, organising training events, and providing the necessary information to ensure due diligence requirements are met for all transactions. This work helps to build capacity in the markets in which the Bank operates, enhances transactional oversight, and ultimately makes trade flows run more smoothly.

During the year several training events have taken place, including seminars focused on compliance and the risks associated with trade transactions as well as trade finance and treasury. This knowledge sharing, with a key focus on regulatory matters, forms a core component of BACB's strategic partnerships with the institutions based in the specialist markets where the Bank operates, with BACB planning to hold similar capacity-building events in 2025.

Geopolitical tensions have remained high in 2024, with the impact of multiple regional conflicts and the subsequent imposition of sanctions constraining global trade and supply chains. Throughout this, the Bank has maintained open lines of communication with clients, clearly explaining sanctions and ensuring their complete application, while avoiding unnecessary disruption. BACB's steadfast commitment to its core markets has continued, evidenced by the Bank's ongoing facilitation of strategic trade flows, helping prevent food shortages in some of the world's most deprived regions.

COMPLIANCE

BACB is committed to maintaining an effective, risk-based, Regulatory Compliance framework. This is in full alignment with the requirements of a UK-regulated bank operating within its target markets, products and service streams. During 2024, the Compliance function played an integral part in the progress and delivery of several strategic projects and initiatives, the main one of which was to ensure the regulatory foundations for the newly implemented deposit aggregator platform. The Compliance function is well engaged, progressive, dynamic, and approachable across the Bank, and is viewed as a partner to the business. This enables the Compliance team to continue its ongoing review of each of the major compliance risks, in collaboration with the rest of the Bank. During 2024, the team delivered its bank-wide monitoring and assurance plan, training programme, as well as managing all its key advisory demands across the Bank. This work continues to develop the function across the Bank and lays strong foundations for the area to build on during 2025 and beyond.

RISK MANAGEMENT

Approach to risk management

The Bank's Risk Management Framework ("RMF") is the principal document for setting out how the Bank identifies, assesses, controls and reports on risks across the three lines of defence. The RMF is supported by the Risk Taxonomy which categorises risks and the Risk Appetite Statement ("RAS") which sets out the level of risk the Bank is willing to take. Taken together these articulate the roles and responsibilities across the three lines of defence, with ownership of individual risk types across the lines of defence aligned to responsibilities under the Senior Managers Certification Regime.

The RMF and the accompanying Risk Taxonomy and RAS are owned by the Chief Risk Officer and approved by the Board. In 2024 the Risk Taxonomy and the RAS were both refreshed and updated including how we measure our appetite for risk and how we track this throughout the year. The Bank has articulated an overarching RAS which provides a framework for setting appetite levels across other risk types. The Bank's risk appetite position is:

"We are an international banking partner, providing higher risk financial services. Many of our customers work in frontier and emerging markets with developing regulatory and legal frameworks. We need to manage rapidly changing and emerging risks covering markets, regulation, technology, the environment, and social drivers. We manage these risks carefully and balance the needs of our customers and stakeholders with ambitions for growth.

We acknowledge our sources of funding, the markets in which we operate, and our ownership structure as being higher risk. As a result of this we seek to have an effective control system and robust approach to regulatory compliance and incident management by way of balance".

Three Lines of Defence

The three lines of defence sets out roles, responsibilities, and expectations for the distinct functions within the Bank. These three lines, when combined with the corporate governance arrangements (as outlined in the subsequent section), are designed to provide an appropriate structure to manage Bank-wide risks.

First Line of Defence: Business Lines and Central Functions

Each business area and central function within the Bank is responsible for identifying, understanding, and managing their risks and maintaining internal controls. The Business Heads are responsible for pursuing the Bank's strategic objectives in accordance with risk appetite approved by the Board.

This includes:

- The identification, assessment, treatment, control, and mitigation of risks.
- Understanding how risks overlap and interact, and what linkages there could be/are between risks.
- Focusing on improving controls and addressing risks that are outside of appetite.
- Responsibility for the Bank's response to risks through executing internal controls on a day-to-day basis and implementing corrective actions to address deficiencies.
- Collaborating with the Risk team to assess and resolve potential issues.
- Engaging with the Risk team early and regularly when pursuing new or complex initiatives in the Bank.
- Reporting of all risk events and near misses via the Bank's risk management system.

Second Line of Defence: Risk and Compliance

Provides the framework for managing risks and conducts oversight and monitoring over the first line risks, controls, and remediation.

This includes:

- Working with the first line to set risk appetite.
- Monitor and facilitate the implementation of effective risk management practices and reporting.
- Independent oversight and challenge.
- Advice and guidance on the management of risks.

Third Line of Defence: Internal Audit

Provides independent reasonable assurance on the effectiveness of governance, risk management and internal controls, including the way the first and second lines of defence deliver risk management and control objectives.

This includes:

- Assessing management's processes for ensuring compliance with controls, through periodic audits of businesses.
- Assessing management's remediation plans in respect of control breaches.
- Ensuring the effectiveness of the Bank's control and assurance processes.

Internal Audit

The Internal Audit function is independent of the business and has a primary reporting line to the Chair of the Audit Committee. The function is fully outsourced. In 2024 this service was provided by Deloitte.

Risk Culture

BACB recognises that having a positive and strong risk culture is imperative to the effectiveness of the Bank's control environment. The Board actively promotes this positive and strong risk culture. The ownership of individual risk types across the three lines of defence is a key mechanism for building responsibility and accountability for risk management. In addition to this, as part of the regular employee engagement surveys conducted by our Chief People Officer, the Bank now includes an annual survey on culture which includes a measure of psychological safety and organisational health. This provides another mechanism to understand our risk culture in addition to the reporting, governance, and engagement activities undertaken as part of our business-as-usual risk management.

Stress Testing

Stress testing is a key risk management tool for the Bank, and in 2024 the Bank continued to develop its approaches and capabilities in this area and will continue to do so going into 2025. Key control policies to support approaches include a Stress Testing and Scenario Analysis Framework and a Model Risk Management Framework. Specific approaches are documented in annual assessments including the Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP"), Reverse Stress Testing ("RVST") and the Recovery and Resolution Plans ("RRP"). The Board approves ICAAP, ILAAP and the RRP governed via regular check and challenge sessions, drawing on the skills and experience across the Bank and on external advice, as necessary. The Stress Testing Focus Group is a key mechanism for managing this work.

PEOPLE, CULTURE AND CONDUCT

Our team of banking professionals based in London and in our representative offices in Abidjan, Algiers and Tripoli provide high-quality services to our clients.

BACB is a collaborative, open and inclusive workplace. The Bank's People Strategy is an integral element of the Bank's overall business strategy, and is focused on attracting, developing, and retaining talent.

In 2024, the Bank further refined its hybrid working model which was implemented in 2020. This balances the needs of the Bank with the desire to provide flexibility for our colleagues, while continuing to enhance productivity, maintain team cohesion, and create an inclusive working environment.

The Bank continues to enhance its methods of communication with colleagues, hosting a series of hybrid town halls and training events, supporting mental health and wellbeing with increased numbers of trained Mental Health First Aiders. Engagement levels are also monitored through the Bank's online survey tool. Sports and social activities and charity fundraising events continue to be an integral part of life at BACB.

During 2024, the Bank continued to prioritise employee development, offering regular hybrid "lunch and learn" events, online and in-person workshops, and a regulatory compliance and risk awareness training programme.

The Bank also continues to improve its onboarding framework, which was established in 2022, with the aim of improving the onboarding experience at BACB and assisting new colleagues in achieving competency in their roles. Using an agile approach, this initiative will continue to evolve throughout 2025 and beyond.

Development forms an integral part of our performance management process, tailored to create a continuous dialogue of feedback and support on performance, achievements, and behaviours. The Bank uses a performance management software tool to link colleagues' objectives and development to the overall business strategy.

Over the course of 2024 BACB has continued to demonstrate its ability to recruit strong industry talent whilst also developing the skills and knowledge of our current colleagues, ensuring that the Bank maintains a strong level of expertise across the organisation. 2024 has seen a further reduction in our rate of voluntary turnover. Having fallen from 19.5% to 7.6% between 2022 and 2023, voluntary turnover in 2024 reduced further to 3.9%, highlighting BACB's continued commitment to developing a consistent team – and one which is passionate about their work.

Additionally, we have enhanced our succession planning framework to be rolled out across the Bank throughout 2025, supporting our efforts to develop our future leaders into critical roles across the Bank.

Culture And Conduct

'Culture and Conduct' is a key area of focus for BACB, UK regulators, and the banking industry. The Bank's aim is to ensure that colleagues understand good conduct, recognising that how we deliver is as important as what we deliver.

Throughout 2024 we have continued to seek opportunities to embed our values and behaviours established in 2022. 2025 will see the continuation of our Going the Extra Mile (GEM) Awards scheme with a campaign to appoint new forum members to the scheme and a promotional campaign throughout 2025 to enhance awareness and engagement.

BACB hosted a Psychological Safety roundtable in October, in which leaders from across London's banking sector met to discuss how a better understanding of company culture and measuring psychological safety can lead to better outcomes in the workplace. 23 attendees from HR, risk management and compliance backgrounds came together to discuss the most pressing concerns in the industry, with proceedings chaired by Giles French, CEO of the Association of Foreign Banks (AFB).

Culture continues to be a key focus of colleague surveys, with metrics (scored out of 10) showing a steady improvement in employee engagement up to 7.9 in 2024 from 7.4 in 2023. There was a significant improvement in Colleague Net Promoter score, up to 38% in 2024 from 13% in 2023. This measures the willingness of our colleagues to recommend working at BACB.

The Bank has a Whistleblowing Policy, led by the Chair of the Board Audit Committee, enabling all employees to raise concerns. Throughout 2024 BACB has continued to focus on ensuring that the Whistleblowing framework is up to date and effective through the provision of training and dissemination of information.

BACB is, and has always been, a diverse and inclusive place to work, reflective of the communities and markets in which we do business. BACB recognises the importance of accurate data to the development of its culture and conduct agenda. Our HR Management Information has evolved during 2024 and is produced and reviewed on a quarterly basis. This is provided to our Executive Committee and the Board Nominations and Remuneration Committee, giving a detailed insight into our diversity, inclusivity, and employee engagement. KPIs related to gender ratio, both bank-wide and at Executive Committee ("ExCo") and Material Risk Taker ("MRT") level, can be viewed on page 7.

These metrics show that overall, the Bank is maintaining a gender-balanced organisation across all levels. In 2024, whilst we maintained the number of females in material risk taker positions, the gender split ratio across our material risk takers has marginally deteriorated as the workforce has grown. We remain committed to fostering diversity across the Bank which will remain a key priority for 2025 and beyond. The Bank will focus on this and other diversity KPIs in 2025, which will be the first year we will be required to be reporting on gender pay gap.

We are committed to our journey towards a 'One team' mentality at BACB.

INFORMATION TECHNOLOGY (IT)

Information Technology continues to play a critical role in driving revenue, improving operational efficiencies, and the reliability of our systems. To this end BACB is making dedicated on-going investments to enable the Bank to meet evolving business needs and sustain long term growth. Our focus continues to be digital enablement, digital transformation, business intelligence and analytics, and sustainable banking solutions.

In an era of increasing cyber threats, BACB continues to invest in mitigating emerging cybersecurity threats. The IT function remains steadfast in our mission to provide secure, scalable and innovative solutions that empower and safeguard BACB, its customers and stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERANCE (ESG)

Introduction

The integration of ESG into the Bank's culture and approach to delivering excellent client service is evidenced by its commitment to embedding sustainability and the consideration of climate change risk into its way of working. This commitment is in line with regulatory requirements from the PRA and FCA, on a proportionate basis to the size, scale, and complexity of the Bank's business model.

In the 2023 Annual Report, the Bank noted the Board approved ESG Strategy for 2024-2027, marking a crucial step forward in its ESG journey, with expressed plans to focus on ESG data collection, metrics, and targets as part its 2024 ESG strategic priorities. Accordingly, a key development in the Bank's ESG strategic approach has been the implementation of the Bank's ESG Scorecard methodology, which was approved by the Board in February 2024.

ESG data collection, metrics, and decision-making

Since approval, the ESG Scorecard has been used as the Bank's primary ESG analysis tool for application at both the country-level and the counterparty-level assessment. The ESG Scorecard assigns an ESG score at the country-level, taking into consideration both internally- and externally derived data. The ESG Scorecard has a direct impact on the Bank's country lending limits, whereby there is a positive correlation between the ESG Score and the country limit (i.e. a lower score corresponds to a lower country limit, and vice versa).

The ESG Scorecard can also be used to measure climate change risk exposure (including both physical risk and transition risk). Physical risk score is determined by the natural conditions of a country, that is the vulnerability of the country's natural environment to adverse weather events induced by global warming. Transition risk score is determined by the country's renewable electricity output as a percentage of total electricity output, in addition to the country's economic reliance upon hydrocarbons for GDP.

The ESG Scorecard has also been instrumental in the development of ESG metrics for internal reporting at the Bank, including the development of quantitative RAS metrics and limits for both ESG risk and climate change risk. As many of BACB's key strategic markets are particularly vulnerable to both physical and transition risk, the Bank has developed quantitative RAS metrics covering both risk types to monitor these exposures on an ongoing basis. Similarly, the Bank's ESG RAS metrics use the individual Environmental, Social and Governance scores produced by the ESG Scorecard methodology, whereby these are mapped against country-level total portfolio exposures and monitored on an ongoing basis. Using the aggregated ESG Score from the ESG Scorecard, the Bank also measures ESG risk within – Trade Finance, Treasury and Real Estate – to monitor how this risk exposure varies across the different business areas.

As mentioned in the 2023 Annual Report, the Bank has endeavoured to take a balanced and practical approach to ESG, which considers shareholder funding in addition to the markets BACB supports. Over the short-to-medium term, the Bank's ESG Strategy strives to gradually improve the integration of ESG considerations into ongoing analysis and decision-making. This has been enhanced over the past 12 months with country risk reports now including separate ESG and Climate Change appendices, which reference data from the ESG Scorecard in addition to providing detailed qualitative commentary on the risk exposure of that country.

Further, the Bank's integration of ESG considerations into ongoing analysis can be demonstrated through the enhancement of the Bank's scenario analysis modelling capabilities for climate change risk. Accordingly, the 2024 ICAAP included a section on climate change risk as part of the Pillar 2A Assessment. This section considered both physical risk and transition risk scenarios, whereby qualitative conclusions were derived based upon quantitative portfolio exposure data for the Bank. This analysis was conducted for both the Trade Finance and the Real Estate portfolios. The Bank has also amended its lending policy for the Real Estate Portfolio to reflect consideration of Energy Performance Certificate (EPC) ratings in lending decisions.

Climate Change

Based on the Bank's exposures and stress testing conducted in 2024, BACB's climate related financial risk is not material. However, the Bank's commitment to managing this can be seen in enhanced governance through Board-level engagement, improved risk management frameworks, informed scenario analysis and consideration of any relevant ESG-related disclosures. The Bank maintains a separate Climate Risk policy and will continue to develop climate risk scenarios covering both physical and transition risks to support stress testing in this area.

Office refurbishment and operational carbon footprint

From an operational perspective, the Bank also continues to measure its scope 1 and 2 greenhouse gas (GHG) emissions, through the completion of Streamlined Energy and Carbon Reporting (SECR) reporting. Further details of the Bank's SECR reporting requirements are included in the Directors' report on pages 43- 44. The Bank also utilises a responsible waste management vendor, which allows for the ongoing measurement and monitoring of the Bank's emissions at any given time. Following the completion of the Mansion House Place refurbishment in 2024, which entailed various green operational improvements, the Bank was awarded the SKA Gold Certification for comprehensive integration of sustainability features and practices.

Community

BACB recognises the important role it can play in utilising its social capital to positively promote civic engagement and create lasting value to stakeholders and society. With this in mind 2024 saw the formation of the BACB Charitable Appeals Forum. The Forum comprises of individuals at all levels across the Bank, whereby the Forum's remit is to decide the distribution of funds for charitable purposes. Further information is provided in the Director's s172(1) Statement on page 39.

Strategic charity partnerships will be considered by the Forum in 2025, seeking organisations that closely align to the Bank's values. The Forum will also play a role in coordinating and facilitating the Bank's community-related activities, which form a key pillar of ESG Strategy.

Employees are also empowered at an individual level, being supported in paid volunteering days as well as having matched fundraising available to support causes that are important to them. Throughout 2024 the Bank hosted several ESG activities. The Bank supported Mental Health awareness week, provided financial well-being talks and hosted a successful employee led coffee morning in aid of We Are Macmillan Cancer Support.

The Bank also continued its tradition of being a long-standing supporter of the Lord Mayor's Appeal which promotes philanthropic activity in the City of London. This included supporting the "We Can Be" initiative which seeks to help empower young women to make informed decisions about their careers. BACB plans to support this initiative again in 2025.

STRATEGIC REPORT

PRINCIPAL RISKS

PRINCIPAL RISKS

The following section provides a summary of the principal risks to the Bank which are those risks which would have the most significant impact on the business. These are developed by, and approved by, the Bank's ExCo and the Board.

GROUPING	DESCRIPTION	COMMENTARY
Technology & Data	As the pace of technology changes, together with customer expectations and competitor offerings, there is the risk that BACB fails to upgrade its technology and to make effective use of data to keep pace with competition and maintain and grow market share. There is the further risk that out-of-date technology exposes the Bank to cyber-attacks and increases the risk of errors through a reliance on manual processes and inadequate or erroneous management information.	The Bank has adopted and is implementing a technology and data strategy to deliver enhanced capabilities for running the Bank and delivering our customer offerings. This includes the development of a cyber operating model increasing the Bank's cyber security through better ways of working and deployment of technology which we test by running regular scenarios. In 2024 this included cyber fire drills, a disaster recovery drill and a series of operational resilience scenarios. Risks around technology, data, and cyber security have been included in the RAS.
People & Change	As the Bank delivers change to improve how we work and how best we support our customers there is the risk that change initiatives are not managed to budget and plan or do not deliver the anticipated benefits which further impacts on the working environment and healthy work culture for our people and our ability to attract, retain and grow talent in the Bank.	The Bank manages change through an executive led Change Management Committee ("CMC") with representation from across the business which going into 2025 will have increased risk oversight as the pace and complexity of change increases. The Chief People Officer as well as other leaders in the Bank engage regularly with our people across multiple channels to identify and manage early any new or increasing people risks. The Executive Committee members are empowering senior individuals and teams to identify and deliver on improvements that support a healthy work culture. Risks around people and change have been included in the RAS.

GROUPING	DESCRIPTION	COMMENTARY
Markets	We operate primarily in frontier and emerging markets, and we acknowledge the risk that geopolitical and/or macroeconomic drivers could result in loss of revenue from core markets because of exposures moving outside of risk appetite, or through pressure from incoming competition to the extent there is damage to the BACB franchise.	The Bank maintains a strong geo-political risk capability which allows us to identify early risks in this area. Furthermore, the Bank is in the process of investing in people, processes, and technology as part of the growth plan and diversification into new markets. These risks have been included in the RAS.
Credit Quality and Interest Rate Environment	The overall credit quality of the Bank's portfolio is good considering counterparty credit ratings, tenor, and security but there is risk that a fall in credit quality or falling interest rates could adversely impact the Bank including impacting on the availability of capital and constraining the Bank's capacity for growth.	The Bank runs regular stress tests to understand the impact on the balance sheet of a range of scenarios including credit grade worsening, defaults, asset prices shocks, interest rate shocks and other stresses. The Bank holds Pillar 2a capital for credit concentration risk and interest rate shocks, and Pillar 2b capital for impact of these risks on the Bank's 3 year strategic plan. The Bank holds additional buffers on top of Pillar 1 and Pillar 2 capital requirements to mitigate this risk. In addition, the Bank's shareholders have supported the Bank in 2024 through the extension of its sub-ordinated loans which have provided additional Tier 2 capital to the Bank.
Compliance	The risk that changes in regulation or law materially impacts the Bank's business model or the risk that we are exposed to actual or potential loss because of inadvertently or knowingly facilitating any form of Money Laundering, Tax Evasion, Sanctions, or Bribery & Corruption.	The Bank conducts horizon scanning for changes in the regulatory environment and engages regularly with regulators through the Chief Compliance and Money Laundering Reporting Officer. The Bank also has detailed policies and processes across both first and second lines of defence for managing this risk.

This Strategic Report (on pages 9-30 and incorporating by reference pages 38-40) has been prepared in accordance with the requirements of the Companies Act 2006 and has been approved and signed on behalf of the Board.

AKBAR HUSSAIN

Company Secretary

14 March 2025

DIRECTORS' REPORT

FOR YEAR ENDED 31 DECEMBER 2024

DIRECTORS' REPORT

BOARD OF DIRECTORS

The Board of Directors is led by the Chairman Dr. Yousef Abdullah Al Awadi KBE.

DR YOUSEF ABDULLAH AL AWADI KBE
Chairman
Independent Non-Executive Director

PAUL JENNINGS
Chief Executive Officer
Executive Director

NIGEL BOOTHROYD
Independent
Non-Executive Director

SUNDEEP BHANDARI
Independent
Non-Executive Director

PAUL HOWARD
Independent
Non-Executive Director

MOHAMED ALI ADDARRAT[1]
Vice Chairman
Non-Executive Director

FAESAL OTHMAN[1]
Non-Executive Director

DR AHMED MIHOOB[1]
Non-Executive Director

MOHAMED ZINE[2]
Non-Executive Director

KEY

Shareholder representation
1 LFB nominated
2 BCP nominated

Committee membership
Chair
Board Risk Committee member (formed 26th July 2024)
Board Audit Committee member
Board Nomination and Remuneration Committee member
Board Financial Crime & Compliance Committee member (formed 26th July 2024)

CORPORATE GOVERNANCE

BACB is a UK regulated entity with a head office in London and representative offices in Abidjan, Algiers and Tripoli. As a niche bank operating in a range of specialised emerging and frontier markets, it is important that BACB operates a simple yet effective and agile governance framework. The Board is committed to high standards of corporate governance and the Chairman is ultimately responsible for the quality of, and approach to, corporate governance at BACB. To be effective, however, the governance framework is aligned with the size, scale, and complexity of the Bank and supports its strategy of safe sustainable growth. During 2024, further enhancements were made with the continued evolution of the Bank's approach to governance.

GOVERNANCE ARRANGEMENTS

The Board is governed by its Articles of Association and Shareholders Agreement, notwithstanding all mandated statutory and regulatory obligations. The Board operates a clearly defined Matters Reserved in respect of its decision making while delegating where relevant to its Board and Executive sub-committees. All Committees are well constituted with a clear mandate provided by approved Terms of Reference outlining each Committee's responsibilities, objectives, and reporting.

The Bank, through its Shareholders Agreement, has four Non-Executive Directors who have been nominated by their respective shareholders. This provides a strong set of skills and expertise in which the Bank benefits from each nominated director's breadth of knowledge within our core and international markets.

The Bank has continued to strengthen its "Three Lines of Defence" risk management model. The Executive provides timely reports and data on the principal areas of risk for the Bank, including the associated controls framework and risk appetite measures. The Bank's Internal Audit function is outsourced and provides independent assurance to the Board Audit Committee (the "BAC") and the Board on the effectiveness of the internal control environment.

BOARD COMPOSITION

As at 31 December 2024, the Board's membership included four independent Non-Executive Directors (including the Chairman) and four Non-Executive Directors nominated by the Bank's shareholders. In line with governance best practice, all Board sub-committees are Chaired by an Independent Director. The Board met on ten occasions during 2024.

BOARD EVALUATION

The Board has previously committed to undertake a Board effectiveness review covering 2024. This will be completed by Q2 2025. The Bank further conducts internal effectiveness reviews of the Board's sub-committees to continuously enhance the framework and performance of these governance forums. In assessing Board member fitness and propriety, individuals are annually assessed by the Chairman on their performance. These activities are supported by the Governance and Compliance functions and overseen by the Board Nominations and Remuneration Committee (the "BNRC").

GOVERNANCE FRAMEWORK

The Board is the Bank's ultimate decision-making body. To fulfil its role in setting strategy, providing oversight and ensuring delivery of long-term sustainable value, its relationship with the Executive is key. The Board and the Executive (including their respective Committees) work in tandem to oversee the Bank's activities to deliver sustainable growth.

Committees meet regularly, and the Board provides robust support and challenge to the Executive Committee to enable it to fulfil its role of implementing business strategy, managing the day-to-day activities of BACB, and providing effective reporting to the Board.

BOARD COMMITTEES

Sub-committees have been established by the Board, delegating certain matters (outlined below), to allow the Board to focus more on strategic matters. The Chair and membership of each Committee is found in the Board overview on page 32. All Committees meet formally a minimum of four times a year, although more meetings are held (where relevant) to meet the annual financial and regulatory reporting cycle. Following a review of the Board's governance structure, specifically the oversight of risk matters, changes were made to the Board's sub-committees in July 2024. The Board Credit Committee was dissolved while the Risk and Conduct Committee was split into two risk focused Committees: the Board Risk Committee and Board Financial Crime and Compliance Committee. Their roles and responsibilities are outlined below.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE ("BNRC")

The BNRC has a dual role in that both nomination and remuneration responsibilities have been delegated to it by the Board. In its nomination role, the BNRC oversees appointments of potential Directors to the Board. In addition to succession planning, reviewing overall composition and diversity of the Board, the BNRC also conducts an annual evaluation of the Board. Its remuneration responsibilities include agreeing the remuneration and employment policies of the Bank in line with business purpose (including values), strategy, risk appetite, conduct and regulatory compliance.

BOARD RISK COMMITTEE ("BRC")

The BRC's key responsibilities include implementing and overseeing the Board-approved risk appetite, reviewing and recommending the risk management framework and challenging risk management information. Additionally, the BRC oversees and advises on the embedding and maintenance of a positive risk management culture. The BRC also advises the Board on risks relating to strategic decisions and transactions, considering the current and future macroeconomic, political, and regulatory environment, and other potential emerging risks. The BRC's formation was approved by the Board on 26 July 2024.

BOARD FINANCIAL CRIME AND COMPLIANCE COMMITTEE ("BFCC")

The BFCC oversees the Bank's risks in respect to Financial Crime ("FCR"), Sanctions, Regulatory Compliance, Legal and Governance matters. The BFCC provides guidance and makes recommendations to the Board (for approval) on key matters and policies in respect of FCR and Regulatory Compliance and other key regulatory disclosures, emerging regulatory developments and enforcement action(s). The BFCC's formation was approved by the Board on 26 July 2024.

BOARD AUDIT COMMITTEE ("BAC")

The BAC provides independent oversight of, and challenge to, the integrity of the Bank's financial reporting processes and disclosures. It provides assurance to the Board that the financial statements are fair, balanced, understandable and provide the necessary information for stakeholders to assess the Bank's financial performance. The BAC further scrutinises the performance and effectiveness of both the external and internal audit functions, ensuring the Internal Audit function performs against its approved annual plan, assesses the effectiveness of the internal control environment and oversees the whistleblowing process.

ATTENDANCE OF EXECUTIVE MANAGEMENT

The Board and its Committees outlined above are attended by the Chief Executive Officer, and the Executive Management. The BAC and BRC are attended by the Bank's outsourced Internal Audit functions. In addition, the BAC is attended by the Bank's external auditors.

EXECUTIVE GOVERNANCE

The ExCo derives its mandate and operates under delegated authority from the Board through the Chief Executive Officer. The Board reviews and approves the Terms of Reference for ExCo on an annual basis. Chaired by the Chief Executive Officer, ExCo has a business and prudential remit and is responsible for:

- Formulating and endorsing the Bank's strategy and business plan for approval by the Board.
- Ensuring the Bank is managed in accordance with the approved strategy.
- Ensuring the Bank is managed in a sound, prudent and ethical manner and in accordance with all relevant laws, regulations and governance.
- Agreement of the Bank's Purpose Statement.
- Managing the Bank's interface to its principal stakeholders, including the Board, regulators, customers and auditors.

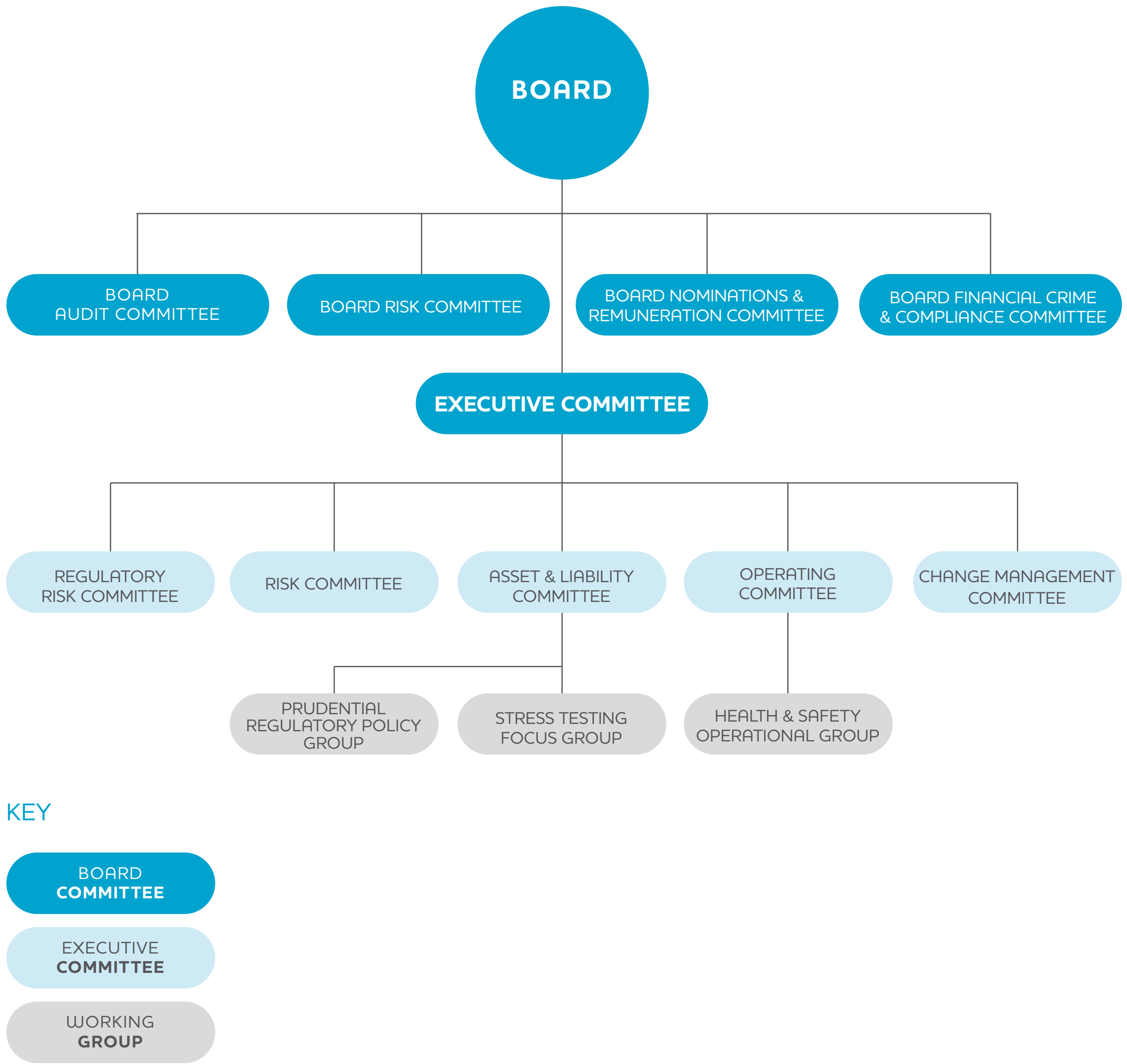
As of December 2024, the Executive Committee membership comprised of:

- Chief Executive Officer (CEO)
- Chief Banking Officer (CBO)
- Chief Financial Officer (CFO)
- Chief Risk Officer (CRO)
- Chief Operating Officer (COO)
- Chief People Officer (CPO)
- Chief Compliance Officer (CCO)*

**The CCO is also the Bank's nominated Money Laundering Reporting Officer.*

ExCo has established various sub-committees and groups to cover risk management, governance, regulatory compliance, anti-financial crime, operational resilience, and information security, amongst others.

BACB's governance framework is outlined below.


BOARD
BOARD AUDIT COMMITTEE
BOARD RISK COMMITTEE
BOARD NOMINATIONS & REMUNERATION COMMITTEE
BOARD FINANCIAL CRIME & COMPLIANCE COMMITTEE
EXECUTIVE COMMITTEE
REGULATORY RISK COMMITTEE
RISK COMMITTEE
ASSET & LIABILITY COMMITTEE
OPERATING COMMITTEE
CHANGE MANAGEMENT COMMITTEE
PRUDENTIAL REGULATORY POLICY GROUP
STRESS TESTING FOCUS GROUP
HEALTH & SAFETY OPERATIONAL GROUP
KEY
BOARD COMMITTEE
EXECUTIVE COMMITTEE
WORKING GROUP

EXECUTIVE TEAM

The Bank's Executive Team leads the business and is responsible for BACB's operational and financial performance. Team Members combine experience and expertise across a range of disciplines in delivering the Bank's sustainable growth and strategic objectives.

PAUL JENNINGS
Chief Executive Officer

PAUL REW
Chief Financial Officer

ISABELLA PATEMAN
Chief Risk Officer

DAMIAN AUSTIN
Chief Banking Officer

RICHARD SNOOKES
Chief Compliance Officer

ROSS MCNAY
Chief Operating Officer

JANE PERKIN
Chief People Officer

S172(1) STATEMENT

INTRODUCTION

By aligning the Board's decision-making to the strategy, vision, values, and purpose of the Bank, and giving due consideration to all stakeholders, the Directors strive to achieve outcomes that are crucial to the short-, medium- and long-term success of the Bank.

Under section 172 (1) of the UK Companies Act 2006, the Directors also have a duty to act in a way that will promote the Bank's success for the benefit of its stakeholders. That's why, in all decisions, the following are considered:

- Likely consequences of any decision.
- Interests of the Bank's staff.
- Need to foster relationships with the Bank's clients, regulators, investors and other key stakeholders.
- Impact of the Bank's operations on our communities and the environment.
- Importance of maintaining the Bank's reputation for high standards of business conduct.
- The need to act fairly between members of the Bank.

The Board considers the Bank's stakeholders throughout the year when reaching decisions in the running of the Bank's operations. The CEO Review (see pages 11-13) contains a forward-looking component addressing the economic landscape. The Strategic Report (see pages 15-18) outlines future business developments. Stakeholders are always considered in these strategic business decisions.

KEY DECISIONS

The following summarises some of the key decisions made during 2024, including how the Board considered the interests and needs of key stakeholders.

KEY DECISIONS	CHANGES MADE AND STAKEHOLDER CONSIDERATION
Enhancing our governance and its maturity	The Board enhanced its governance structure to better ensure robust oversight of risk matters, improving its oversight of risk management through the formation of a specific Board sub-committee; the Financial Crime Committee. This allows the Board to maintain a holistic view of all bank wide risks whilst ensuring specific focus for this key area of risk for the Bank.
Reviewing our culture – the Culture Decoder	The Bank has four communicated values, Loyal, Trusted, Agile and Driven it expects all colleagues to demonstrate. During 2024, the Bank undertook an exercise to better understand the cultural landscape across the business. This was achieved through working with the company Brands with Values ("BRW") and leveraging their "Culture Decoder" tool. The Culture Decoder is based on well documented research and allowed the Bank to get a sense for what our colleagues cared about. We found that key driving factors for working at BACB were our sustainable growth strategy and a "One Team Mentality". Through this work, BACB co-created with BWV a measure of "Psychological Safety" and BACB achieved a score of 45% against a UK average of 43% and UK Finance 44% out of a maximum potential score of 100%.

KEY DECISIONS	CHANGES MADE AND STAKEHOLDER CONSIDERATION
Empowering our Colleagues	The Bank provides various training, development and well-being support to colleagues designed to support personal growth and individual objectives. We do this through carrying out periodic Peakon Surveys and obtaining Net Promoter Scores to get a sense of what our colleagues care about. Additionally, regular workshops are hosted around Mental Health Awareness, Pensions and National Inclusion and Diversity. Educational seminars are arranged to assist our colleagues with vital knowledge around topical matters, such as the Safety and Security Roadshow. A key development during 2024 was the establishment of a Charitable Appeals Forum. This Forum, led by our colleagues, is responsible for determining the allocation and quantum of charitable donations to organisations that our colleagues care about. In 2024, £15,000 was donated across four charities: Saint Francis Hospice, SANDS (Stillbirth and Neonatal Death Support), Spinal Muscular Atrophy UK and UNICEF.
Progressing our ESG approach and strategy	In Q1 2024, the Bank developed and implemented its Country ESG Scorecard (the "Scorecard") as part of its developing ESG Strategy. The Scorecard enables BACB to refine its metrics, offering a clearer view of its ESG risk profile at a country level.
Delivering our Change Programme	The Bank commenced a Change Programme (the "Programme") with the objective of developing and enhancing BACB's internal capability and infrastructure. The Programme deliverables span a wide range of tangible and intangible enhancements around our processes, procedures, policies and ways of working. Changes to the technological architecture, banking and regulatory systems and reporting enhancements are aimed at increased commercial capability and capacity. During 2024, we saw several key deliverables realised that not only supported BACB's sustainable growth strategy but delivered new products and services to our customers. The Programme will continue to enhance the experience of all our stakeholders into 2025.
Diversifying our products and Consumer Duty	To improve BACB's risk profile, the Bank reduced funding concentration risk by diversifying its deposit offering. In order to support BACB's sustainable growth strategy and having diversified deposit sources across multiple markets and products, BACB launched its product on a retail deposit aggregator platform, in October 2024. Through such a platform, BACB now provides fixed term savings deposit accounts for customers and has seen strong participation and take-up. As a consequence of the above, BACB is now fully in scope of the FCA's Consumer Duty regime (the "Regime"), designed to ensure objective and fair outcomes for customers. The Board is responsible for ensuring the Bank complies with and delivers on the objectives of the Regime and has nominated a Board Champion for this purpose.

OUR STAKEHOLDERS

The following section sets out the Bank's key stakeholders and the Board's engagement with them as required under section 172(1) of the Companies Act 2006.

KEY STAKEHOLDER	HOW WE ENGAGE WITH STAKEHOLDERS
Shareholders	Engagement with shareholders is key to the Bank's success and its aim to create long-term sustainable shareholder value and participation. The Board has four nominated Non-Executive Directors representing shareholders and their interests on the Board. The Bank's nominated directors provide BACB with strong international support and leverage their connections in various markets to BACB's benefit.
People	The Bank's success depends on the people who work for BACB. By fostering a diverse, inclusive, and safe working environment, BACB's people are supported, able to thrive and contribute to the Bank's success. The Bank ensures regular corporate communication with employees, in addition the CEO holds periodic Townhalls to communicate important bank-wide developments. There are Wellness and Wellbeing initiatives to support our people in addition to Diversity, Equity and Inclusion being at the forefront in our engagement with our people. Developmental sessions, including "lunch and learns", are held regularly.
Customers	The Bank's business depends on working together with customers to create value. The Bank actively supports its customers through their economic journey, helping manage external factors such as rising costs, interest rates and macro-economic challenges. Relationship Managers regularly liaise with customers to ensure the Bank is offering them the right support and meeting their needs. The Bank offers training support to customers through on the ground workshops in specialist areas.
Regulators and Government	The Bank works in a highly regulated environment and a strong internal culture supports compliance with our regulatory obligations. The Bank's objective is to always operate in an open, transparent, and cooperative manner with the FCA and PRA and other bodies where relevant. All colleagues are responsible for ensuring compliance with applicable regulations driving positive conduct and decision making. The Board is apprised of confirmation of compliance with requirements, communications with regulators and horizon scanning to assess the impacts of forthcoming changes.
Suppliers	The Bank works with key third party vendors across the business who provide essential products and services. Partnering and collaborating with suppliers helps to drive progress on delivering BACB's strategy.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with UK-adopted international accounting standards.

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 Bank and of the profit or loss of the Bank for that period. In preparing the financial statements, the Directors are responsible for:

- Selecting suitable accounting policies and then applying them consistently.
- Stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Making judgements and accounting estimates that are reasonable and prudent.
- Assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

The Directors are responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATION

The Directors consider that the financial statements, taken as a whole, are fair, balanced, understandable and provide the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report, confirms that, to the best of their knowledge:

- the Bank's financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Bank; and

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

OTHER GOVERNANCE DISCLOSURES

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

CORPORATE GOVERNANCE STATEMENT

BACB is an unquoted company incorporated and registered in the United Kingdom (registered company number 01047302). The Bank is governed by its Articles of Association, Shareholders' Agreement and all applicable laws and regulations.

The Board recognises and acknowledges the benefits of adhering to governance best practice and takes a proportionate approach aligned to the Bank's size, scale, and complexity.

The principal activities of the Bank can be found on pages 15-26 of the Strategic Report. Where disclosures that would ordinarily form part of the Directors' Report have been made elsewhere in this Annual Report, these have been signposted to where that information can be found.

DIRECTORS

The Bank benefits from the skills and experience of its Board members. Shareholder representatives bring experience of BACB's markets. Board diversity in terms of experience and background ensure the optimal composition of the Board and its sub-committees.

NAME	ROLE	APPOINTED
Dr Yousef Al Awadi KBE	Independent Non-Executive Chairman	20.05.22
Paul Jennings	Chief Executive Officer	11.04.23
Nigel Boothroyd	Independent Non-Executive Director	14.10.20
Sundeep Bhandari	Independent Non-Executive Director	06.10.20
Paul Howard	Independent Non-Executive Director	11.09.23
Mohamed Ali Addarrat[1]	Non-Executive Vice Chairman	22.09.23
Faesal Othman[1]	Non-Executive Director	05.02.21
Dr Ahmed Mihoob[1]	Non-Executive Director	20.05.22
Mohamed Zine[2]	Non-Executive Director	30.10.12
Lazar Latreche[3]	Non-Executive Director (resigned 16.04.24)	07.05.20

[1] LFB nominated representative

[2] BCP nominated representative

[3] BEA nominated representative.

FINANCIAL STATEMENTS

The financial statements for the Bank have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

GOING CONCERN

The Directors have a reasonable expectation that the Bank will have adequate resources to continue to operate for 12 months from the date of the approval of the financial statements. They have therefore adopted the going concern basis to prepare the financial statements presented in this Annual Report. The full process undertaken by the Directors in the going concern assessment is outlined in Note 2a) of the audited financial statements.

DIVIDENDS

The Directors have recommended a final dividend payment for 2024 of £7.2m (2023: £5.5m), which is subject to approval at the Annual General Meeting to be held 13 May 2025.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are disclosed in Note 33 to the audited financial statements.

COMPANIES ACT 2006 S172 (1) REPORTING AND STAKEHOLDER ENGAGEMENT

The statement by the Directors in performance of their statutory duties in accordance with section 172 (1) of the Companies Act 2006 is included in detail in the Governance Report (see pages 38-40). The Board recognises the importance of considering all stakeholder interests, including in the principal decisions taken by the Bank during the financial year. The Board continues to seek feedback from the Bank's customers, colleagues, shareholders and the Board itself. Inclusion of both standing and rolling agenda items in the Board's yearly cycle of meetings enables it to factor these into its decision making and ensure stakeholders' interests are met.

POLITICAL AND CHARITABLE DONATIONS

During the year, the Company made no political donations (2023: £Nil). Charitable donations for 2024 totalled £15,000 and were donated to various charity organisations as voted by our colleagues and outlined on pages 25-26. In addition, BACB donated £5,926 to charities via its employee matched funding initiative.

ENERGY AND CARBON EMISSIONS

In line with the Streamlined Energy and Carbon Reporting requirements ("SECR"), this report outlines the Bank's Greenhouse Gas ("GHG") emissions covering the period 1 January to 31 December 2024. The scope of the Bank's reporting encompasses electricity associated with the office properties it owns and from which it operates, refrigerant purchases, and its owned or controlled transport usage.

The total emissions for the reporting period were 279.7 tCO_2e (2023: 393.4), with an intensity ratio of 0.10 tCO_2e (2023:0.14) per square metre. This resulted in 674,138 kWh of energy consumed (2023: 1,222,988 kWh). Following the building refurbishment the Bank saw its EPC grade improve from D to B. This saw a 45% decrease in associated carbon emissions, and a reduction of 545,311 kWh. This reflects the benefits of the building refurbishment, which included the installation of a new Variable Refrigerant Volume system as part of an energy efficiency initiative.

GHG EMISSIONS DISCLOSURE, SCOPES 1-2

LOCATION BASED	FY24	FY23
Scope 1	Emissions (tCO2e)	
Transport: staff mileage	0.61	0.53
Refrigerant consumed in offices	140.07	140.07
Natural Gas consumed in offices	N/A	N/A
Total (tCO2e)	**140.68**	**140.60**
Scope 2		
Electricity consumed in offices	139.04	252.78
Total (tCO2e)	**139.04**	**252.78**
Total Scope 1 and 2	**279.72**	**393.38**

MARKET BASED	FY24	FY23
Scope 1	Emissions (tCO2e)	
Transport: staff mileage	0.61	0.53
Refrigerant consumed in offices	140.07	140.07
Natural Gas consumed in offices	N/A	N/A
Total (tCO2e)	**140.68**	**140.60**
Scope 2		
Electricity consumed in offices	0	0
Total (tCO2e)	**0**	**0**
Total Scope 1 and 2	**140.68**	**140.60**

INDEMNITIES AND INSURANCE

The Bank maintains Directors' and Officers' liability insurance for all Directors and Officers of the Bank, which gives appropriate cover for legal proceedings brought against them. As far as the law allows, and according to the Bank's Articles of Association, BACB indemnifies the Bank's Directors for any loss, liability, or expense they incur in relation to the Bank or its associated companies. The indemnity was in force during the year and up to the date when the financial statements were approved.

SHARE CAPITAL AND SHARE PREMIUM

The Bank has three classes of shares in issue: ordinary shares of £1 GBP each, ordinary shares of $1 USD each and deferred non-voting shares of £1 GBP each. The total number of shares in issue is 153,631,024 with each ordinary share carrying the right to one vote. The total number of voting rights in the Bank is 148,631,024 ordinary shares of £1 GBP and $1 USD respectively. Information about the Bank's share capital can be found in Note 28 to the audited financial statements.

FINANCIAL INSTRUMENTS

Details of the Bank's financial risk management objectives and policies, and risk exposures, can be found in Note 4 of the financial statements.

SUPPORTING DISABILITY AND LONG-TERM CONDITIONS

BACB is committed to fostering an inclusive environment where all colleagues, including those with disabilities can thrive. Policies and practices are designed to ensure colleagues with disabilities receive full and fair consideration from the moment they apply for a role in the Bank. This continues throughout their employment journey. Reasonable adjustments to the recruitment process are made to ensure no candidate is disadvantaged, and BACB provides a range of support to enable disabled colleagues to perform and develop in their roles effectively.

DIRECTORS' CONFLICTS OF INTEREST

The Board has procedures in place for managing conflicts of interest. Should a Director become aware that they, or a party connected to them, has an interest in an existing or proposed transaction with the Bank or may find themselves in a situation which may conflict with the interests of the Bank, they are required to notify the Board. Internal controls are in place to make sure that any related-party transactions involving Directors, or a party connected to them, are conducted at arm's length. Directors have a continuing duty to keep the Bank up to date as regards conflicts of interest relating to them and those connected to them.

DIRECTORS AND THEIR INTERESTS

A list of the directors who served during the year is outlined earlier in the Director's Report while directors' remuneration is disclosed in Note 14 on page 111. None of the directors holds, or has held, shares in the Bank.

SUBSTANTIAL SHAREHOLDERS

The Bank's shareholders as at the reporting date and their percentage holding of the total issued share capital of the Bank is listed below:

- Libyan Foreign Bank (86.50%)
- Banque Extérieure d'Algérie (6.75%)
- Banque Centrale Populaire (6.75%)

During 2024, the minority shareholders increased their shareholding following a scrip dividend.

STATUTORY AUDITOR

Forvis Mazars LLP was appointed as the auditor of the Bank at its Annual General Meeting on 3 May 2024, to hold office until the conclusion of the next General Meeting at which Financial Statements are laid before the company. In accordance with Section 489 of the Companies Act of 2006, a resolution for the reappointment of Forvis Mazars LLP as auditor of the Bank is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

AKBAR HUSSAIN

Company Secretary

14 March 2025

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRITISH ARAB COMMERCIAL BANK PUBLIC LIMITED COMPANY

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRITISH ARAB COMMERCIAL BANK PUBLIC LIMITED COMPANY

OPINION

We have audited the financial statements of British Arab Commercial Bank Public Limited Company (the 'Bank') for the year ended 31 December 2024 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flow, and notes to the financial statements, including material accounting policy information.

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

In our opinion, the financial statements:

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

Our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method of assessing the Bank's ability to continue as a going concern including the specific risks areas identified including assessing the sufficiency of the Bank's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') documents;
- Evaluating the key assumptions used and judgements applied by the directors including consideration of the events after balance sheet date in forming their conclusions on going concern;

- Meeting with the Prudential Regulation Authority (PRA) and inspecting correspondences with regulators; and
- Evaluating the adequacy and appropriateness of the director's disclosure in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of 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) we identified, including 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.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address this matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
Allowance for credit losses - Expected Credit Loss *Refer to material accounting policy information (Note 3 (k)) and Note 13 of the financial statements.* *As at 31 December 2024, the Bank has an expected credit loss ('ECL') allowance of £8.7 million (2023: £17.9 million) in the statement of financial position. The ECL reversal recognised in the Bank's statement of comprehensive income for the year ended 31 December 2024 was £1.6 million (2023: £2.1 million charge).* The Bank has a diverse range of credit exposures. These include a book of loans to counterparties in the Middle East and North Africa, trade and commodity finance portfolios,	**Our audit procedures included, but were not limited to:** • Assessing the design and implementation, and testing the operating effectiveness, of key controls over the monitoring and reporting of credit exposures, and the completeness of provisioning watchlists; • Reviewing the ECL methodology applied by the Bank and assessing its compliance with the requirements of IFRS 9; • Independent credit review testing and challenging management on the application of Significant increase in credit risk ('SICR') for a sample of counterparties to identify

and a UK real estate portfolio. The Bank's business model involves the regular extension of credit to counterparties in countries which are subject to increased levels of political and economic instability.

The estimation of ECL on credit exposures, involves significant judgement and estimation uncertainty.

A model is used to calculate the level of ECL and the model is reliant on a number of subjective assumptions and sensitive to changes and movements in these assumptions.

For credit exposures classified as either stage 1 or 2, a modelled assessment is performed to calculate ECL. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's estimation of ECL are:

- The selection and application of the probability of defaults (PD);
- The selection and application of the loss given defaults (LGD);
- The probability weighted scenarios determined using forward looking information; and
- Staging of loans and the identification of significant increase in credit risk.

For credit exposures classified as stage 3, management typically performs an impairment assessment at an individual loan level, based on estimated future cash flows discounted to present value at the rate inherent in the loan. This is a manual and judgemental process, with numerous assumptions.

We have identified this area as significant risk and a key audit matter in our audit as it involves application of significant judgement by management and therefore requires significant focus in the audit.

The level of risk has remained consistent with the prior year.

indicators of deterioration in credit quality and assess the appropriateness of the staging and associated ECL estimate;

- With the assistance of our in-house credit modelling specialists, assessing and challenging the assumptions used by the Bank in its impairment models using our understanding of the Bank, current and past performance of its portfolio and our knowledge of the industry in respect of similar loans;
- With the assistance of our in-house economists, assessing and challenging the reasonableness of economic scenarios and the probability weightings applied in the ECL model;
- Reperforming calculations and agreeing data inputs to supporting documentation where applicable, including collateral valuation reports and PDs;
- Assessing the methodology of the stage 3 ECL for compliance with the requirements of IFRS 9;
- Independently recalculating the ECL for all stage 3 loans including taking into consideration the completeness and accuracy of the key inputs, assumptions and the incorporation of forward-looking information; and
- Evaluating whether the disclosures appropriately reflect and address the uncertainty which exists when determining the expected credit losses, including sensitivity analysis and key judgements.

OUR OBSERVATIONS

We concluded that the allowance for credit losses recognised as at 31 December 2024 was reasonable and the approach taken in respect of ECL was in compliance with the requirements of IFRS 9.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

OVERALL MATERIALITY	£1,677,000 (2023: £1,820,000)
How we determined it	5% of Profit before tax (2023: 5% of Profit before tax)
Rationale for benchmark applied	We set materiality using a benchmark of profit before tax (PBT). PBT is a primary measure used by the shareholder in assessing the performance of the Bank and is a generally accepted benchmark for determining audit materiality. It is the metric in the primary statements which best reflects the focus of the users of the financial statements. This benchmark is standard for financial institutions and consistent with the wider industry. The profit before tax ('PBT') for the year ended 31 December 2024 was £38,209 (in 000's). Although the final PBT was higher than the interim PBT of £33,540 (in 000's) used in planning materiality, for convenience, we kept materiality at original absolute value, i.e. £1,677,000.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £1,006,000 (2023: £1,092,000), which represents 60% (2023: 60%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the expected level and nature of uncorrected and corrected misstatements in the current year and the robustness of the control environment, and concluded that an amount in the middle of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £50,000 (2023: £54,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

OTHER INFORMATION

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

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and the Financial Conduct Authority ('FCA') and financial crime regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Bank, the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- Meeting with the PRA and inspecting correspondence with regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to Allowance for credit losses.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Assessing design and implementation and testing the operating effectiveness over the Bank's transaction monitoring processes
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to allowance for credit losses, and performing the procedures described in the "Key audit matters" section of our report.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 18 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2021 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

USE OF THE AUDIT REPORT

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

RUDI LANG

(Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey

London, EC4M 7AU

14 March 2025

STATEMENT OF

COMPREHENSIVE INCOME

FINANCIAL POSITION

CHANGES IN EQUITY

CASH FLOWS

AND NOTES
TO THE FINANCIAL
STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	**2024 £'000**	*2023 £'000*
Interest income calculated under effective interest method	8	144,622	*128,671*
Interest income calculated using other method	8	38,274	*40,923*
Less: Interest expense calculated under effective interest method	8	(112,061)	*(103,587)*
Less: Interest expense calculated using other method	8	(192)	*(160)*
Net interest income		**70,643**	***65,847***
Fee and commission income	9	26,821	*24,098*
Less: Fee and commission expense	9	(6,431)	*(6,977)*
Net fee and commission income		**20,390**	***17,121***
Net trading and other income	10	6,549	*5,546*
Other operating income	11	1,068	*901*
Operating income before allowance for credit losses		**98,650**	***89,415***
Allowance for credit losses	13	(3,992)	*(4,164)*
Reversal of allowances booked in previous periods	13	5,633	*6,308*
Recoveries of amounts written off in previous periods	13	-	*1*
Net reversals for credit losses		**1,641**	***2,145***
Net operating income		**100,291**	***91,560***
Administrative expenses	14	(62,082)	*(53,594)*
Profit before income tax		**38,209**	***37,966***
Income tax charge	15	(9,454)	*(8,922)*
Profit for the year		**28,755**	***29,044***
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	26	(1,558)	*(1,257)*
Revaluation gain/(loss) on equity investments designated at fair value through other comprehensive income	17	61	*(1,048)*
Disposal of equity investment designated at fair value through other comprehensive income	17	(161)	*-*
Revaluation gain/(loss) on property, plant & equipment	23	778	*(3,359)*
Related Tax	15	(420)	*1,109*
		(1,300)	*(4,555)*
Items that are or may be reclassified to profit or loss			
Change in fair value for debt securities designated at fair value through other comprehensive income		*2,662*	*7,477*
Other Fair value adjustments		*-*	*16*
Credit loss on debt securities designated at fair value through other comprehensive income transferred to profit and loss		*(18)*	*(79)*
Fair value gains attributable to debt securities designated at fair value through other comprehensive income transferred to income upon derecognition		*508*	*397*
Related Tax	15	(793)	*(1,773)*
		2,359	*6,038*
Other comprehensive income for the year, net of tax		1,059	***1,483***
Total comprehensive income for the year		**29,814**	***30,527***

The Notes on pages 61 to 138 form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	**2024 £'000**	*2023 £'000*
Assets			
Cash, notes and coins		1	*1*
Derivatives	16	1,770	*661*
Reverse repurchase agreements		210,601	*86,937*
Financial investments	17	1,427,440	*1,621,748*
Loans and advances to banks	18	1,271,347	*855,620*
Prepayments, accrued income and other debtors	19	8,497	*10,424*
Corporation tax receivable		-	*557*
Loans and advances to customers	20	387,260	*388,567*
Property, plant and equipment	23	31,014	*29,839*
Intangible assets	23	2,937	*4,566*
Net pension asset	26	2,599	*2,617*
Total assets		**3,343,466**	***3,001,537***
Liabilities			
Derivatives	16	1,056	*46*
Deposits from banks	24	2,218,623	*1,960,559*
Other deposits	24	758,949	*699,119*
Other liabilities, accruals and deferred income	25	29,369	*33,274*
Corporation tax payable		810	*-*
Deferred tax liabilities	22	2,821	*1,407*
Subordinated liabilities	27	74,226	*74,554*
Total liabilities		**3,085,854**	***2,768,959***
Called up share capital	28	107,097	*106,377*
Capital redemption reserve	29	4,104	*4,104*
Other reserves	29	146,411	*122,097*
Capital and reserves attributable to the Bank's equity holders	29	**257,612**	***232,578***
Total liabilities and equity		**3,343,466**	***3,001,537***

The Notes on pages 61 to 138 form part of these financial statements.

Signed

Dr Yousef Abdullah Al Awadi KBE
Chairman

Mr Paul Jennings
CEO

14 March 2025

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2024

	Share capital	Capital redemption reserve	Other reserves				Total equity
			Retained earnings	Revaluation reserve	Fair Value reserve	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	**105,592**	**4,104**	**100,794**	**5,888**	**(9,112)**	**97,570**	**207,266**
Profit for the year	-	-	29,044	-	-	29,044	29,044
Other Fair Value adjustments	-	-	16	-	-	16	16
Other comprehensive (expense)/income	-	-	(2,035)	(2,520)	6,022	1,467	1,467
Total comprehensive income for the period	-	-	27,025	(2,520)	6,022	30,527	30,527
Issue of Share Capital	785	-	-	-	-	-	785
Dividend paid	-	-	(6,000)	-	-	(6,000)	(6,000)
Balance at 31 December 2023	**106,377**	**4,104**	**121,819**	**3,368**	**(3,090)**	**122,097**	**232,578**
Balance at 1 January 2024	**106,377**	**4,104**	**121,819**	**3,368**	**(3,090)**	**122,097**	**232,578**
Profit for the year	-	-	28,755	-	-	28,755	28,755
Other comprehensive (expense)/income	-	-	(1,883)	583	2,359	1,059	1,059
Total comprehensive income for the period	-	-	26,872	583	2,359	29,814	29,814
Issue of Share Capital	720	-	-	-	-	-	720
Dividend paid	-	-	(5,500)	-	-	(5,500)	(5,500)
Balance at 31 December 2024	**107,097**	**4,104**	**143,191**	**3,951**	**(731)**	**146,411**	**257,612**

The Notes on pages 61 to 138 form part of these financial statements.

STATEMENT OF CASH FLOWS

As at 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit before taxation		38,209	*37,966*
Adjustments for:			
Allowance for credit losses	13	3,992	*4,164*
Recoveries of allowance for credit losses	13	(5,633)	*(6,308)*
Depreciation and amortisation	14,23	3,214	*2,904*
Loss on sale or impairment of property, plant and equipment	14	3	*518*
Net interest income and other non cash items included in net profit		(34)	*115*
Non-cash items included in net profit		**1,542**	***1,393***
Reverse repurchase agreements		-	*149,990*
Loans, advances other than cash or cash equivalents		(243,014)	*(268,285)*
Debt securities other than cash equivalents		164,699	*(109,723)*
Derivatives		(1,109)	*683*
Other debtors and prepayments		387	*(9,064)*
Change in operating assets		**(79,037)**	***(236,399)***
Customer accounts and deposits by banks		277,676	*(94,670)*
Other liabilities		(2,695)	*10,519*
Change in operating liabilities		**274,981**	***(84,151)***
Income tax paid		(7,867)	*(5,220)*
Net cash used in operating activities		**227,828**	***(286,411)***
Cash flows from investing activities			
Purchase of property, plant and equipment	23	(1,590)	*(7,683)*
Proceeds on sale of equity investments		1,162	-
Purchase of intangible assets	23	(392)	*(841)*
Net cash used in investing activities		**(820)**	***(8,524)***
Cash flows from financing activities			
Dividend paid		(4,780)	*(5,215)*
Principal lease payments	21	(83)	*(202)*
Interest on lease payments	21	(192)	-
Subordinated debt issued	27	28,185	-
Subordinated debt redeemed	27	(28,185)	-
Net cash used in financing activities		**(5,055)**	***(5,417)***

STATEMENT OF CASH FLOWS - CONTINUED

As at 31 December 2024

	Note	2024 £'000	2023 £'000
Net increase/(decrease) in cash and cash equivalents		**221,953**	***(300,352)***
Cash and cash equivalents at the beginning of the year		372,940	*700,795*
Effect of exchange rate change on cash and cash equivalents		9,574	*(27,503)*
Cash and cash equivalents at the end of the year		**604,467**	***372,940***
Cash and cash equivalents comprise:			
Cash, notes and coin		1	*1*
Loans and advances to banks of original maturity three months or less		488,558	*216,705*
Debt securities of three months original maturity or less		115,908	*156,234*
Cash and cash equivalents		**604,467**	***372,940***

Interest received was £177,207,000 (2023: £168,325,000) and interest paid was £111,020,000 (2023: £95,682,000).

The Notes on pages 61 to 138 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. General Information

British Arab Commercial Bank plc is a public company, limited by shares. The Bank was incorporated in England and Wales on 23 March 1972 as UBAF Limited. The Bank's name was changed to UBAF Bank Limited on 4 January 1977 and to British Arab Commercial Bank Limited on 4 March 1996. On 2 June 2009, the Bank was re-registered as a public company, and its name changed to the current style. The Bank's registered office (and principal place of business) is situated in England and is currently at 8-10 Mansion House Place, London EC4N 8BJ.

The Bank carries on the business of international banking. The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The financial statements were authorised for issue by the Board of Directors on 14 March 2025.

2. Basis of Preparation

a) Going Concern

These financial statements have been prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in operation for the foreseeable future and for a period of 12 months from the date of the approval of the financial statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. Information relevant to this assessment regarding the Bank's principal activities, strategic direction and principal risks are described in the Strategic Report.

This assessment includes a review of current and future projections of profitability, capital resources and liquidity, which the Directors have subjected to severe but plausible stress testing, as well as an assessment of other key risks around our core markets and business model, the Bank's operational resilience and operational risk.

The business model and capital viability stress testing assessment has been made over a period of three years, which the Directors consider appropriate as it is within both the Bank's strategic planning horizon and, the basis upon which its regulatory capital stress tests are undertaken and is representative of the continuous level of regulatory change affecting the financial services industry. In 2024, a broad range of economic scenarios were designed to capture uncertainties and risks faced by BACB. In considering the stress testing the Directors have assessed the key factors including, but not limited to:

- financial market volatility causing sharp and sustained movements in interest rates and increasing GBP: USD FX rate volatility,
- geopolitical events in key core markets likely to affect the Bank's business model and strategic plan, including a decline in revenue and an increase in the Bank's credit provisions,
- inflationary pressures impacting the UK real estate market, and
- climate change risks impacting the agricultural sector in the Bank's core markets and thus having a negative impact on revenue.

These scenarios are aligned to the Bank's ICAAP for which the Bank uses an internal model. The stress testing scenarios include impacts to the Bank's revenue, credit provisions as well as other balance sheet and profit and loss drivers, such as deposits and risk weighted assets. Under this range of scenarios, the results of these stress tests demonstrate that the Bank has sufficient capital and liquidity to continue as a going concern and meet regulatory minimum capital requirements.

The Directors have also considered the need for correspondent banks to continue to operate with BACB and to provide critical facilities. This review has specifically considered a sector-wide trend in recent years for correspondent banks to review such relationships due to the potential reputational and legal risks associated with clearing transactions initiated by other banks, particularly those who operate with clients linked to countries perceived as higher risk. The Directors acknowledge the dependency of the Bank on preserving these essential correspondent banking relationships and the Board is reassured by the continuing stability of the Bank's principal correspondents and the stability of other correspondent bank relationships.

BACB's business model continues to be based on sourcing a significant majority of its funding from its parent Libyan Foreign Bank (LFB) and the Central Bank of Libya (CBL) for funding to sustain its business model. During 2024, this dependency has been partially mitigated by introduction of Retail Deposits via a deposit aggregator, and other third-party deposits. Current funding levels from Libya remain both stable and strong, with a staggered maturity profile. In the event of restricted ability to fund the Bank, a severe but plausible stress testing shows that the Bank remains liquid for a sustained period mainly due to the short-term and highly liquid nature of the Bank's asset base. The Directors have also considered LFB's intent to continue to support the Bank. LFB has a very strong relationship with the Bank and is supportive of its Board and its executive management team. During 2024 LFB has extended the Bank's subordinated loans (Tier 2 Capital) confirming its commitment to BACB. The Directors remain confident of the ongoing support of LFB, including meeting the Bank's ongoing liquidity and capital needs for the next twelve months.

Given the Bank's core markets, geopolitical risk is inherent in its business model. Given the ongoing volatility seen across our markets, BACB has taken steps to ensure it has a risk management infrastructure and culture to allow it to identify, manage, and monitor, risks of this nature. Throughout 2024 despite episodes of severe geopolitical stress BACB has demonstrated the ability to continue to operate on a business-as-usual basis with limited disruption to its business lines and from a credit risk perspective.

The Bank completed the end of the five-year OFAC settlement agreement in September 2024. The Bank's US Lawyers have advised that BACB has satisfied all requirements of the original OFAC Settlement Agreement and see no circumstance under which OFAC could bring any action against the Bank in relation to this historic case. While there is inherent sanction risk within the business, the Directors believe that residual risk is considered within appetite based on the Bank's systems and control framework.

Although there are a range of operational risks that the Bank faces, in each case the risks have been identified and controls/mitigants are in place and constantly being reassessed and enhanced, under the oversight of both the Risk Committee and the Board Risk Committee.

Consequently, the Directors are confident that the Bank will be able to operate with adequate levels of both liquidity and capital for a period of 12 months from the date of approval of these financial statements and therefore continue to adopt the going concern basis in preparing the financial statements.

b) Compliance with International Financial Reporting Standards

The Bank has prepared its financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The financial statements have been prepared in the Bank's functional and presentation currency, Sterling, rounded to the nearest thousand, unless otherwise indicated. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: leasehold premises and improvements, derivative financial instruments, financial instruments held at fair value through profit or loss, financial instruments held at fair value through other comprehensive income and the defined benefit pension fund.

The preparation of financial statements in conformity with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

c) Reclassification of 2023 Comparative Information

During 2024 the Bank identified a misclassification of the amortisation of the discount of three securities that were previously classified as "Change in fair value for debt securities designated at fair value through other comprehensive income". This misclassification has led to the need for a reclassification of the amortisation attributable to 2023 to correctly disclose this as "Interest income calculated under effective interest method". This reclassification has been made to reflect a more accurate presentation of our financial condition and performance for the relevant period. There is no impact on the Bank's reported total comprehensive income or financial position as previously stated. This adjustment is purely to enhance the clarity and reliability of the Bank's financial reporting.

The impact of the reclassification on the Bank's 2023 Statement of Comprehensive Income and Statement of Financial Position is as follows:

Statement of Comprehensive Income **For the year ended 31 December 2023**	*As previously presented* *£'000*	*Reclassification* *£'000*	*As currently presented* *£'000*
Interest income calculated under effective interest method	127,112	1,559	128,671
Net interest income	64,288	1,559	65,847
Net operating income	90,001	1,559	91,560
Profit before income tax	36,407	1,559	37,966
Income tax charge	(8,532)	(390)	(8,922)
Profit for the year	**27,875**	**1,169**	**29,044**
Items that are or may be reclassified to profit or loss			
Change in fair value for debt securities designated at fair value through other comprehensive income	9,036	(1,559)	7,477
Related tax	(2,163)	390	(1,773)
Other comprehensive income for the year, net of tax	**2,652**	**(1,169)**	**1,483**
Total comprehensive income for the year	**30,527**	**-**	**30,527**
Statement of Financial Position			
As At 31 December 2023			
Corporation tax receivable	947	(390)	557
Total assets	**3,001,927**	**(390)**	**3,001,537**
Deferred tax liabilities	1,797	(390)	1,407
Total liabilities	**2,769,349**	**(390)**	**2,768,959**
Other reserves			
Retained earnings	120,650	1,169	121,819
Fair Value reserve	(1,921)	(1,169)	(3,090)
Capital and reserves attributable to the Bank's equity holders	**232,578**	**-**	**232,578**

The Bank has taken measures to enhance our financial reporting controls to prevent such misclassifications in the future.

d) Developments in Accounting Standards

None of the new and amended standards listed below, impact the Bank's financial statements for the year ended 31 December 2024.

- IFRS 18 (New) - Effective from annual periods commencing on or after 1 January 2027. The impact is yet to be determined.
- IFRS 19 (New) - Effective from annual periods commencing on or after 1 January 2027. The Bank does not expect this standard to have any impact on the financial statements of the Bank.
- IAS 21 (Amended) - Effective from annual periods commencing on or after 1 January 2025. The Bank does not expect this standard to have any impact on the financial statements of the Bank.

3. Material Accounting Policy Information

a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in the statement of comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is applied to the gross carrying amount of asset to calculate interest income for performing assets and applied to amortised cost to calculate interest income for non-performing assets. The calculation of the effective interest rate includes transaction costs and fees (for example, loan origination fees) paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest received on securities held for dealing purposes, and associated funding costs, are included within Interest and similar income, and Interest expense and similar charges, respectively.

b) Fee and commission Income

The Bank earns fee income from a range of services which it provides to its customers. Fee income is accounted for as follows:

- income earned on transaction-based arrangements which are recognised at a point in time when we have fully provided the service to the customer (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement for the acquisition of securities); and
- income earned on services provided over time, where the income is recognised on a straight-line basis over the life of the agreement.

The Bank provides certain guarantee facilities which are dependent on uncertain future events. These facilities include surety, fidelity, performance, bid and advance payment bonds; for the majority of these transactions the guarantees given by the Bank are covered by matching counter-indemnities provided by a third party. Fees and commissions arising from the provision of such services are recognised over the period for which the service is provided.

c) Foreign Currencies

The Directors regard Sterling as the currency of the primary economic environment in which the Bank operates. Accordingly, Sterling is regarded as being the functional currency of the Bank and is also the reporting currency of the Bank.

Transactions in foreign currencies are recorded in Sterling at the rate of exchange prevailing on the date on which the transaction arose. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the statement of financial position date. Any resulting exchange differences are included in the statement of comprehensive income within net trading income or, for non-monetary FVOCI assets, in other comprehensive income within equity investments designated at FVOCI. Non-monetary assets and liabilities (shareholders' equity, property plant and equipment, and intangible assets) that are measured at historical cost are translated into the functional currency using the rate of exchange at the transaction date, and those measured at fair value are translated at the exchange rate at balance sheet date.

d) Net trading income

Net trading income comprises gains, less losses related to financial assets and liabilities classified at fair value through profit and loss and includes all realised and unrealised fair value changes. Interest income earned from financial assets classified at fair value through profit and loss is included with net interest income under accounting policy 3a). Foreign exchange gains and losses on financial instruments measured at amortised cost as well as fair value through profit and loss are also included.

e) Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised there.

Current tax is the tax expected to be payable or receivable on the taxable profit or loss for the year, calculated using tax rates enacted or substantively enacted by the statement of financial position date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Bank intends to settle on a net basis and the legal right to set off exists.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised, this is assessed annually based on the Bank's future profitability forecasted in the corporate plan and taking into consideration external factors that might impact on the Bank's future profitability.

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled.

Temporary differences arising from the Bank's contribution to the Employee Defined Benefit pension scheme are recognised in the income tax on the profit or loss for the year.

Deferred tax relating to fair value re-measurement of FVOCI investments is recognised in other comprehensive income and, subsequently, in the statement of comprehensive income when the related investment is realised.

Deferred tax assets and liabilities are measured at an undiscounted basis.

f) Derivatives

Derivatives are measured at fair value through profit and loss in the statement of financial position and movement is recognised on the income statement through Net trading and other income.

X-Valuation Adjustment ('XVA')

XVA fair value adjustments comprise Credit Valuation Adjustments ("CVA"), Debt Valuation Adjustments ("DVA") and Funding Valuation Adjustments ("FVA"). CVA is the mark to market cost of protection required to hedge credit risk from counterparties in the Bank's derivative and reverse repurchase portfolios, and depends on expected and potential future exposures, default probability and recovery rates. DVA is taken to reflect the credit quality of the Bank in the valuation of liabilities measured at fair value and is measured symmetrically to the CVA on the same products and calculation methodologies, based on the negative potential and expected exposures and the Company's own creditworthiness. FVA measures the impact to funding for valuation estimates for derivatives.

The Bank manages its derivative portfolios on the basis of its net exposure and thus has elected to measure these portfolios at fair value which represents the price that would be received to sell a net long or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions.

g) Financial assets – classification and measurement

On initial recognition, the Bank classifies its financial assets as measured at: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets; and
- the contractual terms of the contract give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Bank has taken the irrevocable election to classify equity investments and investment in funds at fair value through other comprehensive income. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Purchases and sales of financial assets which are at FVTPL or FVOCI are recognised on trade date, being the date on which an irrevocable commitment to enter into a contract is executed. Financial assets are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at FVTPL. Assets measured at amortised cost are recognised on the date on which they are originated.

Subsequent measurement and gains and losses	
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and allowances for credit losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and allowances for credit losses are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity and other investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income within net trading income in the income statement. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss even if the asset is sold or derecognised.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models, net asset value and other valuation techniques commonly used by market participants.

Business model assessment

The Bank's assessment of the objective of the business model in which an asset is held is carried out on a portfolio level basis, with assets being grouped into portfolios based on how those assets are managed by the business in order to generate cash flows. The key factors considered in making this assessment include:

- the business stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the risks that affect the performance of the assets within the portfolio and the Bank's strategy to manage those risks.

For the purpose of assessing whether contractual cashflows are solely payments of principal and interest, principal is defined as the fair value of the financial asset on initial recognition and interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. In performing this assessment, the Bank considers the contractual terms of the instrument. In respect of the legacy structured finance portfolio which include several non-standard clauses with little conformity between the facilities within the portfolio and a number of legacy loans which have been restructured, significantly altering their original terms, each facility agreements and credit renewal file are reviewed individually to determine that the cashflow meets the requirement of the solely payments of principal and interest (SPPI) test.

When customers request facilities that exceed the Bank's limit for single client exposure under the Bank's credit risk policy or impact the Bank's capital position, if the facilities are approved, the Bank enters into funded risk participations with third parties to sell part of the facilities. The portion of the facilities that are transferred to third parties is classified as falling under the hold to sell business model and are measured at FVTPL.

h) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

Derivatives

Derivatives are recognised on trade date, being the date on which an irrevocable commitment to enter into a contract is executed. They are subsequently carried at fair value. Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. All derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

In the normal course of business, the fair value of a derivative on initial recognition is considered to be the transaction price (i.e. the fair value of the consideration given or received). However, in certain circumstances the fair value of an instrument will be evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, including interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading profit or loss on inception of the derivative.

i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Bank did not have any material offsetting financial instruments in 2024 or 2023.

j) Derecognition of financial assets and liabilities

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

- substantially all the risks and rewards of ownership have been transferred;
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained; or
- the asset has been substantially modified, so that an old asset is derecognised and a new one recognised in its place.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and the new financial asset is recognised at fair value.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled or expired. These are derecognised on the 'settlement date'.

k) Impairment of financial assets

The Bank recognises impairment allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- lending exposures including funded trade finance exposures and reportable undrawn commitments;
- debt instruments held for liquidity purposes;
- money market deposits and placements classified at amortised cost; and
- letters of credit and guarantees offered by the Bank.

No impairment loss is recognised on equity investments, debt securities held for trading and derivatives held at FVTPL.

The ECL estimate is forward looking based on judgement and the measurement reflects reasonable and supportable information that is available to the Bank's Management without undue cost or effort at the reporting date.

12-month ECL is the portion of ECL that results from default events on financial instruments that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as '**Stage 1 financial instruments**'.

Lifetime ECL is the ECL that results from all expected default events over the expected life of financial instruments. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as '**Stage 2 financial instruments**'.

Financial assets can be transferred between the different stages depending on their relative increase in credit risk since initial recognition. The ECL is measured on either 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. When determining whether there has been a significant increase in credit risk, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test whether there has been significant increase in the forward-looking probability of default (PD) since origination. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds;
- qualitative indicators including those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring); and
- a backstop of 30 days past due.

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the probability of default. To ensure that credit grades are at all times a reasonable representation of the probability of default of each exposure each credit grade is reviewed at least annually or when new information is received. Further details of the Bank's credit grading system are described in Note 4.

In normal course of business, days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Financial assets within Lifetime ECL (stage 2), are transferred back to 12-month ECL (stage 1) when they are no longer considered to have experienced a significant increase in credit risk for a consecutive period of 12 months.

Where significant increase in credit risk was determined, using quantitative measures the instruments will automatically transfer back where the residual lifetime probability of default reverts to at least residual lifetime PD which is not significantly different from the origination PD for the same time period. Where the significant increase in credit risk was determined due to qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified in such instances management must determine that the cure is non-temporary through its review of the client's circumstances before the exposure is reclassified.

Measurement of ECL

ECL is a probability weighted estimate of credit losses, determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive, over the shorter of 12 months or the period to maturity;
- financial assets that are defaulted at the reporting date: as the difference between the gross carrying amount and the present value of all estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive over the shorter of 12 months or the period to maturity; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover over the shorter of 12 months or the period to maturity.

Cash flows are discounted to their present value using their original effective interest rate (EIR) or an approximation thereof.

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation, which include the formulation and incorporation of forward-looking probability weighted scenarios into the calculation of ECL.

The Bank's model uses forward-looking probability of default models and macro-economic scenario analysis. The scenarios are modelled for each of the Bank's active business lines and formulate forecasted probabilities of default based on various prescribed economic indicators relevant for each business sector and geographical locations. The models incorporate specific forecasted macro-economic factors such as GDP growth, oil prices and other non-oil price indexes for trade finance and treasury exposures, whilst the UK real estate exposures consider factors such as interest rates, unemployment rate and property price indexes.

The individual weights applied to the type of macro-economic data considered within the models, are adjusted for each of the geographic areas to which BACB is sensitive in accordance with the prevailing trends and near-term outlook for these respective markets. The appropriateness of the type and level of macro-economic factor weightings are formally evaluated for relevance periodically.

In 2023, the Bank assessed the resulting probabilities based on a the most likely outcome, referred to as the 'BAU scenario', and two less likely scenarios, referred to as 'optimistic' and 'downturn' scenarios. In 2024 the Bank decided to add a more severe but plausible scenario as a fourth "severe downside" scenario.

The weightings for 2024 are applied at the probability of default level for determining the ECL and follow advised standards for calculation using specific metrics such as GDP, unemployment, interest rates, house prices and equity prices that are globally consistent. These are sourced by BACB from independent external providers who have the empirical historical data to provide such probabilities for forecasted scenario weightings given the specific markets and geographical locations in which the Bank operates.

	2024				*2023*		
	Base	**Optimistic**	**Downturn**	**Severe Downturn**	***Base***	***Optimistic***	***Downturn***
Default/Scenario probability weightings	50%	30%	10%	10%	*40%*	*30%*	*30%*

A loss given default ratio representing the loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cashflows due and those that the Bank expects to receive is calculated on the Bank's portfolios. BACB estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset (in respect of property collateral, property acquisition and sales data of similar property is taken into account), taking into account forward-looking economic assumptions where relevant.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Note 13 shows sensitivity of the ECL provision to possible alternative economic scenarios and different assumptions.

Post model adjustments

The Bank's Risk Committee oversees and reviews management's assessment regarding the origination, measurement, and release of the ECL overlay. During 2023, the Committee reviewed the ECL model output on a regular basis to ensure that the output from the ECL model was consistent with business and market expectations for the Bank's products and markets. Management's awareness of contagion risk in our Trade Finance markets assessed that the macro-economic data as at 31 December 2023 was not sufficiently encapsulating the ongoing volatility seen across our markets caused by, amongst other factors, geopolitical tensions following the Israel-Gaza conflict. The Bank, therefore, decided to apply an overlay to the ECL of an additional 41% to trade finance exposures (excluding Cash Management and Lending) for exposures derived from lower credit grade countries (country grade of 16 or higher). This post model adjustment has been regularly reviewed in 2024 and Management opinion is that this is still required given ongoing geopolitical tension, which is expected to continue in 2025.

In respect of the real estate portfolio Management is confident that the IFRS 9 model is adequately capturing the risks in the portfolio and hence no Post Model Adjustment (PMA) overlays are adopted on a portfolio basis however the impairments on Stage 3 exposures are determined on a case by case including the appropriateness of PMAs.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- If the restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Defaulted financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired or defaulted (referred to as 'Stage 3 financial assets'). A financial asset is 'defaulted' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired or defaulted includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the client on terms that the Bank would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the exposure is 90 days past due;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets that are defaulted, a transfer back to Lifetime ECL (stage 2) or 12-month ECL (stage 1) is only permitted where the instrument is no longer considered to be defaulted on a non-temporary basis. This is determined by management giving due regard to both quantitative and qualitative information on a case-by-case basis for each exposure.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision within “other liabilities, accruals and deferred income”.
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'Allowance for credit losses' in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in line with the Bank's procedures for recovery of amounts due.

l) Reverse repurchase agreements

Securities purchased under commitments to resell ("reverse repos") are not recognised on the statement of financial position. Rather, a loan receivable is recorded in respect of the initial consideration paid. Non-trading reverse repos are measured at amortised cost. The difference between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

m) Property, plant and equipment

Leasehold premises are accounted for using the revaluation model, all other property, plant and equipment are stated at cost less accumulated depreciation calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

Long leasehold premises and improvements	
Leasehold improvements	10 years
Leasehold premises	50 years
Other assets	
Equipment	3 or 5 years
Motor vehicles	5 years
Furniture, fixtures and fittings	5 or 10 years

Management reviews the residual value and the useful life of assets at each financial year-end and, if expectations differ from previous estimates the changes are accounted for as a change in an accounting estimate.

Leasehold premises and leasehold land comprise the Bank's principal office at 8-10 Mansion House Place, London, EC4N 8BJ which since July 2022 are valued using the revaluation model. Leasehold premises are amortised over the remaining life of the lease, at inception this was a 50-year lease. The premises, but not the land, are categorised as a right-of- use asset under Note 21 and depreciated using the straight-line method from the commencement date to the end of the lease term.

Items of property, plant and equipment under the revaluation model are carried at fair value at the date of revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. The latest independent valuation took place in December 2024. Depreciation is calculated on the basis of revalued amount less residual value over the remaining useful life. Following the refurbishment of Mansion House Place in 2023, as at 31 December 2024 the remaining useful of Mansion House Place is 25 years.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are included in the statement of comprehensive income.

n) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, including directly incurred internal costs. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

The capitalised cost of the Enterprise Architecture software is amortised over 7 years, Enterprise Architecture Licenses over 10 years and all other computer software is amortised over either 3 or 5 years, or the remaining term of the software license, from the date on which it is available for use.

The Bank is following the IFRIC agenda decision on how to account for configuration or customisation costs associated with software purchased from a supplier in a Software as a Service (SaaS). Customisation and configuration costs of a SaaS arrangement are only capitalised as an intangible if they give rise to software controlled by the Bank. Where an intangible asset is not recognised for the costs of configuration or customisation of the application software, then the costs are recognised as an expense in line with the nature of the contract and based on who performs the services. The costs may therefore be expensed immediately or recognised as a prepayment and expensed over the term of the contract. SaaS licenses are not capitalised as an intangible.

Capitalised intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

o) Leases

At inception or reassessment of a contract, the Bank assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Bank's lease agreements relate to its main office at 8-10 Mansion House Place, London EC4N 8BJ, the rental of office facilities for each of the overseas representative offices and the lease of motor vehicles and other equipment.

The Bank recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to restore the asset less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be determined the Bank's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Bank changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the statement of comprehensive income if the carrying amount of the ROU asset has reduced to zero.

Lease payments included in the measurement of the lease liability comprise minimum non-cancellable payments as such the minimum ground rent payments due in relation to the Bank's main London office as well as that due for each of the representative offices.

The Bank presents ROU assets in property plant and equipment and lease liabilities in other liabilities, accruals and deferred income in the statement of financial position.

The Bank has elected not to recognise right-of-use and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The Bank sub-lets a part of its main office. The Bank recognises lease payments received as income on a straight-line basis over the lease term as part of other operating income.

p) Cash and cash equivalents

Cash, notes and coins includes notes and cash on hand, these are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents include unrestricted highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash, notes and coin, treasury bills and other eligible bills, professional market placements to banks, amounts held at correspondents and certificates of deposit.

q) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

r) Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of occurring is remote.

s) Employee benefits

The Bank provides both a defined benefit and a defined contribution pension scheme for its staff. In each case, the assets of the schemes are held separately from those of the Bank. A defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution scheme 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. The Bank's defined benefit scheme was closed to future accrual in 2014.

The net asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the fair value of the plan assets less the present value of the defined benefit obligation at the statement of financial position date less any withholding tax that the Bank would be required to pay on any remaining surplus. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Bank's obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Other gains and losses are recognised in profit or loss.

For the defined contribution scheme, the Bank pays contributions to the BACB Defined Contribution Retirement Benefit Scheme. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as 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.

t) Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in the statement of changes in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends are recognised in equity when paid or declared by the members at the Annual General Meeting and treated as a deduction from equity.

Foreign currencies

Share capital is measured in terms of historical cost in a foreign currency as translated into the functional currency using the rate of exchange at the date of the initial transaction.

4. Risk Management

Approach to Risk Management

BACB takes a holistic approach to risk management and undertakes continual enhancing of its risk management processes to ensure the range of risks the Bank is exposed to are well articulated and evidenced, within the developing environments to support risk informed decision making and areas of Executive and Board focus.

BACB operates a Three Lines of Defence model as summarised below:

- First Line of Defence (1LoD) are the risk and control owners responsible for identifying, mitigating, managing and monitoring risks. They identify and establish controls in line with the Bank's Risk Appetite and within the Operational Risk Management Framework.
- Second Line of Defence (2LoD) provides independent challenge and review of risks, validates and assesses the effectiveness of controls, and provides a holistic view of risks across the Bank.
- Third line of Defence (3LoD) assures processes are adequate and complied with, as well as assessing the effectiveness of risk management across the organisation.

CREDIT AND COUNTRY RISK

The Bank's risk management of credit and country risk is aligned and largely managed jointly. The Bank's appetite for credit and country risks is set in response to its business plans and overall risk appetite. Risk Appetite for Financial Risk is medium and for Economic Risk is High, noting the markets in which we operate and the products we provide.

Credit Risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations in a timely manner. This includes long term risks associated with Environmental or Climate Change factors. The Bank’s principal sources of credit risk are:

- exposures to banks, multilateral institutions and sovereigns in respect of foreign exchange and money market activities and the management of the Bank’s liquidity portfolios;
- on and off-balance sheet exposures to bank and corporate counterparties in respect of obligations under trade finance transactions including letters of credit, guarantees and bonds; and
- loans and overdrafts to corporates, partnerships and private individuals arising from the Bank’s residential and commercial, real estate lending.

Country Risk refers to the uncertainty associated with investing in a particular country, and more specifically the degree to which that uncertainty could lead to economic losses. For the Bank, country risk largely arises as a result of the Bank taking credit risk on borrowers or counterparties outside the UK.

The Chief Risk Officer and wider risk leadership team are responsible for:

- development and oversight of the credit and country risk management processes;
- developing credit and country risk policies, tools and frameworks across the business, including credit grading systems;
- managing effective credit and country risk assessment strategies and independent challenge of requests from the first line for new, increased or extended limits;
- oversight of credit and country risk activities undertaken by the first line;
- credit reporting and performance monitoring, including stress testing and portfolio modelling; and
- monitoring and managing the Bank’s impaired exposures and making recommendations jointly with the Chief Financial Officer on required levels of individual and collective impairment provisions and write-offs.

The Bank’s strategic focus means that a significant portion of its credit and country risks are towards the higher risk end of its grading systems. In order to mitigate its credit and country risks the Bank employs a number of risk mitigants actions:

- a framework of concentration limits and guidelines which diversify the risk of excessive exposure to individual countries, regions or sectors and to individual counterparties within those concentrations;
- limits are established for individual countries and counterparties based on their grading;
- these limits govern quantum, nature and tenor of exposure. Typically, the Bank will no longer enter transactions in excess of one year other than in its Real Estate activity or for strategic customers or counterparties of appropriate credit quality;
- the Bank takes cash collateral for a significant portion of its exposures and employs other risk mitigants where appropriate. Other mitigants include distribution via sale of back-to-back

commitments to financial institutions including banks or insurance companies of acceptable quality, or security;

- liquidity buffers are only used to purchase fixed and floating securities issued by of OECD governments and multilateral development bank which qualify as High-Quality Liquid Assets under the PRA's Liquidity Coverage Ratio regime; and
- other surplus liquidity is primarily placed with or invested in the bonds of highly rated financial institutions.

Whilst risk appetite recovered gradually post-pandemic, low-rated emerging markets, which are predominantly the focus of our business strategy, have been impacted by the very challenging backdrop of front-loaded tightening by the Fed, continued growth scarring from the pandemic and more recently the impacts of the conflict (both in the Bank's own and in other regions). The Bank continuously re-assesses appetite in line with the ongoing developments, and has managed its risk exposures through the following actions:

- In its Trade Finance business by reducing obligor and country limits, focusing on trading in strategic goods; and
- In its Real Estate business reducing its risk appetite across all sectors including margins of advance and loan amount, with no new business written in some sectors.
- In its Real Estate business reviewing, stress testing and considering the implications of the increased interest costs.
- Enhancing the level of monitoring and reporting.

Credit risk quantitative disclosures

Credit risk is assessed below using various analyses of the following balances disclosed in these financial statements:

	2024 £'000	*2023 £'000*
Cash, notes and coins	1	*1*
Financial investments: debt securities (Note 17)	1,423,841	*1,616,887*
Reverse repurchase agreements	210,601	*86,937*
Loans and advances to banks (Note 18)	1,271,347	*855,620*
Loans and advances to customers (Note 20)	387,260	*388,567*
Derivatives (Note 16)	1,770	*661*
Total on balance sheet	**3,294,820**	***2,948,673***
Financial guarantees (Note 30)	92,223	*80,449*
Other commitments (Note 30)	568,973	*485,729*
Less: off balance sheet exposures impaired by provision on balance sheet (Note 25)	(1,398)	*(2,492)*
Total off balance sheet	**659,798**	***563,686***
Total	**3,954,618**	***3,512,359***

The Bank holds mitigation against certain of its credit exposures. The table below sets out the principal types of mitigation held against different types of financial assets.

	Percentage of exposure that is subject to collateral		
	2024	*2023*	
Type of credit exposure	**£000**	*£'000*	**Principal types of collateral held**
On-balance sheet:			
Financial Investments	**2.9%**	*-*	**Cash and guarantees**
Reverse repurchase agreements	**99.3%**	*99.8%*	Debt securities
Loans and advances to banks			
Funds held at correspondent banks	**0.0%**	*3.8%*	Cash and guarantees
Term lending	**25.4%**	*34.0%*	Cash and guarantees
Bills discounted	**28.1%**	*29.0%*	Cash and guarantees
Overdrafts and other advances	**0.0%**	*2.0%*	Cash and guarantees
Loans and advances to customers			
Term Lending	**8.4%**	*0.0%*	
Real Estate	**100.0%**	*100.0%*	Residential/Commercial property
Off-balance sheet:			
Credit lines and other commitments	**39.0%**	*48.6%*	Cash and guarantees

Note: *Guarantees include credit risk insurance and unfunded risk participations.*

The maximum exposure to credit risk for financial assets, including derivatives, recognised on the Statement of Financial Position is typically the carrying amount and is represented in the table below which analyses maximum exposure to credit risk by asset class, representing credit risk arising from counterparty default.

31 December 2024	Maximum exposure £'000	Cash collateral * £'000	Property collateral £'000	Debt securities £'000	Guarantees £'000	Net exposure to credit risk £'000
On-balance sheet:						
Cash, notes and coins	1	-	-	-	-	1
Financial investments: debt securities (Note 17)	1,423,841	-	-	-	(41,307)	1,382,534
Reverse repurchase agreements	210,601	-	-	(209,068)	-	1,533
Loans and advances to banks		-	-	-	-	-
Funds held at correspondent banks	16,715	-	-	-	-	16,715
Professional market placements	258,873	-	-	-	-	258,873
Term lending	475,481	-	-	-	(120,603)	354,878
Bills discounted	522,958	(35,840)	-	-	(111,369)	375,749
Overdrafts and other advances	997	-	-	-	-	997
Less: Provisions for impairments (Note 18)	(3,677)	-	-	-	-	(3,677)
Loans and advances to customers						
Term Lending	23,785	-	-	-	(1,997)	21,788
Real Estate	365,728	-	(364,728)	-	(1,000)	-
Overdrafts and other advances	1,372	-	-	-	-	1,372
Less: Provisions for impairments (Note 20)	(3,625)	-	-	-	-	(3,625)
Derivatives	1,770	-	-	-	-	1,770
Total on balance sheet	3,294,820	(35,840)	(364,728)	(209,068)	(276,276)	2,408,908
Off-balance sheet:						
Credit lines and other commitments	659,798	(225,528)	-	-	(32,127)	402,143
Total off balance sheet	659,798	(225,528)	-	-	(32,127)	402,143
Total	3,954,618	(261,368)	(364,728)	(209,068)	(308,403)	2,811,051

31 December 2023	Maximum exposure £'000	Cash collateral * £'000	Property collateral £'000	Debt securities £'000	Guarantees £'000	Net exposure to credit risk £'000
On-balance sheet:						
Cash, notes and coins	1	-	-	-	-	1
Financial investments: debt securities (Note 17)	1,616,887	-	-	-	-	1,616,887
Reverse repurchase agreements	**86,937**	-	-	(86,740)	-	197
Loans and advances to banks		-	-	-	-	-
Funds held at correspondent banks	11,112	(424)	-	-	-	10,688
Professional market placements	118,159	-	-	-	-	118,159
Term lending	210,404	-	-	-	(71,601)	138,803
Bills discounted	518,969	(10,864)	-	-	(139,411)	368,694
Overdrafts and other advances	497	-	-	-	(10)	487
Less: Provisions for impairments (Note 18)	(3,521)	-	-	-	-	(3,521)
Loans and advances to customers						
Term Lending	30,788	-	-	-	-	30,788
Real Estate	367,936	-	(367,936)	-	-	-
Overdrafts and other advances	1,680	-	-	-	-	1,680
Less: Provisions for impairments (Note 20)	(11,837)	-	-	-	-	(11,837)
Derivatives	661	-	-	-	-	661
Total on balance sheet	**2,948,673**	**(11,288)**	**(367,936)**	**(86,740)**	**(211,022)**	**2,271,687**
Off-balance sheet:						
Credit lines and other commitments	563,686	(256,738)	-	-	(17,154)	289,794
Total off balance sheet	**563,686**	**(256,738)**	**-**	**-**	**(17,154)**	**289,794**
Total	**3,512,359**	**(268,026)**	**(367,936)**	**(86,740)**	**(228,176)**	**2,561,481**

* *In the markets where the Bank operates, the quality of and access to collateral can be less certain hence the Bank's strategy to hold cash collateral.*

Real estate lending is collateralised with residential or commercial property. The value of collateral for property loans is based on the most recently available valuations from independent sources. All security is subject to valuation at least every three years or more frequently if there is objective evidence either on a standalone or sectoral basis of value decline.

In certain cases, cash collateral is held against other forms of lending and off-balance sheet exposures. Libyan Foreign Bank placed £196,263,150 (USD250,000,000) (2023: £196,263,150 (USD250,000,000)) as collateral for the obligations of itself, affiliated entities and a number of other Libyan counterparties. As at 31 December 2024, £137,340,000 (USD171,950,000) was utilised (2023: £156,476,000 (USD 199,319,100)). Collateral may also be taken in the form of personal guarantees given by individuals associated with the obligating counterparty, but no value is ascribed in these circumstances. Other mitigants include credit insurance and back-to-back commitments from financial institutions of acceptable quality, or security. When customers request facilities that exceed the Bank's limit for single client exposure under the Bank's credit risk policy, the Bank may enter into distribution arrangements with third parties to buy or underwrite part of these facilities to ensure that the clients' exposure remains within the approved credit limit.

Residential and commercial mortgage lending

The table below stratifies credit exposures for residential and commercial property loans by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amounts exclude any impairment allowance.

	2024	*2023*
	£'000	*£'000*
LTV ratio		
Less than 55%	167,912	114,193
55 - 65%	86,002	134,299
66 - 75%	81,097	81,920
76 - 85%	6,883	23,057
86 - 95%	23,834	14,467
Total	**365,728**	**367,936**

By industry, concentrations of credit risk were as follows:

	2024 £'000	*2023* *£'000*
Financial institutions (including central banks)		
Banks	2,098,055	1,619,760
Multilateral development banks	543,505	506,735
Other financial intermediaries	11,431	8,350
	2,652,991	**2,134,845**
Corporates		
Commodities	14,241	2,922
Construction and engineering	-	1,344
Energy	144,451	123,557
Transport and storage	48,808	30,393
Real estate	307,248	313,512
Other	36,738	38,098
	551,486	**509,826**
Public administration	**746,191**	**869,502**
Others	**12,650**	**16,036**
Impairments	(8,700)	(17,850)
Maximum exposure to credit risk	**3,954,618**	**3,512,359**

Credit grading

The Bank uses a credit grading system, known as the Master Rating Scale and set out below to facilitate the monitoring of the portfolio and individual exposures.

A credit grade is a numerical measure of the Probability of Default (PD), which is the likelihood that a customer will default within the next twelve months. Credit grades range from 1 to 20 as per the Bank's Master Rating Scale. A credit grade of 20 is used if the customer or customer group is in default. In addition to the credit grade a Watchlist grade is also utilised for customers exhibiting unsatisfactory features or considered to be of concern. The models used to establish credit grades and the associated PDs are subject to annual validation with further enhancements achieved in 2024.

A credit grade must be agreed for each customer and reviewed at least annually, or when new information is received, to ensure that it is at all times a reasonable representation of the PD for that customer.

Credit grades are determined through the use of a model or methodology appropriate to the customer type using financial and non-financial information. Financial information includes the most recent available audited financial statements. Non-financial information includes:

- Country Capping, i.e., the maximum credit grading available to customers from a specific domicile;
- Post balance sheet date events; and
- External credit ratings or benchmark credit grades for peer companies.

Performance is timely monitored; customers are placed on Watch-list (WL) if there are any concerns. BACB applies the following categories of Watch-list:

Substandard category	Credit Grade	Definition
Watchlist 1 ("WL1")	Applies to all grades	A temporary/cautionary classification for clients who exhibit some unsatisfactory features, however we consider viability sound This should be considered where any amount is overdue by 14 days or more- without prior agreement which has been subject to credit risk assessment and approval.
Watchlist 2 ("WL2")	18	Some concerns over recoverability exists. This also captures any accounts that have been on Watchlist over 12 months or accounts where any amount is overdue by 30 days or more- without prior agreement which has been subject to credit risk assessment and approval.
Watchlist 3 ("WL3")	19	Real concerns that if the position deteriorates the Bank could be at risk of loss or accounts where any amount is overdue by 60 days or more- without prior agreement which has been subject to credit risk assessment and approval.
Default	20	There has been an actual event of default.

Note: The Bank's watchlist has specific criteria in respect of the Real Estate portfolio, with separate triggers established for legacy real estate exposures.

Master Rating Scale - 2024

			External benchmarks					
			S&P		Moody's		Fitch	
Category	Grade	Probability of Default*	From	To	From	To	From	To
Investment Grade	1 - 10	0.001% - 0.47%	AAA	BBB-	Aaa	Baa3	AAA	BBB-
Non-Investment Grade	11 - 18	0.471% - 18.444%	BB+	CCC	Ba1	Caa2	BB+	CCC
Grades 15 to 17	15 - 17	2.819% - 12.684%	B	CCC+	B2	Caa1	B	CCC+
Grade 18	18	12.685% - 18.444%	CCC	CCC	Caa2	Caa2	CCC	CCC
Grade 19	19	18.445% - 50.000%	CCC-	CCC-	Caa3	Caa3	CCC-	CCC-
Default	20	100%	CC/D	CC/D	Ca-C	Ca-C	DDD-D	DDD-D

Master Rating Scale - 2023

			External benchmarks					
			S&P		Moody's		Fitch	
Category	Grade	Probability of Default*	From	To	From	To	From	To
Investment Grade	1 - 10	0.001% - 0.387%	AAA	BBB-	Aaa	Baa3	AAA	BBB-
Non-Investment Grade	11 - 18	0.388% - 18.793%	BB+	CCC	Ba1	Caa2	BB+	CCC
Grades 15 to 17	15 - 17	2.744% - 12.342%	B	CCC+	B2	Caa1	B	CCC+
Grade 18	18	12.343% - 18.793%	CCC	CCC	Caa2	Caa2	CCC	CCC
Grade 19	19	18.794% - 50.000%	CCC-	CCC-	Caa3	Caa3	CCC-	CCC-
Default	20	100%	CC/D	CC/D	Ca	Ca	DDD-D	DDD-D

Credit risks assessed in accordance with this methodology are shown below. Assets measured at amortised cost and debt securities measured at fair value through other comprehensive income:

31 December 2024 Grade	**Financial guarantees and other commitments £'000**	**Cash, loans and advances, debt securities and derivatives £'000**	**Maximum exposure to credit risk £'000**	**Cash collateral £'000**	**Net credit exposure £'000**
Grades 1- 10 (Investment Grade)	**83,247**	**2,122,309**	**2,205,556**	**-**	**2,205,556**
Grades 11 - 17 (Non-Investment Grade)	**307,607**	**1,028,693**	**1,336,300**	**(5,889)**	**1,330,411**
Grades 18 - 19 (Watchlist + Substandard)	**268,881**	**83,922**	**352,803**	**(255,632)**	**97,171**
Grade 20 (Default)	**1,461**	**67,198**	**68,659**	**-**	**68,659**
	661,196	**3,302,122**	**3,963,318**	**(261,521)**	**3,701,797**
Loss allowance	**(1,398)**	**(7,302)**	**(8,700)**	**-**	**(8,700)**
Carrying amount	**659,798**	**3,294,820**	**3,954,618**	**(261,521)**	**3,693,097**

31 December 2023 Grade	*Financial guarantees and other commitments £'000*	*Cash, loans and advances, debt securities and derivatives £'000*	*Maximum exposure to credit risk £'000*	*Cash collateral £'000*	*Net credit exposure £'000*
Grades 1- 10 (Investment Grade)	*50,248*	*1,967,113*	*2,017,361*	*-*	*2,017,361*
Grades 11 - 17 (Non-Investment Grade)	*231,116*	*836,813*	*1,067,929*	*(6,351)*	*1,061,578*
Grades 18 - 19 (Watchlist + Substandard)	*282,230*	*115,896*	*398,126*	*(261,675)*	*136,451*
Grade 20 (Default)	*2,584*	*44,209*	*46,793*	*-*	*46,793*
	566,178	*2,964,031*	*3,530,209*	*(268,026)*	*3,262,183*
Loss allowance	*(2,492)*	*(15,358)*	*(17,850)*	*-*	*(17,850)*
Carrying amount	*563,686*	*2,948,673*	*3,512,359*	*(268,026)*	*3,244,333*

There are exposures with credit grade 18 and 19 which are based upon country caps but have not displayed a significant increase in credit risk. In addition to the cash collateral, loan receivables in respect of securities purchased under commitments to resell ("reverse repos") are secured on AAA securities amounting to £210,601,000 as at 31 December 2024 (2023: £86,937,000).

Equity investments classified at fair value through other comprehensive income not included in the analysis above amount to £3,599,000 as at 31 December 2024 (2023: £4,861,000).

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent the gross carrying amounts. For financial guarantees and other commitments, the amounts in the table represent the amounts guaranteed or committed respectively.

Loans and advances to banks - 31 December 2024

Gross exposure	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grades 1- 10 (Investment Grade)	448,163	-	-	448,163
Grades 11 - 17 (Non-Investment Grade)	777,604	-	-	777,604
Grades 18 - 19 (Watchlist + Substandard)	44,993	4,264	-	49,257
	1,270,760	**4,264**	**-**	**1,275,024**
Loss allowance	**(3,505)**	**(172)**	**-**	**(3,677)**
Carrying amount	**1,267,255**	**4,092**	**-**	**1,271,347**

Loans and advances to banks - 31 December 2023

Gross exposure	Stage 1 *£'000*	Stage 2 *£'000*	Stage 3 *£'000*	Total *£'000*
Grades 1- 10 (Investment Grade)	*222,855*	-	-	*222,855*
Grades 11 - 17 (Non-Investment Grade)	*592,427*	-	-	*592,427*
Grades 18 - 19 (Watchlist + Substandard)	*19,296*	*24,233*	-	*43,529*
Grade 20 (Default)	-	-	*330*	*330*
	834,578	*24,233*	*330*	*859,141*
Loss allowance	*(2,185)*	*(1,291)*	*(45)*	*(3,521)*
Carrying amount	*832,393*	*22,942*	*285*	*855,620*

Loans and advances to customers - 31 December 2024

Gross exposure	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grades 1- 10 (Investment Grade)	38,481	-	-	38,481
Grades 11 - 17 (Non-Investment Grade)	234,564	16,162	-	250,726
Grades 18 - 19 (Watchlist + Substandard)	-	34,480	-	34,480
Grade 20 (Default)	-	-	67,198	67,198
	273,045	**50,642**	**67,198**	**390,885**
Loss allowance	**(72)**	**(629)**	**(2,924)**	**(3,625)**
Carrying amount	**272,973**	**50,013**	**64,274**	**387,260**

Loans and advances to customers - 31 December 2023

Gross exposure	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grades 1- 10 (Investment Grade)	*41,664*	-	-	*41,664*
Grades 11 - 17 (Non-Investment Grade)	*212,696*	*29,798*	-	*242,494*
Grades 18 - 19 (Watchlist + Substandard)	-	*72,367*	-	*72,367*
Grade 20 (Default)	-	-	*43,879*	*43,879*
	254,360	*102,165*	*43,879*	*400,404*
Loss allowance	*(229)*	*(2,442)*	*(9,166)*	*(11,837)*
Carrying amount	*254,131*	*99,723*	*34,713*	*388,567*

Off balance sheet - 31 December 2024

Gross exposure	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Grades 1- 10 (Investment Grade)	83,247	-	-	83,247
Grades 11 - 17 (Non-Investment Grade)	305,246	-	-	305,246
Grades 18 - 19 (Watchlist + Substandard)	267,984	896	-	268,880
Grade 20 (Default)	-	-	1,461	1,461
	656,477	**896**	**1,461**	**658,834**
Loss allowance	**(132)**	**(18)**	**(1,248)**	**(1,398)**
Carrying amount	**656,345**	**878**	**213**	**657,436**

Off balance sheet - 31 December 2023

Gross exposure	**Stage 1** *£'000*	**Stage 2** *£'000*	**Stage 3** *£'000*	**Total** *£'000*
Grades 1- 10 (Investment Grade)	*50,248*	-	-	*50,248*
Grades 11 - 17 (Non-Investment Grade)	*228,796*	-	-	*228,796*
Grades 18 - 19 (Watchlist + Substandard)	*277,658*	*4,572*	-	*282,230*
Grade 20 (Default)	-	-	*2,584*	*2,584*
	556,702	*4,572*	*2,584*	*563,858*
Loss allowance	*(465)*	*(118)*	*(1,909)*	*(2,492)*
Carrying amount (provision)	*556,237*	*4,454*	*675*	*561,366*

The Bank provides facilities to in excess of 320 counterparties encompassing trade finance exposures in over 50 countries and territories (2023: in excess of 308 counterparties encompassing exposures in over 41 countries and territories).

Debt securities which are measured at FVOCI are subject to ECL provisions. As at December 2024 debt securities measured at FVOCI with a fair value of £1,423,842,000 *(2023:* £1,616,887,*000)* are categorised as stage 1.

Reverse repos are subject to ECL provisions. As at 31 December 2024 reverse repos amounting to £210,601,000 (2023: £86,937,000) are categorised as stage 1 and fall between investment grades 4-5.

Regional concentrations of credit risk arising from operations were as follows:

31 December 2024	Financial guarantees and other commitments £'000	Cash, loans and advances, debt securities and derivatives £'000	Total £'000
United Kingdom	34,974	535,532	570,506
Europe excluding UK	44,480	557,569	602,049
Libya	263,222	42,082	305,304
Other Middle East and Africa	260,692	794,120	1,054,812
United States	8,956	433,257	442,213
Other Countries	48,872	939,562	988,434
Provision for credit losses	(1,398)	(7,302)	(8,700)
Maximum exposure to credit risk	**659,798**	**3,294,820**	**3,954,618**

31 December 2023	Financial guarantees and other commitments *£'000*	Cash, loans and advances, debt securities and derivatives *£'000*	Total *£'000*
United Kingdom	*14,549*	*519,241*	*533,790*
Europe excluding UK	*44,438*	*355,750*	*400,188*
Libya	*259,740*	*10,880*	*270,620*
Other Middle East and Africa	*234,164*	*696,673*	*930,837*
United States	*7,695*	*649,414*	*657,109*
Other Countries	*5,592*	*732,073*	*737,665*
Provision for credit losses	*(2,492)*	*(15,358)*	*(17,850)*
Maximum exposure to credit risk	***563,686***	***2,948,673***	***3,512,359***

MARKET RISK

Market Risk is the risk of a decline in the Bank's capital or GBP profitability due to a change in market prices principally interest rate risk and exchange rate risk.

Risk management

The Bank's appetite for market risk is set in response to its business plans and overall risk appetite.

The Chief Risk Officer and the Market Risk Director are responsible for:

- development and oversight of the market risk management framework;
- developing the market risk policy, tools and framework across the business;
- managing effective market risk assessment strategies and independent challenge of requests from the first line for new, increased or extended limits;

- oversight of market risk activities undertaken by the first line, including daily monitoring, and reporting of compliance with limits designed to ensure adherence with the Bank's risk appetite in respect of market and liquidity risks; and
- market risk reporting and performance monitoring.

Risk mitigation

The Bank's Treasury function has day-to-day responsibility for managing its market and liquidity exposures. The Bank does not budget for more than 10% of its revenue to be earned from principal position trading exposures to bonds, interest rates or foreign exchange, and profits should be driven where feasible by customer flows. Derivative contracts may be used to modify market risk exposures. In the banking book, derivative contracts are used to hedge market risk exposure arising from banking book positions. The Bank does not deal in complex derivative transactions.

Exchange rate risk

The Bank manages its exposures to traded exchange rate risk by way of limits on the size of permitted positions. Overnight trading positions are protected by stop-loss orders placed with reputable counterparties. The size of the position limits is consistent with the amount of profit that the Bank is prepared to place at risk in the foreign exchange markets. The Bank also accepts a degree of structural exchange rate risk in its balance sheet as the majority of its risk weighted assets are denominated in US dollars or Euros whilst its share capital is denominated in Sterling, which is its reporting currency. With the exception of revenues deriving from its real estate activity, the Bank earns the majority of its revenues in currencies other than Sterling but incurs the majority of its operating costs in Sterling.

The Bank's overall net open position (on foreign exchange open positions and cash arising on settled trades) at 31 December 2024 (being the Sterling equivalent value of all the currencies where the currency obligations were higher than currency receivables) was £1,221,028 (*2023: £789,099*). Were these currencies to strengthen by 5% against the remaining currencies, then the Bank would gain £27,774 (*2023 (loss): £39,455*).

Overall net open positions as calculated on a daily basis were as follows:

Open Positions

£'000	**2024**	*2023*
Maximum	3,612	*6,364*
Minimum	430	*358*
Average	1,733	*1,619*

As at the reporting date, there was no significant exposure to any one currency representing more than 10% of the Bank's equity. Further details of the Bank's assets and liabilities by foreign currency is provided in Note 31.

Interest rate risk

The Bank is exposed to changes in interest rates in various currencies arising from gaps in the future dates of repricing of assets, liabilities and derivative instruments. The repricing characteristics of the Bank’s statement of financial position are set out below:

31 December 2024	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total
Financial investments	409,364	595,184	360,064	59,229	-	3,599	1,427,440
Reverse repurchase agreements	210,601	-	-	-	-	-	210,601
Loans and advances to banks	442,015	300,857	523,680	4,795	-	-	1,271,347
Loans and advances to customers	94,210	286,717	6,329	-	-	4	387,260
Derivative assets	995	80	543	152	-	-	1,770
Other assets	8,405	-	-	-	2,725	33,918	45,048
Total assets	**1,165,590**	**1,182,838**	**890,616**	**64,176**	**2,725**	**37,521**	**3,343,466**
Deposits from banks	1,421,003	333,277	421,914	42,429	-	-	2,218,623
Other deposits	440,798	70,588	35,927	211,636	-	-	758,949
Subordinated liabilities	45,530	28,696	-	-	-	-	74,226
Other liabilities	25,455	-	-	-	-	7,545	33,000
Derivative liabilities	1,055	1	-	-	-	-	1,056
Shareholders' funds*	-	-	-	-	-	257,612	257,612
Total equity and liabilities	**1,933,841**	**432,562**	**457,841**	**254,065**	**-**	**265,157**	**3,343,466**
Overall gap	(768,251)	750,276	432,775	(189,889)	2,725	(227,636)	
Reverse Cumulative gap	**227,636**	**995,887**	**245,611**	**(187,164)**	**2,725**	**(227,636)**	

31 December 2023	*Up to 1 month £'000*	*1-3 months £'000*	*3-12 months £'000*	*1-5 years £'000*	*Over 5 years £'000*	*Non-interest bearing £'000*	*Total*
Financial investments	*278,714*	*946,938*	*327,816*	*63,419*	*-*	*4,861*	*1,621,748*
Reverse repurchase agreements	*86,937*		*-*	*-*	*-*	*-*	*86,937*
Loans and advances to banks	*271,007*	*244,913*	*339,700*	*-*	*-*	*-*	*855,620*
Loans and advances to customers	*93,214*	*286,542*	*8,802*	*6*	*-*	*3*	*388,567*
Derivative assets	*661*	*-*	*-*	*-*	*-*	*-*	*661*
Other assets	*7,397*	*9*	*131*	*219*	*2,473*	*37,775*	*48,004*
Total assets	***737,930***	***1,478,402***	***676,449***	***63,644***	***2,473***	***42,639***	***3,001,537***
Deposits from banks	*1,221,294*	*558,636*	*140,237*	*40,392*	*-*	*-*	*1,960,559*
Other deposits	*409,952*	*43,867*	*33,724*	*211,576*	*-*	*-*	*699,119*
Subordinated liabilities	*44,803*	*29,751*	*-*	*-*	*-*	*-*	*74,554*
Other liabilities	*22,982*	*-*	*-*	*-*	*-*	*11,699*	*34,681*
Derivative liabilities	*46*	*-*	*-*	*-*	*-*	*-*	*46*
*Shareholders' funds**	*-*	*-*	*-*	*-*	*-*	*232,578*	*232,578*
Total equity and liabilities	***1,699,077***	***632,254***	***173,961***	***251,968***	***-***	***244,277***	***3,001,537***
Overall gap	*(961,147)*	*846,148*	*502,488*	*(188,324)*	*2,473*	*(201,638)*	
Reverse Cumulative gap	***201,638***	***1,162,785***	***316,637***	***(185,851)***	***2,473***	***(201,638)***	

* *Shareholders’ funds are non-interest bearing.*

Non-interest-bearing items comprise share capital, accumulated impairments, tangible and intangible assets and other sundry debtors and creditors not subject to interest.

The Bank measures the interest rate risk by calculating sensitivity of changes in the present value of committed future cash flows to a 0.01% change in interest rates using the Price Value of a Basis Point (“PVBP”) methodology (this is a common method of measuring the price sensitivity of a bond by measuring the absolute value of the change in the price of a bond for a one basis point change in yield). Limits are placed on the overall amount of calculated PVBP for the banking book. The Bank considers the impact of changes in future interest rates on its future income streams by reference to these interest rate gaps.

As at 31 December 2024, PVBP amounted to £47,000 (2023: £33,000). PVBP (calculated on a daily basis) was as follows:

£'000	**2024**	*2023*
Maximum	52	46
Minimum	21	22
Average	37	32

The Bank also assesses interest rate risk in respect of net interest income through the Basel Committee on Banking Supervision ("BCBS") prescribed stress tests. As at 31 December 2024, a parallel shock up of 2% in the interest rate would increase net interest income by £6.5m and a parallel shock down of 2% would have reduction of £6.5m.

Derivative contracts are used in the banking book to modify market risk exposures in the light of perceptions about future movements in those markets. Derivative contracts are used to reduce market risk exposure arising from interest rates. Derivatives in respect of the banking book as at 31 December 2024 include interest rate futures which are used to manage the overall quantum of interest rate risk.

LIQUIDITY AND FUNDING RISK

Liquidity and Funding Risk is the risk that the Bank is unable to meet payment obligations in a timely manner when they become due or that the Bank does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. The Bank maintains surplus liquidity to manage business volatility combined with a mixed portfolio of highly rated, low risk bonds to support access to liquidity. As such, the appetite for Liquidity risk is low. This is evidenced by the Bank's LCR which shows that the surplus of HQLA is greatly in excess of the minimum amount the PRA requires the Bank to hold. However, our source of funding is concentrated from Libya. As such, the appetite for Funding risk is Medium. A sub-set of Liquidity and Funding Risk is Asset Risk, i.e. the risk that an asset (marketable or non-marketable) cannot be sold or otherwise monetised in the market or can only be sold or monetised at an uneconomic price. The Bank uses recognised exchanges to mitigate risk alongside maintaining a highly liquid Treasury book with restricted exposure to non-liquid assets. As such, the appetite for Asset Risk is low.

The Bank monitors a range of liquidity and funding indicators including net cash flows over 30, 91 and 180 days plus HQLA, the LCR including significant currency LCRs, the NSFR, and internal metrics to manage and mitigate funding concentration risks. The Bank's risk appetite is to be able to survive a 91-day stress period. The Board is of the opinion that it has taken appropriate steps to provide reasonable assurance that the liquidity and funding risk of the Bank is and will continue to be managed in a prudent manner.

The table below analyses the remaining contractual maturity of the Bank's assets and liabilities. The table below has been complied on the basis of undiscounted cashflows which include estimated interest payments and has not been adjusted to reflect any behavioural characteristics that may have been observed by the Bank.

At 31 December 2024	Carrying amount £'000	Gross nominal inflow (outflow) £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Undated £'000
Financial assets by type								
Financial investments	1,427,440	1,605,993	271,604	144,035	446,958	631,384	112,012	-
Reverse repurchase agreements	210,601	210,601	210,601	-	-	-	-	-
Loans and advances to banks	1,271,347	1,271,347	436,461	296,100	533,991	4,795	-	-
Loans and advances to customers	387,260	387,260	27,197	30,009	76,681	253,373	-	-
Derivative assets	1,770	1,770	995	80	543	152	-	-
Other assets	45,048	45,048	8,404	-	-	-	2,725	33,919
Total assets	**3,343,466**	**3,522,019**	**955,262**	**470,224**	**1,058,173**	**889,704**	**114,737**	**33,919**
Financial liabilities by type								
Deposits from banks	2,218,623	2,322,578	1,218,834	342,191	446,181	315,372	-	-
Other deposits	758,949	905,561	445,130	83,160	100,708	276,563	-	-
Subordinated liabilities	74,226	84,406	301	873	2,376	6,630	74,226	-
Derivative liabilities	1,056	1,056	1,055	1	-	-	-	-
Other liabilities	33,000	33,000	25,423	-	-	32	-	7,545
Shareholders' funds*	257,612	257,612	-	-	-	-	-	257,612
Total equity and liabilities	**3,343,466**	**3,604,213**	**1,690,743**	**426,225**	**549,265**	**598,597**	**74,226**	**265,157**

At 31 December 2023	*Carrying amount £'000*	*Gross nominal inflow (outflow) £'000*	*Up to 1 month £'000*	*1-3 months £'000*	*3-12 months £'000*	*1-5 years £'000*	*Over 5 years £'000*	*Undated £'000*
Financial assets by type								
Financial investments	*1,621,748*	*1,815,195*	*114,541*	*521,295*	*405,107*	*652,721*	*121,531*	-
Reverse repurchase agreements	*86,937*	*86,937*	*86,937*	-	-	-	-	-
Loans and advances to banks	*855,620*	*855,620*	*251,678*	*240,529*	*363,413*	-	-	-
Loans and advances to customers	*388,567*	*388,566*	*1,166*	*39,600*	*63,405*	*284,395*	-	-
Derivative Assets	*661*	*661*	*661*					
Other assets	*48,004*	*48,006*	*7,399*	*9*	*131*	*219*	*2,473*	*37,775*
Total assets	***3,001,537***	***3,194,985***	***462,382***	***801,433***	***832,056***	***937,335***	***124,004***	***37,775***
Financial liabilities by type								
Deposits from banks	*(1,960,559)*	*(2,072,128)*	*(1,022,230)*	*(565,798)*	*(170,841)*	*(313,259)*	-	-
Other deposits	*(699,119)*	*(856,472)*	*(415,171)*	*(53,968)*	*(106,945)*	*(280,388)*	-	-
Subordinated liabilities	*(74,554)*	*(85,864)*	*(493)*	*(955)*	*(2,997)*	*(81,419)*	-	-
Derivative liabilities	*(46)*	*(46)*	*(46)*					-
Other liabilities	*(34,681)*	*(34,681)*	*(22,982)*	-	-	-	-	*(11,699)*
*Shareholders' funds**	*(232,578)*	*(232,578)*	-	-	-	-	-	*(232,578)*
Total equity and liabilities	***(3,001,537)***	***(3,281,769)***	***(1,460,922)***	***(620,721)***	***(280,783)***	***(675,066)***	**-**	***(244,277)***

* *Shareholders' funds are undated (have no fixed maturity).*

Liquidity and funding risk is assessed annually through the Internal Liquidity Adequacy Assessment Process ("ILAAP") carried out under the rules of the Bank's regulator. The Bank manages its exposure to liquidity risk by ensuring that it holds a buffer of High-Quality Liquid Assets (HQLA) that will enable it to meet its obligations as they fall due under both normal and a range of stressed conditions. In the table above the HQLA assets are marketable financial investments that are shown under their contractual maturities but very liquid and can be disposed of on demand when required to meet the Bank's outflows.

5. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial information requires BACB's Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates; revisions to estimates are recognised prospectively.

The key judgements made in applying the Bank's accounting policies were as follows:

Impairment losses on loans and advances

The measurement of the ECL for financial assets subject to credit risk measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These judgements are driven by several factors, changes in which can result in different levels of allowances.

ECL for non-credit-impaired financial assets is made up by 12-month ECL (Stage 1) and lifetime ECL (Stage 2) as described in Note 3(k).

At 31 December 2024 7 loans to customers were defaulted (2023: 11 loans to customers). The restructuring of 1 loan (2023: 2 loans) was the subject of continuing negotiations between lending syndicates and the borrowers, the outcomes of which were uncertain at 31 December 2024. Assumptions have been made regarding the outcome of these negotiations, and hence future cash flows based on information regarding the value of underlying assets and businesses, and on indicative secondary market pricing where available.

The key assumptions used by management in determining ECL provisions is described in Note 3(k). The ECL provision is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and as at reporting date by the judgements used in determining the overlay to the modelled ECL. Significant judgement is also made in establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition. The sensitivity analysis of the ECL outcomes to different assumptions are carried out and are disclosed in Note 13. The carrying amount of the assets subject to ECL is disclosed in Notes 18 and 20.

Pension fund

The Bank assesses the value of its defined benefit pension fund in accordance with IAS 19 using judgement where required. The standard requires that certain assumptions be made which are set out in Note 26. The note also sets out an analysis of the sensitivity of the defined benefit obligations to changes in certain assumptions.

IAS19 allows an employer to recognise a surplus as an asset to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the plan, even if the refunds may only be available at some distant time in the future, such as after the last benefit has been paid. IFRIC14 provides a detailed interpretation of this provision of IAS19, and the potential impact of any statutory funding requirements. The Directors' view is that, under the scheme rules although not expressly stated, the Bank has an unconditional right to any surplus assuming the gradual settlement of liabilities over time until all members have left the scheme. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Therefore, under IFRIC 14 the Bank is neither required to reflect any additional liabilities in relation to deficit funding commitments, nor restrict any scheme surplus that arises.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal against aspects of the June 2023 decision. The conclusions reached by the court in this case may have wider ranging implications for other UK defined benefit plans, including the Bank's defined benefit pension fund. Trustees of the Scheme received legal advice to consider the implications of the case for the Scheme. Based on the legal advice received, there is still further uncertainty including the potential for overriding government legislation to be introduced, thus any potential impact on the defined benefit obligation cannot yet be measured with sufficient reliability and consequently no allowance for this has been made in calculating the defined benefit obligations at the reporting date.

The key estimates made in applying the Bank's accounting policies were as follows:

Deferred taxation

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. Management uses best estimate in assessing whether this is the case, taking into account future profitability expectations. Temporary differences are calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled.

To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods.

Other

The Bank's Directors are not aware of any other judgements, estimates and assumptions that would materially affect the statement of comprehensive income.

6. Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies in Note 3 describes how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned and therefore by the measurement basis.

31 December 2024	Assets and liabilities held at amortised cost £'000	Assets and liabilities held at FVOCI £'000	Assets and liabilities designated at FVTPL £'000	Total £'000
Assets				
Cash, notes and coins	1	-	-	**1**
Financial investments	-	1,427,440	-	**1,427,440**
Property, plant and equipment	-	25,100	-	**25,100**
Reverse Repurchase agreements	210,601	-	-	**210,601**
Loans and advances to banks	1,271,347	-	-	**1,271,347**
Loans and advances to customers	387,260	-	-	**387,260**
Derivatives	-	-	1,770	**1,770**
Total financial assets	1,869,209	1,452,540	1,770	**3,323,519**
Total non-financial assets				**19,947**
Total assets				**3,343,466**
Liabilities				
Deposits from banks	2,218,623	-	-	**2,218,623**
Other deposits	758,949	-	-	**758,949**
Derivatives	-	-	1,056	**1,056**
Subordinated liabilities	74,226	-	-	**74,226**
Total financial liabilities	3,051,798	-	1,056	**3,052,854**
Total equity and non-financial liabilities				**290,612**
Total equity and liabilities				**3,343,466**

31 December 2023	Assets and liabilities held at amortised cost £'000	Assets and liabilities held at FVOCI £'000	Assets and liabilities designated at FVTPL £'000	Total £'000
Assets				
Cash, notes and coins	*1*	*-*	*-*	*1*
Financial investments	*-*	*1,621,748*	*-*	***1,621,748***
Property, plant and equipment	*-*	*23,750*	*-*	***23,750***
Reverse Repurchase agreements	*86,937*	*-*	*-*	***86,937***
Loans and advances to banks	*855,620*	*-*	*-*	***855,620***
Loans and advances to customers	*388,567*	*-*	*-*	***388,567***
Derivatives			*661*	***661***
Total financial assets	*1,331,125*	*1,645,498*	*661*	***2,977,284***
Total non-financial assets				***24,643***
Total assets				***3,001,927***
Liabilities				
Deposits from banks	*1,960,559*	*-*	*-*	***1,960,559***
Other deposits	*699,119*	*-*	*-*	***699,119***
Derivatives	*-*	*-*	*46*	***46***
Subordinated liabilities	*74,554*	*-*	*-*	***74,554***
Total financial liabilities	*2,734,232*	*-*	*46*	***2,734,278***
Total equity and non-financial liabilities				***267,649***
Total equity and liabilities				***3,001,927***

Of the total £1,770,000 *(*2023: £661,000) assets at fair value through the profit and loss account, £1,770,000 *(2023: £661,000*) represents derivatives.

Of the total £1,056,000 *(2023: £46,000)* liabilities at fair value through the profit and loss account, £1,056,000 (*2023: £*46,000*)* represents derivatives.

7. Fair values of assets and liabilities

The Bank measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category comprises instruments valued using reference to quoted market data such as yield curves.

Level 3: Valuation techniques using significant unobservable inputs. This category comprises equity investments valued by reference to published accounts or third-party valuations.

In respect of level 3 assets and liabilities valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other data used in estimating discount rates, bond prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In respect of revalued property, plant and equipment the Bank uses an independent external valuer who assesses the market value based on knowledge of market conditions, trend of similar transactions/properties and other inputs such as risk-free and benchmark interest rates and asset yield curves expected by institutional investors that would be buyers for the Bank's property.

a) Financial assets and liabilities held at amortised cost

The fair values of assets and liabilities held at amortised costs are required to be estimated and disclosed, and the table below summarises both the carrying amounts and the estimated fair values of those financial assets and liabilities. Bid prices are used to determine fair values of assets, whereas offer prices are applied for liabilities. Observable market prices are not available for many of the Bank's financial assets and liabilities not measured at fair value.

The fair values set out below are based on indices for proxy assets and liabilities not already carried at fair value which are considered to be similar, but not identical, to those held by the Bank. Further, these fair values have been determined using internal models, the results of which might not be equivalent to those which would be arrived at between willing buyer and willing seller. Internal models may use inputs which are unobservable or be based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31 December 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value (Note 6) £'000
Cash, notes and coins	-	1	-	1	1
Reverse Repurchase agreements	-	-	210,375	210,375	210,601
Loans and advances to banks	-	-	1,271,020	1,271,020	1,271,347
Loans and advances to customers	-	-	387,260	387,260	387,260
Financial assets held at amortised cost	**-**	**1**	**1,868,655**	**1,868,656**	**1,869,209**
Deposits from banks	-	-	2,222,180	2,222,180	2,218,623
Other deposits	-	-	764,824	764,824	758,949
Subordinated liabilities	-	-	85,003	85,003	74,226
Financial liabilities held at amortised cost	**-**	**-**	**3,072,007**	**3,072,007**	**3,051,798**

31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value (Note 6) £'000
Cash, notes and coins	-	1	-	1	1
Reverse Repurchase agreements	-	86,781	-	86,781	86,937
Loans and advances to banks	-	-	849,246	849,246	855,620
Loans and advances to customers	-	-	388,133	388,133	388,567
Financial assets held at amortised cost	**-**	**86,782**	**1,237,379**	**1,324,161**	**1,331,125**
Deposits from banks	-	-	1,948,106	1,948,106	1,960,559
Other deposits	-	-	706,501	706,501	699,119
Subordinated liabilities	-	-	76,498	76,498	74,554
Financial liabilities held at amortised cost	**-**	**-**	**2,731,105**	**2,731,105**	**2,734,232**

Loans and advances to banks and customers

Loans and advances to banks include professional market placements and other loans and advances, net of accumulated impairments.

The estimated fair value of professional market placements (which are for terms up to one year) is based on discounted cash flows using prevailing market interest rates for the relevant periods.

The estimated fair value of term and real estate lending is determined by comparing the actual yields received on loans advanced by the Bank with observed yields from corporate and financial bond indices that are considered to be of similar credit quality and duration. As of 31 December 2024, observed market yields for these indices were lower than the yields on the Bank's loans. Consequently, the estimated fair value of the loans at that date is higher than their carrying value.

The Bank has no current intention of disposing of these loans. Therefore, in the opinion of the Directors, this premium is not indicative of any adjustment required to the Bank's accounts. Loans and advances that are impaired are stated at their book value without further adjustment.

Deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using market interest rates for debts with similar remaining maturity.

The market interest rates as at year end for the principal currencies in which the Bank has assets and liabilities, and by reference to which assets and liabilities have been valued, were as follows:

	31 December 2024			31 December 2023		
	Sterling	US Dollars	Euro	Sterling	US Dollars	Euro
Interest rates						
3 month	4.61%	4.29%	2.64%	*5.16%*	*5.28%*	*3.82%*
6 month	4.54%	4.24%	2.37%	*5.09%*	*5.11%*	*3.63%*
1 year	4.43%	4.16%	2.33%	*4.68%*	*4.74%*	*3.41%*
5 year	4.01%	4.00%	2.19%	*3.33%*	*3.50%*	*2.39%*

Subordinated liabilities

Subordinated liabilities represent term obligations. The obligations are not quoted, and a valuation has been estimated using discounted cash flow techniques based on yields observed in the market for subordinated instruments issued by other similar organisations with similar credit profile.

As other financial institutions use different valuation methodologies and assumptions in determining fair values, comparisons of fair values between financial institutions may not be meaningful and users are advised to exercise caution when using this data.

Cash, notes and coins

Fair value is disclosed as being the same as carrying value for cash, notes and coins given the nature of the assets.

b) Financial assets and liabilities held at fair value

The majority of the Bank's financial instruments measured at fair value are valued using quoted market prices or market standard valuation techniques based on observable market data.

The Bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments that use only observable market data and require little management judgement and estimation. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations, this reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. For all other financial instruments, the Bank determines fair values using other valuation techniques described above.

The table below analyses financial instruments measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which measurement is categorised.

31 December 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value (Note 6) £'000
Financial investments	1,423,841	-	3,599	1,427,440
Property, plant and equipment	-	-	25,100	25,100
Derivative assets	1,372	398	-	1,770
Total assets held at fair value	**1,425,213**	**398**	**28,699**	**1,454,310**
Derivative liabilities	1,056	-	-	1,056
Total liabilities held at fair value	**1,056**	**-**	**-**	**1,056**

31 December 2023	Level 1 *£'000*	Level 2 *£'000*	Level 3 *£'000*	Total fair value (Note 6) *£'000*
Financial investments	*1,616,887*	*-*	*4,861*	*1,621,748*
Property, plant and equipment	*-*	*-*	*23,750*	*23,750*
Derivative assets	*640*	*21*	*-*	*661*
Total assets held at fair value	***1,617,527***	***21***	***28,611***	***1,646,159***
Derivative liabilities	*46*	*-*	*-*	*46*
Total liabilities held at fair value	***46***	***-***	***-***	***46***

The following table shows a reconciliation from the beginning balance to the ending balances for the fair value measurement in Level 3 of the fair value hierarchy.

	2024		*2023*	
	£'000	**£'000**	***£'000***	***£'000***
	Financial investments	**Property, plant and equipment**	***Financial investments***	***Property, plant and equipment***
Balance at 1 January	4,861	23,750	*5,909*	*22,000*
Total Gains or Losses:				
in Profit or loss	-	(792)	*-*	*(702)*
in OCI	(100)	778	*(1,048)*	*(3,359)*
Additions	-	1,364	*-*	*6,169*
Disposals	(1,162)	-	*-*	*(358)*
Balance at 31 December	***3,599***	***25,100***	***4,861***	***23,750***

There were no significant transfers of assets between levels during 2024, and no significant changes in valuation techniques.

Debt securities

The aggregate fair values of listed debt securities are calculated based on quoted market prices and are all categorised accordingly as Level 1. Unlisted debt securities would be valued by reference to discounted cash flows using market interest rates for debts with similar remaining maturity.

Equity shares and investment funds

Assets categorised as Level 3 comprise the Bank's investments in equity shares and investment funds. These assets are valued by reference to reports from fund managers, and from the audited annual reports (which may be a year in arrears) of the companies in which the Bank is invested. The sensitivity of value of these assets is therefore directly related to the movements in the value of the net assets of the investee entities, subject to currency fluctuations. Movements during the year of these assets are set out in Note 17.

Derivative assets and liabilities

The fair values of spot and forward foreign exchange contracts, as well as interest futures, are based on observable market prices and actively traded, classifying them as Level 1. The fair value of foreign exchange options is determined using net present value and discounted cash flow models. These instruments are categorised as Level 2.

Property, Plant and Equipment

The fair value of Mansion House Place was ascertained in December 2024 from an independent valuation report prepared by Montagu Evans, a qualified chartered surveyors familiar with the market for such assets. As such, the asset has been categorised as Level 3 based on third party valuations. The report takes into consideration such factors as economic outlook, investor sentiment, inflationary pressures and comparisons to other similar properties on the market.

8. Net interest income

Interest income is made up as follows:

	2024 **£'000**	*2023* *£'000*
Interest income		
Loans, advances and overdrafts	89,026	*81,089*
Debt Securities	38,044	*33,191*
Professional market placements	17,552	*14,391*
Interest income calculated under effective interest method	**144,622**	**128,671**
Debt Securities	38,248	40,919
Other interest	26	*4*
	182,896	***169,594***

Interest expense is made up as follows:

	2024	*2023*
	£'000	*£'000*
Interest expense		
Deposits from banks and other deposits	(106,420)	*(97,945)*
Subordinated loans	(5,641)	*(5,642)*
Interest expense calculated under effective interest method	**(112,061)**	***(103,587)***
Interest on lease liabilities	(192)	*(160)*
	(112,253)	**(103,747)**

9. Net fee and commission income

Fee and commission income from contracts with customers in the scope of IFRS 15 is made up as follows:

	2024	*2023*
	£'000	*£'000*
Fee and commission income		
Trade services:		
Documentary credit and trade finance fees	24,434	*21,862*
Guarantees	1,135	*676*
Banking payments and services	1,166	*1,266*
Term lending (other than amounts which form part of the effective interest rate)	86	*294*
	26,821	***24,098***
Fee and commission expense		
Brokerage and other fees	**(6,431)**	***(6,977)***

10. Net trading and other income

Net trading and other income is made up as follows:

	2024	*2023*
	£'000	*£'000*
Net trading income		
Debt securities	-	80
Net income from other financial instruments mandatorily measured at FVTPL		
Foreign exchange dealing	7,045	5,612
Debt securities	309	91
Derivatives	(805)	(237)
	6,549	**5,546**

Foreign exchange dealing income includes gains and losses from spot and forward contracts, options and translated foreign currency assets and liabilities.

11. Other operating income

Other operating income is made up as follows:

	2024 £'000	2023 £'000
Realised gains - Debt securities at FVOCI	508	*397*
Rental income	336	*322*
Net interest income from defined benefit pension scheme	224	*182*
	1,068	***901***

12. Business line review

IFRS 8 Operating Segments is not applicable to BACB, as the Bank is not a listed entity. The disclosure below is additional information that BACB believes is useful to the users of the Annual Report and Financial Statements but are not the disclosures required by IFRS 8 as these are not mandatory for the Bank.

As at 31 December 2024, the Bank has four active operating segments which comprise its principal operating departments. Internal management information is constructed to separately measure the operational and risk characteristics of these departments, together with the resources they consume, and the financial results that they produce. Business decisions are made with reference to risk adjusted return on capital.

The summary below describes the operations of each of the Bank's business lines:

Active operating segments:

- Trade Finance: the provision of core trade finance instruments supporting export and import customers.
- Cash Management: the Bank offers services by acting as a banking correspondent for key clients providing tailored account and international payment services. Cash management services complement trade finance services.
- Real Estate Lending: the Bank provides tailored repayments facilities to investors in respect of commercial and high value residential properties.
- Treasury: In addition to servicing the Bank's own funding and market risk management requirements, Treasury provides access to the international financial markets for the Bank's customers and assumes a limited amount of market risk by way of own account trading activities.

In late 2023, Trade Finance and Cash Management were brought together under the Global Transaction Banking Model.

Legacy and Other business:

- Legacy: relates to legacy structured finance transactions which are being run off.

- Other: represents items not specifically allocated to the Bank's business lines, principally rental income, returns on investments, foreign exchange revaluation.

Information regarding the results of each business line is included below. Performance is measured based on net business line profit as included in the internally generated management information and is stated after charging (or crediting) interest between business lines in respect of the assets or liabilities which either require or generate funding. There are no other significant transactions between business lines.

Operating income before allowance for credit losses by operating segment is as follows:

	GTB					
	Trade Finance	Cash Management	Treasury	Real Estate	Other	Total
31 December 2024	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net Interest Income	20,713	26,901	15,741	7,321	(33)	70,643
Net fee and commission income	19,431	1,048	(110)	19	2	20,390
Net trading income	-	-	6,549	-	-	6,549
Other operating income	-	-	508	-	560	1,068
Total Operating Income	**40,144**	**27,949**	**22,688**	**7,340**	**529**	**98,650**

	GTB					
	Trade Finance	*Cash Management*	*Treasury*	*Real Estate*	*Other*	*Total*
31 December 2023	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Net Interest Income	*16,779*	*26,653*	*13,353*	*8,926*	*136*	*65,847*
Net fee and commission income	*15,839*	*1,196*	*(10)*	*93*	*3*	*17,121*
Net trading income	*-*	*-*	*5,546*	*-*	*-*	*5,546*
Other operating income	*-*	*-*	*397*	*-*	*504*	*901*
Total Operating Income	***32,618***	***27,849***	***19,286***	***9,019***	***643***	***89,415***

The analysis of total operating income below is based on the location of the customer giving rise to the revenue. Revenue from the Bank's main shareholder market of Libya is included within MENA and this segment overall comprises 46% of the total *(2023: 45%)*.

	2024	*2023*
	£000	*£000*
United Kingdom	11,313	*13,120*
Europe / Americas (excl. UK)	16,152	*12,879*
MENA (incl Libya)	45,046	*40,551*
Sub - Saharan Africa	19,373	*18,511*
Asia and Other	6,766	*4,354*
	98,650	***89,415***

13. Allowance for credit losses

The below table shows the movement in impairment provisions on loans and advances to banks and customers at amortised cost, debt securities at fair value though other comprehensive income, and on financial guarantees and other commitments for the year ended 31 December 2024.

31 December 2024	Loans £'000	Debt Securities £'000	Off-balance sheet positions £'000	Other movements £'000	Total £'000
Balance at 1 January	**15,358**	**38**	**2,492**	**-**	**17,888**
Changes in Fx and other Parameters	(175)	-	(2)	-	(177)
Increase in allowances due to new facilities	3,722	10	124	-	3,856
Administrative expenses associated with impaired loans	-	-	-	136	136
Allowances for credit losses	**3,722**	**10**	**124**	**136**	**3,992**
Net movement in allowances due to maturities and other changes in facilities	(4,176)	(22)	(576)	-	(4,774)
Decrease in Stage 3 allowances due to repayment of facilities	(45)	-	(640)	-	(685)
Recoveries of interest from impaired loans	-	-	-	(174)	(174)
Recoveries of amounts written off in previous periods	-	-	-	-	-
Reversals of allowances and recoveries of amounts written off in previous periods	**(4,221)**	**(22)**	**(1,216)**	**(174)**	**(5,633)**
ECL allowances relating to loans written off in the current year	(7,382)	-	-	-	(7,382)
Balance at 31 December	**7,302**	**26**	**1,398**	**-**	**8,726**
Credit impaired	2,924	-	1,248	-	4,172
Not credit impaired	4,378	26	150	-	4,554
Total credit losses allowance against loans, debt securities and off balance positions	**7,302**	**26**	**1,398**	**-**	**8,726**

31 December 2023	Loans *£'000*	Debt Securities *£'000*	Off-balance sheet positions *£'000*	Other movements *£'000*	Total *£'000*
Balance at 1 January	*17,948*	*162*	*2,488*	*-*	*20,598*
Changes in Fx and other Parameters	*(706)*	*(8)*	*(130)*	*-*	*(844)*
Increase in allowances due to new facilities	*3,588*	*16*	*432*	*-*	*4,036*
Administrative expenses associated with impaired loans	*-*	*-*	*-*	*128*	*128*
Allowances for credit losses	*3,588*	*16*	*432*	*128*	*4,164*
Net movement in allowances due to maturities and other changes in facilities	*(5,468)*	*(132)*	*(291)*	*-*	*(5,891)*
Decrease in Stage 3 allowances due to repayment of facilities	*(4)*	*-*	*(7)*	*-*	*(11)*
Recoveries of interest from impaired loans	*-*	*-*	*-*	*(406)*	*(406)*
Recoveries of amounts written off in previous periods	*-*	*-*	*-*	*(1)*	*(1)*
Reversals of allowances and recoveries of amounts written off in previous periods	*(5,472)*	*(132)*	*(298)*	*(407)*	*(6,309)*
ECL allowances relating to loans written off in the current year	*-*			*-*	*-*
Balance at 31 December	***15,358***	***38***	***2,492***		***17,888***
Credit impaired	*9,211*		*1,909*	*-*	*11,120*
Not credit impaired	*6,147*	*38*	*583*	*-*	*6,768*
Total credit losses allowance against loans, debt securities and off balance positions	***15,358***	***38***	***2,492***	***-***	***17,888***

The reconciliation from the opening to the closing balance of the allowance for credit losses by class of financial instrument are shown in Notes 18, Note 20 and Note 30 respectively. The basis for determining transfers due to changes in credit risk is set out in our accounting policy Note 3(k). As at 31 December 2024, the reversal of stage 1 and 2 allowances booked in previous period is attributable to changes in risk parameters and account balances driven by active risk management through which the Bank's exposures to higher credit grades were managed proactively.

During the year the Bank wrote off credit-impaired legacy assets of £7.4m which were fully provided for (2023: Nil).

The Bank is active in wholesale markets. Accordingly, its portfolio of financial assets comprises a relatively small number of individually significant claims, rather than a large number of individually insignificant claims as would be the case for financial institutions acting in retail markets. This means that each claim due to the Bank is subject to individual impairment review at the reporting date taking account of the factors described in Note 3(k).

Impairment loss allowances on not credit-impaired financial assets and off-balance sheet exposures are made up by 12-month ECL (Stage 1) and lifetime ECL (Stage 2), and total £4,554,000 for 2024 (2023: £6,768,000).

Further information with regards to impaired and other facilities is shown in the table below. There was a total of 7 impaired facilities at 31 December 2024 (2023: 11 facilities), with new impairment allowances recognised for 2 of those facilities during the year (2023: 2 facilities). Of the 2 new facilities impaired as at 31 December 2024, neither facility had no collateral in place (2023: 1 facilities).

	2024		*2023*	
	Number of Facilities	**Gross Exposure ***	*Number of Facilities*	*Gross Exposure **
		£'000		*£'000*
Defaulted facilities				
Total impaired facilities	7	68,659	*11*	*46,793*
Impaired facilities against which there was no collateral	1	816	*3*	*7,661*
Waiver on repayments. Impairment in respect of these facilities Nil (*2023: £6,529,000*)	-	-	*1*	*6,529*
Shortfall to be paid on maturing underlying contracts. Impairment in respect of this facility £816,000 (*2023: £847,000*)	1	816	*2*	*1,132*
Non-Defaulted facilities subject to forbearance, restructuring or close monitoring				
Amounts past due in respect of unimpaired financial assets at reporting date	-	-	*1*	*3,473*
Facilities formally restructured on terms which may be less favourable to the Bank but which do not give rise to an impairment	1	7,873	*1*	*40,902*
Unimpaired facilities in the process of being restructured as at the reporting date	-	-	*1*	*8,930*
Watchlist or substandard facilities subject to closer monitoring than normal	11	47,159	*12*	*101,171*
Breach of covenant, which is being addressed	4	27,567	*6*	*62,383*

* *Gross exposure net of cash collateral*

Forbearance: as part of its real estate, cash management and trade services business the Bank may renegotiate loans to customers in financial difficulties (referred to as 'forbearance' activities) to maximise collection opportunities and minimise the risk of default. Loan forbearance may be granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms may include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants.

'Watchlist' items are so designated where there may have been some deterioration in the financial strength of the counterparty. The Bank may have granted forbearance in such cases or may simply be monitoring the position more closely with no element of forbearance granted.

Impact of multiple economic scenarios on the ECL and sensitivity to alternative assumptions

The ECL recognised in the financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios. The probability-weighted amount is typically a higher number than would result from using only the base economic scenario. Credit losses and defaults typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce expected losses as much as less favourable macroeconomic factors increase expected losses.

The sensitivity of ECLs outcome to different assumptions is as follows:

- A 10% increase in the loss given default (LGD) across all scenarios, would result in an increase of £0.4 million in the impairment allowance on stage 1 and 2 exposures.
- A 50% decrease in the effective interest rate (EIR) would result in a decrease of £0.2million in the ECL stage 1 and 2 allowance.
- If loan to value ratios on real estate exposures are 20% higher the amount of the impairment on stage 1 and stage 2 which would have been charged in 2024 in respect of those loans would have been increased by £0.3 million.
- A 20% increase or decrease in probability of default (PD) on trade finance exposures would result in a respective increase or decrease in the ECL stage 1 and 2 allowance of £0.7 million.
- A 10% decrease to the collateral values in respect of Stage 3 exposures would result in an increase of £2.1 million in ECL stage 3 allowance.

In December 2023 management determined, that due to the ongoing volatility seen across the Bank's markets, which continued as expected during 2024, to apply an overlay to the ECL on trade finance exposures derived from lower credit grade countries. Management continued to review the performance of the Bank's exposures and its ECL models during 2024 and have continued to include the overlay on the same basis. The overlay amounted to an additional credit allowance of £508,000 at 31 December 2024 (2023: £583,000).

14. Administrative expenses

	2024 £'000	2023 £'000
Staff costs:		
Salaries and other emoluments	33,940	28,307
Social security costs	4,231	3,591
Other pension costs:		
Pension Running costs for both schemes	292	481
Defined contribution scheme	2,830	2,234
Total staff employment costs	**41,293**	**34,613**
Reorganisation costs	656	505
Other employment related costs	2,505	1,952
Total staff costs	**44,454**	**37,070**
Fees payable to the Bank's auditors for the audit of the Bank's annual financial statements	695	665
Fees payable to the Bank's auditors for other services :		
Other services pursuant to legislation	65	16
Depreciation (including amortisation of intangibles)	3,214	2,904
Loss on sale of tangible assets	3	518
Regulatory supervision fees	161	127
Other administrative expenses		
Premises & Technology	7,890	6,815
Legal & Professional	2,110	2,200
Other	3,490	3,279
Administrative expenses	**62,082**	**53,594**

The average number of employees in place during the year was 252 (2023: 222).

The fees payable to the Bank's auditors included above include audit fees of £645,000 (2023: £625,000), overrun fees for prior year audit of £50,000 in 2024 (2023: £40,000).

Directors' remuneration included above totalled £1,986,000 (2023: £1,802,100). The highest paid director received emoluments of £981,643 (2023: £606,495), which included pension contributions of £19,250 (2023: £38,500). No other directors accrued pension contributions. Compensation for loss of office of directors (including amounts payable during contractual notice periods) totalled £Nil (2023: £360,446).

15. Income tax

	2024 £'000	*2023* *£'000*
Current tax		
Total UK corporation tax charge	8,886	*4,876*
Current tax adjustment in respect of previous periods	367	*(258)*
Deferred tax (Note 22)		
Origination and reversal of timing differences	201	*2,106*
Effect of tax rate change	-	*36*
Deferred tax adjustment in respect of unused losses	-	*2,162*
	201	*4,304*
Total income tax charge	**9,454**	*8,922*

The tax charge on the profit for the year is based on the average UK corporation tax rate of 25% (2023: 25%).

In 2023, the UK Government enacted legislation on the OECD Inclusive Framework on Base Erosion and Profit Shifting Pillar Two Framework introducing a global minimum tax rate of 15%. The UK's Pillar Two rules applied from 1 January 2024 and accordingly BACB considered the implications of these Top Up Taxes in the reporting period.

Currently the Bank is not subject to Qualifying Domestic Minimum Top-up Taxes (QDMTTs) under the Pillar Two rules as Bank's effective tax rate is greater than 15%. The Undertaxed Profits Rule (UTPR) and proposed Subject to tax rule (STTR) are applicable from the period beginning 1 January 2025. BACB will undertake an impact assessment in 2025 and continue to review any further guidance released by the OECD to determine the impact of these new tax regimes. At present the Income Inclusion Rule (IIR) is not an issue for BACB as it does not have any subsidiaries. The Bank will continue to monitor any further UK compliance obligations relating to the OECD's minimum tax rules (the Pillar Two rules) and a UK domestic minimum tax.

The tax charge for the year is lower (2023: lower) than the charge resulting from applying the standard rate of UK corporation tax. The differences are explained below:

	2024 £'000	2023 £'000
Profit on ordinary activities before tax	**38,209**	*37,966*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	9,552	*8,922*
Effects of:		
Chargeable gains	42	*-*
Adjustment in respect of previous periods	367	*(258)*
Effect of change in tax rate	-	*60*
Non taxable income	(5)	*(5)*
Non deductible expenses and other items	(502)	*673*
Losses not recognised in prior year	-	*(470)*
Total income tax charge	**9,454**	*8,922*

During 2023 and 2024 all the tax charge is due on transactions recorded and undertaken in the United Kingdom. No public subsidies were received during the reporting year.

Income tax recognised in other comprehensive income is made up as follows:

	2024 Before tax £'000	**2024** Tax £'000	**2024** Net of tax £'000	*2023* *Before tax £'000*	*2023* *Tax £'000*	*2023* *Net of tax £'000*
Change in fair value of equity investments designated at FVOCI	(100)	(225)	(325)	*(1,048)*	*270*	*(778)*
Change in fair value of debt securities designated at FVOCI	2,662	(666)	1,996	*7,477*	*(1,743)*	*5,734*
Fair value losses attributable to FVOCI financial assets transferred to income	508	(127)	381	*397*	*(30)*	*367*
Change in valuation of PPE	778	(195)	583	*(3,359)*	*839*	*(2,520)*
	3,848	**(1,213)**	**2,635**	***3,467***	***(664)***	***2,803***

16. Derivatives

Derivative positions at 31 December were as follows:

	31 December 2024 Notional amount	Positive fair values (Assets) £'000	Negative fair values (Liabilities) £'000
Spot and forward foreign exchange contracts	941,951	994	1,055
Interest rate futures held for trading purposes	142,827	378	1
Options on foreign exchange for trading purposes	80,767	398	-
		1,770	**1,056**

		31 December 2023	
	Notional amount	*Positive fair values (Assets) £'000*	*Negative fair values (Liabilities) £'000*
Spot and forward foreign exchange contracts	*205,009*	*303*	*46*
Interest rate futures held for trading purposes	*88,178*	*337*	*-*
Options on foreign exchange for trading purposes	*2,000*	*21*	*-*
		661	***46***

The Bank's activities expose it primarily to the financial risk of changes in foreign currency exchange rates, and interest rates. The Bank uses foreign exchange forward contracts and options and futures, and similar instruments to hedge these exposures. Derivative positions may also be held for trading purposes.

The Bank monitors derivative portfolios, and based upon the credit quality of counterparties, and the short-term maturity profile of contracts has concluded that no XVA adjustment is required.

Foreign exchange risk

A spot foreign exchange transaction is an agreement between two parties to buy one currency against selling another currency at an agreed price for settlement on the spot date.

A forward foreign exchange contract is an agreement by which a fixed amount of one currency is exchanged for a fixed amount of a different currency on a specified future date. The contract amount in the table above is the amount receivable.

A foreign exchange option contract is an agreement that gives the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date. Foreign exchange options at fair value through the profit and loss represent either contracts executed for customers against similar contracts with market counterparties, or else represent trading positions.

Interest rate risk

Interest rate futures are exchange traded contracts whose price is determined by reference to changes in interest rates between the date the contract is entered into, and the valuation date, calculated in respect of notional deposits with future start and maturity dates. Interest rate futures at fair value through the profit and loss account comprise economic hedges against fixed rate banking book positions. Interest rate futures held for trading comprise economic hedges against trading book positions.

Derivatives entered into by the Bank are in accordance with standard market terms.

17. Financial Investments

	2024 £'000	2023 £'000
Debt issued by governments and multilateral development banks designated as FVOCI	1,270,722	*1,371,471*
Other listed debt securities issued by banks designated as FVOCI	150,004	*242,430*
Other listed debt securities issued by non-banks designated as FVOCI	3,115	*2,986*
Total debt securities	**1,423,841**	***1,616,887***
Equity shares and investment funds designated at FVOCI	**3,599**	***4,861***
	1,427,440	***1,621,748***

Debt securities with fixed interest rates (other than those with a single interest period less than 1 year) amounted to £59,228,679 (2023: £57,193,785).

In 2024, the Bank disposed of equity shares which comprised of 8.64% participation in the share capital of International Company for Leasing SAE and of its participation in the Kantara LLP investment fund.

The remaining investment comprises of a long-term participation in single fund managed by a third party, whose purpose is to identify growing companies in the Middle East and North Africa region. The investment fund is categorised by the Bank as a "Level 3" investment (see Note 7). The movements on the Bank's investments were as follows:

	2024 £'000	2023 £'000
Balance at 1 January	4,861	*5,909*
Changes in fair value during the year	61	*(1,048)*
Disposal of investment fund	(30)	-
Changes in fair value of assets disposed in the year	(161)	-
Disposal of equity shares	(1,132)	-
Balance at 31 December	**3,599**	***4,861***
Comprising:		
Equity shares	-	*1,293*
Investment funds	3,599	*3,568*
	3,599	***4,861***

As at 31 December 2024 the Bank has a commitment in respect of uncalled capital in its investment fund of £2,362,000 (2023: £2,322,000).

18. Loans and advances to banks

	2024 £'000	*2023 £'000*
Funds held at correspondent banks	16,715	*11,112*
Professional market placements	258,873	*118,159*
Term lending	475,481	*210,404*
Bills discounted	522,958	*518,969*
Overdrafts and other advances	997	*497*
Less: Provisions for impairments	(3,677)	*(3,521)*
	1,271,347	***855,620***

Bills discounted are made up of customer discounts linked to various trade receivables such as letters of credit, bills of exchange and promissory notes.

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to banks at amortised cost at 31 December 2023 and at 31 December 2024.

The Bank had no financial assets that were initially purchased or originated credit-impaired during the year ended 31 December 2023 and 2024.

31 December 2024

Gross exposure	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Funds held at correspondent banks	16,715	-	-	16,715
Professional market placements	258,873	-	-	258,873
Term lending	471,217	4,264	-	475,481
Bills discounted	522,958	-	-	522,958
Overdrafts and other advances	997	-	-	997
Total	**1,270,760**	**4,264**	**-**	**1,275,024**

Impairment allowance	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Funds held at correspondent banks	-	-	-	-
Professional market placements	(2)	-	-	(2)
Term lending	(3,361)	(172)	-	(3,533)
Bills discounted	(137)	-	-	(137)
Overdrafts and other advances	(5)	-	-	(5)
Total	**(3,505)**	**(172)**	**-**	**(3,677)**

Net Exposure	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Funds held at correspondent banks	16,715	-	-	16,715
Professional market placements	258,871	-	-	258,871
Term lending	467,856	4,092	-	471,948
Bills discounted	522,821	-	-	522,821
Overdrafts and other advances	992	-	-	992
Total	**1,267,255**	**4,092**	**-**	**1,271,347**

31 December 2023

Gross exposure	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Funds held at correspondent banks	*11,112*	*-*	*-*	*11,112*
Professional market placements	*118,159*	*-*	*-*	*118,159*
Term lending	*185,871*	*24,203*	*330*	*210,404*
Bills discounted	*518,969*	*-*	*-*	*518,969*
Overdrafts and other advances	*467*	*30*	*-*	*497*
Total	*834,578*	*24,233*	*330*	*859,141*

Impairment allowance	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Funds held at correspondent banks	*(1)*	*-*	*-*	*(1)*
Professional market placements	*(1)*	*-*	*-*	*(1)*
Term lending	*(2,114)*	*(1,291)*	*(45)*	*(3,450)*
Bills discounted	*(69)*	*-*	*-*	*(69)*
Overdrafts and other advances	*-*	*-*	*-*	*-*
Total	*(2,185)*	*(1,291)*	*(45)*	*(3,521)*

Net Exposure	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Funds held at correspondent banks	*11,111*	*-*	*-*	*11,111*
Professional market placements	*118,158*	*-*	*-*	*118,158*
Term lending	*183,757*	*22,912*	*285*	*206,954*
Bills discounted	*518,900*	*-*	*-*	*518,900*
Overdrafts and other advances	*467*	*30*	*-*	*497*
Total	***832,393***	***22,942***	***285***	***855,620***

The following tables show reconciliations from the opening to the closing balance of the gross exposures.

	Gross Exposures			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 31 December 2023	834,578	24,233	330	859,141
Change in other risk parameter (incl change in account balances)	11,560	-	-	11,560
New financial assets originated or purchased	1,177,286	4,264	-	1,181,550
Financial assets that have been derecognised	(757,848)	(24,655)	(335)	(782,838)
Foreign exchange and other movements	5,184	422	5	5,611
Balance as at 31 December 2024	**1,270,760**	**4,264**	**-**	**1,275,024**

	Gross Exposures			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Balance as at 31 December 2022	*753,590*	*5,098*	*-*	*758,688*
Transfer out of Stage 1	*(435)*	*-*	*-*	*(435)*
Transfer to Stage 2	*-*	*29*	*-*	*29*
Change in other risk parameter (incl change in account balances)	*50,487*	*-*	*-*	*50,487*
New financial assets originated or purchased	*762,924*	*24,203*	*330*	*787,457*
Financial assets that have been derecognised	*(776,608)*	*(5,279)*	*-*	*(781,887)*
Foreign exchange and other movements	*44,620*	*182*	*-*	*44,802*
Balance as at 31 December 2023	*834,578*	*24,233*	*330*	*859,141*

The following tables show reconciliations from the opening to the closing balance of the impairment loss allowance.

	Provision for impairments			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 31 December 2023	2,185	1,291	45	3,521
New financial assets originated or purchased	3,504	172	-	3,676
Financial assets that have been derecognised	(2,200)	(1,313)	(45)	(3,558)
Foreign exchange and other movements	16	22	-	38
Balance as at 31 December 2024	**3,505**	**172**	**-**	**3,677**

	Provision for impairments			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Balance as at 31 December 2022	*3,473*	*31*	*-*	*3,504*
New financial assets originated or purchased	*2,181*	*1,291*	*45*	*3,517*
Financial assets that have been derecognised	*(3,681)*	*(32)*	*-*	*(3,713)*
Foreign exchange and other movements	*212*	*1*	*-*	*213*
Balance as at 31 December 2023	*2,185*	*1,291*	*45*	*3,521*

As at 31 December 2024 loans and advances to banks, which are subject to the ECL model overlay, amount to £270 million (2023: £282 million) and the related overlay credited to the income statement amount to £28,000 (2023: £457,000).

19. Prepayments, accrued income and other debtors

	2024	*2023*
	£'000	*£'000*
Amounts held in respect of collateral	4,045	*6,115*
Prepayments and accrued income	2,911	*1,768*
Other debtors	1,541	*2,541*
	8,497	***10,424***

As at 31 December 2024, amounts of £4,045,000 (2023: £6,115,000) relate to collateral due in respect of exchange traded repurchase agreements.

20. Loans and advances to customers

	2024	*2023*
	£'000	*£'000*
Term and Real Estate lending	389,513	*398,724*
Overdrafts and other advances	1,372	*1,680*
Less: Provisions for impairments	(3,625)	*(11,837)*
	387,260	***388,567***

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost at 31 December 2023 and at 31 December 2024.

The Bank had no financial assets that were initially purchased or originated credit-impaired during the years ended 31 December 2023 and 2024.

31 December 2024

Gross exposure	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total**
Term and Real Estate lending	273,038	50,642	65,833	389,513
Overdrafts and other advances	7	-	1,365	1,372
Total	**273,045**	**50,642**	**67,198**	**390,885**

Impairment allowance	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total**
Term and Real Estate lending	(72)	(629)	(2,876)	(3,577)
Overdrafts and other advances	-	-	(48)	(48)
Total	**(72)**	**(629)**	**(2,924)**	**(3,625)**

Net Exposure	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total**
Term and Real Estate lending	272,966	50,013	62,957	385,936
Overdrafts and other advances	7	-	1,317	1,324
Total	**272,973**	**50,013**	**64,274**	**387,260**

31 December 2023

Gross exposure	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total*
Term and Real Estate lending	*254,354*	*102,000*	*42,370*	*398,724*
Overdrafts and other advances	*6*	*165*	*1,509*	*1,680*
Total	*254,360*	*102,165*	*43,879*	*400,404*

Impairment allowance	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total*
Term and Real Estate lending	*(229)*	*(2,429)*	*(8,671)*	*(11,329)*
Overdrafts and other advances	*-*	*(13)*	*(495)*	*(508)*
Total	*(229)*	*(2,442)*	*(9,166)*	*(11,837)*

Net Exposure	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total*
Term and Real Estate lending	*254,125*	*99,571*	*33,699*	*387,395*
Overdrafts and other advances	*6*	*152*	*1,014*	*1,172*
Total	*254,131*	*99,723*	*34,713*	*388,567*

The following tables show reconciliations from the opening to the closing balance of the gross exposures.

	Gross Exposures			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 31 December 2023	254,360	102,165	43,879	400,404
Transfer to Stage 1	16,987	-	-	16,987
Transfer out of Stage 1	(30,543)	-	-	(30,543)
Transfer to Stage 2	-	28,596	-	28,596
Transfer out of Stage 2	-	(64,330)	-	(64,330)
Transfer to Stage 3	-	-	42,693	42,693
Change in other risk parameter (incl change in account balances)	2,206	(4,858)	50	(2,602)
New financial assets originated or purchased	79,687	-	-	79,687
Financial assets that have been derecognised	(49,967)	(11,019)	(12,117)	(73,103)
Write-offs	-	-	(7,382)	(7,382)
Foreign exchange and other movements	315	88	75	478
Balance as at 31 December 2024	**273,045**	**50,642**	**67,198**	**390,885**

	Gross Exposures			
	Stage 1 £'000	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Balance as at 31 December 2022	*378,897*	*64,478*	*34,849*	*478,224*
Transfer to Stage 1	*7,558*	-	-	*7,558*
Transfer out of Stage 1	*(84,570)*	-	-	*(84,570)*
Transfer to Stage 2	-	*78,957*	-	*78,957*
Transfer out of Stage 2	-	*(22,133)*	-	*(22,133)*
Transfer to Stage 3	-	-	*14,255*	*14,255*
Change in other risk parameter (incl change in account balances)	*(10,133)*	*(6,592)*	*(524)*	*(17,249)*
New financial assets originated or purchased	*13,293*	*467*	-	*13,760*
Financial assets that have been derecognised	*(52,189)*	*(13,632)*	*(5,220)*	*(71,041)*
Foreign exchange and other movements	*1,504*	*620*	*519*	*2,643*
Balance as at 31 December 2023	*254,360*	*102,165*	*43,879*	*400,404*

The following tables show reconciliations from the opening to the closing balance of the impairment loss allowance.

	Provision for impairments			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 31 December 2023	229	2,442	9,166	11,837
Transfer to Stage 1	6	-	-	6
Transfer out of Stage 1	(119)	-	-	(119)
Transfer to Stage 2	-	511	-	511
Transfer out of Stage 2	-	(889)	-	(889)
Transfer to Stage 3	-	-	1,376	1,376
Change in other risk parameter (incl change in account balances)	(19)	(1,391)	(202)	(1,612)
New financial assets originated or purchased	47	-	-	47
Financial assets that have been derecognised	(73)	(65)	(106)	(244)
Write-offs	-	-	(7,382)	(7,382)
Foreign exchange and other movements	1	21	72	94
Balance as at 31 December 2024	**72**	**629**	**2,924**	**3,625**

	Provision for impairments			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Balance as at 31 December 2022	*856*	*4,048*	*9,540*	*14,444*
Transfer out of Stage 1	*(183)*	-	-	*(183)*
Transfer to Stage 2	-	*1,110*	-	*1,110*
Transfer out of Stage 2	-	*(622)*	-	*(622)*
Transfer to Stage 3	-	-	*160*	*160*
Change in other risk parameter (incl change in account balances)	*(323)*	*(2,071)*	*(1,039)*	*(3,433)*
New financial assets originated or purchased	*55*	*16*	-	*71*
Financial assets that have been derecognised	*(210)*	*(231)*	*(4)*	*(445)*
Foreign exchange and other movements	*34*	*192*	*509*	*735*
Balance as at 31 December 2023	*229*	*2,442*	*9,166*	*11,837*

As at 31 December 2024 loans and advances to customers, which are subject to the ECL model overlay, amount to £3 million (2023: Nil) and the related overlay charged to the income statement amounted to £60,000 (2023: Nil).

21. Lease commitments

Leases as Lessee

The Bank leases their main office at 8-10 Mansion House Place and representative offices in Libya, Algeria and Côte d'Ivoire.

In respect to the main office at Mansion House Place a lease premium has been prepaid over the lease term (Note 23). The Bank has obligations to make payments for ground rent in its capacity as lessee and is entitled to rental and service charge receipts in its capacity as sub-lessor. The ground rent is re-negotiated every five years to reflect market rentals and is recognised as a right-of use asset and lease liability.

The lease contract terms for the Bank's representative offices in Libya, Algeria and Côte d'Ivoire are less than one year. These leases are short-term, and the Bank has elected not to recognise right-of use assets and lease liabilities for these leases.

Information about leases for which the Bank is a lessee is presented below.

Right-of-use assets

Right-of-use assets	2024 £'000	*2023 £'000*
Balance as at 1 January	12,199	12,285
Additions	114	24
Depreciation charge for the year	(166)	(110)
Balance as at 31 December	**12,147**	**12,199**

Lease liabilities are disclosed with Other liabilities, accruals, and deferred income (Note 25).

Lease liability	2024 £'000	*2023 £'000*
Balance as at 1 January	4,685	4,701
Additions	100	24
Lease payable	(275)	(200)
Interest on lease liabilities	192	160
Balance as at 31 December	**4,702**	**4,685**

Amounts recognised in statement of comprehensive income are as follows:

Amounts recognised in the income statement	2024 £'000	*2023 £'000*
Depreciation charge for the year	166	110
Interest on lease liabilities	192	160
Total amount recognised in the income statement	**358**	**270**

On implementation of IFRS 16 on 1 January 2019 when measuring lease liabilities for operating leases, the Bank discounted lease payments using the Bank's incremental borrowing rate. The weighted-average rate applied is 4.1%.

Amounts recognised in the cashflow statement	2024 £'000	*2023 £'000*
Right of use payments made in the year	**(275)**	(202)

Contractual maturity profile of lease liabilities	2024 £'000	*2023* *£'000*
Less than 1 year	301	310
Between 2 and 5 years	779	768
Over 5 years	22,168	22,356
	23,248	**23,434**

The Bank's lease on Mansion House Place is renewable every 5 years until 2147, the next renewal is due 2025. Under the terms of the lease the Bank is committed to pay a minimum rent based on the market rental value of the property as well as a percentage of annual net rents received. The cashflows included above as payable after 2025 are an estimate based on the undiscounted value of the lease liability; the negotiated terms may differ from this estimate.

Lease as lessor

The Bank sub-leases part of the building under a finance lease agreement in its capacity as a lessor. The following table sets out the maturity analysis of lease receivables showing the undiscounted lease payments to be received.

Contractual maturity profile of lease receivables	2024 £'000	*2023* *£'000*
Less than 1 year	238	237
Between 2 and 5 years	659	421
	897	**658**

22. Deferred taxation

	Balance at 1 January 2024 £'000	Recognised in Profit or Loss £'000	Recognised in Other Comprehensive Income £'000	Deferred tax assets* £'000	Deferred tax liabilities* £'000
Property, plant and equipment, intangible assets & lease liability	(3,730)	20	(195)	-	(3,905)
Debt securities classified at fair value through OCI	1,103	-	(793)	-	310
Deferred Bonus Provision	78	(34)	-	44	-
Equity Investments classified at fair value through OCI	397	-	(225)	172	-
IFRS 9 Transitional adjustment	745	(187)	-	558	-
		(201)	**(1,213)**	**774**	**(3,595)**

	Balance at 1 January 2023 £'000	Recognised in Profit or Loss £'000	Recognised in Other Comprehensive Income £'000	Deferred tax assets* £'000	Deferred tax liabilities* £'000
Property, plant and equipment, intangible assets & lease liability	*(2,525)*	*(2,044)*	*839*	*-*	*(3,730)*
Staff benefits					
Unused tax losses loss carried forward	*2,163*	*(2,163)*	*-*	*-*	*-*
Debt securities classified at fair value through OCI	*2,877*	*-*	*(1,774)*	*1,103*	*-*
Deferred Bonus Provision	*-*	*78*	*-*	*78*	*-*
Equity Investments classified at fair value through OCI	*126*	*-*	*271*	*397*	*-*
IFRS 9 Transitional adjustment	*920*	*(175)*	*-*	*745*	*-*
		(4,304)	*(664)*	*2,323*	*(3,730)*

** Deferred tax asset and liability balances are off-settable within the Statement of financial Position the net position is disclosed, as at 31 December 2024 net deferred tax liabilities of £2,821,000 (2023: liability of £1,797,000).*

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled.

The Bank has adopted the International Tax Reform - Pillar Two Model Rules amendments to IAS 12, which were issued on 23 May 2023 and approved by the UK Endorsement Board on 19 July 2023 and has applied the exception set out in paragraph 4A in respect of recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

23. Property, plant and equipment, and intangible assets

	Property, plant and equipment			Intangible assets	
	Long leasehold premises and improvements £'000	**Other assets £'000**	**Total £'000**	**Computer software £'000**	**Total £'000**
Cost or valuation					
At 1 January 2024	36,693	2,210	38,903	14,070	52,973
Additions	1,526	597	2,123	489	2,612
Revaluation	778	-	778	-	778
Disposals/WIP movement	(266)	(279)	(545)	(97)	(642)
Balance at 31 December 2024	**38,731**	**2,528**	**41,259**	**14,462**	**55,721**
Depreciation					
Accumulated at 1 January 2024	(8,229)	(835)	(9,064)	(9,504)	(18,568)
Charge for the year	(895)	(298)	(1,193)	(2,021)	(3,214)
Attributable to assets sold or written off	-	12	12	-	12
Accumulated at 31 December 2024	(9,124)	(1,121)	(10,245)	(11,525)	(21,770)
Net book amount at 31 December 2024	**29,607**	**1,407**	**31,014**	**2,937**	**33,951**

	Property, plant and equipment			Intangible assets	
	Long leasehold premises and improvements	*Other assets*	*Total*	*Computer software*	*Total*
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2023	38,679	1,703	40,382	13,780	54,162
Additions	6,451	1,232	7,683	841	8,524
Revaluation	(3,359)	-	(3,359)	-	(3,359)
Disposals	(5,078)	(725)	(5,803)	(551)	(6,354)
Balance at 31 December 2023	**36,693**	**2,210**	**38,903**	**14,070**	**52,973**
Depreciation					
Accumulated at 1 January 2023	(11,758)	(1,353)	(13,111)	(7,558)	(20,669)
Charge for the year	(801)	(157)	(958)	(1,946)	(2,904)
Attributable to assets sold or written off	4,330	675	5,005	-	5,005
Accumulated at 31 December 2023	**(8,229)**	**(835)**	**(9,064)**	**(9,504)**	**(18,568)**
Net book amount at 31 December 2023	**28,464**	**1,375**	**29,839**	**4,566**	**34,405**

The most significant leasehold premises are at 8-10 Mansion House Place, London EC4N 8BJ. The net book value of £29,607,000 (2023: £28,464,000), of long leasehold premises and improvements includes the lease of land, for which a premium has been prepaid and at balance sheet date amounts to £7,691,000 (2023: £7,754,000).

In 2023 BACB carried out a total interior refurbishment of Mansion House Place. This was split into 3 phases which was completed in July 2024. This refurbishment included modernising and refreshing the floor space in a manner that allows the Bank to adapt to grow and futureproof the building. This project encompassed a mechanical and electrical infrastructure update including a major upgrade of the heating and cooling system. Further to this, technology throughout was modernised as well as the building achieving environmental accreditations and ratings.

The updated independent valuation as at 31 December 2024 estimated that the market value of the property was £25,100,000 (2023: £23,750,000). This updated valuation was adopted by the Bank and is reflected in the net book value above. Under the cost model the carrying value of MHP as at 31 December 2024 would be £20,482,000 (2023: £19,754,000).

Depreciation is calculated on the basis of revalued amount less residual value over the remaining useful life. The remaining useful life of Mansion House Place as at 31 December 2024 is currently 25 years (based on an original useful life of 50 years). The revaluation at 31 December 2024 will thus increase the depreciation charge to the income statement in future periods. The downward revaluation at 31 December 2023 has reduced the depreciation charge to the income statement by £156,000 in 2024.

Right-of-use assets in respect of leasehold premises and leases relating to representative offices of £12,148,000 (2023: £12,201,000) is also included within the category of long leasehold premises and improvements.

Other assets comprise of: technology hardware; furniture, fixtures and fittings; and motor vehicles.

The original cost of fully depreciated tangible and intangible assets still in use by the Bank at year end was £2,367,000 (2023: £1,915,000).

There were commitments for capital expenditure on 31 December 2024 of £611,000 (2023: £449,000).

Within the carrying amount of £2.9 million in intangible assets, £1.4 million relates to the implementation of the core banking system of which £1.2 million is due to be amortised by the end of 2025 and the remaining in 2026.

24. Deposits

	2024 **£'000**	*2023* *£'000*
Deposits from banks	2,218,623	*1,960,559*
of which deposits with fixed interest rates	4,691	*4,669*
Other deposits	758,949	*699,119*
of which deposits with fixed interest rates	-	*5,631*

The Bank did not default on any principal or interest, nor did it breach any covenants with respect to its own liabilities during the year.

25. Other liabilities, accruals and deferred income

	2024 **£'000**	*2023* *£'000*
Employment related liabilities	11,436	*9,984*
Accruals and deferred income	3,297	*4,869*
Lease liability	4,667	*4,636*
Loss allowance provision on financial guarantees and other commitments (Note 30)	1,398	*2,492*
Collateral for exchange traded transactions	1,758	*108*
Trade creditors	713	*6,779*
Credit Insurance	2,373	*2,743*
Other liabilities	3,727	*1,663*
	29,369	***33,274***

26. Pension funds

Defined benefit scheme

The Bank sponsors the Scheme which is a funded defined benefit arrangement, and which closed to future pension accrual during 2014. This is a separate trustee administered fund holding the pension scheme assets to meet long-term liabilities for 237 deferred or pensioner members as at 31 December 2024 (2023: 249 deferred or pensioner members). The level of retirement benefit is based on basic salary at 1 April 2014, or on leaving the scheme if earlier than this, and is linked to changes in inflation up to retirement.

The Scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the trustees is determined by the Scheme's trust documentation. It is policy that at least one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 31 December 2022 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Bank and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. This actuarial valuation showed a deficit of £2,714,000 which the Bank fully paid by 31 December 2024. As at 31 December 2024, there are no further contribution expected to be paid. The contributions payable by BACB will be reviewed as part of the actuarial valuation as 31 December 2025 (statutory deadline for completion of 31 March 2027).

The Bank has considered the impact of IFRIC 14 and concluded that the Bank would have an unconditional right to any residual surplus from the Scheme.

For the purposes of IAS19 the actuarial valuation as at 31 December 2022 has been updated on an approximate basis to 31 December 2024. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures with the exception of a change in the treatment of the defined benefit obligation for insured pensioners relative to the associated asset value. As at 31 December 2023, the asset value for insured pensioners was set equal to the corresponding value of the defined benefit obligation for insured pensioners suggesting the annuity income exactly matched the pensions paid to insured pensioners. In 2024 annuity income received from the annuity providers is lower than the pensions paid to the insured pensioners, as a result, as at 31 December 2024, the value placed on the insured pensioner asset is approximately £680,000 lower than the value placed on the insured pensioners' portion of the defined benefit obligation. This difference is included in the "Actuarial losses due to scheme experience" in the disclosure below.

Amounts included in the statement of financial position

	2024	*2023*
	£'000	*£'000*
Fair value of Scheme assets	51,036	*55,317*
Present value of defined benefit obligation	(47,571)	*(51,290)*
Related taxes payable on surplus	(866)	*(1,410)*
Net Surplus in the Scheme - net asset	**2,599**	***2,617***

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net asset on the statement of financial position as shown above. Consistent with the Bank's strategy to reduce future risk, the Scheme has purchased insurance policies to match the liabilities in relation to the pensioner members.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Scheme liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement. At the statement of financial position date the accumulated benefit obligation was £47,571,000 (2023: £51,290,000) (i.e. the same as the defined benefit obligation).

Following independent tax advice received during 2024, the tax liability on the net pension asset as at 31 December 2024 is calculated using a 25% withholding tax charge (2023: 35%). The impact of the decrease in tax rate of £544,000 is reflected within the tax recognised in Other Comprehensive Income (OCI).

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

Reconciliation of opening and closing present value of the Defined Benefit Obligation

	2024 £'000	*2023* £'000
Defined benefit obligation at start of period	51,290	*52,759*
Interest expense	2,371	*2,569*
Actuarial losses due to scheme experience	1,431	*(1,494)*
Effect of changes in demographic assumptions	(108)	*(693)*
Effect of changes in financial assumptions	(3,564)	*907*
Benefits paid and expenses	(3,849)	*(2,758)*
Defined benefit obligation at end of period	**47,571**	***51,290***

The Scheme closed to future accrual on 1 April 2014. The curtailment has been measured at this date based on actuarial assumptions consistent with market conditions at this date. The curtailment measures the reduction in liabilities due to active members' benefits no longer being linked to future salary growth.

Reconciliation of opening and closing values of the Fair Value of Plan Assets

	2024 £'000	*2023* £'000
Fair value of scheme assets at start of period	55,317	*55,662*
Interest income	2,595	*2,751*
Return on scheme assets (excluding amounts included in interest income)	(4,343)	*(1,810)*
Contributions by the Bank	1,472	*1,472*
Benefits paid and expenses	(3,849)	*(2,758)*
Administration Costs	(156)	-
Fair value of scheme assets at end of period	**51,036**	***55,317***

The actual return on the Scheme's assets over the year ended 31 December 2024 was £1,748,000 (2023: Negative £941,000).

Amounts recognised in Profit and Loss

	2024 £'000	*2023* £'000
Net interest income	224	*182*
Administration Costs	(156)	-
Amount recognised in profit and loss	**68**	***182***

Defined benefit costs recognised in other Comprehensive Income

	2024 £'000	2023 £'000
Return on scheme assets (excluding amounts included in interest income) - (loss)	(4,343)	(1,810)
Experience gains arising on the defined benefit obligation	(1,431)	1,494
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	108	693
Effects of changes in withholding tax	544	(727)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	3,564	(907)
Total (loss) recognised in other comprehensive income	**(1,558)**	**(1,257)**

Scheme Assets

	2024 £'000	2023 £'000
Quoted Price in active market:		
Liability Driven Investment (LDI)	21,692	18,261
Diversified Growth Funds	2,911	9,212
	24,603	**27,473**
Other:		
Cash	855	549
Purchased Annuities	25,578	27,295
	26,433	**27,844**
Total scheme assets	**51,036**	**55,317**

None of the fair values of the assets shown above include any direct investments in the Bank's own financial instruments or any property occupied by, or other assets used by, the Bank. All of the Scheme assets have a quoted market price in an active market with the exception of the Purchased Annuities and the Scheme's bank account balance.

It is the policy of the trustees and the Bank to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the Scheme investment strategy are documented in the Scheme's Statement of Investment Principles.

The plan has purchased insurance policies to match the liabilities in relation to the majority of the pensioner members.

Significant Actuarial Assumptions

The weighted-average assumptions used to determine the defined benefit obligation are summarised below:

	2024 % per annum	2023 % per annum
Rate of discount	5.50	4.80
Inflation (RPI)	3.10	3.05
Allowance for revaluation of deferred pensions of RPI or 7.5% p.a. if less	3.10	3.05
Allowance for pension in payment increases of RPI or 7.5% p.a. if less	3.10	3.05
Allowance for commutation of pension for cash at retirement*	50% of Post A-Day	50% of Post A-Day

* Assumption that members take on average 50% (2022: 75%) of the maximum cash lump sum available to them at retirement.

The mortality assumptions adopted at 31 December 2024 are 90% (males) and 92% (females) of the standard tables S3PMA /S3PFA_M, Year of Birth, no age rating for males and females, projected using CMI_2023 converging to 1.25% p.a. These imply the following life expectancies:

	2024	*2023*
	Life expectancy at age 60 (years)	*Life expectancy at age 60 (years)*
Male retiring today	26.8	*26.9*
Female retiring today	28.8	*28.8*
Male retiring in 2043	28.3	*28.4*
Female retiring in 2043	30.3	*30.4*

The following table analyses the sensitivity to the principal assumptions of the present value of the Defined Benefit Obligation as at 31 December 2024:

Assumption	**Change in assumption**	**Change in liability**
Discount rate	Decrease of 0.5% p.a	Increase of 6% (£2.8m)
Discount rate	Increase of 0.5% p.a.	Decrease of 5% (£2.4m)
Rate of inflation	Increase of 0.25% p.a.	Increase of 3% (£1.4m)
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.0% (£1.4m)

The sensitivities shown above are approximate. Each sensitivity calculation considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the year ended 31 December 2024 is 11 years.

Through the Scheme, the Bank is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme holds some of its investments in "growth assets" (diversified growth funds and diversified credit funds). These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation, however this would be partially offset by an increase in the value of the Scheme's "matching assets".
- Inflation risk: a proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place).
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustees and the Bank manage risks in the Scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.

- Annuities: the Scheme bought out some members' pensions at retirement with a number of insurance companies. This removes investment, inflation, longevity and expense risks after retirement in respect of some members.

Virgin Media vs NTL Court Case

The Bank is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustees II Limited case and subsequent court of appeal ruling published in July 2024. These ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation. There remains significant uncertainty as to whether the judgements will result in additional liabilities for UK pension schemes and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively. A detailed review of historic documentation will be needed to determine whether the changes made by the Scheme between 1997 and 2016 were valid (assuming retrospective certification does not become an option), and such a review will take some time to complete. As a result, the Bank cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the defined benefit obligation cannot be made at this point in time. The Trustees will continue to monitor any further developments and depending on the outcome will then decide whether to undertake a review of scheme amendments and assess the impact to the pension obligation.

Defined contribution scheme

As at 31 December 2024 246 employees (2023: 230 employees) were members of the BACB Defined Contribution Retirement Benefit Scheme. Contributions to this Scheme are made by both employer and employee in accordance with a fixed formula. In the year ended 31 December 2024, the Bank paid £2,830,102 (2023: £2,234,287) by way of contributions into that scheme. There were no outstanding or pre-paid contributions to this scheme at 31 December 2024 (2023: Nil).

27. Subordinated liabilities

As at 31 December 2024 subordinated loans in issue are denominated in US dollars and are subordinated in all respects to the claims of other creditors. The loans can only be repaid before their due dates either on liquidation of the borrower after all other claims have been satisfied, or with express permission granted by the Prudential Regulation Authority. The loans, which have been subscribed in full by the Bank's principal shareholder, Libyan Foreign Bank, qualify for inclusion in the Bank's capital base as Tier 2 capital as at 31 December 2024 and bear floating rate interest. The amounts disclosed below include accrued interest.

	2024 **£'000**	*2023* *£'000*
Due 27 October 2031 (2023: 29 April 2027)	20,029	*19,699*
Due 17 June 2031 (2023: 17 June 2027)	28,696	*29,751*
Due 27 October 2031 (2023: 27 October 2027)	25,501	*25,104*
	74,226	***74,554***

During 2024, Libyan Foreign Bank extended the maturity date of subordinated liabilities to 2031, in addition the tranche maturing on 17 June was converted from Euro to US dollars, through a repayment of Euro liability and the issue of the US dollar denominated subordinated liability.

The change in the subordinated GBP equivalent loan balance in 2024 compared to 2023 disclosed above, relates solely to foreign exchange rate movements.

28. Called up share capital

Total issued share capital comprises 38,142,561 Ordinary Shares of £1 each, 115,488,463 Ordinary Shares of US$1 each and 5,000,000 Deferred Non-Voting Shares of £1 each. Each paid up Ordinary £1 share carries the same rights as each paid up Ordinary $1 share. No rights attach to the Deferred Non-Voting shares until such time as they become paid up.

	Number of shares ('000)		**Paid up amount**	
	2024	*2023*	**2024**	*2023*
Ordinary Shares of £1 each fully paid	33,143	*32,423*	33,143	*32,423*
Ordinary Shares of US$1 each fully paid	115,488	*115,488*	73,954	*73,954*
Deferred Non-Voting Shares of £1 each nil paid	5,000	*5,000*	-	-
	153,631	***152,911***	**107,097**	***106,377***

During 2024, the minority shareholders reinvested their share of the dividend declared by the Bank back into the Bank's share capital. As a result, the Bank's share capital increased by £720,000 (2023: £785,000).

29. Capital and reserves attributable to the Bank's equity holders

	2024	*2023*
	£'000	*£'000*
Called up share capital (Note 28)	107,097	*106,377*
Capital redemption reserve	4,104	*4,104*
Other reserves		
Retained earnings	143,191	*121,819*
Revaluation reserve	3,951	*3,368*
Fair Value reserve	(731)	*(3,090)*
	146,411	122,097
	257,612	***232,578***

The Capital redemption reserve arose on the purchase and cancellation of issued share capital in 2008.

The fair value reserve arises in respect of changes in the market value of assets categorised as being fair value through other comprehensive income (Note 3(g)) and the revaluation reserve arises from the revaluation of property plant and equipment (Note 3(m)). Neither the fair value reserve nor the revaluation reserve are distributable to the Bank's shareholders.

The Directors have recommended a final dividend for the year ended 31 December 2024 of £7.2m *(2023: £5.5m)* to the Bank's next Annual General Meeting.

Capital Management

The Bank is subject to the regulatory capital requirements of the PRA. The Bank's objectives in the management of capital are to meet its regulatory requirements, maximise shareholder value and support its business strategy under business-as-usual and stress conditions. The Bank has a Capital Framework to ensure appropriate governance on capital management. Capital limits are set for each business area based on the Bank's Board approved Strategic Plan and are set at a level to protect the Bank's Risk Appetite. In accordance with the parameters set out in the PRA Rulebook, the ICAAP is embedded in the Bank's risk management framework. Capital planning is an effective management tool at BACB, a three-year capital plan is approved annually by the Board to support the Bank's Strategic Plan. In addition, throughout the year reviews are undertaken on both tactical and strategic capital usage, and associated limits and plans. The Bank uses stress testing to inform management of the capital resources needed to withstand internal and external shocks and to inform risk mitigation actions. The Bank remained well above its capital requirements consistently during the year.

Regulatory developments

Future changes to capital requirements will come into force with the implementation of Basel 3.1. The PRA published a policy statement in September 2024 which proposed an implementation date of 1 January 2026. Since then, the PRA has confirmed the implementation of Basel 3.1 will be moved out a further 12 months to 1 January 2027. The Bank is currently assessing the impact of implementation and preparing to comply with the changes.

30. Financial guarantees and other commitments

The Bank extends commercial facilities to customers which provide for the issuance of performance guarantees, bid and bail bonds, and other types of guarantees. Other commitments include trade finance commitments extended by the Bank. Financial guarantees and other commitments have been classified and measured in accordance with IFRS 9. This involves measuring the loss allowance provision for financial guarantees and other commitments on a 12 month or lifetime ECL approach.

	2024	*2023*
	£'000	*£'000*
Financial guarantees	92,223	*80,449*
Other commitments comprise:		
Credit lines and other commitments to lend: original maturity		
under one year	19,927	*8,208*
over one year	1,310	*3,660*
Documentary credits and short-term trade-related transactions	543,542	*470,601*
Own acceptances	1,832	*940*
	658,834	***563,858***
Other Equity commitments*	2,362	*2,320*
	661,196	*566,178*

*Equity investment commitment falls out of scope of IFRS9

The following tables show the contract amount and loss allowance provisions subject to 12 month and lifetime ECL on financial guarantees and other commitments at 31 December 2023 and at 31 December 2024.

31 December 2024

Contract amount	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Financial guarantees	90,762	-	1,461	92,223
Other commitments	565,715	896	-	566,611
Total	**656,477**	**896**	**1,461**	**658,834**

Loss allowance provision	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Financial guarantees	(50)	-	(1,248)	(1,298)
Other commitments	(82)	(18)	-	(100)
Total	**(132)**	**(18)**	**(1,248)**	**(1,398)**

31 December 2023

Contract amount	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Financial guarantees	77,865	-	2,584	80,449
Other commitments	478,837	4,572	-	483,409
Total	**556,702**	**4,572**	**2,584**	**563,858**

Loss allowance provision	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Financial guarantees	(76)	-	(1,909)	(1,985)
Other commitments	(389)	(118)	-	(507)
Total	**(465)**	**(118)**	**(1,909)**	**(2,492)**

The following tables show reconciliations from the opening to the closing balance of the Gross Exposures.

	Gross Exposures			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 31 December 2023	556,702	4,572	2,584	563,858
Change in other risk parameter (incl change in account balances)	(14,897)	-	-	(14,897)
New positions originated or purchased	545,842	896	-	546,738
Financial assets that have been derecognised	(430,453)	(4,379)	(1,124)	(435,956)
Foreign exchange and other movements	(717)	(193)	1	(909)
Balance as at 31 December 2024	**656,477**	**896**	**1,461**	**658,834**

	Gross Exposures			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 31 December 2022	314,772	199,003	2,715	516,490
Transfer out of Stage 1	(3,660)	-	-	(3,660)
Transfer to Stage 1	42,019	-	-	42,019
Transfer out of Stage 2	-	(79,388)	-	(79,388)
Transfer to Stage 2	-	2,809	-	2,809
Change in other risk parameter (incl change in account balances)	(6,368)	-	(273)	(6,641)
New positions originated or purchased	446,405	1,641	-	448,046
Financial assets that have been derecognised	(255,655)	(126,042)	(7)	(381,704)
Foreign exchange and other movements	19,189	6,549	149	25,887
Balance as at 31 December 2023	556,702	4,572	2,584	563,858

The following tables show reconciliations from the opening to the closing balance of the contract amount and the loss allowance provision.

	Expected credit loss provision			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 31 December 2023	465	118	1,909	2,492
Change in other risk parameter (incl change in account balances)	(84)	-	(23)	(107)
New positions originated or purchased	105	19	-	124
Financial assets that have been derecognised	(339)	(115)	(640)	(1,094)
Foreign exchange and other movements	(15)	(4)	2	(17)
Balance as at 31 December 2024	**132**	**18**	**1,248**	**1,398**

	Expected credit loss provision			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 31 December 2022	244	220	2,024	2,488
Transfer to Stage 1	61	-	-	61
Transfer out of Stage 2	-	(131)	-	(131)
Transfer to Stage 2	-	56	-	56
Change in other risk parameter (incl change in account balances)	(92)	-	(220)	(312)
New positions originated or purchased	370	62	-	432
Financial assets that have been derecognised	(125)	(99)	(7)	(231)
Foreign exchange and other movements	7	10	112	129
Balance as at 31 December 2023	465	118	1,909	2,492

As at 31 December 2024 documentary credits and other trade related transactions, which are subject to the ECL model overlay, amount to £384 million (2023: £355 million) and the related overlay credited to the income statement amounted to £108,000 (2023: charge £126,000).

31. Foreign currency assets/liabilities

Foreign currency assets and liabilities for the Bank were as follows (all amounts stated are GBP equivalents):

31 December 2024	**Sterling**	**Dollars**	**Euro**	**Other currencies**	**Total**
Total assets	912,510	1,968,039	436,162	26,755	3,343,466
Total Liabilities	(652,430)	(1,970,351)	(436,332)	(26,751)	(3,085,864)
Derivatives (at contract notional value)	(108,367)	43,393	76,077	(11,104)	-
Total Equity	(257,602)	-	-	-	(257,602)
Net exposures	**(105,889)**	**41,081**	**75,907**	**(11,100)**	**-**
Contingent liabilities and other commitments	**20,183**	**454,118**	**179,253**	**7,642**	**661,196**

31 December 2023	*Sterling*	*Dollars*	*Euro*	*Other currencies*	*Total*
Total assets	*772,561*	*1,890,647*	*331,972*	*6,357*	*3,001,537*
Total Liabilities	*(506,928)*	*(1,910,758)*	*(335,214)*	*(16,059)*	*(2,768,959)*
Derivatives (at contract notional value)	*30,083*	*(15,481)*	*(3,041)*	*(11,561)*	*-*
Total Equity	*(232,578)*	*-*	*-*	*-*	*(232,578)*
Net exposures	*63,138*	*(35,592)*	*(6,283)*	*(21,263)*	*-*
Contingent liabilities and other commitments	*12,050*	*384,859*	*162,444*	*6,825*	*566,178*

The Bank's policies for managing the risk of exchange revaluations on foreign currency assets and liabilities are explained in Note 4.

32. Related parties

The Bank regards the following as being related parties in accordance with IAS24:

a) Libyan Foreign Bank is the Bank's parent company. Libyan Foreign Bank and all of its subsidiaries, together with Libyan Foreign Bank's owner, the Central Bank of Libya and all of its subsidiaries, are considered to be related parties. The Bank considers these parties to be in a position to exert significant influence over the Bank. The Bank enters into commercial transactions in the ordinary course of business with these parties on an arm's-length basis. The ultimate parent company of the Bank is the Central Bank of Libya.

b) Key management personnel, including the Bank's Directors, and the members of the Executive Committee and their close family members.

The analysis below sets outs balances with the Bank's parent company and its subsidiaries:

	Parent & Ultimate Controlling Party		Other Subsidiaries	
	2024	*2023*	**2024**	*2023*
	£'000	*£'000*	**£'000**	*£'000*
Loans and advances	12,331	*16*	5,258	*8,953*
Deposits	1,297,899	*1,270,745*	18,752	*75,369*
Subordinated Liabilities	74,226	*74,554*	-	*-*
Contingent liabilities and other commitments	54,554	*13,777*	25,059	*132,305*
Included in income statement				
Interest receivable	78	*207*	1,466	*55*
Interest payable	(69,133)	*(63,545)*	(280)	*(4,406)*
Fees and commissions receivable	1,198	*552*	1,087	*2,964*
Fees and commissions payable	(190)	*-*	(25)	*(31)*
Net trading income	-	*-*	2	*18*

At 31 December 2024 £3,633 was outstanding in respect of interest free loans or interest-bearing loans due from key management personnel of the Bank (2023: £2,276). No amount was outstanding from any director.

In addition, the Bank has entered into the following related party transactions:

i. The Bank meets the employment costs of executives seconded to it by related parties. The costs of these secondments were £644,000 *(2023: £651,000)*.

ii. Key management personnel compensation:

Key management personnel compensation:	**2024**	*2023*
	£'000	*£'000*
Directors		
Salaries and other short term benefits	1,004	*850*
Executive Managers		
Salaries and other short term benefits	4,049	*3,506*
Termination benefits (including amounts payable during contractual notice periods)	-	*360*
Post-employment benefits to non Directors	60	*-*

a) During the year, the Bank received funding from the Libyan Foreign Bank and the Central Bank of Libya. The following tables set out the deposits (excluding subordinated liabilities) at year end:

Funding received	**2024**	*2023*
	£'000	*£'000*
Libyan Foreign Bank	445,915	*673,196*
Central Bank of Libya	836,880	*534,845*
Total	**1,282,795**	***1,208,041***

Weighted-average maturity	***2024***	*2023*
Libyan Foreign Bank	**0.53 years**	*0.35 years*
Central Bank of Libya	**0.15 years**	*0.10 years*

33. Events after the reporting period

Proposed dividend

The Directors have recommended a final dividend for the year ended 31 December 2024 of £7.2m (equivalent of £0.048 per share). The dividend is subject to approval by Shareholders at the Bank's Annual General Meeting which is scheduled on 13 May 2025.

Defaulted real estate exposure

In early 2025 a Real Estate obligator whose exposure to BACB was considered credit-impaired as at 31 December 2024, completed a share transfer following which the Bank received full recovery of its obligation of £9.6m, this recovery will result in a reversal of the Stage 3 provision against this client of £0.1m which will be recognised as a gain in the income statement in 2025. This is a non-adjusting event.

There are no further matters that have taken place since the year end that require disclosure.

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