

ANNUAL  
REPORT  
&  
FINANCIAL  
STATEMENTS

*year ended 31 December 2025*



# BACB

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.*



**AWARDS**  
*winners*

**TRADE TREASURY PAYMENTS AWARDS 2026**  
**BEST TRADE FINANCE BANK OF THE YEAR**  
**MIDDLE EAST & NORTH AFRICA**

**GTR BEST DEAL AWARD 2025**  
**FOR ZALLAF LIBYA SOUTH**  
**REFINERY PROJECT**

**GTR LEADERS IN TRADE 2025**  
**BEST TRADE FINANCE BANK**  
**NORTH AFRICA**

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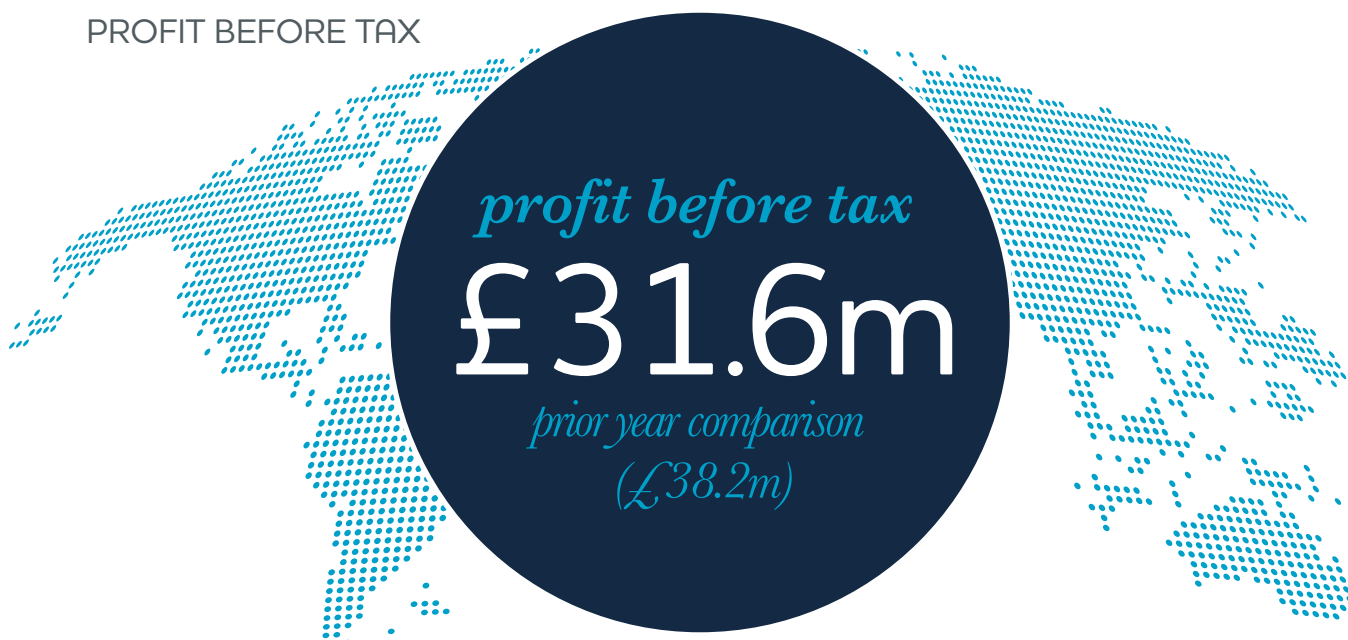
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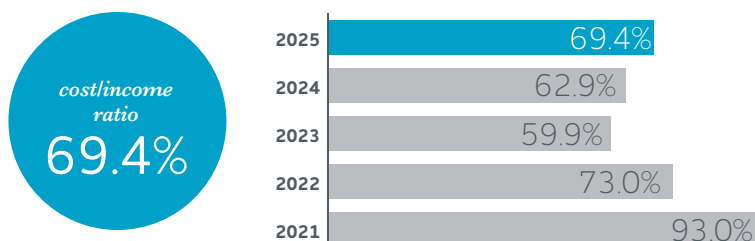
## KEY PERFORMANCE INDICATORS

### 2025 YEAR END RESULTS

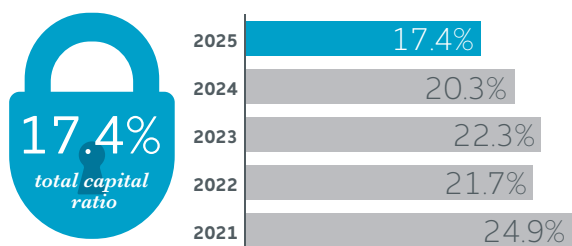
#### PROFIT BEFORE TAX



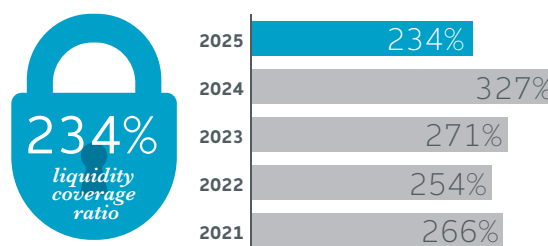
#### COST/INCOME RATIO<sup>1</sup>



#### TOTAL CAPITAL RATIO<sup>2</sup>



#### LIQUIDITY COVERAGE RATIO<sup>3</sup>



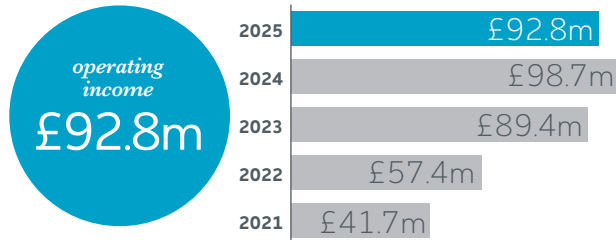
<sup>1</sup> Based on Administrative Expenses divided by Operating Income.

<sup>2</sup> Total Capital Ratio is calculated in accordance with Prudential requirements.

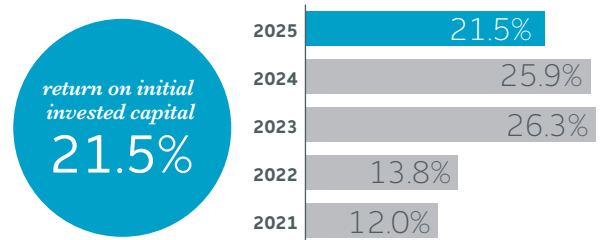
<sup>3</sup> Liquidity Coverage Ratio is calculated by dividing high-quality liquid assets by stressed net cash outflows over a 30-day time period based on Prudential requirements.

## FINANCIAL MEASURES

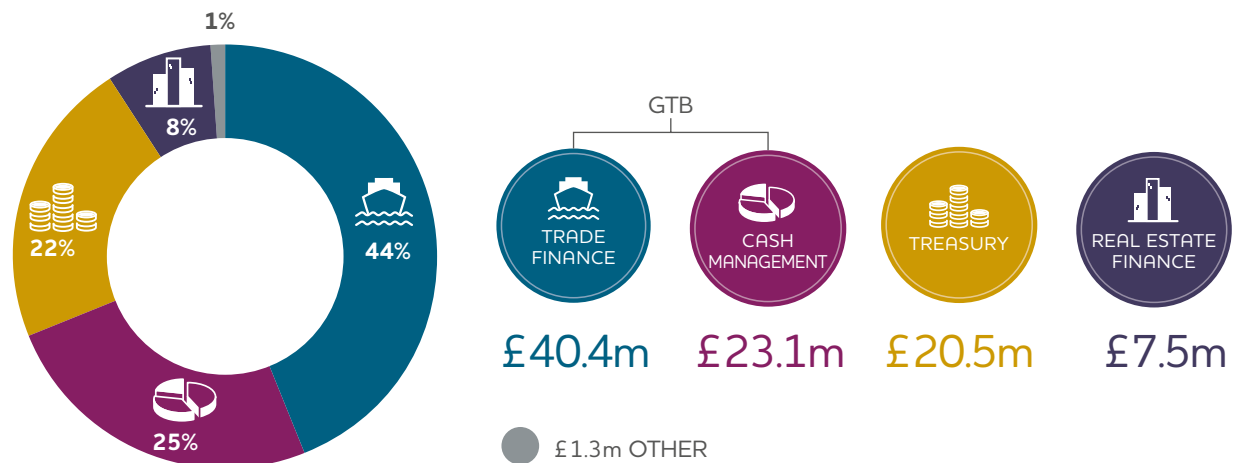
### OPERATING INCOME<sup>1</sup>



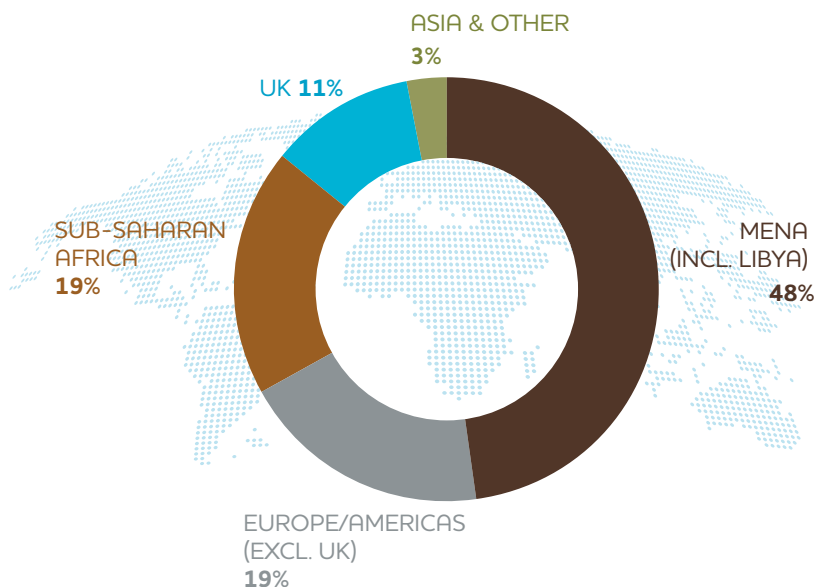
### RETURN ON INITIAL INVESTED CAPITAL<sup>2</sup>



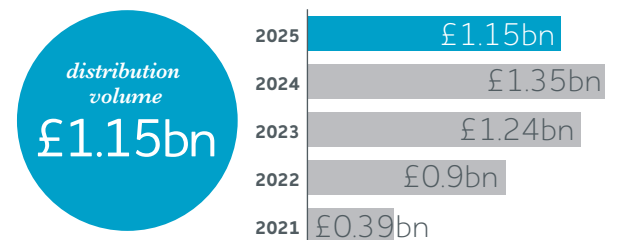
### 2025 OPERATING INCOME BY BUSINESS<sup>3</sup>



### 2025 OPERATING INCOME BY REGION



### DISTRIBUTION VOLUME<sup>4</sup>



<sup>1</sup> References to Operating Income on this page refer to operating income before allowance for credit losses as per Statement Of Comprehensive Income.

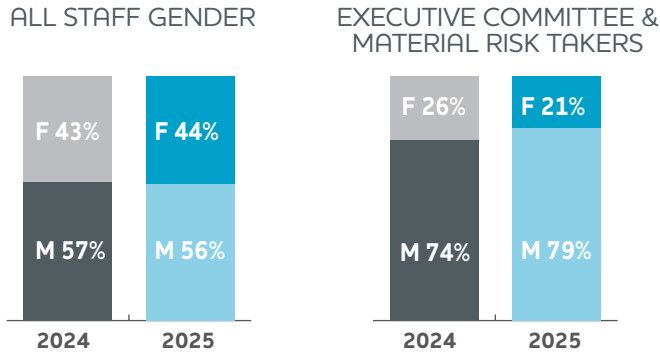
<sup>2</sup> Based on Profit After Tax for the year divided by Shareholder's funds (Called up share capital and Capital redemption reserve).

<sup>3</sup> Global Transaction Banking activities include Trade Finance and Cash Management business lines.

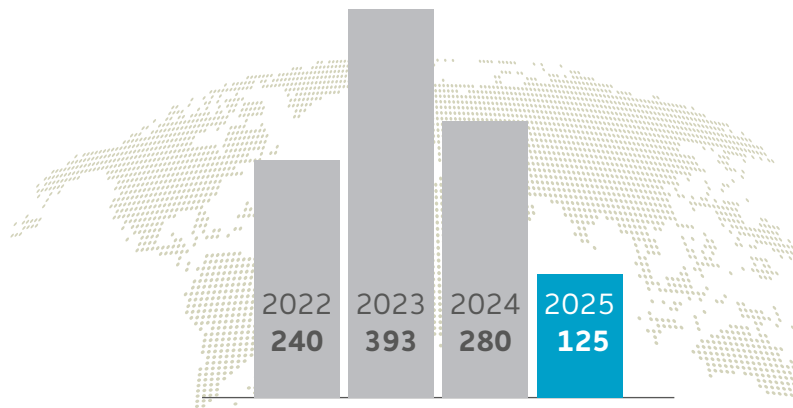
<sup>4</sup> The volume of assets shared with partners with an aim to manage balance sheet efficiently and create more capacity for business origination.

# NON-FINANCIAL MEASURES

## GENDER RATIO



tCO2e<sup>4</sup>



<sup>1</sup> 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.  
<sup>2</sup> 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.  
<sup>3</sup> 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.  
<sup>4</sup> tCO2e stands for tonnes (t) of carbon dioxide (CO2) equivalent (e).



**STRATEGIC REPORT**

CHAIRMAN'S STATEMENT  
AND  
CEO REVIEW

## STRATEGIC REPORT

### CHAIRMAN'S STATEMENT



**Dear Shareholders,**

**I am delighted to present BACB's Annual Report and Audited Financial Statements for the twelve months ended 31 December 2025.**

This year's results reflect a period of continued progress for the Bank. While the operating environment has become more competitive and the rapid interest rate rises of previous years have eased, BACB has continued to strengthen its franchise in the specialist markets we know best. Revenues in the areas within our control have remained resilient and our market share has grown across several key regions, building off the back of record figures delivered in last year's report.

Despite challenging market conditions, our capital and liquidity positions remain strong, supported by several years of retained earnings that have materially strengthened the balance sheet, which stands at £3.3 billion. These fundamentals reflect the disciplined approach taken across the Bank and provide a solid basis for the future.

Our long-standing commitment to frontier and emerging markets continues to be a defining strength. Local partners value stability and consistency, and BACB has maintained its presence even through periods of stress and disruption. This approach, grounded in prudent risk management and local knowledge has enabled us to navigate geopolitical challenges while continuing to support clients across our core markets. In 2025 this was again important as several regions experienced heightened uncertainty.

I was delighted to see the Bank's specialist capabilities continue to be acknowledged externally. BACB was recognised by Global Trade Review ("GTR") as Best Trade Finance Bank in North Africa and was also recognised with a Deal of the Year award for facilitating the Zallaf Libya South Refinery Project, reflecting the expertise of our teams and the strength of the BACB franchise in our chosen markets.

Our partnerships remain central to our success, and we are grateful for the continued support of our clients. We are particularly pleased to be working more closely with our colleagues across the Libyan Foreign Bank ("LFB") network.

#### **BUILDING ON STABLE FOUNDATIONS**

Stability across the senior leadership team has been a notable feature of the year, supported by strong colleague engagement and low levels of turnover.

I would like to recognise the contribution of the two shareholder nominated directors who left the Board, in quarter four 2025, namely, Faesal Othman of LFB who served for five years and Mohammed Zine of Banque Centrale Populaire who served for twelve years. On behalf of the Board, I thank them for their service and for the

support they have shown to the Bank throughout their tenures. I would also like to welcome Ezzedden Amer who replaces Faesal Othman and look forward to working with him during 2026 and beyond.

The Bank has continued to evolve its strategy. The three-year plan launched in 2023 has been substantively delivered ahead of schedule, providing the foundation for a refreshed plan that will begin in early 2026. This next phase will focus on deepening our presence in our core markets, expanding our product offering, and maintaining a measured approach to future growth. The Board has played an active role in overseeing this work and supporting the development of the Bank's long-term direction.

Within this context, the Bank has also continued to invest in the people, infrastructure and technology that will support the next stage of our development. This year we progressed our programme to modernise systems and strengthen our technology capabilities, supporting a more resilient and efficient operating model.

2026 will bring further challenges, including continued geopolitical uncertainty and ongoing competition for quality assets, yet there is much to be optimistic about. BACB is a stronger, more resilient organisation with a clear strategy, a loyal client base and a long-standing presence in the markets where we add the most value. Of course, good governance remains fundamental. As a United Kingdom regulated bank operating in higher risk markets, maintaining robust oversight of risk, compliance and conduct is essential. The Board continues to work closely with management, the regulators and shareholders, ensuring that our operations meet the highest standards.

I would like to take this opportunity to express my appreciation to our shareholders, and in particular our majority shareholder LFB, for their unwavering commitment to BACB. I also wish to thank the Board of Directors, clients and colleagues for their continued support.

**DR YOUSEF AL AWADI KBE**

*Chairman*

*16 March 2026*

## STRATEGIC REPORT

### CHIEF EXECUTIVE OFFICER REVIEW



*“Through a well-defined strategy and careful execution, BACB has delivered growth at a rate that has allowed it to meet targets ahead of expectations.”*

#### Dear Shareholders,

**I am pleased to report another strong set of financial results in 2025, a year which has built upon solid foundations to deliver continued progress and strong performance.**

Through a well-defined strategy and careful execution, BACB has delivered growth at a rate that has allowed it to meet targets ahead of expectations. Following two exceptional years, we have now returned to a more typical growth pattern for the Bank - one which has enabled us to fully deliver our financial targets one year ahead of the strategic plan while being underpinned by strong fundamentals.

These financial results are particularly pleasing given the non-financial organisational achievements during 2025 which delivered a number of key projects enhancing our regulatory compliance, risk management and operational resilience.

The Bank registered operating income<sup>1</sup> of £92.8

million and profit before tax of £31.6 million, both significantly ahead of 2025 budget.

Our cost-income ratio stands at 69.4%, reflecting the sustained investment in building a stronger, more resilient business. Maintaining the exceptional levels of business volumes recorded in 2024 – in a very different and more challenging macroeconomic context – represents a significant achievement for the whole BACB team that I am proud of.

Total assets at the end of 2025 stand at £3.3 billion, in line with 2024. More detailed commentary around the balance sheet, as well as an exploration of the performance of each business line, follows in the Business and Performance Overview.

In terms of funding, BACB has maintained its robust fundamentals. Our Liquidity Coverage Ratio (“LCR”) has averaged a healthy 234% and our capital ratios throughout the year have remained strong, with a Total Capital Ratio of 17.4% at year end.

<sup>1</sup> References to operating income refer to operating income before allowance for credit losses as per Statement of Comprehensive Income.

We recognise the importance of providing a strong return for our shareholders and for 2025, our Return on Initial Invested Capital has reached 21.5%, representing the Bank's commitment to providing shareholder return underpinned by robust financial performance.

### STEADFAST SUPPORT TO CLIENTS IN TURBULENT TIMES

Of course, this has also been a year defined by uncertainty in global trade. These volatile conditions have affected the key markets we serve in Africa, the Middle East and Asia. An ever-changing series of tariffs, together with ongoing conflicts which have affected shipments of key agricultural commodities, have added a significant layer of complexity to cross-border supply chains.

However, where there is uncertainty, trust matters all the more. BACB has been a loyal, committed partner to many of our core markets for decades. Long-standing relationships forged through both good and more difficult times, coupled with the unique understanding of trade flows we have built over the years, mean that our clients trust us. This gives us the resilience to weather these challenging times.

The competitive environment has also become more complex, as we see large international banks start to re-engage with Africa after a long spell of derisking. The implications for margins are clear, but we remain confident in our unique positioning and the value we provide to our markets. Colleagues on the ground in our representative offices in Abidjan, Algiers and Tripoli provide current market insights and enable BACB to react quickly to regional changes.

### BUILDING ON OUR SOLID FOUNDATIONS

Our Board-approved strategy positions BACB to continue building on these foundations, serving clients by leveraging our deep sector knowledge. Indeed, our market share has continued to increase in many of the markets we serve.

At the core of our business remains our Global Transaction Banking ("GTB") model, which unites our central Trade Finance speciality with our Cash Management and Treasury offerings. Ever since bringing together these services under one umbrella in 2023, we have seen improvement in service levels and an increase in cross-selling opportunities, and I am pleased to report that the positive effects of this integrated approach have continued into 2025.

The diversification of our revenue streams, the balance across our geographic footprint, and the strength of our Real Estate and Treasury platforms continue to provide resilience in a changing macroeconomic environment.

Our focus has gone beyond just maximising revenue from our existing markets. In 2025, BACB has sustained its organic growth by offering our products and expertise in new markets such as Angola and Pakistan, complemented by the launch of new products and digital offerings including Wakala, Sharia-compliant real estate financing, and a foreign exchange portal.

### AN EXPERIENCED AND COMMITTED TEAM

We would not have been able to deliver another year of such strong results without our dedicated, committed teams, across our headquarters in London and our representative offices. 2025 saw the continuation of our ongoing investment in

our people and infrastructure, with the results clear to see in a low rate of staff turnover.

I am pleased that BACB has not just become a place where people want to work, but a place where people develop their careers. The investments we have made in our colleagues in recent years have empowered teams to drive increased service levels across the business.

I would like to thank the Chairman, Vice Chairman and the Board of Directors for their unwavering commitment and support throughout 2025.

I would also like to thank the Executive Team for the valuable work they deliver, ensuring our clients consistently receive a quality service, prudent risk management is maintained, and that the highest standards of regulatory compliance are always observed.

Looking to the year ahead, the global macroeconomic environment will continue to be uncertain. At the time of writing, the conflict involving the United States, Israel and Iran continues to dominate global headlines. The war is first and foremost a human tragedy, but it also poses risks to financial market stability and international trade. The situation has further added significant economic and geopolitical uncertainty, alongside the severe humanitarian impact on those directly affected. There are indications that the Middle East developments could disrupt global energy markets. We remain focused on potential implications for the frontier and emerging markets in which we operate. Based on our current assessment and ongoing monitoring, nevertheless, we have no material concerns regarding our exposure and underlying performance. We remain confident in our ability to operate in full compliance with applicable regulatory and legal requirements.

I have no doubt that thanks to the investments we have made, the expertise and commitment of our colleagues and the continued support of our shareholders, most notably our majority shareholder LFB, we are well positioned to make 2026 yet another successful chapter in BACB's growth story.

**PAUL JENNINGS**

*Chief Executive Officer*

*16 March 2026*

A photograph of three men in a modern office setting. They are gathered around a wooden desk, looking at a laptop. The man on the left is partially visible, smiling. The man in the center is looking at the laptop screen. The man on the right is wearing glasses and smiling broadly. The background shows large windows and office equipment.

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 world’s most prominent financial 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.

### OUR STRATEGY

**As outlined by our Chairman and Chief Executive Officer (“CEO”), 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.**

Building on previous years of consolidation and greater strategic alignment, in 2025 the Bank focused on doing more of what it does best

– provision of cross-border trade finance and treasury solutions, whilst expanding into new markets, and selectively enhancing our product suite to continue supporting our clients and their evolving business. The successes of 2023 and 2024 also permitted BACB to continue investing in its operations in 2025, building a more self-confident and agile organisation.

Despite an environment of falling interest rates, and where global trade has been affected by tariffs and macroeconomic instability, BACB delivered revenue<sup>2</sup> of £92.8 million compared with £98.7m in 2024. 2025 revenues were £3.3 million ahead of plan, which underscores the impressive work done across all areas of the Bank’s operations in a year of uncertainty.

Trade Finance revenues were in line with 2024 at £40.4 million, and in USD terms saw strong growth of 3.7%. With interest rates declining globally, 2025 saw a fall in cash management income to £23.1 million. This led to a 6.7% overall decrease in GTB with headline revenue at £63.5 million. Operating income broken down by business and region can be viewed in the Highlights section on page 6.

Income from our Real Estate business was in line with plan, and we saw revenue growth for the first time since 2022 as we continued to manage existing exposures with selective replacement of legacy assets.

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

<sup>2</sup> Revenue in the context of the strategic report refers to operating income before allowance for credit losses as per Statement of Comprehensive Income.

## AN EVOLVING MACROECONOMIC AND GEOPOLITICAL 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.**

This year, global trade has been greatly affected by the uncertainty of a changing tariff environment. This, combined with other geopolitical and macroeconomic conditions, has been, and will continue to be, at the forefront of our robust risk management strategy.

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. These tensions continue to drive market volatility and supply chain disruption, with a number of our key markets impacted during the year. BACB's deep knowledge of its core markets, however, has meant the Bank could maintain relative stability for its clients and partners.

Our loyalty and unwavering commitment to the specialist markets in which we operate will continue to generate opportunities for our clients, with the Bank's ability to structure transactions to mitigate risk in frontier markets. Our clients and the markets we serve, continue to benefit from the Bank's strong trade distribution channels, which enable BACB to be more relevant to clients and provide much needed additional credit appetite and liquidity.

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

BACB's GTB offering is 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 through treasury products.

BACB prides itself on its client service levels and in the Trade Finance space, our dedicated middle office in London helps to alleviate supply chain pressures often faced by our clients. 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 2025.

Our GTB business accounted for 69% of the Bank's revenue in 2025, having brought in £63.5 million (2024: £68.1 million).

## TRADE FINANCE

**Over 50 years of experience in facilitating cross-border trade finance has helped BACB develop a comprehensive and award-winning product offering.** Trade Finance continues to be the engine of the wholesale banking business, and in 2025, BACB extended its core trade finance activities to 42 markets, including 20 in Africa, and facilitated over £4.0bn (2024: £3.8bn) of trade finance for our clients, contributing 44% of the Bank's total revenue (2024: 41%).

Notwithstanding the macro headwinds already discussed above, trade flows in our key markets

remained strong in 2025. The business has grown significantly in the last two years with an increase of 24% in Trade Finance revenue between 2023 and 2025.

BACB's ongoing support in those markets has demonstrated resilience, as the Bank continues to facilitate the movement of goods and services across the African continent and beyond. By helping exporters mitigate the risks they face in trading in frontier and emerging markets, BACB gives clients more financial protection and better control over their foreign currency exposures and cash flows.

The Trade Finance balance sheet has seen solid growth of 16%<sup>3</sup> (2024: 29%), with increased volumes in existing markets complemented by the addition of new market coverage.

Trade finance and supply chain solutions offered include 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. BACB has further built on this suite of traditional products and services by leveraging its investment in digital solutions, with clients now using our Trade Finance Portal, boosting efficiency across the business by transforming the way they can interact with the Bank.

During 2025, BACB also continued to leverage its international network to create greater appetite and liquidity for the markets it serves through distribution of trade assets totalling £1.15 billion.

Our Trade Finance franchise was recognised by GTR's award for the Best Trade Finance Bank in North Africa, having previously won the award

five times in the last six 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.

We were also delighted to be awarded a GTR Deal of the Year award for facilitating the Zallaf Libya South Refinery Project as referenced earlier by our Chairman. This refinery will provide significant benefits to the region and help meet the critical energy needs of an underserved area. BACB played a vital role in structuring and facilitating financing, working with our majority shareholder LFB to enable this strategic initiative.

## CASH MANAGEMENT

**As part of BACB's GTB offering, the Bank provides cash management solutions to support our clients in managing their liquidity. These services give clients enhanced visibility, control, and optimisation of their cash, helping to ensure financial stability and operational continuity.**

BACB offers tailored international payment services that complement our trade finance offering and support our clients' end-to-end cash flow cycles.

The Cash Management business delivered revenues of £23.1 million in 2025 (2024: £27.9m). Despite an environment of accelerated interest rates easing, both business volumes and balances continued to grow as we supported our clients in managing their liquidity.

<sup>3</sup> Calculation based on balance sheet Trade Finance assets (mainly within "Loans and Advances to Banks" in the Statement of Financial Position) and off-balance sheet contingent items disclosed in Note 30.

## TREASURY

**BACB's Treasury function has continued to grow into its strategic role as a proactive partner to the Bank's other business lines.**

Having adopted a more commercially focused approach aligned with the GTB model over the past two years, the Treasury business has continued to be a key revenue generator for the Bank, contributing £20.5 million in 2025, (down 9.7% from the £22.7 million in 2024).

The Bank's Treasury has two primary functions. Firstly, facilitating client flows within our GTB offering by leveraging BACB's access to financial markets, and secondly, managing the Bank's balance sheet. The team provides foreign exchange/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. Indeed, Treasury also 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").

From a client-facing point of view, Treasury facilitates BACB's clients' evolving foreign exchange trading needs and activity in Money Markets, including financing solutions under Islamic law, and in fixed-income markets. For instance, Wakala deposits, which are unique and ethical funds that adhere to Shari'ah principles, are proving to be popular amongst fixed-income clients.

In the primary bonds market, the Bank continues to strengthen its relationships with lead banks and issuers, resulting in improved allocations. During 2025 the Treasury team participated in over 225 new issuances (2024: 250).

The launch of a new partnership with a leading currency technology provider allows BACB to seamlessly distribute foreign exchange pricing to

our clients, helping to eliminate manual pricing and distribution processes which are still prevalent in the markets the Bank serves.

On the other hand, Treasury's balance sheet management ensures the Bank's compliance with regulatory funding and liquidity requirements, including LCR and Net Stable Funding Ratio ("NSFR") metrics, as well as the Bank's own risk appetite. Foreign exchange and fixed-income business flows remained healthy with client foreign exchange volumes reaching £47.6 billion in 2025.

The average LCR during 2025 was 234% (2024: 327%) compared to a regulatory requirement of 100%, reflecting the Bank's healthy liquidity position, as seen on page 5. This reduction is due to a tactical deployment of excess liquidity into Treasury and Trade Finance assets. Total Capital Ratio remained strong at 17.4% (2024: 20.3%), a result of the business's continued balanced and efficient use of capital.

## REAL ESTATE

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

Despite strong levels of competition driven by overall low transaction volumes within the property market, Real Estate has seen its highest levels of new business for six years, driven by an emphasis on quality assets and larger debt quantum. At the same time, we have carefully managed our legacy positions. As at 2025 year-end, the Real Estate book stood at £332 million (2024: £366 million).

Real Estate revenues increased by 1.7% and the portfolio has continued to evolve via a mixture of repayments, the renewal of high-quality transactions, and the generation of new business.

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.

2025 saw the Bank complement its conventional Real Estate book with an Islamic Finance offering. The Real Estate business has a strong platform for growth as BACB seeks to support the borrowing requirements of new and existing clients across both conventional and Islamic lending.

## BALANCE SHEET COMMENTARY

**Total assets were stable year-on-year at £3.3bn (2024: £3.3bn).**

### Assets

- Loans to customers and other banks as a percentage of total assets were 58% in 2025 compared to 50% in 2024. This increase was offset by a decline in financial investments from 49% of total assets in 2024 to 41% in 2025.
- Financial investments, comprising mainly of debt securities measured at fair value through other comprehensive income ("FVOCI") and reverse repurchase agreements, decreased marginally during the year by £296m. This reflects the Bank's disciplined balance sheet management in support of controlled growth within an unchanged business model aligned to strategic planning.

### Liabilities

- Deposits from banks and other deposits were broadly in line with 2024 falling a negligible 1.3% over 2025. Deposits from banks were offset by an increase in non-related parties' balances, reflecting the business's success in diversifying the Bank's sources of funding.

Retail deposits are now embedded as a core component of the Bank's business-as-usual ("BAU") funding strategy.

- Movements in derivative financial instruments are driven by market volatility.

## INTERNAL OPERATIONS

**The Bank continues to adapt and enhance its internal operations, taking into consideration its strategy, the frontier markets it operates in, and regulatory expectations. The key priority is to ensure excellent client service in GTB, Treasury, and Real Estate for all customers through exceeding their expectations of expertise and service performance levels.**

The Operations function has centres of excellence in Trade Finance and Treasury support, and Banking Services, to ensure appropriate scale and capabilities are mirrored to business demand. In 2025, Operations delivered high levels of client services in issuance and settlement of letters of credit. Customer Due Diligence Onboarding and Screening teams continued to proactively meet compliance obligations for onboarding and periodic reviews across our entire customer population.

The Bank's payments teams have been recognised for their excellence by our main payments provider, whilst the team supporting Treasury ensures timely execution and settlement of all transactions to meet customer requirements and regulatory and reporting requirements.

## FINANCIAL CRIME RISK

**As a United Kingdom 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, transactions, and geographic footprint.**

**BACB complies with all applicable anti financial crime laws and regulations covering money laundering, terrorist financing, tax evasion, sanctions, proliferation financing, fraud, bribery and corruption.**

BACB operates a 'three lines of defence' model and has a dedicated Financial Crime Risk team within the second line of defence ("2LoD"). This team is responsible for providing oversight and guidance to the first line of defence ("1LoD") on all financial crime risk matters. The Bank's employees are required to undertake annual financial crime compliance training covering the financial crime risks BACB faces throughout its business. Employees receive supplementary guidance and training in response to regulatory developments and changes to industry best practice.

During 2025, BACB continued to strengthen its financial crime risk mitigation abilities by enhancing key components of its financial crime control framework, notably an enhancement of controls in response to the new "Failure To Prevent Fraud" offences under the Economic Crime and Corporate Transparency Act. Continuing to monitor regulatory developments and implementing control enhancements in response ensures the financial crime framework remains fit for purpose enabling the swift detection and prevention of all types of financial crime.

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.

Several training events were conducted during the year, including seminars focused on compliance, trade related risk, trade finance, and treasury operations. 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 2026.

Geopolitical tensions have remained high in 2025, with the impact of US tariffs being felt, 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 underpinned by robust compliance standards. This is in full alignment with the requirements of a United Kingdom regulated bank operating within its target markets, products, and service streams.** During 2025, the Bank has continued to strengthen its Regulatory Compliance Framework to ensure full adherence to the evolving regulatory standards set by the PRA and the FCA. Our approach is underpinned by the risk-based compliance strategy that integrates regulatory obligations into day-to-day business operations, promoting a culture of accountability and transparency across all levels of the Bank. The Compliance function has actively supported

the successful delivery of several key strategic projects and initiatives such as the implementation of the new “Failure to Prevent Fraud guidance” ensuring regulatory developments were embedded from the outset.

Some of the key initiatives undertaken this year include an enhanced compliance monitoring framework, development of a comprehensive emerging regulatory risks framework, improved wholesale transactions reporting and automation of the Single Customer View “SCV” reports. In addition, the department has furthered its work in relation to bank-wide data protection requirements, which further support the change projects and initiatives across the Bank. These initiatives reinforce our commitment to protecting our customers, employees, and the wider financial system, ensuring compliance remains a core part of our business strategy.

## RISK MANAGEMENT

### Risk Strategy

**The Board is accountable for the effectiveness of risk management at the Bank with the Chief Risk Officer (“CRO”) responsible for the delivery of the effective control environment in line with SMF4 statement of responsibilities aligned to the Bank’s three lines of defence model.**

The Bank has a joint Chief Compliance and Money Laundering Reporting Officer who is responsible for Compliance Risk, Regulatory Conduct Risk, and Financial Crime Risk.

The Bank’s overarching risk management objectives are to ensure that:

- There is a clearly articulated risk appetite which is calibrated to the financial resources of the Bank and its Board approved business plan.
- There is a risk culture, which is embedded in daily operational activity.

- Risks are identified and accepted within risk appetite or approved as exceptions through the appropriate governance forum where not within appetite.
- Risks are monitored to ensure they remain within, or come back within, risk appetite in agreed timescales and action is taken promptly and effectively if that is not the case.

There is timely, complete, accurate and relevant risk reporting within the Bank and to the Board, evidencing risk informed decision making.

The Risk Management Framework (“RMF”) is the Bank’s overarching document which sets out the structures and principles for managing risk. All other Risk Frameworks, policies, standards, and methodologies align to the RMF. Everyone in the Bank is expected to be familiar with the RMF and their role in managing risk at the Bank.

The RMF covers:

- How the Bank creates an effective environment for managing risk.
- The context in which the Bank views risk.
- The approach the Bank takes to managing risk.
- How Enterprise Risk Management and risk informed decision making supports the Bank to achieve its strategic objectives.

The system of governance provides assurance to the Board, regulators, and stakeholders that risks are being identified, appropriately managed, and a risk informed decision-making structure is in place, underpinned by appropriate culture and reporting.

### Approach to Risk Management

The Bank’s 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 CRO and approved by the Board. In 2024 the Risk Taxonomy and the RAS were both refreshed and updated, including how the Bank measures appetite for risk and how this is tracked 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 clients 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 are, or could be, 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.
- Monitoring and facilitating 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 Board Audit Committee ("BAC"). The function is fully outsourced. In 2025 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 and Culture Officer ("CPCO"), 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 BAU risk management.

### Stress Testing

Stress testing is a key risk management tool for the Bank, and in 2025 the Bank continued to develop its approaches and capabilities in this area and will continue to do so in 2026. Key control policies to support approaches include a Stress Testing and Scenario Analysis Framework and a Model RMF. 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 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.

The Bank operates a hybrid working model, which 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 engage with colleagues, hosting a series of hybrid events ranging from town halls to “lunch and learn” sessions covering topics as diverse as mental health and Ramadan.

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.

BACB expanded support to colleagues mental and physical health by rolling out improved, fully funded medical insurance to all, and introducing an enhanced Employee Assistance Programme.

During 2025, the Bank continued to prioritise employee development, offering regular online and in-person workshops, and a regulatory compliance and risk awareness training programme.

This year we launched a pilot Leadership Development Programme aimed at enhancing the effectiveness of current leaders in their roles. The initiative reflects our commitment to investing in leadership capability and fostering a culture of continuous improvement.

The Bank also continues to strengthen and embed its Early Years Career Strategy, through its Apprenticeship and Internship Programmes. These initiatives reflect the Bank’s strategic focus on building internal capability and supporting long-term workforce development. The Bank has also broadened access to early career opportunities by offering work experience and year-in-industry placements.

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.

In 2026 we are introducing a simplified approach to performance management, and further embedding Performance Enhancement Plans where needed, to support colleagues in addressing gaps early and enhancing performance.

Over the course of 2025, 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. 2025 has seen voluntary turnover continue to be lower than market average at 4.5%, highlighting BACB’s continued commitment to creating a stable, supportive and engaging work environment where colleagues feel valued, developed and motivated to stay. This reflects our investment in building strong leadership capability, effective people practices and a culture that prioritises wellbeing, growth and long-term success.

Additionally, we have enhanced our succession planning framework, which was rolled out across the Bank this year, supporting our efforts to develop our future leaders into critical roles across the Bank. This activity will form part of an annual cycle going forwards.

## Culture And Conduct

‘Culture and Conduct’ is a key area of focus for BACB, United Kingdom 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.

We remain committed to embedding our values and behaviours across the Bank, with colleagues' and teams' behaviours being recognised with our Going the Extra Mile ("GEM") Awards scheme.

We continue to monitor our culture through regular measurement of key engagement metrics. Our colleague engagement score has remained steady from 2024 at 7.9 out of a possible 10, reflecting the high level of connection and commitment our people feel towards the Bank. The Bank has retained a strong colleague Net Promoter Score at 39% reflecting the extent to which colleagues would recommend the Bank as a great place to work. Additionally, our measure of psychological safety has remained at 45%, compared to the United Kingdom average of 41% giving us a measure of how safe individuals feel to speak up, share ideas and raise concerns. These measures give us a comprehensive view of the health of our culture and the experience of our people.

The Bank has a Whistleblowing Policy, led by the Chair of the BAC, enabling all employees to raise concerns. Throughout 2025 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 2025 and is produced and reviewed on a quarterly basis.

This is provided to our Executive Committee ("ExCo") and the Board Nominations and Remuneration Committee ("BNRC"), giving a detailed insight into our diversity, inclusivity, and employee engagement. KPIs related to gender ratio, both Bank-wide and at 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, however in 2025; the number of females in MRT positions declined. We remain committed to fostering diversity across the Bank which will remain a key priority for 2026 and beyond. The Bank will focus on this and other diversity KPIs in 2026, which will be the first year we will be required to report on gender pay gap. Our efforts continue to be focused on delivering on our commitment towards a 'One team' mentality at BACB.

## INFORMATION TECHNOLOGY ("IT")

**IT plays a critical role in driving revenue, improving operational efficiencies, and the reliability of our systems. To this end BACB continues to make on-going investments and enhancements to enable the Bank to meet evolving business and customer needs and sustain long term growth.** This focus includes 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 focussed on our mission to provide secure, scalable and innovative solutions that empower and safeguard BACB, its customers and stakeholders.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

### Introduction

**The Bank embeds ESG, including sustainability and climate-risk considerations, into its culture and way of working in line with proportionate PRA and FCA expectations.**

## Climate Risk Management

One of the core pillars of BACB's ESG Strategy is the Environmental pillar, which ensures the Bank meets environmental-related legislative and regulatory requirements. For climate-related financial risk, this means aligning with the PRA's expectations under SS5/25, as finalised through PS25/25.

This year, BACB replaced its Climate Risk Policy with a new Climate Risk Framework, reflecting that adherence to SS5/25 is delivered primarily through existing credit policies, product programme design, and scope and scale limits. The Framework provides a clearer structure for how the Bank identifies, assesses, mitigates, monitors, and reports climate risks. Enhancements include improved country-level climate risk analysis in annual country reviews, updated ESG and climate-related due-diligence questions and strengthened ESG management information through the Country ESG Scorecard.

A further strategic focus has been the continued development of the Bank's climate risk scenario analysis ("CSA"). CSA remains a key tool for identifying relevant climate risks, understanding the channels through which they may materialise, and assessing their potential financial impact on the Bank.

CSA enables the Bank to determine which climate risks could be material. As part of this year's ICAAP, BACB enhanced its CSA approach by incorporating several climate-related scenarios covering both physical and transition risks under Pillar 2A and Pillar 2B.

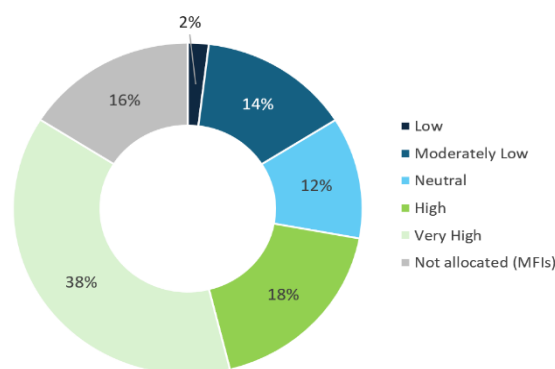
## ESG data collection, metrics, and decision-making

As highlighted in last year's Annual Report, the Bank implemented its Country ESG

Scorecard Methodology in 2024. Using over 15 macroeconomic indicators, it produces a 0–100 score reflecting each country's ESG profile. The Scorecard is now a key input into ESG risk assessment across the Bank's portfolios.

The pie chart below shows the ESG profile of the Bank's total portfolio (Trade Finance, Treasury and Real Estate) based on country net exposure as at 31 December 2025.

**ESG Profile of Total Portfolio, by Country ESG Score, as at 31 December 2025**



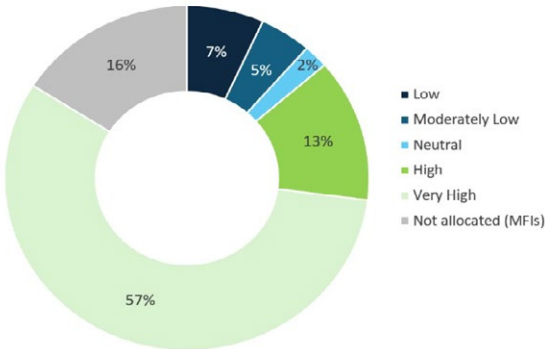
ESG Score Categorisation	Low	Moderately Low	Neutral	High	Very High
Total ESG Score	0 - 20	21 - 40	41 - 60	61 - 80	81 - 100

## Business ESG Profile

The Country ESG scorecard also provides standalone climate-risk insights, separating physical and transition risks. Physical-risk scores assess natural conditions, biodiversity, land and water use, and the Notre Dame Global Adaptation Initiative ("ND-GAIN") climate-readiness. Transition-risk scores reflect renewable-energy reliance and economic dependence on hydrocarbons.

The pie charts below illustrate the Bank’s physical and transition risk profiles across all portfolios, based on country net exposure as at 31 December 2025.

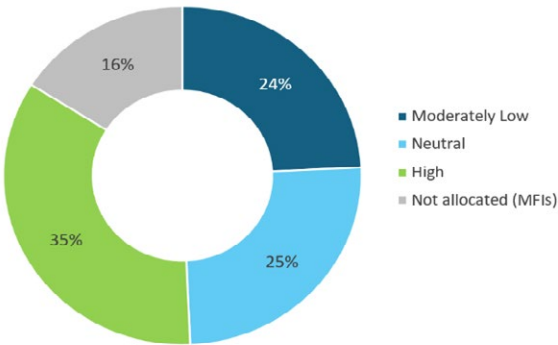
**Transition Score Profile of Total Portfolio, by Country**  
**Transition Score, as at 31 December 2025**



ESG Score Categorisation	Low	Moderately Low	Neutral	High	Very High
Total ESG Score	0 - 20	21 - 40	41 - 60	61 - 80	81 - 100

**Business Transition Score Profile**

**Physical Score Profile of Total Portfolio, by Country**  
**Physical Score, as at 31 December 2025**



ESG Score Categorisation	Low	Moderately Low	Neutral	High	Very High
Total ESG Score	0 - 20	21 - 40	41 - 60	61 - 80	81 - 100

**Business Physical Score Profile**

These metrics are monitored continuously and reported to governance committees, including the Board. Next year, the Bank will deepen the granularity of its ESG data to improve insight into sector- and counterparty-level ESG risks.

**Office refurbishment and operational carbon footprint**

Under the Environmental pillar of its ESG Strategy, BACB continues to enhance its understanding of environmental impacts. Scope 1 and 2 greenhouse gas (“GHG”) emissions are measured through the completion of Streamlined Energy and Carbon Reporting (“SECR”) with further detail in the Directors’ report on page 49.

The 2024 refurbishment of Mansion House Place delivered major efficiency gains, including an EPC improvement from D to B and a 545,311-kWh reduction in energy usage.

Supported by 100% renewable energy, enhanced recycling, zero-to-landfill waste management and the removal of single-use plastics, the Bank has reduced its location-based Scope 1 and 2 emissions by 68% since 2023 (from 393.4 tCO<sub>2</sub>e to 124.8 tCO<sub>2</sub>e).

As well as lowering operational emissions, the Bank is improving its carbon-footprint reporting. Working with its long-standing energy and sustainability partner—BACB receives support on the Energy Savings Opportunity Scheme (“ESOS”) and SECR, energy audits, performance review, Net Zero planning and energy optimisations.

This year, the Bank’s energy and sustainability partner helped measure Scope 3 emissions across all 15 GHG Protocol categories. Next year, this data will underpin the Bank’s Net Zero strategy and transition planning.

## ESG Governance

To strengthen ESG decision-making, the Bank has introduced proportionate governance as a core pillar of its ESG Strategy. A key 2025 development under this pillar is the creation of the ESG Focus Group.

The Group brings together cross-bank representatives to maintain momentum and coordination on ESG matters.

In 2024 the social pillar of BACB's ESG Strategy saw the formation of the BACB Charitable Appeals Forum, which comprises of individuals at all levels across the Bank. The Forum's remit is to decide the distribution of funds for charitable purposes. In 2025, the Forum has made donations to 15 charities across a range of sectors.

Charities are chosen through colleague voting, colleague nominations, and committee-led initiatives, including donations linked to BACB events such as Mental Health Awareness week, Men's Health awareness and entry into sporting events. Employees are further supported through paid volunteering days and matched fundraising for causes important to them. See page 49 for further details on matched fundraising.

The Bank also continued its long-standing support for a leading civil charity programme, including the "We Can Be" initiative, which helps young women (Years 10–13) develop career awareness and work-readiness skills. In February 2025, BACB hosted a group of students for an induction session and supported the wider afternoon programme held at Guildhall.

## One Team Mentality

A further priority of the ESG Strategy is strengthening a 'One Team Mentality' across the Bank. In 2025, the Bank held various 'Lunch and Learn' sessions and internal events to support diversity, inclusion, and employee wellbeing.

## Peakon Survey

Peakon supports the Bank's 'One Team Mentality' by giving colleagues a confidential way to share feedback on their experience at BACB. Its anonymous surveys provide meaningful insight and help identify priority areas for improvement.

## SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT

While decisions made by the Board are aligned to the Bank's strategy and core values, a key consideration is the impact on its stakeholders and how this translates to the delivery of the short, near and long-term success of the Bank.

As a United Kingdom dual-regulated Bank, operating across international geographies in emerging and frontier markets, the services and support provided by BACB are impactful to both our internal and external stakeholders. The Board and Executive have strived to create a workplace and culture reflective of our values, benefiting our colleagues, their wellbeing and the delivery of success, and simultaneously cultivating strong relationships within our markets, with our clients, regulators, suppliers and correspondent banks.

We have done this through volatile and challenging macroeconomic conditions. Our belief is to support all our stakeholders, in a safe, sustainable manner not just today, but driving long term success for the Bank.

We have included a detailed "section 172" statement that describes how our Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 on pages 43 to 46 of the Corporate Governance Report. This explains who our stakeholders are, how we engage with them, and how the Directors have taken their interests into account when making key decisions during the year.



STRATEGIC REPORT

PRINCIPAL  
RISKS

**STRATEGIC REPORT**

**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
<p><b>Technology &amp; Data</b></p>	<p>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 effective use of data to keep pace and maintain and grow market share.</p> <p>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.</p>	<p>Over the past year the Bank has continued to advance its technology and data strategy to deliver enhanced capabilities for running the Bank and our client offerings. 2025 saw the development of a cyber operating model increasing the Bank’s cyber security through ways of working and deployment of technology which we test by running regular scenarios. These risks continue to be reflected in the RAS.</p>
<p><b>People &amp; Change</b></p>	<p>As the Bank delivers change to improve how we work and how best we support our clients, there is the risk that change initiatives are not managed to budget and plan, that we fail to manage suppliers effectively, or do not deliver the anticipated benefits. This would further impact the working environment and healthy work culture for our people along with our ability to attract, retain and grow talent in the Bank.</p>	<p>During the year, the Bank has strengthened its approach to managing organisational change and people-related risks. Our Executive-led Change Management Committee (“CMC”) continues to oversee all major change activity, with the remit of business heads being expanded in 2026 in preparation to provide enhanced risk oversight as the scale and complexity of programmes increase. The CPCO and senior leaders have increased their engagement with colleagues through a wide range of channels, enabling earlier identification and proactive management of new or emerging</p>

GROUPING	DESCRIPTION	COMMENTARY
		<p>risks. This has supported the Executive's broader initiative to empower senior individuals and teams to identify, own and deliver improvements that contribute to a positive and sustainable culture. Risks around people and change continue to be incorporated in the RAS.</p>
<p><b>Markets</b></p>	<p>We operate primarily in frontier and emerging markets, but we acknowledge the risk that geopolitical and/or macroeconomic drivers 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.</p>	<p>The Bank continues to maintain a strong geopolitical risk capability which allows us to identify early risks in this area. Furthermore, the Bank is progressing its planned investments in people, processes, and technology as part of the growth plan and diversification into new markets. These risks have been included in the RAS.</p>
<p><b>Credit Quality and Interest Rate Environment</b></p>	<p>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.</p>	<p>The Bank has continued to strengthen its stress-testing framework over the past year, enhancing both the breadth of scenarios assessed and the analytical depth of the results. 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.</p> <p>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 newly approved 3-year strategic plan. The Bank holds additional buffers on top of Pillar 1 and Pillar 2 capital requirements to mitigate this risk.</p>

GROUPING	DESCRIPTION	COMMENTARY
<p><b>Compliance</b></p>	<p>The risk that changes in regulation or law materially impact 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 and corruption.</p>	<p>The Bank has strengthened its approach to monitoring and managing regulatory change over the past year through enhanced horizon-scanning activities. Engagement with our regulators continues with the Chief Compliance and Money Laundering Reporting Officer maintaining regular, proactive dialogue throughout the year. The Bank maintains detailed policies and processes across both first and second lines of defence for managing this risk.</p>

This Strategic Report (on pages 9-33) 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*

*16 March 2026*



DIRECTORS'  
REPORT

FOR YEAR ENDED  
31 DECEMBER 2025

**DIRECTORS' REPORT**

**BOARD OF DIRECTORS**

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

They provide entrepreneurial stewardship through the approval of the Bank's strategic plan and robust oversight and challenge of management. They are responsible for the delivery of long-term sustainable value and value for other stakeholders.



**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<sup>1</sup>**  
*Vice Chairman*  
*Non-Executive Director*



**DR AHMED MIHOOB<sup>1</sup>**  
*Non-Executive Director*



**EZZEDEN AMER<sup>1</sup>**  
*Non-Executive Director*



**KEY**

*Shareholder representation*  
<sup>1</sup> LFB nominated

*Committee membership*

- Chair
- Board Risk Committee member
- Board Audit Committee member
- Board Nomination and Remuneration Committee member
- Board Financial Crime & Compliance Committee member

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE

**At BACB, our approach to governance is rooted in our core values, proportionate approach and scalability, to deliver our safe sustainable growth strategy. Our framework is reflective of our size, our business operations and markets.**

As a United Kingdom regulated bank operating in specialised frontier and emerging markets, it is vitally important that the decisions the Board makes, and how it governs BACB, supports all its stakeholders while delivering long-term shareholder value.

#### GOVERNANCE ARRANGEMENTS

In line with the Shareholders Agreement, both Mohamed Zine and Faesal Othman stepped down from the Board in October and December 2025, respectively. Ezzedden Amer, who joined the Board in January 2026 replaces Faesal Othman as nominated by our major shareholder.

#### BOARD EVALUATION

In 2025, led by the Chairman, the Board engaged in an external facilitator-led review to assess the effectiveness of the Board, its committees, and individual directors. This process was supported internally by the Governance function led by the Company Secretary. The evaluations focused on the Board's overall performance, the balance of skills and experience, and the effectiveness of its governance structure in line with regulatory requirements. The review concluded that the Board was operating effectively.

#### TRAINING AND DEVELOPMENT

During the year, the Board participated in various internal and external training activities. These covered a breadth of topics relevant to the Board's statutory and regulatory responsibilities as well as

the Bank's markets. Following the completion of the Board Effectiveness review and assessment of the Board Skills Matrix, the Board's training programme and the Bank's induction processes will continue to be enhanced and matured. Furthermore, through periodic review of the effectiveness of the Board and its committees, this ensures the Board remains an optimal and harmonious team discharging its statutory and regulatory obligations.

#### SECTION 172(1) STATEMENT

The Board of Directors confirm that during the year, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

The Board has direct engagement principally with our colleagues and shareholders, but it is kept fully informed of the material issues of other stakeholders through the CEO, ExCo and reports received from Senior Management and external advisors. We utilise various engagement channels to receive informative feedback from our key stakeholders which can be factored into our principal decisions and activities. For further information see page 43-46.

#### APPLYING PRINCIPLES OF GOOD GOVERNANCE

During the year ended 31 December 2025, we have applied principles of good governance practice, complying with all relevant statutory and regulatory requirements. As a United Kingdom regulated Bank operating in specialised frontier and emerging markets, we have continued to develop our own governance framework and operating model. This has been applied effectively

and proportionately across the Bank, promoting our values of being agile to support our sustainable growth strategy.

### DELEGATED AUTHORITY

The Board maintains a formal schedule of matters which are reserved solely for its approval. This is aligned with the Shareholder's Agreement and the Company's Articles of Association together with relevant regulatory requirements. These matters include decisions relating to the Bank's strategy, capital structure, financing, risk appetite and authorisation of capital expenditure above delegated authority limits.

All Directors have access to the services of the Company Secretary, and any Director may instigate an agreed procedure whereby independent professional advice may be sought at the Company's expense. No such advice was sought by any Director during the year.

### POLICIES AND PRACTICES

The ExCo have delegated responsibility for ensuring that policies and behaviours set at Board level are effectively communicated and implemented across the Bank. Policies are published on the Bank's central "policy hub" and where relevant, included in the Colleague Handbook.

To ensure policies are embedded across the Bank, we operate a mandatory training programme which aims to reinforce key compliance messages in areas such as anti-bribery, fraud and modern slavery. If the Board is concerned or dissatisfied with any behaviours or actions, it seeks assurance that corrective action is being taken. No such action was required during 2025.

### ANONYMOUS REPORTING OF CONCERNS

The Bank has whistleblowing policies and procedures in place, encouraging all colleagues to raise any concerns. These are included in our Colleague Handbook, intranet and digital noticeboards. Our procedures aim to support and reassure colleagues that they are able to raise genuine concerns without fear of victimisation or unfair treatment, even if they turn out to be mistaken.

Following receipt of any message, we have procedures in place to ensure independent and proportionate investigation. The Board receives an annual update from the BAC Chair, as the Board's "Whistleblowing Champion" of the effective operation of the Bank's procedures.

### GOVERNANCE AND MANAGING RISKS

The Bank's approach to governance and risk management is reflective of its size, scale and complexity. This includes relevant regulatory requirements, our core values, principles of good governance and operating a three lines of defence model for risk management. As part of the Bank's strategic change programme, corporate governance has been enhanced during the year and will continue to mature and scale with the Bank's next phase of safe sustainable growth.

The governance framework (see page 39) provides an overview of our corporate governance arrangements. It provides a high-level outline of both Board and Executive governance and how they operate in harmony with each other.

### BOARD COMPOSITION

The Board is composed of a majority of Independent Non-Executive Directors, including the Chairman. The Bank's major shareholder has

nominated three Non-Executive Directors who provide the Board with valuable insights into our core and international markets in addition to the breadth of their skills, knowledge and experience. In making any decision, the Board has due regard to its statutory requirements, regulatory obligations and ethical considerations towards all stakeholders.

financial reporting and regulatory calendars. As and when required, all Board Committees can engage external professional advice or resources in the performance and execution of their duties.

## RISK MANAGEMENT

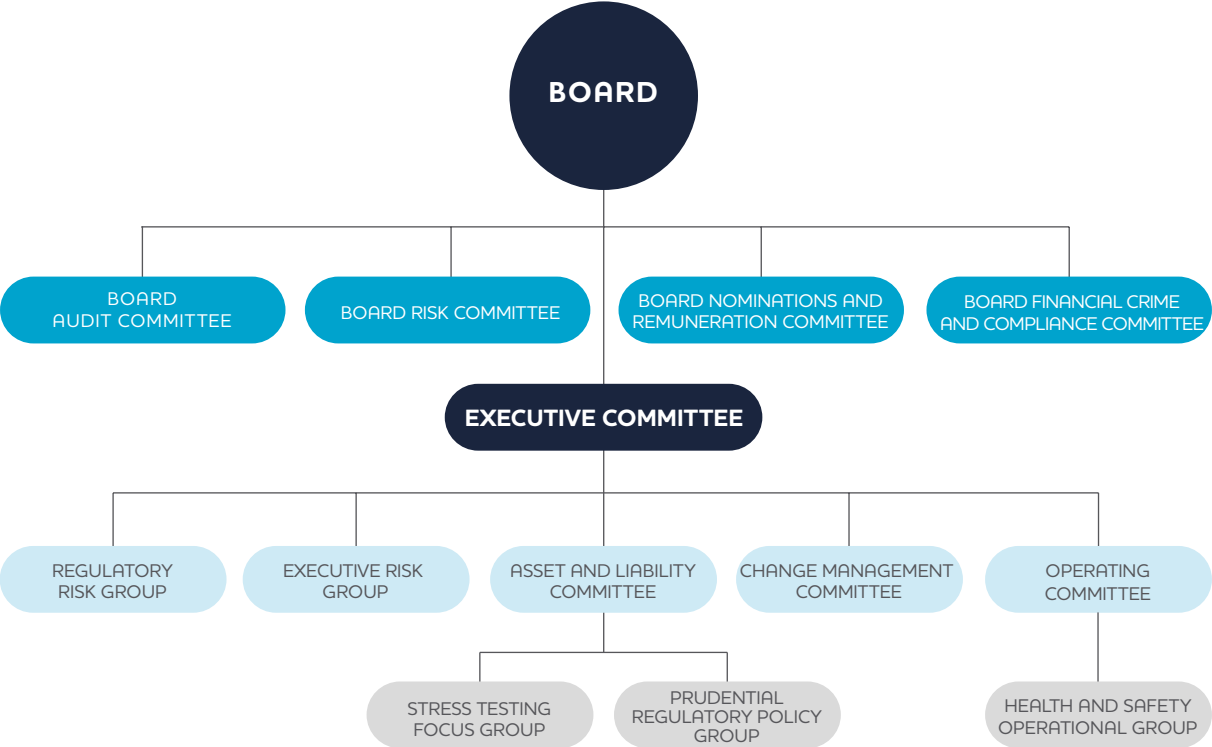
The Executive and Senior Management provide the Board with timely reports on the principal areas of risk for the Bank, including the associated controls framework and risk appetite measures, and their effectiveness at risk mitigation. The Board and its committees are provided with independent assurance through both the Internal and External Audit functions, with the former being outsourced. The Internal Audit function provides regular reports on the operation and effectiveness of the Bank to the BAC and Board and where relevant to the Board Risk Committee (the "BRC").

## BOARD COMMITTEES

The Board operates four principal committees to which it has delegated certain responsibilities (see pages 39-41). These are reviewed annually to ensure they remain effective and appropriate. All committees are constituted and structured with the appropriate membership (including the right balance of skills, knowledge and experience), attendance (from the Executive and Senior Management) and supporting governance administration and operation (e.g. Terms of Reference, Forward Plans and Agendas). All Board Committees meet at least quarterly and more often as required by the

**GOVERNANCE FRAMEWORK**

We operate an agile framework that allows for fast decision making, effective oversight and clear accountability across the Bank. Our framework reflects the Bank’s operational complexity, while supporting the Board and Executive to deliver long term shareholder value and ethical decision making for all our stakeholders.



**KEY**

- GOVERNING BODY
- BOARD COMMITTEE
- EXECUTIVE COMMITTEES
- EXECUTIVE WORKING GROUP

**ETHICAL AND TRANSPARENT STEWARDSHIP**

The Board are the custodians of the corporate well-being of the Bank, providing entrepreneurial stewardship for the long-term success and benefit of all its stakeholders. To deliver the Bank’s safe sustainable growth strategy and safeguarding its soundness, the Board provide robust and fair challenge to the Executive. This includes the delivery of the strategy, the maintenance and oversight of sound risk management and internal controls and ensuring appropriate policies and procedures are implemented according to relevant statutory and regulatory requirements.

The Board and Executive work together to promote the success of BACB through the cultivation of trust and by fostering an open and transparent decision-making process.

Through the delegation of specific responsibilities to its committees, the Board is able to focus on key strategic, governance, risk management and policy matters. The Board’s committees provide oversight, challenge and guidance to the Executive and Senior Management on various policy and technical matters arising from various risks, conduct matters, human capital management and financial soundness.

## BOARD NOMINATIONS AND REMUNERATION COMMITTEE ("BNRC")

Due to the size and scale of the Bank, a single committee is constituted to oversee both nomination and remuneration matters.

As a nomination committee, the BNRC:

- Monitors the Bank's conduct and culture matters through regular reporting.
- Leads on the Board Effectiveness Review, supporting the Chairman in its delivery.
- Ensures the delivery of the Board training programme.
- Oversees Board and Executive succession planning.

As a remuneration committee, the BNRC:

- Annually reviews the effectiveness of the Bank's remuneration arrangements.
- Reviews and approves the Bank's Remuneration Policy.

The BNRC supports the Board in providing comfort that all remuneration related decisions have been made with due regard to the Bank's core values, risk appetite, conduct policy and sustainable strategy.

## BOARD AUDIT COMMITTEE ("BAC")

The BAC monitors and oversees the soundness and integrity of the Bank's financial reporting disclosures and the internal controls environment.

It does this by:

- Overseeing the Finance function, its resources and delivery of timely financial reporting.
- Approving the use of critical accounting judgements and estimates and their methodologies in the production of the Bank's financial statements.

- Assessing the effectiveness of the independent assurance functions; the External and Internal audit functions and maintaining regular contact and dialogue with the lead audit partners.

- Reviewing the Bank's whistleblowing arrangements.

The BAC 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.

## BOARD RISK COMMITTEE ("BRC")

The BRC is responsible for the monitoring and oversight of the Bank's RMF and operational resilience. It discharges its responsibilities by:

- Oversight and approval of the RAS.
- Review and recommendation to the Board of the Bank's Principal Risks.
- Monitoring the effectiveness of the RMF and challenging risk management information.
- Monitoring of the external risk environment including the current and future macroeconomic, political, and regulatory environment, and other potential emerging risks.

The BRC further advises on the embedding and maintenance of a positive risk management culture while advising the Board on risks relating to strategic decisions and transactions.

## BOARD FINANCIAL CRIME AND COMPLIANCE COMMITTEE ("BFCC")

The BFCC is responsible for the monitoring and oversight of non-financial risks as they relate to conduct and regulatory matters. It supports the Board in its oversight of risk by:

- Assessing the evolving sanctions and wider financial crime risk environment.
- Monitoring regulatory developments including conduct and emerging risks.
- Oversight of key legal risks arising from relevant transactions and enforcement actions.
- Oversight of the Bank's policy framework and its effective operation.

The BFCC enhances the Board's robust and holistic oversight of the Bank's risks working in tandem with the BRC and BAC.

#### EFFECTIVE OVERSIGHT AND ACCOUNTABILITY

The ExCo reports into the Board through the CEO. To ensure the Board and its committees maintain effective oversight, the Chief Financial Officer ("CFO"), CRO and Chief Compliance Officer ("CCO") have direct access to the Chairs of BAC, BRC and BFCC respectively. Additionally, the CCO is the Bank's nominated Money Laundering Reporting Officer who reports into the Board annually on the Bank's anti-money laundering controls and systems.

ExCo oversees the day-to-day management of the Bank as delegated by the Board. The primary objective of the ExCo under the CEO's leadership is to deliver the Bank's strategic objectives and safe sustainable growth. To ensure ExCo's strategic focus, it has delegated specific responsibilities to ExCo committees in the oversight of key regulatory, prudential, policy, operational, financial and non-financial risk matters as outlined in the Governance Framework on page 39.

#### KEY EXCO RESPONSIBILITIES

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

**EXECUTIVE MANAGEMENT**

The Executive Management Team is led by the CEO. They are responsible for the day-to-day management of the Bank and the execution of the Board approved strategy. This responsibility is carried out through ExCo, with each ExCo Member being an Accountable Executive with leadership and oversight of key functions, governance and policy across the Bank.



**PAUL JENNINGS**  
*Chief Executive Officer*



**PAUL REW**  
*Chief Financial Officer*



**JANE PERKIN**  
*Chief People and Culture Officer*



**DAMIAN AUSTIN**  
*Chief Banking Officer*



**RICHARD SNOOKES**  
*Chief Compliance Officer*



**ROSS MCNAY**  
*Chief Operating Officer*



**BRUCE QIAN**  
*Acting Chief Risk Officer*



## CORPORATE GOVERNANCE REPORT

### SECTION 172(1) STATEMENT

#### INTRODUCTION

**The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.**

#### SUCCESS FOR THE LONGER TERM

In order to consider the impact that any decision of the Board has on the Bank's stakeholders, the following is considered:

- a. Likely consequences of any decision.
- b. Interests of the Bank's employees, their wellbeing and culture.
- c. The need to foster positive working relationships with the Bank's clients, regulators, investors and other key stakeholders.
- d. Impact of the Bank's operations on our markets and their local communities.
- e. Importance of maintaining the Bank's strong reputation for high standards of business conduct and ethics.
- f. The need to act fairly and balance the interests between all stakeholders.

The Strategic Report provides a review of the business, the economic landscape and future developments. More information can be found in the CEO's Review on pages 11-13.

#### MAKING DECISIONS LONG TERM

When making decisions, the interests of all relevant stakeholders will always be considered by BACB's Board and ExCo, including employees, suppliers, customers, the community and the environment.

Examples of how the Board considers these groups during meetings and discussions include the following:

- The Board's principal committees receive detailed information and KPI data from the Executive Management facilitating discussions and consideration of our stakeholders.
- The CEO's report gives details of any relevant interaction with the Bank's regulators, our customers, notable transactions in our markets and how we have supported those communities.
- The CPCO's report gives details of all employee-related matters, including feedback from our quarterly Peakon Surveys, the Culture Decoder which the Bank developed with an external third party and the State of the Nation – Culture Report, annually.
- The CFO's report provides financial information including the Bank's performance and its compliance with prudential requirements and provides details of pension trustees discussions and qualitative feedback on specific concerns.

Further information and examples of how BACB engages with key stakeholders can be found below.

## SHAREHOLDERS

The Board has three Non-Executive Directors, nominated by our major shareholder who represent their interests while balancing this with their fiduciary duties to all stakeholders. The relationship between the Board and its shareholders is vital to the Bank's success, creating long-term shareholder value and participation. See Strategic Report, pages 15 to 19.

To continue to deliver safe sustainable growth for the Bank and long-term shareholder value we have:

- Deepened existing relationships across our core markets, leveraging our Libyan unique selling proposition, while developing additional digital corporate channels in our trade finance business.
- Continued to diversify our funding, aligned to our wider funding diversification strategy such as on-boarding new markets including Angola and Pakistan and expanding our product footprint with the launch of Wakala Islamic deposits.
- Increased our client base by continuing to target Financial Institutions and Corporates (who trade goods and provide services) within our strategic markets.

## PEOPLE

The Bank's success is intertwined with its people, its greatest asset. The Board and Executive Management have strived towards ensuring the culture at BACB is diverse, inclusive and safe, allowing our people to realise their full potential while contributing to the Bank's long-term success. Additionally, the BNRC ensures that colleague and executive remuneration are aligned to our core values, conduct and remuneration policy. See Strategic Report, pages 23 to 29.

To foster and cultivate our positive people environment we have:

- Introduced private medical insurance as a standard core benefit to our colleagues to support them when they need it.
- Continually checked the 'pulse' and 'feeling' of our people through regular engagement surveys, holding town halls and regular group-wide updates and information.
- Successfully launched and welcomed our first cohort of interns and apprentices under our 'Early Careers Matters' programme providing a valuable experience to our colleagues in the Bank.
- Hosted several 'Lunch and Learn' and 'Sports and Social' events such as Inclusion Week, Mental Health Awareness talks, an Eid Lunch and a Family Festive Day.

Furthermore, the Board considers succession plans for the Executive and Senior Management teams and other key roles across the Bank.

## CUSTOMERS

Without our customers the Bank cannot operate, we work together to create value and actively support our customers through their economic journey. We have helped our customers manage external macroeconomic, geopolitical and other financial challenges to benefit them and their communities. Relationship Managers continuously liaise with customers to ensure the Bank is offering them the right support and meeting their needs. See Strategic Report, pages 11 to 13 and 15 to 19.

Through our support and interaction with our customers we have:

- Retained the role of 'Consumer Duty Champion' despite this no longer being a regulatory requirement. We view this as an important step in our governance and following the successful launch of the Bank's retail deposit offering through a third-party platform, our Consumer Duty governance and controls remain robust.
- Delivered knowledge sharing and expertise sessions to our major shareholder and its group led by our ExCo team.
- Delivered five-day training seminars covering Trade Finance, Treasury, Financial Crime Risk and Compliance to Libyan based banks strengthening our relationships across North and Sub-Saharan Africa.
- Progressed the delivery of key strategic initiatives as part of our Change Programme including our digital offerings, transaction monitoring and overall infrastructure enhancement of Bank critical systems.

The Bank continues to be recognised for the work it does in our core markets and across Africa as demonstrated by winning the GTR Best Deal Award for our role in the Zallaf Libya South Refinery project.

## REGULATORS AND GOVERNMENT

The Bank operates in a highly regulated environment both locally and internationally. We have developed a strong internal culture of positive conduct to support our compliance with regulation and protecting our license to operate. We have sought to engage all our regulators in an open, transparent, and cooperative manner. The Board is kept abreast of, and regularly updated on, matters of conduct and emerging risks on the horizon. See Strategic Report, pages 19 to 21.

During the year we have:

- Had multiple engagement sessions with our regulators to share knowledge of frontier and emerging markets and their risks.
- Hosted informal visits from the PRA, keen to better understand the Bank's operations, our interactions with customers and our work within our markets.
- Attended various conferences and key industry bodies such as the Arab Bankers Association, providing valuable insights to ExCo and other colleagues.

## SUPPLIERS

The Bank works with and is supported by a range of third-party vendors managed through our Third-Party Management team. We regularly assess our supplier risk profiles to ensure our collaboration is aligned to deliver our strategy in addition to ensuring compliance with all applicable laws and regulations such as Modern Slavery and General Data Protection Regulation (“GDPR”). Partnering and collaborating with suppliers helps to drive progress, maintain strong relationships and deliver long term success. See Strategic Report, page 31.

Key developments during the year include:

- The Bank has enhanced its third-party due diligence process which has now been automated within BACB’s contract management system.

## DIRECTORS' REPORT

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

**The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with United Kingdom 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 United Kingdom 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.

## DIRECTORS' REPORT

### OTHER GOVERNANCE DISCLOSURES

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

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 principal activities of the Bank can be found on pages 15-29 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

Directors who were in office during the year 2025 and those up to the date of this Directors' Report.

NAME	APPOINTED
Dr Yousef Al Awadi KBE	20.05.22
Paul Jennings	11.04.23
Nigel Boothroyd	14.10.20
Sundeeep Bhandari	06.10.20
Paul Howard	11.09.23
Mohamed Ali Addarrat	22.09.23
Faesar Othman <sup>1</sup>	05.02.21
Dr Ahmed Mihoob	20.05.22
Mohamed Zine <sup>2</sup>	30.10.12
Ezzedden Amer <sup>3</sup>	01.01.26

<sup>1</sup> Resigned during the year; 31 December 2025

<sup>2</sup> Resigned during the year; 8 October 2025

<sup>3</sup> Appointed after the financial year and during 2026

#### BRANCHES

The Bank does not operate branches in or outside the UK. It does however facilitate business through three Representative Offices in Libya, Algeria and Côte d'Ivoire.

#### FINANCIAL STATEMENTS

The financial statements for the Bank have been prepared in accordance with United Kingdom 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 at least 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 2 (a) of 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.

#### POST BALANCE SHEET EVENTS

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

## RESEARCH AND FUTURE DEVELOPMENTS

Details of the Bank's business model, new products and services and looking ahead can be found in the Strategic Report on pages 15 to 29.

## DIVIDENDS

The Directors have recommended a final dividend payment for 2025 of £6.0 million (2024: £7.2 million), which is subject to approval at the Annual General Meeting ("AGM") to be held 22 May 2026.

## COMPANIES ACT 2006 SECTION 172 (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 43 to 46) as well at the Strategic Report page 28. 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 Bank made no political donations (2024: £nil). Charitable donations for 2025 totalled £101,185 (2024: £20,926) and were donated to various charity organisations. This included donations to charities via BACB's employee matched funding initiative. The significant year-on-year increase reflects the

establishment of the Bank's Charitable Appeals Forum in 2025 and the allocation of dedicated funds by the Bank to support charitable giving.

## ENERGY AND CARBON EMISSIONS

In line with the SECR, this report outlines the Bank's GHG emissions covering the period 1 January to 31 December 2025. 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 124.8 tCO<sub>2</sub>e (2024: 279.7), with an intensity ratio of 0.05 tCO<sub>2</sub>e (2024: 0.10) per square metre, based on total energy consumption of 704,301-kWh (2024: 674,138-kWh).

### GHG EMISSIONS DISCLOSURE, SCOPES 1-2

LOCATION BASED	FY25	FY24
<b>Scope 1</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	
Transport: staff mileage	0.42	0.61
Refrigerant consumed in offices	0	140.07
<b>Total (tCO<sub>2</sub>e)</b>	<b>0.42</b>	<b>140.68</b>
<b>Scope 2</b>		
Electricity consumed in offices	124.33	139.04
Electricity consumed by electric vehicles	0.01	N/A
<b>Total (tCO<sub>2</sub>e)</b>	<b>124.34</b>	<b>139.04</b>
<b>Total Scope 1 and 2</b>	<b>124.76</b>	<b>279.72</b>

MARKET BASED	FY25	FY24
<b>Scope 1</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	
Transport: staff mileage	0.42	0.61
Refrigerant consumed in offices	0	140.07
<b>Total (tCO<sub>2</sub>e)</b>	<b>0.42</b>	<b>140.68</b>
<b>Scope 2</b>		
Electricity consumed in offices	0	0
Electricity consumed by electric vehicles	0	N/A
<b>Total (tCO<sub>2</sub>e)</b>	<b>0</b>	<b>0</b>
<b>Total Scope 1 and 2</b>	<b>0.42</b>	<b>140.68</b>

## 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 154,603,024 with each ordinary share carrying the right to one vote. The total number of voting rights in the Bank is 149,603,024 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.

## 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.

## ENGAGING OUR COLLEAGUES

Details of how BACB engages with its employees can be found in the section 172(1) statement on pages 28 and 43 to 46.

## DIRECTORS' CONFLICTS OF INTEREST

The Board and all colleagues are required to notify the Bank as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. Prior to all major Board decisions, the Chairman requires the Directors to confirm that they do not have a potential personal conflict with the matter being discussed. If a conflict does arise, the Director is excluded from discussions and voting, unless the Board unanimously decides otherwise.

## DIRECTORS AND THEIR INTERESTS

A list of the Directors who served during the year is outlined earlier in the Directors' Report while Directors' remuneration is disclosed in Note 32 on page 145. 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 holdings of the total issued share capital of the Bank are listed below:

- LFB (85.95%)
- Banque Extérieure d'Algérie (7.025%)
- Banque Centrale Populaire (7.025%)

During 2025, 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 AGM on 13 May 2025, 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 AGM.

## ANNUAL GENERAL MEETING

The forthcoming AGM will be hosted at BACB's United Kingdom headquarters on 22 May 2026. If a shareholder wishes to discuss any aspect of the Bank's governance arrangements, please contact the Company Secretary, Akbar Hussain.

Telephone: [+44 \(0\)20 4532 5000](tel:+442045325000)

Email: [bacbcosec@bacb.co.uk](mailto:bacbcosec@bacb.co.uk)

By Order of the Board

## AKBAR HUSSAIN

*Company Secretary*

*16 March 2026*



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 2025 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, 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 at 31 December 2025 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 Financial Reporting Council's ('FRC') 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;
- Challenging the appropriateness of the directors' key assumptions in their forecasts by reviewing supporting and contradictory evidence;
- Evaluating the directors' assessment of the Bank's ability to continue as a going concern, including consideration of the specific risks identified by management. This includes assessing the adequacy of the Bank's capital and liquidity positions with reference to the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP'), and

determining whether these supported the directors' conclusion regarding the appropriateness of the going concern basis of accounting;

- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance;
- 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;
- Inspecting correspondences with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') and holding bilateral discussions with the PRA; and
- Evaluating the adequacy and appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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

### Expected Credit Loss ('ECL') on loans and advances including off-balance sheet exposures

Refer to material accounting policy information (Note 3 (k)) and to Notes 4 and 13 of the financial statements.

As at 31 December 2025, the Bank recognises an expected credit loss ('ECL') allowance of £5.1 million (2024: £8.7 million) in the statement of financial position.

The Bank has a range of credit exposures including a trade finance portfolio with counterparties predominantly from North Africa and the Middle East, 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. 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, the calculation of the ECL estimate is modelled in accordance with the Bank's methodology.

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 calibration of the probability of defaults ('PD');
- The determination of the loss given defaults ('LGD');
- Determination of the macroeconomic scenarios and the associated probability

### 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;
- Assessing the ECL methodology applied by the Bank and assessing its compliance with the requirements of IFRS 9;
- Assessing the methodology of the stage 3 ECL for compliance with the requirements of IFRS 9;
- Performing independent credit review testing for a sample of credit files and challenging management on the application of the SICR criteria for a sample of counterparties to identify indicators of deterioration in credit quality and assessing 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 ECL model using our understanding of the Bank, current and past performance of its portfolio and our knowledge of the industry in respect of similar loans; and
  - Performing an independent recalculation of the ECL model using the rules defined in the Bank's methodology;
- With the assistance of our in-house economist experts, assessing and challenging the reasonableness of economic scenarios and the associated probability weightings applied in the ECL model;
- With the assistance of our in-house property valuation experts, assessing the reasonableness of the real estate collateral

weightings using forward looking information; and

- Staging of loans and the identification of significant increase in credit risk ('SICR').

For credit exposures classified as stage 3, management assesses ECL at an individual loan level, estimating the present value of expected future cash flows using the original effective interest of 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.

valuations used by the management on a sample basis;

- Agreeing key data elements to supporting documentation, including collateral valuation reports and PDs;
- Independently recalculating the ECL for all material stage 3 loans and challenging management's key assumptions, including the appropriateness and reasonableness of the forward-looking information; and
- Evaluating whether the disclosures appropriately reflect and address the uncertainty which exists when determining ECL, including sensitivity analysis and key judgements.

#### OUR OBSERVATIONS

We concluded that the allowance for credit losses recognised as at 31 December 2025 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

**£1,582,000 (2024: £1,677,000)**

#### How we determined it

5% of Profit before income tax (PBT) (2024: 5% of PBT).

#### Rationale for benchmark applied

We set materiality using a benchmark of PBT. PBT is a primary measure used by the shareholders 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.

### 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 £1,028,000 (2024: £1,006,000), which represents 65% (2024: 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 £47,000 (2024: £50,000) 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, their 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's 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 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## 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 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 the directors, 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;
- Inspecting correspondences with the PRA and FCA and holding bilateral discussions with the PRA;
- Inspecting minutes of meetings of directors held during the year and up until the date of the approval of the financial statements;
- Attending Board Audit Committee meetings held during the year and up until the date of approval of the financial statements and inspecting minutes of those meetings; 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 UK tax legislation, UK pension legislation, and the Companies Act 2006.

In addition, we evaluated the director's 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 ECL and to revenue recognition – effective interest rate (which we pinpointed to the occurrence and completeness assertions).

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;
- Discussing amongst the engagement team the risks of fraud;

- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

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 FRC’s Website at [www.frc.org.uk/auditorsresponsibilities](http://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 Board Audit Committee and the proposal by the Board of Directors, we were appointed by the shareholders of the Bank at its annual general meeting on 13 May 2025, to audit the financial statements for the year ending 31 December 2025. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2021 to 31 December 2025.

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 Board Audit Committee.

## USE OF THE AUDIT REPORT

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

## MAXIMILIANO BARK

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

Chartered Accountants and Statutory Auditor  
30 Old Bailey, London, EC4M 7AU

16 March 2026



**STATEMENT OF**

COMPREHENSIVE INCOME

FINANCIAL POSITION

CHANGES IN EQUITY

CASH FLOW

**AND NOTES  
TO THE FINANCIAL  
STATEMENTS**

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Interest income and similar charges calculated under effective interest method	8	130,031	144,622
Interest income and similar charges calculated using other method	8	34,805	38,274
Less: Interest expense and similar expenses calculated under effective interest method	8	(101,087)	(112,061)
Less: Interest expense and similar expenses calculated using other method	8	(325)	(192)
<b>Net interest income</b>		<b>63,424</b>	<b>70,643</b>
Fee and commission income	9	25,974	26,821
Less: Fee and commission expense	9	(7,360)	(6,431)
<b>Net fee and commission income</b>		<b>18,614</b>	<b>20,390</b>
Net trading and other income	10	9,424	6,549
Other operating income	11	1,301	1,068
<b>Operating income before allowance for credit losses</b>		<b>92,763</b>	<b>98,650</b>
Allowance for credit losses	13	(2,313)	(3,992)
Reversal of allowances booked in previous periods	13	5,554	5,633
<b>Net reversals for credit losses</b>		<b>3,241</b>	<b>1,641</b>
<b>Net operating income</b>		<b>96,004</b>	<b>100,291</b>
Administrative expenses	14	(64,363)	(62,082)
<b>Profit before income tax</b>		<b>31,641</b>	<b>38,209</b>
Income tax charge	15	(7,514)	(9,454)
<b>Profit for the year</b>		<b>24,127</b>	<b>28,755</b>
<b>Other comprehensive income / (expense):</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit liability	26	(219)	(1,558)
Revaluation (loss) / gain on equity investments designated at fair value through other comprehensive income	17	(244)	61
Disposal of equity investment designated at fair value through other comprehensive income	17	-	(161)
Revaluation gain on property, plant & equipment	23	871	778
Related Tax	15	1,379	(420)
		<b>1,787</b>	<b>(1,300)</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Change in fair value for debt securities designated at fair value through other comprehensive income		786	2,662
Credit loss on debt securities designated at fair value through other comprehensive income transferred to profit and loss		(128)	(18)
Fair value gains attributable to debt securities designated at fair value through other comprehensive income transferred to income upon derecognition		775	508
Related Tax	15	(391)	(793)
		<b>1,042</b>	<b>2,359</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>2,829</b>	<b>1,059</b>
<b>Total comprehensive income for the year</b>		<b>26,956</b>	<b>29,814</b>

The Notes on pages 67 to 146 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 £'000	2024 £'000
<b>Assets</b>			
Cash, notes and coins		-	1
Derivatives	16	2,008	1,770
Reverse repurchase agreements		25,147	210,601
Financial investments	17	1,317,406	1,427,440
Loans and advances to banks	18	1,570,302	1,271,347
Prepayments, accrued income and other debtors	19	14,721	8,497
Loans and advances to customers	20	353,562	387,260
Property, plant and equipment	23	30,946	31,014
Intangible assets	23	2,305	2,937
Net pension asset	26	2,353	2,599
<b>Total assets</b>		<b>3,318,750</b>	<b>3,343,466</b>
<b>Liabilities</b>			
Derivatives	16	728	1,056
Deposits from banks	24	2,110,653	2,218,623
Other deposits	24	828,120	758,949
Other liabilities, accruals and deferred income	25	29,930	29,369
Corporation tax payable		327	810
Deferred tax liabilities	22	1,646	2,821
Subordinated liabilities	27	69,006	74,226
<b>Total liabilities</b>		<b>3,040,410</b>	<b>3,085,854</b>
Called up share capital	28	108,069	107,097
Capital redemption reserve	29	4,104	4,104
Other reserves	29	166,167	146,411
<b>Capital and reserves attributable to the Bank's equity holders</b>	29	<b>278,340</b>	<b>257,612</b>
<b>Total liabilities and equity</b>		<b>3,318,750</b>	<b>3,343,466</b>

The Notes on pages 67 to 146 form part of these financial statements.

Signed:

**Dr Yousef Abdullah Al Awadi KBE**  
Chairman

**Mr Paul Jennings**  
CEO

16 March 2026

## STATEMENT OF CHANGES IN EQUITY

As at 31 December 2025

	Share capital	Capital redemption reserve	Other reserves			Total	Total equity
			Retained earnings	Revaluation reserve	Fair Value reserve		
			£'000	£'000	£'000		
<b>Balance at 1 January 2024</b>	<b>106,377</b>	<b>4,104</b>	<b>121,819</b>	<b>3,368</b>	<b>(3,090)</b>	<b>122,097</b>	<b>232,578</b>
Profit for the year	-	-	28,755	-	-	28,755	28,755
Other comprehensive (expense) / income	-	-	(1,883)	583	2,359	1,059	1,059
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>26,872</b>	<b>583</b>	<b>2,359</b>	<b>29,814</b>	<b>29,814</b>
Issue of Share Capital	720	-	-	-	-	-	720
Dividend paid	-	-	(5,500)	-	-	(5,500)	(5,500)
<b>Balance at 31 December 2024</b>	<b>107,097</b>	<b>4,104</b>	<b>143,191</b>	<b>3,951</b>	<b>(731)</b>	<b>146,411</b>	<b>257,612</b>
<b>Balance at 1 January 2025</b>	<b>107,097</b>	<b>4,104</b>	<b>143,191</b>	<b>3,951</b>	<b>(731)</b>	<b>146,411</b>	<b>257,612</b>
Profit for the year	-	-	24,127	-	-	24,127	24,127
Other comprehensive (expense) / income	-	-	(402)	2,189	1,042	2,829	2,829
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>23,725</b>	<b>2,189</b>	<b>1,042</b>	<b>26,956</b>	<b>26,956</b>
Issue of Share Capital	972	-	-	-	-	-	972
Dividend paid	-	-	(7,200)	-	-	(7,200)	(7,200)
<b>Balance at 31 December 2025</b>	<b>108,069</b>	<b>4,104</b>	<b>159,716</b>	<b>6,140</b>	<b>311</b>	<b>166,167</b>	<b>278,340</b>

The Notes on pages 67 to 146 form part of these financial statements.

## STATEMENT OF CASH FLOWS

As at 31 December 2025

	Note	2025 £'000	2024 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation		31,641	38,209
Adjustments for:			
Allowance for credit losses	13	2,313	3,992
Recoveries of allowance for credit losses	13	(5,554)	(5,633)
Depreciation and amortisation	14,23	3,229	3,214
(Loss)/gain on sale or impairment of property, plant and equipment	14	(6)	3
Non cash items included in net profit		(1,275)	(226)
<b>Non-cash items included in net profit</b>		<b>(1,293)</b>	<b>1,350</b>
Loans, advances inc. accrued interest other than cash or cash equivalents		(221,607)	(243,014)
Debt securities other than cash equivalents		250,302	164,699
Derivatives		(571)	(1,109)
Other debtors and prepayments		(7,064)	387
<b>Change in operating assets</b>		<b>21,060</b>	<b>(79,037)</b>
Customer accounts and deposits by banks		78,001	277,676
Other liabilities		2,884	(2,695)
<b>Change in operating liabilities</b>		<b>80,885</b>	<b>274,981</b>
Income tax paid		(8,155)	(7,867)
<b>Net cash generated from operating activities</b>		<b>124,138</b>	<b>227,636</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	23	(409)	(1,590)
Proceeds on sale of equity investments		-	1,162
Purchase of intangible assets	23	(1,128)	(392)
<b>Net cash generated from/(used in) investing activities</b>		<b>(1,537)</b>	<b>(820)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(6,228)	(4,780)
Principal lease payments	21	(249)	(83)
Subordinated debt issued	27	-	28,185
Subordinated debt redeemed	27	-	(28,185)
<b>Net cash used in financing activities</b>		<b>(6,477)</b>	<b>(4,863)</b>

## STATEMENT OF CASH FLOWS - CONTINUED

As at 31 December 2025

Note	2025 £'000	2024 £'000
<b>Net increase in cash and cash equivalents</b>	<b>116,124</b>	<b>221,953</b>
Cash and cash equivalents at the beginning of the year	604,467	372,940
Effect of exchange rate change on cash and cash equivalents	(2,014)	9,574
<b>Cash and cash equivalents at the end of the year</b>	<b>718,577</b>	<b>604,467</b>
<b>Cash and cash equivalents comprise:</b>		
Cash, notes and coin	-	1
Loans and advances to banks of original maturity three months or less	409,309	488,558
Debt securities of three months original maturity or less	309,268	115,908
<b>Cash and cash equivalents</b>	<b>718,577</b>	<b>604,467</b>

Interest received was £166.2 million (2024: £177.2 million) and interest paid was £ 101.4 million (2024: £111.0 million).

The Notes on pages 67 to 146 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 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 PRA and regulated by both the FCA and the PRA.

The financial statements were authorised for issue by the Board of Directors on 16 March 2026.

### 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 at least 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 2025, 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 exchange 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,
- market and competitive pressures impacting the UK real estate market, and

- climate change risks impacting 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 ("RWA"). Under this range of scenarios, the results of these stress tests demonstrate that the Bank has sufficient capital 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 portion of its funding from its parent LFB and the Central Bank of Libya ("CBL") to sustain its business model. This dependency continues to be partially mitigated through the growth of retail deposits following their introduction in late 2024 as well as 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. The Directors remain confident that the Bank has sufficient funding and liquidity to meet its ongoing obligations and continue to meet regulatory requirements for the next twelve months.

Given the Bank's core markets, geopolitical risk is inherent in its business model. BACB has taken steps to ensure it has a risk management infrastructure and culture to allow it to identify, manage, and monitor risks associated with the ongoing volatility seen across our markets. Throughout 2025, despite episodes of severe geopolitical stress, BACB has demonstrated the ability to continue to operate on a BAU basis with limited disruption to its business lines and from a credit risk perspective.

Whilst BACB's business model which is focussed on the provision of Trade Finance services in frontier and emerging markets is perceived as carrying a higher inherent risk of financial crime 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 and mitigants are in place and constantly being reassessed and enhanced, under the oversight of both the Executive Risk Group ("ERG") and the BRC.

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 at least 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 ("FVTPL"), financial instruments held at FVOCI 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) Developments in Accounting Standards

As at 31 December 2025, the Bank has not yet early adopted the following new or amended IFRS standards and interpretations that have been issued but are not yet effective:

- IFRS 18 (New) - Effective from annual periods commencing on or after 1 January 2027. The impact is currently being assessed.
- 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.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Effective from annual periods commencing on or after 1 January 2026. The Bank is assessing the impact on its loan book and investment portfolio, particularly regarding the solely payment of principal and interest ("SPPI") test refinements and ESG-linked exposures but does not expect any material impact.

### 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 (“SOCI”) using the effective interest rate (“EIR”) of the financial assets or financial liabilities to which they relate.

The EIR 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 EIR 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 EIR includes transaction costs and fees (for example, loan origination fees) paid or received that are an integral part of the EIR. 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 bid bond, performance bond, 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 presentation 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 (“SOF”) date. Any resulting exchange differences are included in the SOCI within net trading

income or, for non-monetary FVOCI assets, in other comprehensive income (“OCI”) 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.

The Bank assesses whether a foreign currency is exchangeable into sterling at the measurement date. Where exchangeability is lacking, the Bank uses an estimated spot exchange rate that reflects the rate at which the transaction could have been settled at that date. Significant judgements and estimation methods applied in determining whether a currency is exchangeable and in estimating the spot rate are disclosed in Note 5.

#### d) Net trading income

Net trading income comprises gains, less losses related to financial assets and liabilities classified at FVTPL and includes all realised and unrealised fair value changes. Interest income earned from financial assets classified at FVTPL 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 FVTPL 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 SOCI except to the extent that it relates to items recognised in OCI, 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 SOFP 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 SOFP 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 contributions 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 OCI and, subsequently, in the SOCI when the related investment is realised.

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

## f) Derivatives

The Bank enters into derivative financial instruments including foreign exchange forward contracts, foreign exchange swap contracts, foreign exchange options and interest rate futures for trading and risk management purposes.

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value at each reporting date.

The Bank does not apply hedge accounting; all derivatives are classified as held for trading and measured at FVTPL. Changes in fair value are recognised immediately in profit or loss within net trading income.

Fair value measurements of derivative instruments incorporate X-Valuation Adjustments (“XVA”) in accordance with IFRS 13. These include:

- Credit Valuation Adjustment (“CVA”) – an adjustment to reflect the credit risk of counterparties in the Bank’s derivative and securities financing portfolios, based on expected exposure, default probabilities and recovery rates.
- Debt Valuation Adjustment (“DVA”) – an adjustment to reflect the Bank’s own credit risk in the valuation of derivative liabilities, measured consistently with CVA.
- Funding Valuation Adjustment (“FVA”) – an adjustment to reflect the cost or benefit of funding uncollateralised derivative positions.

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: FVTPL, 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 SPPI 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 SPPI on the principal outstanding.

The Bank has taken the irrevocable election to classify equity investments at FVOCI. 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	
<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	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.
<b>Debt investments at FVOCI</b>	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.
<b>Equity investments at FVOCI</b>	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, 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 ("NAV") 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.
- 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 SPPI, 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 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 SOFP 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 2025 or 2024.

#### 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 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 a 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 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 PD. To ensure that credit grades are at all times a reasonable representation of the PD 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 PD 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 PD with the LGD with the expected exposure at 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 credit-impaired 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 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 PD models and macroeconomic 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 macroeconomic 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 macroeconomic 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 macroeconomic factor weightings are formally evaluated for relevance periodically.

The Bank assesses probabilities based on the most likely outcome, referred to as the ‘Base scenario’, and three less likely scenarios, referred to as ‘optimistic’, ‘downturn’ and ‘severe downside’ scenarios. The weightings are applied to the resulting ECL calculations for each of the scenarios and for December 2025. The weightings remain unchanged from December 2024, and are as follows:

	Base	Optimistic	Downturn	Severe Downturn
<b>Default/Scenario probability weightings</b>	50%	30%	10%	10%

PD for determining the ECL, follow advised standards for calculation using specific metrics such as GDP, unemployment, interest rates, house prices and equity prices that are globally consistent. These metrics are sourced by BACB from independent external providers who have the empirical historical data to provide such forecasts and the probability weightings in the table above for each of the scenarios, given the specific markets and geographical locations in which the Bank operates.

The key assumptions for macroeconomic variables utilised by the Bank for its two main business lines are explained below and presented in the following table.

Annual assumptions for growth in GDP, house prices, gross fixed capital formation, oil and food prices are presented as the growth in the respective indices over each year. Unemployment rate and sterling overnight index average (“SONIA”) rate are averages over the year. The assumptions are presented on a probability weighted basis per the scenario weightings provided above.

The five-year average reflects the annual growth rate, or level, over the five-year period. It includes movements within the current reporting year, such that the position as at 31 December 2025 covers the five years 2025 to 2029. The inclusion of the reporting year within the five-year period reflects that the actual macroeconomic variables at 31 December 2025 are not yet publicly available.

At 31 December 2025	2025	2026	2027	2028	2029	2025 to 2029 average
Probability-weighted assumptions	%	%	%	%	%	%
<b>Real Estate indicators</b>						
Unemployment Rate	4.7	5.1	4.9	4.8	4.7	4.8
House price growth	2.2	1.0	2.7	4.1	5.3	3.1
Gross Fixed Capital Formation growth	2.3	1.9	2.3	2.0	1.9	2.1
Sterling Overnight Index Average	4.3	3.7	3.2	2.9	2.5	3.3
<b>Trade Finance indicators*</b>						
European Brent Oil price growth	(13.2)	(10.6)	(4.5)	4.7	3.2	(4.1)
World commodity Food price growth	(7.1)	1.9	3.5	3.9	2.2	0.9
Gross domestic product growth - Libya	16.7	6.0	6.7	3.9	3.8	7.4
Gross domestic product growth - Turkey	4.2	2.2	2.6	2.4	2.2	2.7
Gross domestic product growth - Guinea	7.2	7.4	7.4	6.8	5.6	6.9

\*For GDP the Bank has provided the economic forecasts for the three most significant Trade Finance regions in terms of exposures as at 31 December 2025. In total 17 countries and, or regions across Europe, the Middle East and Africa are assessed using individual economic data for GDP.

A LGD 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. 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 considered), 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 ERG oversees and reviews management's assessment regarding the origination, measurement, and release of the ECL overlay. In early 2025, 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. Following the updates in 2025 macroeconomic forecast data, management considers that the current regional data reflects the downturn due to Middle East conflicts and hence decided to remove the overlay to the ECL applied in 2023 and 2024 to factor the uncertainty caused by amongst other factors geopolitical tensions following the Israel-Gaza conflict.

Macroeconomic forecast data for the fourth quarter of 2025 has however, forecast significant volatility in oil prices for the first half of 2026. When considering specific oil importing regions where falling oil prices have a favourable impact to forecasted probability of defaults management found this to be inconsistent with falling forecasted GDP for the same regions. Actual oil prices for the beginning of 2026 have not followed the same significant decreases as forecast in the economic data and therefore management have decided to implement an overlay on specific Trade Finance regions to limit the impact of the oil price decrease on forward-looking probabilities of defaults. The overlay for the regions where oil has a material weighting is calculated on the basis of applying 100% weighting to GDP forecast.

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 EIR 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 SOFP**

Loss allowances for ECL are presented in the SOFP 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 SOFP 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 SOCI.

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 SOFP. 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:

<b>Long leasehold premises and improvements</b>	
Leasehold improvements	10 years
Leasehold premises	50 years
<b>Other assets</b>	
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 ("ROU") 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 2025. 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 2025 the remaining useful life of Mansion House Place is 24 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 SOCI during the financial year in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each SOFP 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 SOCI.

#### 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 seven years, Enterprise Architecture Licenses over 10 years, and all other computer software is amortised over either three or five years, or the remaining term of the software license, from the date on which it is available for use.

The Bank is following the IFRS Interpretations Committee ("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 SOCI.

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 other equipment.

The Bank recognises a 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 EIR 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 SOCI 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 SOFP.

The Bank has elected not to recognise ROU 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 include notes and cash on hand, these are initially measured at fair value and subsequently carried at amortised cost in the SOFP.

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.

The Bank has elected to classify cash flows from interest paid, interest received and dividends received as operating activities, and cash flows from dividends paid as financing activities.

#### 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. In determining whether it is likely that significant liability will arise from legal claims, management take appropriate legal advice.

#### 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 employees. 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 SOFP 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 SOFP 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 OCI. 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 AGM 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 enhancement of its risk management processes to ensure the range of risks the Bank is exposed to are well articulated and evidenced to support risk informed decision making and areas of Executive and Board focus.

BACB operates a three lines of defence model as summarised below:

- 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 RMF.
- 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.
- 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 credit and country risk management is aligned and addressed in a coordinated manner. The Bank's appetite for credit and country risks is set in response to its business strategy, 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, money market and lending 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.
- 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 CRO and wider risk leadership team are responsible for:

- development and oversight of 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.
- monitoring and managing the Bank's impaired exposures and making recommendations jointly with the CFO 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. To mitigate its credit and country risks, the Bank employs a number of risk mitigating actions:

- a framework of concentration limits and guidelines which moderate 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 not enter into 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 Organisation for Economic Co-Operation Development (“OECD”) governments and multilateral development bank which qualify as HQLA under the PRA’s Liquidity Coverage Ratio regime.
- 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 Federal Reserve, continued growth scarring from the pandemic, and more recently the impacts of the domestic conflicts and uncertainty around the US trade policies. The Bank continuously re-assesses appetite in line with 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.
- 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:

	2025 £'000	2024 £'000
Cash, notes and coins	-	1
Financial investments: debt securities (Note 17)	1,314,051	1,423,841
Reverse repurchase agreements	25,147	210,601
Loans and advances to banks (Note 18)	1,570,302	1,271,347
Loans and advances to customers (Note 20)	353,562	387,260
Derivatives (Note 16)	2,008	1,770
<b>Total on balance sheet</b>	<b>3,265,070</b>	<b>3,294,820</b>
Financial guarantees (Note 30)	145,210	92,223
Other commitments (Note 30)	592,940	568,973
Less: off balance sheet exposures impaired by provision on balance sheet (Note 25)	(2,182)	(1,398)
<b>Total off balance sheet</b>	<b>735,968</b>	<b>659,798</b>
<b>Total</b>	<b>4,001,038</b>	<b>3,954,618</b>

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

Type of credit exposure	Percentage of exposure that is subject to collateral		Principal types of collateral held
	2025 £000	2024 £'000	
<b>On-balance sheet:</b>			
<b>Financial Investments</b>	6.2%	2.9%	Cash and guarantees
<b>Reverse repurchase agreements</b>	100.0%	99.3%	Debt securities
<b>Loans and advances to banks</b>			
Funds held at correspondent banks	0.2%	0.0%	Cash and guarantees
Term lending	20.4%	25.4%	Cash and guarantees
Bills discounted	24.0%	28.1%	Cash and guarantees
Overdrafts and other advances	0.0%	0.0%	Cash and guarantees
<b>Loans and advances to customers</b>			
Term Lending	0.0%	8.4%	
Real Estate	100.0%	100.0%	Residential/Commercial property
<b>Off-balance sheet:</b>			
Credit lines and other commitments	28.3%	39.0%	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 SOFP 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 2025	Maximum exposure £'000	Cash collateral * £'000	Property collateral £'000	Debt securities £'000	Guarantees £'000	Net exposure to credit risk £'000
<b>On-balance sheet:</b>						
Financial investments: debt securities (Note 17)	1,314,051	-	-	-	(81,174)	1,232,877
Reverse repurchase agreements	25,147	-	-	(25,147)	-	-
<b>Loans and advances to banks</b>						
Funds held at correspondent banks	7,211	(15)	-	-	-	7,196
Professional market placements	359,071	-	-	-	-	359,071
Term lending	456,250	(5)	-	-	(93,284)	362,961
Bills discounted	745,030	(43,252)	-	-	(135,701)	566,077
Overdrafts and other advances	3,817	-	-	-	-	3,817
Less: Provisions for impairments (Note 18)	(1,077)	-	-	-	-	(1,077)
<b>Loans and advances to customers</b>						
Term Lending	20,917	-	-	-	-	20,917
Real Estate	332,396	-	(332,396)	-	-	-
Overdrafts and other advances	2,074	-	-	-	-	2,074
Less: Provisions for impairments (Note 20)	(1,825)	-	-	-	-	(1,825)
Derivatives	2,008	-	-	-	-	2,008
<b>Total on balance sheet</b>	<b>3,265,070</b>	<b>(43,272)</b>	<b>(332,396)</b>	<b>(25,147)</b>	<b>(310,159)</b>	<b>2,554,096</b>
<b>Off-balance sheet:</b>						
Credit lines and other commitments	735,968	(193,424)	-	-	(14,844)	527,700
<b>Total off balance sheet</b>	<b>735,968</b>	<b>(193,424)</b>	<b>-</b>	<b>-</b>	<b>(14,844)</b>	<b>527,700</b>
<b>Total</b>	<b>4,001,038</b>	<b>(236,696)</b>	<b>(332,396)</b>	<b>(25,147)</b>	<b>(325,003)</b>	<b>3,081,796</b>

31 December 2024	Maximum exposure £'000	Cash collateral * £'000	Property collateral £'000	Debt securities £'000	Guarantees £'000	Net exposure to credit risk £'000
<b>On-balance sheet:</b>						
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
<b>Loans and advances to banks</b>						
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)
<b>Loans and advances to customers</b>						
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
<b>Total on balance sheet</b>	<b>3,294,820</b>	<b>(35,840)</b>	<b>(364,728)</b>	<b>(209,068)</b>	<b>(276,276)</b>	<b>2,408,908</b>
<b>Off-balance sheet:</b>						
Credit lines and other commitments	659,798	(225,528)	-	-	(32,127)	402,143
<b>Total off balance sheet</b>	<b>659,798</b>	<b>(225,528)</b>	<b>-</b>	<b>-</b>	<b>(32,127)</b>	<b>402,143</b>
<b>Total</b>	<b>3,954,618</b>	<b>(261,368)</b>	<b>(364,728)</b>	<b>(209,068)</b>	<b>(308,403)</b>	<b>2,811,051</b>

\* 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. LFB placed £185.8 million (\$250 million) (2024: £196.2 million (\$250 million)) as collateral for the obligations of itself, affiliated entities and a number of other Libyan counterparties. As at 31 December 2025, £113.8 million (\$153.1 million) was utilised (2024: £137.3 million (\$172.0 million)). 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.

	2025 £'000	2024 £'000
<b>LTV ratio</b>		
Less than 55%	118,954	167,912
55 - 65%	134,961	86,002
66 - 75%	57,376	81,097
76 - 85%	21,104	6,883
86 - 95%	-	23,834
<b>Total</b>	<b>332,395</b>	<b>365,728</b>

By industry, concentrations of credit risk were as follows:

	2025 £'000	2024 £'000
<b>Financial institutions (including central banks)</b>		
Banks	2,276,212	2,098,055
Multilateral development banks	585,481	543,505
Other financial intermediaries	24,261	11,431
	<b>2,885,954</b>	<b>2,652,991</b>
<b>Corporates</b>		
Commodities	17,347	14,241
Energy	103,313	144,451
Transport and storage	-	48,808
Real estate	352,558	307,248
Other	32,587	36,738
	<b>505,805</b>	<b>551,486</b>
<b>Public administration</b>	<b>608,956</b>	<b>746,191</b>
Others	5,407	12,650
Impairments	<b>(5,084)</b>	<b>(8,700)</b>
<b>Maximum exposure to credit risk</b>	<b>4,001,038</b>	<b>3,954,618</b>

### Credit grading

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

A credit grade is a numerical measure of the PD, which is the likelihood that a customer will default within the next 12 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 ("WL") 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.

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.
- external credit ratings or benchmark credit grades for peer companies.

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

Substandard category	Credit Grade	Definition
<b>WL 1</b>	Applies to all grades	A temporary/cautionary classification for clients who exhibit some unsatisfactory features, however viability is considered 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.
<b>WL 2A</b>	18	Some concerns over recoverability exists. This also captures any accounts that have been on the WL 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.
<b>WL 2B</b>	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.
<b>Default-WL 3</b>	20	There has been an actual event of default.

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

#### Master Rating Scale - 2025

Category	Grade	Probability of Default*	External benchmarks					
			S&P		Moody's		Fitch	
			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-C	Ca-C	DDD-D	DDD-D

## Master Rating Scale - 2024

Category	Grade	Probability of Default*	External benchmarks					
			S&P		Moody's		Fitch	
			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

Credit risks assessed in accordance with this methodology are shown below. Assets measured at amortised cost and debt securities measured at FVOCI:

31 December 2025 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)	126,730	1,939,933	2,066,663	-	2,066,663
Grades 11 - 17 (Non-Investment Grade)	357,004	1,207,828	1,564,832	(27,502)	1,537,330
Grades 18 - 19 (Watchlist + Substandard)	252,976	71,110	324,086	(209,194)	114,892
Grade 20 (Default)	1,440	49,098	50,538	-	50,538
	<u>738,150</u>	<u>3,267,969</u>	<u>4,006,119</u>	<u>(236,696)</u>	<u>3,769,423</u>
Loss allowance	(2,182)	(2,899)	(5,081)	-	(5,081)
Carrying amount	<u>735,968</u>	<u>3,265,070</u>	<u>4,001,038</u>	<u>(236,696)</u>	<u>3,764,342</u>

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
	<u>661,196</u>	<u>3,302,122</u>	<u>3,963,318</u>	<u>(261,521)</u>	<u>3,701,797</u>
Loss allowance	(1,398)	(7,302)	(8,700)	-	(8,700)
Carrying amount	<u>659,798</u>	<u>3,294,820</u>	<u>3,954,618</u>	<u>(261,521)</u>	<u>3,693,097</u>

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 £25.1 million as at 31 December 2025 (2024: £210.6 million).

Equity investments classified at FVOCI, not included in the analysis above, amount to £3.4 million as at 31 December 2025 (2024: £3.6 million).

## 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 2025

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
<b>Gross exposure</b>				
Grades 1- 10 (Investment Grade)	511,090	-	-	511,090
Grades 11 - 17 (Non-Investment Grade)	1,016,025	-	-	1,016,025
Grades 18 - 19 (Watchlist + Substandard)	29,108	15,156	-	44,264
	<b>1,556,223</b>	<b>15,156</b>	-	<b>1,571,379</b>
Loss allowance	(1,016)	(61)	-	(1,077)
Carrying amount	<b>1,555,207</b>	<b>15,095</b>	-	<b>1,570,302</b>

### Loans and advances to banks - 31 December 2024

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
<b>Gross exposure</b>				
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
	<b>1,270,760</b>	<b>4,264</b>	-	<b>1,275,024</b>
Loss allowance	(3,505)	(172)	-	(3,677)
Carrying amount	<b>1,267,255</b>	<b>4,092</b>	-	<b>1,271,347</b>

### Loans and advances to customers - 31 December 2025

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
<b>Gross exposure</b>				
Grades 1- 10 (Investment Grade)	87,671	-	-	87,671
Grades 11 - 17 (Non-Investment Grade)	182,574	9,232	-	191,806
Grades 18 - 19 (Watchlist + Substandard)	8	26,804	-	26,812
Grade 20 (Default)	-	-	49,098	49,098
	<b>270,253</b>	<b>36,036</b>	<b>49,098</b>	<b>355,387</b>
Loss allowance	(266)	(628)	(931)	(1,825)
Carrying amount	<b>269,987</b>	<b>35,408</b>	<b>48,167</b>	<b>353,562</b>

Loans and advances to customers - 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
<b>Gross exposure</b>				
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
	<b>273,045</b>	<b>50,642</b>	<b>67,198</b>	<b>390,885</b>
Loss allowance	(72)	(629)	(2,924)	(3,625)
Carrying amount	<b>272,973</b>	<b>50,013</b>	<b>64,274</b>	<b>387,260</b>

Off balance sheet - 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
<b>Gross exposure</b>				
Grades 1- 10 (Investment Grade)	126,731	-	-	126,731
Grades 11 - 17 (Non-Investment Grade)	354,234	571	-	354,805
Grades 18 - 19 (Watchlist + Substandard)	242,590	10,385	-	252,975
Grade 20 (Default)	-	-	1,441	1,441
	<b>723,555</b>	<b>10,956</b>	<b>1,441</b>	<b>735,952</b>
Loss allowance	(530)	(332)	(1,320)	(2,182)
Carrying amount	<b>723,025</b>	<b>10,624</b>	<b>121</b>	<b>733,770</b>

Off balance sheet - 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
<b>Gross exposure</b>				
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
	<b>656,477</b>	<b>896</b>	<b>1,461</b>	<b>658,834</b>
Loss allowance	(132)	(18)	(1,248)	(1,398)
Carrying amount (provision)	<b>656,345</b>	<b>878</b>	<b>213</b>	<b>657,436</b>

The Bank provides facilities to in excess of 320 counterparties encompassing trade finance exposures in over 42 countries and territories (2024: in excess of 320 counterparties encompassing exposures in over 50 countries and territories).

Debt securities which are measured at FVOCI are subject to ECL provisions. As at 31 December 2025, debt securities measured at FVOCI with a fair value of £1,314.1 million (2024: £1,423.8 million) are categorised as Stage 1.

Reverse repos are subject to ECL provisions. As at 31 December 2025, reverse repos amounting to £25.1 million (2024: £210.6 million) are categorised as Stage 1 and are investment grade 6.

Regional concentrations of credit risk arising from the Bank's business were as follows:

	Financial guarantees and other commitments	Cash, loans and advances, debt securities and derivatives	Total
31 December 2025	£'000	£'000	£'000
United Kingdom	66,063	547,017	613,080
Europe excluding UK	99,727	533,983	633,710
Libya	217,727	15,873	233,600
Other Middle East and Africa	316,004	928,492	1,244,496
United States	11,626	270,676	282,302
Other Countries	27,003	971,931	998,934
Provision for credit losses	(2,182)	(2,902)	(5,084)
<b>Maximum exposure to credit risk</b>	<b>735,968</b>	<b>3,265,070</b>	<b>4,001,038</b>

	Financial guarantees and other commitments	Cash, loans and advances, debt securities and derivatives	Total
31 December 2024	£'000	£'000	£'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)
<b>Maximum exposure to credit risk</b>	<b>659,798</b>	<b>3,294,820</b>	<b>3,954,618</b>

## 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 CRO and the Market Risk Director are responsible for:

- development and oversight of the market RMF.
- 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 the limit's framework designed to ensure adherence with the Bank's risk appetite in respect of market risks.
- market risk reporting and performance monitoring.

#### **Risk mitigation:**

The Bank's Treasury function has the primary responsibility for managing the Bank's exposure to market risks on both a day-to-day and strategic basis. The Bank does not budget for proprietary trading exposures to bonds, interest rates or foreign exchange to generate revenues in excess of 10% of the Bank's total budgeted revenues (although it is acknowledged that the cumulative impact of proprietary positions may exceed this threshold, especially if other Bank revenues are depressed) 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 exposures 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 foreign exchange markets. The Bank's overall net open position (on foreign exchange open positions and cash arising on settled trades) at 31 December 2025 was £1.6 million (2024: £1.2 million). Were these currencies to strengthen by 5% against the remaining currencies, then the Bank would gain £28.3 thousand (2024 gain: £27.7 thousand).

Overall net open positions as calculated daily were as follows:

#### **Open Positions**

£'000	2025	2024
Maximum	2,684	3,612
Minimum	311	430
Average	1,403	1,733

The Bank also accepts a degree of structural exchange rate risk in its balance sheet as the majority of its RWA are denominated in US dollars or euros whilst its share capital is denominated in sterling, which is its presentation currency. Further details of the Bank's assets and liabilities by foreign currency are provided in Note 31. With the exception of revenues derived from its real estate portfolio, the Bank earns the majority of its revenues in currencies other than sterling but incurs majority of its operating costs in sterling.

## 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 SOFP are set out below:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2025	£'000	£'000	£'000	£'000	£'000	£'000	
Financial investments	532,059	690,084	58,632	33,277	-	3,354	1,317,406
Reverse repurchase agreements	25,147	-	-	-	-	-	25,147
Loans and advances to banks	639,037	378,140	553,125	-	-	-	1,570,302
Loans and advances to customers	93,028	254,397	5,876	250	-	11	353,562
Derivative assets	841	435	732	-	-	-	2,008
Other assets	14,225	-	-	-	2,898	33,202	50,325
<b>Total assets</b>	<b>1,304,337</b>	<b>1,323,056</b>	<b>618,365</b>	<b>33,527</b>	<b>2,898</b>	<b>36,567</b>	<b>3,318,750</b>
Deposits from banks	1,505,750	432,662	129,512	42,729	-	-	2,110,653
Other deposits	348,715	78,382	70,588	330,435	-	-	828,120
Subordinated liabilities	42,313	26,693	-	-	-	-	69,006
Other liabilities	24,088	-	-	1,646	-	6,169	31,903
Derivative liabilities	728	-	-	-	-	-	728
Shareholders' funds*	-	-	-	-	-	278,340	278,340
<b>Total equity and liabilities</b>	<b>1,921,594</b>	<b>537,737</b>	<b>200,100</b>	<b>374,810</b>	<b>-</b>	<b>284,509</b>	<b>3,318,750</b>
Overall gap	(617,257)	785,319	418,265	(341,283)	2,898	(247,942)	
Reverse Cumulative gap	247,942	865,199	79,880	(338,385)	2,898	(247,942)	

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2024	£'000	£'000	£'000	£'000	£'000	£'000	
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
<b>Total assets</b>	<b>1,165,590</b>	<b>1,182,838</b>	<b>890,616</b>	<b>64,176</b>	<b>2,725</b>	<b>37,521</b>	<b>3,343,466</b>
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
<b>Total equity and liabilities</b>	<b>1,933,841</b>	<b>432,562</b>	<b>457,841</b>	<b>254,065</b>	<b>-</b>	<b>265,157</b>	<b>3,343,466</b>
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)	

\* 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. Limits are placed on the overall amount of calculated PVBP for the trading and banking books. 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 2025, PVBP amounted to £34 thousand (2024: £47 thousand). PVBP (calculated daily) was as follows:

### **PVBP**

£'000	2025	2024
Maximum	50	52
Minimum	26	21
Average	38	37

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 2025, a parallel shock up of 2% in the interest rate would increase net interest income by £6.9 million and a parallel shock down of 2% would have reduction of £6.9 million.

Derivative contracts are used in the banking book to modify market risk exposures in 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 2025 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.

The Bank has concentrated sources of funding. Historically these have been focussed on funding from its immediate parent LFB, its ultimate parent CBL, and a small number of other mostly Libyan depositors. As such, the appetite for funding risk is medium. The Bank remains committed to diversifying its sources of funding through a combination of leveraging funding from UK retail depositors via a deposit aggregator platform (launched in October 2024) and continuing to expand its GTB model which prioritises sourcing of unsecured funding from non-Libyan banks and corporates.

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's Treasury function has the primary responsibility for managing liquidity and funding risks on both a day-to-day and strategic basis.

The Bank monitors a range of liquidity and funding indicators including the LCR (overall and significant currencies), the NSFR, and internal metrics to manage and mitigate liquidity and funding risks. The Bank's risk appetite is to be able to survive a three-month 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. It has been compiled 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.

	Carrying amount	Gross nominal inflow (outflow)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated
At 31 December 2025	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets by type</b>								
Financial investments	1,317,406	1,462,367	329,103	250,640	154,616	679,673	48,335	-
Reverse repurchase agreements	25,147	25,147	25,147	-	-	-	-	-
Loans and advances to banks	1,570,302	1,570,302	627,868	371,495	565,775	5,164	-	-
Loans and advances to customers	353,562	353,562	49,231	61,258	63,385	179,688	-	-
Derivative assets	2,008	2,008	841	435	732	-	-	-
Other assets	50,325	50,325	14,224	-	2	-	2,899	33,200
<b>Total assets</b>	<b>3,318,750</b>	<b>3,463,711</b>	<b>1,046,414</b>	<b>683,828</b>	<b>784,510</b>	<b>864,525</b>	<b>51,234</b>	<b>33,200</b>
<b>Financial liabilities by type</b>								
Deposits from banks	2,110,653	2,183,320	1,318,196	432,134	153,996	278,994	-	-
Other deposits	828,120	965,395	353,341	91,515	154,380	366,159	-	-
Subordinated liabilities	69,006	80,746	396	1,123	2,747	7,474	69,006	-
Derivative liabilities	728	728	728	-	-	-	-	-
Other liabilities	31,903	31,903	23,490	-	-	1,646	-	6,767
Shareholders' funds*	278,340	277,702	-	-	-	-	-	277,702
<b>Total equity and liabilities</b>	<b>3,318,750</b>	<b>3,539,794</b>	<b>1,696,151</b>	<b>524,772</b>	<b>311,123</b>	<b>654,273</b>	<b>69,006</b>	<b>284,469</b>
<b>At 31 December 2024</b>								
	Carrying amount	Gross nominal inflow (outflow)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets by type</b>								
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
<b>Total assets</b>	<b>3,343,466</b>	<b>3,522,019</b>	<b>955,262</b>	<b>470,224</b>	<b>1,058,173</b>	<b>889,704</b>	<b>114,737</b>	<b>33,919</b>
<b>Financial liabilities by type</b>								
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
<b>Total equity and liabilities</b>	<b>3,343,466</b>	<b>3,604,213</b>	<b>1,690,743</b>	<b>426,225</b>	<b>549,265</b>	<b>598,597</b>	<b>74,226</b>	<b>265,157</b>

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

Liquidity and funding risk is assessed annually through the 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 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 are 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 2025, seven loans to customers were defaulted (2024: seven loans to customers).

The key assumptions used by management in determining ECL provisions are 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.

IAS 19 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. IFRIC 14 provides a detailed interpretation of this provision of IAS 19, 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.

### **Recognition and measurement of contingencies**

Provisions for legal claims are recognised when the Bank has a 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 a reliable estimate of the amount can be made. In determining whether it is likely that significant liability will arise from legal claims, management take appropriate legal advice.

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

### **Tax – Pillar Two obligations**

The UK's Pillar Two rules applied from 1 January 2024 and increased the complexity of the Bank's tax compliance obligations. The Bank's parent LFB does not prepare consolidated financial statements, and Libya has not enacted legislation to implement the Pillar Two model rules published by the OECD. The Bank assessed its tax obligations under Inclusive Framework on the Base Erosion and Profit Shifting ("BEPS") Pillar Two rules based on 2024 and 2025 management financial information from LFB in respect of group subsidiaries located in overseas jurisdictions; audited financial statements and final tax computations when available may differ from this estimate.

### **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.

### **Foreign currencies**

The Bank reviewed the foreign currencies in which it transacts to assess whether any lack of exchangeability existed at the reporting date in accordance with the amended IAS 21. While the Bank

has limited exposures to currencies such as the Algerian Dinar (DZD), Moroccan Dirham (MAD) and Libyan Dinar (LYD), the related balances are not material in the context of the financial statements.

Accordingly, the assessment of exchangeability did not result in significant judgements, and no estimation of an alternative spot exchange rate was required. All foreign currency monetary items were translated at observable exchange rates at the reporting date.

### **Property, plant and equipment**

The Bank's property at Mansion House Place is measured at fair value based on regular independent valuation. The fair value is derived from a valuation model that includes significant unobservable inputs and therefore involves judgement. The key assumptions used in determining fair value typically include market-derived yields (including the net equivalent yield), market rent, void/vacancy assumptions and other factors reflecting prevailing market conditions; changes in these assumptions could have a material impact on the valuation. Further details of the valuation methodology, key unobservable inputs and sensitivities are disclosed in Note 7(b).

### **Other**

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

## **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 SOFP by the class of financial instrument to which they are assigned and therefore by the measurement basis.

31 December 2025	Assets and liabilities held at amortised cost £'000	Assets and liabilities held at FVOCI £'000	Assets and liabilities designated at FVTPL £'000	Total £'000
<b>Assets</b>				
Financial investments	-	1,317,406	-	1,317,406
Property, plant and equipment	-	25,100	-	25,100
Reverse Repurchase agreements	25,147	-	-	25,147
Loans and advances to banks	1,570,302	-	-	1,570,302
Loans and advances to customers	353,562	-	-	353,562
Derivatives	-	-	2,008	2,008
<b>Total financial assets</b>	<b>1,949,011</b>	<b>1,342,506</b>	<b>2,008</b>	<b>3,293,525</b>
Total non-financial assets				25,225
<b>Total assets</b>				<b>3,318,750</b>
<b>Liabilities</b>				
Deposits from banks	2,110,653	-	-	2,110,653
Other deposits	828,120	-	-	828,120
Derivatives	-	-	728	728
Subordinated liabilities	69,006	-	-	69,006
<b>Total financial liabilities</b>	<b>3,007,779</b>	<b>-</b>	<b>728</b>	<b>3,008,507</b>
Total equity and non-financial liabilities				310,243
<b>Total equity and liabilities</b>				<b>3,318,750</b>

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
<b>Assets</b>				
<i>Cash, notes and coins</i>	1	-	-	1
<i>Financial investments</i>	-	1,427,440	-	1,427,440
<i>Property, plant and equipment</i>	-	25,100	-	25,100
<i>Reverse Repurchase agreements</i>	210,601	-	-	210,601
<i>Loans and advances to banks</i>	1,271,347	-	-	1,271,347
<i>Loans and advances to customers</i>	387,260	-	-	387,260
<i>Derivatives</i>	-	-	1,770	1,770
<b>Total financial assets</b>	<b>1,869,209</b>	<b>1,452,540</b>	<b>1,770</b>	<b>3,323,519</b>
<i>Total non-financial assets</i>				<b>19,947</b>
<b>Total assets</b>				<b>3,343,466</b>
<b>Liabilities</b>				
<i>Deposits from banks</i>	2,218,623	-	-	2,218,623
<i>Other deposits</i>	758,949	-	-	758,949
<i>Derivatives</i>	-	-	1,056	1,056
<i>Subordinated liabilities</i>	74,226	-	-	74,226
<b>Total financial liabilities</b>	<b>3,051,798</b>	<b>-</b>	<b>1,056</b>	<b>3,052,854</b>
<i>Total equity and non-financial liabilities</i>				<b>290,612</b>
<b>Total equity and liabilities</b>				<b>3,343,466</b>

## 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 a willing buyer and a 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.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value (Note 6) £'000
<b>31 December 2025</b>					
Reverse Repurchase agreements	-	-	25,145	25,145	25,147
Loans and advances to banks	-	-	1,572,602	1,572,602	1,570,302
Loans and advances to customers	-	-	384,456	384,456	353,562
<b>Financial assets held at amortised cost</b>	<b>-</b>	<b>-</b>	<b>1,982,203</b>	<b>1,982,203</b>	<b>1,949,011</b>
Deposits from banks	-	-	2,145,337	2,145,337	2,110,653
Other deposits	-	-	828,355	828,355	828,120
Subordinated liabilities	-	-	92,091	92,091	69,006
<b>Financial liabilities held at amortised cost</b>	<b>-</b>	<b>-</b>	<b>3,065,783</b>	<b>3,065,783</b>	<b>3,007,779</b>

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value (Note 6) £'000
<b>31 December 2024</b>					
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
<b>Financial assets held at amortised cost</b>	<b>-</b>	<b>1</b>	<b>1,868,655</b>	<b>1,868,656</b>	<b>1,869,209</b>
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
<b>Financial liabilities held at amortised cost</b>	<b>-</b>	<b>-</b>	<b>3,072,007</b>	<b>3,072,007</b>	<b>3,051,798</b>

## Loans and advances to banks and customers

Loans and advances to banks and customers 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 at 31 December 2025, 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 2025			31 December 2024		
	Sterling	US Dollars	Euro	Sterling	US Dollars	Euro
Interest rates						
3 month	3.67%	3.59%	1.88%	4.61%	4.29%	2.64%
6 month	3.60%	3.52%	1.88%	4.54%	4.24%	2.37%
1 year	3.49%	3.36%	2.12%	4.43%	4.16%	2.33%
5 year	3.60%	3.36%	2.52%	4.01%	4.00%	2.19%

## 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 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 the Bank's assets and liabilities measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which measurement is categorised.

	Level 1	Level 2	Level 3	Total fair value (Note 6)
31 December 2025	£'000	£'000	£'000	£'000
Financial investments	1,314,051	-	3,355	1,317,406
Property, plant and equipment	-	-	25,200	25,200
Derivative assets	1,330	678	-	2,008
<b>Total assets held at fair value</b>	<b>1,315,381</b>	<b>678</b>	<b>28,555</b>	<b>1,344,614</b>
Derivative liabilities	728	-	-	728
<b>Total liabilities held at fair value</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>728</b>

	Level 1	Level 2	Level 3	Total fair value (Note 6)
31 December 2024	£'000	£'000	£'000	£'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
<b>Total assets held at fair value</b>	<b>1,425,213</b>	<b>398</b>	<b>28,699</b>	<b>1,454,310</b>
Derivative liabilities	1,056	-	-	1,056
<b>Total liabilities held at fair value</b>	<b>1,056</b>	<b>-</b>	<b>-</b>	<b>1,056</b>

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

	2025		2024	
	£'000	£'000	£'000	£'000
	Financial investments	Property, plant and equipment	Financial investments	Property, plant and equipment
<b>Balance at 1 January</b>	3,599	25,100	4,861	23,750
Total Gains or Losses:				
In Profit or loss	-	(856)	-	(792)
In OCI	(244)	871	(100)	778
Additions	-	85	-	1,364
Disposals	-	-	(1,162)	-
<b>Balance at 31 December</b>	<b>3,355</b>	<b>25,200</b>	<b>3,599</b>	<b>25,100</b>

There were no significant transfers of assets between levels during 2025, 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

A Level 3 financial instrument comprises the Bank's investment in an investment fund. These investments are valued using the most recent NAV reported by the fund managers.

The significant unobservable input used in determining the fair value of the Bank's Level 3 investment in an investment fund holding is the manager-reported NAV of each fund. The manager-reported NAV is based on valuations of the underlying investments, which typically incorporate unobservable inputs (for example, valuation multiples, forecast cash flows and discount rates) for unquoted underlying assets. The fair value is also sensitive to the timing of the reported NAV relative to the reporting date.

The fair value is most sensitive to movements in the manager-reported NAV. A reasonably possible increase of 5% in NAV would increase the fair value by approximately £0.2m (2024: £0.2m), with an equal and opposite effect for a 50-basis point decrease, all else being equal.

### Derivative assets and liabilities

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

## Property, plant and equipment

The fair value of Mansion House Place was determined at December 2025 (and December 2024) based on an independent valuation report prepared by an external valuation firm. The valuation uses an income capitalisation approach supported by market evidence.

Key unobservable inputs include market-derived yields (including the net equivalent yield) and assumptions applied in estimating net rental income (for example, market rent, vacancy/voids and incentives).

	2025	2024
Rate of discount	6.44%	6.43%
Fair Value	£25.2m	£25.1m

A reasonably possible increase of 50 basis points in the net equivalent yield would increase the fair value by approximately £2.0m (2024: £2.0m), with an equal and opposite effect for a 50-basis point decrease, all else being equal.

## 8. Net interest income

Interest income is made up as follows:

	2025 £'000	2024 £'000
<b>Interest and similar income</b>		
Loans, advances and overdrafts	88,014	89,026
Debt Securities	23,239	38,044
Professional market placements	18,778	17,552
<b>Interest income calculated under effective interest method</b>	<b>130,031</b>	<b>144,622</b>
Debt Securities	34,800	38,248
Other interest	5	26
	<b>164,836</b>	<b>182,896</b>

Interest expense is made up as follows:

	2025 £'000	2024 £'000
<b>Interest expense and similar charges</b>		
Deposits from banks and other deposits	(95,948)	(106,420)
Subordinated loans	(5,139)	(5,641)
<b>Interest expense calculated under effective interest method</b>	<b>(101,087)</b>	<b>(112,061)</b>
Interest on lease liabilities	(188)	(192)
Other Interest expense	(137)	-
	<b>(101,412)</b>	<b>(112,253)</b>

## 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:

	2025 £'000	2024 £'000
<b>Fee and commission income</b>		
Trade services:		
Documentary credit and trade finance fees	23,121	24,434
Guarantees	1,191	1,135
Banking payments and services	1,480	1,166
Term lending (other than amounts which form part of the effective interest rate)	182	86
	<u>25,974</u>	<u>26,821</u>
<b>Fee and commission expense</b>		
Brokerage and other fees	<u>(7,360)</u>	<u>(6,431)</u>
<b>Net fee and commission</b>	<u>18,614</u>	<u>20,390</u>

The Bank recognises fee and commission income either over time or at a point in time, depending on when the related performance obligation is satisfied, as set out in Note 3 (b). For the year ended 31 December 2025, revenue recognised at a point in time amounted to £3.8 million out of total net fee and commission income of £26.0 million (2024: £5.1million out of £26.8 million), with the remainder recognised over time.

For the year ended 31 December 2025, the Bank's net fee and commission is concentrated in the Middle East and North Africa ("MENA") region (including Libya) at 52% (2024: 62%) and Sub-Saharan Africa at 40% (2024: 30%), reflecting the Bank's strategic focus and customer base.

## 10. Net trading and other income

Net trading and other income are made up as follows:

	2025 £'000	2024 £'000
<b>Net income from other financial instruments mandatorily measured at FVTPL</b>		
Foreign exchange dealing	8,955	7,045
Debt securities	322	309
Derivatives	147	(805)
	<u>9,424</u>	<u>6,549</u>

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:

	2025 £'000	2024 £'000
Realised gains - Debt securities at FVOCI	775	508
Rental income	336	336
Other operating gain	5	-
Net interest income from defined benefit pension scheme	185	224
	<b>1,301</b>	<b>1,068</b>

## 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 2025, the Bank has three active business lines 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 active business lines of each of the Bank's business lines:

- Trade Finance and Cash Management operate under the GTB model, which provides trade finance solutions, correspondent banking services and international payment capabilities.
- 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.

Other business:

- Other: represents items not specifically allocated to the Bank's business lines, principally rental income, returns on investments, and 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 business line is as follows:

	GTB		Treasury	Real Estate	Other	Total
	Cash					
	Trade Finance	Management				
31 December 2025	£'000	£'000	£'000	£'000	£'000	£'000
Net Interest Income	22,685	22,050	10,600	7,307	782	63,424
Net fee and commission income / (expense)	17,722	1,055	(317)	154	-	18,614
Net trading income	-	-	9,424	-	-	9,424
Other operating income	-	-	776	-	525	1,301
<b>Total Operating Income</b>	<b>40,407</b>	<b>23,105</b>	<b>20,483</b>	<b>7,461</b>	<b>1,307</b>	<b>92,763</b>

	GTB		Treasury	Real Estate	Other	Total
	Cash					
	Trade Finance	Management				
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 / (expense)	19,431	1,048	(110)	19	2	20,390
Net trading income	-	-	6,549	-	-	6,549
Other operating income	-	-	508	-	560	1,068
<b>Total Operating Income</b>	<b>40,144</b>	<b>27,949</b>	<b>22,688</b>	<b>7,340</b>	<b>529</b>	<b>98,650</b>

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 the MENA region and this segment overall comprises 48% of the total (2024: 46%).

	2025	2024
	£000	£000
United Kingdom	10,616	11,313
Europe / Americas (excl. UK)	17,286	16,152
MENA (incl Libya)	44,394	45,046
Sub - Saharan Africa	17,828	19,373
Asia and Other	2,639	6,766
	<b>92,763</b>	<b>98,650</b>

### 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 through OCI, and on financial guarantees and other commitments for the year ended 31 December 2025. Loans are assessed at an instrument level, and any changes in an instrument's credit risk profile are represented within net movement in allowances due to maturities and other changes in facilities.

	Loans £'000	Debt Securities £'000	Off-balance sheet positions £'000	Other movements £'000	Total £'000
<b>31 December 2025</b>					
Balance at 1 January	7,302	26	1,398	-	8,726
Changes in Fx and other Parameters	(644)	(1)	(34)	-	(679)
Increase in allowances due to new facilities	1,382	18	818	-	2,218
Administrative expenses associated with impaired loans	-	-	-	95	95
<b>Allowances for credit losses</b>	<b>1,382</b>	<b>18</b>	<b>818</b>	<b>95</b>	<b>2,313</b>
Net movement in allowances due to maturities and other changes in facilities	(3,507)	(18)	-	(136)	(3,661)
Decrease in Stage 3 allowances due to repayment of facilities	(1,631)	-	-	-	(1,631)
Recoveries of interest from impaired loans	-	-	-	(262)	(262)
<b>Reversals of allowances and recoveries of amounts written off in previous periods</b>	<b>(5,138)</b>	<b>(18)</b>	<b>-</b>	<b>(398)</b>	<b>(5,554)</b>
<b>Balance at 31 December</b>	<b>2,902</b>	<b>25</b>	<b>2,182</b>	<b>-</b>	<b>5,109</b>
Credit impaired	931	-	1,320	-	2,251
Not credit impaired	1,971	25	862	-	2,858
<b>Total credit losses allowance against loans, debt securities and off balance positions</b>	<b>2,902</b>	<b>25</b>	<b>2,182</b>	<b>-</b>	<b>5,109</b>

	Loans £'000	Debt Securities £'000	Off-balance sheet positions £'000	Other movements £'000	Total £'000
<b>31 December 2024</b>					
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
<b>Allowances for credit losses</b>	<b>3,722</b>	<b>10</b>	<b>124</b>	<b>136</b>	<b>3,992</b>
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)
<b>Reversals of allowances and recoveries of amounts written off in previous periods</b>	<b>(4,221)</b>	<b>(22)</b>	<b>(1,216)</b>	<b>(174)</b>	<b>(5,633)</b>
ECL allowances relating to loans written off in the current year	(7,382)	-	-	-	(7,382)
<b>Balance at 31 December</b>	<b>7,302</b>	<b>26</b>	<b>1,398</b>	<b>-</b>	<b>8,726</b>
Credit impaired	2,924	-	1,248	-	4,172
Not credit impaired	4,378	26	150	-	4,554
<b>Total credit losses allowance against loans, debt securities and off balance positions</b>	<b>7,302</b>	<b>26</b>	<b>1,398</b>	<b>-</b>	<b>8,726</b>

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 2025, 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 did not have any write-offs in respect of credit-impaired legacy assets (2024: £7.4 million).

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 £2.86 million for 2025 (2024: £4.55 million).

Further information with regards to impaired and other facilities is shown in the table below. There was a total of nine impaired facilities at 31 December 2025 (2024: seven facilities), with no new impairment allowances recognised for any of the four new facilities impaired during the year (2024: two facilities). Of the four new facilities impaired as at 31 December 2025, none of the facilities had no collateral in place (2024: nil facilities).

	2025		2024	
	Number of Facilities	Gross Exposure * £'000	Number of Facilities	Gross Exposure * £'000
<b><u>Defaulted facilities</u></b>				
Total impaired facilities	9	50,538	7	68,659
Impaired facilities against which there was no collateral	1	759	1	816
Shortfall to be paid on maturing underlying contracts. Impairment in respect of this facility £759,000 (2024: £816,000)	1	759	1	816
<b><u>Non-Defaulted facilities subject to forbearance, restructuring or close monitoring</u></b>				
Facilities with amounts past due in respect of unimpaired financial assets at reporting date	1	25,540	-	-
Facilities formally restructured on terms which may be less favourable to the Bank but which do not give rise to an impairment	1	7,310	1	7,873
Unimpaired facilities in the process of being restructured as at the reporting date	1	8,926	-	-
Watchlist or substandard facilities subject to closer monitoring than normal	12	81,061	11	47,159
Breach of covenant, which is being addressed	4	43,603	4	27,567

\* 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 ECL 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 LGD across all scenarios, would result in an increase of £0.2 million in the impairment allowance on Stage 1 and 2 exposures.
- A 50% decrease in the EIR would result in a decrease of £0.4 million in the ECL Stage 1 and 2 allowance.
- If LTV 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 2025 in respect of those loans would have been increased by £0.2 million.
- A 20% increase or decrease in PD on trade finance exposures would result in a respective increase or decrease in the ECL Stage 1 and 2 allowance of £0.3 million.
- A 10% decrease to the collateral values in respect of Stage 3 exposures would result in an increase of £2.0 million in ECL Stage 3 allowance.

In December 2025, management implemented an additional post model overlay in respect of the forecasted drop in oil prices used to calculate the ECL where this was deemed to be inconsistent to forecast GDP for specific oil importing and exporting regions. The overlay calculated increased credit allowances by an additional £0.39 million as at 31 December 2025. Management will continue to monitor oil prices and their impact on the ECL during 2026 to determine the inclusion of this post model adjustment.

## 14. Administrative expenses

	2025	2024
	£'000	£'000
<b>Staff costs:</b>		
Salaries and other emoluments	34,233	33,940
Social security costs	4,584	4,231
Other pension costs:		
Pension running costs for both schemes	291	292
Defined contribution scheme	3,004	2,830
<b>Total staff employment costs</b>	<b>42,112</b>	<b>41,293</b>
Reorganisation costs	157	656
Other employment related costs	3,361	2,505
<b>Total staff costs</b>	<b>45,630</b>	<b>44,454</b>
Fees payable to the Bank's auditors for the audit of the Bank's annual financial statements	684	695
Fees payable to the Bank's auditors for other services :		
Other services pursuant to legislation	67	65
Depreciation (including amortisation of intangibles)	3,229	3,214
(Gain) / loss on sale of tangible assets	(6)	3
Regulatory supervision fees	169	161
Other administrative expenses		
Premises & Technology	9,131	7,890
Legal & Professional	1,720	2,110
Other	3,739	3,490
<b>Administrative expenses</b>	<b>64,363</b>	<b>62,082</b>

The average number of employees in place during the year was 260 (2024: 252).

The fees payable to the Bank's auditors included above comprise audit fees of £684,000 (2024: £645,000) and overrun fees for prior year audit of £nil (2024: £50,000).

Directors' remuneration included above totalled £2,126,000 (2024: £1,986,000). The highest paid director received emoluments of £1,038,727 (2024: £981,643), which included pension contributions of £nil (2024: £19,250). No other directors accrued pension contributions. Compensation for loss of office of directors (including amounts payable during contractual notice periods) totalled £nil (2024: £nil).

## 15. Income tax

	2025 £'000	2024 £'000
<b>Current tax</b>		
Total UK corporation tax charge	7,794	8,886
Current tax adjustment in respect of previous periods	(92)	367
<b>Deferred tax (Note 22)</b>		
Origination and reversal of timing differences	308	201
Deferred tax adjustment in respect of previous periods	(496)	-
	(188)	201
<b>Total income tax charge</b>	<b>7,514</b>	<b>9,454</b>

The tax charge on the profit for the year is based on the average UK corporation tax rate of 25% (2024: 25%).

In 2023, the UK Government enacted legislation implementing the Economic Co-operation and Development (“OECD”) Inclusive Framework on the Base Erosion and Profit Shifting (“BEPS”) Pillar Two model rules. These rules introduce a global minimum effective tax rate of 15% for large multinational enterprises with annual revenues exceeding €750 million per their consolidated financial statements. Accordingly, the Bank has assessed the potential implications of these rules during the reporting period.

The UK’s Pillar Two regime adopted these rules through the Multinational Top-up Tax (“MTT”) and the Qualified Domestic Minimum Top-up Tax (“QDMTT”), which applied to accounting periods beginning on or after 1 January 2024. Currently the Bank is not subject to QDMTT under the Pillar Two rules as the Bank’s effective tax rate is greater than 15%.

The Undertaxed Profits Rule (“UTPR”) and proposed Subject To Tax Rule (“STR”) are applicable from the period beginning 1 January 2025. BACB has performed an assessment of its potential exposure to these obligations based on 2024 and 2025 financial information for the constituent entities in the LFB Group. The corporation tax rates in most of the jurisdictions in which the LFB subsidiaries operate is above 15%, in addition a number of subsidiaries operate in jurisdictions that also adopted UTPR rules and hence any group-wide minimum tax obligations would be shared with these other entities. As a result of this assessment the current tax charge for the year ended 31 December 2025 includes £165,000 in respect of global minimum tax arising under the Pillar Two requirements. At present the Income Inclusion Rule (“IIR”) is not applicable 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 and a UK domestic minimum tax and liaise with LFB and other group entities to manage any future potential impact and reporting obligations.

The tax charge for the year is lower (2024: lower) than the charge resulting from applying the standard rate of UK corporation tax. The differences are explained below:

	2025 £'000	2024 £'000
<b>Profit on ordinary activities before tax</b>	<b>31,641</b>	<b>38,209</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	7,910	9,552
Effects of:		
Chargeable gains	-	42
Adjustment in respect of previous periods	(587)	367
UTPR minimum tax provision	165	-
Non taxable income	(4)	(5)
Non deductible income / (expenses) and other items	30	(502)
<b>Total income tax charge</b>	<b>7,514</b>	<b>9,454</b>

During 2024 and 2025 all the tax charge is due on transactions recorded and undertaken in the UK. No public subsidies were received during the reporting year.

Income tax recognised in OCI is made up as follows:

	Before tax £'000	2025 Tax £'000	Net of tax £'000
Change in fair value of equity investments designated at FVOCI	(244)	61	(183)
Change in fair value of debt securities designated at FVOCI	786	(197)	589
Fair value losses attributable to FVOCI financial assets transferred to income	775	(194)	581
Change in valuation of PPE	871	1,318	2,189
	<b>2,188</b>	<b>988</b>	<b>3,176</b>

	Before tax £'000	2024 Tax £'000	Net of tax £'000
Change in fair value of equity investments designated at FVOCI	(100)	(225)	(325)
Change in fair value of debt securities designated at FVOCI	2,662	(666)	1,996
Fair value losses attributable to FVOCI financial assets transferred to income	508	(127)	381
Change in valuation of PPE	778	(195)	583
	<b>3,848</b>	<b>(1,213)</b>	<b>2,635</b>

During 2025, the Bank established that the valuation of property, plant and equipment will not give rise to a taxable gain as the Bank is eligible to apply indexation allowances which reduces the taxable gain to nil, as a result the deferred tax liability on the valuation gain was reversed during the year.

## 16. Derivatives

Derivative positions at 31 December were as follows:

	Notional amount	31 December 2025	
		Positive fair values	Negative fair values
		(Assets)	(Liabilities)
		£'000	£'000
Foreign exchange forward and swaps contracts	1,866,469	1,200	728
Interest rate futures held for trading purposes	241,665	130	-
Options on foreign exchange for trading purposes	118,923	678	-
		<b>2,008</b>	<b>728</b>

	Notional amount	31 December 2024	
		Positive fair values	Negative fair values
		(Assets)	(Liabilities)
		£'000	£'000
Foreign exchange forward and swaps 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	-
		<b>1,770</b>	<b>1,056</b>

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 FVTPL 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 FVTPL 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

	2025 £'000	2024 £'000
Debt issued by governments and multilateral development banks designated as FVOCI	1,145,125	1,270,722
Other listed debt securities issued by banks designated as FVOCI	166,713	150,004
Other listed debt securities issued by non-banks designated as FVOCI	2,213	3,115
<b>Total debt securities</b>	<b>1,314,051</b>	<b>1,423,841</b>
<b>Equity shares and investment funds designated at FVOCI</b>	<b>3,355</b>	<b>3,599</b>
	<b>1,317,406</b>	<b>1,427,440</b>

Debt securities with fixed interest rates (other than those with a single interest period less than one year) amounted to £52.4 million (2024: £59.2 million).

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 MENA 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:

	2025 £'000	2024 £'000
Balance at 1 January	3,599	4,861
Changes in fair value during the year	(244)	61
Disposal of investment fund	-	(30)
Changes in fair value of assets disposed in the year	-	(161)
Disposal of equity shares	-	(1,132)
<b>Balance at 31 December</b>	<b>3,355</b>	<b>3,599</b>
Comprising:		
Investment funds	3,355	3,599
	<b>3,355</b>	<b>3,599</b>

As at 31 December 2025, the Bank has a commitment in respect of uncalled capital in its investment fund of £2.2 million (2024: £2.4 million).

## 18. Loans and advances to banks

	2025	2024
	£'000	£'000
Funds held at correspondent banks	7,211	16,715
Professional market placements	359,071	258,873
Term lending	456,250	475,481
Bills discounted	745,030	522,958
Overdrafts and other advances	3,817	997
Less: Provisions for impairments	(1,077)	(3,677)
	<b>1,570,302</b>	<b>1,271,347</b>

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 2024 and at 31 December 2025.

The Bank had no financial assets that were initially purchased or originated credit-impaired during the year ended 31 December 2024 and 2025.

### 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
<b>Gross exposure</b>				
Funds held at correspondent banks	7,211	-	-	7,211
Professional market placements	359,071	-	-	359,071
Term lending	449,030	7,220	-	456,250
Bills discounted	739,521	5,509	-	745,030
Overdrafts and other advances	1,390	2,427	-	3,817
<b>Total</b>	<b>1,556,223</b>	<b>15,156</b>	<b>-</b>	<b>1,571,379</b>

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
<b>Impairment allowance</b>				
Funds held at correspondent banks	-	-	-	-
Professional market placements	(4)	-	-	(4)
Term lending	(773)	(25)	-	(798)
Bills discounted	(237)	(28)	-	(265)
Overdrafts and other advances	(2)	(8)	-	(10)
<b>Total</b>	<b>(1,016)</b>	<b>(61)</b>	<b>-</b>	<b>(1,077)</b>

<b>Net Exposure</b>	<b>Stage 1 £'000</b>	<b>Stage 2 £'000</b>	<b>Stage 3 £'000</b>	<b>Total £'000</b>
Funds held at correspondent banks	7,211	-	-	7,211
Professional market placements	359,067	-	-	359,067
Term lending	448,257	7,195	-	455,452
Bills discounted	739,284	5,481	-	744,765
Overdrafts and other advances	1,388	2,419	-	3,807
<b>Total</b>	<b>1,555,207</b>	<b>15,095</b>	<b>-</b>	<b>1,570,302</b>

31 December 2024

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

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

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

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 2024	1,270,760	4,264	-	1,275,024
Change in other risk parameter (incl change in account balances)	(852)	-	-	(852)
New financial assets originated or purchased	1,467,907	15,156	-	1,483,063
Financial assets that have been derecognised	(1,181,326)	(4,264)	-	(1,185,590)
Foreign exchange and other movements	(266)	-	-	(266)
Balance as at 31 December 2025	<b>1,556,223</b>	<b>15,156</b>	-	<b>1,571,379</b>

	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	<b>1,270,760</b>	<b>4,264</b>	-	<b>1,275,024</b>

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

	Provision for impairments			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 31 December 2024	3,505	172	-	3,677
Change in other risk parameter (incl change in account balances)	6	-	-	6
New financial assets originated or purchased	996	61	-	1,057
Financial assets that have been derecognised	(3,290)	(160)	-	(3,450)
Foreign exchange and other movements	(201)	(12)	-	(213)
Balance as at 31 December 2025	<b>1,016</b>	<b>61</b>	-	<b>1,077</b>

	Provision for impairments			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'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	<b>3,505</b>	<b>172</b>	-	<b>3,677</b>

As at 31 December 2025, loans and advances to banks, which are subject to the ECL model overlay, amount to £444 million, and the related overlay charged to the income statement amount to £350,000.

## 19. Prepayments, accrued income and other debtors

	2025	2024
	£'000	£'000
Amounts held in respect of collateral	8,091	4,045
Prepayments and accrued income	3,584	2,911
Other debtors	3,046	1,541
	<b>14,721</b>	<b>8,497</b>

As at 31 December 2025, amounts of £8.0 million (2024: £4.0 million) relate to collateral due in respect of exchange traded repurchase agreements.

## 20. Loans and advances to customers

	2025	2024
	£'000	£'000
Term and Real Estate lending	353,313	389,513
Overdrafts and other advances	2,074	1,372
Less: Provisions for impairments	(1,825)	(3,625)
	<b>353,562</b>	<b>387,260</b>

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 2024 and at 31 December 2025.

The Bank had no financial assets that were initially purchased or originated credit-impaired during the years ended 31 December 2024 and 2025.

### 31 December 2025

	Stage 1	Stage 2	Stage 3	
	£'000	£'000	£'000	Total
<b>Gross exposure</b>				
Term and Real Estate lending	270,016	36,033	47,264	353,313
Overdrafts and other advances	237	3	1,834	2,074
<b>Total</b>	<b>270,253</b>	<b>36,036</b>	<b>49,098</b>	<b>355,387</b>

	Stage 1	Stage 2	Stage 3	
	£'000	£'000	£'000	Total
<b>Impairment allowance</b>				
Term and Real Estate lending	(266)	(628)	(921)	(1,815)
Overdrafts and other advances	-	-	(10)	(10)
<b>Total</b>	<b>(266)</b>	<b>(628)</b>	<b>(931)</b>	<b>(1,825)</b>

<b>Net Exposure</b>	<b>Stage 1 £'000</b>	<b>Stage 2 £'000</b>	<b>Stage 3 £'000</b>	<b>Total</b>
Term and Real Estate lending	269,750	35,405	46,343	351,498
Overdrafts and other advances	237	3	1,824	2,064
<b>Total</b>	<b>269,987</b>	<b>35,408</b>	<b>48,167</b>	<b>353,562</b>

31 December 2024

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

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

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

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

	<b>Gross Exposures</b>			
	<b>Stage 1 £'000</b>	<b>Stage 2 £'000</b>	<b>Stage 3 £'000</b>	<b>Total £'000</b>
Balance as at 31 December 2024	273,046	50,642	67,198	390,886
Transfer out of Stage 1	(17,374)	-	-	(17,374)
Transfer to Stage 2	-	306	-	306
Transfer out of Stage 2	-	(8,907)	-	(8,907)
Transfer to Stage 3	-	-	27,232	27,232
Change in other risk parameter (incl change in account balances)	21,075	(597)	-	20,478
New financial assets originated or purchased	56,832	6,447	-	63,279
Financial assets that have been derecognised	(63,326)	(11,855)	(45,332)	(120,513)
Balance as at 31 December 2025	<b>270,253</b>	<b>36,036</b>	<b>49,098</b>	<b>355,387</b>

	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
<b>Balance as at 31 December 2024</b>	<b>273,045</b>	<b>50,642</b>	<b>67,198</b>	<b>390,885</b>

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

	Provision for impairments			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 31 December 2024	72	629	2,924	3,625
Transfer to Stage 2	-	2	-	2
Transfer out of Stage 2	-	(103)	-	(103)
Change in other risk parameter (incl change in account balances)	201	99	-	300
New financial assets originated or purchased	37	288	-	325
Financial assets that have been derecognised	(41)	(267)	(1,983)	(2,291)
Foreign exchange and other movements	(3)	(20)	(10)	(33)
<b>Balance as at 31 December 2025</b>	<b>266</b>	<b>628</b>	<b>931</b>	<b>1,825</b>

	Provision for impairments			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'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
<b>Balance as at 31 December 2024</b>	<b>72</b>	<b>629</b>	<b>2,924</b>	<b>3,625</b>

As at 31 December 2025, loans and advances to customers, which are subject to the ECL model overlay, amount to £5 million with no material impact to the income statement.

## 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 ROU 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 ROU assets and lease liabilities for them.

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

### Right-of-use assets

	2025 £'000	2024 £'000
<b>Right-of-use assets</b>		
Balance as at 1 January	12,147	12,199
Additions	-	114
Depreciation charge for the year	(83)	(166)
<b>Balance as at 31 December</b>	<b>12,064</b>	<b>12,147</b>

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

	2025 £'000	2024 £'000
<b>Lease liability</b>		
Balance as at 1 January	4,702	4,685
Additions	-	100
Lease payable	(210)	(275)
Interest on lease liabilities	188	192
<b>Balance as at 31 December</b>	<b>4,680</b>	<b>4,702</b>

Amounts recognised in SOCI are as follows:

	2025 £'000	2024 £'000
<b>Amounts recognised in the income statement</b>		
Depreciation charge for the year	146	166
Interest on lease liabilities	188	192
<b>Total amount recognised in the income statement</b>	<b>334</b>	<b>358</b>

<b>Amounts recognised in the cashflow statement</b>	<b>2025</b>	<i>2024</i>
	<b>£'000</b>	<i>£'000</i>
Right of use payments made in the year	<b>(249)</b>	<i>(275)</i>

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 4.0%.

<b>Contractual maturity profile of lease liabilities</b>	<b>2025</b>	<i>2024</i>
	<b>£'000</b>	<i>£'000</i>
Less than 1 year	296	301
Between 2 and 5 years	755	779
Over 5 years	21,980	22,168
	<b>23,031</b>	<i>23,248</i>

The Bank's lease on Mansion House Place is renewable every five years until 2147. The 2025 renewal has not yet been agreed due to procedural delays. Discussions are ongoing to finalise the updated agreement which is expected to be completed in the near term. 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-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.

The following table sets out the maturity analysis of lease receivables showing the undiscounted lease payments to be received.

<b>Contractual maturity profile of lease receivables</b>	<b>2025</b>	<i>2024</i>
	<b>£'000</b>	<i>£'000</i>
Less than 1 year	242	238
Between 2 and 5 years	476	659
	<b>718</b>	<i>897</i>

## 22. Deferred taxation

	Balance at 1 January 2025 £'000	Recognised in Profit or Loss £'000	Recognised in Other Comprehensiv e Income £'000	Deferred tax assets* £'000	Deferred tax liabilities* £'000
Property, plant and equipment, intangible assets & lease liability	(3,905)	404	1,318	-	(2,183)
Debt securities classified at fair value through OCI	310	-	(391)	-	(81)
Deferred Bonus Provision	44	(30)	-	14	-
Equity Investments classified at fair value through OCI	172	-	61	233	-
IFRS 9 Transitional adjustment	558	(187)	-	371	-
		<b>187</b>	<b>988</b>	<b>618</b>	<b>(2,264)</b>

	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	-
		<b>(201)</b>	<b>(1,213)</b>	<b>774</b>	<b>(3,595)</b>

\* Deferred tax asset and liability balances are offset within the SOFP, with the net position presented. As at 31 December 2025, net deferred tax liabilities amounted to £3.2 million (2024: £2.8 million liability).

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 applied the Pillar Two income taxes exception in IAS 12, so neither recognises nor discloses 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	Other assets	Total	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 January 2025	38,731	2,528	41,259	14,462	55,721
Additions	85	363	448	1,677	2,125
Revaluation	871	-	871	-	871
Disposals / WIP movement	(10)	(172)	(182)	(1,003)	(1,185)
<b>Balance at 31 December 2025</b>	<b>39,677</b>	<b>2,719</b>	<b>42,396</b>	<b>15,136</b>	<b>57,532</b>
<b>Depreciation</b>					
Accumulated at 1 January 2025	(9,124)	(1,121)	(10,245)	(11,525)	(21,770)
Charge for the year	(939)	(384)	(1,323)	(1,906)	(3,229)
Attributable to assets sold or written off	-	118	118	600	718
<b>Accumulated at 31 December 2025</b>	<b>(10,063)</b>	<b>(1,387)</b>	<b>(11,450)</b>	<b>(12,831)</b>	<b>(24,281)</b>
<b>Net book amount at 31 December 2025</b>	<b>29,614</b>	<b>1,332</b>	<b>30,946</b>	<b>2,305</b>	<b>33,251</b>

	Property, plant and equipment			Intangible assets	
	Long leasehold premises and improvements	Other assets	Total	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
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	(266)	(279)	(545)	(97)	(642)
<b>Balance at 31 December 2024</b>	<b>38,731</b>	<b>2,528</b>	<b>41,259</b>	<b>14,462</b>	<b>55,721</b>
<b>Depreciation</b>					
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
<b>Accumulated at 31 December 2024</b>	<b>(9,124)</b>	<b>(1,121)</b>	<b>(10,245)</b>	<b>(11,525)</b>	<b>(21,770)</b>
<b>Net book amount at 31 December 2024</b>	<b>29,607</b>	<b>1,407</b>	<b>31,014</b>	<b>2,937</b>	<b>33,951</b>

The most significant leasehold premises are at 8-10 Mansion House Place London EC4N 8BJ. The net book value of £29.6 million (2024: £29.6 million), of long leasehold premises and improvements includes the lease of land, for which a premium has been prepaid and at balance sheet date amounts.

The updated independent valuation as at 31 December 2025 estimated that the market value of the property was £25.2 million (2024: £25.1 million). 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 £19.9 million (2024: £20.5 million).

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 2025 is currently 24 years (based on an original useful life of 50 years). The revaluation at 31 December 2025 will thus increase the depreciation charge to the income statement in future periods.

ROU assets in respect of leasehold premises and leases relating to representative offices of £12.0 million (2024: £12.1 million) 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 £11.2 million (2024: £2.4 million). £9.0 million relates to our core banking system which is due to be renewed as part of the change programme set out in the strategic initiatives of the Bank.

There were commitments for capital expenditure on 31 December 2025 of £2.3 million (2024: £0.6 million).

## 24. Deposits

	2025 £'000	2024 £'000
Deposits from banks	2,110,653	2,218,623
of which deposits with fixed interest rates (other than those with a single interest period less than 1 year)	694	4,691
Other deposits	828,120	758,949
of which deposits with fixed interest rates (other than those with a single interest period less than 1 year)	-	-

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.

The Bank launched retail deposits in October 2024 via deposit aggregator Raisin as part of its strategic initiative to diversify funding sources. Retail deposits held as at 31 December 2025 were £105.4 million (2024: £28.8 million).

## 25. Other liabilities, accruals and deferred income

	2025 £'000	2024 £'000
Employment related liabilities	10,529	11,436
Accruals and deferred income	3,415	3,297
Lease liability	4,607	4,667
Funds awaiting application	2,715	779
Loss allowance provision on financial guarantees and other commitments (Note 30)	2,182	1,398
Credit insurance	2,012	2,373
Collateral for exchange traded transactions	1,481	1,758
Trade creditors	-	713
Unamortised trade fees	1,265	1,972
Other liabilities	1,724	976
	<b>29,930</b>	<b>29,369</b>

## 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 228 deferred or pensioner members as at 31 December 2025 (2024: 237 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, require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. This actuarial valuation showed a deficit of £2.7m which the Bank fully paid by 31 December 2024. As a result, the Bank did not pay contributions to the scheme in 2025 and does not expect to pay any for the accounting year ending 31 December 2026. 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 IAS 19, the results of the most recent formal actuarial valuation as at 31 December 2022 have been updated on an approximate basis to 31 December 2025 by a qualified independent actuary. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous years. Annuity income received from the annuity providers is lower than the pensions paid to the insured pensioners for 2024 and 2025. As at 31 December 2025, the value placed on the insured pensioner asset is approximately £0.54 million lower (2024: £0.68 million 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 SOFP

	2025 £'000	2024 £'000
Fair value of Scheme assets	49,294	51,036
Present value of defined benefit obligation	(46,157)	(47,571)
Related taxes payable on surplus	(784)	(866)
<b>Net Surplus in the Scheme - net asset</b>	<b>2,353</b>	<b>2,599</b>

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 SOFP 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 SOFP date, the accumulated benefit obligation was £46.16 million (2024: £47.57 million) (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 2025 is calculated using a 25% withholding tax charge (2024: 25%).

All actuarial gains and losses will be recognised in the year in which they occur in OCI.

## Reconciliation of opening and closing present value of the defined benefit obligation

	2025 £'000	2024 £'000
Defined benefit obligation at start of period	47,571	51,290
Interest expense	2,528	2,371
Actuarial losses due to scheme experience	179	1,431
Effect of changes in demographic assumptions	422	(108)
Effect of changes in financial assumptions	(1,295)	(3,564)
Benefits paid and expenses	(3,248)	(3,849)
<b>Defined benefit obligation at end of period</b>	<b>46,157</b>	<b>47,571</b>

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

	2025 £'000	2024 £'000
Fair value of scheme assets at start of period	51,036	55,317
Interest income	2,713	2,595
Return on scheme assets (excluding amounts included in interest income)	(995)	(4,343)
Contributions by the Bank	-	1,472
Benefits paid and expenses	(3,248)	(3,849)
Administration Costs	(212)	(156)
<b>Fair value of scheme assets at end of period</b>	<b>49,294</b>	<b>51,036</b>

The actual return on the Scheme's assets over the year ended 31 December 2024 was negative £1.72 million (2024: £1.75 million).

## Amounts recognised in profit and loss

	2025 £'000	2024 £'000
Net interest income	185	224
Administration Costs	(212)	(156)
<b>Amount recognised in profit and loss</b>	<b>(27)</b>	<b>68</b>

## Defined benefit costs recognised in OCI

### Defined benefit costs recognised in other comprehensive income

	2025 £'000	2024 £'000
Return on scheme assets (excluding amounts included in interest income) - (loss)	(995)	(4,343)
Experience gains arising on the defined benefit obligation	(179)	(1,431)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss) / gain	(422)	108
Effects of changes in withholding tax	82	544
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	1,295	3,564
<b>Total (loss) recognised in other comprehensive income</b>	<b>(219)</b>	<b>(1,558)</b>

## Scheme assets

	2025 £'000	2024 £'000
<b>Quoted Price in active market:</b>		
Liability Driven Investment (LDI)	18,922	21,692
Diversified Growth Funds	5,256	2,911
	<b>24,178</b>	<b>24,603</b>
<b>Other:</b>		
Cash	347	855
Purchased Annuities	24,769	25,578
	<b>25,116</b>	<b>26,433</b>
<b>Total scheme assets</b>	<b>49,294</b>	<b>51,036</b>

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:

	2025 % per annum	2024 % per annum
Rate of discount	5.50	5.50
Inflation (RPI)	2.80	3.10
Allowance for revaluation of deferred pensions of RPI or 7.5% p.a. if less	2.80	3.10
Allowance for pension in payment increases of RPI or 7.5% p.a. if less	2.80	3.10
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% (2024: 50%) of the maximum cash lump sum available to them at retirement.

The mortality assumptions adopted at 31 December 2025 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\_2024 converging to 1.25% p.a. These imply the following life expectancies:

	2025 Life expectancy at age 60 (years)	2024 Life expectancy at age 60 (years)
Male retiring today	27.1	26.8
Female retiring today	28.9	28.8
Male retiring in 2043	28.6	28.3
Female retiring in 2043	30.5	30.3

The following table analyses the sensitivity to the principal assumptions of the present value of the Defined Benefit Obligation as at 31 December 2025:

Assumption	Change in assumption	Change in liability
Discount rate	Decrease of 0.5% p.a.	Increase of 5% (£2.3m)
Discount rate	Increase of 0.5% p.a.	Decrease of 5% (£2.3m)
Rate of inflation	Increase of 0.25% p.a.	Increase of 2% (£0.9m)
Rate of mortality	Increase in life expectancy of 1 year	Increase of 3% (£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 2025 is 10 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 case considered benefit changes made between 6 April 1997 and 5 April 2016 for contracted-out pension schemes. Regulations required such changes to be certified by an actuary. The judgment determined that such changes are invalid if the required actuarial confirmation had not been obtained (or if there was no evidence of this). On 1 September 2025, the Government published a list of amendments to the Pension Schemes Bill, which included changes to address issues arising from the Virgin Media ruling. These changes should mean that schemes are able to retrospectively certify historic benefits changes. As a result, the Bank does not expect any additional liabilities to arise from the ruling.

### Defined contribution scheme

As at 31 December 2025, 260 employees (2024: 246 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 2025, the Bank paid £3.0 million (2024: £2.8 million) by way of contributions into that scheme. There were no outstanding or pre-paid contributions to this scheme at 31 December 2025 (2024: £nil).

## 27. Subordinated liabilities

As at 31 December 2025, 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 PRA. The loans, which have been subscribed in full by the Bank's principal shareholder, LFB, are included in the Bank's capital base as Tier 2 capital as at 31 December 2025 and bear floating rate interest. The amounts disclosed below include accrued interest.

	2025 £'000	2024 £'000
Due 27 October 2031 (2024: 27 October 2031)	42,313	45,530
Due 17 June 2031 (2024: 17 June 2031)	26,693	28,696
	<b>69,006</b>	<b>74,226</b>

The change in the subordinated GBP equivalent loan balance in 2025 compared to 2024 disclosed above relates solely to foreign exchange rate movements.

## 28. Called up share capital

Total issued share capital comprises 34,114,561 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	
	2025	2024	2025	2024
Ordinary shares of £1 each fully paid	34,115	33,143	34,115	33,143
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	-	-
	<b>154,603</b>	<b>153,631</b>	<b>108,069</b>	<b>107,097</b>

During 2025, 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 £0.972 million (2024: £0.720 million).

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

	2025 £'000	2024 £'000
Called up share capital (Note 28)	108,069	107,097
Capital redemption reserve	4,104	4,104
<b>Other reserves</b>		
Retained earnings	159,716	143,191
Revaluation reserve	6,140	3,951
Fair value reserve	311	(731)
	<b>166,167</b>	<b>146,411</b>
	<b>278,340</b>	<b>257,612</b>

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 FVOCI (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 is distributable to the Bank's shareholders.

The Directors have recommended a final dividend for the year ended 31 December 2025 of £6.0 million (2024: £7.2 million) to the Bank's next AGM.

### **Capital management**

The Bank is subject to the regulatory capital requirements of the PRA. Its objectives in managing capital are to meet these regulatory requirements, support delivery of the Bank's strategic plan under both BAU and stress conditions and maximise shareholder value. The Bank operates a Capital Framework to ensure robust governance over capital management. A Board-approved capital limit, aligned to the Bank's Strategic Plan, is set at a level that protects the Bank's risk appetite.

In accordance with the PRA Rulebook, the ICAAP is fully embedded within the Bank's RMF. Capital planning forms an important part of this framework: a three-year capital plan is developed and approved annually by the Board to support the Bank's strategic objectives. Throughout the year, the Bank undertakes regular reviews of both tactical and strategic capital usage, together with associated limits and capital actions.

Stress testing is used to assess the adequacy of capital resources to withstand internal and external shocks and to inform any required risk-mitigation measures. The Bank maintained capital levels well above its regulatory requirements consistently throughout the year.

### **Regulatory developments**

The PRA continues to advance the implementation of the Basel 3.1 framework, the final set of post-banking crisis international reforms designed to enhance the credibility and comparability of banks' risk-weighted capital ratios. The reforms update and enhance several of the standardised approaches, making them more risk-sensitive and ensuring that firms maintain capital levels commensurate with the risks they undertake.

In January 2026, the PRA confirmed the UK implementation date as 1 January 2027. The PRA's Basel 3.1 data-collection exercise, which will inform an off-cycle review of firm-specific Pillar 2 capital requirements, is scheduled for submission by 31 March 2026, based on a 31 December 2025 reference date.

With HM Treasury having made the necessary legislative changes to revoke the relevant UK Capital Requirements Regulations ("CRR") provisions, the PRA's final Basel 3.1 rules are now confirmed. BACB is continuing its work towards the implementation of the revised capital and reporting standards ahead of the 2027 effective date.

### 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.

	2025 £'000	2024 £'000
Financial guarantees	145,210	92,223
Other commitments comprise:		
Credit lines and other commitments to lend: original maturity		
under one year	21,900	19,927
over one year	1,302	1,310
Documentary credits and short-term trade-related transactions	563,949	543,542
Own acceptances	3,591	1,832
	<b>735,952</b>	<b>658,834</b>
Other equity commitments*	2,198	2,362
	<b>738,150</b>	<b>661,196</b>

\*Equity investment commitment falls out of scope of IFRS9

31 December 2025

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Contract amount				
Financial guarantees	143,770	-	1,440	145,210
Other commitments	579,786	10,956	-	590,742
<b>Total</b>	<b>723,556</b>	<b>10,956</b>	<b>1,440</b>	<b>735,952</b>

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 2024 and at 31 December 2025.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loss allowance provision				
Financial guarantees	(152)	-	(1,320)	(1,472)
Other commitments	(378)	(332)	-	(710)
<b>Total</b>	<b>(530)</b>	<b>(332)</b>	<b>(1,320)</b>	<b>(2,182)</b>

31 December 2024

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

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

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
<i>Balance as at 31 December 2024</i>	656,477	896	1,461	658,834
<i>Change in other risk parameter (incl change in account balances)</i>	(80,936)	-	-	(80,936)
<i>New positions originated or purchased</i>	583,427	10,956	-	594,383
<i>Financial assets that have been derecognised</i>	(432,250)	(896)	-	(433,146)
<i>Foreign exchange and other movements</i>	(3,163)	-	(20)	(3,183)
<i>Balance as at 31 December 2025</i>	<b>723,555</b>	<b>10,956</b>	<b>1,441</b>	<b>735,952</b>

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

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
<i>Balance as at 31 December 2024</i>	132	18	1,248	1,398
<i>Change in other risk parameter (incl change in account balances)</i>	45	-	105	150
<i>New positions originated or purchased</i>	441	332	-	773
<i>Financial assets that have been derecognised</i>	(84)	(17)	-	(101)
<i>Foreign exchange and other movements</i>	(4)	(1)	(33)	(38)
<i>Balance as at 31 December 2025</i>	<b>530</b>	<b>332</b>	<b>1,320</b>	<b>2,182</b>

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

As at 31 December 2025, documentary credits and other trade related transactions which are subject to the ECL model overlay, amounted to £128 million and the related overlay charged to the income statement amounted to £43,000.

### 31. Foreign currency assets/liabilities

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

31 December 2025	Sterling £'000	Dollars £'000	Euro £'000	Other currencies £'000	Total £'000
Total assets	807,973	2,131,201	374,262	5,314	3,318,750
Total Liabilities	(665,690)	(2,096,796)	(246,615)	(31,309)	(3,040,410)
Derivatives (at contract notional value)	(58,643)	93,550	(8,555)	(26,352)	-
Total Equity	(278,340)	-	-	-	(278,340)
<b>Net exposures</b>	<b>(194,700)</b>	<b>127,955</b>	<b>119,092</b>	<b>(52,347)</b>	<b>-</b>
Contingent liabilities and other commitments	27,298	500,754	202,552	7,546	738,150

31 December 2024	Sterling £'000	Dollars £'000	Euro £'000	Other currencies £'000	Total £'000
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)
<b>Net exposures</b>	<b>(105,889)</b>	<b>41,081</b>	<b>75,907</b>	<b>(11,100)</b>	<b>-</b>
Contingent liabilities and other commitments	20,183	454,118	179,253	7,642	661,196

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 IAS 24:

- LFB is the Bank's parent company. LFB and all of its subsidiaries, together with LFB's owner, the CBL 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 CBL.
- Key management personnel, including the Bank's Directors, and the members of the ExCo and their close family members.

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

	Parent & Ultimate Controlling Party		Other Subsidiaries	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Loans and advances	15	12,331	19,351	5,258
Deposits	1,348,074	1,297,899	48,575	18,752
Subordinated liabilities	69,006	74,226	-	-
Contingent liabilities and other commitments	20,769	54,554	67,502	25,059
<b>Included in income statement</b>				
Interest receivable	57	78	2,476	1,466
Interest payable	(61,452)	(69,133)	(234)	(280)
Fees and commissions receivable	934	1,198	1,069	1,087
Fees and commissions payable	(182)	(190)	(35)	(25)
Net trading income	-	-	2	2

At 31 December 2025, no amount was outstanding in respect of interest free loans or interest-bearing loans due from key management personnel of the Bank (2024: £3,633). 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 £0.927 million (2024: £0.644 million).
- ii. Key management personnel compensation:

	2025 £'000	2024 £'000
Employment costs of executives seconded to it by related parties	927	644

Key management personnel compensation:

	2025 £'000	2024 £'000
<b>Directors</b>		
Salaries and other short-term benefits	1,032	1,004
<b>Executive Managers</b>		
Salaries and other short-term benefits	4,091	4,049
Post-employment benefits to non-Directors	60	60

During the year, the Bank received funding from the LFB and the CBL. The following tables set out the deposits (excluding subordinated liabilities) at year end:

	<b>2025</b>	<i>2024</i>
<b>Funding received (excluding accrued interest)</b>	<b>£'000</b>	<i>£'000</i>
Libyan Foreign Bank	440,913	445,915
Central Bank of Libya	899,340	836,880
<b>Total</b>	<b>1,340,253</b>	<b>1,282,795</b>

<b>Weighted average maturity</b>	<b>2025</b>	<i>2024</i>
Libyan Foreign Bank	0.52 years	<i>0.53 years</i>
Central Bank of Libya	0.06 years	<i>0.15 years</i>

### 33. Events after the reporting period

#### Proposed dividend

The Directors have recommended a final dividend for the year ended 31 December 2025 of £6.0 million (equivalent of £0.04 per share). The dividend is subject to approval by Shareholders at the Bank's AGM which is scheduled on 22 May 2026.

#### Global macroeconomic environment

The evolving conflict between United States/Israel and Iran is being closely monitored. Based on our current assessment, we do not have material concerns over our exposure, impact on future business or ability to act in line with regulatory and legal requirements.

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

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# BACB

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