Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank Zurich Plc

Annual Report 2024


Canada
United Kingdom
Switzerland
Turkey
UAE
Kenya
South Africa

Contents

Corporate Information

Board of Directors	Mr Muhammad H. Habib (Chairman)	Non-Executive Director
	Mr Carey Leonard	Independent Non-Executive Director
	Mr Stephen Bryans	Independent Non-Executive Director
	Ms Sheryl Lawrence (appointed 1st Feb 2023)	Independent Non-Executive Director
	Mr Anjum Iqbal	Non-Executive Director
	Mr Rajat Garg	Non-Executive Director
	Mr Satyajeet Roy (CEO)	Executive Director
	Mr Kamran Qazi	CFO / Executive Director

Board Committees	**Risk Committee**		**Audit & Compliance Committee**	
	Mr Carey Leonard	Chairman	Mr Stephen Bryans	Chairman
	Mr Stephen Bryans	Member	Mr Carey Leonard	Member
	Sheryl Lawrence	Member	Sheryl Lawrence	Member
	Mr Anjum Iqbal	Member	Mr Anjum Iqbal	Member
	Mr Rajat Garg	Member	Mr Rajat Garg	Member

Management Committees	Executive Committee (EXCO)
	Asset and Liability Committee (ALCO)
	Audit, Risk and Compliance Committee (ARCC)
	Country Credit Committee (CCC)
	Operations and Technology Committee (OTCO)
	Human Resources Committee (HRC)
	Business Committee (BC)

Company Secretary	Taylor Wessing
	5 New Street Square
	London EC4A 3TW

Registered Office	Habib Bank Zurich plc
	Habib House
	42 Moorgate
	London EC2R 6JJ

Auditors	Mazars LLP, Statutory Auditor
	Chartered Accountants
	Tower Bridge House
	St Katharine's Way
	London E1W 1DD

Legal Advisors	Saleem Malik
	40 Eagle Lane
	Snaresbrook
	London E11 1PF

Chairman's Message

On behalf of the Board of Directors of Habib Bank Zurich plc, I am delighted to present the 2024 Annual Report and Financial Statements. This year marks a momentous milestone for the Bank as we celebrate fifty years of dedicated service in the United Kingdom. This anniversary is not only a source of immense pride but also an opportunity to reflect on our journey—five decades of building enduring relationships founded on trust, integrity, and mutual respect.

The UK was one of the Group's earliest international expansions outside Switzerland in 1974, reflecting the strategic importance of this market from the very beginning. Over the years, we have consistently adapted to the evolving needs of our clients and the dynamic financial landscape, while remaining firmly anchored in our core values.

From our humble beginnings to our standing today as a trusted and respected financial institution, our history is a testament to resilience, thoughtful leadership, and a commitment to long-term partnerships. As we look ahead, we remain focused on delivering excellence, nurturing client relationships, and contributing meaningfully to the communities we serve.

In spite of the challenging economic environment this year, our Bank has demonstrated impressive adaptability and achieved strong financial results. Our strategic planning, disciplined approach to risk management, and commitment to client service have collectively contributed to another successful year. The growth in our balance sheet is a reflection of the enduring trust and loyalty of our clients, whose continued partnership remains a cornerstone of our success. Our ability to navigate evolving economic conditions underscores the strength of our business model and the dedication of our people.

The banking sector is inherently exposed to a broad spectrum of risks, and we place strong emphasis on robust and proactive risk management. We have maintained a prudent balance between risk and return, ensuring the protection of our stakeholders' interests. Compliance with regulatory requirements remains fundamental to our operations, and we are firmly committed to upholding transparency, ethical conduct, and the highest standards of corporate governance.

This year's achievements reflect the strong leadership of our senior management team and the dedication of our employees. Our directors, particularly the independent non-executive members, have been instrumental in effective governance, providing valuable oversight and guidance throughout the year. Their experience and expertise have significantly influenced our strategic approach to risk and governance.

Over the past year, the Bank has made significant strides in strengthening its approach to Operational Resilience and fulfilling its obligations under the Consumer Duty. We remain focused on advancing our framework for managing financial risks related to climate change, aligned with evolving regulatory expectations and industry best practices. Furthermore, we view diversity and inclusion as integral to our organisational culture. This commitment is reflected in the increasing diversity across our workforce and Board, and we will continue to prioritise these efforts as we look ahead to 2025.

Looking ahead, we recognise potential challenges and opportunities in the economic environment. However, with our resilient business model, strong leadership, prudent oversight from our directors, and the continued support of our stakeholders, I am confident in our ability to navigate these challenges and capitalise on new opportunities.

In closing, I want to express my sincere gratitude to all who have contributed to our journey. I commend the management team, led by our CEO, for their remarkable achievements. I also extend my appreciation to our directors for their steadfast commitment to good governance. To our dedicated colleagues, thank you for your unwavering efforts and dedication to our success. Most importantly, I thank our customers for their loyalty and trust, wishing them all the best in the coming year.

Muhammad H. Habib
Chairman

15th April 2025

CEO Statement

As we reflect on the year 2024, I am proud to present our financial performance, which encapsulate our ongoing commitment to serving our customers and creating value for the shareholders. Despite a challenging economic environment, we achieved significant milestones that underscore our resilience and adaptability.

The UK economy in 2024 showed a slight improvement while acknowledging ongoing challenges. GDP growth was 0.9%, indicating a recovery from the near stagnation of 2023. This slow growth was largely attributed to persistent high inflation and elevated interest rates, which continued to impact consumer and business activity. Nonetheless, as inflation began to ease and real incomes rose, consumer spending emerged as a significant driver of growth in 2024.

Despite these advancements, the UK continued to face substantial difficulties. The prolonged effects of high interest rates put pressure on household finances, particularly for mortgage holders, limiting consumer spending power. Additionally, restrictive fiscal policies curbed government spending, potentially slowing economic growth.

Overall, while the recovery was expected to be gradual, the easing of inflation and an uptick in consumer and business activity suggested positive momentum for the UK economy as it approached 2025. Growth in 2025 is anticipated to be bolstered by increased government spending and a resurgence in consumer confidence. However, this uptick in spending is likely to keep inflation an elevated level between 2.5% and 3% in 2025, resulting in a gradual decline in interest rates that will remain higher in the UK compared to the eurozone and the US. While the outlook appears promising, there is still a risk of slowdown due to factors including geo-political uncertainty and changes in global tariff that could elevate inflation and disrupt recovery efforts.

We are dedicated to serving our clients and aim to be their top choice in banking, especially in the area of Real Estate investments. Our Islamic financing division has experienced significant success, making a substantial impact on our revenue and balance sheet. Our recognition as the most innovative Islamic Bank in the UK for 2024 awarded by Islamic Finance News highlights our competitive edge in this sector.

Throughout the year, we continued to invest in technology and innovation, enabling us to meet the evolving needs of our customers. Our digital banking platform received enhancements that improved user experience, leading to a sizeable increase in digital transactions. We are in the process of implementing a market leading Loan Management System (LMS), nCINO to increase efficiency and faster processing of loans for better customer experience.
The system is also targeted to improve risk management process and minimise risk of human errors.

Throughout 2024, the Bank remained focused on managing credit risk, ensuring serviceability, and maintaining operational resilience. We actively engaged with our customers to assess their financial stability and ensure better loan serviceability. Our observations reveal that UK households and corporate borrowers have shown resilience to higher interest rates, with the proportion of households in arrears or facing heavy debt service burdens remaining relatively low. The outlook for mortgage borrower resilience has also improved in line with broader domestic economic forecasts, which also reflects lower interest rates. Our cautious portfolio management approach led to a decrease in non-performing loans, from 2.72% in 2023 to 0.82% in 2024. As of December 31, 2024, the provision for expected credit losses stood at 0.42% of total advances, down from 0.65% in 2023.

Key achievements for the year include:

- Balance sheet growth of 12%
- Loans and advances increased by 8%
- Customer deposits rose by 15%
- Net Operating income grew by 12%, reaching £40.3 million

The growth in our deposit and lending portfolios, despite a challenging business environment, highlights the strong relationships we have built with our clients. With eight branches across England, covering nearly 25% of our target market, we have effectively utilised these locations to drive our acquisition efforts. To enhance our market presence, we maintain strong connections through our intermediary network, which is pivotal in expanding our deal pipeline. We believe the intermediary channel will be an essential driver of new business in the coming years.

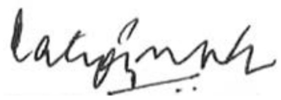
As the banking landscape evolves, IT and AI are poised to lead in customer service. Recognising this shift, we are investing in our technology-driven product suite, which includes innovations such as, enhanced mobile app features, direct debit origination, amongst others. Our aim is to balance technological advancements with personalised service to meet diverse client needs. In this respect we regularly conduct Voice of Customer surveys measuring customer promises. The Bank conducted full annual survey, and 3-4 dip-stick analysis for key processes. These surveys were to track performance across key segments and identify potential areas of improvement. The outcomes of these are mapped to best practices to enrich customer experience to understand intent, emotions and efforts at touchpoint.

Our relationship-driven approach hinges on our people. To support their well-being, we've implemented various rewards and recognition programs and conducted a Voice of Employee survey that received positive feedback. This feedback is vital in shaping our strategy to achieve the best outcomes for our staff.

We remain committed to our responsibilities in climate preservation, operational continuity, and consumer duty. These priorities are closely monitored by management and the UK Board. The Bank has integrated climate change considerations into our decision-making and risk management practices. Given regulatory sensitivities surrounding consumer duty and operational resilience, we have made significant progress in both areas, reinforcing our commitment to credibility and timeliness.

As we move into 2025, we are optimistic about the opportunities that lie ahead. We anticipate navigating challenges such as economic fluctuations and regulatory changes with agility. Our focus will remain on enhancing customer trust and loyalty by offering transparent and accessible banking solutions.While challenges remain, we are on a positive trajectory, and I am optimistic about achieving our goals and building upon the momentum created by our committed team.

I take immense pride in my management team and colleagues who strive every day to make a difference for our clients. My gratitude extends to our senior managers, HBZ staff, UK Board, and shareholders, including the HBZ group members, for their unparalleled support throughout 2024.



Satyajeet Roy
Chief Executive Officer

15th April 2025

Strategic Report

The Board of Directors have the pleasure in presenting the Strategic Report for the year ended 31st December 2024 for Habib Bank Zurich plc (the "Bank"). The Strategic Report forms part of the Bank's Annual Report and Financial Statements. Habib Bank Zurich plc is the wholly owned UK incorporated subsidiary of Habib Bank AG Zurich, Switzerland.

Overview

This report provides a comprehensive analysis of the Bank's business model, strategic objectives, governance framework, and significant developments, offering stakeholders insights into its performance and future outlook. It enables readers to assess the Bank's operational and financial achievements for 2024, including its financial health and annual results. Furthermore, the strategic report examines external risks and uncertainties affecting the UK financial sector, particularly focusing on credit risk and its potential implications for the Bank's operations and financial stability. It also details the key performance indicators the Bank employs to evaluate its overall operational success, ensuring a robust understanding of its risk management strategies.

The UK's macroeconomic environment has been highly challenging in recent years, though signs of improvement have emerged. In many ways, 2024 marked a period of related stability, in contrast to the turbulence of the previous year.

The UK economy in 2024 displayed a mix of cautious optimism and persistent challenges. The first half of the year experienced a robust recovery after a technical recession in late 2023. Growth stabilised in the second half as the initial momentum diminished and uncertainty increased following the Budget announcement. By mid-2024, CPI inflation had returned to its target, but it rose in October due to energy price pressures, ending the year at 2.5%.

Throughout 2024, interest rates were reduced twice, with the base rate dropping from 5.25% to 4.75%—a smaller decrease compared with economists and financial markets prediction. At the year's outset, it was anticipated that the Bank of England would execute up to five to six rate cuts, with forecasts suggesting a year-end base rate as low as 3.75%. However, a resurgence in inflation, robust wage growth, a resilient economy, and low unemployment led the Bank to pause many of these expected reductions.

Looking ahead, market predictions indicate that that economic growth is likely to improve in 2025, primarily driven by policy measures such as a 4% increase in government consumption following the Budget. While the complete effects of the Autumn Budget and the outcome of US election are still uncertain, there is a sense of uncertainty as businesses delaying investments due to rising cost and global trade tariff concerns. Household spending is likely to remain restrained, with savings rates staying significantly above pre-pandemic levels. Investment growth is expected to improve as further interest rate cuts relieve pressure on business investments, and the new Government's emphasis on promoting economic growth may offer additional impetus. We forecast total investment growth to reach 1.2% in 2025.

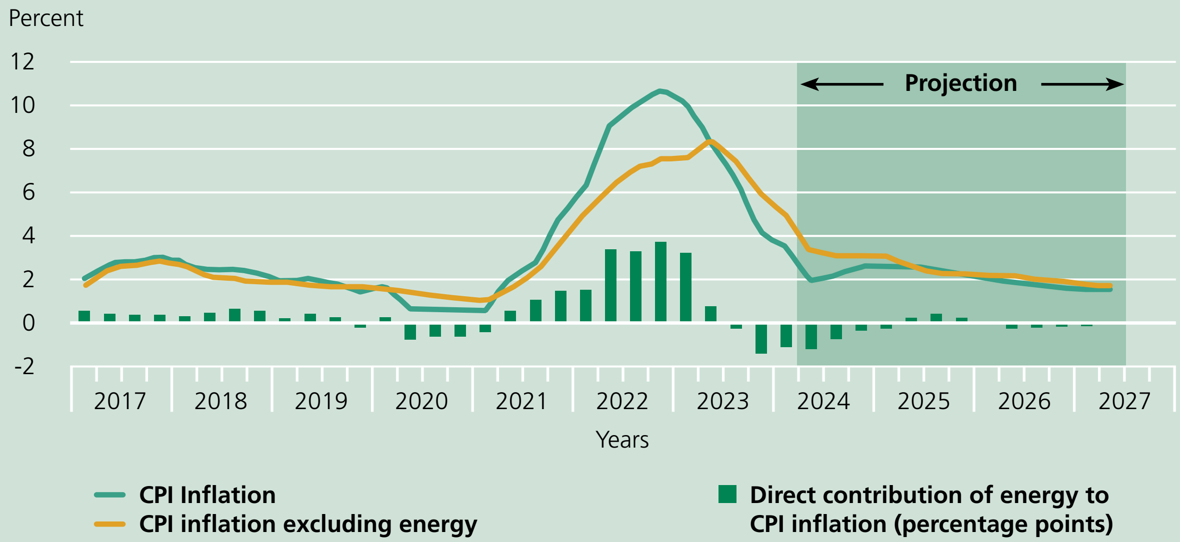
The tax increases from the Budget are projected to keep inflation above target throughout the year, while a softer labour market may hinder wage growth. Given the stronger-than-anticipated economic performance and inflation, we expect Bank of England (BoE) to gradually implement interest rate cuts. Markets currently predict that the BoE will reduce rates two times in 2025 in addition to the rate cut already made in February, lowering the base rate to 4% by year-end. As inflation diminishes and interest rate cuts take effect, borrowing demand is expected to improve, leading to a more favourable outlook for UK bank lending. If these trends persist, borrowing demand is projected to rise, with net growth reaching 3.7% in 2025 and 4.3% in 2026.

Despite high interest rates for longer than expected, the outlook for UK corporate credit risk is cautiously optimistic, but the outlook for the year ahead does not indicate a reduction of credit risk until the latter part of 2025. While there are positive signs that the cycle may be beginning to bottom, the overall credit outlook remains cautious, and close monitoring of both public and private company risk indicators will be essential in the coming months.

Considering the overall context, we foresee steady growth for the UK economy over the next two years, which is likely to positively influence the banking sector. Additionally, consumer loan defaults should remain low, bolstered by strong employment levels and continued pandemic-era savings supporting household finances. This positive economic trajectory and the anticipated increase in lending provide an opportunity for the Bank to enhance its capital reserves and advance its long-term strategic transformation efforts.

Geopolitical factors have also played a significant role in shaping the UK economy's trajectory. Domestically, the Labour Government has concentrated on strengthening the UK's trade relationships post-Brexit, particularly with the European Union (EU). While this approach shows promise for long-term stability, immediate challenges, such as stagnant productivity and high public debt, present significant obstacles. Addressing these issues will necessitate targeted investments in innovation and skills, along with structural reforms to enhance competitiveness in global markets. Together, these factors underscore the need for a careful balance in managing external pressures while reinforcing economic resilience at home.

CPI Inflation and CPI Inflation excluding energy [a]



In summary, the economic outlook for the UK is influenced by a variety of factors, including geopolitical tensions, fiscal changes, and monetary policies. As we move deeper into 2025, we aspire to see recovery as a result of growth measure taken by the Government. A reduction in inflation has contributed to stabilised consumer prices, enhancing household purchasing power and confidence. Additionally, business sentiment is improving, fuelled by the prospect of interest rate reductions and stronger trade ties, especially with the EU. Although challenges like high public debt and stagnant productivity remain, increased investment in infrastructure and structural reforms could establish a foundation for sustainable growth. Should these positive developments persist, economists predict a stronger economic recovery in 2025, characterised by enhanced stability and resilience to external challenges.

Principal Activity

In line with recent trends, the Bank upheld its business model by focusing on generating business through real estate investment financing, trade-related services, and treasury operations. We continued to strengthen our capabilities to better serve our clients, offering a diverse range of conventional and Islamic retail and commercial banking products. Notably, our relationship based conventional channel saw expansion in 2024, bolstered by new partnerships that enhanced our network.

Through our dedicated branch relationship team, we maintain strong ties with our customers. We are committed to expanding our customer network, underscoring our dedication to being a relationship-oriented bank. A significant advantage we offer is direct access for customers to decision-makers at the strategic management level. Our extensive portfolio of retail and commercial products includes current and savings accounts, real estate finance, trade finance, cash management, and treasury services in various currencies.

Our Islamic financing division, known as 'Sirat,' has been instrumental in driving the organisation's growth. The range of Islamic personal and business products available includes Diminishing Musharika, Commodity Murabaha, Wakala-based deposit accounts, alongside current and savings accounts. Our Sharia-compliant offerings have successfully addressed market demand for Islamic financing, while also enhancing the Bank's revenue and diversifying its operations.

Our unwavering commitment to supporting customers and small businesses forms the cornerstone of our operating policy. We strive to create long-term value for our customers, employees, suppliers, and the communities we serve.

Strategy and Objectives

The Bank remains dedicated to its strategy of effectively meeting the comprehensive needs of its customers and clients. Our fundamental principle, centred on 'Service with Security,' places customers at the heart of our decision-making process. We have successfully established ourselves as a community bank, offering personalised and secure services to a diverse clientele of both business and individual customers within our specialised markets. Our operational philosophy is driven by a commitment to actively listen to our customers, comprehend their changing priorities due to evolving business and technological landscapes, and tailor our products and services to meet those needs. Aligning with customer expectations is essential to our long-term success.

Our primary focus is on family-owned and managed businesses within the South Asian diaspora, particularly small and medium-sized enterprises (SMEs) and high-net-worth individuals. These entrepreneurial communities are known for their business expertise and the continuity of their operations across generations, with a strong emphasis on expanding their business endeavours over time. The recent growth trends within this community position the Bank to establish a sustainable business model, driven by the success of SME enterprises.

During the financial year, we concentrated on driving growth in our real estate lending sector, meeting targets for Islamic lending products, and broadening our Trade Finance operations by diversifying our offerings. We are also seeking opportunities to extend our trade finance services to new regions, reducing our dependency on South Asian markets. This strategic pivot is already proving successful, with an increasing number of customers from various regions, enriching our business volume and revenue streams.

Our diversification strategy is a crucial factor in expanding our client base and promoting business growth, clearly reflected in the Bank's financial performance in recent years. Despite lower demand for new lending caused by elevated borrowing costs and growing uncertainty, the Bank successfully expanded its lending portfolio while maintaining acceptable profitability. The increase in our lending portfolio, contributed to higher revenue from lending activities. Our strategy of generating lending business through intermediaries has facilitated deeper market penetration, and we anticipate that this channel will continue to attract new customers.

The Bank is committed to enhancing governance, risk management, and internal controls. As economic conditions fluctuate, some households and businesses have become riskier to lend to, with high borrowing costs placing additional burdens on existing borrowers, leading to an increased risk of default. However, stronger-than-expected wage and income growth, coupled with anticipated interest rate reductions this year, have alleviated some of the strain on households. Nonetheless, the volatile economic environment raises concerns over potential lending losses for banks.

The Bank has demonstrated resilience amidst challenging macroeconomic conditions in recent years and continue to strengthen its existing risk management and governance frameworks. We have conducted stress tests against severe macroeconomic scenarios that could affect borrowers' ability to service their debts. With sustained income growth and low unemployment, the overall debt-to-income ratio of UK households has declined. However, many households, especially renters, continue to face challenges due to the rising cost of living and higher interest rates. The overall percentage of households behind on debt obligations remains low compared to historical standards.

We expect most UK businesses to remain resilient in the face of the economic outlook. The Bank has positioned itself to mitigate further stress on its lending portfolio, achieved through a robust underwriting process and enhanced early identification of risk indicators through improved interactions and monitoring. The Bank's fundamentals remain robust, featuring healthy capital levels, good liquidity, and controlled credit losses. We anticipate that the Bank's capital, leverage, and additional loss-absorbing capacity metrics will remain relatively stable in 2025, with strong earnings adequately covering the Bank's incremental capital needs stemming from asset growth. As always, we will continue to support our customers, stay vigilant regarding evolving geopolitical events, and make strategic decisions for the future.

Business Model

The Bank's operational model prioritises high-quality service and the cultivation of long-term customer relationships. Designed to cater to specific market segments, this model aligns with our strategic objectives. Our guiding principle of 'Service with Security' has established enduring customer relationships that transcend generations and borders, solidifying our reputation as a trusted business partner. With deep historical ties to the Indian subcontinent, our status as a family-owned and conservative financial institution reinforces our image as a reliable and confident choice for customers.

Our main service offerings currently encompass both conventional and Islamic real estate finance, alongside commercial banking services in both categories. The Bank also provides a comprehensive array of cash management, trade finance, and retail banking solutions tailored to customer needs. We are committed to key strategic areas including customer service, financial planning, operational efficiency, employee engagement, regulatory compliance, and treasury operations. Our diverse product portfolio features buy-to-let finance, commercial loans, working capital finance, current accounts, savings accounts, notice accounts, fixed-term deposits, and treasury services, with clients enjoying direct access to fixed-term bonds via our online platform.

Branch banking is pivotal to the growth of our UK franchise. To facilitate expansion, we have launched several initiatives, notably a targeted effort to grow our Islamic banking business in the Midlands branches. Specialised teams now cater to priority customers, including those with international connections within the Bank. We have also established a dedicated service team to uphold consistently high service standards throughout all UK branches.

In a competitive landscape dominated by larger firms focusing solely on Islamic products, our Islamic banking services meet the needs of customers seeking Sharia-compliant solutions, particularly in buy-to-let financing. Our intermediary channel has emerged as a strong avenue for network expansion, specialised services, and enhanced risk management, allowing for cost-effective operations. The integration of intermediaries has enabled the Bank to broaden its footprint across the UK without establishing a physical presence, thereby enhancing our offering of comprehensive lending products. We continue to focus on the growth our trade finance business through diversification into new geographies and offering new products and services. This allows us to diversify our trade finance activities beyond our traditional markets in Pakistan and Bangladesh.

Business Review

We observed that following the interest rate cuts in August and November 2024, coupled with improvements in housing affordability, the borrowing appetite among UK households began to rise. The UK's lending market experienced substantial growth in 2024, driven by increased mortgage activity and a rebound in consumer borrowing. The number of first-time homebuyers increased by 20%, to around 340,000 transactions, primarily due to better mortgage affordability supported by declining and stabilising interest rates.

Amidst a more improved lending environment and stringent lending standards, the Bank closed 2024 with a 'Loans and Advances' balance of £682 million, reflecting an 8% (£50 million) increase from the previous year. This growth highlights the Bank's effective management and adaptability in navigating challenging financial conditions. The expansion of the lending business was primarily driven by the strong performance of our relationship based conventional business channel which contributed 56% to the overall growth in 2024.

The Bank remained committed to a rigorous credit risk management process, assessing the impact of higher living costs and interest rate increases on borrowers' repayment capacity. The Bank's prudent approach to portfolio management was evidenced by a reduction in non-performing loans from 2.72% in 2023 to 0.82% in 2024. The provision against expected credit losses as at December 31, 2024 stands at 0.42% (2023: 0.65%) of the total loan portfolio.

The Bank achieved a major milestone in customer deposits, surpassing the £1 billion mark for the first time. This represents 15% growth (£137 million) compared to the previous year. Additionally, Islamic/Sharia-compliant deposits also saw growth, increasing by £18 million to £177 million. This achievement was driven by a deposit strategy focused on nurturing new relationships across conventional, Islamic, and Internet Deposit channels. Additionally, the Bank passed on the benefits of rising interest rates to customers, offering them higher rates than at the start of the year.

Financial Review

The Bank's total assets increased from £1.14 billion in 2023 to £1.28 billion in 2024. Due to reduced credit demand, the Loan to Deposit ratio decreased to 67% in 2024, down from 71% in 2023. In response, the bank revised its treasury management strategy, directing additional liquidity toward treasury operations, which resulted in a rise of 19%, or £91 million, in bank and bond placements compared to the previous year. The improved yields in the treasury market, effectively bolstered the Bank's revenue.

12%
Increase in Assets from 2023

The Bank reaffirmed its commitment to a conservative approach in managing credit risk. This commitment was strengthened by enhancing the Risk and Credit functions and reviewing the Bank's enterprise risk management framework in light of increasing economic uncertainties. In line with this prudent credit risk approach as part of its provisioning methodology, the Bank raised the Loss Given Default (LGD) percentage from 2.21% to 4.29% for secured lending and from 5.46% to 25% for unsecured lending over the year. Additionally, the Probability of Default (PD) for performing loans was reduced from 4% to 1.37% for 2024. Not withstanding a challenging economic environment, provisions fell by 31% compared to the previous year due to the Bank's robust management of its loan portfolio.

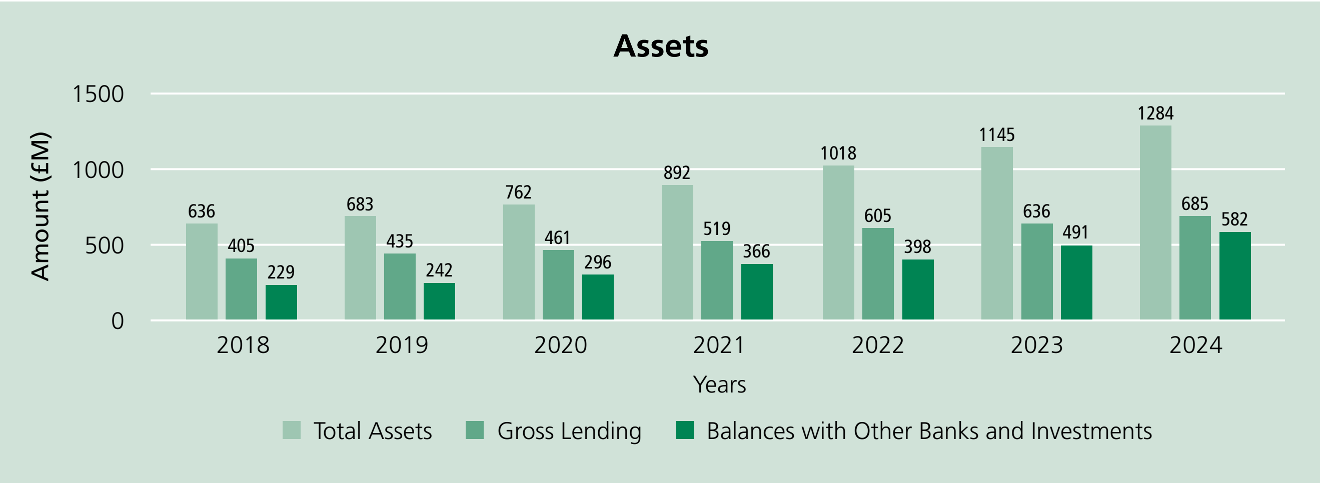
Another major step toward improvement of credit risk process is ongoing implementation of a new Loan Management System to add efficiency and accuracy to the loan underwriting process and enhancement to monitoring and reporting processes.

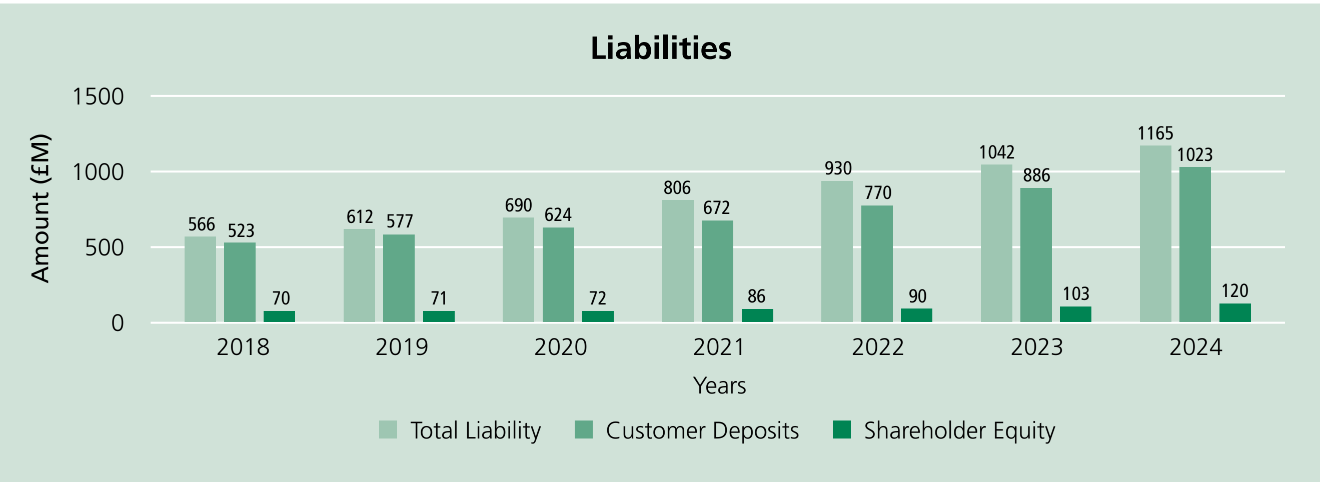
Balance Sheet Extract

	2024 (£ 000')	2023 (£ 000')
Assets		
Loans and advances to customers	682,470	632,149
Balances with banks	354,532	328,131
Financial investments	227,801	163,382
Other	19,595	20,434
Total Assets	**1,284,398**	**1,144,096**
Due to customers	1,023,002	885,890
Due to Banks	108,224	123,581
Subordinated liabilities	20,296	20,340
Tier 1 Capital / Equity	119,896	102,879
Other	12,980	11,406
Total Liabilities and Equity	**1,284,398**	**1,144,096**

Assets and Liabilities

The following charts provide the key financial highlights of the Bank from the year 2024.





Profit and Loss Analysis

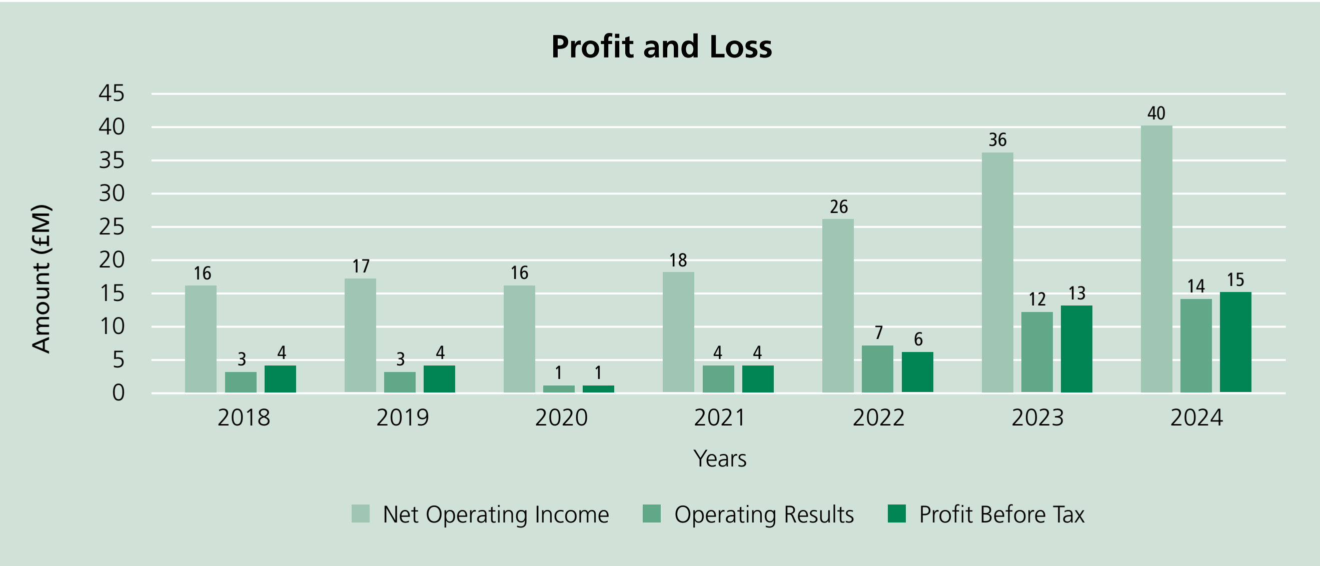
The Bank concluded its year-end results for December 2024 with a robust performance, achieving Profit Before Tax of £14.98 million, depicting an increase of 13% over previous year's figure of £13.3 million. The net operating income registered a growth from £35.85m to £40.29m during the year 2024. Despite political and economic instability in two key regions where the Bank operates its trade finance activities, Commission Income saw a notable 10% increase compared to the previous year.

Operating expenditure, primarily consisting of staff and other operating expenses, totalled £26.5m, with £15.74m allocated to staff costs and £10.76m to other operating expenses, reflecting a 13% increase. As a result, the Bank achieved Profit Before Tax of £14.98 million, marking a 13% increase compared to 2023.

The performance highlights for 2024 are provided below.

	2024 (£ 000')	2023 (£ 000')
Operating Profit		
Net interest income	37,997	34,164
Net fee and Commission income	1,715	1,483
Net other income	582	198
Net operating income	**40,294**	**35,845**
Total operating expenses	(26,502)	(23,424)
Operating profit before impairment losses on loans and advances and tax expenses	**13,792**	**12,421**
Credit impairment losses / reversals on financial assets	1,183	866
Profit before tax	**14,975**	**13,287**
Tax charge	(3,888)	(735)
Profit after Tax	**11,087**	**12,552**

The following charts provide the key financial highlights of the Bank from the year 2018.



Capital Structure

The Bank's ordinary share capital stands at £80 million (2023: £70 million) with retained earnings of £40 million (2023: £33 million). Additionally, the Bank holds a £20 million subordinated loan (2023: £20 million) with a five-year term, aimed at supporting long-term asset growth. Since its subsidiarisation in 2016, the Bank has experienced capital growth, partly driven by retained earnings, reflecting the shareholders' long-term commitment to the UK franchise. The £20 million subordinated loan, classified as Tier 2 Capital, is being renewed for another 5 years till March 2026.

The Bank's capital structure is designed with a focus on supporting its future growth over the next five years, while also considering the desired return on equity for shareholders.

The regulatory capital base slightly differs from the amount reported above due to the distinct treatment of certain reserves. A summary of the Bank's regulatory capital and risk-weighted assets is provided below:

Description	2024	£ in million 2023
Share capital – Tier 1	80	70
Retained earnings – Tier 1	40	33
Subordinated loan – Tier 2	20	20
Risk-weighted assets	665	587

The Bank's total capital requirement (TCR) is calculated as follows:

	2024	£ in million 2023
Risk weighted assets	665	587
Total capital requirement – TCR	74	72
Capital		
Share capital – Tier 1	80	70
Retained earnings	40	33
DTA, Current year's PAT & other deductions	(14)	(15)
Tier 1 Capital	106	88
Subordinated liabilities – Tier 2	20	20
Total Regulatory Capital	126	108
Excess capital over requirement	**52**	**36**

The capital adequacy ratio as of 31st December 2024 was 18.98% (2023: 18.39%), which was in surplus of the regulatory requirements.

Other Key Regulatory Ratios

The Bank consistently held significant level of high-quality liquid assets ("HQLA") to cover net cash outflows over a 30-day period on a daily basis. It ensured that its liquidity coverage ratio ("LCR") remained above the regulatory minimum set by the Prudential Regulation Authority ("PRA"). As of 31st December 2024, the Bank reported a LCR of 243% (2023: 285%), well above the regulatory requirement. The Bank continually maintains a significantly higher LCR to safeguard against any unexpected liquidity stress and to meet regulatory obligations.

As of 31st December 2024, the Bank's leverage ratio, which measures its core capital relative to total assets, stood at 8.12% (2023: 8.81%), well above the regulatory threshold of 3.25%.

Key Performance Indicators ("KPIs")

The Bank utilises a wide range of financial and non-financial metrics to evaluate performance and measure progress toward its strategic objectives. These quantifiable indicators allow management to assess both current and anticipated performance. The Bank consistently reviews these KPIs to maintain their relevance in a continually changing economic and business environment.

Furthermore, the Bank takes into account various metrics for all stakeholder groups and routinely evaluates whether new measures should be added or existing ones removed from its KPI dashboards. This continuous review process ensures that the metrics stay aligned with the Bank's strategy and adapt to shifting conditions, facilitating the identification and management of emerging risks.

Some of the key KPIs monitored by the Bank includes:

Key Performing Indicators (KPIs)	2024	2023
Percentage increase in customer loans	8%	5%
Percentage increase in customers deposits	15%	15%
Non-performing loan as a % of loan book	0.8%	2.7%
Percentage of non-interest revenue to total revenue	3%	3%
Loan to deposit ratio	67%	71%
Return on Assets	0.9%	1%
Return on Equity	9%	12%
Capital adequacy ratio	19%	18%
Common equity tier 1 ratio	16%	15%
Liquidity Coverage Ratio (LCR)	243%	285%
Net Stable Funding Ratio (NSFR)	137%	136%

The Bank's financial performance has remained robust, with 2024 building on the positive business growth seen at the end of 2023. Strong lending activity from previous years continues to drive growth. The Bank successfully maintained a capital adequacy ratio that exceeds the required regulatory standards. With capital resources amounting to £140 million, it is well-equipped to support its business operations over the next five years, as confirmed by the Internal Capital Adequacy Assessment Process (ICAAP).

The Bank's balance sheet remains liquid, incorporating High-Quality Liquid Assets (HQLA), non-HQLA assets, and short-term placements with banks of up to 12 months. Its stable customer deposit base is composed of a diverse range of relationship-based retail depositors and business owners. Furthermore, fixed-rate bonds contribute to a well-diversified liquidity pool. The Treasury function actively manages liquidity risk, with oversight provided by the Asset and Liability Committee (ALCO) and the Board Risk Committee.

The Board considers 2024 a highly impactful year for the Bank, marked by significant achievements and strong progress toward key strategic goals. Looking ahead to 2025, the Bank is well-positioned to achieve its targets and continue creating value for stakeholders.

Approved by the Board and signed on its behalf by:

Kamran Qazi
Chief Financial Officer

15th April 2025

Risk Management Report

Risk Management and Internal Control

The Board reviews and approves the overall risk appetite of the Bank. The Board has established and maintained a framework for the overall sound and proper internal control and risk management processes. The Board regularly receive reports on, and reviews the effectiveness of, the risk and control processes to support the strategy and objectives. The Board performs this activity through a review and monitoring process undertaken by the Board Risk Committee and Board Audit and Compliance Committee.

Principal Risks and Uncertainty and Mitigation Plan

Risk management at the Bank is an ongoing continuous and adaptive process, shaped by internal dynamics and external influences affecting the business model, people, products, systems, and controls. A proactive approach, underpinned by a strong risk culture, is vital to ensuring the Bank's resilience and long-term sustainability. The Bank addresses a broad spectrum of financial and non-financial risks through a comprehensive risk management framework designed to embed a risk-aware culture across the organisation. This approach enhances the ability to absorb financial and operational shocks, mitigate risk, and deliver on strategic priorities.

The Bank's risk framework is built around a set of defined risk drivers, which serve as the basis for articulating and calibrating the risk appetite. These risk drivers are dynamic by design and evolve in response to changes in the Bank's business model, the macroeconomic environment, regulatory developments, and broader operating conditions. The risk management approach seeks to minimise operational missteps, protect reputation, and foster higher engagement among customers and employees.

Effective risk management is central to the successful execution of the Bank's strategy. The Board of Directors sets the Bank's risk appetite in alignment with its Strategic Intent. This appetite is reviewed annually by the Board and the Board Risk Committee (BRC), with additional interim reviews triggered by material changes in the Bank's operating environment, business strategy, or risk profile. Continuous monitoring enables the Bank to assess evolving risks, and a material change may prompt a recalibration of risk appetite outside the usual review cycle. A critical component of our risk tolerance is the Bank's ability to respond swiftly to emerging risks. These are evaluated through structured risk assessments that identify potential business impacts and the mitigation strategies available.

The Bank's executive management is responsible for implementing the risk appetite throughout the organisation. Oversight of adherence to the risk appetite is maintained by the Board Risk Committee, while the Board Audit and Compliance Committee (BACC) focuses on risks relating to financial reporting and internal control failures. Key areas of focus include material risks and uncertainties that may impact the Bank's business activities and portfolios.

Risk Management Philosophy and Framework

The Bank's risk appetite is formally defined through Risk Appetite Statements approved by the Board of Directors. These statements guide the Bank's risk-taking activities and are aligned with its strategic objectives and regulatory obligations. The Bank adopts a conservative approach to inherent risks and maintains zero tolerance for financial crime, regulatory breaches, and unethical conduct.

All risk types are subject to oversight through established processes that include risk identification, measurement, mitigation, and escalation from management to the Board level. These processes are designed to ensure that risks are effectively monitored and managed in a timely and consistent manner.

The table below outlines the key risk categories to which the Bank is exposed, along with the mitigating actions in place to manage these exposures in line with the Bank's risk appetite.

Risk type	Tolerance and mitigation
Credit risk	The Bank's mitigation of credit risk is based on a combination of focused strategy, defined target market, primary focus on secured lending, quality of underwriting standards, ongoing monitoring and pre-set thresholds for: • Large Exposures (Customer): Single borrower (secured / unsecured), Top 10 / 20 borrowers • Large Exposures (Money market placements) • Large Exposures (Investment, Trade/FI) • Portfolio limits (Customer lending, Investments / Bank Placements / Trade & FI) • Sub-portfolio limits: Real estate lending, Commercial real estate (CRE) with further sub-limits for CRE segments, Residential real estate (RRE) and Commercial lending • Allowable exceptions • Expected Credit Loss and NPL • IGP portfolio profile covering LTV and DSR exceptions • Risk Rating distribution • Loan to value distribution **Credit Risk Management Framework** The Bank has established a comprehensive and clearly defined Credit Risk Management Framework (CRMF), which outlines the principles and structures governing the management of credit risk across the organisation. The framework encompasses the Bank's credit risk appetite, credit policies, target market criteria, collateral management practices, credit monitoring procedures, and the mandates of relevant management committees involved in credit decision-making. Oversight of the CRMF rests with the Board Risk Committee (BRC), which is responsible for ensuring that the framework remains effective, aligned with regulatory expectations, and supportive of the Bank's overall risk strategy. Credit exposures are reviewed and approved in accordance with the Bank's delegated authority structure. The Country Credit Committee (CCC) and the Board Risk Committee (BRC) exercise oversight and decision-making responsibilities for credit approvals within their respective mandates, ensuring alignment with the Bank's credit risk appetite and governance framework. **IFRS 9 and Credit Risk Monitoring** The Bank has implemented comprehensive policies and guidance to support the business and credit teams in effectively managing the implications of IFRS 9. A structured approach has been adopted to ensure accurate assessment and timely recognition of credit risk. Ongoing portfolio monitoring is conducted by the credit analytics team, which provides early warning signals to the business where customer behaviour indicates signs of stress, such as irregular repayment patterns. In parallel, continuous engagement between relationship managers and clients enables the early identification of issues that may lead to a significant deterioration in credit quality. Potential risk indicators are escalated and closely monitored through a robust watchlist process, ensuring appropriate oversight and timely intervention where necessary. **Credit Risk Management Amid Economic Uncertainty** In a period marked by heightened uncertainty due to external events and shifting economic indicators, the Bank maintained a strong focus on effective credit risk management as a core priority. The credit team conducted frequent, targeted portfolio reviews, with particular attention to industries and sectors most affected by these developments. Throughout 2024, the Bank sustained a proactive approach to monitoring portfolio performance, leveraging both quantitative measures, such as arrears tracking, and qualitative assessments, including

Risk type	Tolerance and mitigation
Credit risk (cont)	changes in customer circumstances, industry outlooks, and collateral valuations—factors that directly influence credit quality. The Bank also continued to strengthen its stress testing capabilities, embedding enhanced methodologies to assess the potential impact of adverse macroeconomic conditions on the loan portfolio. These stress tests simulate scenarios such as rising interest rates and reductions in borrower income, measuring the effect on repayment capacity and evaluating the Bank's ability to absorb shocks under both severe and worst-case scenarios. Throughout the year, business teams played a critical role in maintaining close engagement with customers, helping them navigate challenges presented by volatile market conditions. Through ongoing dialogue, the Bank worked collaboratively with customers to understand the impact of rising interest rates on their cash flows and repayment ability, and where appropriate, identify solutions such as additional collateral or revised terms to mitigate risk. As a responsible lender, the Bank remains committed to supporting customers in managing increasing debt burdens prudently. In parallel, any proposed changes to credit programs or risk acceptance criteria were carefully reviewed and approved through the Bank's governance structure. This ensured that all adjustments considered the potential impact on customers, in line with the Bank's values and risk appetite.
Concentration risk	The Bank has clearly articulated its risk appetite with respect to concentration risk. This is determined by taking into consideration concentration risk arising from single name, industry, sectors, product, and geographical concentration. Concentration risk is discussed and managed at CCC, ALCO and BRC level. The Bank has put in place strong underwriting standards, portfolio monitoring process and early warning triggers to manage this risk. The Bank also takes into consideration the relevant regulatory requirements in setting up the concentration risk thresholds.
Operational risk	The Bank manages operational risk through an articulated risk appetite and ongoing monitoring with oversight at Management and Board level committees. The Bank maintains a functional Operational Risk Unit within the Risk Function, which operates under the supervision and guidance of the Chief Risk Officer (CRO). This function is responsible for monitoring a broad range of operational risks, ensuring adherence to the Bank's risk management framework. **Operational Risk Monitoring and Escalation Framework** The Bank has in place a series of tolerance trigger points aligned with regulatory expectations and guidance. These triggers serve as early warning indicators to ensure timely identification and response to emerging operational risks. The Bank's Risk Appetite has been enhanced with tolerance trigger points for Operational Resilience which is further articulated in a stand alone Operational Resilience Framework. These triggers serve as early warning indicators to ensure the timely identification and response to emerging operational risks that could impact the continuity of important business services. In instances where a tolerance threshold is breached, the matter is reported to the Audit, Risk and Compliance Committee (ARCC) and the Executive Committee with ongoing monitoring of remediation steps to address the underlying issues. This approach also supports the Bank's commitment to maintaining resilient operations, protecting customer outcomes, and ensuring the ongoing delivery of critical services. In addition, all key operational risk indicators and material risk events are reported to the Board Risk Committee (BRC), ensuring comprehensive oversight and alignment with the Bank's broader risk management framework.

Risk type	Tolerance and mitigation
Financial crime risk	The Bank has established a robust Anti-Money Laundering (AML) governance framework, underpinned by the three lines of defence model. Oversight of financial crime risk rests primarily with the Board Audit and Compliance Committee, supported by the Executive Committee and Audit, Risk and Compliance Committee at the management level ensuring strong monitoring and governance. A comprehensive compliance dashboard, incorporating key risk events, regulatory developments, and emerging issues, is regularly reviewed by the relevant committees to maintain effective oversight and ensure timely responses to financial crime risks. The Bank adopts a zero-tolerance approach to financial crime and remains vigilant in identifying, reporting, and mitigating associated risks. This is achieved through comprehensive risk assessments, rigorous customer due diligence (CDD) processes, and ongoing account and transaction monitoring. These activities are supported by a suite of comprehensive AML policies and procedures, which are reviewed and updated on a regular basis to ensure continued alignment with regulatory expectations. The Bank also places strong emphasis on continuous staff training in AML and compliance matters, ensuring that employees remain well-informed and equipped to identify and address financial crime risks in the course of their responsibilities.
Conduct risk	As a service-oriented institution, the Bank places customer outcomes at the heart of its philosophy, business strategy, and day-to-day operations. Delivering fair, transparent, and value-driven services is central to how the Bank defines success and builds long-term trust with its customers. In alignment with the FCA's Consumer Duty, the Bank has established robust controls, training and awareness and defined decision-making frameworks to ensure it consistently understands and responds to customer needs, treats customers fairly, and proactively prevents poor outcomes. These arrangements are regularly reviewed to support the delivery of good outcomes across the customer lifecycle. The Bank operates within a clearly articulated conduct risk appetite, which is firmly centred on achieving the best outcomes for customers. Performance against this risk appetite is monitored at both the management and Board levels by the Audit, Risk and Compliance Committee, Executive Committee, Board Risk Committee and the Board Audit and Compliance Committee, respectively. To reinforce a strong culture of accountability, the Bank has fully implemented the Senior Managers and Certification Regime (SM&CR). This includes the clear assignment of prescribed responsibilities, application of the certification regime, and adherence to the conduct rules. Comprehensive training programmes have been rolled out across the organisation, including for senior management and Board members, to ensure full awareness and effective implementation of these requirements. Staff identified under the certification regime are subject to a rigorous assessment process and are required to undergo ongoing training to maintain competence and uphold the Bank's conduct standards.
Liquidity risk	The Bank actively manages the maturity profiles of its assets and liabilities, as well as cash flows, on a daily basis to ensure continued financial stability and adequate liquidity at all times. Liquidity is maintained through a combination of holdings at the Bank of England Reserve Account, high-quality liquid assets (HQLA), and short-term deposits. A set of clearly defined early warning indicators is monitored regularly at both operational and management committee levels to detect any emerging risks to liquidity. The Bank's customer deposit base is stable and resilient, underpinned by long-standing, relationship-based retail and SME deposits, which are considered "sticky" in nature. In addition, the Bank offers

Risk type	Tolerance and mitigation
Liquidity risk (cont)	six- and twelve-month fixed-rate deposits through digital channels. These web-based deposits serve as a rate-sensitive funding source, broadening the Bank's overall funding mix. To further enhance its access to liquidity and funding, the Bank has taken proactive steps to participate in various Bank of England facilities under the Sterling Monetary Framework, including the Indexed Long-Term Repo (ILTR), Discount Window Facility (DWF), and the Term Funding Scheme for SMEs (TFSME). The Bank has also established bilateral repurchase agreements with counterparties, enabling it to leverage its investment portfolio as collateral to secure additional funding when required. These measures collectively support the Bank's prudent approach to liquidity risk management, ensuring operational continuity and the ability to meet obligations under both normal and stressed conditions.
Funding risk	The Bank actively manages the maturity profiles of its assets and liabilities, as well as cash flows, on a daily basis to ensure continued financial stability and adequate liquidity at all times. Liquidity is maintained through a combination of holdings at the Bank of England Reserve Account, high-quality liquid assets (HQLA), and short-term deposits. A set of clearly defined early warning indicators is monitored regularly at both operational and management committee levels to detect any emerging risks to liquidity. The Bank's customer deposit base is stable and resilient, underpinned by long-standing, relationship-based retail and SME deposits, which are considered "sticky" in nature. In addition, the Bank offers six- and twelve-month fixed-rate deposits through digital channels. These web-based deposits serve as a rate-sensitive funding source, broadening the Bank's overall funding mix. To further enhance its access to liquidity and funding, the Bank has taken proactive steps to participate in various Bank of England facilities under the Sterling Monetary Framework, including the Indexed Long-Term Repo (ILTR), Discount Window Facility (DWF), and the Term Funding Scheme for SMEs (TFSME). The Bank has also established bilateral repurchase agreements with counterparties, enabling it to leverage its investment portfolio as collateral to secure additional funding when required. These measures collectively support the Bank's prudent approach to liquidity risk management, ensuring operational continuity and the ability to meet obligations under both normal and stressed conditions.
Interest rate risk	Interest rate risk at the Bank is managed under oversight from ALCO and BRC. The Bank has no significant or complex long-term interest rate positions. The Bank's lending book is on variable interest rate, which allows re-pricing of all lending products within 60 to 180 days. Customer deposits have a longer behavioural rollover history as compared to contractual maturities, which stems from the strength of relationship-based business model. The Bank Investments portfolio is well diversified with mix of HQLA and non HQLA bonds classified as held to collect and held to collect and sell. As at 31st December 2024, 84% of the Bank portfolio was invested in fixed rate bonds with the remaining in floating rate note. Following interest rate cuts initiated in August 2024, the Bank experienced a mark-to-market gain on its overall investment portfolio. At the end of 2024, portfolio's mark-to-market position stood at a 0.1% of the book value of the Investment portfolio, compared to -0.6% at the end of the previous year. As interest rates have peaked and begun to decline, unrealised mark-to-market losses have substantially reduced, contributing to an improved overall valuation of the portfolio. The Bank effectively monitors interest rate risk in the banking book ("IRRBB"), through range of stress scenarios on economic value of equity and net interest margin. The Bank monitors impact on EVE and

Risk type	Tolerance and mitigation
Interest rate risk (cont)	NII on a quarterly basis against the set threshold. In addition, Investments portfolio performance is monitored on a daily basis by Treasury and Risk functions with key emphasis on change in CDS, rating changes and risks related to specific industry sector.
Cyber risk	The Bank recognises risk associated with cyber threats and is constantly taking proactive measures to strengthen its operating environment to provide a secure banking experience to internal as well as external stakeholders. The Bank takes risks associated with cyber security extremely seriously and is constantly engaged in not only improving and strengthening its transactional gateways but also its internal operating environment. Regular real time monitoring of all cyber alerts is monitored and analysed by Information Security function for corrective action and system updates.
Regulatory and legal	Regulations are constantly evolving and could adversely impact the Bank including capital, liquidity and funding requirements, enhanced data privacy requirements and the management of financial crime. The Bank implements new and updated regulatory requirements, where applicable, and incorporates the implications of related changes in its strategic and financial plans. Compliance and Risk functions have responsibility for monitoring and oversight of new regulations, which are implemented by relevant functions such as finance, operations and IT. Where required the Bank also seek support and guidance from market experts to ensure best practices are adopted by the Bank. The Bank also receives regular update from different market sources such as Association of Foreign Banks on new regulatory requirements.
Outsourcing and third-party risk management	The PRA has outlined in this supervisory statement the expected compliance standards for PRA-regulated entities regarding outsourcing and third-party risk management. These standards cover a range of factors, including governance, pre-outsourcing processes such as risk assessment arrangements, due diligence on third-party entities, the establishment of comprehensive written agreements covering data security, access, audit, and information rights, as well as protocols for business continuity and exit strategies, all underpinned by rigorous record-keeping practices. The Bank manages and monitors third-party arrangements through service level agreements. These agreements are reviewed by Bank's legal advisors to ensure that they meet the regulatory expectations set by the Prudential Regulation Authority (PRA) for outsourcing and third-party risk management.
Foreign exchange risk	As the Bank does not maintain a trading book, it has minimal foreign exchange exposure risk. The foreign exchange exposures are managed by the treasury front office with defined levels of maximum allowable net open position in a single currency. Daily monitoring of FX risk is performed by Finance function with oversight from Risk Function.

Emerging Risks

Together with a strong governance process, the BRC receives regular information in respect of the risk profile of the Bank. Information received includes measures of risk profile against risk appetite as well as identification of new and emerging risks. We believe that our structure and governance support us in managing risk in the changing economic, political and market environments.

The Bank considers the following as emerging risks:

Risk type	Tolerance and mitigation
Climate change	Climate Change is a much-discussed topic in recent times at a global level. Risks highlighted by scientific research and changes in natural phenomenon have played a significant role in attracting focus at governmental level across the globe. Various initiatives have been introduced in the UK including legislation and regulatory requirements. The Bank has considered the effects of climate change on its business model and profile with oversight by the board and senior management. The Bank has also taken steps to embed consideration of climate change in the key decision making and risk management. As part of its approach to manage climate change risk, the Bank undertook a review of the following areas to consider relevant physical and transition risks to assess the materiality: • Business model • Customer base and target segments • Investment book and strategy • Bank's physical footprint and supply chain The Bank assessment included the primary target industry segments, customer profile and business activity, product offering, industry risk categorisation of segments combined with contractual terms of products and investments to arrive at the materiality view. Overall, the Bank's customer base and target segments primarily comprise of real estate, wholesale and retail segments. The lending exposures are focussed on real estate financing which is > 90% of the lending book. Consequently, the focus is on the property collateral. The Bank's focus is on residential, mixed use and commercial real estate with contractual loan terms not exceeding 5 years. The Bank does not offer finance for development and/or industrial units with high-risk characteristics. In the context of the UK property market, the two relevant risks are flooding (physical risk) and cost of compliance with new/forthcoming climate related legislation (transition risk). Both risks are covered by the Bank's collateral review through a valuation by panelled surveyors for all real estate transactions with a consideration by the management committee where any relevant risks are highlighted. The Bank's consideration of financial risks arising from climate change in the context of its collateralised real estate lending take into account: • The contractual term of its loan products (5 years) • Collateral location (all in the UK, primarily within 50 mile radius of its branch footprint – London, Manchester, Leicester and Birmingham) • EPC rating (through valuation reports by independent surveyors) • Flood risk (through valuation reports by independent surveyors) • Collateral type (residential, mixed use and commercial properties with defined property type and risk acceptance criteria) The Bank's investment strategy includes a cap on max tenure of 5-10 years with an average maturity profile of 2.5 years. Whilst the existing holdings comprise less than 10% of exposure to segments considered as elevated risk, the Bank takes into account climate change risk in its decision-making process. At present, the Bank deems the materiality of climate change risk as low based on its assessment.

Risk type	Tolerance and mitigation
Climate change (cont)	The Board and the management are cognisant that climate change risk impact can have an effect on the Bank's financial position in terms of the collateral valuation leading to credit quality risk, valuation of assets, probability of default which can in turn impact the financial risk disclosures. In view of the above and given its evolving nature, climate change risk type is subject to periodic review to take into consideration any material changes to strategy and profile along with new legislative or regulatory expectations.
Consumer Duty	The introduction of Consumer Duty in July 2023 marked a significant regulatory milestone, setting a new and higher standard of care for firms operating in the UK retail financial markets. Grounded in three core principles—acting in good faith, avoiding foreseeable harm, and enabling customers to pursue and achieve their financial objectives—Consumer Duty is reshaping the way financial services are delivered and evaluated. At the Bank, these principles are closely aligned with our core values of Trust, Integrity, Respect, Responsibility, Commitment, and Teamwork. We remain firmly committed to placing the best interests of our customers at the heart of our operations, with a focus on delivering consistently positive outcomes. Our approach emphasises clear, transparent communication and a deep understanding of our products and services. Guided by our enduring principle of "Service with Security," we strive to build long-term, trust-based relationships that empower customers to make informed decisions confidently. We continue to strengthen our customer support capabilities, ensuring that all interactions are prompt, respectful, and empathetic. Our Branch Banking Business and Sirat team play a vital role in upholding these standards, ensuring consistency in customer experience across all branches and offices. Through the lens of Consumer Duty, we are not only deepening existing client relationships but also identifying new opportunities to provide meaningful support. This proactive, customer-centric approach is integral to our mission of building trust and continuously enhancing the quality of our service.

The notes to the financial statements and Pillar 3 Disclosures provide further information about most of these risks; the committees that have the relevant responsibility for these risks; and the policies to manage the key risks. The Directors are confident that the current risk management structure is sufficient for identification, monitoring and management of significant financial risks to the business.

Internal Audit

Our commitment to transparency, accountability, and effective risk management is underscored by the pivotal role played by the UK Internal Audit (UKIA) function. Led by the Chief Audit Executive (CAE), UKIA serves as the third line within the Bank's risk governance framework. It has been established to strengthen HBZ plc's ability to protect its assets, reputation, and sustainability by:

a) Providing the board and senior management with reasonable assurance through independent, risk-based, and objective evaluations, along with advice, insight, and foresight.
b) Assessing whether all significant risks have been identified, assessed, and appropriately reported by management to the board and senior management.

c) Evaluating whether the organisation is adequately controlled.
d) Challenging and influencing senior management to improve the effectiveness of governance, risk management, and internal control arrangements, including identifying efficiencies and removing duplicative or redundant controls.

During FY2024, UKIA executed a comprehensive Audit Plan, approved by the Board Audit and Compliance Committee (BACC). The Plan covered various aspects of our organisation, including finance, operations, and compliance. All findings have been communicated to the BACC and senior management to facilitate prompt corrective actions and reinforce our commitment to continuous improvement.

The CAE reports directly to the Chairman of the BACC, with administrative reporting to the CEO.

UNCERTAINTY

Economic Outlook

The BoE reduced interest rates for the first time in two years to 5% then to 4.75% respectively. However, these rate cuts didn't occur until H2 2024, illustrating how patient policy holders were until economic data was adequate for policy changes. This was driven by inflation hitting the BoE 2% target, as in October CPI was 1.7%, triggering the second rate cut down to 4.75%. The year 2024 ended with an inflation rate of 2.5% due to impact Autum budget where the Government strived for higher growth, increase in spending through additional taxes on employers and increase in minimum wages effective April 2025.

Some of the key challenges the UK economy is facing in 2025 are higher debt cost as yield on UK gilts have increased by 0.5% since the budget announcement. After what looked like strong growth in the first half of last year, UK domestic output stagnated over the second half of 2024 resulting in disappointing GDP performance. In addition to these developments in outturn data, forward-looking indicators of business and consumer confidence also trended down in recent months. The economic outlook has become both more challenging with output stagnating, bond yields rising, business and consumer confidence falling, energy prices rising over the past six months, European security arrangements and global trade policies. Reflecting this lack of recent momentum and waning domestic confidence, alongside rises in interest rate expectations and gas prices, the Office for Budget Responsibilities have halved their forecast for real GDP growth in 2025 from 2% to 1%.

Another challenge leading to economic volatility would be repricing of mortgage rates. Around 1.5 million homeowners fixed-rate mortgage deals ended during 2024. The Bank of England has estimated around 4.5 million homeowners will see their monthly mortgage payments rise between now and 2026. Many of these mortgages were fixed at the time when the interest rates were very low which means the repricing is likely to put more pressure on already struggling borrowers, creating higher default risks.

The Bank has adopted a cautious approach in its underwriting process, tightening lending criteria as interest rates began to rise in 2022. Additionally, it acted responsibly by reducing loan-to-value ratios and adjusting debt-service ratios to ensure borrowers could meet their obligations in a rising interest rate environment. While the Bank effectively managed and reduced credit default risk in 2024, the overall market is experiencing volatility, particularly in commercial real estate values. As property prices slowly rise alongside interest rate cuts, investor interest in the UK property market is rekindled. The Bank has seen a promising start to 2025; however, the long-term outlook for UK property prices remains uncertain.

OTHER FOCUS AREAS IN 2024

Operational Resilience

A key priority for the Bank of England, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) is to put in place a stronger regulatory framework to promote operational resilience of firms and financial market infrastructures (FMIs). To this end, FCA and PRA published a few other related documents detailing the regulator expectations regarding Operation Resilience ahead of implementation deadline in March 2025.

Over the years, the Bank has enhanced its resilience capability with the following measures:

- Operational efficiency
- Digitisation
- Technology infrastructure enhancement
- Improvement in information/Cyber security
- Remote access arrangement

The Bank's new Operational Resilience Framework is based on our existing capabilities, including learnings from past experience, and follows an approach in line with the FCA's and PRA's objective. Key steps for achieving the desired objectives are summarised below:

- Leverages business impact assessments and recovery objectives covering the entire organisation
- Prioritises important business services for end users specific to the Bank's business model and customer type
- End to end process mapping largely complete for Important Business Services (IBS) covering people, processes, technology, internal and external dependency, premises
- Impact tolerances being established based on time metrics. Combination metrics being considered where secondary capability exists
- Scenarios being established specific to the Bank leveraging risk event reporting process for past events and near misses
- Submission of self-assessment document to the Board for approval summarising the activities

The overall responsibility for the Operational Resilience Self-Assessment programme implementation is with the Head of Operations (OPS) and Head of Information Technology (IT), who are SMF24.

The operational resilience framework in the Bank is subject to continuous improvements, process re-engineering design to increase effectiveness and robustness while maintaining secure and efficient service delivery to customers through minimising adverse impact due to operational disruption.

The Bank has considered four main areas in its business services to identify Important Business Services (IBS):

1. Deposits, Lending and Transaction Banking
2. Payments, Clearing and Settlement
3. Wholesale Funding
4. Investments & Money Markets

In line with its size and business model and share of the market, the Bank considers four elements of the business services – (1) Payments (2) Balance Check (3) Cash Withdrawals and (4) Debit Card – to be of critical importance in the context of potential disruption impact on its own customers and safety and soundness of the Bank. The Impact Tolerance levels (ITOLs) for the above services has been set in line with industry expectations.

As we approach toward the March 2025 deadline of implementation, the Bank continues to observe and test the disruption scenarios as part of the plan to maintain and improve its operational resilience across all important business services. A due focus has been given to the third party(ies) who are critical to the delivery of those important business services. Understanding their role in the event of disruption, response and recovery through their operational resilience framework is essential to the Bank's own plan to build its resilience and communication strategies.

Some of the areas where the Bank has worked on, including but not limited to mapping and scenarios testing, are part of its self-assessment providing a comprehensive overview of the Bank's approach towards improving resilience. This documented approach has been reviewed and validated through the internal audit function on an annual basis and/or in cases where material changes have been made i.e. list of important business services or change in the level of tolerance.

The Bank has reasonable contingency measures in place to ensure continued service availability in the event our primary systems experience downtime. These include backup systems and failover protocols designed to provide a basic level of service to customers, including but not limited to Payments IBS. These contingencies, as a part of our regular testing and on periodic basis are tested to validate their effectiveness and make improvements as needed. This proactive approach not only helps the Bank improve its resilience capability but allows us to maintain reliable service even during unexpected disruptions.

The Management and the Board are playing an active role in building up an effective operational resilience framework, through clear communication of

- provide appropriate management information available to inform decisions which have consequences for operational resilience: and
- articulate and maintain a culture of risk awareness and ethical behaviour for the Bank, which influences the Bank's operational resilience.
- have adequate knowledge, skills and experience in order to provide constructive challenge to senior management and meet their oversight responsibilities in relation to operational resilience

The Board is provided with progress reports, issues highlighted, areas of improvement, areas of investment and on overall implementation of Operational Resilience framework.

Employee Remuneration Policy

The Bank's remuneration policy aligns with market standards and emphasises performance-based compensation. While there is no specific incentivised compensation scheme for staff, all employees are eligible for an annual performance-based bonus.

Performance evaluations occur each year based on predetermined criteria, with recognition given through both monetary and non-monetary rewards. The performance management process is overseen by the Bank's HR and senior leadership teams.

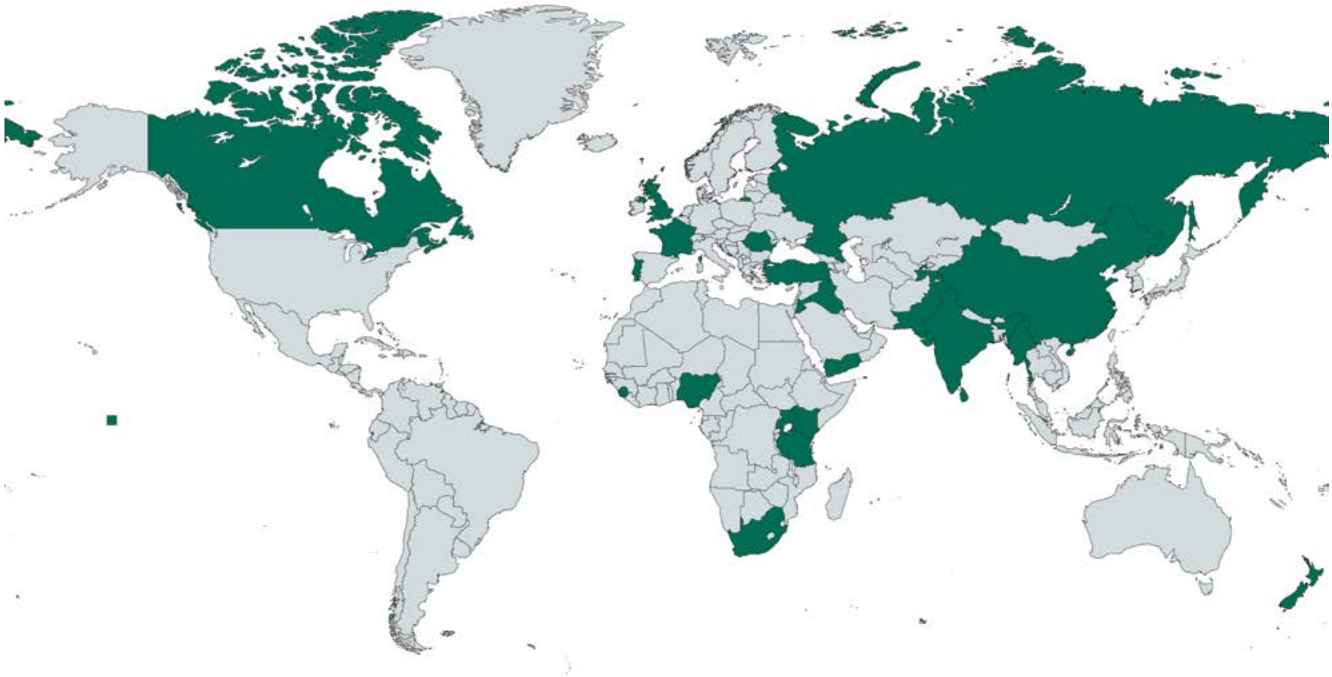
The annual performance review includes a self-assessment component, allowing employees to evaluate their performance against their job responsibilities. This review period is crucial for employees and their managers to exchange feedback, offer guidance, assess contributions and behaviours, and identify opportunities for learning and development. Additionally, it serves as a time to establish future goals and clear expectations. The Compliance function also contributes insights regarding individual performance concerning non-financial metrics.

Diversity and Inclusion

At HBZ, diversity and inclusion are not just ideals; they are fundamental values that we actively champion and celebrate. Our workforce is composed of individuals from 28 different countries, reflecting the Bank's commitment to diversity and inclusion. We take pride in fostering an inclusive environment that promotes a culture of collaboration and respect. The Bank is committed to promoting equality and ensuring fair treatment for all employees, underpinned by comprehensive policies that support equal opportunities across the organisation.

We offer family-friendly policies to help employees balance their personal and professional lives. In addition, the Bank provides a range of benefits to all staff, including pension contributions, AXA Private Medical Insurance (PMI), life insurance, and Employee Assistance Programme (EAP) services, reinforcing our commitment to employee wellbeing and financial security. Our Bank offers a flexible Hybrid Working Policy, designed to support employees in achieving a healthy work-life balance. In addition, we have implemented a comprehensive Wellbeing Policy, which provides a range of benefits to enhance the physical and mental wellbeing of our staff. As part of our commitment to employee health, AXA Private Medical Insurance (PMI) members and non-members receive a discount on gym membership. These initiatives reflect our ongoing commitment to the wellbeing and work-life balance of our workforce.

Below is a map illustrating the international workforce at Habib Bank Zurich Plc.:



Employee Feedback and Development

We are committed to actively listening to employee feedback, which is gathered through various channels, including focus groups, Town Hall meetings, and Learning and Development (L&D) sessions, offering a variety of learning opportunities to enhance their skills and knowledge. Training is delivered through various established learning and training providers as well as other internal and external training resources, ensuring our employees have access to high-quality, relevant development programs. This continuous engagement and development helps us better understand the resources needed to make our workforce more robust, enabling us to make informed decisions and foster a positive work environment. Such initiatives and structures have allowed us to maintain an 88% employee retention rate.

Section 172 Statement

This section of the Strategic Report describes how the Directors have performed their duty to promote the success of the Bank, including how they have considered and engaged with other stakeholders and, in particular, how they have taken account of the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

The Directors consider that they have acted prudently to promote the success of the Bank, both individually and collectively for the benefit of its shareholder and all its stakeholders. In discharging its duties under S172 the Board:

- Annually reviews the strategic plan keeping in view the changes in the business and operating circumstances and approves the annual budget taking into account impact of such changes;
- Recognises that employees are central to the success of the Bank. The interests of the employees are considered in a proper way while keeping safety, and wellbeing as the key considerations for the way in which the Bank conducts its business;
- Recognises the need to develop successful relationships with all stakeholders for the success and viability of the Bank. The Board takes into account the interests of and impact on the stakeholders while taking business decisions;
- Considers the impact of the Bank's business and operations on the community and the environment;
- Maintains a reputation for high standards of business conduct; and
- Ensures that the matters are referred to the parent in line with relevant statutory requirements.

The Directors recognise that effective stakeholder engagement is crucial in working towards shared goals which deliver long-term sustainable success. The Board reflects the priorities of the Bank's various stakeholders by considering the long-term implications of its decisions. The Board engages directly with stakeholders, and also indirectly through reporting from the Executive team.

The Board also gives due regards to the existence of an effective governance and risk management framework and clear separation of responsibilities between the Board and management in discharging responsibilities under S172, details of which are included in the Corporate Governance Report on page 36.

Environmental Metrics

In continuation with the bank's climate awareness, HBZ has taken it upon itself to track our energy consumption and carbon emissions. By doing so the bank aims to track their impact on the environment and incrementally lower their carbon footprint.

The Bank's comprehensive disclosures of emissions sources, provided below, adheres to the GHG Protocol Corporate Accounting and Reporting Standard couples with data retrieved from energy supplier invoices. Greenhouse gas emissions are consolidated into a single total, expressed in carbon dioxide equivalents, cost and total consumption.

Scope 1 and 2 emissions correspond to those stemming from the operational activities of the Bank's branches and headquarters. Scope 3 however, recognised the emissions encompassing business travel through various modes of transportation such as car usage, air travel, and public transportation, relying on data from expense claims.

		Item	CO2 (method)	Total Emission (Kg CO_2)	Total Cost (£)	Total Consumption	
Scope 1	Burn	Oil consumed for heating or any other purpose. Gas consumed for heating or any other purpose.	Written on invoice or use external tool. Written on invoice or use external tool.	337.57	467.54	7,084.92	Megajoules
Scope 2	Buy	Electricity consumed in premises. Purchased heating/cooling.		168,875.71	191,962.72	1,599,875.15	Megajoules
Total Scope 1 & 2				**169,253.28**	**192,430.26**	**1,606,960.07**	
Scope 3	Business Travel	Business travel (air)		8,284.60	12,565.25	58,116.00	Km
	Water	Water consumed in premises	N/A		10,382	2,065	m^3

The Bank has proposed a five-year plan and implemented several key measures to increase energy efficiency as part of its contribution towards Environmental, Social, and Governance (ESG) initiatives, aiming to prevent environmental degradation.

- Setting year-by-year milestones and targeting 35% reduction in carbon emission by the year 2030.
- Defining the methods and modes for recording actual carbon reduction against individual corrective measures and analysing variances with the expected/projected results. For example, we intend to reduce the heating/cooling system operation time from 12 hours per day to 11 hours per day, thereby expecting an approximate 6% yearly reduction in electricity consumption and carbon emissions.
- Transitioning to Green Energy vendors with zero carbon emission.
- Implementation of a minimum ESG rating requirement for onboarding clients to ensure that our business practices do not contribute to environmental degradation.

Emission Calculation Methodologies

The Bank determines its greenhouse gas (GHG) emissions based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The emissions are categorised as Scope 1, 2, and 3:

- **Scope 1 (Direct Emissions):** These are direct GHG emissions from sources owned or controlled by the Bank, such as gas consumed at the Leicester branch. The data comes from utility bills, and emissions are calculated using either provided or standard emission factors.

- **Scope 2 (Indirect Emissions from Purchased Energy):** These emissions result from the generation of electricity, heat, and steam purchased by the Bank. The emissions are calculated based on energy consumption data (in kWh or MJ) and location-based grid average emission factors, with utility bills as the primary data source.

- **Scope 3 (Other Indirect Emissions):** These include emissions from business air travel, hotelling, and events. Data sources vary by category, with specific records for air travel sourced from ICAO's flight data tool for both domestic and international trips.

Intensity Ratio	2024	2023
Total Emission (Kg CO_2) during 2024	177,538	177,526
Average number of employees during 2024	162	149
Emission per Employee during 2024	1,096	1,191

Future Outlook

The Bank experienced one of the best years in terms of financial performance supported by growth in all areas of business. The strategy of business diversification and customer acquisition channels such Sirat, Intermediary, Internet Deposits and Trade Finance was key to 2024 and will continue to make positive impact in 2025 and beyond. The Bank will continue to keep focus on lending book growth and utilisation of remaining funding in prudent treasury investments to improve yields. Another key area of focus will be prudent management of cost of funds by maintaining a balanced approach of giving due share of high interest rates to depositors but at the same time managing the costs as interest rates start to come down through timely adjustments to the cost of funds.

As further interest rates dips occur in 2025, the revenue models will be tested and profitability will be impacted however overall, the financial performance will remain in a good shape. While net interest income (NII) may decline slightly in 2025, the Bank is likely to generate a strong return on equity.

It is important that the Bank continues to offer bespoke and personalised solutions that meet individual/SMEs' needs and priorities. While digital initiatives and data analytics will be the enablers for growth personalised solutions will allow banks to provide solutions that shape more sustainable financial performance.

Approved by the Board and signed on its behalf by:

Kamran Qazi
Chief Financial Officer

15th April 2025

Directors' Report

On behalf of the Board of Directors of Habib Bank Zurich plc ("the Bank"), I am pleased to present the Directors Report on the Financial Statements of the Bank for the year ended 31 December 2024. The Bank is registered in England and Wales with number 08864609 and is authorised by the PRA and regulated by the FCA and PRA. The Bank is a wholly owned subsidiary of Habib Bank AG Zurich.

Results for the Year

In 2024, the Bank posted a profit after taxation of £11.1 million (2023 £12.6 million), while pre-tax profit reached £15.0 million (2023: £13.3 million)—the highest in the Bank's history since its establishment as a Bank in 1974. Despite a challenging year which was marked economic uncertainty and a changing geo-political situation, the Board remains satisfied with the Bank's strong operating performance.

Total assets grew from £1.145 billion in 2023 to £1.28 billion in 2024, while customer deposits surpassed the £1 billion mark for the first time, reaching £1.02 billion by the year end. The growth was primarily driven by increased treasury and lending operations, which expanded by 18% (£90 million) and 8% (£50 million), respectively. The Bank's Islamic financing division, operating under the brand name 'Sirat,' played an important role in expansion, contributing 44% of the total lending growth in 2024.

Leveraging rising yields and ample liquidity, the Bank strategically allocated funds to the money market, resulting in a significant increase in Treasury income from £15.7 million in 2023 to £26.1 million in 2024. The Bank continues to monitor interest rate trends through its governance framework, including ALCO and oversight from the Board risk Committee.

Share Capital and Dividend

The Directors recommend a final dividend of £0.0693 (2023: £0.0592) per ordinary share to be paid in respect of the year.

The share capital of the Bank was increased by £10m during the year a through fresh capital injection from the Parent bank Habib Bank AG Zurich. As a result, the total share capital rose to £80 million, comprising 80 million ordinary shares valued at £1 each.

Directors' Remuneration

The directors' remuneration has been disclosed in the note 9 of these financial statements.

Future Outlook

Future outlook has been explained in the Risk Management Report at page 30 of these financial statements.

Board of Directors

The Bank's Board membership represents a suitable mix of experience and knowledge relevant to the services offered.

Board meetings are held at least four times a year and additional meetings can be held at any time to discuss significant developments or other matters.

The following directors have been appointed to serve on the Board of the Bank:

DIRECTOR	POSITION
Mr Muhammad H. Habib	Non-Executive Director (NED) Chairman
Mr Carey Leonard	Independent NED
Mr Stephen Bryans	Independent NED
Ms Sheryl Lawrence	Independent NED
Mr Anjum Iqbal	Non-Executive Director
Mr Rajat Garg	Non-Executive Director
Mr Satyajeet Roy	CEO / Executive Director
Mr Kamran Qazi	CFO / Executive Director

Directors' Representation

In the case of each of the persons who are Directors at the time the report is approved, so far as the director is aware, there is no relevant audit information of which the Bank's auditor is unaware, and the director has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent Auditor

Forvis Mazars has expressed an unqualified opinion on the 2024 financial statements.

The auditors, Forvis Mazars LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed was proposed and approved at the Annual General Meeting held on 15th April 2025, in accordance with section 487 of the Companies Act 2006.

Senior Management and Certification Regime

The Bank has established adequate documented processes over monitoring and governance of the Senior Management and Certification Regime ("SM&CR"), including the certified population. This includes adequate governance and oversight exercised by the Board, updating management responsibility and related business activities, and training staff in particular with Senior Management Function ("SMF") roles, as well as assessing the fitness and propriety of the staff within the SM&CR rules.

Going Concern

The Bank operates on a straightforward model, offering core lending and deposit products to a loyal customer base, which forms the foundation of Bank's value proposition. Service is delivered through dedicated branches and relationship managers, ensuring continuity, swift response times, and direct access to the Bank's decision-makers. The Bank's deep understanding of SME customers and business owners has solidified its strong position among peer banks, fostering long-term client relationships spanning multiple generations.

The Bank has prepared these financial statements with the assumption that it operates on a self-sufficient basis, with minimal reliance on its parent company, Habib Bank AG Zurich. It aims to expand its lending portfolio in line with its strategic objectives while enhancing credit quality to maintain a steady stream of interest income. In addition to net interest income, the Bank generates revenue from fees and commissions.

A robust governance framework underpins the Bank, consisting of the Board of Directors, various Board Committees, and Management Committees overseeing critical risk areas, including credit risk, liquidity risk, anti-money laundering, compliance, and operational risk. The Bank maintains a solid capital base, with capital levels exceeding regulatory requirements due to continued investment from the Parent bank. Additionally, its liquidity position remains strong, with ample liquid assets sufficient to withstand a 90-day stress scenario.

During the year, the Bank recorded a post-tax profit of £11.1 million, with expectations for steady profitability growth in the coming years. To support this trajectory, the Bank has developed five-year financial projections based on conservative assumptions which support the sustainable growth and financial stability.

The Directors have conducted a thorough evaluation of the Bank's capital and liquidity plans, incorporating stress tests and growth projections outlined in the long-term strategic plan. Based on this assessment, they are confident in the Bank's ability to meet its capital and liquidity requirements for at least the next 12 months from the date of this report. As a result, the Directors continue to support the going concern basis in preparing the annual report and financial statements.

Post-balance Sheet Events

The Directors recommend a final dividend of £0.0693 (2023: £0.0592) per ordinary share to be paid in respect of the year in their meeting held on 15th April 2025.

The Director's confirm that apart from the above, there was no material event / development since the reporting date to be disclosed.

Acknowledgement

The Board of Directors takes the opportunity to express its gratitude to all stakeholders for their continued support.

The Board of Directors also records its appreciation to the Executive Committee and staff for their efforts, dedication, commitment and teamwork during 2024.

Approved by the Board and signed on its behalf by

Satyajeet Roy
Chief Executive Officer **15th April 2025**

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare the Bank's financial statements for each financial year. Under that law they have elected to prepare the Bank's financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of its profit or loss for that period. In preparing the Bank's financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are 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 it to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

Satyajeet Roy
Chief Executive Officer

15th April 2025


Victoria and Albert Museum, London

Corporate Governance

THE BOARD OF DIRECTORS

The Board of Directors ("the Board") is committed to follow best practice in Corporate Governance.

The Board approved and adopted a substantially updated revision of the Corporate Governance Code incorporating the principle set out in the latest revision of the UK Corporate Governance Code (the 'UK Code 2018') modified as considered appropriate for an organisation of the Bank's size and type. Whilst the Code does not apply directly to the Bank, the Board agrees with and supports its general principles. This report sets out how the Bank has regard to the principles of the Code.

On 22 January 2024, the Financial Reporting Council published an updated version of the Code which will apply to financial years beginning on or after 1 January 2025. The Company will report against that updated version in due course.

Board Profile

Board of Directors
From left to right: Stephen Bryans, Anjum Iqbal, Kamran Qazi, Muhammad H. Habib, Rajat Garg, Sheryl Lawrence, Satyajeet Roy & Carey Leonard.

Muhammad H. Habib

Chairman

Roles & Committees	Chairman & Non-Executive Director
Skills & Experience	Muhammad H. Habib became a member of the General Management in 1992 (Habib Bank AG Zurich Group, Switzerland). He was appointed as the President & Chief Executive Officer of Habib Bank AG Zurich Group, in 2011. His banking journey, spanning over 41 years, started in 1981 from Dubai, UAE where he went through extensive trainings and manager level positions, in all aspects of banking over the next 11 years. After entering General Management in 1992, his remit and responsibilities took him across Africa, UK, North America and Switzerland. Under his leadership, the Group ventured into newer geographies, inclusive of but not limited to South Africa (1995) and Canada (2001). During this period, he was elevated to the rank of Joint President in 1996. He is currently a member of the General Management and President of Habib Bank AG Zurich Group.
Principal External Appointments	· Chairman, Habib Canadian Bank, Canada · Director, Habib Metropolitan Bank, Pakistan · Vice Chairman, Gefan Finanz AG Zug, Switzerland · Member Board of Trustees, Habib University Foundation, Pakistan · Member Board of Trustees, Habib Public School, Karachi (Pakistan) · Member Global Advisory Board, Babson College, USA

Carey Leonard

Independent Non-Executive Director

Roles & Committees	· Independent Non-Executive Director · Chair of the Board Risk Committee · Member of the Board Audit and Compliance Committee
Skills and Experience	Carey Leonard has many years of banking experience in Asia, the Middle East, Africa and the UK. He has strong commercial banking disciplines in the areas of governance, strategy, business development, wholesale banking and risk management as well as proven leadership skills.
Principal External Appointments	· Justice of the Peace Worcestershire Bench
Former Appointments	Standard Chartered Bank · Regional Head, Special Assets Management Africa · Chief Executive Officer, South Africa · Managing Director and CEO, Nigeria · Chief Executive Officer, Sri Lanka · Member of Business Leadership Team

Stephen Bryans

Independent
Non-Executive Director

Roles & Committees

- Independent Non-Executive Director
- Chair of the Board Audit and Compliance Committee
- Member of the Board Risk Committee

Skills and Experience

Stephen has over 30 years of audit and consulting experience. He was a partner with KPMG in the UK and Switzerland in their Financial Services practice and served a wide range of clients across the banking, insurance and investment management sectors. His has strong expertise in audit, accounting, risk management, regulatory capital frameworks, internal control frameworks and compliance functions. He is highly adept at working with a variety of differing corporate cultures across many geographies.

Principal External Appointments

None

Former Appointments

KPMG
- Partner (UK)
- Partner (Switzerland)

Sheryl Lawrence

Independent
Non-Executive Director

Roles & Committees

- Member of the Board Risk Committee
- Member of the Board Audit and Compliance Committee

Skills and Experience

Sheryl Lawrence is a qualified accountant and has extensive experience within Audit and Risk spread across audit practice and banking. Her executive experience includes senior roles in Compliance and Risk within banks and building societies of various size and complexity.

Principal External Appointments

- Senior Independent Non-Executive Director, DF Capital Bank PLC
- Independent Non-Executive Director/ Trustee at St Andrew's Healthcare
- Independent Non-Executive Director, RCI Bank UK
- Independent Non-Executive Director, Vocalink Limited

Former Appointments

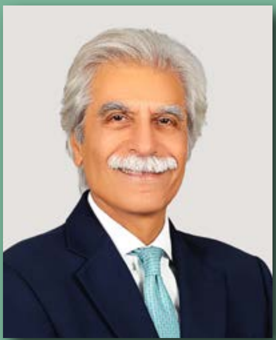
Earl Shilton Building Society
- Independent Non-Executive Director

Provident Financial plc
- Chief Risk Officer

Nationwide Building Society
- Head of Group Compliance Advice

Coventry Building Society
- Head of Risk

Lloyds TSB plc
- Head of Risk & Compliance, Group Operations



Anjum Iqbal

Non-Executive Director

Roles & Committees

- Member of the Board Risk Committee
- Member of the Board Audit and Compliance Committee

Skills and Experience

Anjum Iqbal has extensive management experience in various parts of the world in corporate and commercial banking. He has worked in several regions including Latin America, Europe, the Middle East, Africa and South Asia.

Principal External Appointments

- Member of General Management and Regional CEO (Developing markets), Habib Bank AG Zurich (Switzerland)
- Non-Executive Director and member of Board Audit Committee, Board Risk Committee, HBZ Bank Ltd (South Africa)
- Chair of Risk and Compliance Committee, Chair of Board IT Committee, member of Board Audit Committee and Board Credit Committee, Habib Metropolitan Bank (Pakistan)

Former Appointments

Habib Bank AG Zurich Group

- Chief Executive Officer, Habib Bank Zurich plc, UK
- President and Chief Executive Officer, Habib Metropolitan Bank, Pakistan

Citigroup

- Managing Director Commercial Banking Group (EMEA)
- Head of Corporate and Financial Institutions Group (CEEMEA)
- CEO Africa Division
- Regional CEO, Turkey and Central Asia

Rajat Garg

Non-Executive Director

Roles & Committees

- Member of the Board Risk Committee
- Member of the Board Audit & Compliance Committee
- Group Entity Senior Manager for Habib Bank Zurich plc

Skills and Experience

Rajat Garg possesses over 32 years of experience in senior banking positions across Asia, Europe and Middle East. His professional background includes extensive experience in managing commercial banking and wealth management business.

Principal External Appointments

- Member of General Management and Regional CEO (Developed markets), Habib Bank AG Zurich (Switzerland)
- Non-Executive Director, HBZ Bank (Hong Kong) Ltd
- Non-Executive Director, Habib Canadian Bank

Former Appointments

Citigroup

- Head of Retail Banking and Wealth Management, EMEA
- Country Business Manager, Turkey
- Cards Business Manager, Saudi Arabia
- Regional CFO – Asia Pacific Cards, Singapore
- NRI Wealth Management Head, Singapore
- Financial Controller and Business Planning Head, India

Satyajeet Roy

Chief Executive Officer

Roles & Committees
- Executive Director
- Chief Executive Officer

Skills and Experience

Satya is a seasoned banker with over 30 years of international banking experience across the UK, Europe, Middle East, Africa and India spread over Commercial, SME, HNWI and Retail segments. He brings cross-functional experience covering strategy, business development, risk, audit and operations. His leadership experience in diverse markets, disparate organisations is an added advantage for the Bank.

Satya is an active participant and speaker at various forums in UK and Europe. He lives with his family in London, loves to travel and interested in outdoor sports.

Principal External Appointments

None

Former Appointments

Commercial Bank International, UAE
- Head of Business Banking

Citigroup
- Head of Commercial Banking for UAE & Bahrain (Dubai, UAE)
- EMEA Head of Business Development, Business Banking (London UK)
- Various previous appointments in U.K. and India

Kamran Qazi

Chief Financial Officer

Roles & Committees
- Executive Director
- Chief Financial Officer

Skills and Experience

More than 26 years of experience in the field of finance and accounting in Europe and Asia. Specialises in financial and management reporting.

Principal External Appointments

None

Former Appointments
- Chief Financial Officer Central Depository Company of Pakistan Limited
- Senior Manager Audit and Assurance KPMG
- Rating Analyst DCR VIS Credit Rating Agency

Executive Committee

Satyajeet Roy	CEO and Executive Director
Kamran Qazi	Chief Financial Officer and Executive Director
Asim Imtiaz Basraa	Head of Credit
Faraz ul Hassan	Head of Information Technology
Kauser Kazmi	Head of Commercial Banking
Nadia Saleem	Head of Compliance and MLRO
Monika Poznar	Head of Human Resources
Syed Saif ur Rehman Shah	Head of Islamic Banking and Intermediary
Walid Malik	Head of Operations
Waqar Haider	Chief Risk Officer
Syed Mohammed Jafri	Head of Products & Analytics

Executive Committee
From left to right: Walid Malik, Syed Mohammed Jafri, Waqar Haider, Faraz ul Hassan, Nadia Saleem, Satyajeet Roy, Kausar Kazmi, Kamran Qazi, Syed Saif-ur-Rehman Shah, Monika Poznar and Asim Imtiaz Basraa.

LEADERSHIP

The Role of the Board

The primary role of the Board is to set the overall strategy for the Bank and to protect and enhance its long-term strategic value. The Board ensures that the business of the Bank is conducted in an efficient and effective manner to promote the success of the Bank within an established framework of effective systems of internal control, robust risk management process and compliance with regulatory requirements. The Board also ensures that good corporate governance policies and practices are implemented within the Bank. In the course of discharging its responsibilities, the Board acts in good faith, with due diligence and care, and in the best interests of the Bank, and other stakeholders.

The primary responsibilities, which the Board undertakes in this respect, are to:

1. Consider changes to the structure, size and composition of the Board and its committees and approve terms of reference.
2. Define, oversee and be accountable for the implementation of governance arrangements that ensure effective and prudent management of the Bank, including the segregation of duties in the organisation and the prevention of conflicts of interest.
3. Set the Bank's strategic objectives and goals and reviewing the performance of the executive team.
4. Review and approve the risk appetite statements of the Bank.
5. Establish and maintain a framework for the overall sound and proper internal control and risk management processes.
6. Review and challenge the business performance of the Bank, set the budget and financial forecasts, and ensure that the business of the Bank is managed to balance risk and reward.
7. Ensure that adequate succession planning arrangements are in place related to senior management so as to maintain an appropriate balance of skills and experience within the Bank.
8. Consider and make recommendations to the Board regarding the remuneration including increment and bonus of employees with SMF responsibilities with the exception of Directors.

The responsibilities of the Board are clearly set out in its Terms of Reference ("TOR"), which is reviewed and approved periodically by the members of the Board. The schedule of Board meetings along with recurring items is approved in advance with the permission of the Chair and circulated to all members.

Division of Responsibilities

The responsibilities of the Board members are set out in the Board TOR, which are aligned with a respective statement of responsibilities prepared under the senior management regime for each Board member. The Chairman is responsible for leading the development of and monitoring the effective implementation of policies and procedures for the induction, training and professional development of all members of the Board.

The Chairman sets the Board's agenda primarily focusing on strategy, performance, value creation and accountability and ensures that adequate time is available for discussion on all agenda items. Along with other Board members, the Chairman is also responsible for leading the development of the Bank's culture.

The independent non-executive directors ("INEDs") support the Board in the oversight functions on the basis of requisite skill sets and experience needed for effectively performing their respective SMF roles. Collectively and individually, the INEDs provides challenge to other members of the Board and the senior management team in the course of discharging their oversight responsibilities as board members.

The non-executive directors ("NEDs") along with INEDs are responsible for setting the Bank's strategic objectives and goals and reviewing the performance of the executive team. They approve and keep an oversight of the Bank's strategy and business plan prepared by the executive team. They also review and challenge the business performance of the Bank, approve the budget and financial forecasts, and ensure that the business of the Bank is managed to balance risk and reward. They also scrutinise the delivery of the strategy within the risk and control framework set by the Board and satisfy themselves on the integrity of financial reporting.

The Chief Executive Officer ("Executive Director") is responsible for managing the Bank's business on a day-to-day basis on behalf of the Board. The business is managed within the strategy, risk appetite and control frameworks set and overseen by the Board. The Executive Director has specific management responsibilities for which he is accountable to the Board, such as executing the business plan, delivering planned results, managing risk, systems and the control framework, and delivering timely and accurate information to the Board.

EFFECTIVENESS

The Composition of the Board

The size of the Board is aligned with the overall governance structure required for the effective oversight of the business, risk and control framework; operational, regulatory and compliance; and financial performance of the Bank. The composition of the Board has been established to ensure the availability of a pool of resource with relevant knowledge and experience to manage the strategic objective of the Bank.

The Board comprises eight directors – the Chairman, three INEDs, two NEDs and two Executive Directors. The relevant knowledge of Board members and diversity of their experience allows all directors to actively and effectively participate in the meetings.

The Board considers Carey Leonard, Stephen Bryans and Sheryl Lawrence to be independent within the meaning of the UK Corporate Governance Code. They do not perform any executive or other role or have any relationship with the Bank that, in the Board's view, would affect their objectivity and judgement in performing their respective function.

Appointment to the Board

Appointments to the Board are made by carrying out a formal and rigorous process of evaluating candidates by the Board members, selected on the skills and experience required for their particular appointment. The Bank usually uses an external executive search firm for shortlisting candidates.

Commitment

The Bank has a balanced combination of non-executive, independent non-executive and executive directors keeping in view the complexity and nature of the Bank's operations. All directors in accordance with their terms of appointment are required to allocate sufficient time to the Bank to discharge their responsibilities effectively and efficiently.

Development

The Bank provides a detailed overview of the business to all directors on their joining of the Board. The process includes a formal presentation conducted by senior executive management covering their respective areas including but not limited to strategy and risk management, business development, credit, AML and compliance, operations, treasury and finance, information technology and cyber security. There is also continuous interaction between executive management and the Board members, which allows the new directors to gain further knowledge and insight about Bank's business.

All directors are required to complete in-house online courses, which comprehensively cover areas such as AML, information security, fraud prevention, anti-bribery and corruption, whistleblowing, complaints handling, data protection etc. In addition, directors also receive periodic updates related to emerging risks to keep them abreast of new challenges within financial services.

Information and Support

The Chair ensures that the Board members receive accurate, timely and clear information for effective decision-making processes and applies sufficient challenge to major proposals. The Directors keep close liaison with the executive management of the Bank for a better understanding of the business operations of the Bank. Furthermore, the Board has independent access to senior management and the Board Secretary at all times.

The Board Secretary ensures timely and accurate information flows within the Board and its committees and between senior management and the INEDs. Senior management of the Bank present information related to all key areas, such as risk management, credit, compliance, operations, finance and audit to the Board through its committees.

Evaluation

Each Board member undergoes a periodic evaluation process by completing a self-assessment questionnaire, which is discussed with the Chairman of the Board. The assessment aims to assess the performance evaluation of each member by recognising strengths and addressing weaknesses.

To assess the overall performance of the Board, each member also completes a questionnaire on board effectiveness, which includes areas of strategic goals and objectives, governance, risk management, quality of information and leadership.

Re-election

In accordance with the provisions in the Articles of Association, all directors who have been appointed by the Board must stand for re-election every three years.

ACCOUNTABILITY

Board Committees

To help carry out its responsibilities, the Board has also established the following committees with terms of reference setting out matters relevant to the committees' composition, responsibilities and administration.

Board Risk Committee

Membership	Carey Leonard	Chairman
	Stephen Bryans	Member
	Sheryl Lawrence	Member
	Anjum Iqbal	Member
	Rajat Garg	Member

Board Audit and Compliance Committee

Membership	Stephen Bryans	Chairman
	Carey Leonard	Member
	Sheryl Lawrence	Member
	Anjum Iqbal	Member
	Rajat Garg	Member

Board Risk Committee

Primary responsibilities are to:

- Review the overall approach of the Bank to risk, its management and reporting line framework to ensure the effective application of the risk management framework.
- Assess and regularly review the three lines of defence model implemented by the Bank for its effectiveness.
- Provide assurance on the Bank-wide risk management framework and monitor the overall risk profile of the Bank through effective control processes.
- Annually review the Risk Appetite Statement and consider the adequacy of risk limits and returns.
- Set guidelines for maintaining risk control parameters for all types of risk across the business, including policies, control standards, underwriting standards, risk exposure limits or other control levers.
- Receive information on any material breaches of risk limits, policies or procedures and agree proposed action as soon as practically possible.
- Consider and make recommendations to the Board regarding the appointment, removal and resignation of employees with SMF responsibilities under the Senior Management Regime (SMR) with the exception of Directors.

Board Audit and Compliance Committee

An independent Audit and Compliance Committee is responsible for challenging executive management, including the Bank's compliance function and the Bank's internal and external auditors as part of a good governance process. Primary responsibilities are:

- Review key internal control policies, processes and procedures and assess the effectiveness of those keeping in view the size, nature and complexities of Bank's operations.
- Review the effectiveness of the Bank's internal audit in the context of the Bank's overall risk management system.
- Review and assess independence of internal audit function.
- Make recommendations on the internal and external auditors' appointment, reappointment and removal.
- Review and monitor the independence of the external auditors.
- Discuss the financial statements and the quality of the underlying accounting processes with the member of management responsible for accounting and finance.
- Review and approve the non-audit services policy in respect of the external auditors.
- Review and approve accounting policies and changes therein.
- Review policies to ensure the Bank's ongoing compliance with relevant legal and regulatory requirements.
- Receive regular report from the bank's compliance function and ensure that its recommendations to combat money laundering, terrorist financing and financial crime risks are incorporated into the Bank's ongoing procedures and monitoring infrastructure.
- Oversight of adequacy of processes put in place by the management to manage Conduct Risk, including consumer duty requirements.
- Oversight of the adequacy of the training and competency framework required fulfilling the Bank's obligations under the SMR and the Certification Regime.
- Review and ensure the implementation and compliance of UK audit legislation in liaison with external auditors.

Board Meetings

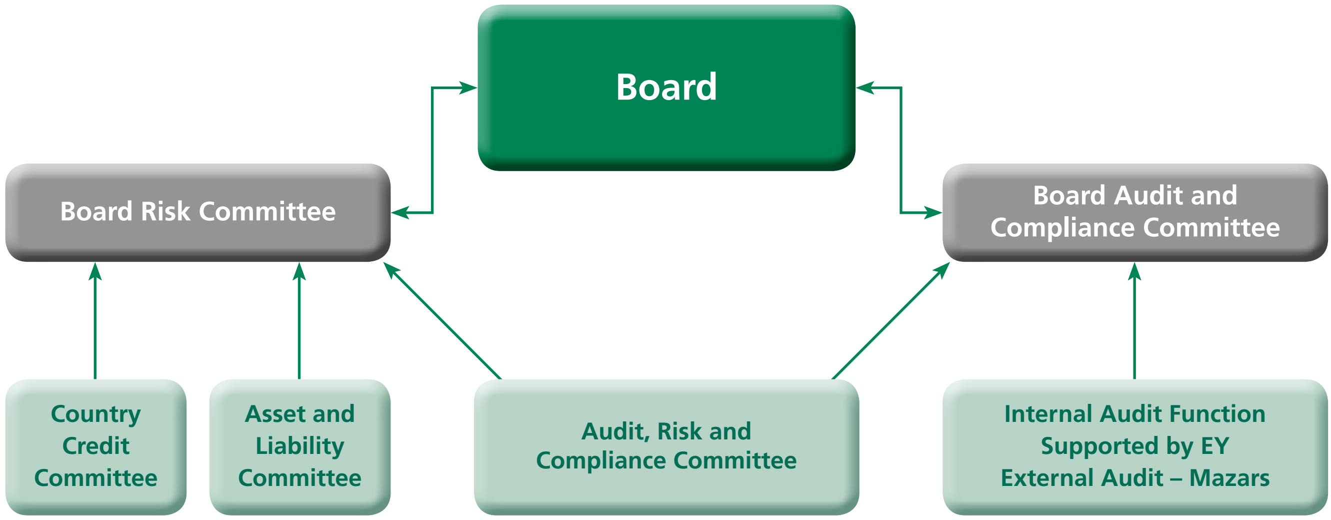
The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Six Board meetings were held during 2023. The agenda, together with Board papers, are sent in full to the directors not less than three business days before the intended date of the Board meeting. The Board Secretary prepare minutes of Board meetings, with details of decisions reached.

At each regular Board meeting, the executive management of the Bank makes presentations to the Board on various aspects, including business performance, financial performance, corporate governance and outlook. Throughout 2024, Directors of the Bank also participated in the consideration and approval of matters of the Bank by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and the Board Secretary when required gave verbal briefings.

All Directors attended the Board and its committee meetings held during the year.

Interaction with Management Committees

There is a formal division of responsibilities which identifies the responsibilities of the Board and those of the management through its respective committees. Management committees are responsible for oversight of various operational processes through which the strategy and objectives set by the Board are achieved. These are clearly defined and approved in the terms of reference of each management committee.



The CEO and EXCO represent the principal forum for conducting the day-to-day business of the Bank. The terms of reference of EXCO are approved by the Board. Executive Committee is represented at the Board through the CEO. While retaining the ultimate responsibility for the actions taken, the CEO and EXCO at its discretion has delegated certain responsibilities to the following standing sub-committees:

- Asset and Liability Committee
- Audit Risk and Compliance Committee
- Country Credit Committee
- Operations and Technology Committee
- Human Resource Committee
- Business Development Committee

The Chairman of the respective committee presents key matters arising from each of the above committees to EXCO, which are also reported to the Board or its committees through reports by management presented in Board or committee meetings as appropriate.

Financial and Business Reporting

The Board has put in place appropriate checks and controls to ensure that financial and business information presented in the financial statements provides a balanced and fair assessment of the Bank's performance, business model and strategy.

Risk Management and Internal Control

The Board reviews and approves the overall risk appetite of the Bank. The Board has established and maintained a framework for the overall sound and proper internal control and risk management processes. The Board regularly receive reports on, and reviews the effectiveness of, the risk and control processes to support the strategy and objectives. The Board performs this activity through a review and monitoring process undertaken by the Board Risk Committee and Board Audit and Compliance Committee.

REMUNERATION

The Board is responsible for the review and approval of the Bank's HR Policy including remuneration practices. The Board, on the recommendation of the Chief Executive Officer, approves the annual staff remuneration plan along with the total remuneration for senior executive staff.

The Bank's remuneration policy is in line with market practice and is weighted towards performance-based development. The Bank has a remuneration policy which is aligned with its long-term objectives and which can provide support in the successful implementation of its business strategy. The remuneration policy has been developed while keeping in view the core values of the Bank, which has trust as its core supported by integrity, teamwork, respect, responsibility and commitment. Values are upheld continuously and embedded at all levels of the organisation.

The Bank recognises that robust performance assessment is essential for the sustained success and development of the Bank and its employees. Performance is reviewed annually against predefined measures and efforts are recognised through a combination of monetary and non-monetary benefits. The performance management framework is managed through the Bank's senior executive management.

The Bank's remuneration structure is not linked to any pre-defined business targets for front-office staff. Annual performance rewards are based on overall performance of the Bank and then of the employee based on overall achievement during the year. A key consideration given in evaluating the performance of employees is their overall conduct and compliance with relevant regulation and competencies demonstrated during the year.

Relations with Shareholders

The Bank is a wholly owned subsidiary of Habib Bank AG Zurich ("the Parent Bank"). The Chair discusses matters relating to governance and business strategy of the Bank with the other shareholders. The Chair ensures that views of shareholders are shared with the Board.

Constructive Use of Annual General Meeting

All members of the Board are encouraged to attend the annual general meeting of the Bank to be used as an opportunity to interact and communicate with the shareholder.

Independent Auditor's Report

To the Members of Habib Bank Zurich Plc

Opinion

We have audited the financial statements of Habib Bank Zurich plc (the 'Bank') for the year ended 31 December 2024 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement 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 2024 and of the profit for the year then ended; and
- 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 ('FRCs') Ethical Standard as applied to listed 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;
- 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;
- Challenging the appropriateness and reasonableness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included the Bank's latest 5 Year Business Plan, latest Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP'), and its reverse stress testing;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Performing a sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Bank;

- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', decline in inflation levels and in interest rates;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Reviewing the correspondence with the prudential regulators, minutes of meetings of the Board Audit and Compliance Committee and the Board of Directors and considering any post balance sheet events to identify and assess the impact of matter related to going concern; and
- Evaluating the 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 each matter and our key observations arising from those procedures.

This matter, 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
Provision for impairment of loans and advances to customers at amortised cost – Expected Credit Loss ('ECL') amounts to £2.9 million (2023: £4.2 million) *Refer Notes 5.3.1 – Use of estimates and judgements, 5.5.3 – Impairment of financial assets' significant accounting policy, 16 – Loans and advances to customers at amortised cost, 16.1 – Provision for impairment and 31 – Risk Management for the disclosures in the financial statements.* Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires the Bank to recognise ECL on financial instruments which involves significant judgement and estimates. The most significant areas where we identified greater levels of management judgement are: • Model estimations – Key assumptions in the model including probability of default ('PD'), and loss given defaults ('LGD') including the present value of future cash flows from collateral; • Macroeconomic scenarios – The use of macro-economic variables ('MEVs') reflecting a range of future scenarios; and • Management overlays – Completeness and valuation of management overlays. The effect of these matters is that, as part of our risk assessment, we determined that the provision for impairment on loans and advances has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our audit procedures included, but were not limited to: • Obtaining an understanding of the ECL process and assessing the design and implementation of key controls in respect of ECL process; • Assessing the appropriateness of the Bank's methodology against the requirements of IFRS 9 including the reasonableness of model methodologies; • Assessing the appropriateness of the MEVs including scenarios weighing applied in the estimating of ECL, with assistance from our internal economist expert; • Testing the completeness and accuracy of the key data elements used in the calculation of the ECL; • Testing the appropriateness of the underlying collateral valuation which is a key input for LGD calculation including any adjustments applied in determining the valuation, with assistance from our in-house property valuation experts, on risk-based selection criteria; • With assistance from in-house credit modelling specialists and internal economist expert, performing an independent reperformance of the ECL model calculation and challenging the appropriateness of the PD and LGD assumptions; • Performing a sensitivity assessment of the impact of key assumptions such as PD and LGD and data inputs such as collateral valuation to the ECL output; • Critically challenging the appropriateness and reasonableness of the judgement applied in estimating the post model adjustments ('PMAs'); • Performing a stand-back assessment of the ECL to assess its appropriateness and reasonableness, taking into consideration the overall credit risk profile of the portfolio including collateralisation; and • Reviewing the financial statement disclosures to ensure compliance with IFRS 9 and completing IFRS checklist on the completeness of the associated disclosure. **Our Observations** Based on the audit procedures performed, we found that the ECL as at 31 December 2024 was reasonable and the disclosures in the financial statements have been prepared in accordance with 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	£748,000 (2023: £600,000)
How we determined it	5% of profit before tax (2023: 5% of profit before tax)
Rationale for benchmark applied	We set materiality using a benchmark of profit before tax (PBT). PBT is a primary measure used by the shareholder in assessing the performance of the Bank and is a generally accepted benchmark for determining audit materiality. It is the benchmark 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 £524,000 (2023: £420,000), which represents 70% (2023: 70%) 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 effectiveness of the internal control environment, and concluded that an amount towards 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 £22,000 (2023: £18,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other Information

The other information comprises the information included in the Annual Report 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 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 directors' responsibilities statement set out on page 34, 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 Prudential Regulation Authority (PRA) and of the Financial Conduct Authority (FCA).

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 the structure of the Bank, 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 correspondence with relevant licensing or regulatory authorities including PRA and FCA;
- Attending bilateral meeting with the PRA;
- Reviewing minutes of directors' meetings in the year and up to the date of signing the annual accounts; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance throughout our audit.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to allowance for ECL, and fraud risk in revenue recognition (which we pinpointed to the accuracy and completeness in the calculation of the effective interest rate adjustment) and significant one-off or unusual transactions.

Our audit 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;
- Inspecting the Bank's regulatory and legal correspondence and reviewing minutes of the Board of Directors meetings in the year and up to the date of signing the annual accounts; 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 FRCs website at *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other Matters Which we are Required to Address

Following the recommendation of the Board Audit and Compliance Committee, we were appointed by the Bank's Board of Directors on 29 January 2021 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2020 to 31 December 2024.

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

Our audit opinion is consistent with our additional report to the Board Audit and Compliance 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.

PProborespati

Poppy Proborespati (Senior Statutory Auditor) for and on behalf of Mazars LLP **15th April 2025**
Chartered Accountants and Statutory Auditor, 30 Old Bailey, London, EC4M 7AU

Income Statement

For the Year Ended 31 December 2024

	Notes	2024 (£ 000')	2023 (£ 000')
Interest income	6	80,264	61,056
Interest expense	6	(42,267)	(26,892)
Net interest income		**37,997**	**34,164**
Fee and commission income	7	2,082	1,888
Fee and commission expense	7	(367)	(405)
Net fee and commission income		**1,715**	**1,483**
Net foreign exchange income		551	311
Fair value gain / (loss) on derivative financial instruments		40	(101)
Other costs	8	(9)	(12)
Net other income		**582**	**198**
Staff costs	9	(15,738)	(13,348)
Depreciation	19	(1,341)	(1,510)
Administrative and general expenses	10	(9,423)	(8,566)
Operating expenses		**(26,502)**	**(23,424)**
Operating profit before credit impairment losses		**13,792**	**12,421**
Credit impairment reversals	11&31	1,183	866
Profit before tax		**14,975**	**13,287**
Tax charge	12	(3,888)	(735)
Profit after tax		**11,087**	**12,552**

Profit for the year arises from continuing operations.

The accompanying notes on pages 62 to 123 form an integral part of the financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 15 April 2025.

Statement of Comprehensive Income

For the Year Ended 31 December 2024

	Notes	2024 (£ 000')	2023 (£ 000')
Profit after tax		**11,087**	**12,552**
Items that may be reclassified subsequently to the income statement:			
Fair value through other comprehensive income reserve			
– Net gains from changes in fair value	27	90	997
– Deferred tax	27	(18)	(178)
		72	819
Other comprehensive income for the year net of tax		**72**	**819**
Total comprehensive income for the year		**11,159**	**13,371**
Total comprehensive income for the year attributable to equity holders		**11,159**	**13,371**

Profit for the year arises from continuing operations.

The accompanying notes on pages 62 to 123 form an integral part of the financial statements.

Statement of Financial Position

For the Year Ended 31 December 2024

	Notes	2024 (£ 000’)	2023 (£ 000’)
Assets			
Cash in hand and with central bank	14	232,380	215,342
Due from banks	15	122,152	112,789
Loans and advances to customers at amortised cost	16	682,470	632,149
Financial investments – Amortised cost	17	192,040	130,678
Financial investments – FVOCI	17	35,761	32,704
Derivative assets held for risk management	18	226	101
Property and equipment	19	11,664	12,545
Right of use lease assets	19.1	2,758	2,751
Other assets	20	2,294	1,283
Deferred tax assets	13	2,653	3,754
Total assets		**1,284,398**	**1,144,096**
Liabilities and Equity			
Liabilities			
Due to banks at amortised cost	21	108,224	123,581
Due to customers at amortised cost	22	1,023,002	885,890
Derivative liabilities held for risk management	18	187	42
Accruals, deferred income and other liabilities	23	8,815	7,075
Lease liability	23	2,833	2,920
Current tax liabilities	24	1,145	1,369
Subordinated liabilities	25	20,296	20,340
Total liabilities		**1,164,502**	**1,041,217**
Equity			
Called up share capital	26	80,000	70,000
Retained earnings		40,022	33,077
Fair value through other comprehensive income reserve	27	(126)	(198)
Total equity		**119,896**	**102,879**
Total liabilities and equity		**1,284,398**	**1,144,096**

Signed on behalf of the Board of Directors

Chairman: Muhammad H. Habib

Director: Satyajeet Roy

The company registration number is 08864609

The accompanying notes on pages 62 to 123 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 15 April 2025.

The British Museum, London

Statement of Changes in Equity

For the Year Ended 31 December 2024

	Called up share share capital (£ 000')	Fair value reserve (£ 000')	Retained earnings (£ 000')	Total (£ 000')
Balance as at 1 January 2024	**70,000**	**(198)**	**33,077**	**102,879**
Transactions with owners in their capacity as owners				
Dividend declared & paid during the year	-	-	(4,142)	(4,142)
Additional Capital	10,000	-	-	10,000
Profit after tax	-	-	11,087	11,087
Fair value through other comprehensive income (net gains during the year)		90		90
Deferred tax	-	(18)	-	(18)
	-	**72**	-	**72**
Balance as at 31 December 2024	**80,000**	**(126)**	**40,022**	**119,896**

	Called up share share capital (£ 000')	Fair value reserve (£ 000')	Retained earnings (£ 000')	Total (£ 000')
Balance as at 1 January 2023	**70,000**	**(1,017)**	**20,525**	**89,508**
Transactions with owners in their capacity as owners				
Dividend paid during the year	70,000	(1,017)	20,525	89,508
Profit after tax	-	-	12,552	12,552
Fair value through other comprehensive income (net losses during the year)	-	997	-	997
Deferred tax	-	(178)	-	(178)
	-	**819**	-	**819**
Balance as at 31 December 2023	**70,000**	**(198)**	**33,077**	**102,879**

The accompanying notes on pages 62 to 123 form an integral part of the financial statements.

Cash Flow Statement

For the Year Ended 31 December 2024

	Notes	2024 (£ 000’)	2023 (£ 000’)
Cash flows from operating activities			
Profit before tax		14,975	13,287
Adjusted for:			
Credit impairment reversals	11	(1,183)	(866)
Depreciation	19	1,341	1,510
		15,133	**13,931**
Net (increase) / decrease in operating assets			
Loans and advances to banks at amortised cost*		(9,363)	29,645
Loans and advances to customers at amortised cost		(49,138)	(30,221)
Derivative financial instruments for risk management		(125)	91
Other assets		(1,011)	(1,651)
		(59,637)	**(2,136)**
Net increase / (decrease) in operating liabilities			
Due to banks at amortised cost		(15,357)	(4,420)
Due to customers at amortised cost		137,112	116,334
Derivative financial instruments for risk management		145	(187)
Accruals, deferred income and other liabilities		3,204	2,710
Tax paid		(3,029)	(931)
		122,075	**113,506**
Net cash flow from operating activities		**77,571**	**125,301**
Cash flows from investing activities			
Purchase of property and equipment	19	(193)	(1,437)
Purchase of financial investments		(133,828)	(91,617)
Proceeds on sale of financial investments		69,499	73,406
Net cash outflow from investing activities		**(64,522)**	**(19,648)**
Cash flows from financing activities			
Capital issuance		10,000	-
Dividend Paid		(4,142)	-
Leases paid		(461)	(424)
Interest changes in subordinated liabilities		(1,408)	(1,199)
Net cash inflow from financing activities		**3,989**	**(1,623)**
Net increase in cash and cash equivalents		**17,038**	**104,030**
Cash and cash equivalents at the beginning of the year		215,342	111,312
Cash and cash equivalents at the end of the year		**232,380**	**215,342**

* Placements maturing within 3 months have been reclassified from Money market Placement to Cash in hand and with Central bank both in the current period and prior year

The accompanying notes on pages 62 to 123 form an integral part of the financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2024

1. The Company and its Operation

Habib Bank Zurich plc ("the Bank or HBZ UK") was incorporated in the United Kingdom on 28 January 2014 as a public limited company. The Bank is a wholly owned subsidiary of Habib Bank AG Zurich, Weinbergstrasse 59, PO Box 225, 8042 Zurich, Switzerland ("The Group"). The Group's financial statements are available at www.habibbank.com.

2. Basis of Preparation

The financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) which is applicable to the Companies Act 2006 as set out in the relevant notes, based on historical cost convention modified to include the fair valuation of financial instruments to the extent required or permitted.

The functional currency of the Bank is Pound Sterling, which is also the presentational currency of these financial statements.

3. Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for the following material items:

Items	Measurement basis
Financial assets at FVOCI	Fair value
Derivative financial instruments	Fair value

4. Going Concern

As detailed in the Directors' Report, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis for the foreseeable future being a minimum period of 12 months from the reporting date. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the Bank's financial position, future projections of profitability, cash flows and capital and liquidity resources and the longer-term strategy of the business.

The Bank's capital and liquidity plans have been stress tested against severe but plausible downside scenarios used in the assessment of the ICAAP and ILAAP reviewed and approved by the Board of Directors. The Board has also taken into consideration the adequacy of capital requirement to support the business growth in making such assessment. The Board concluded that both capital and liquidity remained within present regulatory requirements over the going concern period.

The Directors' assessment to continue to adopt the going concern basis include risk assessments performed to identify factors impacting the business operations and financial resilience demonstrated by the Bank. The assessment includes impact of increase in interest rates on the performance of Bank's credit portfolio and adequacy of credit impairment provision held by the Bank.

There are no material uncertainties identified that may pose any doubt on the Bank's ability to continue as a going concern for the foreseeable future being a minimum period of at least 12 months from the date these financial statements have been approved by the Board.

5. Accounting Policies

5.1 Compliance with International Accounting Standards

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) which is applicable to companies reporting under International Financial Reporting Standards (IFRS) and the Companies Act 2006.

5.2 New and Amended Standards and Interpretations

The accounting policies adopted have been consistently applied, with the exception of the following

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

On 23 May 2023, the IASB issued amendments to IAS 12 to provide a mandatory temporary exemption to the requirements to account for deferred taxes assets and liabilities related to Pillar Two income taxes, as published by the Organisation for Economic Co-operation and Development (OECD).

The amendments are effective for accounting periods beginning on or after 1 January 2023 and the mandatory temporary exemption is applied retrospectively to prior periods.

Disclosure of Accounting Policies (Amendments to IAS 1 -IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Non-current Liabilities with Covenants)

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) In January 2020 the IASB issued amendments to IAS 1 to clarify the presentation of liabilities in the balance sheet, with an effective date of 1 January 2024.

The amendments clarify that a liability should be classified as non-current only if the entity has the right to defer settlement of the liability for at least 12 months after the reporting period, and that (i) the right to defer settlement must exist at the end of the reporting period and (ii) management's intentions or expectations about whether it will exercise its right to defer settlement does not affect the classification. Further clarifications include how lending conditions affect classification and classification of liabilities the entity will or may settle by issuing its own equity instruments.

In October 2022, the IASB also issued further amendments to IAS 1 to improve the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants, and to respond to stakeholders' concerns about the classification of such a liability as current or non-current. These amendments are not expected to have a significant impact on the Bank and have been endorsed for use in the UK.

The Bank adopted the amendments effective 1 January 2024.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures (Amendment): Supplier Finance Arrangements

IAS 7 by providing a detailed Statement of Cash Flows, reflecting cash inflows and outflows from operating, investing, and financing activities. Additionally, the application of IFRS 7 (Amendment) on Supplier Finance Arrangements discloses the impact of such arrangements on the financial position and cash flows, ensuring transparency of financial instruments and related risks.

IFRS 7 amendment was effective for accounting periods beginning on or after 1 January 2024 but the impact to the Bank is not material.

IFRS 16 Leases (Amendment): Lease Liability in a Sale and Leaseback 1 January 2024

The IFRS 16 Leases (Amendment), effective from 1 January 2024, introduces guidance on how to account for lease liabilities in a sale and leaseback transaction. It requires the seller-lessee to recognise lease liabilities at the present value of lease payments and apply specific treatment for sale proceeds, ensuring consistent accounting for such transactions under lease standards.

The amendment was effective for accounting periods beginning on or after 1 January 2024 but the impact to the Bank is not material.

Future Accounting Developments

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements. this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

- The **IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment)** addresses situations where a currency is not exchangeable, meaning there is a lack of exchangeability. The amendment provides guidance on how to account for transactions in such currencies, requiring the use of an appropriate exchange rate that reflects the economic conditions and restrictions in place. Effective date of 1 January 2025. No impact anticipated.

- Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (Effective 1 January 2026)

- IFRS 18 Presentation and Disclosure in Financial Statements (Effective 1 January 2027)

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

5.3 Basis Preparation and Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) which is applicable to companies reporting under International Financial Reporting Standards (IFRS) and the Companies Act 2006 as set out in the relevant notes, based on historical cost convention modified to include the fair valuation of financial instruments to the extent required or permitted.

There are no new major standards or amendments applicable for 31 December 2023 year ends.

5.3.1 Use of Estimates and Judgements

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Actual results may differ from these estimates.

The estimates and underlying judgements 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 estimates usually involve a subjective measurement and a range of reasonable outcomes. Estimates and assumptions predominantly relate to Estimated Credit Loss (ECL) modelling, impairment of loans and advances and the determination of useful lives and residual values for property and equipment. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

- Note 31.7: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

  The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

  The table below shows the estimated ECL impact on key portfolios for both a positive growth (Upward scenario) and a downturn (Downward scenario) of macroeconomic variables used by the Bank in estimating the Estimated Credit Loss (Loss).

  The inputs have been modelled by replacing the Baseline macroeconomic variables with the Downside and Upside movement re-calibrating the PDs.

Impact on ECL	2024	2023
Improvement in Debt Service ratio and unemployment rate 10%	10% decrease	10% decrease
Improvement in Debt Service ratio and unemployment rate 15%	15% decrease	15% decrease
Improvement in Debt Service ratio and unemployment rate 25%	25% decrease	25% decrease
Deterioration in Debt Service ratio and unemployment rate 10%	10% increase	10% increase
Deterioration in Debt Service ratio and unemployment rate 15%	15% increase	15% increase
Deterioration in Debt Service ratio and unemployment rate 25%	25% increase	25% increase

A third macro-economic variable Debt to GDP ratio is applicable to financial institutions (FI&I) and investments, however, its financial impact has been assessed to be insignificant.

- Tax position: Recognition and measurement of deferred tax assets is based on business profit forecasts. Details on the recognition of deferred tax assets is provided in Note 13.

- Fair value of derivatives and financial assets: The Bank measures Fair Value through Other Comprehensive Income (FVOCI) at fair value using market prices and Derivative financial instruments based on observable market data. Note 30 provide the determination criteria of the fair value of financial instruments with significant unobservable inputs.

5.3.2 Assumptions and Estimation Uncertainties:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 is included in the following notes.

Impairment of financial instruments at Note 5.5.3 on page 67 explains determining inputs into the ECL measurement model, including incorporation of forward-looking information.

These estimates and assumptions are explained in the note 5.5.3 below.

5.4 Changes in Accounting Policies

The Bank has consistently applied the accounting policies as set out on Note 5.5 to all periods presented in these financial statements.

5.5 Significant Accounting Policies

Revenue Recognition

5.5.1 Interest Income and Expense

Interest income and expense are recognised in profit or loss using the effective interest method, the 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset under stage 1 and stage 2; or
- The net amount (gross carrying amount less provisions held) under stage 3; or
- The amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates the future cash flows considering all contractual terms of the financial instruments but does not consider the future credit losses.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss.

The 'gross carrying value of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

5.5.2 Fee and Commission Income

The Bank provided banking services to personal and business customers, including account management, foreign currency transactions and servicing fees.

Fee and commission income is accounted for depending on the services to which the income relates:

- Revenue from account services and servicing fees is recognised over time as the services are provided.
- Commitment fees form an integral part of the effective interest rate of a financial instrument. These are recognised as an adjustment to the effective interest rate and recorded in interest income. The Bank receives 50% of the commitment fee upfront which is recognised as income in the year it is received on the basis of being non-refundable.
- Loan termination represents fee paid by customers on early repayment of loans is recognised at the time loan is settled by the customer.
- Fees for ongoing account management are charged to the customer's account as per schedule of fee and charges. The Bank sets the rates separately for personal and business banking customers, which are reviewed annually.
- Revenue earned on the execution of a significant act is recognised in fee income when the act is completed including trade finance income.
- Transaction-based fees for interchange and foreign currency transactions are charged to the customer's account when the transaction takes place.
- Bank provides locker services to the customers, the fee of which is charged upfront on annual basis and amortised monthly.
- Other fees charged to the customer's account when the transaction takes place

5.5.3 Financial Assets and Liabilities

Classification and Measurement of Financial Assets and Liabilities

There are three measurement classifications under IFRS 9: amortised cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications based on the business model within which they are held, and their contractual cash flow characteristics.

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flow ('hold to collect') and where those contractual cash flows are solely payments of principal and interest ('SPPI'). Financial asset debt instruments where the business model objectives are achieved by both collecting the contractual cash flows and selling the assets ('hold to collect and sell') are held at FVOCI, with unrealised gains and losses deferred within reserves until the asset is derecognised. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial Assets

Subsequent to initial recognition, all financial assets within the Bank are measured at

- Amortised cost
- Fair value through other comprehensive income (FVOCI), or
- Fair value through profit and loss (FVTPL)

The Bank has assessed the business models that it operates and loans to banks and customers are held within a 'hold to collect' business model. Investment debt securities are held within a 'hold to collect' portfolio. The majority of the remaining investment debt securities are held within a 'held to collect and sell' business model or trading portfolio. Where the objective of a business is to hold the assets to collect the contractual cash flows or where the objective is to hold the assets to collect contractual cash flows and sell, a further assessment has been undertaken to determine whether the cash flows of the assets are deemed to meet the SPPI criteria. Where these instruments have cash flows that meet the SPPI criteria, the instruments are measured at amortised cost (for hold to collect business models) or FVOCI (for hold to collect and sell business models). Instruments that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held.

Amortised Cost

The Bank's financial assets including debt instruments are subsequently measured at amortised cost by the Bank if they meet both of the following criteria and are not designated as at FVTPL:

- Held to collect' business model test – The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test – The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date. Interest in this context is consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Fair Value Through Other Comprehensive Income

This category of financial assets represents non-derivative financial assets classified on initial recognition because they are being held to collect contractual cash flows and for sale. FVOCI assets are measured at fair value and any changes are recognised in other comprehensive income. Interest, impairments, and foreign exchange differences on assets classified at FVOCI are recognised in the Income statement. The cumulative gain or loss that was recognised in other comprehensive income is recognised in profit or loss when an asset designated at FVOCI is derecognised.

All other financial assets (equity investments) are measured at fair value

Fair Value Through Profit and Loss

Financial assets are classified and measured at FVTPL by the Bank if the financial asset is:

- Debt instrument that does not qualify to be measured at amortised cost or FVOCI;
- An equity investment which the Bank has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;
- A financial asset where the Bank has elected to measure the asset at FVTPL under the fair value option

Financial Liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments).

Islamic Financing and Investments

The Bank Islamic financing and deposits products are offered to customers under the brand name 'Sirat'. The financing products offered to customers are namely Commodity Murabaha and Diminishing Musharika. Murabaha is a contract for the sale of goods at cost plus an agreed profit mark-up. Under the arrangement entered into between the Bank and customer, the Bank purchases a commodity and then sells it to a customer on a deferred settlement basis with an agreed mark-up. The delivery of the goods is immediate but payment may be deferred. Commodity Murabaha is a specific example of such a contract where the item being sold is a metal commodity

Musharika financing is made through a contract under which the Bank enters into an agreement to jointly purchase a property with another party on ongoing basis or for a limited time. In these particular arrangements the Bank sell its share in this partnership to the customer until they become the sole owner of the specific asset, therefore, making the product Diminishing Musharika financing. Rental income is received relating to that proportion of the property owned by the Bank at any point in time. The transaction is recognised as a financial asset upon legal completion of the property purchase and the amount receivable is recognised at an amount equal to the net investment in the transaction.

Where initial direct costs are incurred by the Bank such as legal and valuation fees and commission that are incremental and directly attributable to negotiating and arranging the transaction, these costs are included in the initial measurement of the receivable and the amount of income over the term is reduced. Rental income is recognised at a constant periodic rate of return on the Bank's net investment.

Islamic Investment securities (Sukuk) are non-derivative financial assets which are purchased for profit and intended to be held for an indefinite period of time, but may be sold in response to liquidity requirements or changes in profit rates or exchange rates. They are classified as FVOCI and are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at FVOCI. The cash flows received by the Bank are solely payments of principal and profit on the outstanding balance or sale proceeds in the event of a sale.

Gains and losses arising from changes in the fair value of investment security assets, other than foreign exchange gains and losses from monetary items, are recognised directly within a separate component of equity, until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised within equity is transferred to the statement of comprehensive income.

Islamic Deposits

Customer Wakala deposits consist of an Islamic financing transaction, which represents an agreement whereby the customer appoints the Bank as agent to invest a certain sum of money, per specific conditions in order to achieve an expected specified return. The Bank, as agent, is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala. Balances are valued based on their amortised cost.

Revenue Recognition
Profit on Commodity Murabaha and Diminishing Musharika is recognised as income on a time-apportionment basis over the period of the contract, based on applying the effective profit rates to the principal amounts outstanding.

The accounting policies for Islamic financial assets and liabilities are consistent with those applied for similar financial assets and liabilities.

De-recognition of Financial Assets and Liabilities
The Bank derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition 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 new asset obtained less any liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Modification of Financial Assets and Financial Liabilities

Financial Assets
If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified assets were substantially different.

If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised, and a new financial asset was recognised at fair value plus any eligible transaction cost. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on de-recognition.

If cash flows are modified when borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different term. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

The Bank derecognises a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

1. change in currency of the loans
2. introduction of equity feature
3. change in counterparty
4. if the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Financial Liabilities

Financial liabilities are either classified by the Bank as:

- Financial liabilities at amortised cost, or
- Financial liabilities at FVTPL.

Financial liabilities are measured at amortised cost by the Bank unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL, or
- The Bank elects to measure the financial liability at FVTPL (using the fair value option).

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. The fair value of a liability reflects its non-performance risk. When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Impairment of Financial Assets

ECL are probability-weighted estimates of credit losses.

IFRS 9 Impairment applies to financial instruments that are not measured at fair value through profit and loss (FVTPL). Financial assets falling within the scope of impairment are provided for by calculating their Expected Credit Loss (ECL). This requires considerable judgement regarding how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Estimated Credit Loss (ECL)

ECL is an estimate of present value of cash shortfalls over the life of the financial instrument and is computed as a product of probability of default (PD), loss given default (LGD) and exposure at default (EAD). The present value of cash shortfalls is calculated by taking into account the time value of money and forward-looking information.

Probability of Default (PD)

The PD represents the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

Loss Given Default (LGD)

The LGD represents the expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised, and the time value of money.

Exposure at Default (EAD)

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.

Measurement of ECL

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluation of a range of possible outcomes that incorporates forecasts of future economic conditions. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

In determining ECL for loans and advances, the Bank has considered two macroeconomic variables, (i) debt service ratio and (ii) unemployment rate and weighted these according to their likely occurrence. The scenarios include a baseline scenario, based on the current economic environment, an upturn scenario and a downturn scenario. Scenario forecasts were weighted by the scenario's probability of occurrence in order to arrive at the probability-weighted macroeconomic impact over the 5-year forecast horizon.

The estimation and application of this forward-looking information requires significant judgement and be subject to appropriate internal governance and scrutiny. Loss allowance for ECL is presented in the statement of financial position as follows:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; Loan commitments, off balance sheet items and financial guarantees: generally, as a provision; where a financial instrument includes both a drawn and an undrawn component / off balance sheet item, and the Bank cannot identify the ECL on the loan commitment component separately for those on the drawn components:

The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and recognised in the fair value reserves.

A critical element to the implementation of IFRS 9 Impairment is determining whether there has been an increase in risk of a credit exposure since origination to classify the assets into one of three stages as set out below.

The Bank considers various factors in changing the status of a loan such as a day pass due, rating downgrade, restructure tag, or cross product defaults as strong indicators of increase in credit risk of an account. In addition, a loan that is overdue 90 days or more is considered credit impaired. Hence, staging rules have been determined based on these criteria, as explained below:

Impairment is measured as either 12 months ECL, or Lifetime ECL depending on the change in credit risk associated with the financial instrument. The approach allocates financial instruments into three stages:

Staging Criteria

Stage 1 – 12-month ECL
The Bank assesses ECLs on exposures where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination.

Stage 2 – Lifetime ECL
The Bank assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. Bank recognises a lifetime ECL (i.e., reflecting the remaining lifetime of the financial asset).

Stage 3 – Lifetime ECL
The Bank identifies ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as a specific provision, and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Write Off

Loan and debt securities are written off (either partially or in full) where there is no reasonable expectation of recovering a financial asset in entirely or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or source 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.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Recoveries of amount previously written off are included in 'impairment loss on financial instruments' in the statement of profit or loss or OCI.

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

5.5.4 Derivative Financial Instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset, if they meet the offsetting criteria under IAS 32.

5.5.5 Employee Benefits

Short-term employee benefits, such as salaries, paid absences and other benefits, are accounted for on an accrual basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably. All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

The Bank provides a defined contribution pension scheme for its staff. For this scheme, the Bank recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

5.5.6 Cash and Cash Equivalents

Cash and cash equivalents represent Cash in hand and readily available balances held with the central bank.

5.5.7 Property and Equipment

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Bank's management.

Property and equipment are subsequently measured using the cost model at cost less accumulated depreciation and impairment losses, if any. The Bank adheres to IAS 36, Impairment of Assets which, seeks to ensure that property and equipment assets are not carried at more than their recoverable amount (i.e., the higher of fair value less costs of disposal and value in use).

At the end of each reporting period, the Bank assesses whether there is any indication that a property and equipment may be impaired (i.e., it carrying amount may be higher than its recoverable amount). If there is an indication that a property and equipment may be impaired, then the asset's recoverable amount is calculated. An impairment is recognised in profit or loss as the difference between carrying value and recoverable amount.

Depreciation is provided on a straight-line basis over estimated useful lives as follows:

Freehold improvements	20 Years
Leasehold improvements	Over the remaining period of the lease
Leased assets (ROU)	Over the remaining period of the lease
Motor vehicles	5 years
Furniture, fixtures and fittings	7 years
Computer hardware	4 years
Buildings	40 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the reporting date. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other operating income.

5.5.8 Provisions and Contingent Liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

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 disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

5.5.9 Taxes

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

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Deferred tax asset is recognised based on availability of future taxable profit against which carry-forward tax losses can be used. Future profits are based on financial projections prepared based on some key assumptions, which may vary in future due to internal and external factors such as projected growth, economic outlook, interest rates.

Deferred tax is determined using tax rates and legislation enacted, or substantively enacted, by the balance sheet date and is expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

Deferred and Current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.5.10 Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the reporting date. Exchange rate differences are recognised in profit and loss.

5.5.11 Segment Reporting

The Bank undertakes commercial banking, which is carried on mainly within the United Kingdom and all other services are ancillary to commercial banking activities. The management information system and reporting to Board is also aligned to this business model.

The Bank currently manages its business activities on a centralised basis; as a result, the revenue and costs are not attributable to any one operating and geographic segment. No revenue transaction with a single external customer or counterparty amounted to 10% of total revenue for the year.

5.5.12 Accounting for Leases

At inception 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 dismantle and remove any improvements made to branches or office premises less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.
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 readily determined, and the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The incremental borrowing rate is used that the Bank would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions. The rates are determined for each economic environment in which Bank operates.

The incremental borrowing rate is the discount rate that Bank determines by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased. The Bank discounted lease payments using its incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method.

Leases are recognised as a ROU asset and a corresponding liability at the date at which the leased asset is made available for use.

Short-term Leases and Leases of Low-value Assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term and low value leases, including lease of a rental premises. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6. Net Interest Income

	2024 (£ 000')	2023 (£ 000')
Interest income		
Funds held with central bank	6,800	5,433
Due from banks	9,922	5,387
Loans and advances to customers	54,168	45,558
Financial investments – FVOCI	1,342	1,255
Financial investments – Amortised cost	8,032	3,423
	9,374	4,678
Total interest Income	**80,264**	**61,056**
Interest expense		
Due to banks	(6,787)	(4,433)
Due to customers	(34,028)	(21,160)
Subordinated liabilities	(1,363)	(1,266)
Finance cost on lease liability	(89)	(33)
Total interest Expense	**(42,267)**	**(26,892)**
Net Interest Income	**37,997**	**34,164**

- Interest income against loans and advances to customers included total of £82k (2023: £514k) relating to impaired financial assets and has been considered as part of the cash flows when assessing for individual impairment provisions.
- Interest income against loans and advances to customers includes £1.55m (2023: £1.11m) represents integral fees spread on an EIR basis.
- Interest income against loans and advances to customers includes £181k (2023: £210k) represents recovery of interest from fully impaired stage 3 loans.

7. Net Fee and Commission Income

	2024 (£ 000')	2023 (£ 000')
Fee and commission income		
Loan termination fee	127	134
Customer transaction fees	252	212
Trade Finance	1,054	912
Other fees and commission on banking and credit products	649	630
Total fee and commission income	**2,082**	**1,888**
Fee and commission expense		
Bank charges	(287)	(332)
Commission on internet deposits	(27)	(22)
Other fees and commission	(53)	(51)
Total fee and commission expense	**(367)**	**(405)**
Net fee and commission income	**1,715**	**1,483**

7.1 Disaggregation of Fee and Commission Income

In the above table, fee and commission income with customers in the scope of IFRS 15 is disaggregated by major type of services.

The following table provides information about contract assets and contract liabilities from contacts with customers:

	2024 (£ 000')	2023 (£ 000')
Contract Assets – Accrued income	29	12
Contract Liabilities – Deferred income	36	948

8. Other Costs – Net

	2024 (£ 000')	2023 (£ 000')
Other	(9)	(12)
Total other income	**(9)**	**(12)**

Birmingham Museum & Art Gallery, Birmingham

9. Staff Costs, Including Directors' Emoluments

	2024 (£ 000')	2023 (£ 000')
Salaries and allowances	(12,660)	(10,443)
Social security costs	(2,101)	(2,077)
Pension costs – defined contribution plan	(977)	(828)
Total staff costs	**(15,738)**	**(13,348)**
Average number of employees (Nos)	162	149
Actual number of employees (Nos)	155	158
Directors' emoluments		
– Total emoluments of Directors – £ 000	1,118	984
– Total number of directors to whom retirement benefits are accruing – Nos	2	2
– Salary and benefits paid to the highest paid Director – £ 000	612	595

The emoluments of Directors disclosed above include salary and social security cost. Pension contribution (Defined Contribution Plan) included in Directors' emoluments is £58k (2023: £57k).

The Parent bank paid emoluments of other non-Executive directors' and has not recharged the Bank specifically for their services.

10. Other Operating Expenses

	2024 (£ 000')	2023 (£ 000')
Premises running costs	(2,730)	(2,422)
Legal and Professional charges	(935)	(908)
Auditor's remuneration	(373)	(355)
IT and communication costs	(531)	(544)
Branches operation charges	(577)	(581)
Group direct expenses	(3,692)	(3,377)
Travelling and conveyance	(83)	(129)
Marketing and advertisement	(377)	(118)
Miscellaneous	(125)	(132)
Total other operating expenses	**(9,423)**	**(8,566)**

10.1 Auditor's Remuneration

	2024 (£ 000')	2023 (£ 000')
Statutory audit fee	(363)	(325)
Client money and custody assets review	(10)	(30)
Total Auditor's remuneration	**(373)**	**(355)**

11. Credit Impairment (Charges) / Reversals

	2024 (£ 000')	2023 (£ 000')
Loans and advances		
Charged during the year	(229)	(544)
Reversal during the year	1,491	1,454
Net reversals	**1,262**	**910**
Financial investments		
Net charge	(34)	(16)
Due from banks		
Net charges	(45)	(28)
Impairment reversals / (losses) on financial assets	**1,183**	**866**

12. Taxation

	Notes	2024 (£ 000')	2023 (£ 000')
Corporate tax:			
Current year		2,916	(2,302)
Prior year		(111)	34
		2,805	(2,268)
Deferred tax:			
Current year	13	1,083	1,533
		3,888	**(735)**

12.1 Tax Reconciliation

	%	2024 (£ 000')	%	2023 (£ 000')
Profit before tax		14,975		13,287
Expected tax charge	**(25%)**	**(3,744)**	**(23.5%)**	**(3,122)**
Permanent disallowable expenses		-		(12)
Timing differences on Plant & equipment and impact of IFRS9 and IFRS 16		(138)		66
Prior year adjustment- plus buffer		111		34
Carried forward losses recognised		967		766
		(2,805)		(2,268)
Movement of Deferred Tax against tax losses and Temporary differences		(1,083)		1,533
Total tax charge	**(26%)**	**(3,888)**	**(6%)**	**(735)**

The corporation tax rate is 25% with effect from 01 April 2023.

13. Deferred Tax Assets

Deferred taxes are calculated on temporary differences under the liability method using the tax rates expected to apply when the liability is settled, or the asset is realised.

Deferred tax assets mainly relate to carry forward losses and capital allowance. The amount of carry forward losses available as at 31 December 2024 was £17.2 million (2023: £20.9 million) on which estimated amount of deferred tax not recognised amounted to Nil (2023: £394k). The Bank only account for deferred tax on the basis of future profits for a foreseeable period not exceeding four years. The Bank is of the view that assumptions used for preparing cash flow projections beyond such period are subject to significant change.

The table below shows the deferred tax assets including the movement in the deferred tax account during the year:

2024 £ 000'	Tax losses carried forward	Temporary difference on depreciation	Temporary difference on unpaid benefits	IFRS 9 adoption	IFRS 16 adoption	FVOCI	Total
Opening balance as at 01 January 2024	4,845	(1,303)	16	119	17	60	3,754
Credited to income statement	(538)	(491)	-	(48)	(6)	-	(1,083)
Credited to OCI	-	-	-	-		(18)	(18)
Balance as at 31 December 2024	**4,307**	**(1,794)**	**16**	**71**	**11**	**42**	**2,653**

2023 £ 000'	Tax losses carried forward	Temporary difference on depreciation	Temporary difference on unpaid benefits	IFRS 9 adoption	IFRS 16 adoption	FVOCI	Total
Opening balance as at 01 January 2023	3,036	(1,040)	25	118	22	238	2,399
Credited to income statement	1,809	(263)	(9)	1	(5)	-	1,533
Credited to OCI	-	-	-	-	-	(178)	(178)
Balance as at 31 December 2023	**4,845**	**(1,303)**	**16**	**119**	**17**	**60**	**3,754**

14. Cash in Hand and With Bank Including Central Bank

	2024 (£ 000')	2023 (£ 000')
Balance with bank including central bank*	231,714	214,427
Cash in hand	666	915
Total cash in hand and with bank including central bank	**232,380**	**215,342**

* This includes an amount of £47.4mn (2023: £39.5mn) money market placements with other banks and which are maturing within three months of its original maturity.

15. Due From Banks

	2024 (£ 000')	2023 (£ 000')
Money market placements	112,404	96,743
Bankers' acceptances	9,808	16,073
	122,212	**112,816**
Estimated credit loss (ECL – Stage 1)	(60)	(27)
Total due from banks	**122,152**	**112,789**

16. Loans and Advances to Customers at Amortised Cost

	Notes	2024 (£ 000')	2023 (£ 000')
Commercial loans		637,257	594,671
Overdraft		43,021	34,233
Discounted bills & trade finance loans		4,917	7,247
Other loans including staff loans		167	163
Gross loans and advances to customers		**685,362**	**636,314**
Less: Provision for impairment	16.1	(2,892)	(4,165)
Net loans and advances to customers		**682,470**	**632,149**

16.1 Provision For Impairment

	2024 (£ 000')	2023 (£ 000')
Balance at the beginning of the year	4,165	**5,107**
Impairment charged to profit and loss	229	544
Reversals during the period	(1,491)	(1,454)
Net impairment reversal to P&L	(1,262)	(910)
Write off / Other	(11)	(32)
Total provision for impairment	**2,892**	**4,165**

17. Financial Investments

	Notes	2024 (£ 000’)	2023 (£ 000’)
Debt Securities			
Investment securities measured at amortised cost	17.1	192,040	130,678
Investment securities measured at FVOCI	17.2	35,761	32,704
Total financial investments		**227,801**	**163,382**
Investment securities measured at amortised cost			
General government		26,993	39,673
Multilateral development banks		43,989	48,351
Financial institutions		64,258	24,871
Corporates		56,800	17,783
		192,040	**130,678**
Investment securities measured at FVOCI			
General government		11,930	5,110
Multilateral development banks		15,893	19,933
Financial institutions		7,938	-
Corporates		-	7,661
		35,761	**32,704**
Total financial investments		**227,801**	**163,382**

17.1 As at 31 December 2024 financial investments of £53.5 million (2023: £79 million) was encumbered against borrowing of £50 million (2023: £75 million) from the Bank of England under TFSME scheme.

17.2 This includes investments in Sukuk of £46.3 million (2023: £10.9 million) held by the Bank.

18. Derivative Financial Instruments

The Bank transacts derivatives to manage and hedge its own risk and that of its customers. The Bank uses derivatives for hedging purposes for an economic perspective in the management of its own asset and liability portfolios. This enables the Bank to mitigate the market risk, which would otherwise arise from structural imbalances.

Forward foreign exchange currency contracts are Over the Counter agreements to deliver or take delivery of a specified amount of an asset or financial instrument based on a specific rate applied against the underlying asset or financial instrument at a specific date. Derivatives are measured at their fair value, which is calculated as the present value of the future expected net contracted cash flows at market related rates as of the balance sheet date.

The fair values and notional amounts of derivative instruments are as follows:

	2024 (£ 000’)	2023 (£ 000’)
Notional amount	50,136	21,391
Fair value asset	226	101
Fair value liability	187	42

19. Property and Equipment

2024 £ 000’	Land	Freehold and leasehold improvements	Computer and other equipment	Furniture fixture and fittings	Motor vehicles	£ 000 Total
Cost						
As at 1 January 2024	1,050	17,244	3,013	2,556	34	23,897
Additions	-	15	155	23	-	193
As at 31 December 2024	**1,050**	**17,259**	**3,168**	**2,579**	**34**	**24,090**
Accumulated Depreciation						
As at 1 January 2024	-	6,995	2,374	1,949	34	11,352
Depreciation		674	281	119	-	1,074
As at 31 December 2024	**-**	**7,669**	**2,655**	**2,068**	**34**	**12,426**
Net book value as at 31 December 2024	**1,050**	**9,590**	**513**	**511**	**-**	**11,664**
Net book value as at 31 December 2023	**1,050**	**10,249**	**639**	**607**	**-**	**12,545**

2023 £ 000’	Land	Freehold and leasehold improvements	Computer and other equipment	Furniture fixture and fittings	Motor vehicles	£ 000 Total
Cost						
As at 1 January 2023	1,050	15,992	2,693	2,361	34	22,130
Additions	-	1,252	320	195	-	1,767
As at 31 December 2023	**1,050**	**17,244**	**3,013**	**2,556**	**34**	**23,897**
Accumulated Depreciation						
As at 1 January 2023	-	6,364	2,080	1,838	34	10,316
Depreciation		631	294	111	-	1,036
As at 31 December 2023	**-**	**6,995**	**2,374**	**1,949**	**-**	**11,352**
Net book value as at 31 December 2023	**1,050**	**10,249**	**639**	**607**	**-**	**12,545**
Net book value as at 31 December 2022	**1,050**	**9,628**	**613**	**523**	**-**	**11,814**

19.1 Right of Use Lease Assets

	2024 (£ 000')	2023 (£ 000')
Balance at 1 January 2024	2,751	3,555
Addition	-	80
Depreciation charge for the year	(413)	(474)
Reassessment impact *	420	-
Disposal of assets	-	(410)
Balance at 31 December 2024	**2,758**	**2,751**
Amount recognised in profit & loss		
Interest on lease liabilities	89	33
	89	**33**
Amount recognised in statement of cash flows		
Total cash flows for leases	462	424
	462	**424**

* This represents the net impact of £146K between ROU and Lease Liabilities due to reassessment during the year.

20. Other Assets

	2024 (£ 000')	2023 (£ 000')
Prepayments	409	334
Receivable from Parent bank	616	429
Value added tax refundable	600	53
Accrued Income	29	12
Other	640	1,386
Total other assets	**2,294**	**2,214**

21. Due to Banks at Amortised Cost

	Notes	2024 (£ 000')	2023 (£ 000')
Due to Parent bank (Habib Bank AG Zurich, Switzerland)	21.1	44,105	32,697
Due to associates (fellow subsidiaries)		5,864	9,672
Due to central bank (TFSME)	21.2	50,611	76,005
Other deposits		7,644	5,167
Margin held		-	40
Total due to banks		**108,224**	**123,581**

21.1 This includes fiduciary deposits £44 million (2023: £33 million) accepted by the Bank from Habib Bank AG Zurich (parent) and having maturities ranging from 3 months to 18 months.

21.2 The Bank become the member of the Bank of England's Term Funding Scheme with additional incentives for SME (TFSME) in 2020. The funding under the scheme is made available for a period up to 4 years. Interest rate on TFSME is linked to BoE Base Rate, which was 4.75% per annum at the end of 2024.

22. Due to Customers at Amortised Cost

	Notes	2024 (£ 000')	2023 (£ 000')
Time deposits	22.1	682,640	537,963
Current and demand accounts		276,607	281,732
Call deposits		63,755	66,195
Total due to customers		**1,023,002**	**885,890**

22.1 Time Deposits

	2024 (£ 000')	2023 (£ 000')
Term deposits – conventional	329,470	280,293
Term deposits – Islamic (Wakala)	125,938	90,878
Term deposits	**455,408**	**371,171**
Internet deposits – conventional	200,880	136,623
Internet deposits – Islamic	26,352	30,169
Internet deposits	**227,232**	**166,792**
Term deposits – Total	**682,640**	**537,963**
Notice accounts	63,755	66,195
Total due to customers	**746,395**	**604,158**

23. Accrual, Deferred Income and Other Liabilities

	Notes	2024 (£ 000')	2023 (£ 000')
Bills payable		1,168	984
Staff costs payable		1,945	1,355
Accrued expenses		1,395	2,399
Other liability		4,307	2,337
Total accrual, deferred income and other liabilities		**8,815**	**7,075**
Lease Liability	23.1	2,833	2,920
Total accrual, deferred income and other liabilities with lease		**11,648**	**9,995**

23.1 The Bank leases a number of branch and office premises. The leases typically run for a period of 8 years approximately, with an option to renew the lease after that date.

Information about leases for which the Bank is lessee is presented in 19.1

24. Current Tax Liabilities

	2024 (£ 000')	2023 (£ 000')
Provision for corporation tax	2,921	2,300
Advance corporation tax *	(1,776)	(931)
Total current tax liabilities	**1,145**	**1,369**

* The Bank has reclassified the advance tax balance to be offset against the corporate tax liabilities balance. This reclassification has resulted in a prior period restatement of the respective balances. The total assets and total liabilities on the statement of financial position as at 31 December 2023 have decreased by £931k, accordingly.

25. Subordinated Liabilities

The Parent bank, Habib Bank AG Zurich, provided a subordinated loan of £20m in 2016, meeting the eligibility requirement of T-2 capital for the Bank.

The term of the loan was renewed for further five years with effect from 01 April 2021. The term of loan can be extended with the mutual consent of both lender and borrower after the expiry of the term. The loan carries interest at a rate of 6-month Sonia swap plus 175 bps per annum to be paid semi-annually.

Subordinated liabilities are measured at amortised cost using the effective interest method under IFRS 9.

Subordinated Liabilities	2024 (£ 000')	2023 (£ 000')
Opening balance	20,340	20,273
Interest accrued	1,363	1,266
Interest paid	(1,408)	(1,199)
Closing Balance	**20,296**	**20,340**

26. Share Capital

Called up and fully paid	2024 (£ 000')	2023 (£ 000')
70 million authorised and fully paid ordinary shares of £1 each	70,000	70,000
10 million ordinary shares of £1 each issued during the year	10,000	-
	80,000	**70,000**

27. Fair Value Loss on Financial Assets at Fair Value Through Other Comprehensive Income

	2024 (£ 000')	2023 (£ 000')
Fair value movement		
FV loss at the beginning of the year	(259)	(1,255)
FV movement during the year	90	997
FV loss at the end of the year	(169)	(258)
Deferred tax movement		
Deferred tax asset at the beginning of the year	61	238
Net movement during the year	(18)	(178)
	43	60
	(126)	**(198)**

28. Contingent Liabilities and Commitments

The Bank enters into transactions, which exposes it to tax, legal and business risks in the ordinary course of business. Provisions are made for known liabilities, which are expected to materialise. Contingent obligations and banking commitments, which the Bank has entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities.

	2024 (£ 000')	2023 (£ 000')
Direct credit substitutes		
– Guarantees	5,364	6,520
Trade related contingent liabilities		
– Letters of credit	448	141
– Acceptances	39	46
– Confirmation on export letters of credit	6,071	6,779
Unused credit facilities	19,156	27,149

Unused credit facilities refer to commitments to make loans and revolving credits.

Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The potential credit loss is less than the total commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

29. Related Party Disclosure

Key Management Personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank.

The key management personnel are the members of the Bank's Executive Committee together with its directors. The table below details, on an aggregated basis, key management personnel compensation:

	2024 (£ 000')	2023 (£ 000')
Salaries and other short-term benefits	2,142	1,887
Post-employment benefits	26	26
Total	**2,168**	**1,913**
Loans outstanding – £ 000	113	124
No of persons	1	1

The loans are on secured basis and expected to be settled in cash. The loans are charged at the interest rate of 3%. No provisions have been recognised in respect of loans given to key management personnel.

	2024 (£ 000')	2023 (£ 000')
Deposits placed – £ 000	217	120
No of persons – Nos	11	6

Details of transactions between the Bank and related parties are summarised below.

Banking transactions:	2024 (£ 000')	2023 (£ 000')
– Interest earned from Parent bank	1,432	550
– Interest and expenses paid to Parent bank *	1,933	2,028
– Transactions with parent bank and fellow subsidiaries **	3,692	3,377

Outstanding balance:	2024 (£ 000')	2023 (£ 000')
– Due to Parent bank including subordinated loan **	64,401	53,037
– Due to fellow subsidiaries	5,864	9,672
– Due from related parties	30,283	24,037

The Bank's related parties include Parent bank and fellow subsidiaries.

*Interest and expenses represent interest of £482k (2023: £662k) charged on borrowings / fiduciary deposits and allocation of group expenses of £3.8m (2023: £3.4m).

The transactions arose from the ordinary course of business and on the same terms and conditions as for comparable transactions with third party counterparties.

** This includes fiduciary deposits £44 million (2023: £33 million) accepted by the Bank from Habib Bank AG Zurich (parent) and having maturities ranging from 3 months to 18 months.

Key management personnel information is disclosed in note 9.

30. Fair Value of Financial Instruments

30.1 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. It is a measure as at a specific date and may be significantly different from the amount, which will actually be paid or received on maturity or settlement date. Fair values of financial assets and liabilities measured at fair value are determined on the basis of their gross exposures. The carrying amount of the financial instruments is a reasonable approximation of fair values as illustrated in the table below.

30.2 Valuation of Financial Assets and Liabilities

Assets and liabilities carried at fair value or for which fair values are disclosed has been classified into three levels based on significance and observability of inputs to determine the fair values.

Level 1
Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 predominantly comprise debt securities where observable prices are available in the market.

Level 2
This category comprises forward currency contracts, valued using external exchange rates.

Level 3
Portfolios are those where the valuation technique includes input not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. Where the fair value cannot be reliably determined for an investment, the instrument is measured at cost. The Bank had no level 3 financial instruments.The Bank had no level 3 financial instruments.

30.3 Financial Assets

The following table sets out the Assets held at amortised cost and at fair value.

2024	Level 1 (£ 000’)	Level 2 (£ 000’)	Level 3 (£ 000’)	Total fair value (£ 000’)	Total carrying amount (£ 000’)
Financial Assets					
Cash in hand and with central bank	232,380	-	-	232,380	232,380
Due from banks	-	-	122,152	122,152	122,152
Loans and advances to customers	-	-	617,722	617,722	682,470
Financial investments	189,850	-	-	189,850	192,040
Assets held at amortised cost	**422,230**	**-**	**739,874**	**1,162,104**	**1,229,042**
Financial investments at FVOCI	35,761	-	-	35,761	35,761
Derivative assets held for risk management	-	226	-	226	226
Assets held at Fair value	**35,761**	**226**	**-**	**35,987**	**35,987**
Total Assets	**457,991**	**226**	**739,874**	**1,198,091**	**1,265,029**

2024	Level 1 (£ 000’)	Level 2 (£ 000’)	Level 3 (£ 000’)	Total fair value (£ 000’)	Total carrying amount (£ 000’)
Financial Liabilities					
Due to banks	-	-	108,224	108,224	108,224
Due to customers	-	-	1,009,101	1,009,101	1,023,002
Liabilities held at amortised cost	**-**	**-**	**1,117,325**	**1,117,325**	**1,131,226**
Derivative liabilities held for risk management	-	187	-	187	187
Subordinated liabilities	-	-	20,050	20,050	20,296
Liabilities held at fair value	**-**	**187**	**20,050**	**20,237**	**20,483**
Total Liabilities	**-**	**187**	**1,137,374**	**1,137,561**	**1,151,709**

2023	Level 1 (£ 000’)	Level 2 (£ 000’)	Level 3 (£ 000’)	Total fair value (£ 000’)	Total carrying amount (£ 000’)
Financial Assets					
Cash in hand and with central bank	215,342	-	-	215,342	215,342
Due from banks	-	-	112,789	112,789	112,789
Loans and advances to customers	-	-	575,523	575,523	632,149
Financial investments	128,665	-	-	128,665	130,678
Assets held at amortised cost	**344,007**	**-**	**688,312**	**1,032,319**	**1,090,958**
Financial investments at FVOCI	32,704	-	-	32,704	32,704
Derivative assets held for risk management	-	101	-	101	101
Assets held at Fair value	**32,704**	**101**	**-**	**32,805**	**32,805**
Total Assets	**376,711**	**101**	**688,312**	**1,065,124**	**1,123,763**

2023	Level 1 (£ 000’)	Level 2 (£ 000’)	Level 3 (£ 000’)	Total fair value (£ 000’)	Total carrying amount (£ 000’)
Financial Liabilities					
Due to banks	-	-	123,581	123,581	123,581
Due to customers	-	-	873,958	873,958	885,890
Liabilities held at amortised cost	**-**	**-**	**997,539**	**997,539**	**1,009,471**
Derivative liabilities held for risk management	-	42	-	42	42
Subordinated liabilities	-	-	19,079	19,079	20,340
Liabilities held at fair value	**-**	**42**	**19,079**	**19,121**	**20,382**
Total Liabilities	**-**	**42**	**1,016,618**	**1,016,660**	**1,029,853**

*Following the review of comparative period disclosure, the fair value of Loans and advances, financial investments at amortised costs, Due to customers and Subordinated liabilities have been updated. This is a change in the disclosure for note 30.3 with net decrease of £0.6m in fair value of financial assets and net increase of £96.3m on fair value of financial liabilities. There is no impact on Statement of financial position and Statement of comprehensive income.

The fair value of cash in hand and with central bank, due from banks and due to banks approximate to their carrying amount due to their short-dated nature of less than 1-year maturity.

The fair value of loans and advances to customers, due to customers and subordinated liabilities is estimated using valuation models, such as discounted cash flow techniques. Inputs into the valuation techniques include interest rates and outstanding maturities.

The fair value of other financial instruments is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates and outstanding maturities.

31. Risk Management

The Bank has an overall risk management framework set out in line with its risk appetite, documented within a set of risk management policies approved by the Board. Risk appetite defines the types and amounts of risk that the Bank is willing to take in pursuit of its business strategy. This is reviewed regularly and provides qualitative statements and quantitative measures to assist with the monitoring of various risk types. This process is underpinned by disclosure of risk exposures to Board, its committees and the senior management.

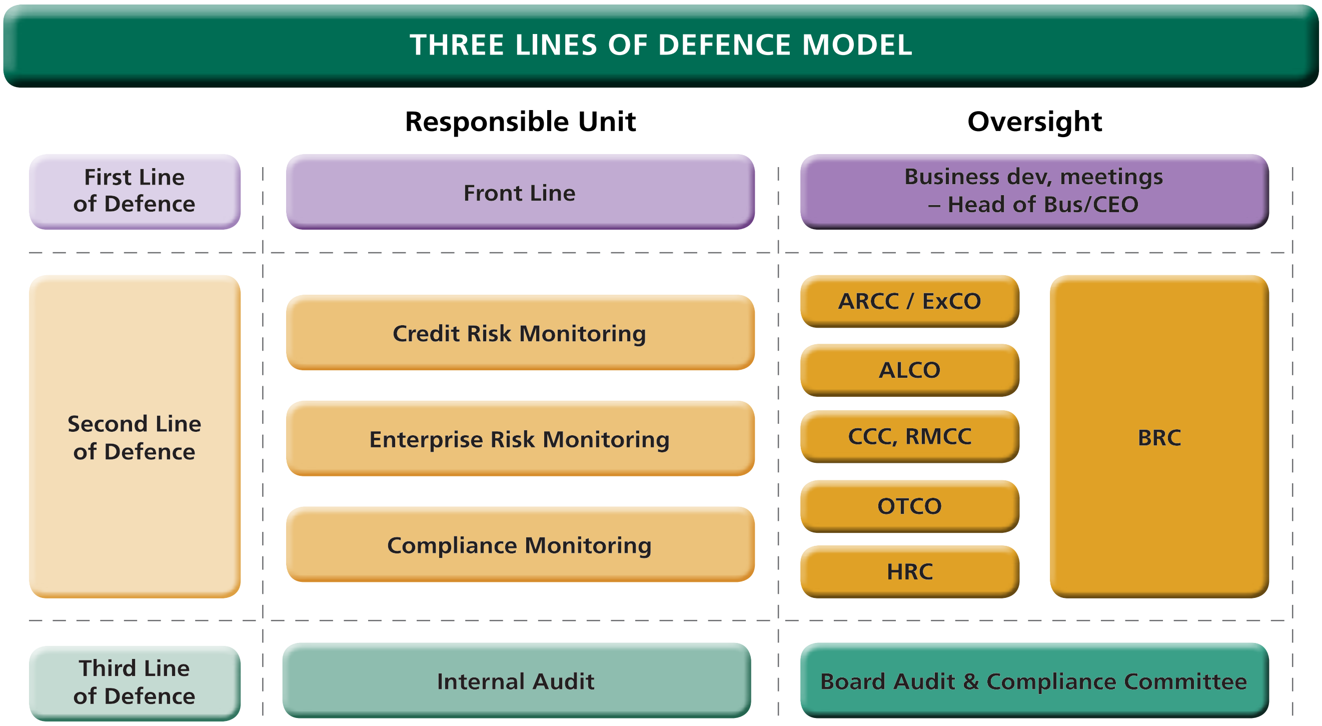
The Bank's approach to Risk Management is built on the principle of low to medium risk appetite and Investment return horizon, which is medium to long term. In order to achieve this, the Bank offers conventional products where the focus is on personalised customer service.

The Bank maintains an internal controls system, with clear responsibilities for risk management, applying governance model, which enables oversight and management of risks. These specific responsibilities include:

- Review and determine the risk appetite of the Bank;
- Identify and evaluate the principal risks to the Bank's Business model and the achievement of its strategic objectives, including risks that could threaten its capital or liquidity;
- Review of the risk management and internal control systems and satisfy itself that they are functioning effectively, and corrective action is being taken where necessary;
- Capital, liquidity and earnings are protected by the effective controlling of the risk exposures across all material risk types and businesses;
- Ensure that an appropriate risk culture is instilled in the Bank; and
- A strong ethical and risk culture is maintained so that risk awareness is embedded into all activities.

For smooth running and effective risk / threat identification and mitigation, the Bank operates on the 3 lines of Defence model. The BRC provides oversight to the overall effectiveness of enterprise risk management framework.

Three Lines of Defence Oversight Process:



31.1 Board Committees

The Board of Directors has established Committees of the Board for effective oversight of business strategy and key risks. To implement an effective governance, process the Board established "Board Risk Committee" (BRC) and "Board Audit and Compliance Committee" (BACC).

The Board Risk Committee (BRC) oversees and challenges the risk management function to ensure that governance arrangements, risk framework and systems and controls are evaluated and managed properly. BRC periodically review the risk framework to evaluate its adequacy and appropriateness under the prevailing business environment and in light of major changes in internal or external factors. It provides assurance on the Bank-wide risk framework and monitors the overall risk profile of bank through effective control processes. BRC annually review the Risk Appetite Statement and consider the adequacy of risk limits and returns.

The Internal Audit function reports into BACC and conduct reviews of all key risk areas including the risk management framework. Audit Reports are presented to the BACC.

31.2 Management Responsibilities

At an operational level the Risk Management Framework is managed through a management committee structure with delegated authorities from the Board. The Executive Committee presides over the committees and is responsible for implementing the Bank's strategic objectives and managing the business with adequate controls within the risk appetite of the Bank.

The management of the Bank through committee structure allows for Enterprise-Wide Risk Management through the consideration of different aspects and challenge at decision-making levels. Significant and relevant decisions and issues at other committees are escalated to EXCO for information and consideration as appropriate. This structure ensures that management of the Bank's operations, strategic decision-making and risk management are undertaken on a consultative basis at committee level by experienced functional and business personnel.

The ALCO is the committee responsible to review and recommend to the EXCO the capital and liquidity related matters. The EXCO reviews and further recommend the same to the BRC and Board for its consideration, review and approval.

31.3 Credit Risk

Credit Risk is defined as loss of principal or a loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation resulting in financial loss to the Bank. It is also measured in terms of credit losses or provisions charged to the profit and loss account. Qualitative information also used to assess issues related to the effectiveness of the risk appetite.

The Bank manages its credit risk through documented Credit Risk Management Framework ("CRMF"), which is part of the overall Risk management framework. CRMF serves as a collection of tools, processes and methodologies that support the Bank in identifying, assessing, monitoring and controlling the credit risk.

The CRMF also provides a sound basis for more informed risk-based decision-making across the business areas. The CRMF includes the credit risk appetite, which defines the Bank's target customer segment, industries and products and risk acceptance criteria. CRMF also reflects regulatory requirements and guidelines in the UK while also referencing the overall credit risk framework and guidelines of the Group.

Through CRMF the Board ensure that the Bank has a clear and measurable statement of its credit risk appetite against which the strategy to achieve the credit related aspects of its business plan can be actively assessed. In order to measure its achievements against this goal, the Board is provided with robust, well calibrated and sufficiently granular management information so that they can provide an effective challenge to management's actions.

31.4 IFRS 9 and Gen 2 Model

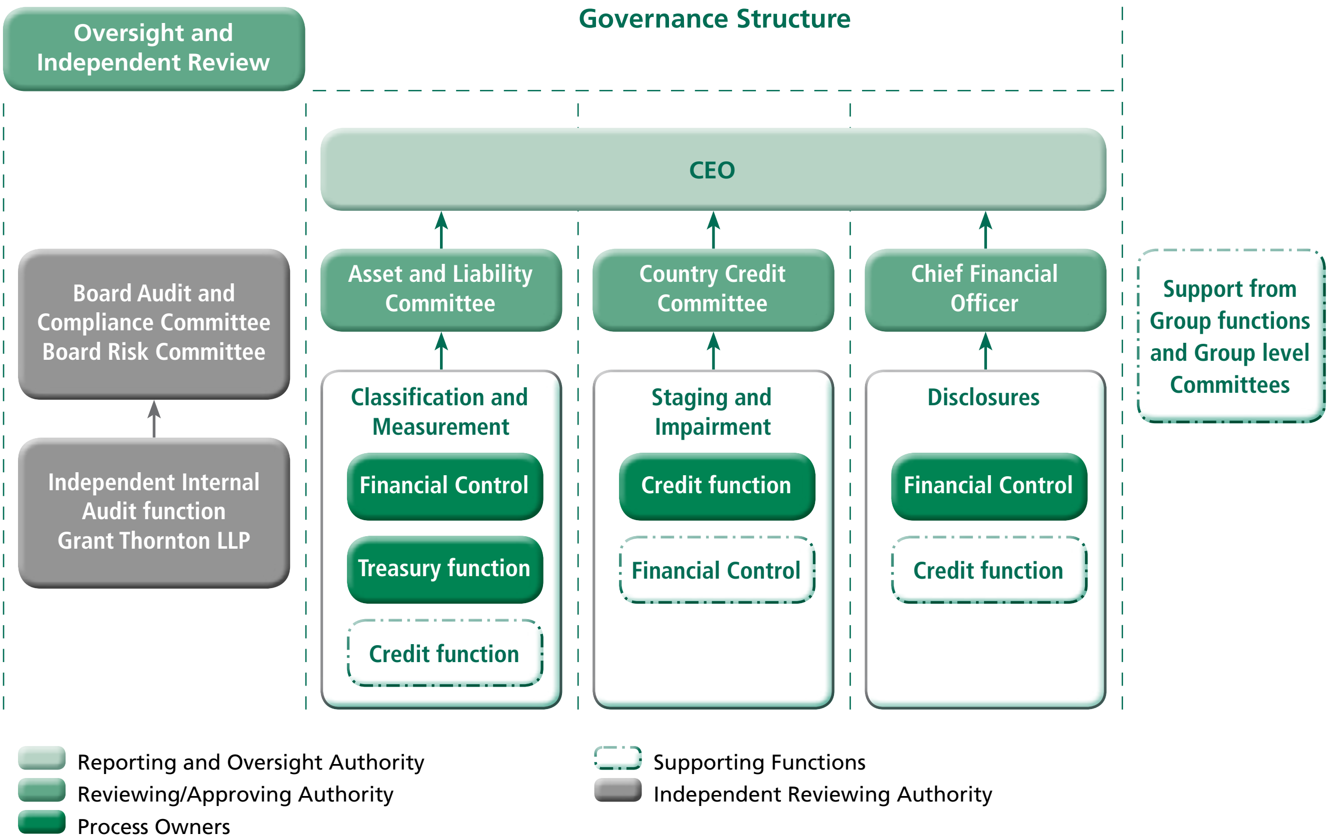
The Bank adopted IFRS 9 'Financial Instruments' by implementing suitably developed models with the assistance of external consultants. The Bank relevant credit processes and impairment requirements which relates to model and data governance, credit impairment and value adjustments were tailored to align with the requirements of IFRS9. Details are explained in Note 5.5.3 above. In this section the Bank has provided details related to governance and risk management process related to credit risk management and ECL.

The Bank established principles for ongoing IFRS 9 governances to ensure effective oversight of IFRS 9 processes. IFRS 9 governance structure incorporates Credit, Risk and Finance departments as central support functions for each component of IFRS 9, defines clear process owners and reviewing functions and utilises the three lines of defence to ensure an effective framework. The Group IFRS Central Team is responsible for maintaining and updating ECL models and monitoring in consultation with the Bank's Country Credit Committee and ALCO with final approval from the BRC.

National Footballl Museum, Manchester

Governance Structure outlined below are the three lines of defence for the four key IFRS 9 processes, classification and measurement, staging, impairment and disclosures,

- The process owners i.e., Credit, Financial Control and Treasury form the first line of defence
- The reviewing/approving functions i.e., Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Head of Credit, Country Credit Committee and Country Asset and Liability Committee forms the second line of defence with support from Group Central IFRS 9 Team
- The independent review functions i.e., Internal Audit, the Board Risk Committee and the Board Audit and Compliance Committee forms the third line of defence



The Bank has put in place controls to manage credit risk model governance. These controls are designed to oversee the development, validation/review, deployment, and maintenance of credit risk-related models. The primary objective is to establish clear governance frameworks that ensure accountability and oversight throughout the lifecycle of these models.

The purpose of these controls is to set out in particular the principles and requirements for effective governance of the Bank's Expected Credit Loss (ECL) models and methodologies used for estimating the respective risk components.

For the purpose calculating ECL the Bank has developed models for financial assets covering:

- Customer Lending
- Investments and Financial Institutions

31.5 Probability of Default – Model Methodology

The objective of the statistical model used in computing Probability of Default (PD) was to provide an unbiased forward-looking, monthly probability of default forecast based on the Bank's internal data for the purpose of ECL computation.

The model development process comprised of finalising a default definition (including qualitative and quantitative triggers), selection of frequency of cohorts for default rate analysis, and computation of default rates for respective cohorts to obtain the Through the Cycle PD estimates, and assessing suitable Macroeconomic Variables (MEV), to obtain the forward-looking PiT PD estimates. A brief description of the steps involved in development of the PD model along with the descriptions are detailed out as follow:

Data preparation: Historical data from 2014 to 2022 was used for the preparation of PD model. Data quality checks were performed on the available data and concluded on the mitigations.

Data consolidation: The accounts are segregated into two stages: Stage 1 and Stage 2. Accounts with days past due of less than 30 days were classified as Stage 1 and accounts which are overdue for more than 30 days and less than 90 days are classified under Stage 2.

Default rate analysis: All the performing accounts as of an observation date were considered for the default rate analysis and their performance for the next 12 months was tracked. At the end of the performance period the performing loans that move into default were used to compute the default rate.

Macroeconomic modes for PIT: For PiT model development, macro-economic factors were sourced from the Moody's subscription available with the Bank. Further transformations were attempted on the independent variables to extract crucial and meaningful relationships. Various combinations of the independent variables were examined, and their explanatory power was evaluated. Models passing all the checks, such as containing intuitive and significant variables, passing all regression assumptions' tests were finally selected. Using OLS regression, the default rates were converted into forward-looking estimates.

The monthly PDs for baseline, upturn, and downturn scenarios were adjusted by scenario weights to reach a single PD used in the calculation of ECL.

31.6 Loss Given Default – Model Methodology

LGD is defined as the amount of credit losses incurred by a financial institution in the event of default by an obligor. It determines the proportion of exposure that is likely to be lost post-default and is expressed as a percentage of EAD.

The Workout LGD approach has been used by the Bank to estimate the Loss given default. Under this approach, the loss associated with a defaulted facility is calculated by discounting the cash flows, including costs, resulting from the date of default to the end of the recovery process. The loss is then measured as a percentage of the exposure at default.

Data assessment: The dataset available for model development contains customer-level and contract-level information. The data used was from January 2014 to September 2023.

Identification of Defaulted Customers: the default definition is consistent with the PD modelling approach and the same sample of defaulted customers used for PD modelling are used for estimating LGD of the commercial lending portfolio to ensure that the complete cycle of loss is captured, the recoveries from the first date of default was calculated.

Computation of Recoveries

- For secured customers, recoveries were either cash based, or non-cash based i.e., from sale of collaterals, whereas for the unsecured customers, recoveries are mostly cash based.
- For the process of estimating recoveries, the data was segregated between open and closed customers;
- After obtaining the outstanding monthly exposure of the defaulted customers, the recoveries were estimated as the decrease in the exposure amount between the respective months.
- An increase in the exposure amount implies that a new drawdown was made by the customer. Therefore, the recovery amount of each month is computed by subtracting the current month's principal amount from the previous month's amount. For cases in which the current month's exposure amount is higher, it is assumed that the Bank did not record any recovery in that month.

Components of Workout LGD: Four main components used for computing the workout loss included discount rate, cost of recovery, cured accounts and the recovery threshold/recovery period.

After computing the four main components of a workout loss, all the cash flows associated with the defaulted facility from the date of default to the end of the recovery process were computed. The LGD % was computed as follows:

$$LGD\% = \frac{\sum \text{Exposure At Default} - \sum \text{Present Value of Recovery}}{\text{Exposure At Default}}$$

$$\text{Cure Adjusted LGD\%} = \text{LGD\%} \times \left(1 - \frac{\text{Number of Cured Accounts}}{\text{Total Number of Accounts}}\right)$$

Exposure at Default

For amortising facilities, cash flows are used to determine the principal outstanding as of a given reporting date, while for non-amortising facilities, such as bonds where only coupon payments are made periodically (with the principal falling due on the bond's maturity date), the principal outstanding will remain unchanged on each reporting date.

Since the Bank has a low amortising portfolio 100% EAD as on the reporting date is representative of the expected exposure at default.

31.7 Determining Whether Credit Risk has Increased Significantly (Significant increase in Credit Risk – SICR)

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and retail. As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition when triggered on the Bank's quantitative modelling.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on an early warning indicator or watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. 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. Due dates are determined without considering any grace period that might be available to the borrower.

31.8 Curing Policy

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

Under IFRS 9, exposures transferred into Stage 2 and Stage 3 are deemed to be significantly riskier than those falling within Stage 1. Hence the Bank seeks objective evidence of an improvement in customer credit worthiness prior to relegating a Stage 2 or Stage 3 account back to Stage 1.

The Bank follows a six-month time period for movements from Stage 3 to Stage 2 and six-month time period for movement from Stage 2 to Stage 1, implying that once the triggers for movement to Stage 2 or Stage 3 cease to exist, the exposure would still remain in Stage 2/Stage 3 for the duration of the cool-off period. Once the cool-off period is over, the exposure may be transferred out of Stage 2/Stage 3. The Bank may choose to adopt a stricter cool off period in line with updates to its credit policy.

Movement	Time Period
Stage 2 to Stage 1	6 months
Stage 3 to Stage 2	6 months

31.9 Definition of Default

The classification is consistent with the 90 DPD definition of default adopted by the Bank for the portfolio and the 30 & 90 DPD rebuttable presumptions provided under IFRS 9 for classification of financial instruments into Stage 2 and Stage 3.

In order to maintain a default definition consistent with both regulatory guidelines and the Bank's business practices for management of credit risk, an exposure has been considered non-performing if:

- The account is 90 or more days overdue on contractual payments; or
- Based on observed payment delays or early warning indicators detected as a result of the Country Credit function's portfolio monitoring activities, the account has been tagged as Default. The management taken such decision when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held). Further, it is becoming probable that the Bank will restructure the account as a result of bankruptcy due to borrower's inability to pay its credit obligations.

While developing the model, an 'ever default' definition has been employed by the Bank in order to capture all accounts obtaining default status over a twelve-month period, regardless of whether the account ceases to be in default at the end of the period.

31.10 Impairment

IFRS 9 Impairment applies to financial instruments that are not measured at fair value through profit and loss (FVTPL). Financial assets falling within the scope of impairment are provided for by calculating their Expected Credit Loss (ECL). This requires considerable judgement regarding how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

ECL is an estimate of present value of cash shortfalls over the life of the financial instrument and is computed as a product of probability of default (PD), loss given default (LGD) and exposure at default (EAD). The present value of cash shortfalls is calculated by taking into account the time value of money and forward-looking information.

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluation of a range of possible outcomes that incorporates forecasts of future economic conditions. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

31.11 Incorporation of Forward-looking Information

The estimation and application of forward-looking information requires significant judgement and are subject to appropriate internal governance and scrutiny. The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The macroeconomic model built for Lending products contains the following exogenous variables capable of explaining the Property Lending default rates:

- Unemployment Rate
- Debt Service ratio

In order to comply with the requirements of IFRS 9, the ECL estimates are adjusted through updating selected macroeconomic variables to bring the Point in Time PD estimates for each segment to forward looking.

31.12 Modified Financial Assets and Forbearance

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms;
- with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in de-recognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is 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 usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. All such situations are discussed and approved as per the credit sanction process by the Country Credit Committee. The Bank accommodates the forbearance situations by deferring the principal repayments, providing an Interest moratorium, converting the overdraft into an amortising loan, or by using a letter of credit to finance trade finance rather than an Overdraft.

All customers assessed under a forbearance process with revised repayment terms are kept under a close monitoring process. Once the circumstances leading to a forbearance process related to a loan no longer exists, and customers demonstrate continuous repayment history, the loan is no longer considered as forborne.

During the year, loans amounting to £Nil (2023: £Nil) were considered as forborne of which £Nil (2023: Nil) were classified as impaired. A provision of £Nil (2023: £Nil) was made against forborne loans.

31.13 Loss Allowance

The following tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instrument.

Amount in £ 000'

Due from banks at amortised cost	2024 Stage 1	2024 Stage 2	2024 Stage 3	2024 Total	2023 Total
Balances at the beginning of the year	26	-	-	26	10
New provisions	6	-	-	6	3
Increased provisions	31	-	-	31	15
Recovered / settled / reduced	(3)	-	-	(3)	(2)
Net measurement of loss allowance	34	-	-	34	16
Balances at the closing of the year	**60**	**-**	**-**	**60**	**26**

Amount in £ 000'

Loans and advances to customers at amortised cost	2024 Stage 1	2024 Stage 2	2024 Stage 3	2024 Total	2023 Total
Balances at the beginning of the year	**501**	**245**	**3,419**	**4,165**	**5,107**
New provisions	40	0	0	40	107
Increased provisions	-	132	57	189	437
Recovered / settled / reduced	(274)	(151)	(1,066)	(1,491)	(1,454)
Net measurement of loss allowance	(234)	(19)	(1,009)	(1,262)	(910)
Transferred to 12 month's ECL Stage 1	-	-	-	-	-
Transferred to lifetime ECL stage 2 Credit not impaired	(12)	12	-	-	-
Transferred to lifetime ECL stage 3 Credit impaired	(1)	(7)	8	-	-
Uncollectable written off / other	-	-	(11)	(11)	(32)
Balances at the closing of the year	**254**	**231**	**2,407**	**2,892**	**4,165**

Financial investments	2024 Stage 1	2024 Stage 2	2024 Stage 3	Amount in £ 000' 2024 Total	2023 Total
Balances at the beginning of the year	38	-	-	**38**	**10**
New provisions	65	-	-	65	20
Increased provisions	3	-	-	3	10
Recovered / settled / reduced	(23)	-	-	(23)	(2)
Net measurement of loss allowance	**45**	-	-	**45**	**28**
Other movement	-	-	-	-	-
Impairment of FVOCI investment shown under OCI	-	-	-	-	-
Balances at the closing of the year	**83**	**-**	**-**	**83**	**38**

The following table provides reconciliation between:

- Amounts shown in above tables reconciling of opening and closing balances of loss allowance per class of financial instrument; and
- The impairment losses on financial instruments' line item in the statement of profit and loss.

Amount in £ 000'

	Due from banks at amortised cost	Loans and advances to customers at amortised cost	Financial investments	Total
New provisions	6	40	65	111
Increased provisions	31	189	3	223
Recovered / settled / reduced	(3)	(1,491)	(23)	(1,517)
Total – 2024	**34**	**(1,262)**	**45**	**(1,183)**
Total – 2023	**16**	**(910)**	**28**	**(866)**

31.14 Credit Quality Analysis

The following table set out information about the credit quality of financial assets measured at amortised cost and FVOCI debt. Unless specifically identified, for financial assets, the amounts in the table represent the gross carrying amount.

	2024 Stage 1	2024 Stage 2	2024 Stage 3	2024 Total	2023 Total
					Amount in £ 000'
Cash in hand and with central bank	232,380	-	-	232,380	215,342
Due from banks	122,212	-	-	122,212	112,816
Loans and advances to customers	642,436	37,276	5,650	685,362	636,314
Financial investments – amortised cost	191,989	-	-	191,989	130,715
Financial investments – FVOCI debt instruments	35,895	-	-	35,895	32,704
	227,884	-	-	227,884	163,419
Total	**1,224,912**	**37,276**	**5,650**	**1,267,838**	**1,127,891**
Loss allowance	(397)	(231)	(2,407)	(3,035)	(4,229)
	1,224,515	**37,045**	**3,243**	**1,264,803**	**1,123,662**

Contingent liabilities excluding undrawn commitments pertains to loans and advances to customers as at reporting date is £5.9m (2023: £6.5m) and the total ECL amounted to £101k (2023: £3k).

The following table provide information about the credit quality of financial assets outstanding as at the balance sheet date in terms of regular, past due and impaired.

Amount in £ 000'

2024	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Total
Current & past due up to 1 month	232,380	122,212	683,954	227,884	226	1,266,656
Past due 1 to 3 months	-	-	-	-	-	-
Past due over 3 months	-	-	1,408	-	-	1,408
Gross exposure	**232,380**	**122,212**	**685,362**	**227,884**	**226**	**1,268,064**
Less: impairment	-	(60)	(2,892)	(83)	-	(3,035)
Net exposure	**232,380**	**122,152**	**682,470**	**227,801**	**226**	**1,265,029**

Amount in £ 000'

2023	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Total
Current & past due up to 1 month	215,342	112,816	623,232	163,419	101	1,114,910
Past due 1 to 3 months	-	-	2,428	-	-	2,428
Past due over 3 months	-	-	10,654	-	-	10,654
Gross exposure	**215,342**	**112,816**	**636,314**	**163,419**	**101**	**1,127,992**
Less: impairment	-	(27)	(4,165)	(37)	-	(4,229)
Net exposure	**215,342**	**112,789**	**632,149**	**163,382**	**101**	**1,123,763**

The table below sets out information about the overdue status of loans and advances to customers in Stage 1, 2 and 3:

					Amount in £ 000'
Age bracket	2024 Stage 1	2024 Stage 2	2024 Stage 3	2024 Total	2023 Total
< 30 days*	9,962	18,589	350	28,901	71,758
> 30 days to 60 days	-	-	-	-	2,417
> 60 days to 90 days	-	-	-	-	11
> 90 days to 180 days	-	-	-	-	126
> 180 days	-	-	1,408	1,408	10,528
Total overdue	**9,962**	**18,589**	**1,758**	**30,309**	**84,840**
Not overdue	632,474	18,687	3,892	655,053	551,474
Gross loans and advances to customers	642,436	37,276	5,650	685,362	636,314
Less: Impairment allowance	(254)	(231)	(2,407)	(2,892)	(4,165)
Net loans and advances to customers	**642,181**	**37,045**	**3,243**	**682,470**	**632,149**

* <30 DPD exposure in stage 2 and stage 3 due to SICR or curing period where customer overdue balance is less than 30 days DPD.

*The numbers are reported based on individual loan contract DPD.

Management has made an overlay provision on the Stage 3 exposures and the amount as at 31 December 2024 is £1.89m (2023: £2.95m). These are made based on the individual credit risk assessment of the borrowers. Management has created a policy based on which the overlay provisions are computed. The overlay provision policy and the amount as at 31 December 2024 have been reviewed and approved by the appropriate governance committees.

31.15 Credit Risk Ratings

For the purpose of credit risk ratings, the Bank segregates its loans and advances portfolio into two categories namely, Property Sector lending and Other Lending (primarily comprising of commercial lending). Property sector lending covers major portion of the total lending portfolio. The Bank follows a program-based lending approach for property sector lending with clearly defined Risk Acceptance Criteria (RAC) for this segment rather than a credit risk rating methodology.

The Bank recognises loans and advances as past due when the customer does not meet its contractual payment obligations.

The Bank regards a loan and advance or a debt security as impaired if there is objective evidence that a loss event has an impact on future estimated cash flows from the asset.

The following table sets out the credit quality of non-trading financial assets split by external rating, where applicable:

2024	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
							Amount in £ 000'
AAA to AA-	220,505	-	-	148,102	-	-	368,607
A+ to A-	7,364	58,810	-	51,237	226	-	117,637
BBB+ to B-	84	-	-	28,442	-	-	28,526
Unrated	4,427	63,342	682,470	20	-	31,078	781,337
Total	**232,380**	**122,152**	**682,470**	**227,801**	**226**	**31,078**	**1,296,107**

2023	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
							Amount in £ 000'
AAA to AA-	166,334	-	-	55,805	-	-	222,139
A+ to A-	13,076	63,415	-	39,928	51	-	116,470
BBB+ to B-	7,535	29,190	-	24,207	-	-	60,932
Unrated	28,397	20,184	632,149	43,442	50	40,634	764,856
Total	**215,342**	**112,789**	**632,149**	**163,382**	**101**	**40,634**	**1,164,397**

The above numbers represent the carrying values of the financial assets and firm commitments.

The following table shows as analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Bank are fully collateralised by cash.

Amount in £ 000'	Total Notional amount	Total Fair value
2024		
Derivative assets	61,542	226
Derivative liabilities	50,843	(187)
2023		
Derivative assets	24,836	101
Derivative liabilities	22,063	(42)

31.16 Concentration of Risk

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar features that would cause their ability to meet contractual obligations to be affected by changes in economic, political or other conditions. The Country Credit Committee primarily manages concentration risk. The Bank Assets and Liabilities

Committee also monitor credit concentration. All material exposures are reported to the Board Risk Committee, which escalates material concerns to Board of Directors.

Concentration of financial assets and credit related contingent liabilities:

Amount in £ 000'

2024	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
Supernationals	173,123	-	-	98,804	-	-	271,927
Financial Institutions	58,591	122,152	-	72,196	121		253,060
Industrial & commercial	-	-	594,121	56,800	105	31,078	682,104
Individual	-	-	79,935	-	-		79,935
Other	666	-	8,414	-	-	-	9,080
Total	**232,380**	**122,152**	**682,470**	**227,801**	**226**	**31,078**	**1,296,107**

Amount in £ 000'

2023	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
Supernationals	166,334	-	-	113,067	-	-	279,401
Financial Institutions	48,093	112,789	-	24,871	51		185,804
Industrial & commercial	-	-	549,657	25,444	50	40,634	615,785
Individual	-	-	82,324	-	-		82,324
Other	915	-	168	-	-	-	1,083
Total	**215,342**	**112,789**	**632,149**	**163,382**	**101**	**40,634**	**1,164,397**

Supranational include investment made by the Bank in high rated bonds issued by sovereigns and multilateral development banks.

Geographical concentration of financial assets and credit related contingent liabilities:

Amount in £ 000’

2024	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
UK	199,874	75,794	595,707	44,952	226	21,955	938,508
Europe excl UK	22,140	-	63,545	76,665	-	3,371	165,721
Asia	8,856	28,823	6,427	60,497	-	3,882	108,485
North America	17	-	1,556	10,082	-	-	11,655
Africa	69	17,535	15,235	-	-	1,870	34,709
USA	1,424	-	-	30,402	-	-	31,826
Australia	-	-	-	5,203	-	-	5,203
	232,380	**122,152**	**682,470**	**227,801**	**226**	**31,078**	**1,296,107**

Amount in £ 000’

2023	Cash and balances with central bank	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
UK	192,598	59,110	544,216	41,110	59	29,848	866,941
Europe excl UK	18,326	4,471	41,468	101,217	42	1,203	166,727
Asia	528	30,637	7,422	15,669	-	6,156	60,412
North America	18	3,969	37,424	1,888	-	-	43,299
Africa	983	14,602	1,619	-	-	3,427	20,631
USA	2,647	-	-	-	-	-	2,647
Australia	242	-	-	3,498	-	-	3,740
	215,342	**112,789**	**632,149**	**163,382**	**101**	**40,634**	**1,164,397**

The Bank held cash and cash equivalents of £232 million as at 31 December 2024 (2023: £215 million) with central bank that is rated at least AA- to AA+ as per approved external credit rating agencies.

31.17 Collateral Management

Collateral Risk is mitigated through the use of readily marketable collateral, avoidance of collateral with high volatility and use of haircuts as per approved Bank’s policy.

Collateral values are assessed by professional valuers. As per policy, the Bank uses a panel of valuers selected through a robust due diligence process. Residential or commercial collateral values used by the Bank are based on vacant possession values, which provides fair degree of conservativeness to the values used for calculating LTV. The Bank generally performs valuation of properties every three to five years.

Key threat arising along with controls & mitigations in place are tabulated below:

Collateral Risk	Controls & Mitigation in Place
Risk arising from reduction in collateral values	**1.** Generally acceptable collateral - Cash, Residential & Commercial Property, Bank Guarantees, Shares & Bonds & life insurance with surrender value. **2.** Lien is marked against cash taken as collateral. **3.** Charge is recorded in Bank's name in land registry relating to residential and commercial properties taken as collateral. **4.** Other collateral like Bank Debenture, Stocks, Receivables, Personal Guarantees also available but discounted for lending and provision decisions. **5.** Well defined haircuts for all collateral with Property haircuts arrived at on the basis of type of property, location and market conditions. **6.** Property Stress tests conducted every six months.
Risk arising from inadequate perfection of Security for Customer Borrowing	**7.** Standardisation of documents and processes for Risk mitigation. **8.** Duly reviewed & approved panel of solicitors & valuation firms.

The Bank accepts collateral subject to legal review and appropriate documentation in accordance with the Credit Risk Management Policy. The Credit Department keeps a comprehensive record of collateral received and is responsible for regular updates to the valuation of the underlying collateral. The documentation entered into with the obligor specifies the Bank's rights and ability to liquidate the collateral, if required. The Country Credit Committee is responsible for decisions regarding liquidation or appropriation of collateral based on recommendations from the Head of Credit and advice from the Legal Department.

The carrying amount of financial assets recorded in the balance sheet, net of any allowances for losses. The Bank's maximum exposure to credit risk is considered without taking account of any collateral obtained. The fair value of collateral and security enhancements held against gross loans or advances to customers is shown below:

Amount in £ 000'

Collateral Type	2024 Collateral Value	2024 Advances	2023 Collateral Value	20223 Advances
Commercial real estate	1,042,059	483,842	935,413	445,370
Residential real estate	301,544	142,326	284,010	145,128
Cash collateral	66,995	47,800	62,589	30,278
Unsecured	-	11,394	-	15,538
Total	**1,410,596**	**685,362**	**1,282,012**	**636,314**

The Bank doesn't hold collateral against any of the financial asset other than loans and advances to the customers.

The following table stratifies credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of gross amount of the loan – to the value of the collateral. The value of the collateral for mortgage loans is based on the collateral value at origination updated based on changes in valuation. For credit-impaired loans the value of collateral is based on the most recent appraisals and taking into account any reduction in values as a result of forced sales.

Loans and Advances

Amount in £ 000'

LTV Bracket	2024 Stage 1	2024 Stage 2	2024 Stage 3	2024 Total	2023 Stage 1	2023 Stage 2	2023 Stage 3	2023 Total
Less than 50%	226,486	4,890	1,044	232,421	196,251	2,204	2,003	200,458
51-70%	356,361	24,854	1,340	382,555	390,956	19,054	12,740	422,750
71-90%	7,545	6,796	1,408	15,749	3,767	-	278	4,045
91-100%	41,385	0	0	41,385	2,326	-	-	2,326
More than 100%	10,659	736	1,858	13,253	-	4,446	2,289	6,735
Grand Total	**642,436**	**37,276**	**5,650**	**685,362**	**593,300**	**25,704**	**17,310**	**636,314**
Collateral	**1,335,033**	**66,962**	**8,601**	**1,410,596**	**1,209,843**	**44,401**	**27,768**	**1,282,012**

31.18 Market Risk

Market risk refers to the potential for financial loss arising from adverse movements in market prices or factors such as interest rates, foreign exchange rates, equity prices, commodity prices, and market volatility. It encompasses the risk of losses resulting from fluctuations in these market variables, which can adversely affect the value of financial instruments, investments, portfolios, and overall financial performance. Bank is managing market risk by identifying, measuring, and mitigating exposure to such fluctuations through various risk management techniques and strategies to safeguard against potential adverse impacts on profitability, capital adequacy, and financial stability.

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices.

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial markets. Banks involved in proprietary trading are exposed to market risk due to change in interest or foreign exchange rates.

31.19 Interest Rate Risk Management

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. Interest rate risk at the Bank is well managed and contained and the Bank has no significant long term or complex interest rate positions. The Bank seeks to minimise the negative impact on net interest income of adverse movement in interest rates.

The Bank uses its own base rate for pricing of products, which can be changed with 60 days' notice to the customers. Therefore, any significant fluctuation in interest rate is unlikely to have a material impact on the Bank as it can re-price its lending and customer deposit books. The Bank is exposed to interest rate risk on its fixed rate investment portfolio maintained to meet the Liquidity Coverage Ratio (LCR) requirement. However, this is only limited to a portion, which is monitored in ALCO.

Customers' deposits are mostly short tenors (<2year) and priced in accordance with market conditions and the Bank's cost of funds. Hence the interest rate risk on the same is limited.

Amount in £ 000'

2024	Within 3 mths	<3 to 6 mths	<6 mths to 1 year	<1 to 2 years	<2 to 3 years	< 3 to 4 years	< 4 to 5 years	No specific re-pricing	Total
Assets									
Cash in hand & with central bank	231,714	-	-	-	-	-	-	666	232,380
Due from banks	41,691	62,926	17,535	-	-	-	-	-	122,152
Loans & advances to customers	156,823	525,647	-	-	-	-	-	-	682,470
Financial investments									
– fair value through other comprehensive income	2,028	-	8,217	3,557	11,925	-	10,034		35,761
– Amortised cost	19,109	12,698	28,704	52,610	22,568	27,727	28,624	-	192,040
Derivative financial instruments	216	10	-	-	-	-	-	-	226
Total assets	**451,580**	**601,282**	**54,456**	**56,167**	**34,493**	**27,727**	**38,658**	**666**	**1,265,029**
Liabilities									
Due to banks	53,554	11,004	42,586	1,079	-	-	-	-	108,224
Due to customers	555,447	113,694	291,323	62,537	-	-	-	-	1,023,002
Derivative financial instruments	141	-	46	-	-	-	-	-	187
Subordinated liabilities	-	20,296	-	-	-	-	-	-	20,296
Total Liabilities	**609,142**	**144,994**	**333,956**	**63,616**	**-**	**-**	**-**	**-**	**1,151,708**
Net Gap (Assets – Liabilities)	**(157,562)**	**456,288**	**(279,500)**	**(7,449)**	**34,493**	**27,727**	**38,658**	**666**	**113,321**

Amount in £ 000'

2023	Within 3 mths	<3 to 6 mths	<6 mths to 1 year	<1 to 2 years	<2 to 3 years	< 3 to 4 years	< 4 to 5 years	No specific re-pricing	Total
Assets									
Cash in hand & with central bank	214,427	-	-	-	-	-	-	915	215,342
Due from banks	72,353	31,942	7,691	803	-	-	-	-	112,789
Loans & advances to customers	169,985	462,164							632,149
Financial investments									
– fair value through other comprehensive income	9,206	1,593	2,030	12,200	3,524	4,151	-	-	32,704
– Amortised cost	18,279	4,237	33,896	61,425	12,821	-	20	-	130,678
Derivative financial instruments	101								101
Total assets	**484,351**	**499,936**	**43,617**	**74,428**	**16,345**	**4,151**	**20**	**915**	**1,123,763**
Liabilities									
Due to banks	48,076	3,496	5,303	66,660	-	-	-	-	123,535
Due to customers	549,558	89,890	199,465	15,376	-	-	31,650	-	885,939
Derivative financial instruments	39	-	3	-	-	-	-	-	42
Subordinated liabilities	-	-	-	20,340	-	-	-	-	20,340
Total Liabilities	**597,673**	**93,386**	**204,771**	**102,376**	**-**	**-**	**31,650**	**-**	**1,029,856**
Net Gap (Assets – Liabilities)	**(113,322)**	**407,550**	**(161,154)**	**(27,948)**	**16,345**	**4,151**	**(31,630)**	**915**	**94,907**

Interest Rate Sensitivity Analysis

The sensitivity to the income statement to various interest risk variables is considered on daily basis. An analysis of sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows at the financial year end.

	2024 Impact on P&L (£ 000')	2023 Impact on P&L (£ 000')
25bps increase in interest rate	571	218
25bps decrease in interest rate	(578)	(221)
50bps increase in interest rate	1,135	432
50bps decrease in interest rate	(1,164)	(446)

31.20 Foreign Currency (FX) Risk Management

Foreign Exchange risk – is the risk that the Bank will suffer a loss as a result of an adverse movement in exchange rates.

The Bank has identified FX its risk component of its market risk that could lead to losses considering the nature of Bank's business. As the Bank is not running a trading book it is not exposed to FX risk to a large extent.

The Bank has developed various management reports to measure and manage foreign exchange risk. The Bank's open foreign exchange positions are monitored intraday. The foreign exchange exposures are managed by the treasury front office with a maximum allowable net open position ("NOP") of £1m with a maximum amount of £250,000 in a single currency. The Bank considers this an acceptable risk exposure. Client transactions are generally executed on a matched basis reducing the risk of losses. The Bank's does not engage in proprietary trading. This eliminates the likelihood of FX losses.

Key Risk Indicators exceeding tolerance are reviewed in the CCC & ALCO & reported to the Audit Risk and Compliance Committee (ARCC) together with remedial action plans.

The Bank's net open position (NOP) as at 31 December 2024 was £0.38m (2023: £0.36m)

Currency	2024 (£ 000')	2023 (£ 000')
USD	49	35
EUR	(35)	(14)
ZAR	(1)	6
CAD	-	(12)
INR	18	-
Others	7	21

31.21 Liquidity Risk Management

The Bank's liquidity risk is clearly articulated in its "Liquidity Risk Management Policy" (LRMP) approved by the Board of Directors. The Bank holds liquidity reserves to mitigate short- and medium-term liquidity risks across various timeframes, encompassing both standard business operations (BAU) and scenarios of heightened stress. The Bank keeps a liquid asset buffer of High-Quality Liquid Assets as required by UK CRR. The Bank also maintains liquidity in the Bank of England Reserve account and in short term money market placements to meets its liquidity requirements.

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due and in the currency in which they are due. Typically, this arises from a mismatch in the cash flows arising from assets, liabilities and contingencies. To limit this risk, the Bank manages the maturities of its assets and liabilities and its cash flows on a daily basis.

The Bank has put in place strategies, policies, processes and systems that enable it to identify measure, manage and monitor liquidity risk over an appropriate set of time horizons, including intraday, so as to ensure that it maintains adequate levels of liquidity buffers. The Bank's liquidity policy is based on maintaining sufficient liquid resources to ensure there is no significant risk that its liabilities cannot be met as they fall due.

The Board oversees liquidity risks. The risks identified in the Bank's risk profiles are all at a level, which are in line with the current business operations and the Business Plan. The Bank has a clearly defined liquidity risk appetite approved by the Board. This forms the basis of its liquidity risk policy as well as systems and controls around the management of liquidity adequacy. The Bank will continue to review and update its liquidity risk management framework based on feedback from PRA experience and from developments in market and industry best practices.

In order to achieve the above, the Bank has identified several risk factors, which form components of the Bank's overall liquidity risk profile. These include but are not limited to:

- Wholesale secured and unsecured funding risk
- Retail funding risk
- Intra-day liquidity risk
- Intra-group liquidity risk
- Cross-currency liquidity risk
- Off-balance sheet liquidity risk
- Franchise viability risk
- Marketable assets risk
- Non-marketable assets risk
- Funding concentration risk

The Treasury Department is responsible for the day-to-day management of funding and liquidity with particular attention to the level of mismatch between assets and liabilities as well as currency exposure. The Finance Department provides daily monitoring reports against the regulatory and MI requirements, with a clear escalation process for reporting adverse outcomes. The ALCO coordinates and provides direct oversight on the whole process of liquidity risk management in accordance with their terms of reference approved by the Board.

National Space Centre, Leicester

Amount in £ 000'

2024	Carrying amount	Gross nominal inflow/ (outflow)	Within 1 month	1-3 months	3 months -1 year	1-5 years	>5 years
Financial asset by type							
Non-derivative assets							
Cash in hand & with central bank	232,380	230,022	216,890	13,132	-	-	-
Due from banks	122,152	124,192	27,051	13,839	83,302	-	-
Loans & advances to customers	682,470	808,471	73,812	64,582	98,951	571,126	-
Financial investments							
– fair value through other comprehensive income	35,761	39,573	-	2,023	8,422	29,128	-
– Amortised cost	192,040	208,073	4,011	14,774	41,833	147,435	20
	1,264,803	**1,410,331**	**321,764**	**108,350**	**232,508**	**747,689**	**20**
Derivative assets							
Risk management	226	226	159	57	10	-	-
Outflow							
Inflow	226	226	159	57	10	-	-
	226	**226**	**159**	**57**	**10**	**-**	**-**
Financial liability by type							
Non-derivative liabilities							
Due to banks	108,224	(109,315)	(34,573)	(18,981)	(54,567)	(1,194)	-
Due to customers	1,023,002	(1,036,514)	(460,755)	(173,035)	(402,423)	(301)	-
Subordinated liabilities	20,296	(20,376)	-	-	(20,376)	-	-
Lease liability	2,833	(3,361)	(123)	-	(358)	(1,434)	(1,446)
	1,154,355	**(1,169,565)**	**(495,451)**	**(192,016)**	**(477,723)**	**(2,929)**	**(1,446)**
Derivative liabilities							
Risk management	187	(187)	(124)	(16)	(46)	-	-
Outflow	187	(187)	(124)	(16)	(46)	-	-
Inflow							
	187	**(187)**	**(124)**	**(16)**	**(46)**	**-**	**-**

Amount in £ 000'

2023*	Carrying amount	Gross nominal inflow/ (outflow)	Within 1 month	1-3 months	3 months -1 year	1-5 years	>5 years
Financial asset by type							
Non-derivative assets							
Cash in hand & with central bank	215,342	215,550	215,550	-	-	-	-
Due from banks	112,789	114,647	44,697	28,397	40,673	881	-
Loans & advances to customers	632,149	741,347	135,048	64,734	64,132	477,433	-
Financial investments							
– fair value through other comprehensive income	32,704	34,971	4,017	5,234	3,667	22,053	-
– Amortised cost	130,678	134,271	6,663	11,374	38,532	77,682	20
	1,123,662	**1,240,786**	**405,975**	**109,739**	**147,004**	**578,049**	**20**
Derivative assets							
Risk management			64	36			
Outflow							
Inflow	101		64	36	-	-	-
	101	**-**	**64**	**36**	**-**	**-**	**-**
Financial liability by type							
Non-derivative liabilities							
Due to banks	123,581	(130,122)	(33,448)	(14,783)	(9,085)	(72,806)	-
Due to customers	885,890	(899,063)	(397,537)	(131,006)	(370,420)	(100)	-
Subordinated liabilities	20,340	(20,376)	-	-	(20,376)	-	-
Lease liability	2,920	(4,064)	(132)	-	(411)	(1,859)	(1,662)
	1,032,731	**(1,053,625)**	**(431,117)**	**(145,789)**	**(400,292)**	**(74,765)**	**(1,662)**
Derivative liabilities							
Risk management	42	(42)	(10)	(29)	(3)		
Outflow		(42)	(10)	(29)	(3)	-	-
	42	**(42)**	**(10)**	**(29)**	**(3)**	**-**	**-**

* Following the review of comparative period disclosure, the gross nominal amount of Cash in hand and with central bank, Due from Banks, Loans and advances, financial investments, Due to customers, Subordinated liabilities and lease liabilities have been updated. This is a change in the disclosure for note 31.21 with net cash flow impact of £238.8m. There is no impact on Statement of financial position and Statement of comprehensive income.

The Bank has disclosed a contractual maturity analysis for its financial instruments. This includes a maturity analysis for financial assets that it holds as part of its managing liquidity risk – e.g., financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – because the Bank considers that such information is necessary to enable financial statement users to evaluate the nature and extent of its liquidity risk.

The Bank liquidity risk management measures includes access to Bank of England facilities under the Sterling Money Framework which are Reserve Account, Indexed Long Term Repo facility and Discount Window Facility. Such arrangement can be utilised by providing eligible securities to the Bank of England as collateral.

Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of high-quality liquid assets (HQLA) to deposits from customers and short-term funding. For this purpose, HQLA divided by deposits from customers and banks. Bank also considers the liquidity coverage ratio (LCR) being another strong tool for liquidity Risk.

Details of the reported ratios at the reporting date and during the reporting period were as follows:

	2024 (Unaudited) Liquidity coverage %	2024 (Unaudited) HQLA to deposits %	2023 (Unaudited) Liquidity coverage %	2023 (Unaudited) HQLA to deposits %
As at 31 December	243%	22%	286%	25%
Average for the period	287%	18%	196%	20%
Maximum for the period	479%	22%	286%	27%
Minimum for the period	158%	15%	127%	17%

Liquidity Reserves	2024 Carrying amount	2024 HQLA	2023 Carrying amount	2023 HQLA
Balance with central bank	170,118	170,118	166,334	166,334
Cash in hand	666	666	915	915
Unencumbered debt securities issued by sovereigns and supranational (Level 1)	24,276	24,276	7,584	7,584
Other assets (Level 2B)	46,982	29,627	28,184	18,183
	242,042	**224,687**	**203,017**	**193,016**

31.22 Financial Assets and Financial Liabilities

Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation between line items in the statement of financial position of categories of financial instruments.

Amount in £ 000’

31 December 2024	Mandatorily at FVPTL	FVOCI – debt instruments	Amortised cost	Estimated credit loss	Total carrying amount
Cash in hand and with central bank	-	-	232,380	-	232,380
Due from banks	-	-	122,235	(83)	122,152
Loans and advances to customers	-	-	685,666	(3,196)	682,470
Financial investments	-	35,761	192,100	(60)	227,801
Derivative assets held for risk management	226	-	-	-	226
Total financial assets	**226**	**35,761**	**1,232,381**	**(3,339)**	**1,265,029**
Due to banks	-	-	108,224	-	108,224
Due to customers	-	-	1,023,002	-	1,023,002
Derivative liabilities held for risk management	187	-	-	-	187
Subordinated liabilities	-	-	20,296	-	20,296
Total financial liabilities	**187**	**-**	**1,151,522**	**-**	**1,151,709**

Amount in £ 000’

31 December 2023	Mandatorily at FVPTL	FVOCI – debt instruments	Amortised cost	Estimated credit loss	Total carrying amount
Cash in hand and with central bank	-	-	215,342	-	215,342
Due from banks	-	-	112,826	(37)	112,789
Loans and advances to customers	-	-	636,314	(4,165)	632,149
Financial investments	-	32,704	130,705	(27)	163,382
Derivative assets held for risk management	101	-	-	-	101
Total financial assets	**101**	**32,704**	**1,095,187**	**(4,229)**	**1,123,763**
Due to banks	-	-	123,581	-	123,581
Due to customers	-	-	885,890	-	885,890
Derivative liabilities held for risk management	42	-	-	-	42
Subordinated liabilities	-	-	20,340	-	20,340
Total financial liabilities	**42**	**-**	**1,029,811**	**-**	**1,029,853**

31.23 Encumbered Assets

Certain assets are pledged as collateral to secure liabilities under Credit Support Annex (“CSA”) for derivative liabilities and as security deposits relating to FX forward transactions. The holders of these securities do not have the right to sell or re-pledge the asset except where specifically disclosed.

The aggregate amount of collateral pledged under CSAs is nil as on 31 December 2024 (2023: nil).

As at 31 December 2024 financial investments of £53.4 million (2023: £79m) were encumbered against borrowing of £50 million (2023: £75million) from the Bank of England against TFSME and ILTR scheme £nil (2023: nil) against Repurchase Agreement as mentioned at note 17.1.

31.24 Operational Risk Management

Operational Risk is the risk that the Bank triggers one or more of the below situations due to failed internal processes, people and systems – these can be internal or external to the Bank:

- Adversely impacts customers (customers are defined as customer of the Bank as well as internal “customers” such as colleagues with a dependency on particular output or service)
- Incurs losses e.g., operational losses (this includes temporary losses i.e., where recovery is made or is in progress of being made)
- Breaches in regulatory requirements or other policies and practices of the Bank

The Bank’s operational processes exist to support the servicing of customers and to maintain compliance with relevant regulation. These imperatives will be robustly protected. The Bank will ensure that it remains compliant with the latter but its approaches to the former will vary according to priority and need. In terms of customer service, the Bank will actively employ flexible approaches to maintaining and protecting delivery and to this end will incur reasonable costs as required. The Bank adopts the Basic Indicator approach for calculating Operational Risk capital as set out in the CRR and consequently embarks on rigorous risk identification exercises to establish any Pillar 2 requirements for Operational Risk.

31.25 Capital Management and Risk

The primary objective of capital management is to maintain strong capital to support medium to long-term business growth. An effective capital management process provides resilience arising from both internal and external factors resulting in additional capital requirements. The Bank maintains strong capital ratios not only to support its business and maximise shareholders’ value but also to maintain depositors’ and market confidence. The Prudential Regulation Authority sets and monitors the capital requirement for the Bank.

The Bank’s capital has been invested by the Parent bank to support long-term business growth of the Bank, which includes capital resources to meet Total Capital Requirement (Pillar 1 and Pillar 2), CRD Buffers and PRA Buffer. The Bank also maintains an internal capital buffer over and above the minimum regulatory capital requirement. The Bank also takes into account changes in economic conditions; risk characteristics of its activities and regulatory requirement in managing its capital structure and make adjustments to it in the light of such changes. The Bank has put in place processes and controls to monitor and manage its own funds and no breaches were reported to the PRA during the period.

The Bank's regulatory capital consists of the sum of the following elements:

Common equity Tier 1 (CET 1) capital, which includes ordinary share capital and retained earnings, and Tier 2 capital which includes qualifying subordinated liabilities.

	2024 (£ 000')	2023 (£ 000')
Share capital	80,000	70,000
Retained earnings	39,896	33,077
Tier 1 capital	**119,896**	**103,077**
Subordinated liability	20,296	20,340
Own funds	**140,192**	**123,417**

32. Ultimate Parent Company

The Bank is a wholly owned subsidiary undertaking of Habib Bank AG Zurich, which is the immediate and the ultimate controlling parent, incorporated in Switzerland. The largest group in which the results of the company are consolidated is Habib Bank AG Zurich, Switzerland being the ultimate controlling parent.

33. Significant Events After the Balance Sheet Date

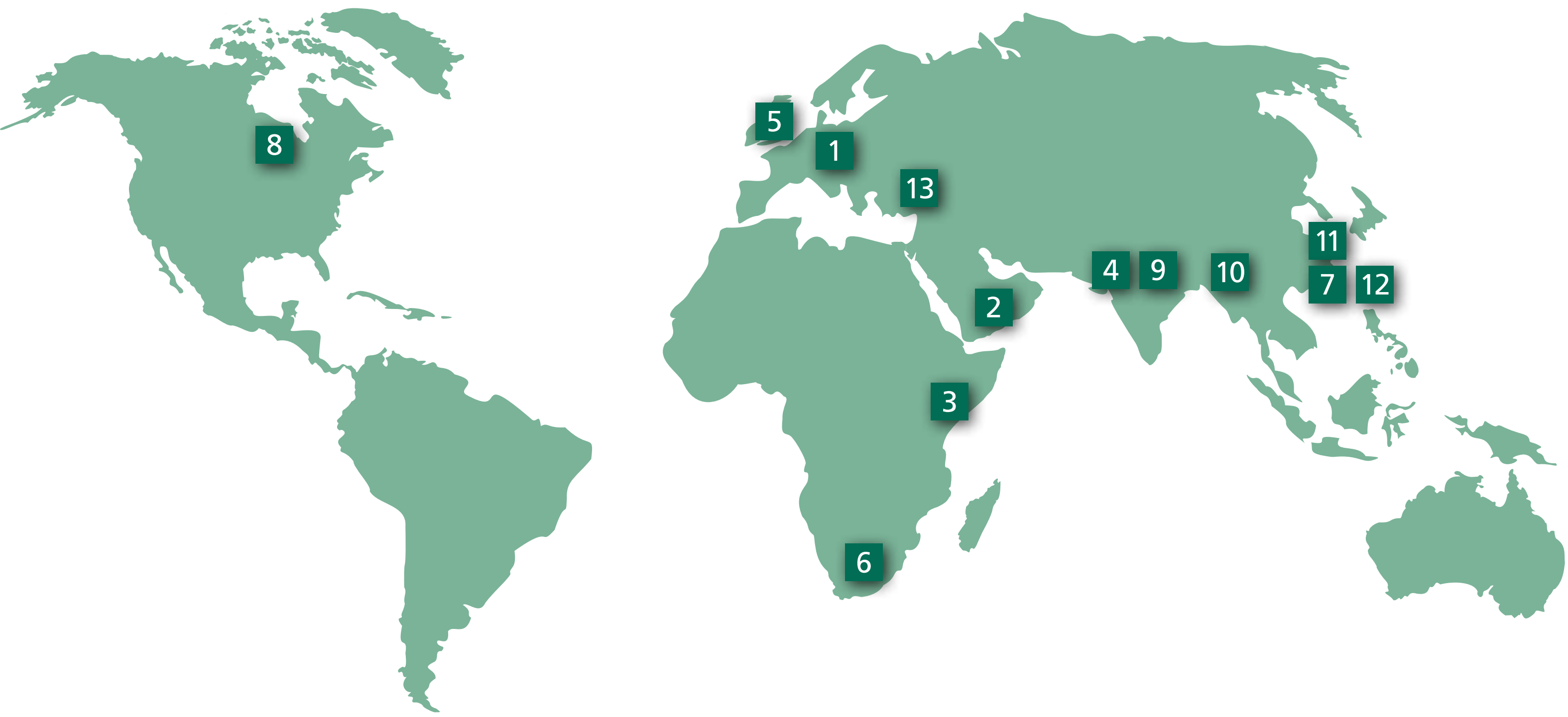
The Directors recommend a final dividend of £0.0693 (2023: £0.0592) per ordinary share to be paid in respect of the year in their meeting held on 15th April 2024.

The Director's confirm that apart from the above, there was no material event / development since the reporting date to be disclosed.

Branch Network

Moorgate		Habib House
		42 Moorgate
		London EC2R 6JJ
	Telephone:	020 7452 0200
Baker Street		Unit 47, 55 Baker Street
		London W1U 8EW
	Telephone:	0207 452 0265
Harrow		377 Station Road
		Harrow on the Hill
		Middlesex HA1 2AW
	Telephone:	020 8515 1380
Southall		5-7 High Street
		Southall
		Middlesex UB1 3HA
	Telephone:	020 8893 5059
Tooting		264 Upper Tooting Road
		London SW17 0DP
	Telephone:	020 8767 5555
Manchester		Showroom 5, The Point
		173-175 Cheethamhill Road
		Manchester M8 8LG
	Telephone:	0161 832 2166
Leicester		160 Belgrave Road
		Leicester LE4 5AU
	Telephone:	0116 261 3300
Birmingham		Ground Floor Pinnacle House,
		8 Harborne Road
		Edgbaston
		Birmingham B15 3AA
	Telephone:	0121 455 6213

International Network



Head Office	1	Switzerland	Habib Bank AG Zurich	
Branches	1	Switzerland	Habib Bank AG Zurich	1 Branch
	2	UAE	Habib Bank AG Zurich	9 Branches
	3	Kenya	Habib Bank AG Zurich	4 Branches
Subsidiaries	4	Pakistan	Habib Metropolitan Bank Ltd	551 Branches
	5	United Kingdom	Habib Bank Zurich plc	8 Branches
	6	South Africa	HBZ Bank Ltd	8 Branches
	7	Hong Kong	Habib Bank Zurich (Hong Kong) Ltd	2 Branches
	8	Canada	Habib Canadian Bank	3 Branches
Representative offices	9	Pakistan	Habib Bank AG Zurich	
	10	Bangladesh	Habib Bank AG Zurich	
	11	China	Habib Bank AG Zurich	
	12	Hong Kong	Habib Bank AG Zurich	
	13	Turkey	Habib Bank AG Zurich	