Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank Zurich Plc

Annual Report 2025


Canada
United Kingdom
Switzerland
Turkey
UAE
Kenya
South Africa

Contents

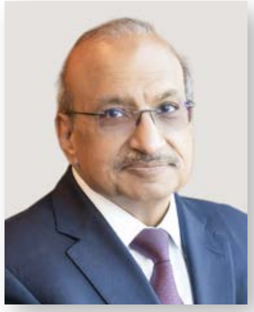
Corporate Information

Board of Directors	Mr Muhammad H. Habib (Chairman)	Non-Executive Director
	Mr Masarrat Husain	Independent Non-Executive Director
	Mr Stephen Bryans	Senior Independent Non-Executive Director
	Ms Sheryl Lawrence	Independent Non-Executive Director
	Mr Anjum Iqbal	Non-Executive Director
	Mr Ertugrul Tuefekci	Non-Executive Director
	Mr Satyajeet Roy (CEO)	Executive Director
	Mr Kamran Qazi	CFO / Executive Director

Board Committees	**Risk Committee**		**Audit & Compliance Committee**	
	Mr Masarrat Husain	Chairman	Mr Stephen Bryans	Chairman
	Mr Stephen Bryans	Member	Mr Masarrat Husain	Member
	Sheryl Lawrence	Member	Sheryl Lawrence	Member
	Mr Ertugrul Tuefekci	Member	Mr Anjum Iqbal	Member
	Mr Anjum Iqbal	Member	Mr Ertugrul Tuefekci	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)
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	Forvis Mazars LLP
	Chartered Accountants
	30 Old Bailey
	London EC4M 7AU
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 pleased to present the Annual Report and Financial Statements for 2025, highlighting a year of resilience, growth and strategic advancement.

In a year characterised by economic uncertainty and market volatility, the Bank delivered a robust and disciplined performance. While the external environment presented challenges, our results reflect the strength of our business model, the clarity of our strategy and the continued trust placed in us by our customers. The measured growth of our balance sheet underscores the depth of those relationships and the confidence our clients have in the Bank's long-term stability.

The Board remains mindful that banking is inherently exposed to a broad spectrum of risks. Our role is to ensure that the Bank maintains an appropriate balance between risk and return, preserving financial strength while supporting sustainable growth. Throughout the year, the Board exercised rigorous oversight of capital adequacy, liquidity, asset quality and operational resilience. Our governance framework supported by experienced independent non-executive directors and strong Board committees continues to provide guidance, robust challenge and effective supervision of management.

Sound risk management and strict regulatory compliance remain fundamental to our operations. We are firmly committed to upholding the highest standards of integrity, transparency and corporate governance. These principles underpin every decision we take and are central to safeguarding the interests of our depositors, customers, employees, shareholders and other stakeholders.

In 2026, the Bank further strengthened its operational resilience framework, ensuring continuity of critical services in an evolving risk landscape. We continued to embed our obligations under the Consumer Duty, reinforcing our commitment to delivering fair outcomes and maintaining customer trust. In addition, we advanced our approach to managing climate related financial risks, aligning our practices with emerging regulatory expectations and recognised industry standards.

During the year, the composition of the Board evolved. We grieve the loss of Carey Leonard, former Chair of the Board Risk Committee, who retired and sadly passed away later in the year. We are deeply grateful for his exemplary service, wise counsel and unfailing integrity, and we extend our sincere condolences to his family. We were pleased to welcome Masarrat Husain as an Independent Non-Executive Director; Masarrat has also been appointed Chair of the Board Risk Committee. We congratulate Stephen Bryans, Chair of the Board Audit and Compliance Committee on his appointment as Senior Independent Non-Executive Director. We also thank Rajat Garg for his valuable contribution to the Board and welcome Ertugrul Tuefekci as his successor.

These changes ensure continuity of governance, sustained challenge and effective oversight as the Bank advances its strategy. The Board recognises that a strong governance culture is supported by diversity of thought and experience. It remains committed to fostering diversity and inclusion across the organisation and at Board level, understanding that varied perspectives enhance oversight, enrich decision-making and contribute to long-term performance.

The achievements of the year are a testament to the leadership of the Chief Executive Officer and the management team, as well as the dedication and professionalism of colleagues throughout the Bank. Their disciplined execution of strategy and unwavering focus on clients have been instrumental in delivering these results.

Looking ahead, the economic outlook presents both uncertainty and opportunity. The ongoing conflict in the Middle East continues to create geopolitical uncertainty, which the Bank closely monitors as part of its prudent risk management approach. While external risks remain, the Bank enters the coming year with a resilient balance sheet and a clear strategic focus. The Board is confident that, through prudent stewardship and effective oversight, the Bank is well positioned to navigate future challenges while continuing to create sustainable value for all stakeholders.

On behalf of the Board, I extend my sincere appreciation to management and colleagues for their commitment and hard work. I also thank my fellow directors for their continued dedication to robust governance. Most importantly, I express my gratitude to our customers for their enduring loyalty and trust, which remain the foundation of our business.

Muhammad H. Habib
Chairman

16th April 2026

CEO Statement

Reflecting on 2025, I am pleased to report a year of solid progress that highlights our unwavering focus on customers and our disciplined delivery of sustainable, long-term value. Healthy client activity and sustained balance sheet growth highlight the long-standing trust our customers have in us and our commitment to serving their evolving needs. The UK economy shows early, albeit uneven, signs of stabilising, offering cautious optimism even as we continue to navigate a complex macroeconomic environment. With Bank Rate moving lower throughout the year from 4.50% in February to 3.75% in December, we sustained income through disciplined balance sheet management whilst continuing to offer competitive rates to our customers. Against this backdrop, the Bank delivered resilient results, further strengthened risk discipline and accelerated a clear programme of technology-enabled transformation.

Our balance sheet grew as we deepened relationships across our eight-branch network and through intermediaries. Due to customers rose to c £1.14bn at December 2025 (up c. 12% year-on-year), while loans and advances increased to c. £801m (up c. 17%). Net interest income was broadly stable at £37.7m, with total net income of £40.9m. Operating expenses of £28.4m reflect ongoing investment in people, controls and platforms. Profit for the year was £10.0m, with ROE of 8% and ROA of 0.7%. These outcomes are consistent with the direction we have set, even as deposit competition and funding costs remained elevated.

Asset quality remains a hallmark of our franchise. We maintained prudent underwriting and portfolio discipline, supported by improved analytics and early warning capabilities. The non-performing loans (NPL) ratio improved to 0.7% in 2025 from 0.8% in 2024, while the advances to deposits ratio ended the year at 70%. Expected credit loss charges remained low and risk indicators were well-controlled, reflecting our relationship model and portfolio choices.

During the year we successfully implemented the loan management system nCino, which has become operational in 2026, providing a centralised view of borrowers, facilities and collateral. The platform strengthens monitoring of covenants and early warning indicators, improves underwriting consistency through automated approval workflows, and enhances oversight through real-time portfolio reporting. These capabilities, including stronger management information and scalability, are integral to our growth agenda and broker connectivity.

Our Sirat (Islamic) proposition continued to scale, supported by a refurbished dedicated Sirat branch in Tooting, targeted relationship coverage and the launch of Islamic trade finance. Sirat deposits reached c £250m by December 2025, with Sirat financing of c. £175m, and we expect further growth through digital onboarding and nCino-enabled acquisitions.

Trade Finance and business with financial institutions recorded step-change progress. Trade volumes increased from US$370m in 2024 to US$419m in 2025. We broadened our FI network adding Bahrain and Vietnam and saw strong momentum in Turkey, supported by new products. This diversification supports non-interest income and enhances cross-border capabilities for our clients.

During the year, the Bank identified and contained an incident involving unauthorised external access to the Group's data centre, originating from vulnerabilities in a third-party application. An independent cybersecurity specialist was engaged to conduct a forensic review and support remediation. Banking operations remained fully functional, with no impact on customer account balances. Regulatory authorities were promptly notified and stakeholder and customer communications were issued in line with applicable requirements. The HBZ Group has since implemented strengthened security controls and additional remediation measures to further enhance the resilience of its technology infrastructure.

Looking ahead, we will focus on disciplined growth, improved customer journeys and efficient, scalable operating platforms. We will also continue to invest in our Priority client proposition, deepening relationships with entrepreneurs, family businesses and professionals in London and the Midlands, supported by global account features, enhanced payments and the Visa Infinite suite. Our balanced approach between relationship banking and digital convenience remains a clear differentiator for the Bank.

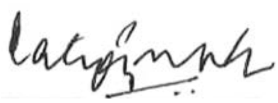
Our people are at the heart of these achievements. We are strengthening succession planning and leadership development, embedding the Voice of the Employee and investing in targeted training. Beyond the Bank, we are proud of our community engagement, including support for literacy, cancer research and children's causes, initiatives that reflect our values of trust, integrity and responsibility.

We remain firmly committed to climate stewardship, operational resilience, the Consumer Duty and the timely implementation of Basel 3.1 alongside other regulatory priorities. These commitments are embedded in our strategy, product design and day-to-day risk management through clear ownership, measurable targets and rigorous oversight by management and the UK Board.

As a UK-based subsidiary of a Swiss banking group with significant exposure to the Middle East and South East Asian region, the escalating geopolitical tensions continue to introduce operational strain and market volatility that may influence our 2026 performance. Recent military escalation has resulted in temporary market closures, airspace restrictions and heightened supervisory oversight across key financial centres in the region, creating increased risk management demands at group level. Although underlying banking conditions in the region remain broadly supported by resilient economic momentum, solid capitalisation and steady credit demand, ongoing geopolitical uncertainty and fluctuations in energy-linked sentiment may affect funding costs, investor confidence and group-wide balance sheet allocation. For our UK real estate financing business, these dynamics could translate into more cautious risk pricing, tighter funding conditions and greater sensitivity to macro-driven property valuations as we progress through 2026.

For our part, we will stay focused on what we control: risk discipline, customer advocacy, data-driven decision-making and operational excellence. With a stronger technology foundation, a deepening trade and financial institutions franchise, a growing Sirat offering and a disciplined balance sheet strategy, we are confident in our ability to compound value over time.

I extend my sincere thanks to our colleagues, leadership team, the UK Board, our shareholders and the wider HBZ Group for their continued support and partnership.



Satyajeet Roy
Chief Executive Officer

16th April 2026

Strategic Report

The Board of Directors have the pleasure in presenting the Strategic Report for the year ended 31st December 2025 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 review of the Bank's business model, strategic priorities, governance arrangements, and key developments during the year. It offers stakeholders clear and transparent insight into the Bank's performance and its outlook for the future. The report enables readers to assess the Bank's operational and financial results for 2025, including its financial position at year-end and progress against strategic objectives.

In addition, the Strategic Report evaluates the external risks and uncertainties affecting the UK financial sector, with particular emphasis on credit risk and its potential implications for the Bank's operational resilience and financial stability. The report also sets out the key performance risk indicators used to monitor and measure performance across the business, providing a comprehensive understanding of the Bank's approach to risk management and sustainable value creation.

The United Kingdom entered 2025 in recovery rather than crisis. The economy continued to adjust to the inflation shock of 2022–2024, which was driven by energy price volatility, supply chain disruptions and tight labour markets. By early 2025, policymakers generally judged that inflation had peaked, although a strong expansion was not anticipated. The prevailing consensus expected easing inflation, a gradual loosening of monetary policy and modest growth.

Actual outcomes broadly aligned with these expectations. The UK avoided recession and recorded positive GDP growth, though the recovery remained fragile. Households, businesses and labour markets continued to absorb the effects of earlier price rises and relatively high borrowing costs. Real income growth improved only gradually and economic confidence remained cautious.

Inflation and interest rates were the dominant influences on economic conditions. The year began with the Bank of England base rate at 4.75%. Over the course of 2025, the Monetary Policy Committee reduced the rate on four occasions to 3.75% at year-end. While markets had anticipated rate cuts, the timing and pace were more measured than initially expected. The Bank pursued a cautious "cut and pause" approach in response to persistent wage growth and services sector inflation, aiming to entrench disinflation while avoiding a downturn.

Consumer price inflation remained above target throughout the year, ending 2025 at approximately 3.6%–3.8%. Domestic price pressures, particularly within services, slowed the pace of disinflation. As a result, borrowing costs, although easing, remained relatively elevated for households and businesses, constraining purchasing power and spending.

The broader business environment reflected these pressures. Investment remained subdued amid uncertainty regarding financing costs, taxation and future demand, with many firms delaying expansion or scaling back capital expenditure. Confidence improved gradually but stayed fragile.

Performance was uneven across sectors. Services demonstrated relative resilience, supported by domestic consumption and a stable labour market. In contrast, manufacturing and other capital-intensive activities faced headwinds from higher input costs, softer demand and tighter financing conditions.

The economic backdrop functioned both as a stabiliser and a restraint. Moderate growth helped prevent contraction, but elevated interest rates, persistent inflationary pressures and subdued investment tempered the strength of the recovery. Households experienced ongoing financial strain, businesses remained cautious and investor sentiment was measured. In summary, 2025 was a year of slow expansion and continued adjustment: the economy stabilised and avoided recession, but momentum remained below long-term potential.

The macroeconomic backdrop for 2026 remains one of gradual stabilisation with heightened two-sided risks. Global growth is still expected to be modest, consistent with the IMF's January 2026 update, which projects world GDP growth of 3.3%; however, the balance of risks has shifted following the recent widening of conflict in the Middle East and associated disruptions to key energy and shipping chokepoints. Tensions have elevated the geopolitical risk premium in oil and gas markets and re-intensified disruptions to maritime trade. Reports indicate interruptions around the Strait of Hormuz, prompting rerouting of shipments and raising freight, insurance and transit times, factors that can pass through to goods prices with a lag.

Prior to the escalation, the Bank of England's February 2026 Monetary Policy Report anticipated CPI inflation moving close to target from spring 2026 and signalled scope for further, cautious easing. Subsequent market moves, however, reflect renewed inflation risk from higher energy prices, pushing up gilt yields and causing investors to reassess the near-term rate path. Market analysts' commentary in early March likewise noted that expectations for multiple 2026 cuts had faded as oil and UK wholesale gas prices rose, an effect consistent with the broader shift in global fixed income markets as inflation risk premia increased.

On current evidence, a base case of modest UK growth and gradually easing inflation remains plausible, supported by prior disinflation and still benign core dynamics; the latest outlook points to CPI averaging 2.3% in 2026, while cautioning that an extended energy shock would be a key upside risk to prices.

A slower, data-dependent easing cycle implies that net interest margins may compress more gradually than previously expected; however, if energy-driven inflation persists and market rates rise, deposit pricing and wholesale funding costs could also remain elevated, offsetting benefits. Fee income diversification (payments and trade services) remains important as spreads normalise.

Asset quality remains broadly sound. Given our principal focus on real estate finance, we have intensified portfolio monitoring to assess potential second-order effects from the ongoing conflict in the Middle East particularly any impact on UK property valuations, rental cash flows and refinancing conditions should elevated energy prices and shipping disruptions persist. We are closely monitoring loan-to-value and interest coverage metrics across residential investment and commercial exposures, with heightened attention to assets and tenants with greater pass-through of operating costs (e.g., energy-intensive buildings, logistics and construction supply chains).

Principal Activity

During 2025, the Bank continued to develop its core operations by focusing on real estate financing, trade-related services, and treasury operations while expanding both conventional and Islamic banking offerings. The relationship-driven conventional banking channel achieved growth through new partnerships, strengthening the Bank's network and customer reach.

The Bank's branch teams remained central to maintaining strong customer relationships. Clients benefit from direct access to senior decision-makers and a broad suite of products, including current and savings accounts, real estate and trade finance, cash management, and multi-currency treasury services.

The Islamic finance division, operating under the brand Sirat, remained a significant driver of growth. Its Sharia-compliant offerings—including Diminishing Musharika, Commodity Murabaha, Wakala-based deposits, and retail banking products—met growing customer demand and contributed to revenue diversification.

The trade finance business which saw a slow growth in recent years due to economic and political uncertainty in core markets saw a significant growth in 2025 both in primary and secondary trade transactions. This was mainly driven through onboarding new customers and expansion in new geographic territories including Turkey and Vietnam.

Supporting customers and small businesses remains fundamental to the Bank's operating philosophy. The Bank continues to focus on building long-term relationships and creating sustainable value for customers, employees, suppliers, and the communities it serves.

Strategy and objectives

The Bank has enhanced its risk management framework to address a more uncertain economic environment marked by elevated interest rates, inflation pressures and slower growth. Its approach is now forward-looking, with ongoing monitoring of borrower performance rather than relying solely on assessments at the point of loan approval. Expected-credit-loss provisioning has been embedded into internal processes, enabling earlier recognition of potential deterioration in credit quality and supporting prudent balance-sheet management.

Comprehensive stress testing forms a central component of the strategy. The Bank regularly assesses the impact of adverse economic scenarios, including interest-rate shocks and downturns in key sectors, on capital, liquidity and earnings. Underwriting standards have also been strengthened through more detailed affordability assessments, conservative lending assumptions and periodic borrower reviews, supported by improved early-warning indicators and closer portfolio monitoring.

The risk management framework has further expanded to incorporate emerging risks such as climate-related factors and geopolitical developments. Together with disciplined credit origination, strong capital and prudent liquidity management, these measures are intended to safeguard asset quality, maintain financial stability and ensure the Bank can continue to support customers while managing potential economic stress.

Our core client base includes family-owned and managed businesses within the South Asian diaspora, particularly SMEs and high-net-worth individuals. These entrepreneurial communities provide long-term continuity and growth potential, positioning the Bank to develop a sustainable business model anchored on SME success.

During the year, we expanded our real estate lending, grew our Islamic financing portfolio, and diversified Trade Finance offerings, including outreach beyond our traditional South Asian markets. This strategic approach has broadened our client base, increased revenue, and strengthened market penetration.

The Bank's fundamentals remain strong, with solid capital, liquidity, and well-controlled credit losses. We are well-positioned to support our clients, navigate evolving economic and geopolitical conditions, and sustain growth, ensuring long-term value creation for customers, employees, and the wider community.

Business Model

The Bank's strategy focuses on delivering exceptional service and building enduring customer relationships, guided by our principle of "Service with Security". This approach has fostered trust across generations and geographies, reinforcing our reputation as a reliable financial partner, supported by our deep-rooted history with the Indian subcontinent and our family-owned structure.

We offer a full spectrum of conventional and Islamic banking solutions, including real estate and commercial finance, cash management, trade finance, and retail banking. Our product range spans buy-to-let finance, commercial loans, working capital solutions, current and savings accounts, fixed-term deposits, and treasury services, with clients benefiting from direct online access to fixed-term bonds. Our business priorities include operational efficiency, customer service, financial planning, employee engagement, regulatory compliance, and treasury operations.

Branch banking remains central to our UK growth. Initiatives to expand our Islamic banking footprint, particularly in the Midlands, alongside dedicated teams for priority customers, ensure high service standards across all locations. Our intermediary network has also enabled cost-effective expansion, broadening our reach and lending capabilities without relying solely on physical branches.

In a competitive market, our Sharia-compliant offerings – especially in buy-to-let finance – meet specific customer needs while strengthening revenue and diversification. The Bank continues to grow its trade finance operations through new products and geographic diversification, reducing dependency on traditional South Asian markets and enhancing our overall business footprint.

Business Review

During 2025, the Bank of England enacted four reductions in the Bank Rate, bringing it down from 4.75% to 3.75% by year-end. The Bank prudently leveraged this more accommodative interest rate environment to expand its lending portfolio, achieving £212 million in new loan disbursements.

Against the backdrop of an improving lending landscape, while maintaining disciplined and robust underwriting standards, the Bank concluded 2025 with a net 'Loans and Advances' balance of £801 million, reflecting a 17% (£118 million) increase from the previous year. This performance reflects the Bank's disciplined execution and strategic agility in responding to a complex financial environment.

The Bank remained committed to rigorous credit risk management, including enhanced affordability assessments to reflect higher living costs and interest rates. Alongside growth in the loan book during the year, robust portfolio monitoring and well-calibrated early-warning indicators helped maintain strong asset quality, with the non-performing loan (NPL) ratio improving from 0.8% at 31 December 2024 to 0.7% at 31 December 2025. Expected credit loss provisions remained appropriately aligned to portfolio risk and observed trends.

The Bank surpassed the £1.1bn milestone in customer deposits, closing 2025 at £1,142 million (2024: £1,023 million), an increase of £119.8 million (11.7%) year-on-year. Growth was broad-based across all channels, Conventional, Sirat (Islamic) and Internet deposits reflecting sustained customer confidence in our UK franchise and the strength of our relationship-led model.

Financial Review

Over the past twelve months, the Bank recorded a strong overall performance, supported by sustained expansion of its core balance sheet and continued momentum in its principal business activities. Growth was primarily driven by the customer lending portfolio, which remains a central pillar of the Bank's operating model and long-term strategy. Total customer loans increased by 17% compared with 2024, bringing the gross lending book to £803 million. This growth reflects ongoing demand across the Bank's key lending segments and the consistent application of prudent underwriting standards and disciplined credit origination practices. The increase in the customer lending portfolio supported revenue growth, despite a declining interest rate environment.

Funding growth kept pace with lending expansion. Customer deposits rose by 12% year-on-year to £1,143 million, reinforcing the Bank's stable and diversified funding base. The increase demonstrates continued confidence among customers and counterparties in the Bank's financial strength and service proposition. The larger deposit base enabled the Bank to support lending growth while maintaining appropriate liquidity buffers. As a result, the Advance-to-Deposit Ratio increased from 67% to 70%, indicating a more efficient utilisation of available funding while remaining within conservative liquidity parameters.

Funds placed with other banks increased by 25% compared with the previous year. This rise was largely attributable to higher overall liquidity, generated by both increased customer deposits and additional bank borrowings. The Bank deliberately allocated surplus liquidity into placements with financial institutions as part of its ongoing liquidity management framework, ensuring adequate coverage against funding obligations and maintaining flexibility in a changing interest rate environment.

The investment portfolio stood at £219 million at year-end, representing a 4% decrease compared with the prior year. This reduction reflects a measured balance sheet response to the evolving interest rate outlook. As interest rates began to moderate, the Bank actively rebalanced its holdings, allowing certain lower-yielding or maturing securities to run off and reallocating capital towards assets offering stronger risk-adjusted returns. The repositioning also formed part of a broader portfolio optimisation strategy aimed at protecting margin, managing interest rate exposure, and preserving capital and liquidity efficiency.

Gross loan disbursements amounted to £212 million during the year ended 2025, the highest level of annual lending activity recorded in the Bank's history. The record volume of originations reflects strong customer demand, effective execution of the Bank's lending strategy, and continued deepening of relationships within its established customer base.

Taken together, these developments resulted in a 15% year-on-year increase in the Bank's total balance sheet, demonstrating both positive business momentum and effective balance sheet stewardship.

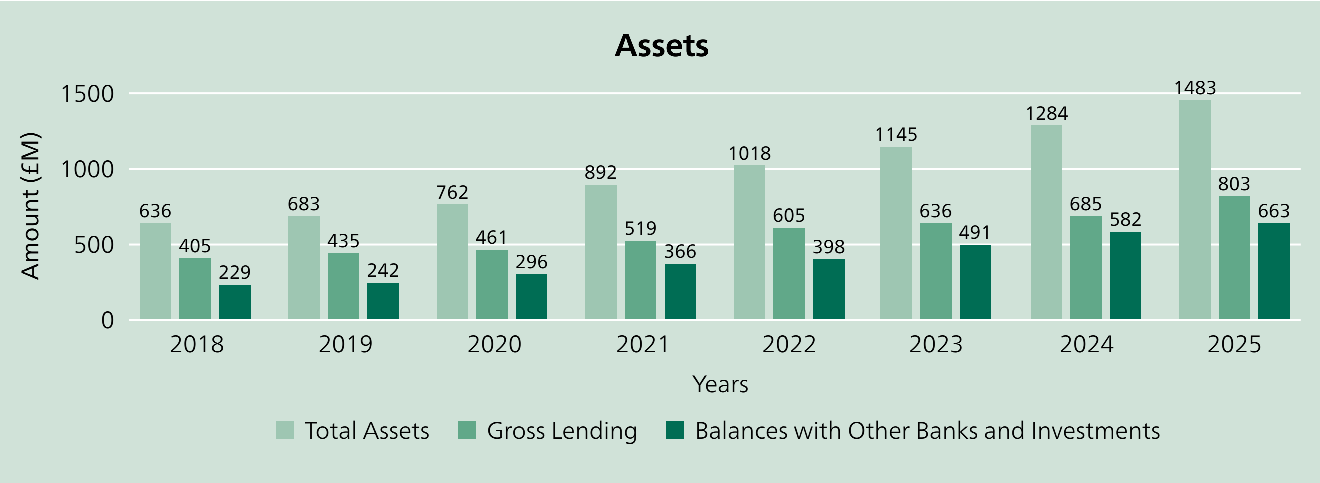
Performance within the trade finance business improved significantly during 2025, with growth recorded in both facility utilisation and fee income. By year-end, the portfolio had expanded to £92 million, comprising exposures to both customers and financial institutions (FI). The FI exposures consist primarily of secondary market transactions, largely with Turkish banks. The Bank continues to apply robust risk management practices, including active monitoring of country exposure, counterparty creditworthiness, and operational risk controls, ensuring that all exposures remain within the approved risk appetite and regulatory requirements.

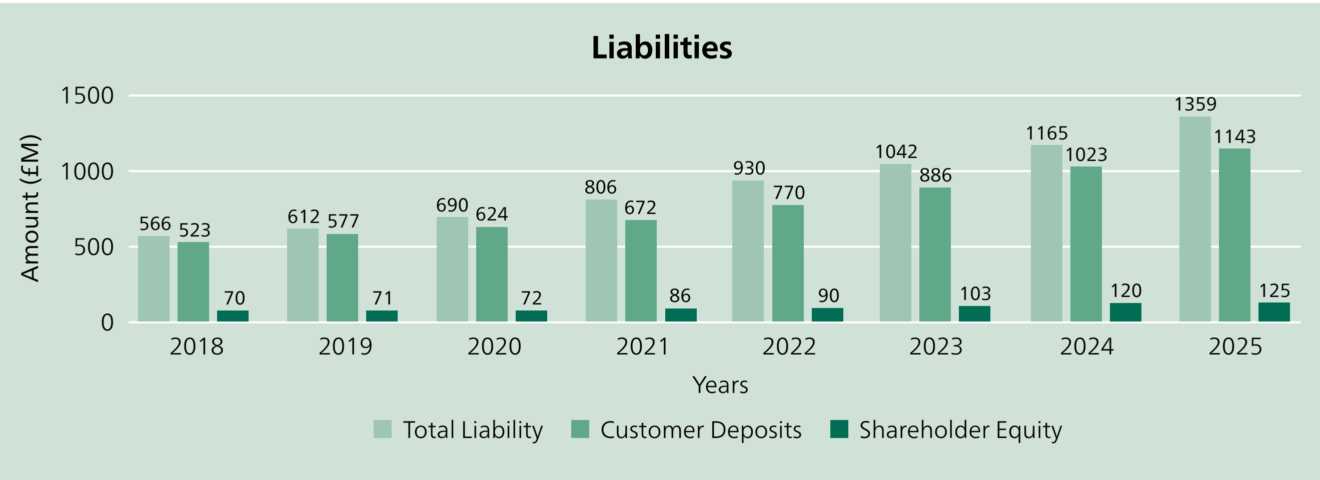
Balance Sheet Extract

	2025 (£ 000')	2024 (£ 000')
Assets		
Loans and advances to customers	800,598	682,470
Balances with banks	444,977	354,532
Financial investments	218,503	227,801
Other	19,191	19,595
Total Assets	**1,483,269**	**1,284,398**
Due to customers	1,142,802	1,023,002
Due to Banks	186,139	108,224
Subordinated liabilities	20,265	20,296
Tier 1 Capital / Equity	124,587	119,896
Other	9,476	12,980
Total Liabilities and Equity	**1,483,269**	**1,284,398**

Assets and Liabilities

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





Profit and Loss Analysis

The Bank delivered a resilient financial performance in 2025, reporting post-tax profit of £10 million. While this represents a modest decrease of approximately 10% year-on-year, profitability was primarily influenced by industry-wide margin compression rather than any slowdown in business activity. Strong balance sheet expansion and continued customer demand underpinned performance; however, competitive lending and deposit markets increased funding costs and moderated the extent to which growth translated into earnings.

Net interest income remained broadly stable, declining 0.7% (£0.3 million). The customer lending portfolio expanded meaningfully during the year, demonstrating continued franchise strength and successful loan origination. This positive volume growth was partially offset by narrower spreads as deposit and wholesale funding costs remained elevated and pricing competition intensified in selected lending segments. Overall, the Bank maintained earnings stability despite challenging market conditions.

Non-interest income strengthened during the year. Commission income increased by 5%, supported by higher trade finance activity and associated transactional services. Fee income in other areas grew at a more measured pace, reflecting cautious client activity and softer transaction volumes across the broader economic environment.

Credit quality trends were encouraging. The Bank recognised reversals of provisions relating to previously non-performing exposures, reflecting improved customer financial positions and effective credit management.

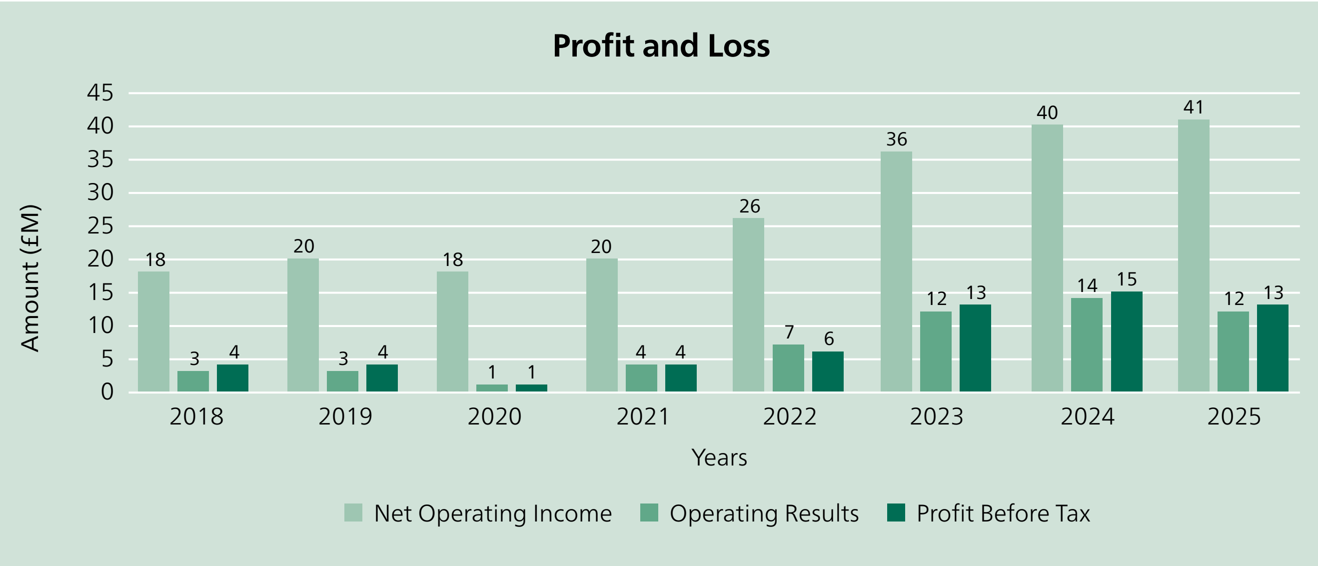
Operating expenses for 2025 were £28.4 million, a 7% increase on the prior year. Cost growth was mainly attributable to inflation-related overhead increases and expanded business activity.

Overall, the Bank maintained stable profitability, demonstrated sound cost control and preserved asset quality while continuing to grow its business franchise in a challenging operating environment.

The performance highlights for 2025 are provided below.

	2025 (£ 000')	2024 (£ 000')
Operating Profit		
Net interest income	37,734	37,997
Net fee and Commission income	1,800	1,715
Net other income	1,338	582
Net operating income	**40,872**	**40,294**
Total operating expenses	(28,419)	(26,502)
Operating profit before impairment losses on loans and advances and tax expenses	**12,453**	**13,792**
Credit impairment losses / reversals on financial assets	937	1,183
Profit before tax	**13,390**	**14,975**
Tax charge	(3,367)	(3,888)
Profit after tax	**10,023**	**11,087**

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



Capital Structure

The Bank's share capital was £80 million (2024: £80 million), while retained earnings rose to £45 million (2024: £40 million), reflecting continued profitability and earnings retention. In addition, the Bank maintains a £20 million subordinated loan (2024: £20 million) supporting the funding of longer-term asset growth. The subordinated loan was renewed by the Parent bank for another 5 years terms effective 1st April 2026. Since becoming a subsidiary in 2016, the Bank has steadily strengthened its capital base, driven in part by retained profits, demonstrating the shareholders' sustained commitment to the UK business.

The Bank's capital structure has been developed to support planned business expansion over the coming years while maintaining an appropriate balance between growth and shareholder returns.

Regulatory capital differs slightly from the accounting capital reported above due to the prudential treatment applied to certain reserves. A summary of regulatory capital and associated risk-weighted assets is presented below:

		£ in million
Description	2025	2024
Share capital – Tier 1	80	80
Retained earnings – Tier 1	45	40
Subordinated loan – Tier 2	20	20
Risk-weighted assets	773	665

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

		£ in million
	2025	2024
Risk-weighted assets	773	665
Total capital requirement – TCR	87	74
Capital		
Share capital – Tier 1	80	80
Retained earnings	45	40
DTA, Current year's PAT and other deductions	(14)	(14)
Tier 1 Capital	111	106
Subordinated liabilities – Tier 2	20	20
Total Regulatory Capital	131	126
Excess capital over requirement	**44**	**52**

The capital adequacy ratio as of 31st December 2025 was 16.92% (2024: 18.98%), which was in surplus of the regulatory requirements.

Other Key Regulatory Ratios

The Bank consistently held significant levels 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 2025, the Bank reported an LCR of 180% (2024: 243%), 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 2025, the Bank's leverage ratio, which measures its core capital relative to total assets, stood at 7.35% (2024: 8.12%), 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 include:

Key Performance Indicators (KPIs)	2025	2024
Percentage increase in customer loans	17%	8%
Percentage increase in customers deposits	12%	15%
Non-performing loan as a % of loan book	0.7%	0.8%
Percentage of non-interest revenue to total revenue	8%	6%
Loan to deposit ratio	70%	67%
Return on Assets	0.7%	0.9%
Return on Equity	8%	9%
Capital adequacy ratio	17%	19%
Common equity tier 1 ratio	14%	16%
Liquidity Coverage Ratio (LCR)	180%	243%
Net Stable Funding Ratio (NSFR)	133%	137%

The Bank's financial performance remained robust in 2025, building on the positive momentum established in late 2024. Growth continued to be supported by strong lending activity originated in prior periods, which sustained income generation and balance sheet expansion through the year.

The Bank maintained a capital adequacy ratio in excess of regulatory requirements throughout 2025. Capital resources of £145 million provide the necessary headroom to support planned business activity over the next five years, as confirmed by the Internal Capital Adequacy Assessment Process (ICAAP).

The balance sheet remains highly liquid, comprising High-Quality Liquid Assets (HQLA), eligible non HQLA assets and short term interbank placements (up to 12 months). A stable customer deposit base diversified across relationship-led retail depositors and business owners continues to underpin funding resilience. In addition, fixed-rate bonds contribute to a well-diversified liquidity pool. The Treasury function actively manages liquidity risk, with oversight from the Asset and Liability Committee (ALCO) and the Board Risk Committee.

The Board regards Financial Year 2025 as a pivotal and high impact year for the Bank, marked by solid progress against strategic objectives. While profitability was slightly lower than in 2024, the Bank delivered significant balance sheet growth and strengthened its financial position. This provides a firm foundation for sustainable expansion and positions the Bank to deliver improved performance in 2026 and beyond, continuing to create long-term value for stakeholders.

Approved by the Board and signed on its behalf by:

Kamran Qazi
Chief Financial Officer

16th April 2026

Risk Management Report

Risk Management and Internal Control

The Board of Directors is responsible for setting the overall risk appetite of the Bank and for ensuring that an effective framework of risk management and internal control is maintained. The Board regularly receives reports on, and reviews, the effectiveness of risk management and control framework to support the Bank's strategy and objectives.

Oversight of the risk management framework is undertaken by the Board Risk Committee and the Board Audit and Compliance Committee. These committees provide detailed review and challenge in their respective areas and report regularly to the Board on risk exposures, internal control effectiveness, regulatory developments and emerging risks.

The Bank operates a three-lines-of-defense model, which clearly delineates responsibilities for risk ownership, oversight and independent assurance. Business and operational functions form the first line and are responsible for managing risks within their activities. The risk management and compliance functions provide independent oversight as the second line, while internal audit provides independent assurance to the Board as the third line.

The Board receives regular reporting on key risk indicators, emerging risk developments and the effectiveness of risk mitigation measures to ensure that risks remain within the approved risk appetite.

Principal Risks and Uncertainty and Mitigation Plan

Risk management at the Bank is an ongoing 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 manages 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 framework supports the Bank's ability to absorb financial and operational shocks, maintain financial resilience, and deliver its strategic priorities.

The Bank's risk framework is built around defined risk drivers which serve as the basis for articulating and calibrating the risk appetite. These drivers evolve in response to changes in the Bank's strategy, macroeconomic conditions, regulatory developments and the broader operating environment. The framework supports the identification, measurement, monitoring and mitigation of risks and provides a structured approach for escalation where risk exposures approach or exceed established tolerance levels.

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 and regulatory obligations. This appetite is reviewed annually by the Board and the Board Risk Committee (BRC), with additional interim reviews undertaken where there are material changes in the Bank's operating environment, business strategy or risk profile.

Through ongoing monitoring of key risk indicators and regular risk assessments, the Bank is able to identify emerging risks and take appropriate mitigating actions. Where required, management may propose adjustments to risk appetite or risk management strategies to ensure the Bank remains resilient to evolving market conditions.

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, the control environment and compliance.

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 prudent approach to inherent risks and maintains zero-tolerance for financial crime, regulatory breaches and unethical conduct.

All material 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 principal mitigating actions in place to manage these exposures in line with the Bank's risk appetite.

Risk type	Tolerance and mitigation
Credit risk	**Credit Risk Strategy and Appetite** Credit risk represents the risk of financial loss arising from a borrower or counterparty failing to meet its contractual obligations. The Bank's approach to credit risk management is based on a focused lending strategy, clearly defined target markets, and a strong emphasis on secured lending. The Bank primarily lends against high-quality collateral, with the loan portfolio predominantly composed of real estate-backed exposures. Credit risk exposures are managed within Board-approved risk appetite limits covering single-name concentrations, sector exposures, portfolio composition and overall credit quality. Key portfolio metrics monitored include borrower concentrations, collateral coverage, loan-to-value levels, risk rating distribution, expected credit losses and non-performing loans. Through this framework, the Bank seeks to maintain a well-diversified and resilient credit portfolio while ensuring that exposures remain within its defined risk appetite. **Credit Risk Governance** The Bank has established a comprehensive Credit Risk Management Framework (CRMF), which sets out the principles, policies and governance arrangements for managing credit risk across the organisation. The framework defines the Bank's credit risk appetite, target market criteria, underwriting standards, collateral management practices and credit monitoring processes. 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) provide oversight and decision-making for credit approvals within their respective mandates. The Board Risk Committee is responsible for overseeing the effectiveness of the credit risk management framework and ensuring that credit exposures remain aligned with the Bank's risk appetite and regulatory expectations.

Risk type	Tolerance and mitigation
Credit risk (cont)	**Credit Risk Monitoring and IFRS 9** The Bank maintains established policies and procedures to support the application of IFRS 9 and the effective monitoring of credit risk across the portfolio. These include structured processes for the identification, measurement and monitoring of credit deterioration. Ongoing portfolio monitoring is undertaken by the analytics team within the Credit Function, which reviews key portfolio indicators and provides early warning signals where customer behaviour may indicate emerging stress, such as irregular repayment patterns or deteriorating financial conditions. In addition, relationship managers maintain regular engagement with customers to monitor developments that may affect credit quality. The Products and Analytics function provides additional support through data analytics and portfolio-level reports. Where potential deterioration in credit quality is identified, exposures are escalated through the Bank's watchlist process to ensure appropriate oversight and timely management action. **Portfolio Monitoring and Stress Testing** During the year, the Bank maintained a proactive approach to monitoring credit risk, particularly in light of evolving macroeconomic conditions and market developments. Regular portfolio reviews were conducted to assess exposures across sectors and borrower segments, with particular attention to sectors potentially affected by changing economic conditions. Portfolio performance is assessed using a combination of quantitative indicators, such as arrears trends and credit quality metrics, together with qualitative assessments, including changes in borrower circumstances, industry outlooks and collateral valuations. The Bank also conducts periodic stress testing to assess the resilience of the credit portfolio under adverse macroeconomic scenarios. These stress tests consider potential impacts from factors such as rising interest rates, reductions in borrower income and changes in property values. The results of these assessments support management's understanding of potential portfolio vulnerabilities and the Bank's capacity to absorb adverse shocks. Where appropriate, the Bank works constructively with customers to address emerging financial pressures and to mitigate potential credit risk, while ensuring that all actions remain consistent with the Bank's risk appetite and governance framework.
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 monitored through established governance forums, including the Country Credit Committee, the Asset and Liability Committee (ALCO) and the Board Risk Committee, which provide oversight of exposure levels against approved risk appetite thresholds. The Bank mitigates concentration risk through prudent underwriting standards, regular portfolio monitoring and defined early warning indicators. Regulatory requirements relating to concentration risk are also taken into account when setting internal exposure limits and thresholds.

Risk type	Tolerance and mitigation
Operational risk	The Bank manages operational risk through a defined risk appetite supported by ongoing monitoring and governance oversight at both management and Board committee levels. The Bank maintains a dedicated Operational Risk Unit within the Risk Function, operating under the supervision of the Chief Risk Officer (CRO). This unit is responsible for monitoring a broad range of operational risks and ensuring adherence to the Bank's risk management framework. **Operational Risk Monitoring and Escalation Framework** The Bank has established tolerance trigger points aligned with regulatory expectations and guidance. These thresholds act as early warning indicators to support the timely identification and management of emerging operational risks. The Bank's Risk Appetite Framework has been enhanced to incorporate tolerance trigger points relating to Operational Resilience, which are further articulated within the Bank's standalone Operational Resilience Framework. These measures are designed to identify risks that could impact the continuity of important business services and enable timely management action where required. Where tolerance thresholds are breached, the matter is escalated to the Audit, Risk and Compliance Committee and the Executive Committee with ongoing monitoring of remediation actions to address the underlying issues. This process supports the Bank's objective of maintaining resilient operations and ensuring the continuity of critical services. In addition, key operational risk indicators and material risk events are reported to the Board Risk Committee, providing board-level oversight of operational risk exposures and alignment with the Bank's broader risk management framework.
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. These governance forums provide regular monitoring and oversight of financial crime risks across the Bank. A compliance dashboard, incorporating key risk events, regulatory developments and emerging issues, is regularly reviewed by the relevant committees to support 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 supported through comprehensive risk assessments, rigorous customer due diligence 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.

Risk type	Tolerance and mitigation
Conduct risk	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 to demonstrate stable behavioural characteristics. 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) and the Discount Window Facility (DWF). 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.

Risk type	Tolerance and mitigation
Funding risk	The Bank manages funding risk by maintaining a diversified and stable funding base aligned with the profile of its assets. The Bank's primary source of funding consists of retail and SME customer deposits, which have historically demonstrated stable behavioural characteristics. To complement its core deposit base, the Bank offers fixed-rate deposits through digital channels, including six- and twelve-month products. These deposits provide a rate-sensitive funding source and contribute to diversification of the Bank's funding mix. The Bank monitors funding concentrations and maturity profiles on an ongoing basis to ensure that reliance on any single funding source remains within established risk appetite limits. This approach supports the maintenance of a balanced funding structure and reduces vulnerability to market disruptions. In addition, the Bank maintains access to contingent funding sources, including participation in Bank of England facilities under the Sterling Monetary Framework (ILTR & DWF) and bilateral repurchase arrangements with market counterparties. These arrangements provide additional flexibility to access funding where required. Together, these measures support the Bank's ability to maintain a stable and diversified funding profile.
Interest rate risk	Interest rate risk is primarily managed through the Bank's Asset and Liability Committee (ALCO), with oversight provided by the Board Risk Committee (BRC). The Bank's exposure to interest rate risk arises mainly from repricing differences between assets and liabilities within the banking book. The Bank's lending portfolio is predominantly priced on variable interest rates, allowing periodic repricing of facilities typically within 30 to 180 days. This structure helps limit the duration of interest rate exposures and supports the Bank's ability to adjust lending yields in response to changes in market interest rates. While the lending portfolio remains predominantly variable rate, the Bank has also observed a modest increase in fixed-rate lending in line with evolving customer preferences. The Bank monitors the resulting repricing profile as part of its broader IRRBB management framework. Customer deposits, while contractually shorter-dated, exhibit stable behavioural characteristics reflecting the Bank's long-standing relationship-based funding model. Interest rate risk in the banking book is monitored through a combination of sensitivity analysis and stress testing. The Bank assesses the impact of interest rate shocks on both the economic value of equity (EVE) and net interest income (NII), with results monitored against Board-approved risk appetite thresholds. These measures provide a forward-looking view of the potential impact of interest rate movements on both capital value and earnings. The Bank also monitors a set of indicators designed to provide early visibility of potential repricing imbalances within the balance sheet. These indicators include metrics relating to asset repricing gaps and the proportion of fixed-rate exposures within the lending portfolio which support proactive oversight of interest rate risk developments. The Bank's investment portfolio comprises a diversified mix of high-quality liquid assets and other debt securities, classified under the "hold to collect" and "hold to collect and sell" accounting categories. Treasury and Risk functions monitor the portfolio on an ongoing basis, including changes in market spreads, credit ratings, and sector-specific developments, to ensure that exposures remain aligned with the Bank's risk appetite.

Risk type	Tolerance and mitigation
Cyber risk	The Bank recognises the increasing risks associated with cyber threats and continues to strengthen its cybersecurity framework to protect its systems, data and banking services. Cybersecurity remains a key focus area for the Bank given the evolving nature of digital threats across the financial sector. The Bank maintains a range of preventative and detective controls designed to safeguard its technology infrastructure and transactional systems. These controls include continuous monitoring of cyber alerts, vulnerability management, system updates and regular security assessments performed by the Information Security function. The Bank also continues to enhance its cyber resilience capabilities, including incident detection, response and recovery processes to ensure that potential cyber events can be identified and managed in a timely and effective manner. Cyber risk oversight forms part of the Bank's broader operational risk framework and is subject to regular reporting and review through the established committees.
Regulatory and legal	Regulations continue to evolve and could 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. The Bank receives regular updates from different market sources such as The Association of Foreign Banks on new regulatory requirements.
Outsourcing and third-party risk management	The Bank manages outsourcing and third-party risk in accordance with regulatory expectations and guidance. The Bank has established a structured framework governing the identification, assessment and ongoing monitoring of third-party arrangements. Prior to entering into outsourcing arrangements, the Bank performs risk assessments and due diligence to evaluate the operational, financial, legal and regulatory risks associated with the service provider. Material outsourcing arrangements are subject to enhanced oversight, including assessment of operational resilience considerations, data security requirements and business continuity capabilities. All outsourcing and third-party relationships are governed by formal contractual agreements which establish service expectations and relevant risk management provisions appropriate to the nature and materiality of the arrangement. These agreements are reviewed with the support of the Bank's legal advisors to ensure alignment with applicable regulatory expectations. The Bank maintains ongoing oversight of its third-party arrangements through regular performance monitoring, risk reviews and governance reporting. Outsourcing and third-party risks are monitored as part of the Bank's broader operational risk framework and are subject to oversight through established management and Board committees.
Foreign exhange 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 the Finance function with oversight, from Risk function.

Emerging Risks

Together with a strong governance process, the Board Risk Committee 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. Risks highlighted by scientific research and changes in natural phenomena have played a significant role in attracting focus at a 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 key decision-making and risk management. As part of its approach to managing climate change risk, the Bank undertook a review of the following areas to consider relevant physical and transition risks to assess materiality: • Business model • Customer base and target segments • Investment book and strategy • Bank's physical footprint and supply chain The Bank's 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 comprises more than 90% of the lending book. 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 takes 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)

Risk type	Tolerance and mitigation
Climate change (cont)	The Bank's investment strategy includes a cap on maximum 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. The Board and 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 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 financial statements and Pillar 3 Disclosures which can be found on our website provide further information about the Bank's risk management framework, 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

The UK Internal Audit (UKIA) function continues to play a pivotal role in supporting HBZ Plc's commitment to strong governance, transparency, and an effective system of risk management and internal control. As the independent Third Line of Defence, UKIA led by the Chief Audit Executive (CAE) provides objective assurance, insight, and challenge to the Board and senior management. The Bank also maintains co-sourced internal audit arrangements with Ernst & Young.

Strengthened Framework and Updated Audit Charter
In 2025, UKIA updated its Audit Charter to align with the revised Internal Audit standards issued by the Institute of Internal Auditors (IIA). The updated Charter reinforces UKIA's independence, authority, scope, and responsibilities, and embeds enhanced expectations around professional judgement, continuous risk assessment, and the use of data-driven auditing techniques. This ensures continued alignment with global internal audit best practices and emerging regulatory expectations.

Mandate and Mission
UKIA's mandate is to safeguard the Bank's assets, reputation, and long-term sustainability by:

a) **Providing independent, risk-based assurance**, along with insight and forward-looking advice, to support the Board and senior management in maintaining a sound governance and control environment.

b) **Assessing the identification, assessment, and escalation of material risks**, ensuring management accurately reports significant risks to the Board Audit and Compliance Committee (BACC) and the Executive.

c) **Evaluating the design and operating effectiveness of internal controls**, including financial, regulatory, operational, technology, and cyber-related controls.

d) **Challenging, advising, and influencing senior management** to strengthen governance arrangements, improve the risk and control framework, reinforce risk culture, and drive operational efficiency by identifying outdated, duplicative, or unnecessary controls.

2025 Audit Plan Execution
Throughout 2025, UKIA delivered a comprehensive and risk-aligned Audit Plan approved by the Board Audit and Compliance Committee. The Plan reflected the Bank's evolving risk landscape and covered a broad range of areas including:

- Finance and regulatory reporting
- ILAAP and Recovery Planning
- Credit risk
- Operational resilience
- Compliance and financial crime controls
- Information technology
- Single Customer view

UKIA also expanded its use of continuous auditing and thematic reviews, enhancing real-time insights and enabling more proactive risk identification.

All findings and thematic observations were formally reported to senior management and the BACC to ensure timely remediation and to support the Bank's culture of continuous improvement.

Reporting Structure
The CAE reports directly to the Chairman of the BACC, safeguarding the independence of the internal audit function, and administratively to the CEO. This structure is consistent with industry standards and regulatory expectations, and ensures that UKIA remains free from undue influence.

UNCERTAINTY

Middle East situation and impact on UK economy

The evolving Middle East geopolitical environment presents a range of indirect risks that may influence economic conditions, market stability and operational resilience across regions. Key transmission channels include energy price volatility, shifts in inflation and interest rate expectations, global market fluctuations, trade route disruptions, refinancing challenges and heightened cyber activity. These external pressures can shape asset valuations, liquidity dynamics, funding conditions and broader confidence levels, while operational dependencies, people-related considerations and technology resilience remain important under heightened uncertainty. Monitoring early warning indicators such as market spreads, credit signals, property trends and liquidity movements supports preparedness and timely response as conditions evolve.

The Bank's financial, liquidity and operational positions remain stable, with continued close monitoring of interest rate developments, property market trends, funding conditions and Group operational dependencies.

At present, there is no observed impact on financial strength, liquidity position or operational continuity. The situation will continue to be closely tracked, should geo-political changes or early warning indicators signal a material shift in the risk landscape.

OTHER FOCUS AREAS IN 2025

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.

Operational resilience remains a key area of focus for UK regulators, with the Bank of England, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) implementing a strengthened framework to ensure that firm's infrastructures can withstand, adapt to and recover from operational disruptions. In line with the regulatory expectations set out by the PRA and FCA culminating in a March 2025 implementation deadline, the Bank successfully completed all required activities ahead of schedule. Throughout this period, the Bank has continued to enhance its resilience posture through targeted initiatives, including the enhancement of operational efficiency, accelerated digitisation, investment in modern and robust technology infrastructure, the strengthening of information and cybersecurity capabilities and the implementation of resilient remote access arrangements.

The Bank's Operational Resilience Framework builds on our established capabilities and reflects the lessons learned from past operational events, ongoing horizon scanning, and industry-wide developments. It is designed to ensure that the Bank can continue to deliver critical services to customers and stakeholders in the face of severe but plausible disruptions. The Framework aligns with the expectations set by the FCA and PRA and provides a structured approach to identifying, managing and testing operational vulnerabilities. To achieve the desired resilience outcomes, the Bank undertook a comprehensive set of activities, including:

- **Leveraging organisation-wide assessments:** Conducting Business Impact Assessments and defining recovery objectives across all business areas, ensuring that resilience considerations are embedded consistently throughout the organisation.
- **Prioritising Important Business Services (IBS):** Identifying and prioritising key services that are essential to end users, reflecting the Bank's unique business model, customer segments, and the potential harm that disruption could cause.
- C**ompleting end-to-end process mapping:** Mapping the full lifecycle of each IBS, covering people, processes, technology, data flows, third-party dependencies, and physical premises. This comprehensive view enables the Bank to understand where vulnerabilities may exist and to plan targeted interventions.
- **Establishing robust impact tolerances:** Setting clear, time-based impact tolerances for each IBS, with consideration given to combined or secondary metrics where appropriate. These tolerances define the maximum level of disruption the Bank can accept before it risks causing intolerable harm.
- **Developing tailored scenario testing:** Creating a suite of severe but plausible disruption scenarios specific to the Bank's operations. These scenarios draw on historical incident and near-miss data, supplemented by ongoing horizon scanning to capture emerging risks, industry trends and evolving threat landscapes.
- **Preparing a comprehensive self-assessment:** Producing a detailed self-assessment document for review and approval by the Board. This document outlines the activities undertaken, the insights gained, and the Bank's current level of alignment with regulatory expectations, ensuring transparent governance and clear oversight.

The ongoing management of Operational Resilience is jointly overseen by the Head of Operations and the Head of Information Technology. Their remit includes the day-to-day coordination, monitoring and enhancement of the Bank's resilience capabilities. Ultimate accountability for the Bank's operational resilience posture, however, rests with the senior management team and the Board of Directors, who provide strategic direction, ensure appropriate governance structures are in place and receive regular reporting on resilience performance and key risks.

The Bank has assessed four key areas of its business services to determine its Important Business Services:

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

In line with its size, business model, and market presence, the Bank has identified several of its business services as critical in assessing the potential impact of operational disruption on customers and on the Bank's safety and soundness. Impact Tolerance Levels (ITOLs) for these services have been established in accordance with industry expectations. Both the Important Business Services (IBS) and their associated ITOLs are re-evaluated regularly following any material change, and, in any case, reviewed at least annually.

Having implemented the Operational Resilience Framework ahead of the March 2025 regulatory deadline, the Bank continues to proactively monitor, assess and test a range of disruption scenarios to enhance resilience across all Important Business Services. Particular focus is placed on cybersecurity readiness and the resilience of critical third-party service providers, recognising that their response and recovery capabilities are integral to the Bank's own operational continuity and communication strategy. Insights gained from these reviews and test exercises are carefully evaluated, with enhancements, process refinements and targeted investments made where required to strengthen resilience further. This cycle of assessment, learning and improvement remains ongoing, ensuring the Bank maintains a strong and adaptive operational resilience posture.

The Bank maintains a strong focus on managing its third-party and outsourcing arrangements in accordance with the Prudential Regulation Authority's Supervisory Statement SS2/21, which outlines expectations for effective governance, oversight and risk management throughout the entire lifecycle of third-party and outsourced services. Consistent with these regulatory requirements, the Bank undertakes review and ongoing monitoring of arrangements classified as critical or material, recognising that any disruption involving a key external provider could significantly affect operational continuity and the Bank's ability to deliver and continue services under disruption for its Important Business Services. To mitigate these risks, the Bank ensures that contractual, operational and resilience standards covering areas such as business continuity, incident management, data protection and recovery capabilities are clearly defined, regularly assessed and rigorously tested. This disciplined and structured oversight forms an integral pillar of the Bank's wider resilience strategy, helping to ensure that external dependencies are effectively controlled and remain fully aligned with regulatory expectations.

The Bank's work to strengthen operational resilience, including enhancements in areas such as end-to-end mapping and scenario testing, forms a central component of its formal self-assessment. This assessment provides a detailed reflection of the Bank's methodology, progress and alignment with regulatory expectations. The documented framework is subject to independent review and validation by the internal audit function on an annual basis, and additionally whenever material changes arise, such as updates to the list of Important Business Services or revisions to impact tolerances. Both the self-assessment and associated assurance activities are refreshed at least annually to ensure continued alignment with the Bank's operational resilience objectives and evolving risk landscape.

The Bank has also implemented robust contingency arrangements to safeguard continuity of service should primary systems become unavailable. These measures include resilient backup capabilities and failover mechanisms designed to ensure uninterrupted delivery of essential customer services. As part of the regular testing cycle, these contingencies are periodically exercised to validate their performance and to pinpoint opportunities for improvement. This proactive and iterative approach strengthens the Bank's overall resilience posture and helps ensure the dependable delivery of services during unexpected or severe disruptions.

Senior management, the CEO and the Board of Directors maintain an active and strategic role in overseeing the Bank's operational resilience framework. Their engagement is supported by clear communication of objectives, expectations and governance requirements to ensure full alignment with the Bank's operational resilience policy. This oversight is reinforced through:

- Ensuring timely and relevant management information is available to support decision-making and to assess operational resilience implications.
- Promoting a strong culture of risk awareness, accountability and ethical conduct across the organisation, directly influencing the Bank's resilience maturity.
- Maintaining the necessary knowledge, expertise and experience to provide constructive challenge, exercise sound judgement and fulfil their governance responsibilities.

The Board receives regular reporting on progress, emerging issues, areas requiring enhancement, planned investments and the overall operational resilience posture of the Bank. This oversight ensures that the Bank remains aligned with regulatory expectations while continuously adapting to its evolving operating environment and risk profile.

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, private medical insurance, 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, private medical insurance 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.

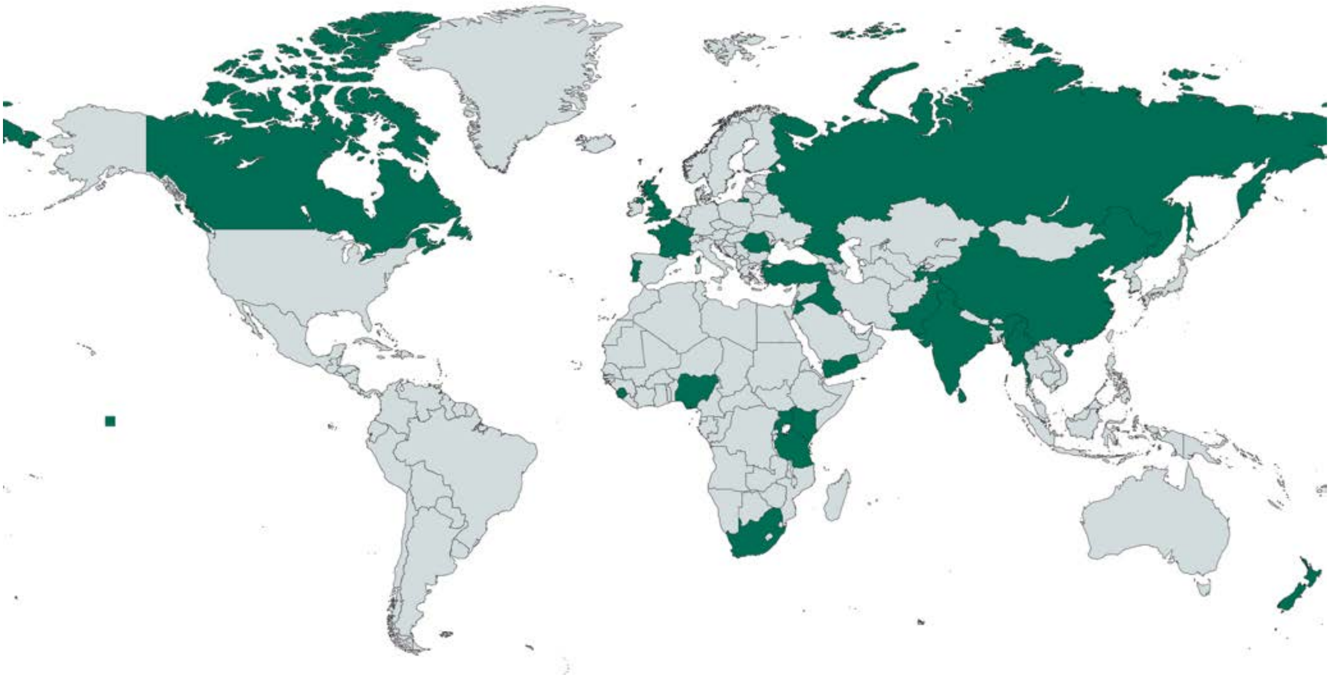
Employee Feedback and Development

We are committed to actively listening to our employees and continuously investing in their growth. Feedback is gathered through multiple channels—such as focus groups, Town Hall meetings, and Learning and Development (L&D) sessions, which also provide diverse learning opportunities to strengthen skills and expand knowledge.

Our training is delivered through a mix of reputable external providers and a range of internal learning resources, ensuring employees have access to high-quality, relevant development programmes. This ongoing engagement helps us understand evolving workforce needs, make informed decisions, and cultivate a supportive and positive working environment.

These initiatives and structures have contributed to maintaining a strong employee retention rate of 90%.

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



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 41.

Environmental Metrics

As part of the Bank's continued commitment to climate awareness, HBZ monitors its energy consumption and carbon emissions. Through this process, the Bank seeks to better understand its environmental impact and progressively reduce its carbon footprint.

The Bank's disclosures of emission sources, outlined below, are prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and are based on data obtained from energy supplier invoices. Greenhouse gas emissions are aggregated into a single total and reported in carbon dioxide equivalents (CO_2e), alongside associated costs and total energy consumption.

Scope 1 and Scope 2 emissions relate to those generated from the operational activities of the Bank's branches and headquarters. Scope 3 emissions, meanwhile, encompass emissions arising from business travel, including journeys by car, air travel, and public transportation, based on information derived from employee 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	292.69	340.71	5,760.00	Megajoules
Scope 2	Buy	Electricity consumed in premises Purchased heating/cooling		161,212.99	137,567.99	1,527,280.92	Megajoules
Total Scope 1 & 2				**161,505.68**	**137,908.70**	**1,533,040.92**	
Scope 3	Business Travel	Business travel (air)		3,973.60	5,434.00	62,042.00	Km
	Water	Water consumed in premises	N/A		7,465	1,616	m^3

During 2025, the Bank advanced its five-year strategic plan focused on improving energy efficiency and reducing carbon emissions as part of its commitment to Environmental, Social, and Governance (ESG) initiatives and the prevention of environmental degradation.

These efforts resulted in a measurable reduction in gas and electricity consumption across the Bank's business premises. The Bank also plans to transition its only gas-consuming branch in Leicester to electricity, which is expected to reduce Scope 1 CO_2 emissions to zero by 2026.

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	2025	2024
Total Emission (Kg CO2) during the year	165,480	177,538
Average number of employees during the year	161	162
Emission per Employee during the year	1,028	1,096

Future Outlook

The Bank delivered its strongest balance sheet in 2025, supported by diversified growth across all core business lines and continued expansion through channels such as Sirat, Intermediary Networks, Internet Deposits, and Trade Finance. This momentum is expected to carry into 2026.

However, the business landscape has become more volatile due to escalating Middle East tensions, which have disrupted the Strait of Hormuz, triggered a surge in oil and gas prices, and heightened global market uncertainty. These developments are reshaping inflation expectations and influencing central bank rate trajectories, including in the UK, where rising energy costs have reduced the likelihood of near-term rate cuts.

The Bank is positioning itself to maintain robust financial performance. Net Interest Income is projected to rise on the back of higher volumes, even as margins come under pressure amid expected interest-rate reductions later in the year. Prudent treasury deployment will remain critical as geopolitical-driven volatility affects yields and risk premiums.

Managing the cost of funds will be a key priority, balancing fair depositor returns with timely repricing as markets adjust to shifting inflation and energy-price dynamics.

Finally, the Bank will continue strengthening its customer value proposition through personalised and bespoke solutions for individuals and SMEs. Combined with ongoing digital and data analytics initiatives, this approach enhances resilience and supports stable, sustainable growth, even as global trade and supply chains experience renewed pressures from Middle East conflict related disruptions.

Approved by the Board and signed on its behalf by:

Kamran Qazi
Chief Financial Officer

16th April 2026

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 2025. 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 2025, the Bank posted a profit after taxation of £10.0 million (2024: £11.1 million), while pre-tax profit reached £13.4 million (2024: £15.0 million). Despite a challenging year which was marked with economic uncertainty and a changing geopolitical situation, the Board remains satisfied with the Bank's strong operating performance.

Total assets grew from £1.28 billion in 2024 to £1.48 billion in 2025, while customer deposits surpassed the £1.14 billion mark. Lending to customers continued to underpin the Bank's performance and strategic direction. The customer loan portfolio grew by 17% year-on-year to £802.4 million, driven by sustained demand in core segments. This expansion highlights the strength of the Bank's lending franchise, supported by disciplined credit origination and robust underwriting standards.

Net interest income was largely unchanged, easing by just 1% to £37.7 million. Although the lending book grew strongly and reflected solid origination activity, tighter margins, driven by higher funding costs and increased pricing competition, diluted the benefit. Even so, the Bank preserved stable earnings in a more challenging operating environment.

Share Capital and Dividend

The share capital of the Bank remained unchanged at £80 million, consisting of 80 million ordinary shares with a nominal value of £1 each.

The Directors recommend a final dividend of £0.0413 (2024: £0.0693) per ordinary share to be paid in respect of the year.

Directors' Remuneration

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

Future Outlook

The future outlook of the Bank is set out on page 34 of these financial statements.

Board of Directors

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 Masarrat Husain**	Independent NED
Mr Stephen Bryans	Senior Independent NED
Ms Sheryl Lawrence	Independent NED
Mr Anjum Iqbal	Non-Executive Director
Mr Rajat Garg*	Non-Executive Director
Mr Ertugrul Tuefekci*	Non-Executive Director
Mr Satyajeet Roy	CEO / Executive Director
Mr Kamran Qazi	CFO / Executive Director

* Mr Rajat Garg left the Board on 31st December 2025 and was replaced Mr Ertugrul Tuefekci effective 2nd January 2026.

** Mr. Masarrat Husain joined the Bank on 15 April 2025, replacing Mr. Carey Leonard, who resigned at the same time.

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 each 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 2025 financial statements.

The auditors, Forvis Mazars LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed has proposed and will be approved at the Annual General Meeting held on 16th April 2026, in accordance with section 487 of the Companies Act 2006.

Senior Management and Certification Regime

The Bank has implemented documented processes to monitor and govern the Senior Manager and Certification Regime, including the certified population. The Board provides oversight, responsibilities are kept up to date, and relevant staff, particularly those holding Senior Management Function roles, receive appropriate training. Fitness and propriety assessments are also carried out in line with regulatory requirements.

Going Concern

The Bank operates a business model focused on core lending and deposit products for a loyal customer base, delivered through branches and relationship managers who provide direct access to decision-makers. Its strong understanding of SMEs and business owners supports long-standing client relationships and a solid market position.

The financial statements have been prepared on a going concern basis. The Bank functions largely independently of its parent, Habib Bank AG Zurich, and plans to grow its lending portfolio while maintaining credit quality and stable interest income, complemented by fee and commission revenue.

A comprehensive governance structure, comprising the Board, Board Committees and Management Committees, oversees key risks including credit, liquidity, compliance, anti-money laundering and operational risk. The Bank maintains capital above regulatory requirements and holds sufficient liquidity to withstand a 90-day stress scenario.

The Directors' going concern assessment took account of increased regional risk stemming from the Middle East situation, including shipping routes uncertainty and energy price volatility. The Bank sustained robust monitoring of staff welfare, operational resilience, liquidity, asset quality and client activity. The Bank reported no material changes to its liquidity profile or operational continuity, with continuous oversight of liquidity, credit and investment exposures. Group operations across the UAE and other markets remained uninterrupted and the Group's liquidity position was assessed as adequate and resilient.

The Bank reported a post-tax profit of £10.02 million and expects steady profitability going forward. Five-year projections, based on prudent assumptions, indicate sustainable growth. After reviewing capital and liquidity plans, including stress testing and strategic forecasts, the Directors are satisfied that the Bank can meet its obligations for at least the next 12 months from the date of this report and therefore continue to adopt the going concern basis in preparing the financial statements.

Post-balance Sheet Events

The Directors recommend a final dividend of £0.0413 (2024: £0.0693) per ordinary share to be paid in respect of the year in their meeting held on 16th April 2026.

The Directors confirm that, apart from the above, there was no material events or development since the reporting date.

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 2025.

Approved by the Board and signed on its behalf by

Satyajeet Roy
Chief Executive Officer

16th April 2026

Gunfleet Sands offshore wind farm, Walton-on-the-Naze, Essex.
Clearly visible from the coast at Walton, Frinton and Clacton.

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.

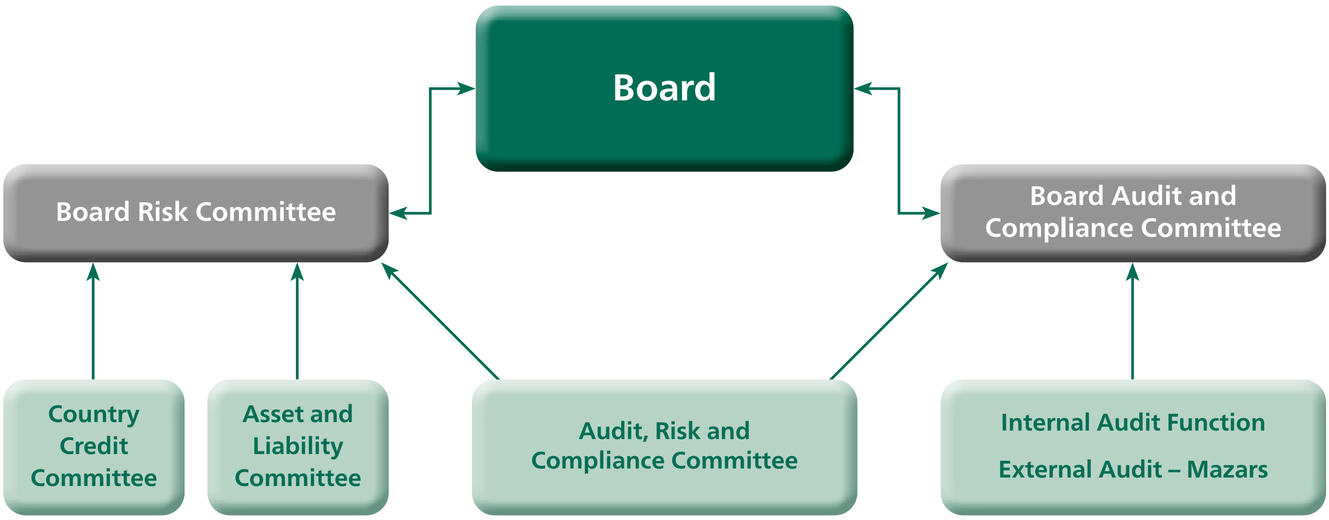
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable it to ensure that its financial statements comply with the Companies Act 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.

Corporate Governance

THE BOARD OF DIRECTORS

The Board has approved and adopted updated version of the Bank's Corporate Governance Code, incorporating the key principles set out in the UK Corporate Governance Code 2024 ("UK Code 2024"), with modifications deemed appropriate in light of the Bank's size, complexity and organisational profile. Although the Bank is not subject to a mandatory requirement to comply with the UK Code 2024, it continues to apply its key principles and provisions as a matter of best practice and ensures that its governance framework is aligned with the updated expectations wherever appropriate.



Muhammad H. Habib

Chairman

Roles & Committees	Chairman & Non-Executive Director
Skills & Experience	Muhammad Habib is currently a member of the board of Directors of Habib Bank AG Zurich (Group) in Switzerland He served as a member of the General Management of the Habib Bank AG Zurich Group since 1992 . He was appointed as the President & Chief Executive Officer of Habib Bank AG Zurich Group, in 2011. His banking journey, spanning over 42 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.
Principal External Appointments	· Chairman, Habib Canadian Bank, Canada · Director, Habib Bank AG Zurich, Switzerland · Director, Habib Metropolitan Bank, Pakistan · Director HBZ Bank Ltd. South Africa · Vice Chairman, Gefan Finanz AG Zug, Switzerland · Director, Indus Motor Company, Pakistan · Director Habib Insurance Company, Pakistan · Chancellor, Habib University, Pakistan · Member Board of Trustees, Habib Public School, Karachi (Pakistan) · Member Global Advisory Board, Babson College, USA

Masarrat Husain

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	Masarrat has over 40 years of banking experience in seven countries and three continents working with the financial institutions like Citibank, Samba Financial Group and Abu Dhabi Islamic Bank. His experience covers analysing and approving risks of financing in various marketplaces, products, and of clients in Private, Commercial, Wholesale, Retail, Islamic banking and Investment banking sectors as well as managing Remedial portfolios.
Principal External Appointments	· Trustee, The Hunar Foundation UK
Former Appointments	· Regional Risk Head, Citibank Levant & Gulf Region · Deputy CRO, Samba Financial Group, Saudi Arabia · Group Head of Risk, Abu Dhabi Islamic Bank, Abu Dhabi · CEO and Executive Director, ADIB (UK) Limited, London · INED and Chair of Board Risk & Compliance Committee, United National Bank, London

Stephen Bryans

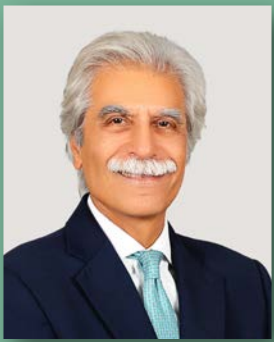
Senior Independent
Non-Executive Director

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 35 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. He 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 Board Chair, 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 part 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
- Chairman of the Board of Habib Bank AG Zurich, Kenya
- Non-Executive Director and member of Board Audit Committee, Board Risk Committee, HBZ Bank Ltd (South Africa)

Former Appointments

Habib Bank AG Zurich Group
- Member of General Management and Regional CEO (Developing markets), Habib Bank AG Zurich (Switzerland)
- 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

Ertugrul Tuefekci

Non-Executive Director

Roles & Committees
- Member of the Board Risk Committee
- Member of the Board Audit & Compliance Committee

Skills and Experience

Ertugrul Tuefekci is a member of the General Management of Habib Bank AG Zurich since February 2025 and has served as Head of Shared Services since May 2025. He oversees Group Legal & Compliance, Group Financial Control, and Group Governance & Communication. He has more than 20 years of experience in risk-based planning, regulatory advisory, and financial auditing.

Prior to joining the bank, he was a Partner at KPMG AG in the Financial Services division. There, he led Cross-Border Banking Services and acted as a senior banking auditor and regulatory compliance advisor. He was accredited by the FAOA and recognised by FINMA as a bank and fintech audit expert.

Earlier, he served as Chief Financial Officer of Swiss pb AG and held key roles at PwC in Audit and Business Advisory Services. He holds an MBA from the University of Zurich and is a Swiss Certified Public Accountant.

Principal External
- Chairman HBZ Services AG Zug, Switzerland
- Chairman HBZ Services FZ LLC, Dubai DOZ

Former Appointments
- KPMG AG, Switzerland: Partner
- Swiss pb Zurich, Switzerland: Chief Financial Officer
- PwC, Switzerland: Audit Manager

Satyajeet Roy

Chief Executive Officer

Roles & Committees
- Executive Director
- Chief Executive Officer

Skills and Experience

Satya is a seasoned banker with over 31 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 is 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)
- EMEA Audit and Risk Review, Lead Auditor, UK
- Various previous appointments in UK and India

Kamran Qazi

Chief Financial Officer

Roles & Committees
- Executive Director
- Chief Financial Officer

Skills and Experience

More than 27 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
Syed Mohammed Jafri	Head of Products & Analytics
Walid Malik	Head of Operations
Waqar Haider	Chief Risk Officer

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 strategy.
4. Reviewing the performance of the executive team.
5. Review and approve the risk appetite statements of the Bank.
6. Establish and maintain a framework for the overall sound and proper internal control and risk management processes.
7. 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.
8. 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.
9. Consider and make recommendations to the Board regarding the remuneration including increment and bonus of employees with SMF responsibilities with the exception of Directors.
10. Receive reports from the two committees of the Board i.e. Board Risk Committee and Board Audit and Compliance Committee.

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 resources 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 allow all directors to actively and effectively participate in the meetings.

The Board considers Masarrat Husain, 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 functions.

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 based 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 strategy and risk management, business development, credit, AML and compliance, operations, treasury and finance, information technology and cybersecurity. There is also regular interaction between executive management and the Board members, which allows the new directors to gain further knowledge and insight about the Bank's business.

All directors are required to complete appropriate training and learning, which cover areas such as AML, information security, fraud prevention, anti-bribery and corruption, whistleblowing, complaints handling and data protection. 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 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.

Board performance

Each Board member undergoes a periodic performance review process by completing a self-assessment questionnaire, which is discussed with the Chairman of the Board. The assessment aims to assess the performance review 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 Members

Membership	Masarrat Husain	Chairman
	Stephen Bryans	Member
	Sheryl Lawrence	Member
	Anjum Iqbal	Member
	Ertugrul Tuefekci	Member

Board Audit and Compliance Committee Members

Membership	Stephen Bryans	Chairman
	Masarrat Husain	Member
	Sheryl Lawrence	Member
	Anjum Iqbal	Member
	Ertugrul Tuefekci	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 the independence of the 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 reports 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 the 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 to fulfil 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. Five Board meetings were held during 2025. 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 prepares 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 2025, 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, have delegated certain responsibilities to the following standing subcommittees:

- 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 receives 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 pre-defined 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 the 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 2025 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, excluding the liquidity ratios and reserves disclosed within Note 31.21, and Note 31.24 which are marked as unaudited.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2025 and of its profit for the year then ended; 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 ('FRC') Ethical Standard as applied to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- 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 financial 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 of the model used to prepare the directors' forecasts;

- Evaluating management's sensitivity analysis and 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 incorporated by the management in their going concern assessment in response to the current macroeconomic and geopolitical environment;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Inspecting regulatory correspondence with the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') and holding bilateral discussions with the PRA;
- Inspecting Board of Directors' meeting minutes to identify events or conditions that may impact the Bank's ability to continue as a going concern;
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion; 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 matters 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.

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

Key Audit Matter	How our scope addressed this matter
Provision for impairment of loans and advances to customers at amortised cost *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.* The Bank recognises a provision for impairment of loans and advances to customers measured at amortised cost, amounting to £1,922,000 (2024: £2,892,000). 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 expected credit loss ('ECL') on financial instruments which involves significant judgement and estimates. The most significant areas where we identified greater levels of management judgement and estimation are: • 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; • The use of macro-economic variables ('MEVs') reflecting a range of future scenarios; • Completeness and valuation of post model adjustments ('PMAs'); and • Application of Significant increase in credit risk ('SICR') criteria. The effect of these matters is that, as part of our risk assessment, we determined that the provision for impairment on loans and advances to customers 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. There is a significant risk of material misstatement due to error related to accuracy and completeness of the provision for impairment of loans and advances to customers. Consistent to prior year, our key audit matter remains limited to the provision for impairment of loans and advances to customers.	Our audit procedures included, but were not limited to: • Obtaining an understanding of the ECL process and assessing the design and implementation, and testing the operating effectiveness of key controls related to this process; • **Assessing the appropriateness of the Bank's methodology against the requirements of IFRS 9, including review of results of the model monitoring for conceptual soundness, with assistance from our credit modelling specialists;** • Assessing the appropriateness of the MEVs including scenarios weighting applied in the estimating of ECL, with assistance from our economist expert; • Testing the completeness and accuracy of the key data elements used in the calculation of the ECL on a sample basis; • 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 property valuation experts, on a risk-based sampling approach; • Challenging the appropriateness of the PD and LGD assumptions with assistance from credit modelling specialists and our economist expert, and partially rebuilding an independent ECL model; • Critically challenging the appropriateness and reasonableness of the judgement applied in estimating the PMAs, including accuracy and completeness of the data used; • Challenging the completeness of PMAs applied by performing a retrospective review and analysis of Stage 3 loans, including performing credit file reviews to assess expected recoveries, collateral values, and the timing of cash flows, and to corroborate the basis for PMAs applied, while also considering the implications of the broader economic and geopolitical environment; • Assessing the quantitative and qualitative thresholds applied in the SICR and independently recalculating the SICR to verify that loans were appropriately staged; and • 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. **Our observations** Based on the audit procedures performed, we found that the ECL as at 31 December 2025 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	£670,000 (2024: £749,000)
How we determined it	5% of profit before tax (2024: 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 £469,000 (2024: £524,000), which represents 70% (2024: 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 £20,000 (2024: £22,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other Information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on Which we are Required to Report by Exception

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

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

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and of the 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 the PRA and FCA, **and holding bilateral discussions with the PRA**;
- Inspecting minutes of directors' meetings in the year and up to the date **of approval of the financial statements**;
- Attending Board Audit and Compliance Committee meetings held during the year and up until the date of approval of the financial statements and inspecting minutes of those meetings; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance throughout our audit.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK 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, revenue recognition (which we pinpointed to the accuracy and completeness), and significant one-off transactions.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Inspecting the correspondence with the PRA and FCA, and holding bilateral discussions with the PRA;
- Inspecting minutes of the 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 Financial Reporting Council's website at *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other Matters Which we are Required to Address

Following the recommendation of the 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 six years, covering the years ending 31 December 2020 to 31 December 2025.

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

Our audit opinion is consistent with our additional report to the Board Audit 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 Forvis Mazars LLP
Chartered Accountants and Statutory Auditor, 30 Old Bailey, London, EC4M 7AU

16th April 2026

Income Statement

For the Year Ended 31 December 2025

	Notes	2025 (£ 000')	2024 (£ 000')
Interest income	6	77,936	80,264
Interest expense	6	(40,202)	(42,267)
Net interest income		**37,734**	**37,997**
Fee and commission income	7	2,143	2,082
Fee and commission expense	7	(343)	(367)
Net fee and commission income		**1,800**	**1,715**
Net foreign exchange income		319	551
Fair value gain on derivative financial instruments		538	40
Gain on sale of financial investments		508	-
Other costs	8	(27)	(9)
Net other income		**1,338**	**582**
Staff costs	9	(16,456)	(15,738)
Depreciation	19 & 19.1	(1,475)	(1,341)
Administrative and general expenses	10	(10,488)	(9,423)
Operating expenses		**(28,419)**	**(26,502)**
Operating profit before credit impairment losses		**12,453**	**13,792**
Credit impairment reversals	11 & 31	937	1,183
Profit before tax		**13,390**	**14,975**
Tax charge	12	(3,367)	(3,888)
Profit after tax		**10,023**	**11,087**

Profit for the year arises from continuing operations.

The accompanying notes on pages 67 to 127 form an integral part of the financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 16 April 2026.

Statement of Comprehensive Income

For the Year Ended 31 December 2025

	Notes	2025 (£ 000’)	2024 (£ 000’)
Profit after tax		**10,023**	**11,087**
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	283	90
• Deferred tax	27	(71)	(18)
Other comprehensive income for the year net of tax		**212**	**72**
Total comprehensive income for the year		**10,235**	**11,159**
Total comprehensive income for the year attributable to equity holders		**10,235**	**11,159**

Profit for the year arises from continuing operations.

The accompanying notes on pages 67 to 127 form an integral part of the financial statements.

No.1 Spinningfields building, Manchester.
This commercial office tower is made of sustainable construction and in the top ten green buildings of the UK.

Statement of Financial Position

For the Year Ended 31 December 2025

	Notes	2025 (£ 000')	2024 (£ 000')
Assets			
Cash and cash equivalents	14	291,217	232,380
Due from banks	15	153,760	122,152
Loans and advances to customers at amortised cost	16	800,598	682,470
Financial investments – Amortised cost	17	163,281	192,040
Financial investments – FVOCI	17	55,222	35,761
Derivative assets held for risk management	18	742	226
Property and equipment	19	10,805	11,664
Right-of-use lease assets	19.1	2,455	2,758
Intangible assets under development	19.2	808	-
Other assets	20	2,061	2,294
Advance tax	24	471	-
Deferred tax assets	13	1,849	2,653
Total assets		**1,483,269**	**1,284,398**
Liabilities and Equity			
Liabilities			
Due to banks at amortised cost	21	186,139	108,224
Due to customers at amortised cost	22	1,142,802	1,023,002
Derivative liabilities held for risk management	18	164	187
Accruals, deferred income and other liabilities	23	6,750	8,815
Lease liability	23	2,562	2,833
Current tax liabilities	24	-	1,145
Subordinated liabilities	25	20,265	20,296
Total liabilities		**1,358,682**	**1,164,502**
Equity			
Called up share capital	26	80,000	80,000
Retained earnings		44,501	40,022
Fair value through other comprehensive income reserve	27	86	(126)
Total equity		**124,587**	**119,896**
Total liabilities and equity		**1,483,269**	**1,284,398**

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 67 to 127 form an integral part of the financial statements.
These financial statements were approved by the Board of Directors and authorised for issue on 16 April 2026.

Statement of Changes in Equity

For the Year Ended 31 December 2025

	Called up share capital (£ 000')	Fair value reserve (£ 000')	Retained earnings (£ 000')	Total (£ 000')
Balance as at 1 January 2025	**80,000**	**(126)**	**40,022**	**119,896**
Transactions with owners in their capacity as owners				
Dividend declared & paid during the year	-	-	(5,544)	(5,544)
Profit after tax	-	-	10,023	10,023
Fair value through other comprehensive income (net gains during the year)	-	283	-	283
Deferred tax	-	(71)	-	(71)
	-	**212**	**-**	**212**
Balance as at 31 December 2025	**80,000**	**86**	**44,501**	**124,587**

	Called up 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 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 losses during the year)		90		90
Deferred tax	-	(18)	-	(18)
	-	**72**	-	**72**
Balance as at 31 December 2024	**80,000**	**(126)**	**40,022**	**119,896**

The accompanying notes on pages 67 to 127 form an integral part of the financial statements.

Cash Flow Statement

For the Year Ended 31 December 2025

	Notes	2025 (£ 000')	2024 (£ 000')
Cash flows from operating activities			
Profit before tax		13,390	14,975
Adjusted for:			
Credit impairment reversals	11	(937)	(1,183)
Gain on sale of financial assets at fair value through other comprehensive income		(508)	
Depreciation	19	1,475	1,341
		13,420	**15,133**
Net (increase) / decrease in operating assets			
Loans and advances to banks at amortised cost*		(31,608)	(9,363)
Loans and advances to customers at amortised cost		(117,191)	(49,138)
Derivative financial instruments for risk management		(516)	(125)
Other assets		1,037	(1,011)
		(148,278)	**(59,637)**
Net increase / (decrease) in operating liabilities			
Due to banks at amortised cost		77,915	(15,357)
Due to customers at amortised cost		119,800	137,112
Derivative financial instruments for risk management		(23)	145
Accruals, deferred income and other liabilities		(2,295)	3,204
Tax paid		(4,395)	(3,029)
		191,002	**122,075**
Net cash flow from operating activities		**56,144**	**77,571**
Cash flows from investing activities			
Purchase of property and equipment	19 & 19.1	(313)	(193)
Intangible assets under development	19.2	(808)	-
Purchase of financial investments		(101,174)	(133,828)
Proceeds on sale of financial investments		111,192	69,499
Net cash inflow / (outflow) from investing activities		**8,897**	**(64,522)**
Cash flows from financing activities			
Capital issuance		-	10,000
Dividend Paid		(5,543)	(4,142)
Leases paid		(630)	(461)
Interest charges in subordinated liabilities		(31)	(1,408)
Net cash outflow from financing activities		**(6,204)**	**3,989**
Net increase in cash and cash equivalents		**58,837**	**17,038**
Cash and cash equivalents at the beginning of the year		232,380	215,342
Cash and cash equivalents at the end of the year		**291,217**	**232,380**

The accompanying notes on pages 67 to 127 form an integral part of the financial statements. .

Notes to the Financial Statements

For the Year Ended 31 December 2025

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 Fair value through other comprehensive income	Fair value
Derivative financial instruments at Fair value through profit or loss	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 date of these financial statements. 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 requirements to support the business growth in making such assessment. The Board concluded that both capital and liquidity remained within present regulatory requirements on going concern.

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

The Directors' going concern assessment took account of increased regional risk stemming from the Middle East situation, including shipping routes uncertainty and energy-price volatility. The Bank sustained robust monitoring of staff welfare, operational resilience, liquidity, asset quality and client activity. HBZ UK reported no material changes to its liquidity profile or operational continuity, with continuous oversight of liquidity, credit and investment exposures. Group operations across the UAE and other markets remained uninterrupted, and the Group's liquidity position was assessed as adequate and resilient.

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 are 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, where relevant.

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 1 January 2025. No impact.

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.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The quantitative impact of IFRS 9 and IFRS 7 amendments will be assessed in 2026.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Bank is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

Other Forthcoming Requirements

- IFRS 19 Subsidiaries without Public Accountability: Disclosures
  (Effective from 1 January 2027) – No impact

- Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21
  (Effective from 1 January 2027) – No material impact

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  – Amendments to IFRS 10 and IAS 28
  (Effective date to be determined)

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 are applicable to companies reporting under International Financial Reporting Standards (IFRS) and the Companies Act 2006, as set out in the relevant notes, based on the historical cost convention modified to include the fair valuation of financial instruments to the extent required or permitted.

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 presents the estimated ECL impact on key portfolios under both a positive growth (upside scenario) and a downturn (downward scenario) for the macroeconomic variables applied by the Bank in its expected credit loss (ECL) modelling.

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

Impact on ECL	2025	2024
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 are 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 provides 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 2025 is included in the following notes.

The impairment of financial instruments, as disclosed in Note 5.5.3 on page 72, outlines the key inputs used in the ECL measurement model, including the incorporation of forward-looking information.

These estimates and assumptions are explained in 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 is 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 fees represent fees 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 the contractual schedule of fees 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.
- The Bank provides locker services to customers, the fee for which is charged upfront on an annual basis and amortised monthly.
- Other fees are 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 'hold 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 deposit 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 the 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 an ongoing basis or for a limited time. In these particular arrangements, the Bank sells 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 commissions 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 derecognises 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 are modified, then the Bank evaluates whether the cash flows of the modified asset 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 costs. 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 a 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 terms. 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 loan
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 effective interest rate, 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
ECLs 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 the present value of cash shortfalls over the life of the financial instrument and is computed as the 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 the 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 Expected Credit Loss (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. For financial institutions, the Bank uses the 'general government debt-to-GDP ratio' as the relevant macroeconomic indicator. 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 require significant judgement and are subject to appropriate internal governance and scrutiny. The 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 by 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. The 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 its 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 written back to the Income Statement.

Recoveries of amounts 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, readily available balances held with the central bank and bank placements maturing within 90 days from the date of placement, including demand balances.

5.5.7 Property and equipment (Tangible and Intangible)

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 an item of property and equipment may be impaired (i.e., its carrying amount may be higher than its recoverable amount). If there is an indication that 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.

Software is capitalised when it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. Costs directly attributable to the acquisition, development, or implementation of software (including external purchase costs, development time, and directly related overheads) are capitalised.

Expenditure incurred during the research or preliminary project phase, as well as maintenance, training, and support costs, are expensed as incurred.

Capitalised software is amortised on a straight-line basis over their estimated useful economic lives, typically ranging from 3 to 5 years, and are reviewed annually for indicators of impairment.

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. A 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.

Pillar Two Income Taxes

The Bank, as a subsidiary of the Group, falls within the scope of the OECD Pillar Two rules, which establish a global minimum effective tax rate of 15% on a jurisdictional basis.

For the year ended 31 December 2025, the Bank's effective tax rate in its jurisdiction exceeds the 15% minimum. In addition, the Bank qualifies for the safe harbour provisions under the Pillar Two rules. As a result, no additional top-up tax is required, and no provision for Pillar Two top-up taxes has been recognised in these financial statements.

The Bank will continue to monitor the application of Pillar Two rules and assess any potential impact in future periods.

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 operates as a single operating and reportable segment, being commercial banking activities within the United Kingdom. All other services are ancillary to commercial banking activities.

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 stand-alone 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 the rate 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 the Bank operates.

The incremental borrowing rate is the discount rate that the 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 leases 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

	2025 (£ 000')	2024 (£ 000')
Interest income		
Funds held with central bank	4,515	6,800
Due from banks	5,834	9,922
Loans and advances to customers	56,108	54,168
Financial investments – FVOCI	2,884	1,342
Financial investments – Amortised cost	8,595	8,032
	11,479	9,374
Total interest income	**77,936**	**80,264**
Interest expense		
Due to banks	(3,869)	(6,787)
Due to customers	(35,046)	(34,028)
Subordinated liabilities	(1,207)	(1,363)
Finance cost on lease liability	(80)	(89)
Total interest expense	**(40,202)**	**(42,267)**
Net Interest Income	**37,734**	**37,997**

- Interest income against loans and advances to customers included a total of £182k (2024: £82k) 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 (2024: £1.55m) represents integral fees spread on an EIR basis.
- Interest income against loans and advances to customers includes £42k (2024: £181k) represents recovery of interest from fully impaired stage 3 loans.

Bedzed – the UK's largest eco village, Beddington, London.

7. Net Fee and Commission Income

	2025 (£ 000')	2024 (£ 000')
Fee and commission income		
Loan termination fee	226	127
Customer transaction fees	206	252
Trade Finance	1,057	1,054
Other fees and commission on banking and credit products	654	649
Total fee and commission income	**2,143**	**2,082**
Fee and commission expense		
Bank charges	(293)	(287)
Commission on internet deposits	-	(27)
Other fees and commission	(50)	(53)
Total fee and commission expense	**(343)**	**(367)**
Net fee and commission income	**1,800**	**1,715**

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 types of service.

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

	2025 (£ 000')	2024 (£ 000')
Contract Assets – Accrued income	12	29
Contract Liabilities – Deferred income	121	36

8. Other Costs – Net

	2025 (£ 000')	2024 (£ 000')
Other	(27)	(9)
Total other costs	**(27)**	**(9)**

9. Staff Costs, Including Directors' Emoluments

	2025 (£ 000')	2024 (£ 000')
Salaries and allowances	(12,894)	(12,660)
Social security costs	(2,529)	(2,101)
Pension costs – defined contribution plan	(1,033)	(977)
Total staff costs	**(16,456)**	**(15,738)**
Average number of employees (Nos)	161	162
Actual number of employees (Nos)	162	155
Directors' emoluments		
– Total emoluments of Directors – £ 000	1,263	1,118
– Total number of directors to whom retirement benefits are accruing – Nos	2	2
– Salary and benefits paid to the highest paid Director – £ 000	678	612

The emoluments of Directors disclosed above include salary and social security costs. The pension contribution (Defined Contribution Plan) included in Directors' emoluments is £61k (2024: £58k).

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

10. Other Operating Expenses

	2025 (£ 000')	2024 (£ 000')
Premises running costs	(2,901)	(2,730)
Legal and Professional charges	(1,169)	(935)
Auditor's remuneration	(381)	(373)
IT and communication costs	(537)	(531)
Branches operation charges	(570)	(577)
Group direct expenses	(4,616)	(3,692)
Travelling and conveyance	(108)	(83)
Marketing and advertisement	(28)	(377)
Miscellaneous	(178)	(125)
Total other operating expenses	**(10,488)**	**(9,423)**

10.1 Auditor's Remuneration

	2025 (£ 000')	2024 (£ 000')
Statutory audit fee	(375)	(363)
Client money and custody assets review	(6)	(10)
Total Auditor's remuneration	**(381)**	**(373)**

11. Credit Impairment (Charges) / Reversals

	2025 (£ 000')	2024 (£ 000')
Loans and advances		
Charged during the year	(405)	(229)
Reversal during the year	1,375	1,491
Net reversals	**970**	**1,262**
Financial investments		
Net charge	(41)	(34)
Due from banks		
Net reversals / (charge) charges	8	(45)
Impairment reversals on financial assets	**937**	**1,183**

12. Taxation

	Notes	2025 (£ 000')	2024 (£ 000')
Corporate tax:			
Current year		2,628	2,916
Prior year		6	(111)
		2,634	2,805
Deferred tax:			
Current year	13	733	1,083
		3,367	**3,888**

12.1 Tax Reconciliation

	2025 %	2025 (£ 000')	2024 %	2024 (£ 000')
Profit before tax		13,390		14,975
Expected tax charge	**(25%)**	**(3,347)**	**(25%)**	**(3,744)**
Permanent disallowable expenses		(15)		-
Timing differences on Plant & equipment and impact of IFRS 9 and IFRS 16		(143)		(139)
Prior year adjustment-plus buffer		(6)		111
Carried forward losses recognised		878		967
		(2,634)		(2,805)
Movement of Deferred Tax against tax losses and Temporary differences		(733)		(1,083)
Total tax charge	**(25%)**	**3,367**	**(26%)**	**3,888**

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

The Bank is part of a multinational enterprise group that is within the scope of the OECD Pillar Two global minimum tax rules. Pillar Two legislation has been enacted and is effective in certain jurisdictions in which the Group operates.

In May 2023, the IASB issued amendments to IAS 12 Income Taxes introducing a mandatory temporary exception from recognising and disclosing deferred tax assets and liabilities arising from Pillar Two income taxes. The Bank has applied this temporary exception and, accordingly, no deferred tax assets or liabilities have been recognised or disclosed in respect of Pillar Two income taxes.

For the year ended 31 December 2025, the Bank qualifies for the Transitional Country-by-Country Reporting Safe Harbour under the Pillar Two rules. As a result, the Bank is deemed to have no top-up tax liability for the year. Consequently, no current tax expense relating to Pillar Two income taxes has been recognised for the year ended 31 December 2025.

The application of the Transitional Safe Harbour is temporary and subject to meeting the relevant conditions in future reporting periods."

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 2025 was £13.7 million (2024: £17.2 million) on which the estimated amount of deferred tax not recognised amounted to Nil (2024: Nil). The Bank only accounts for deferred tax on the basis of future profits for a foreseeable period not exceeding four years. The Bank is of the view that the 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:

2025 £ 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 2025	4,307	(1,794)	16	71	11	42	2,653
Credited to income statement	(881)	168	10	(24)	(6)	-	(733)
Credited to OCI	-	-	-	-		(71)	(71)
Balance as at 31 December 2025	**3,426**	**(1,626)**	**26**	**47**	**5**	**(29)**	**1,849**

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**

14. Cash and Cash Equivalents

	2025 (£ 000')	2024 (£ 000')
Balance with banks including central bank*	290,602	231,714
Cash in hand	615	666
Total cash in hand and with bank including central bank	**291,217**	**232,380**

* This includes an amount of £40.6mn (2024: 47.4mn) money market placements with other banks and which are maturing within three months of its original maturity.

15. Due From Banks

	2025 (£ 000')	2024 (£ 000')
Money market placements	64,670	112,404
Bankers' acceptances	88,846	9,808
Cash in margin accounts	345	-
	153,861	**122,212**
Estimated credit loss (ECL – Stage 1)	(101)	(60)
Total due from banks	**153,760**	**122,152**

16. Loans and Advances to Customers at Amortised Cost

	Notes	2025 (£ 000')	2024 (£ 000')
Commercial loans		755,473	637,257
Overdraft		44,572	43,021
Discounted bills & trade finance loans		2,319	4,917
Other loans including staff loans		156	167
Gross loans and advances to customers		**802,520**	**685,362**
Less: Provision for impairment	16.1	(1,922)	(2,892)
Net loans and advances to customers		**800,598**	**682,470**

16.1 Provision For Impairment

	2025 (£ 000')	2024 (£ 000')
Balance at the beginning of the year	2,892	4,165
Impairment charged to profit and loss	405	229
Reversals during the period	(1,375)	(1,491)
Net impairment charged to profit and loss	(970)	(1,262)
Write off / Other	-	(11)
Total provision for impairment	**1,922**	**2,892**

17. Financial Investments

	Notes	2025 (£ 000')	2024 (£ 000')
Debt Securities			
Investment securities measured at amortised cost	17.1	163,281	192,040
Investment securities measured at FVOCI	17.2	55,222	35,761
Total financial investments		**218,503**	**227,801**
Investment securities measured at amortised cost			
General government		29,754	26,993
Multilateral development banks		21,250	43,989
Financial institutions		69,193	64,258
Corporates		43,084	56,800
		163,281	**192,040**
Investment securities measured at FVOCI			
General government		1,540	11,930
Multilateral development banks		24,916	15,893
Financial institutions		22,793	7,938
Corporates		5,973	-
		55,222	**35,761**
Total financial investments		**218,503**	**227,801**

17.1 As at 31 December 2025 financial investments of £51.8 million (2024: £53.5 million) were encumbered against borrowings of £46 million (2024: £50 million).

17.2 This includes investments in Sukuk of £60 million (2024: £46.3 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:

	2025 (£ 000')	2024 (£ 000')
Notional amount	90,871	50,136
Fair value asset	742	226
Fair value liability	164	187

19. Property and Equipment

2025 £ 000'	Land	Freehold and leasehold improvements	Computer and other equipment	Furniture, fixture and fittings	Motor vehicles	£ 000 Total
Cost						
As at 1 January 2025	1,050	17,259	3,168	2,579	34	24,090
Additions	-	22	87	59	-	168
Disposals	-	-	(432)	(1,096)	(17)	(1,545)
As at 31 December 2025	**1,050**	**17,281**	**2,823**	**1,542**	**17**	**22,713**
Accumulated Depreciation						
As at 1 January 2025	-	7,669	2,655	2,068	34	12,426
Depreciation		639	270	118	-	1,027
Disposals		-	(432)	(1,096)	(17)	(1,545)
As at 31 December 2025	**-**	**8,308**	**2,493**	**1,090**	**17**	**11,908**
Net book value as at 31 December 2025	**1,050**	**8,973**	**330**	**452**	**-**	**10,805**
Net book value as at 31 December 2024	**1,050**	**9,590**	**513**	**511**	**-**	**11,664**

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**

19.1 Right of Use Lease Assets

	2025 (£ 000')	2024 (£ 000')
Balance at 1 January 2025	2,758	2,751
Addition	145	-
Depreciation charge for the year	(448)	(413)
Reassessment impact *	-	420
Balance at 31 December 2025	**2,455**	**2,758**
Amount recognised in profit & loss		
Interest on lease liabilities	80	89
	80	**89**
Amount recognised in the statement of cash flows		
Total cash flows for leases	630	461
	630	**461**

* This represents the net impact of Nil (2024: £146K) between ROU and Lease Liabilities due to reassessment during the year.

19.2 Intangible Assets Under Development

As at 31 December 2025, the carrying amount of intangible assets under development relating to loan management software was £808k, of which £189k relates to internally generated assets arising from capitalised staff costs and Group IT costs. The assets remained under development at the reporting date and were not yet available for use; accordingly, no amortisation was charged during the period. The estimated useful lives will be determined upon completion of the development phase.

20. Other Assets

	2025 (£ 000')	2024 (£ 000')
Prepayments	375	409
Receivable from Parent bank	633	616
Value added tax refundable	442	600
Accrued Income	12	29
Other	599	640
Total other assets	**2,061**	**2,294**

21. Due to Banks at Amortised Cost

	Notes	2025 (£ 000')	2024 (£ 000')
Due to Parent bank (Habib Bank AG Zurich, Switzerland)	21.1	129,716	44,105
Due to associates (fellow subsidiaries)		10,114	5,864
Due to central bank (ILTR / TFSME)	21.2	1,004	50,611
Securities sold under repurchase agreement		45,028	-
Other deposits		127	7,644
Margin held		150	-
Total due to banks		**186,139**	**108,224**

21.1 This includes fiduciary deposits £130 million (2024: £44 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 became a 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. The Bank repaid the whole amount during 2025.

The 2025 outstanding balance represents funding obtained from the Central Bank under the Indexed Long-Term Repo (ILTR) facility.

22. Due to Customers at Amortised Cost

	Notes	2025 (£ 000')	2024 (£ 000')
Time deposits	22.1	754,154	682,640
Current and demand accounts		337,596	276,607
Call deposits	22.1	51,052	63,755
Total due to customers		**1,142,802**	**1,023,002**

22.1 Time Deposits

	2025 (£ 000’)	2024 (£ 000’)
Term deposits – conventional	339,209	329,470
Term deposits – Islamic (Wakala)	159,948	125,938
Term deposits	**499,157**	**455,408**
Internet deposits – conventional	228,799	200,880
Internet deposits – Islamic	26,198	26,352
Internet deposits	**254,997**	**227,232**
Term deposits – Total	**754,154**	**682,640**
Notice accounts	51,052	63,755
Total time deposits including notice accounts	**805,206**	**746,395**

23. Accrual, Deferred Income and Other Liabilities

	Notes	2025 (£ 000’)	2024 (£ 000’)
Bills payable		1,205	1,168
Staff costs payable		1,236	1,946
Accrued expenses		2,304	1,395
Other liability		2,005	4,307
Total accrual, deferred income and other liabilities		**6,750**	**8,816**
Lease Liability	23.1	2,562	2,833
Total accrual, deferred income and other liabilities with lease		**9,312**	**11,649**

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 the lessee is presented in 19.1.

24. Taxation

	2025 (£ 000’)	2024 (£ 000’)
Advance corporation tax	3,104	1,776
Provision for corporation tax	(2,633)	(2,921)
Total advance tax / (current tax liabilities)	**471**	**(1,145)**

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 2026. 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	2025 (£ 000')	2024 (£ 000')
Opening balance	20,296	20,340
Interest accrued	1,208	1,364
Interest paid	(1,239)	(1,408)
Closing balance	**20,265**	**20,296**

26. Share Capital

Called up and fully paid	2025 (£ 000')	2024 (£ 000')
80 million authorised and fully paid ordinary shares of £1 each	80,000	80,000
	80,000	**80,000**

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

	2025 (£ 000')	2024 (£ 000')
Fair value movement		
FV loss at the beginning of the year	(169)	(259)
FV movement during the year	283	90
FV loss at the end of the year	114	(169)
Deferred tax movement		
Deferred tax asset at the beginning of the year	43	61
Net movement during the year	(71)	(18)
	(28)	43
	86	**(126)**

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.

	2025 (£ 000')	2024 (£ 000')
Direct credit substitutes		
– Guarantees	4,078	5,364
Trade-related contingent liabilities		
– Letters of credit	307	448
– Acceptances	33	39
– Confirmation on export letters of credit	3,455	6,071
Unused credit facilities	20,527	19,156

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:

	2025 (£ 000')	2024 (£ 000')
Salaries and other short-term benefits	2,387	2,142
Post-employment benefits	23	26
Total	**2,410**	**2,168**
Loans outstanding – £ 000	100	113
Number 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 5%.

No provisions have been recognised in respect of loans given to key management personnel.

	2025 (£ 000')	2024 (£ 000')
Deposits placed – £ 000	554	217
Number of persons – Nos	11	11

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

Banking transactions:	2025 (£ 000')	2024 (£ 000')
– Interest earned from Parent bank	1,174	1,432
– Interest expenses paid to Parent bank *	3,563	1,933
– Transactions with Parent bank and fellow subsidiaries **	4,616	3,692

Outstanding balance:	2025 (£ 000')	2024 (£ 000')
– Due to Parent bank including subordinated loan **	149,981	64,401
– Due to fellow subsidiaries	10,114	5,864
– Due from related parties	12,287	30,283
- Notional amount of derivative instruments	11,076	-

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

*Interest expenses represent interest charged on borrowings / fiduciary deposits and subordinated loans.

** This includes the allocation of group expenses to the Bank

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 £130 million (2024: £44 million) accepted by the Bank from Habib Bank AG Zurich (parent) and having maturities ranging from 1 month to 9 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 amounts of the financial instruments are a reasonable approximation of their 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, have 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.

30.3 Financial Assets

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

2025	Level 1 (£ 000')	Level 2 (£ 000')	Level 3 (£ 000')	Total fair value (£ 000')	Total carrying amount (£ 000')
Financial Assets					
Cash and cash equivalents	291,217	-	-	291,217	291,217
Due from banks	-	-	153,760	153,760	153,760
Loans and advances to customers	-	-	734,418	734,418	800,598
Financial investments	165,411	-	-	165,411	163,281
Assets held at amortised cost	**456,628**	**-**	**888,178**	**1,344,806**	**1,408,856**
Financial investments at FVOCI	55,222	-	-	55,222	55,222
Derivative assets held for risk management	-	742	-	742	742
Assets held at Fair value	**55,222**	**742**	**-**	**55,964**	**55,964**
Total Assets	**511,850**	**742**	**888,178**	**1,400,770**	**1,464,820**

2025	Level 1 (£ 000')	Level 2 (£ 000')	Level 3 (£ 000')	Total fair value (£ 000')	Total carrying amount (£ 000')
Financial Liabilities					
Due to banks	-	-	186,139	186,139	186,139
Due to customers	-	-	1,131,300	1,131,300	1,142,802
Liabilities held at amortised cost	**-**	**-**	**1,317,439**	**1,317,439**	**1,328,941**
Derivative liabilities held for risk management	-	164	-	164	164
Subordinated liabilities	-	-	20,065	20,065	20,265
Liabilities held at fair value	**-**	**164**	**20,065**	**20,229**	**20,429**
Total Liability	**-**	**164**	**1,337,504**	**1,337,668**	**1,349,370**

2024	Level 1 (£ 000')	Level 2 (£ 000')	Level 3 (£ 000')	Total fair value (£ 000')	Total carrying amount (£ 000')
Financial Assets					
Cash and cash equivalents	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
Liability 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 Liability	**-**	**187**	**1,137,375**	**1,137,562**	**1,151,709**

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.

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 the Board, its committees and the senior management.

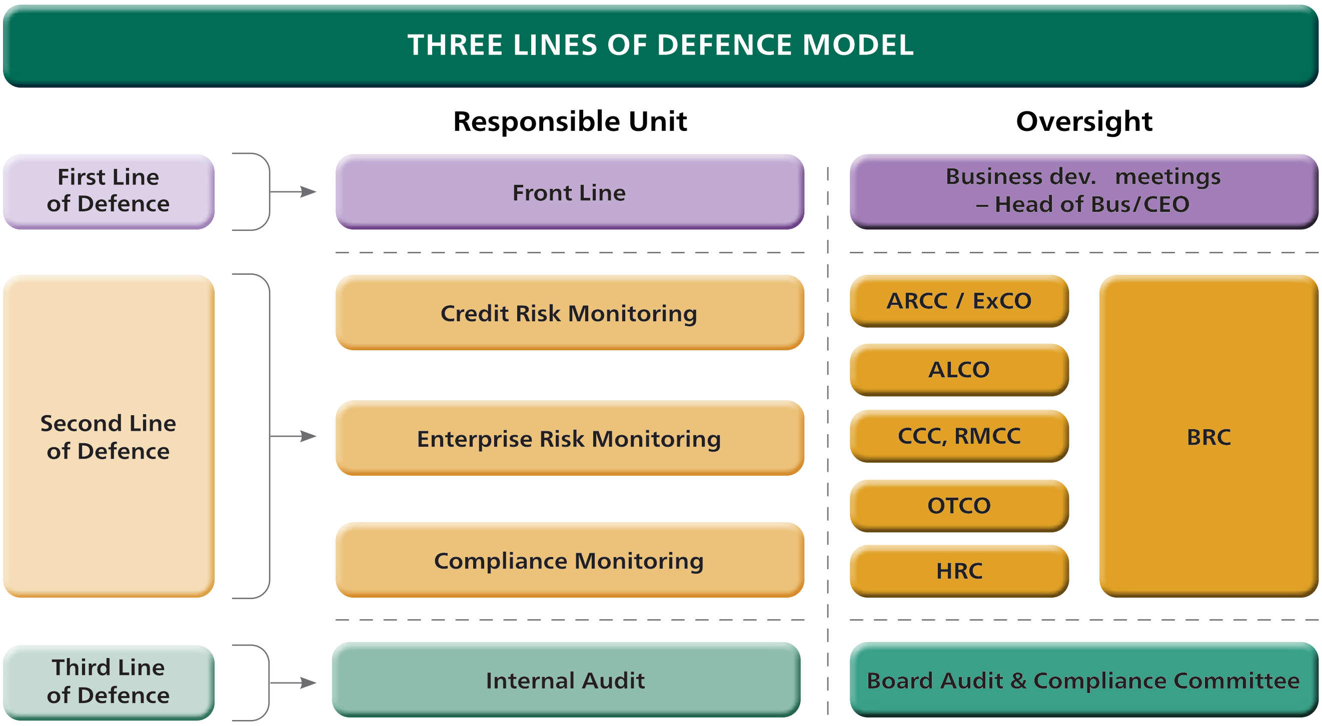
The Bank's approach to Risk Management is built on the principle of low to medium risk appetite and Investment return horizon, which is medium to long-term. In order to achieve this, the Bank offers conventional products where the focus is on personalised customer service.

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, the 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 the bank through effective control processes. BRC annually reviews the Risk Appetite Statement and considers the adequacy of risk limits and returns.

The Internal Audit function reports into BACC and conducts 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.

GSK carbon neutral laboratory, Nottingham.

The management of the Bank through committee structure allows for Enterprise-Wide Risk Management through the consideration of different aspects and challenges 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 is 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 recommends 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 is 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 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.

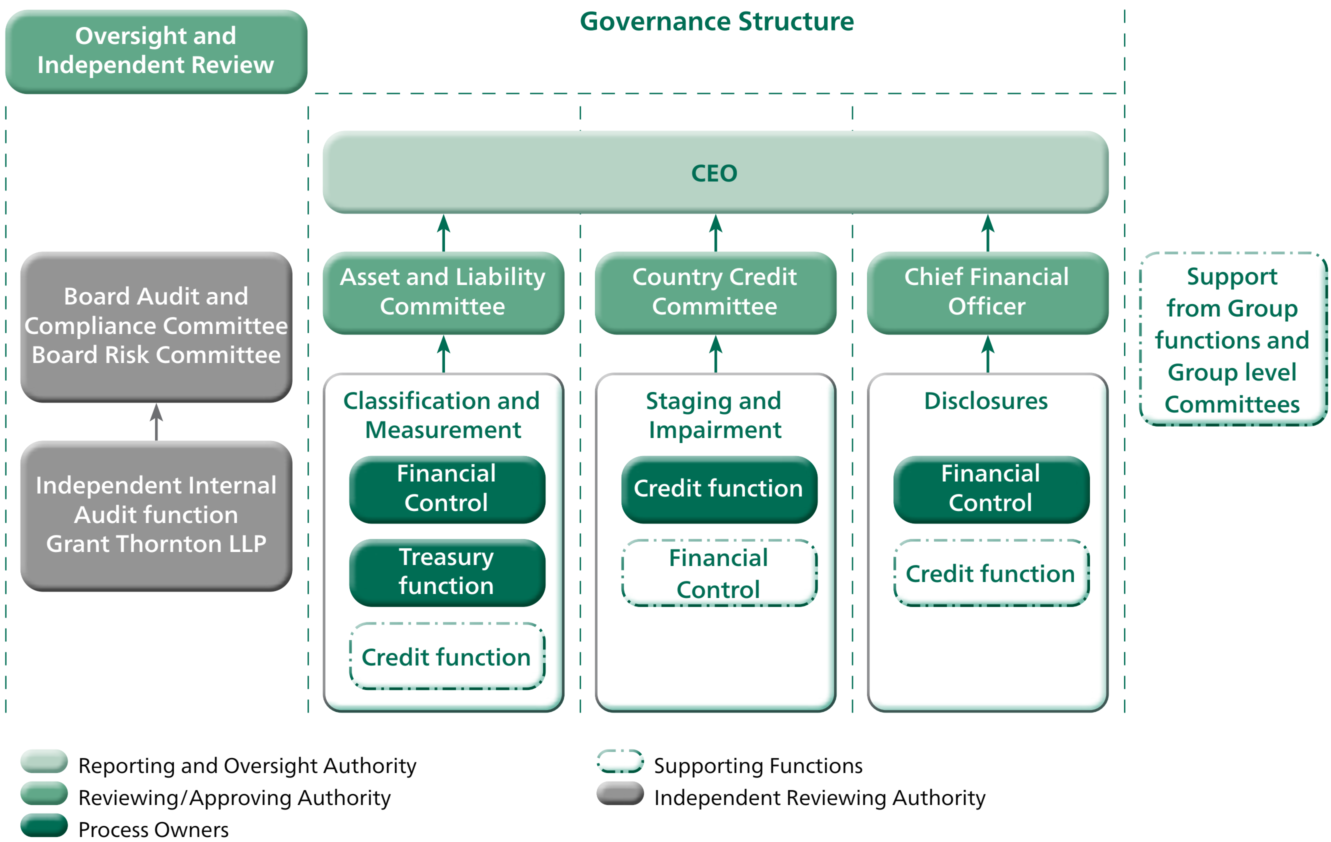
31.4 IFRS 9 and Gen 2 Model

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

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 forms 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 of 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 follows:

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 moved into default were used to compute the default rate.

Macroeconomic models for PIT: For PiT model development, macroeconomic 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 working out LGD: The 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:

$$\text{LGD\%} = \frac{\sum \text{EXPOSURE AT DEFAULT} - \sum \text{PRESENT VALUE OF RECOVERY}}{\text{EXPOSURE AT DEFAULT}}$$

$$\text{CURE-ADJUSTED LGD\%} = \text{LGD\%} \times \left(1 - \frac{\text{NUMBER OF CURED ACCOUNTS}}{\text{TOTAL NUMBER OF ACCOUNTS}}\right)$$

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 by 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 through 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 returns 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 a six-month time period for movements 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. Management makes this 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 the 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 require 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

For financial institutions, the Bank uses the general government debt-to-GDP ratio as the relevant macroeconomic indicator.

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 exist, and customers demonstrate continuous repayment history, the loan is no longer considered as forborne.

During the year, loans amounting to £Nil (2024: £Nil) were considered as forborne, of which £Nil (2024: Nil) were classified as impaired. A provision of £Nil (2024: £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	2025 Stage 1	2025 Stage 2	2025 Stage 3	2025 Total	2024 Total
Balances at the beginning of the year	60	-	-	60	26
New provisions	60	-	-	60	6
Increased provisions	-	-	-	0	31
Recovered / settled / reduced	(19)	-	-	(19)	(3)
Net measurement of loss allowance	41	-	-	41	34
Balances at the closing of the year	**101**	**-**	**-**	**101**	**60**

				Amount in £ 000'	
Loans and advances to customers at amortised cost	2025 Stage 1	2025 Stage 2	2025 Stage 3	2025 Total	2024 Total
Balances at the beginning of the year	**254**	**231**	**2,407**	**2,892**	**4,165**
New provisions	76	-	-	76	40
Increased provisions	106	44	179	329	189
Recovered / settled / reduced	(22)	(45)	(1,308)	(1,375)	(1,491)
Net measurement of loss allowance	160	(1)	(1,129)	(970)	(1,262)
Transferred to 12 month's ECL Stage 1	6	(6)	-	-	-
Transferred to lifetime ECL stage 2 Credit not impaired	(2)	24	(22)	-	-
Transferred to lifetime ECL stage 3 Credit-impaired	0	(22)	22	-	-
Uncollectable written off / other	-	-	-	0	(11)
Balances at the closing of the year	**418**	**226**	**1,278**	**1,922**	**2,892**

				Amount in £ 000'	
Financial investments	2025 Stage 1	2025 Stage 2	2025 Stage 3	2025 Total	2024 Total
Balances at the beginning of the year	83	-	-	83	38
New provisions	40	-	-	40	65
Increased provisions	-	-	-	-	3
Recovered / settled / reduced	(48)	-	-	(48)	(23)
Net measurement of loss allowance	**(8)**	**-**	**-**	**(8)**	**45**
Other movement	-	-	-	-	-
Impairment of FVOCI investment shown under OCI	-	-	-	-	-
Balances at the closing of the year	**75**	**-**	**-**	**75**	**83**

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	60	76	40	176
Increased provisions	-	329	-	329
Recovered / settled / reduced	(19)	(1,375)	(48)	(1,442)
Total – 2025	**41**	**(970)**	**(8)**	**(937)**
Total – 2024	**34**	**(1,262)**	**45**	**(1,183)**

31.14 Credit Quality Analysis

The following table sets 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.

Amount in £ 000'

	2025 Stage 1	2025 Stage 2	2025 Stage 3	2025 Total	2024 Total
Cash and cash equivalents	291,217	-	-	291,217	232,380
Due from banks	153,861	-	-	153,861	122,212
Loans and advances to customers	763,217	33,227	6,076	802,520	685,362
Financial investments – amortised cost	163,356	-	-	163,356	191,989
Financial investments – FVOCI debt instruments	55,222	-	-	55,222	35,895
	218,578	-	-	218,578	227,884
Total	**1,426,873**	**33,227**	**6,076**	**1,466,176**	**1,267,838**
Loss allowance	(594)	(226)	(1,278)	(2,098)	(3,035)
	1,426,279	**33,001**	**4,798**	**1,464,078**	**1,264,803**

Contingent liabilities excluding undrawn commitments pertains to loans and advances to customers as at reporting date is £4.4m (2024: £5.9m) and the total ECL amounted to £14k (2024: £101k).

The following tables 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’

2025	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Total
Current & past due up to 1 month	291,217	153,861	797,909	218,578	742	1,462,307
Past due 1 to 3 months	-	-	684	-	-	684
Past due over 3 months	-	-	3,927	-	-	3,927
Gross exposure	**291,217**	**153,861**	**802,520**	**218,578**	**742**	**1,466,918**
Less: impairment	-	(101)	(1,922)	(75)	-	(2,098)
Net exposure	**291,217**	**153,760**	**800,598**	**218,503**	**742**	**1,464,820**

Amount in £ 000’

2024	Cash and cash equivalents	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**

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	2025 Stage 1	2025 Stage 2	2025 Stage 3	2025 Total	2024 Total
< 30 days*	20,261	867	2	21,130	28,901
> 30 days to 60 days	-	568	115	683	-
> 60 days to 90 days	-	-	-	0	-
> 90 days to 180 days	-	-	-	0	-
> 180 days	-	-	3,927	3,927	1,408
Total overdue	**20,261**	**1,435**	**4,044**	**25,740**	**30,309**
Not overdue	742,956	31,792	2,032	776,780	655,053
Gross loans and advances to customers	763,217	33,227	6,076	802,520	685,362
Less: Impairment allowance	(418)	(226)	(1,278)	(1,922)	(2,892)
Net loans and advances to customers	**762,799**	**33,001**	**4,798**	**800,598**	**682,470**

* <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 2025 is £0.63m (2024: 1.89m). 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 2025 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 commercial lending). Property sector lending covers a 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:

Amount in £ 000'

2025	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
AAA to AA-	237,530	8,169	-	150,821	-	-	396,520
A+ to A-	37,567	25,653	-	59,518	681	-	123,419
BBB+ to B-	3,782	79,714	-	8,145	-	-	91,641
Unrated	12,338	40,224	800,598	19	61	28,400	881,640
Total	**291,217**	**153,760**	**800,598**	**218,503**	**742**	**28,400**	**1,493,220**

Amount in £ 000'

2024	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
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**

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

The following table shows an 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
2025		
Derivative assets	90,303	742
Derivative liabilities	90,871	(164)
2024		
Derivative assets	61,542	226
Derivative liabilities	50,843	(187)

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

Concentration of financial assets and credit-related contingent liabilities:

Amount in £ 000'

2025	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
Supranational	236,146	-	-	77,460	-	-	313,606
Financial Institutions	54,456	153,760	-	91,986	738		300,940
Industrial & commercial	-	-	729,770	49,057	4	28,400	807,231
Individual	-	-	62,415	-	-		62,415
Other	615	-	8,413	-	-	-	9,028
Total	**291,217**	**153,760**	**800,598**	**218,503**	**742**	**28,400**	**1,493,220**

Amount in £ 000'

2024	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
Supranational	173,123	-	-	98,805	-	-	271,928
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**

Supranational include investments 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'

2025	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
United Kingdom	262,512	30,300	643,466	53,964	412	23,715	1,014,369
Europe excl UK	8,051	53,934	88,802	47,629	330	-	198,746
Asia	11,221	65,057	4,569	83,339	-	3,131	167,317
North America	2,247	0	49,812	4,169	-	-	56,228
Africa	4,897	4,469	13,949	-	-	1,554	24,869
USA	2,289	-	-	27,906	-	-	30,195
Australia	-	-	-	1,496	-	-	1,496
	291,217	**153,760**	**800,598**	**218,503**	**742**	**28,400**	**1,493,220**

Amount in £ 000'

2024	Cash and cash equivalents	Due from banks	Loans and advances to customers	Financial investments	Derivatives	Contingent liabilities and commitments	Total
United Kingdom	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**

The Bank held cash and cash equivalents of £236 million as at 31 December 2025 (2024: £173 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 a 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 is 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 are 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, represents the Bank's maximum exposure to credit risk 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	2025 Collateral Value	2025 Advances	2024 Collateral Value	2024 Advances
Commercial real estate	1,078,572	501,460	1,042,059	483,842
Residential real estate	469,825	239,793	301,544	142,326
Cash collateral	70,038	49,964	66,995	47,800
Unsecured	-	11,303	-	11,394
Total	**1,618,435**	**802,520**	**1,410,598**	**685,362**

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, taking into account any reduction in value as a result of forced sales.

Loans and Advances

Amount in £ 000'

LTV Bracket	2025 Stage 1	2025 Stage 2	2025 Stage 3	2025 Total	2024 Stage 1	2024 Stage 2	2024 Stage 3	2024 Total
Less than 50%	210,836	9,921	962	221,719	226,486	4,890	1,044	232,420
51-70%	491,496	21,609	1,707	514,812	356,361	24,854	1,340	382,555
71-90%	8,815	1,227	938	10,980	7,545	6,796	1,408	15,749
91-100%	41,130	-	-	41,130	41,385	0	0	41,385
More than 100%	10,940	470	2,469	13,879	10,659	736	1,858	13,253
Grand Total	**763,217**	**33,227**	**6,076**	**802,520**	**642,436**	**37,276**	**5,650**	**685,362**
Collateral	**1,542,022**	**66,838**	**9,575**	**1,618,435**	**1,335,033**	**66,962**	**8,601**	**1,410,598**

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. The 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 movements 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 rates 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'

2025	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 & cash equivalents	290,602	-	-	-	-	-	-	615	291,217
Due from banks	56,344	63,504	33,912	-					153,760
Loans & advances to customers	689,173	1,429	44,104	3,137	29,800	-	32,955		800,598
Financial investments									
– fair value through other comprehensive income	7,581	-	11,433	11,381	21,238	1,540	2,049		55,222
– Amortised cost	19,997	8,418	19,799	26,815	29,396	40,834	18,022		163,281
Derivative financial instruments	20	379	343	-	-	-	-	-	742
Total assets	**1,063,717**	**73,730**	**109,591**	**41,333**	**80,434**	**42,374**	**53,026**	**615**	**1,464,820**
Liabilities									
Due to banks	162,154	9,336	14,649	-	-	-	-	-	186,139
Due to customers	680,600	160,911	285,401	15,787	97	-	6	-	1,142,802
Derivative financial instruments	108	56	-	-	-	-	-	-	164
Subordinated liabilities	-	20,265	-	-	-	-	-	-	20,265
Total Liabilities	**842,862**	**190,568**	**300,050**	**15,787**	**97**	**0**	**6**	**0**	**1,349,370**
Net Gap (Assets – Liabilities)	**220,855**	**(116,838)**	**(190,459)**	**25,546**	**80,337**	**42,374**	**53,020**	**615**	**115,450**

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 & cash equivalents	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	2028	-	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	**451,581**	**601,281**	**54,456**	**56,167**	**34,493**	**27,727**	**38,658**	**666**	**1,265,029**
Liabilities									
Due to banks	53,555	11,004	42,586	1,079	-	-	-	-	108,224
Due to customers	555,448	113,694	291,323	62,537	-	-	-	-	1,023,002
Derivative financial instruments	141	-	46	-	-	-	-	-	187
Subordinated liabilities	-	20,296	-	-	-	-	-	-	20,296
Total Liabilities	**609,144**	**144,994**	**333,955**	**63,616**	**0**	**0**	**0**	**0**	**1,151,709**
Net Gap (Assets – Liabilities)	**(157,563)**	**456,287**	**(279,499)**	**(7,449)**	**34,493**	**27,727**	**38,658**	**666**	**113,320**

Interest Rate Sensitivity Analysis

The sensitivity to the income statement to various interest risk variables is considered on daily basis. An analysis of the 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.

	2025 Impact on P&L (£ 000')	2024 Impact on P&L (£ 000')
5bps increase in interest rate*	(945)	(571)
5bps decrease in interest rate	958	578
0bps increase in interest rate*	(1,879)	(1,135)
0bps decrease in interest rate	1,928	1,164

* Results shown in brackets indicate a negative impact on profit and loss resulting from changes in interest rates.

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 risk as a component of its market risk that could lead to losses, considering the nature of the 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 £1.5m with a maximum amount of £1m for USD and £0.5m in other 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 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 2025 was £0.089m (2024: £0.038m).

Currency	2025 (£ 000')	2024 (£ 000')
USD	30	49
EUR	(12)	(35)
ZAR	8	(1)
CAD	(3)	-
INR	12	18
AUD	10	(1)
AED	39	-
Others	5	8

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 meet 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
- Intraday 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.

London City Hall, River Thames, London.
Purposely egg-shaped to improve energy efficiency.

Amount in £ 000’

2025	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 & cash equivalents	291,217	291,023	279,777	11,246	-	-	-
Due from banks	153,760	158,555	37,615	19,311	101,629	-	-
Loans & advances to customers	800,598	946,042	26,436	82,543	124,459	711,133	1,471
Financial investments							
– fair value through other comprehensive income	55,222	59,452	-	3,537	11,589	44,326	-
– Amortised cost	163,281	178,791	5,559	14,534	28,818	129,861	19
	1,464,078	**1,633,863**	**349,387**	**131,171**	**266,495**	**885,320**	**1,490**
Derivative assets							
Risk management	742	742	17	3	722	-	-
Outflow							
Inflow	742	742	17	3	722	-	-
	742	**742**	**17**	**3**	**722**	**-**	**-**
Financial liability by type							
Non-derivative liabilities							
Due to banks	186,139	(186,198)	(99,410)	(62,432)	(24,356)	-	-
Due to customers	1,142,802	(1,155,468)	(488,821)	(192,950)	(471,843)	(1,854)	-
Subordinated liabilities	20,265	(20,305)	-	-	(20,305)	-	-
Lease liability	(2,562)	(3,015)	(127)	-	(382)	(1,272)	(1,234)
	1,351,768	**(1,364,986)**	**(588,358)**	**(255,382)**	**(516,886)**	**(3,126)**	**(1,234)**
Derivative liabilities							
Risk management	164						
Outflow	164	(164)	(47)	(61)	(56)	-	-
Inflow							
	164	**(164)**	**(47)**	**(61)**	**(56)**	**-**	**-**

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 & cash equivalents	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	-	-	-	-	-	-
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	**(1,169,566)**	**(495,451)**	**(192,016)**	**(477,724)**	**(2,929)**	**(1,446)**
Derivative liabilities							
Risk management	187	-	-	-	-	-	-
Outflow	187	(187)	(125)	(16)	(46)	-	-
Inflow							
	187	**(187)**	**(125)**	**(16)**	**(46)**	**-**	**-**

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's liquidity risk management measures include access to Bank of England facilities under the Sterling Monetary Framework which are Reserve Account, Indexed Long-Term Repo facility and Discount Window Facility. Such arrangements 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 is divided by deposits from customers and banks. The Bank also considers the liquidity coverage ratio (LCR) to be another strong tool for managing liquidity risk.

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

	2025 in £ 000' (Unaudited)		2024 in £ 000' (Unaudited)	
	Liquidity coverage %	HQLA to deposits %	Liquidity coverage %	HQLA to deposits %
As at 31 December	180%	27%	243%	22%
Average for the period	232%	19%	287%	18%
Maximum for the period	381%	27%	479%	22%
Minimum for the period	166%	15%	158%	15%

	2025 in £ 000' (Unaudited)		2024 in £ 000' (Unaudited)	
Liquidity Reserves	Carrying amount	HQLA	Carrying amount	HQLA
Balance with central bank	231,043	231,043	170,118	170,118
Cash in hand	615	615	666	666
Unencumbered debt securities issued by sovereigns and supranational (Level 1)	54,733	54,733	24,276	24,276
Other assets (Level 2B)	32,246	20,176	46,982	29,627
	318,637	**306,567**	**242,042**	**224,687**

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 2025	Mandatorily at FVPTL	FVOCI – debt instruments	Amortised cost	Estimated credit loss	Total carrying amount
Cash and cash equivalents	-	-	291,217	-	291,217
Due from banks	-	-	153,861	(101)	153,760
Loans and advances to customers	-	-	802,520	(1,922)	800,598
Financial investments	-	55,297	163,281	(75)	218,503
Derivative assets held for risk management	742	-	-	-	742
Total financial assets	**742**	**55,297**	**1,410,879**	**(2,098)**	**1,464,820**
Due to banks	-	-	186,139	-	186,139
Due to customers	-	-	1,142,802	-	1,142,802
Derivative liabilities held for risk management	164	-	-	-	164
Subordinated liabilities	-	-	20,265	-	20,265
Total financial liabilities	**164**	**-**	**1,349,206**	**-**	**1,349,370**

Amount in £ 000'

31 December 2024	Mandatorily at FVPTL	FVOCI – debt instruments	Amortised cost	Estimated credit loss	Total carrying amount
Cash and cash equivalents	-	-	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**

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 assets except where specifically disclosed.

The aggregate amount of collateral pledged under CSAs is nil as at 31 December 2025 (2024: nil).

As at 31 December 2025, financial investments of £1.5 million (2024: £53.5m) were encumbered against borrowing of £1 million (2024: £50million) from the Bank of England against ILTR / TFSME schemes and £51.8 million (2024: nil) against Repurchase Agreement as mentioned at note 17.1.

31.24 Operational Risk Management (Unaudited)

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 customers of the Bank as well as internal "customers", such as colleagues with a dependency on a 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 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:

Shareholders equity, which includes ordinary share capital and retained earnings, and Tier 2 capital which includes qualifying subordinated liabilities.

	2025 (£ 000')	2024 (£ 000')
Share capital	80,000	80,000
Retained earnings	44,587	39,896
Shareholders equity	**124,587**	**119,896**
Subordinated liability	20,265	20,296
Own funds	**144,852**	**140,192**

32. Ultimate Parent Company

The Bank is a wholly owned subsidiary undertaking of Habib Bank AG Zurich, Switzerland, which is the immediate and the ultimate controlling parent, incorporated in Switzerland. The largest group in which the results of the Bank 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 £0.0413 (2024: £0.0693) per ordinary share to be paid in respect of the year in their meeting held on 16th April 2026.

The Bank continues to monitor the ongoing developments in the Middle East closely. At this stage, the Board has assessed that the ongoing conflict does not have a material impact on the Bank's operations, financial position or liquidity.

The Bank will continue to monitor the ongoing developments and will take appropriate steps as necessary.

The Directors confirm that, apart from the above, there was no material event or development since the reporting date to be disclosed.

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	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
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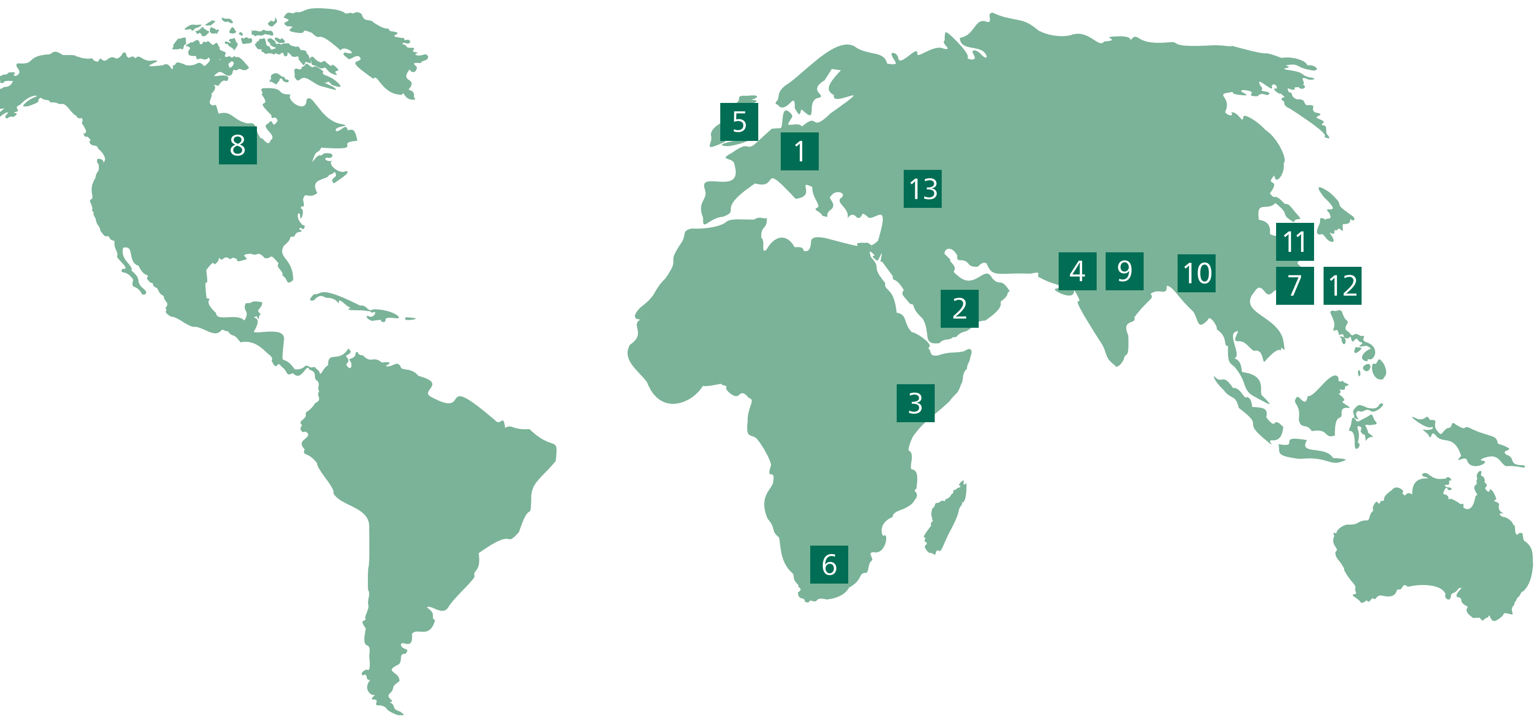
		Leicester LE4 5AU
	Telephone:	0116 261 3300
Birmingham		Ground Floor Pinnacle House,
		8 Harborne Road
		Edgbaston
		Birmingham B15 3AA
	Telephone:	0121 455 6213

International Network



Head Office	1	Switzerland	Habib Bank AG Zurich	
Branches	1	Switzerland	Habib Bank AG Zurich	3 Branches
	2	UAE	Habib Bank AG Zurich	8 Branches
	3	Kenya	Habib Bank AG Zurich	5 Branches
Subsidiaries	4	Pakistan	Habib Metropolitan Bank Ltd	562 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	