



COMPANY REGISTRATION NUMBER: 01719649

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2025

Table of Contents	Page
Strategic Report	2
Directors' Report	16
Statement of Directors' Responsibilities	23
Independent Auditor's Report to the Members of HBL Bank UK Limited	24
Income Statement	34
Statement of Comprehensive Income	35
Statement of Financial Position	36
Statement of Changes in Equity	37
Cash Flow Statements	38
Notes to the Financial Statements	39

Strategic Report

HBL Bank UK Limited Structure

HBL Bank UK Limited (the “Bank”) is authorised by the Prudential Regulation Authority (“PRA”) and regulated by both the PRA and the Financial Conduct Authority (“FCA”). The Bank is a wholly owned subsidiary of Habib Allied Holding Limited (“HAHL”), a non-banking company, which, in turn, is wholly owned by HBL Bank Limited, an entity incorporated in Pakistan (“HBL” or the “Group”).

Strategy

The Bank’s vision is to operate as a niche financial services institution, delivering UK-based banking and financial products to a targeted customer base. It aims to leverage the Group’s established international network and strong brand recognition to support its strategic positioning and growth. The principal activities include accepting customer deposits, providing client lending, trade finance and wealth services.

The Board of Directors (the “Board”) reviews and updates the Bank’s forward-looking five-year strategy on an annual basis, considering developments in both the external and internal operating environments. Management is responsible for implementing the approved strategy, with the Board providing ongoing oversight of its execution.

The Board set out ten priorities for 2025 as follows, against which progress has been reviewed throughout the year.

- Provide greater focus on strategy, business results and resource allocation as part of the Board agenda.
- Monitor and provide oversight for the business to continue to maintain, execute and enhance a robust and sustainable control environment, including Risk, Compliance, Internal Controls, Policies and Regulatory compliance.
- Maintain focus on a profitable sustainable path.
- Ensure execution of 5 year strategic plan to grow deposits, strengthen core businesses (Commercial, Wealth Services, FI), grow Trade Finance and Remittances, and continue to optimize Parent/network synergies.
- People Strategy: 1) Ensure the Bank can attract, develop and retain the right people, who are competent to deliver good customer outcomes. 2) Further, ensuring that all requisite HR, People and Remuneration frameworks and documentation are in place to the satisfaction of the regulator.
- Continue evolution of the culture, focus on community and sustainability, and embed Diversity and Inclusion principles.
- Ensure sustainability of execution of Consumer Duty principles by operations and front line staff.
- Improve network connectivity while retaining local accountability.
- Finalise documentation of a clear succession plan for the Board and Management and self-assess Board.
- Broaden exposure of the Management Committee (“MC”) and the Extended Leadership Team to the Board Meetings via Board presentations and periodic Board engagement to enhance Board knowledge of the expanded Management Team, talent and potential MC successors.

The Board is satisfied that substantial progress has been made in each area during 2025.

Business Model

The Bank serves its customers in the following ways:

- **Deposits and Other Services**

The Bank currently operates three branches in the UK as the fourth branch in Birmingham was closed in the latter part of the year. These branches provide deposit-taking and payment solutions to both UK-resident and non-resident individuals, as well as to business customers. Deposit customers have access to a range of products and services, including current and savings accounts, fixed-term deposits, debit cards and online banking facilities. The Bank is also among a select group of UK banks offering Faster Payment system capability, enhancing the customer experience and improving operational efficiency.

- **Client Lending and Trade Financing**

The Bank provides a range of financing solutions to business customers, high-net-worth individuals, and network customers of the Group. These services include real estate financing, working capital facilities, term lending, trade finance products (including invoice discounting), and foreign exchange (FX) services. Customers are supported through a combination of branch-based services and dedicated relationship managers.

- **Wealth Services**

Dedicated wealth desks offer execution-only investment accounts to high-net-worth individuals and network customers, enabling access to tailored investment solutions in line with customer requirements.

- **Financial Institutions (FI)**

The Financial Institutions business works with banks and other financial institutions to deliver customer-focused solutions. This includes supporting counterparties in managing risk exposures, optimising capital efficiency, and facilitating the effective placement of surplus liquidity.

Business Environment

The business environment during 2025 was shaped by a combination of subdued economic growth, the easing of elevated inflation (although still elevated), and a gradual shift towards monetary policy easing. UK GDP growth remained modest over the year, reflecting weak business investment, cautious consumer spending, and ongoing geopolitical and trade-related uncertainties. While inflation fell significantly from its earlier peaks, it remained above the Bank of England's ("BOE") target for much of the year, driven by persistent services inflation, higher energy costs, and increased employment-related expenses, including higher national insurance contributions and minimum wage increases. These pressures continued to impact on business margins and consumer confidence.

Looking ahead to 2026, most forecasts suggest that economic growth will remain modest but stabilise as inflation continues its gradual decline towards the BOE's 2% target. Further, albeit gradual, reductions in interest rates are anticipated during 2026, which may provide some relief to borrowers and support demand for credit and investment. However, businesses are expected to continue facing challenges from elevated employment costs, a tightening labour market in certain sectors, and ongoing fiscal constraints.

Against this backdrop, the Bank remains focused on prudent balance sheet management and disciplined risk appetite. It has continued to manage its lending portfolio effectively, with no new non-performing loans arising from exposures originated under the underwriting criteria revised in 2021.

The lending and customer selection criteria are periodically reviewed to ensure the creditworthiness and quality of customers. Additionally, the Bank's focus on investing surplus liquidity in short-dated, high-quality liquid assets, with a continued emphasis on self-liquidating trade finance assets has ensured that the Bank can navigate ongoing economic uncertainty while remaining well-placed to capture selective growth opportunities as market conditions improve.

Financial Performance

The Bank reported a profit before tax of £5.8 million for the year. While lower than the prior year, this result reflects the resilience of the business model, underpinned by disciplined execution, a strengthened risk management framework, and sustainable profitability despite margin pressures. Customer lending reached a record high, driven by a focus on core lending and selective balance sheet growth. However, lower interest rates and elevated deposit costs reduced net interest income, partially offset by strong contributions from Wealth Services and trade-related fees. In line with accounting standards, foreign-currency-denominated capital cannot be revalued. As the Bank's Additional Tier 1 and Tier 2 capital instruments are held in US dollars, the depreciation of the US dollar against pound sterling resulted in a £1.7m foreign exchange loss on capital. Further the specific provision of £0.3m was netted off with a reversal of £0.2m in collective provision. Operating costs were effectively managed, increasing only modestly despite ongoing inflationary pressures.

During the year, the Bank also delivered several strategic and operational achievements, strengthening its financial position, enhancing customer service, and reinforcing its governance framework:

- Record growth of 36% in Customer Lending to an historic high.
- Strong growth of around 30% in trade finance fee income, driven by a focused international trade finance strategy.
- Deeper relationships with regulators.
- Continued enhancement of Consumer Duty frameworks and processes, ensuring a consistent focus on delivering good outcomes for customers.
- Investment in technology and infrastructure, including the implementation of Hubspot, a customer relationship management (CRM) system.
- Continued streamlining and strengthening of risk and credit approval processes.
- Closure of the Birmingham branch, with the successful reallocation of customers to other branches or channels and increased operational efficiency.
- A successful well attended programme of Diversity, Inclusion and Workplace Culture events, including Board level engagement.
- Retendering of the external audit contract.
- Introduction of Prestige banking, a bespoke proposition for eligible customers offering selected benefits and privileges.

The Bank's financial position as of FY 2025 is as follows:

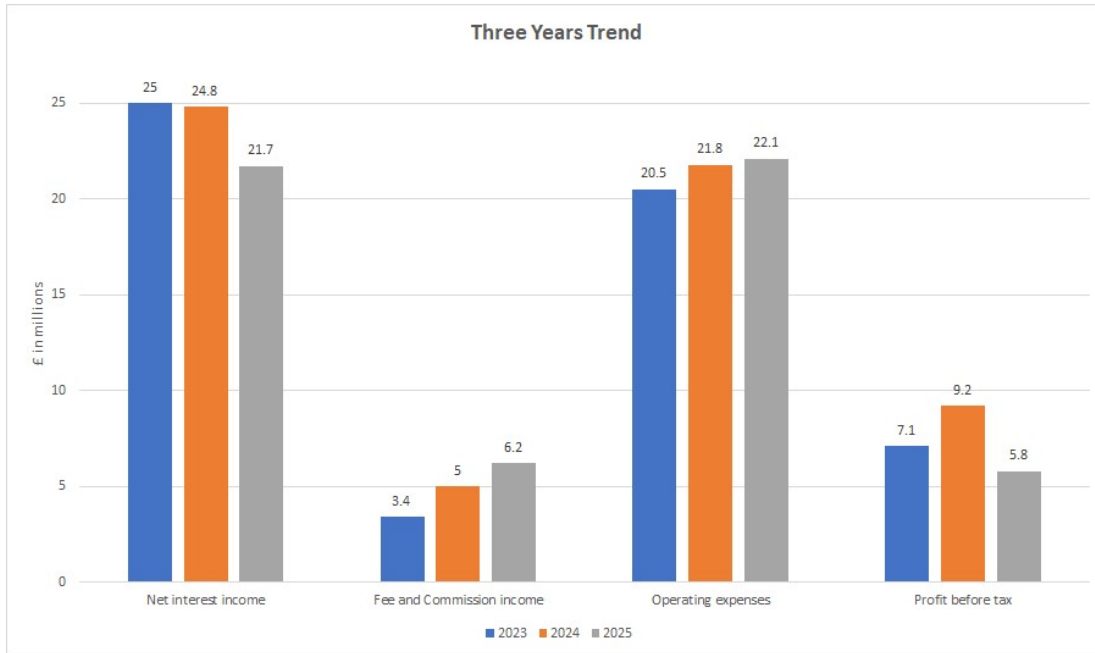
Profit before Tax (£m)	2025	2024
Net Interest income	21.7	24.8
Fee and Commission income	6.2	5.0
Other income – net	0.1	1.1
Net Operating Income	28.0	30.9
Total Operating Expenses	(22.1)	(21.8)
Operating Profit before provisions and tax	5.9	9.1
(Provisions) / Reversals	(0.1)	0.1
Profit before tax	5.8	9.2

Statement of Financial Position (£m)	2025	2024
Cash and balances at central banks	54.8	67.8
Loans and advances to banks	112.3	100.8
Loans and advances to customers	293.3	215.6
Debt Securities	85.2	166.9
Other assets	11.1	13.0
Total Assets	556.7	564.1
Deposits by banks	6.7	5.2
Customer accounts (deposits)	449.1	461.7
Other Liabilities	13.2	13.0
Total Liabilities	469.0	479.9
Equity	87.7	84.2
Total Liabilities and Equity	556.7	564.1

- Operating income fell to £28.0 million for the year, as a result of a £1.7 million adverse FX revaluation loss of the US dollar denominated capital instruments, a higher cost of customer deposits and lower interest rates. Growth in lending and an increase of fee income of £1.2 million from Trade Finance and Wealth Services partially offset the pressure on overall net operating income.
- Operating costs increased modestly by 1% reflecting the continued focus on cost discipline and efficiency, despite elevated inflationary conditions.
- Excess cash held with central banks and a portion of debt securities were strategically redirected to support growth in lending.
- Loans and advances to customers grow 36% to £293.3 million driven by a focus on building a high-quality credit portfolio. Asset quality remained strong, with lending using the revised credit standard introduced in 2021 not yielding any non performing loans during the year and resulting in a reduction in the general provision of £0.2 million. During the year the Bank recognised a provision of £0.3 million in respect of two existing legacy non-performing loan exposures.
- Deposit balances declined during the year to £449.1 million, primarily driven by the closure of the Birmingham branch, the movement of certain customer funds into assets under administration, and the utilisation of deposits by some clients to support significant business expenditures or property acquisitions. The Bank continued to maintain a diversified deposit base with approximately 59% (59% - 2024) of customer deposits comprised low-cost current and savings deposits.
- The Bank continues to maintain a strong capital position, with equity of around £87.7 million and adequate regulatory capital.

Trend Analysis

The financial performance trends of the past three years, reflecting the Bank's sustainable business model and continuous profitability:



Principal Risks, Management & Controls

i. Overview

Managing risk is a core aspect of the Bank’s operations. The Bank is primarily exposed to strategic risk, capital risk, credit risk, market risk (including interest rate and FX risk), liquidity risks, operational risk, anti-money laundering (“AML”) and financial crime risks, cyber security risk, and financial risks arising from climate change. These risks are categorised as Tier 1 (principal / primary) by the Bank due to their criticality and are managed through documented policies and procedures, with Board-level oversight ensuring effective risk management and adherence to the policies and procedures.

The Board has established committees, each with defined terms of reference, scope of work, roles, and responsibilities to support decision-making and to assist the Board in monitoring the implementation of the policies, processes and procedures. All significant matters discussed and decided at each committees meeting are reported to the Board by the Chair of the respective Committees, as outlined in the Director’s Report.

ii. Risk Management

The PRA has concluded that, based on the scale and nature of the Bank’s business, the Bank has little individual capacity to cause a disruption to the UK financial system. The Bank, however, continues to implement a robust risk management framework which involves the identification, analysis, evaluation, acceptance and mitigation of both financial and non-financial risks. The Board has overall responsibility for the establishment and oversight of risk management and continues to maintain an appropriate risk appetite to support the Bank’s strategic objectives, business plans, and budgets.

The Bank has established risk management systems and controls to identify all key risks using a Tier 1 (principal/primary) and Tier 2 (sub-risks) risk structure, with policies and monitoring processes in place to mitigate them. The Bank uses horizon scanning to review macroeconomic changes, geopolitical developments, regulatory updates, and changes in strategic objectives, business plans and budget, and other relevant factors to highlight new emerging risks.

Identified risks are managed at a level proportional to the Bank’s current business activities and operations. The Bank conducts regular stress tests to assess the resilience of its business model

to liquidity, capital and credit shocks. The Disaster Recovery Plan (“DRP”) and Business Continuity Plan (“BCP”) are periodically reviewed and updated.

In addition to DRP and BCP, the Bank has established an Operational Resilience Framework to identify Important Business Services (“IBS”) and sets impact tolerance for each of these services. The operational resilience of IBSs is regularly tested, and the results are used to update the business strategy. Additionally, these results inform the incorporation of further mitigating controls, including guidance in setting limits and Early Warning Indicator (“EWI”) thresholds.

The Board has approved a comprehensive Operational Risk Management Framework to enhance the management of operational risks.

To ensure that the Bank’s risk profile remains aligned with its available financial and non-financial resources, the Board of Directors has established the following:

- A risk appetite statement that defines the risk appetite for the Bank’s Tier 1 risks, along with the associated limits, tolerance levels, and various risk metrics to manage these risks.
- Adequate systems and controls, along with risk reporting mechanisms to manage and monitor the Tier 1 risks.
- Processes for reviewing the risk management systems and monitoring compliance with set thresholds (limits and EWIs).
- Appropriate forums for discussing, monitoring and managing risks.
- A Senior Managers Regime Framework which sets out the constitution, roles and responsibilities of the Board, Board Committees, Chief Executive Officer and Senior Management.

The Risk Management disclosures, including a detailed risk management analysis, capital management, and information on overdue and impaired exposures as required under the Pillar III guidance, are available on the Bank’s website: www.hblbankuk.com.

iii. Tier 1 Risks

a. Strategic risk

This is the risk of an adverse impact on the Bank’s earnings, capital, reputation or standing arising from poor business decisions or a lack of responsiveness to changes in the industry or operating environment (external risk). The Board has set a number of key performance indicators (“KPIs”) or metrics to monitor the exposure to strategic risk, reviewing performance at least quarterly.

b. Capital Risk

This is the risk of having insufficient capital to achieve the Bank’s strategic objectives, business plan, or business budget under normal and stressed conditions. The Bank has no appetite for breaches of the financial thresholds set by the PRA, through the Internal Capital Adequacy Assessment Process (“ICAAP”) and the Capital – Supervisory Review and Evaluation Process (“C_SREP”), and manages its operations within the established capital limits. It aims to ensure efficient capital allocation based on risk-return parameters while maintaining capital adequacy in line with regulatory requirements. The Bank has developed risk metrics to measure exposure to capital risk, which are reported periodically to both management and Board committees.

c. Credit Risk

This is the risk that a borrower or counterparty fails to meet their financial obligations in accordance with agreed terms, potentially leading to financial loss for the Bank. The Bank has no appetite for breaches of the financial thresholds (e.g., large exposure limits) set by

the PRA and ensures its operations remain within these limits. The Bank aims to maintain a high-quality credit portfolio that generates adequate returns during both normal and moderately stressed operating environments. To manage credit concentration risk and align with the credit risk appetite, portfolio limits and sub-portfolio limits have been defined. These limits are supported by corresponding EWIs, enabling management to take proactive action. Additionally, relevant KRIs and metrics are used to assess the performance and asset quality of both the credit portfolio and its sub-portfolios.

d. Market Risk

This is the risk that the value of the Bank's on- and off-balance sheet positions are adversely affected by movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices which may result in a loss to its earnings and capital. The Bank does not have a trading book and continues to monitor the prices of the investments in the banking book to ensure that price fluctuations do not adversely impact its financial position. Price movements are monitored against defined limits and Early Warning Indicators (EWIs) to enable proactive decision-making. Additionally, the Bank does not undertake FX proprietary trading, with all transactions executed on behalf of customers. As such, the Bank has a low appetite for FX rate risk.

e. Liquidity Risk

This is the risk that the Bank is unable to fund assets and meet obligations as they come due. It is crucial for managing both expected and unexpected balance sheet fluctuations and for providing funds to support growth in line with the Bank's strategy. The Bank has no appetite for breaches of the financial thresholds set by the PRA, through the Internal Liquidity Adequacy Assessment Process ("ILAAP") and the Liquidity – Supervisory Review and Evaluation Process ("L-SREP"), and ensures its operations remain within the established limits. To maintain adequate liquidity, the Bank primarily invests excess liquidity in short-dated high-quality liquid assets.

f. Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal risk but excludes reputational risks. The Bank accepts operational risk within its risk appetite as part of normal activities and aims to mitigate risks where the benefits outweigh the costs. Operational risk tools such as Risk and Control Self Assessments ("RCSA"), Key Risk Indicators ("KRI") and incident management provide visibility into concentrated risk areas to ensure the Bank maintains a robust control environment to support the accepted risks. Additionally, the Bank has adopted a pragmatic and flexible approach to operational resilience, tailored to the size and nature of the Bank, taking into account regulatory recommendations, the business profile, and risk tolerances. The developed framework supports the Bank in responding to operational challenges arising from various events, ensuring that the Bank continues to operate within the limits agreed by the Board.

g. AML and Financial Crime Risk

This is the risk of financial losses or legal penalties that the Bank might face due to involvement in illegal activities such as money laundering, fraud, bribery, market manipulation, and terrorist financing. The Bank has documented policies and procedures, in accordance with applicable regulations, to mitigate the risk of being used for financial crime. All employees receive regular training to ensure that they remain vigilant and fully aware of their obligations in their daily activities. The Bank maintains a robust financial crime control framework, which includes comprehensive due diligence procedures, real-time payment screening, and an automated transaction monitoring system. This system monitors customer transactions to identify any potentially suspicious activity.

h. Cyber-security Risk

This is the risk of financial and reputational damage inflicted by security failures, data and privacy breaches that can impact business and shareholders' value, public relations, customer trust, and regulatory compliance. As the Bank continues its digitisation journey, the threat level of Cyber Risk – specifically the risk of disruption due to interruption in its information technology and data infrastructure also increases. To mitigate this risk, the Bank regularly tests its infrastructure and systems to ensure they remain robust and capable of detecting and preventing a wide range of threats. Additionally, the Bank has established comprehensive BCP and DRP to ensure resilience in the event of disruptions.

i. Financial risks arising from Climate Change

The Bank recognises the global need to reduce reliance on fossil fuels and transition to a low-carbon, climate-resilient economy. As such, the Bank acknowledges the importance of reviewing its customers' climate impact and their sensitivity to climate change in order to understand the physical and transition risks associated with their business models.

The Bank is committed to providing financing only to customers who meet the minimum applicable requirements in accordance with UK law on climate-related issues. Additionally, the Bank is committed to continuously improving its approach to managing the financial risks from climate change, in alignment with regulatory requirements set by the PRA and FCA, and in a manner proportional to its size, scale and complexity of business model.

The Bank recognises that climate change presents risks which intersect with various other risk types. For example, climate risk can exacerbate credit risk by causing losses that prevent customers from meeting their debt repayment obligations. Similarly, climate risk can affect the market value of securities held for investment purposes or used as collateral, thereby impacting the Bank's access to liquidity. Climate-related market risk is primarily limited to the debt exposures from sovereign and financial institution counterparties, as the Bank does not engage in proprietary trading.

The Bank is managing the financial risks associated with climate change in four key areas:

- Governance – ensuring clear board-level engagement and responsibility for managing financial risks from climate change, and overseeing these risks within the Bank's overall business strategy and risk appetite.
- Risk Management – addressing climate-related risks through the Bank's existing risk management frameworks, in alignment with Board-approved risk appetite, while recognising that the nature of these risks requires a strategic approach.
- Scenario Analysis – undertaking scenario analysis to inform the Bank's strategic planning, assessing the potential impact on the overall business strategy and ICAAP.
- Disclosure – ensuring relevant information is disclosed on how climate-related risks are integrated into the governance and risk management processes.

These areas have been incorporated into the Bank's existing policies and processes, and will continue to be refined as climate change-related regulations evolves.

iv. Internal Controls

The Bank has established a robust system of internal controls to manage risk and increase the likelihood of achieving its objectives and goals. Management is responsible for establishing and maintaining these internal controls and procedures, which are overseen by the Board.

The Bank has set up management-level committees chaired by the Chief Executive Officer to help identify, monitor and manage risks. Additionally, the Bank has developed and regularly reviews procedure manuals to ensure they remain up-to-date. The internal controls include appropriate levels of authorisation, segregation of duties and limits for each aspect of the business.

Management information is used to monitor key metrics and financial performance, with summarised reports presented to the Board at least quarterly. The Bank externally validated its credit risk management, regulatory reporting processes, and associated governance and in response, enhanced its policies and procedures to strengthen overall controls in these areas.

The Internal Audit function supports the Bank in maintaining effective controls by evaluating their adequacy (design effectiveness), operating effectiveness, and efficiency while promoting continuous improvement. Any deficiencies identified are reported to management, and corrective actions are developed. The progress on addressing these action plans is reviewed by the Board Audit Committee (“BAC”) at each of its meetings. An audit programme is agreed annually with the BAC and the Head of Internal Audit (“HIA”), who presents a summary of completed reports, highlighting key points to BAC.

Geopolitical Conflicts

The Bank has assessed and reviewed the possible scenarios arising from certain on-going conflict driven global regions such as the Iran/Israel/USA conflict with broader tensions in the Gulf region and the Russia/Ukraine conflict. Whilst the Bank has no direct exposures to many of these regions, there are some customers who hold assets in these regions. However, the Bank has assessed the impact as minimal, and its capital ratios remained compliant with its regulatory and RAS limits.

Furthermore, Pakistan experienced a brief period of tension with India, while it remains engaged in an ongoing conflict with Afghanistan. As the Group institution is domiciled in Pakistan, this event did not result in any material impact to the financial position, liquidity profile or the operational continuity of the Group or the UK subsidiary. The management maintained heightened oversight for continuous monitoring during that period and the Bank remained compliant with its regulatory and RAS limits.

Section 172 statement by the Directors

Section 172 of the Companies Act 2006 (the “Act”) requires Directors to consider the interests of stakeholders in their decision-making, taking account of the matters set out in Section 172 (1) (a) to (f) of the Act. In fulfilling this responsibility during the year under review, the Directors have considered, among other factors:

- The likely consequences of any decision in the long-term;
- The interests of the company’s employees;
- The need to foster the company’s business relationships with suppliers, customers and others;
- The impact of the company’s operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

Engagement with stakeholders is essential to the Bank’s achievement of its strategic objectives, ensuring a sustainable business model, and creating value for the sole shareholder.

The Bank expects its employees to uphold the highest standards of business practice and conduct, both internally and externally. The Bank adheres to its core values, which include integrity, customer centricity, value people, progressive, and excellence.

Below are some examples of how the Directors have engaged with the Bank's key stakeholders during the year under review:

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
Customers	<p>Recognising the vital role customers play in the Bank's long-term success, the Board ensures their interests are considered in all significant decisions and places them at the heart of the Bank's strategy.</p> <p>The Bank is committed to building strong, sustainable relationships with its customers through consistent service, tailored solutions, and engagement across its branch network as well as through digital channels.</p> <p>Customers' needs are central to strategic planning. Customer feedback, complaint data, and satisfaction metrics are regularly reviewed by the Board to inform decisions on products, services, and technology enhancements.</p>	<p>During the year, the Board reviewed quarterly Consumer Duty MI covering customer satisfaction, complaints and the management of vulnerable customers, and was satisfied that this demonstrated strong oversight and regulatory compliance. The Board challenged management to enhance the design of customer surveys to generate deeper insights into customers' experiences.</p> <p>The Board oversaw key customer-focused initiatives, including the launch of the Prestige product for deposit customers, offering a more personalised banking experience with enhanced benefits. It also reviewed the development of a new remittance product within a robust product governance framework and monitored improvements to the HubSpot CRM system to strengthen customer engagement and outcomes.</p> <p>Customer trust and resilience remained a priority. The Board received regular updates on cybersecurity and data protection, and during its annual strategy session reaffirmed its commitment to a customer-centric approach, prioritising investment in products and services aligned with evolving customer needs.</p>
People	<p>The Board recognises the essential role employees play in the Bank's success and therefore prioritises their health, safety, and wellbeing in all decision-making.</p> <p>The Human Resources and Remuneration Committee ensures that significant employee-related</p>	<p>The Board reviewed the results of the employee engagement and cultural survey conducted by People Insight, noting that the Bank achieved an Outstanding Workplace 2025 Award and ranked in the top quartile of participating organisations.</p>

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
People continued	<p>matters are escalated to the Board for discussion and oversight.</p> <p>Employee engagement is actively promoted through quarterly town hall meetings hosted by the CEO, where key business updates are shared and employees are encouraged to ask questions and provide feedback. Regular Human Resources (HR) communications, including updates on new joiners, further support transparency and inclusion.</p> <p>A robust performance appraisal framework evaluates both conduct and performance, complemented by ongoing training programmes to equip employees with the skills needed to deliver positive customer outcomes.</p>	<p>Board members also attended engagement sessions with employees, and feedback from these discussions informed improvements to maternity, paternity and adoption leave arrangements, reflecting the Board's continued focus on wellbeing, inclusion and work-life balance.</p> <p>In addition, Board members participated in employee award ceremonies, reinforcing the importance of the Bank's culture and values, while the Board Whistleblowing Champion met with groups of employees to raise visibility of the Bank's whistleblowing arrangements and support a culture of openness and accountability.</p>
Suppliers	<p>The Bank maintains relationships with a range of third-party service providers and vendors to support its business operations. These relationships are governed by the Vendor Management Policy, which ensures compliance, regulatory, quality, and risk management standards are met.</p> <p>Regular reviews of third-party relationships are conducted to assess performance, resilience, and service delivery.</p> <p>The Bank also provides opportunities for suppliers to share feedback, fostering collaboration and continuous improvement.</p>	<p>The Board recognises the importance of effective oversight of suppliers and third-party service providers, particularly where activities are outsourced or material to operations. It periodically reviews and approves the Vendor Management Policy, which sets out how risks arising from third-party and outsourcing arrangements are identified, assessed and managed. The framework covers key risk areas, including operational resilience, information security and cyber risk, financial stability, ESG considerations, and reputational risk, ensuring alignment with regulatory requirements and supervisory expectations.</p> <p>The Board receives regular updates on timely completion of supplier reviews and risk assessments. This oversight supports operational continuity, strategic delivery and the long-term interests of customers and other stakeholders.</p>

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
Regulators	<p>The Bank's Board and Management maintain an open and transparent relationship with its regulators, the FCA and the PRA, engaging regularly on a wide range of matters including governance, risk management, and compliance. This proactive engagement ensures that regulatory expectations are understood and embedded within the Bank's operations.</p> <p>The Board and its Committees receive regular updates on Management's interactions with regulators, including feedback and thematic findings, to ensure these are appropriately considered in decision-making. This includes reviewing regulatory developments, supervisory priorities, and any emerging risks highlighted by the regulators.</p> <p>The Bank conducts regular horizon scanning to identify and assess regulatory developments, ensuring compliance with all relevant rules and regulations. This forward-looking approach enables the Board to anticipate changes, manage risks effectively, and maintain strong relationships with its regulators.</p>	<p>The Board maintained ongoing engagement with the FCA and PRA in relation to the decision to close the Birmingham branch, ensuring that all regulatory requirements were met and that customer obligations were appropriately addressed.</p> <p>The Board also engaged with the PRA and FCA on the development of the Bank's new remittance product. In response to regulatory feedback, the Board Audit Committee approved changes to the audit plan to incorporate the assurance requested by the regulators.</p>
Community and Environment	<p>The Bank acknowledges its responsibility within the community and actively encourages employees to participate in charitable activities both locally and internationally. This commitment is supported by the Diversity, Inclusion, and Workplace Culture Forum (DIW), which promotes initiatives that strengthen community engagement and social impact.</p> <p>While the Bank's direct environmental footprint is limited, it remains committed to supporting climate change efforts wherever possible. This includes adopting</p>	<p>A Board member continued to chair the DIW forum, demonstrating Board-level commitment to supporting charitable and community initiatives. These included the Bank's partnership with Westminster Food Bank and organised fundraising events for Macmillan Cancer Support and Save the Children. The DIW forum also arranged celebrations for a number of cultural events during the year, promoting inclusion and awareness among colleagues.</p> <p>During the year, the Board approved the introduction of an Electric Car</p>

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
Community and Environment continued	<p>sustainable practices within its operations, such as reducing paper usage, promoting energy efficiency, and encouraging employees to use greener transport options through initiatives like the Electric Car Scheme.</p> <p>The Bank also monitors emerging environmental and social trends to ensure its policies and practices align with stakeholder expectations and regulatory developments, reinforcing its commitment to responsible business conduct and long-term sustainability.</p>	<p>Scheme to support employees in accessing greener transport options, reflecting its consideration of sustainability alongside employee wellbeing in its decision-making. The Board continued to support the Bank's hybrid working model for the majority of employees, reflecting its consideration of work-life balance alongside the Bank's objective to reduce its carbon footprint.</p>

Business Outlook

The Bank enters the next phase of its strategic plan with a clear focus on growth, diversification and resilience. Building on the refreshed five-year strategy, the Bank will continue to diversify its commercial business, selectively grow its lending portfolio, and expand Wealth Services to support a more balanced and sustainable revenue mix. Surplus liquidity continued to be deployed either in Financial Institutions assets or investments depending on the opportunity and the return.

The strategy will continue to leverage the group's international network and brand strength to identify high-quality growth opportunities and to develop customer-centric products and services. Collaboration with the group remains central to delivery, including further integration within the network and participation in initiatives such as the 'Prestige' brand, designed to strengthen the Bank's proposition for high-value and network customers.

Enhancing the customer experience will remain a key priority. The Bank will continue to focus on personalised service delivery through dedicated relationship management, improved turnaround times and proactive engagement to better anticipate and meet customer needs. Ongoing investment in technology, infrastructure and process optimisation will support these objectives and improve operational efficiency.

The Bank will continue to monitor the evolving regulatory landscape closely and remains committed to maintaining a strong compliance culture. Regulatory change will be assessed and implemented promptly, with external expertise engaged where appropriate to support effective and timely delivery.

In forming its outlook, the Board has considered the potential impact of interest rate movements, inflation, foreign exchange volatility and broader macroeconomic developments on profitability, capital, liquidity and operational resilience. The Board remains confident in the Bank's financial strength and risk management capabilities and considers the going concern basis appropriate for the preparation of the financial statements. Further details are provided in note 2(b).

Overall, while external market conditions are expected to remain challenging, the Bank is well-positioned to navigate uncertainty, support its customers and capitalise on growth opportunities, supported by a diversified business model, strong capital and liquidity positions, and a clear strategic direction.

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read "Suzanne Clark".

Suzanne Clark
Director
HBL Bank UK Limited
9 Portman Street
London W1H 6DZ
Dated: 13 March 2026

DIRECTORS' REPORT

The Directors of HBL Bank UK Limited (the "Bank") are pleased to present their annual report and financial statements for the year ended 31 December 2025. The Bank is a private company limited by shares and is a wholly owned subsidiary of Habib Allied Holding Ltd ("HAHL"), a non-banking company, registered in England and Wales.

Principal Activities

The Bank was incorporated on 29 April 1983. The principal activities of the Bank are outlined in the business model section of the Bank's Strategic Report on page 3.

Management

The management team of the Bank is composed of seasoned professionals with diverse yet complementary skills and extensive experience in their respective fields. Over the years, they have applied their knowledge and leadership to the development and delivery of solutions to meet the needs of the Bank's customers, thereby contributing to the performance of the Bank.

Financial Performance – Results

The financial statements for the year ended 31 December 2025 are presented in detail on pages 34 to 57. The profit on ordinary activities before tax for the financial year amounted to £5.8m (2024: £9.2m).

The Directors do not propose the payment of a dividend for the year (2024: Nil).

Financial review and future developments

The Bank's detailed financial review and future developments are outlined in the Strategic Report on pages 2 to 15.

Existence of Branches outside UK

The Bank does not have any branches outside the UK.

Share Capital

The allotted, called up, and fully paid-up capital of the Bank at the end of the year was £53.3m (2024: £53.3m), and total equity was £87.7m (2024: £84.2m).

Directors

As per the Bank's Articles of Association, unless otherwise determined by ordinary resolution, the number of directors (excluding alternate directors) must not be fewer than five and not more than ten.

As at the end of the year under review, the Board of Directors (the "Board") includes four independent directors, which represents the right balance of professional and financial skills, expertise, breadth of knowledge, diversity, and experience relevant to the Bank's business. During the year under report, the Board held eleven meetings (2024: seven).

The following Directors held office during the year and to the date of signing the financial statements, unless otherwise indicated:

Andrea Farace	Chairman and Independent Non-Executive Director
Robert Annibale	Independent Non-Executive Director
Suzanne Clark	Independent Non-Executive Director
Khalid Qurashi	Independent Non-Executive Director
Rayomond Kotwal	Non-Executive Director

Sagheer Mufti	Non-Executive Director
Farhan Talib	Non-Executive Director
Andreas Ponce de Leon	CEO and Executive Director

Directors' Interests

None of the Directors who held office at the end of the financial year under review holds or has held shares in the Bank or had disclosable interest in the shares of the Bank or its parent company, HABL. None of the Directors had a material interest, either directly or indirectly, other than transactions conducted in the normal course of business on an arm's length basis or under a service contract.

Directors' indemnification

As permitted by the Articles of Association, the Directors benefit from an indemnity that constitutes a qualifying third-party indemnity provision, as defined by Section 236 of the Companies Act 2006 (the "Act"). The indemnity was in force throughout the financial year and remains in force, although it has not been utilised by the Directors.

An insurance policy is maintained by the Bank and HABL, which indemnifies the Directors against certain liabilities arising in the conduct of their duties. This indemnity has been in place during the period and remains in force as of the date of this report.

Political Contributions

During the year, the Bank made no political contributions (2024: £Nil).

Engagements with Suppliers, Customers and Others

Engagements with suppliers, customers and other stakeholders are detailed in the Section 172 Statement by the Directors, which is provided in the Strategic Report.

Corporate Governance

The Bank is authorised by the Prudential Regulation Authority ("PRA") and regulated by both the PRA and the Financial Conduct Authority ("FCA").

The Board is committed to maintaining the highest standards of corporate governance. The Bank broadly follows the Financial Reporting Council's UK Corporate Governance Code to guide its corporate governance practices, wherever practicable and appropriate, taking into account its ownership structure, size and scope of operations.

The Directors collectively have a duty to promote the long-term success of the Bank. In formulating the Bank's strategic objectives and policies, the Board is mindful not only of regulatory and legal obligations, but also of its responsibilities to all stakeholders, including customers, employees and the wider community in which it operates. The Board met nine times during the year to review the Bank's financial performance, its progress in meeting agreed objectives, and other key aspects, ensuring that the strategic direction approved by the Board is being followed and that the Bank operates within a framework of prudent and effective controls.

The corporate governance framework of the Bank is based on an effective and independent Board, which is not involved in the day-to-day management. The positions of the Chair of the Board (the "Chair") and CEO are held by separate individuals, ensuring that no one individual has unfettered decision-making power.

The Chair is responsible for leading the Board and ensuring its effectiveness in all aspects of its role. This includes promoting a culture of openness and debate, facilitating the effective contribution of Directors, and ensuring that Directors receive accurate, timely and clear information. The Chair, CEO and Company Secretary meet prior to each meeting to agree on the Board agenda.

An internal Board effectiveness review is conducted annually. Results are reviewed and action taken if required. External Board effectiveness reviews are undertaken periodically, at least every three years.

To support Directors in effectively discharging their duties, five Board Committees operated throughout the year, each with defined terms of reference that are reviewed annually.

These Board Committees review necessary Management Information (“MI”) and policies to ensure that the Bank’s activities are always conducted in accordance with the required standards. The membership of the Board Committees is drawn from the Board Directors. The Board receives updates from each of the Board Committee meetings, and all Directors can access and review the minutes of the respective committee meetings.

An effectiveness review of each Board Committee is undertaken annually. Results are reviewed and action taken if required.

Board Audit Committee (“BAC”)

The BAC is responsible for overseeing the integrity of the financial reporting processes, the performance of internal and external audit, and assessing the effectiveness of the internal control environment. The Bank maintains an independent Internal Audit function that reports directly to the Chair of the Board Audit Committee, Suzanne Clark. Suzanne is an Independent Non-Executive Director and an approved person by the PRA/FCA. Internal Audit operates under a mandate approved by the BAC, which includes reviewing the effectiveness of governance, risk management, and internal controls across the Bank.

The BAC’s main responsibilities include:

- Reviewing the Bank’s financial statements and the appropriateness of its accounting policies and key judgements and recommending to the Board for its approval.
- Overseeing external audit, including reviewing external audit findings, and the level of misstatements.
- Overseeing Internal Audit, including monitoring and reviewing the effectiveness of the internal audit activities.
- Approving the Internal Audit budget and monitoring its adequacy.
- Reviewing the adequacy of the function’s skills and resources and capabilities of the Internal Audit function.
- Ensuring that the function has appropriate independence and authority to discharge its responsibilities effectively.
- Reviewing, approving and tracking the progress of remedial action plans/programmes arising from PRA/FCA reviews, external auditors’ management letters, and the external auditors’ CASS audit report and management letter.
- Reviewing the internal financial control systems and following up on actions that have been or are being taken to remedy any significant failings or weaknesses.
- Ensuring that appropriate arrangements are in place to address whistleblowing and fraud related matters.
- Overseeing the competitive tender process for the appointment of the external auditor.

Board Risk Committee (“BRC”)

The BRC is responsible for ensuring appropriate governance and oversight of all risks within the Bank, including credit risk, liquidity risk, market risk, operational risk, climate risk and reputational risk. The Chair of the BRC, Khalid Qurashi, is an Independent Non-Executive Director and an approved person by the PRA/FCA.

The BRC’s main responsibilities include:

- Monitoring the independence and performance of the risk function in accordance with FCA/PRA guidelines.
- Defining the nature, role, responsibility, and authority of the risk management function.
- Reviewing and assessing the integrity of the risk control systems. Ensuring that the Bank’s risk policies, procedures, and strategies are effectively managed.
- Ensuring that the Bank has clear, comprehensive and well-documented policies, procedures, and guidelines relating to risk management for all major risks.
- Ensuring that the Bank’s risk appetite is well articulated and aligns with its strategic focus.
- Determining and reviewing risk tolerance limits.
- Establishing overall lending policies, setting credit risk appetite, and providing guidelines.
- Ensuring that portfolio performance is in line with set benchmarks and confirming that the overall provisions are adequate.
- Considering and recommending to the Board for approval the Bank’s Recovery and Resolution Plan (“RRP”), Internal Capital Adequacy Assessment Process (“ICAAP”), Internal Liquidity Adequacy Assessment Process (“ILAAP”) and Solvent Exit Plan.
- Providing independent and objective oversight of the information presented by management.

Human Resources and Remuneration Committee (“HRRC”)

The HRRC is responsible for ensuring that HR and remuneration arrangements support the strategic aims of the Bank and enable the recruitment, motivation, and retention of employees, while complying with relevant laws and regulations. The Chair of the HRRC, Robert Annibale, is an Independent Non-Executive Director and an approved person by the PRA/FCA.

The HRRC’s main responsibilities include:

- Establish, implement and maintain remuneration policies and practices to support the Bank’s strategy and promote long-term sustainable success.
- Reviewing and approving remuneration policies and practices, ensuring their adequacy, effectiveness, and compliance with the SYSC 19D Remuneration Code.
- Ensuring that remuneration decisions reflect robust risk management and adheres to regulatory remuneration principles.
- Reviewing and approving the list of bank wide Material Risk Takers (“MRTs”) (SMF and Certified employees) on an annual basis and reviewing all new MRT hires or internal moves to ensure staff are Fit and Proper and competent to fulfil their duties and ensure good customer outcomes.
- Determining the individual remuneration packages for MRTs, in consultation with the Board, Chairs of Board committees and the Chief Executive Officer (CEO), within the agreed policy framework.
- Approving HR policies and practices, including those related to employees’ professional development, appraisal processes, internal promotions, and recruitment.
- Approving the principles of any employee reward program.
- Reviewing the Bank’s leadership needs, ensuring a diverse pipeline for appointments to maintain competitiveness.

Compliance and Conduct Committee (“CCC”)

The CCC is responsible for supporting the Board in instilling a strong compliance culture within the Bank. It guides the design of the Bank-wide compliance program, reviews measures instituted by management to foster business responsibility, and monitors the Bank’s compliance with legal and regulatory requirements, as well as internal policies and procedures, including whistleblowing. The Chair of the CCC, Sagheer Mufti, is a Non-Executive Director and an approved person by the PRA/FCA.

Since compliance and conduct are Bank-wide considerations, relevant committees of the Board actively coordinate with each other to achieve the overall objective of improving the compliance and conduct environment.

The CCC’s main responsibilities include:

- Reviewing the Compliance risk strategy and related policies, recommending them to the Board for approval.
- Evaluating, at least annually, through the Compliance function, the effectiveness of the Bank’s overall management of Compliance risk across the business.
- Monitoring Compliance Key Risk Indications (“KRIs”) according to the defined framework.
- Overseeing the implementation of the Bank’s policies and procedures to mitigate the risk of the Bank may be used for financial crime.
- Protecting the reputation of the Bank by managing compliance risks.

Board Nominations and Governance Committee (“BNGC”)

The BNGC is responsible for making recommendations regarding appointments to the Board, including Board committee memberships. The Chairman of the BNGC, Andrea Farace, is an independent Non-Executive Director and an approved person by the PRA/FCA.

The BNGC’s main responsibilities include:

- Regularly reviewing the Board’s structure, size, composition, and diversity, and recommending changes to the Board and to the parent company’s Board.
- Considering Board membership and succession planning for the Board, factoring in skills balance, experience, length of service, and diversity.
- Identifying and nominating candidates for Board vacancies, for approval by both the Board and the parent company.
- Evaluating the Board’s skills, knowledge, experience, diversity, and length of service, and assessing the skills required.
- Preparing role descriptions and the necessary capabilities for all Board appointments.
- Determining and approving Independent Non-Executive Director (“INED”) remuneration, whilst ensuring that no director shall be involved in any decisions as to their own remuneration outcome.
- Overseeing the annual review of the Board’s effectiveness and the implementation of any resultant actions.
- Overseeing Board Governance matters and recommending enhancements where appropriate to support effective decision making and good customer outcomes.

Executive-Level Committees

The CEO, reporting to the Chair and the Board, is responsible for all operational issues and day-to-day management of the Bank. He is supported by Senior Management and the following committees:

- Management Committee (“MC”)

- Asset and Liability Committee (“ALCO”)
- Credit Risk Committee (“CRC”)
- Product Governance Committee (“PGC”)
- Operational Risk Management Committee (“ORMC”)
- Compliance and Reputational Risk Committee (“CRRC”)

Code of Ethics and Code of Conduct

The Bank’s Code of Ethics and Business Conduct defines the ethical standards expected of all employees, guiding them to perform their duties with integrity, professionalism, and respect. These principles underpin the Bank’s Policies and Procedures, helping staff uphold high ethical values and strengthen customer trust.

In addition, the Bank has adopted the FCA Code of Conduct, which sets out Conduct Rules for both Senior Managers and all other employees. These rules emphasise honesty, integrity, and accountability, outlining the behaviours and standards required across the organisation.

- Senior Manager Conduct Rules apply to individuals approved by the FCA/PRA under the Senior Managers Regime (SMFs).
- Individual Conduct Rules apply to all employees, regardless of role or certification status.

Going Concern

The Directors acknowledge their responsibility to assess the Bank’s ability to continue as a going concern, for at least twelve months from the approval of the financial statements. This assessment considers the Bank’s liquidity, capital, funding, the ILAAP and the ICAAP documents. After reviewing a range of information on current and future conditions, the Directors are satisfied that the Bank has sufficient resources, appropriate capital and a suitable management structure to continue its activities for the foreseeable future, confirming that a going concern basis remains valid for the Bank’s financial statements.

Key assumptions used in the going concern assessment are disclosed in note 2(c) of the financial statements, “Key sources of estimation uncertainty”.

Employees and Benefits

As at 31 December 2025, the Bank had 134 employees (2024: 131) and provides the following benefits to all employees:

- Defined contributory pension scheme with 7% employer contribution.
- Life insurance cover (4 times annual salary) in case of death in service.
- Private Health Insurance.
- Income Protection, providing an income of 75% of salary for up to five years.

Financial risk management objectives and policies

Pages 2 to 15 of the Strategic Report and note 28 of the financial statements outline the Bank’s exposure to financial risk and its financial risk management policies. The Bank’s Pillar III disclosures are available on the Bank’s website at www.hblbankuk.com.

Research and Development

The Bank did not engage in any research and development activities during the year.

Post Balance Sheet Events

No adjusting or reportable events have occurred after the balance sheet date, except as disclosed in Note 30.

Directors' Representation

The Directors who held office at the date of this Directors' Report confirm that:

- a) to the best of their knowledge, there is no relevant audit information of which the Bank's auditor is unaware; and
- b) each Director has taken the necessary steps to make themselves aware of any relevant audit information and ensure the Bank's auditor is aware of it.

The above confirmation is given in accordance with section 418(2) of the Companies Act 2006.

The Directors are not aware of any material events since the financial year-end to the date of signing this Report that could impact the Bank's financial health.

Auditors

In accordance with section 487 of the Act, the auditors will be deemed to be re-appointed, and Deloitte LLP will continue in office for the following year.

Acknowledgement

The Board expresses its gratitude to all stakeholders, including customers, for their continued support, which has been essential to the Bank's growth. The Bank remains committed to its strategy, confident that its customer-focused business model will continue to driver future success.

The Board also appreciates the Management and employees for their hard work, dedication, and teamwork.

Approved by the Board and signed on its behalf by:



Andrea Farace
Chair of the Board
HBL Bank UK Limited
9 Portman Street
London W1H 6DZ

Dated: 13 March 2026

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HBL Bank UK Limited

Report on the audit of the financial statements.

1. Opinion

In our opinion the financial statements of HBL Bank UK Limited (the 'Bank'):

- give a true and fair view of the state of the Bank's affairs as at 31 December 2025 and of its profit for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• loan loss provisioning on loans and advances to customers.
Materiality	The materiality that we used in the current year was £1.74m which was determined on the basis of 2% of net assets.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team in the UK.
Significant changes in our approach	There were no significant changes in our approach.

4. Conclusions relating to going concern.

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

Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- performing walkthroughs of management's controls around the assessment of going concern, including those around the inputs, methods and assumptions used in management's model for capital severe stress testing.
- Evaluating whether management's going concern assessment paper to assess whether it appropriately captures all key business risks, such as operational, financial, liquidity and capital risks.
- challenging the key assumptions used in the profitability forecast of the Bank by evaluating their reasonableness against the Bank's historic performance and macroeconomic forecasts.
- comparing the actual results reported in 2025 and 2024 with the forecasted performance to identify any areas where historically the Bank's forecasts have been inaccurate.
- with the involvement of our prudential risk specialists, reading the most recent ICAAP and ILAAP submissions, considered management's capital and liquidity projections, assessed the results of management's stress testing on the liquidity reserve position and the surplus capital position, and evaluated key assumptions and methods used in the liquidity and capital stress testing.
- reading correspondence with regulators to understand the capital and liquidity requirements imposed by the Bank's regulators, and evidence any changes to those requirements; and
- assessing the appropriateness of the disclosures made in the financial statements in view of the requirements of applicable financial reporting framework.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Loan loss provisioning on loans and advances to customers

Key audit matter description

As at 31 December 2025, the Bank had an outstanding balance of loans and advances to customers, net of provision, amounting to £293m (2024: £216m) (see note 22) with the total impairment provision balance being £1.3m (2024: £1.2m) (see note 16). These loans are measured at amortised cost using the effective interest rate method less allowance for impairment as required under IAS 39 'Financial Instruments: Recognition and Measurement'.

The level of impairment against the loan and advances portfolio is one of the most significant estimates made by the Bank's directors and management in preparing financial statements. The accounting policy relating to impairment losses on loans and receivables is in Note 2(e), judgements in applying accounting policies and critical accounting estimates in Note 2(c), and provision for impairment losses on loans and advances to customers in Note 16 of the financial statements.

The significant judgements include the identification of loans where impairments may have occurred, the calculation of provisions to be recognised on the watch-listed and defaulted borrowers, which are individually assessed, and the calculation of the collective impairment across the portfolio. The estimation of the loan loss provision and the valuation of collateral can be complex and there is a potential risk of fraud due to the significant judgements applied.

Accordingly, we have identified a key audit matter with respect to the loan loss provisioning, which covers both the individually assessed and collectively assessed impairments. The additional judgements and complexity associated with individually assessed impairments mean that we have concluded that this element of the key audit matter is related to the potential risk of fraud.

How the scope of our audit responded to the key audit matters

As part of our response to the identified key audit matter, we performed the following procedures:

- Obtained an understanding of the relevant controls related to the Bank's loan loss provisioning process. This included an assessment of the credit sanctioning, credit monitoring and credit provisioning of Loans and advances to customers and any changes to these processes;
 - Reviewed the Credit Risk Committee minutes to identify problematic borrowers
-

and any recent decision made in respect of internal risk rating that may impact impairment provision recognised;

- Tested the impairment assessment performed by management on loans that are assessed individually, being watch listed and defaulted loans. This involved assessing the impairment methodology and the key assumptions used in the assessment in light of recent macroeconomic environment;
- Working with our real estate specialists, we challenged management on key inputs and judgements used in the impairment assessment by evaluating payment history, collateral valuation including the valuation of underlying properties and assessing the consistency of the information with the supporting documents;
- Assessed the completeness of the provision balance by obtaining the list of all loans held by the Bank where no specific provision was made. For a sample of these loans, we tested the key loan characteristics such as contracts, payment delinquencies and customer financials to assess for potential impairment indicators under IAS 39;
- Recalculated the collective provision based on the assumptions used to test the mathematical accuracy of management’s calculation;
- Assessed the completeness and accuracy of underlying loan data and the assumptions used in the calculation of collective impairment; and
- Assessed the appropriateness of the disclosures made in the financial statements in view of the requirements of applicable financial reporting framework.

Key observations

Overall, we conclude that the provisioning on loans and advances to customers, and the related disclosures are reasonable.

6. Our application of materiality

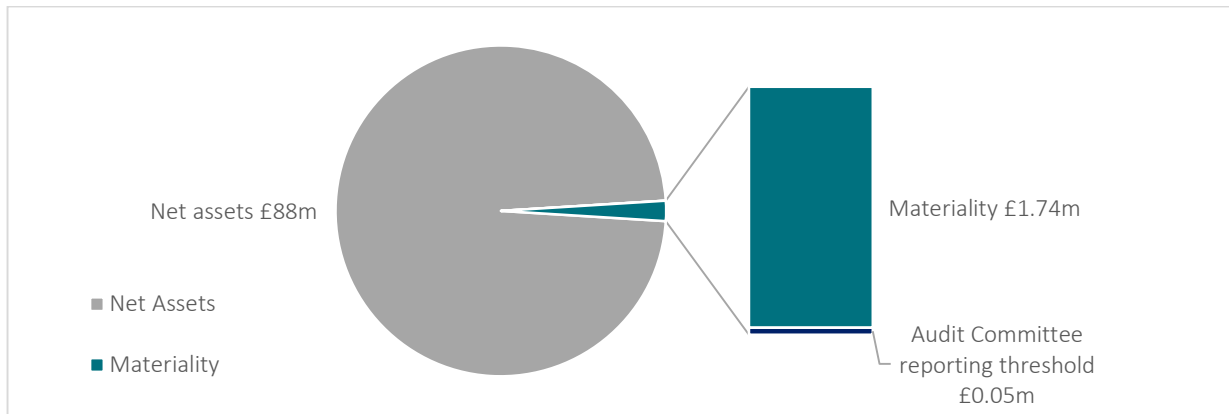
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1.74m (2024: £2.00m)
--------------------	-----------------------

Basis for determining materiality	2.0% of Net Assets (2024: 2.5% of net assets)
Rationale for the benchmark applied	Net Assets is a key metric within the financial statements on which the users, being the owners of the Bank, lenders, and the regulatory body, focus, and is a good proxy for regulatory capital. The Bank's balance sheet including its loans and advances and deposits and borrowings is the main driver of the Bank's income and expenses.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered a number of factors, including:

- our understanding of the Bank's control environment and whether we were able to rely on the controls;
- our prior audit experience and understanding of the Bank's business; and
- the low level of corrected and uncorrected misstatements identified in previous audits.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.05m (2024: £0.05m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Bank and its environment, including internal controls, and assessing risks of material misstatements. The Bank has three branches in the United Kingdom. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team in the UK for all branches.

7.2. Our consideration of the control environment

We identified the key IT systems relevant to the audit to be those used in the financial reporting, lending and deposits businesses. For these controls, with the involvement of our IT specialists, we performed testing over the general IT controls, including testing of user access and change management system.

In the current year, in addition to obtaining an understanding of the relevant controls over the determination of loan loss provisioning, we also tested controls relevant to customer deposits and payments, and controls relevant to the interest expense paid on customer deposits.

The directors discuss the control environment, including improvements made during the year, on page 10 of the Strategic Report.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impacts of the climate-related risks identified by management on the Bank's business and its financial statements.

The Bank has set out its strategic ambition on climate and the related risks and governance processes on page 55 of the annual report. Management has identified that climate-related risks could have an impact on the strategy and operations of the Bank, and the timing and ultimate impact of these risks contain an inherent level of uncertainty as disclosed in the Strategic Report (pages 9 to 10 of the Annual Report) and in Risk Management disclosure in note 28.

As part of our audit, we have made inquiries of management to understand their process for considering the impact of climate-related risks including their qualitative loan sector analysis. In addition, we evaluated the Bank's climate-related disclosure in note 28 and considered whether information included in the Strategic Report is materially consistent with the financial statements or knowledge obtained in the audit.

7.4. Working with other auditors

We worked with the auditor of the parent bank to test the general IT controls over the IT systems relevant to the audit. We issued referral instructions to set out the audit procedures we requested the auditor of the parent bank to undertake. We held meetings to review the work that they had performed. All other work relating to the audit of financial statements of the Bank for 2025 was carried out by the audit team.

8. Other information

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

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

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Bank's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets.
- results of our enquiries of management, internal audit Function and the Board audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Bank's sector.
- any matters we identified having obtained and reviewed the Bank's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance.

- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and including the audit team of the parent bank, and relevant internal specialists, such as Tax specialists, Prudential regulatory specialists, IT risk specialists and Real Estate specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the loan loss provisioning on loans and advances to customers. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Bank operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation and the Capital Requirements (Country-by Country Reporting) Regulations 2013.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Banks's ability to operate or to avoid a material penalty. These included the Bank's compliance with the Prudential Regulation Authority (PRA) Rulebook and the Financial Conduct Authority (FCA) Handbook

11.2. Audit response to risks identified.

As a result of performing the above, we identified loan loss provisioning on loans and advances to customers as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board audit committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including our internal specialists, and the audit team of the parent bank, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements.

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 29 to the financial statements for the financial year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception.

14.1. Adequacy of explanations received and accounting records.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure


Following the recommendation of the Board Audit Committee, we were appointed by the Board of Directors of the Bank on 21 July 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ended 31 December 2016 to 31 December 2025.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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



Christopher Brough FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
13 March 2026

Income Statement
For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Interest income			
Interest Income - Debt Securities		5,884	6,032
Interest Income - Loans and Other services	3	<u>23,106</u>	<u>25,627</u>
		28,990	31,659
Interest Expense	4	(7,248)	(6,856)
NET INTEREST INCOME		<u>21,742</u>	<u>24,803</u>
Fees and commissions income	5	6,193	4,973
(Losses) / Gains on foreign exchange - net		(951)	846
Other operating income		939	235
NET OPERATING INCOME		<u>27,923</u>	<u>30,857</u>
Administrative expenses	6	(21,631)	(21,449)
Depreciation and amortisation Expense	7	(435)	(310)
TOTAL OPERATING EXPENSES BEFORE PROVISIONS		<u>(22,066)</u>	<u>(21,759)</u>
OPERATING PROFIT BEFORE PROVISIONS AND TAX		<u>5,857</u>	<u>9,098</u>
Provision for loan (losses) - net	16	(74)	(84)
Reversal of provision for diminution in the value of investments	7	-	207
PROFIT BEFORE TAX		<u>5,783</u>	<u>9,221</u>
Tax (expense) / credit	8	(775)	816
PROFIT AFTER TAX		<u><u>5,008</u></u>	<u><u>10,037</u></u>

The notes on pages 39 to 57 form part of these financial statements.

Statement of Comprehensive Income
 For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Profit for the year		5,008	10,037
Other comprehensive income / (expense)			
Items that can be reclassified to Income Statement in subsequent periods:			
Gain on revaluation of investments	10	173	656
Deferred tax related to available for sale debt securities	8b	(51)	(157)
		122	499
Total Comprehensive Income for the Year		5,130	10,536

Statement of Financial Position
As at 31 December 2025

	Note	2025 £'000	2024 £'000
ASSETS			
Cash and balances at central banks	22	54,821	67,835
Loans and advances to banks	22	112,260	100,848
Loans and advances to customers	22	293,309	215,563
Debt securities	10	85,178	166,870
Fixed assets	11	1,989	1,599
Other assets	13	1,687	3,006
Accrued income on securities		1,230	1,372
Deferred taxation	12	6,230	7,054
TOTAL ASSETS		556,704	564,147
LIABILITIES			
Deposits by banks		6,741	5,261
Customer accounts	14	449,122	461,701
Other liabilities	15	13,187	12,985
TOTAL LIABILITIES		469,050	479,947
EQUITY			
Shareholders' funds			
Share capital	17	53,315	53,315
Profit and loss account		12,595	9,649
Revaluation reserve		3	(119)
		65,913	62,845
Other equity instruments	18	21,741	21,355
TOTAL EQUITY		87,654	84,200
TOTAL LIABILITIES & EQUITY		556,704	564,147

The notes on pages 39 to 57 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13 March 2026 and were signed on its behalf by:



Suzanne Clark
Director

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

	Share capital	Other Equity instruments	Profit and loss account	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2024	53,315	20,487	2,068	(618)	75,252
Total comprehensive income for the year					
Profit for the year	-	-	10,037	-	10,037
Other comprehensive income	-	-	-	499	499
	-	-	10,037	499	10,536
Contributions by / (Distributions to) owners					
Issuance of Additional Tier 1 Capital	-	3,958	-	-	3,958
Repayment of Tier II Capital	-	(3,090)	-	-	(3,090)
Interest on other equity instruments	-	-	(2,456)	-	(2,456)
	-	868	(2,456)	-	(1,588)
At 31 December 2024	53,315	21,355	9,649	(119)	84,200
Total comprehensive income for the year					
Profit for the year	-	-	5,008	-	5,008
Other comprehensive income	-	-	-	122	122
	-	-	5,008	122	5,130
Contributions by / (Distributions to) owners					
Issuance of Additional Tier 1 Capital	-	1,621	-	-	1,621
Repayment of Tier II Capital	-	(1,236)	-	-	(1,236)
Interest on other equity instruments	-	-	(2,062)	-	(2,062)
	-	385	(2,062)	-	(1,677)
At 31 December 2025	53,315	21,741	12,595	3	87,653

Cash Flow Statement
For the year ended 31 December 2025

	Notes	2025 £'000	2024 £'000
Cash flows from operating activities			
Profit for the year		5,008	10,037
Adjustment for:			
Depreciation		435	310
Gain on sale of fixed assets		(720)	-
Amortisation - HTM securities		234	356
Tax expense / (credit)		775	(816)
Provisions for loan losses - net		74	84
		<u>798</u>	<u>(66)</u>
		5,806	9,971
(Increase) / Decrease in operating assets			
Loans and advances to banks (excluding short term placements and Nostro balances)		(22,193)	1,592
Loans and advances to customers		(77,820)	2,321
Other assets (excl. Corporation Tax) including Accrued Income		1,780	(2,142)
		<u>(98,233)</u>	<u>1,771</u>
Increase / (Decrease) in operating liabilities			
Deposit by banks		1,480	(101)
Customer accounts		(12,579)	49,815
Other liabilities (excl. Corporation Tax) including Deferred Income		201	(620)
		<u>(10,898)</u>	<u>49,094</u>
		(103,325)	60,836
Income tax paid-net		(205)	-
Net cash flows generated from / (used in) operating activities		<u>(103,530)</u>	<u>60,836</u>
Cash flows generated from / (used in) investing activities			
Maturity/Sale of Investments in available-for-sale securities		200,628	67,612 *
Purchased of Investments in available-for-sale securities		(119,113)	(141,129) *
Maturity of Investments in held-to-maturity securities		-	4,295
Fixed capital expenditure		(105)	(792)
Net cash flows generated from / (used in) investing activities		<u>81,410</u>	<u>(70,014)</u>
Cash flows (used in) / generated from financing activities			
Repayment of Tier II Capital		(1,236)	(3,090)
Issuance of additional tier 1 capital		1,621	3,958
Interest paid on other equity instruments		(2,062)	(2,456)
Net cash flows used in financing activities		<u>(1,677)</u>	<u>(1,588)</u>
Decrease in cash and cash equivalents during the year		<u>(23,797)</u>	<u>(10,766)</u>
Cash and cash equivalents at the beginning of the year		102,057	112,823
Cash and cash equivalents at the end of the year	7.3	<u><u>78,260</u></u>	<u><u>102,057</u></u>

* Investing cashflows, that were presented net in the prior year, have now been shown on a gross basis.

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

1 THE BANK AND ITS OPERATIONS

HBL Bank UK Limited ("the Bank") is a private company limited by shares. The Bank is incorporated in England and Wales and is engaged in commercial banking services. It is a wholly owned subsidiary of Habib Allied Holding Limited (HAHL) which is a non-banking private company and limited by ordinary shares. The registered office of the Bank and HAHL is at 9 Portman Street, London, W1H 6DZ. In 2025, the Bank closed its Birmingham branch and is now operating three branches (2024: four).

2 Accounting policies

A summary of the accounting policies is set out below. These have been applied consistently throughout the current and preceding year except where indicated.

(a) Statement of Compliance

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The financial statements are presented in Pounds Sterling which is the functional currency of the Bank.

The financial statements of the Bank for the year ended 31 December 2025 have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued by the Financial Reporting Council.

The financial statements contain information about HBL Bank UK Limited as an individual company and do not contain consolidated financial information as the parent of a group.

(b) Going concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the Bank's financial position for a period of 12 months from the date of signing these financial statements.

The directors have reviewed the detailed forecasts for the period of 12 months from the signing of the financial statements. The forecasted position have been stress-tested by a range of severe but probable scenarios for both Capital and Liquidity.

These scenarios have been derived with reference to the Bank's agreed internal risk appetite and current economic conditions.

In the base case forecast the directors have considered the key assumptions below:

- Bank's operational continuity;
- Continuing the refreshed strategy of focusing on enhancing business and introduction of customer focussed products;
- Regulatory environments;
- Forecast gradual reduction in interest rates;
- Quality of loan assets;
- Strategic investment in technology to enhance operational efficiency; and
- Management of costs and investment in people.

Based on the above assumptions, the Bank will continue to execute the approved strategy in next 12 months focussing on enhancing business and revenue.

Sensitivity analysis:

The forecast position is sensitive to the changes in Bank's risk based capital and liquidity surplus. The Bank projects adequate capital and liquidity surplus in the next 12 months from the date of signing the financial statements.

However, the directors on a prudent basis have applied further stress to the base case scenario to assess the potential impact on the Bank's future capital and liquidity position.

Capital assessment:

To test Bank's credit quality, credit department has applied one stress with 3 sensitivities analysis to its loan book in line with the Bank's credit policy. Sensitivities are based on specific assumptions and the most severe stress scenario has been applied on the Bank's capital resources.

Based on both the normal and severe stress parameters, the existing capital is sufficiently adequate to absorb additional losses under the stress conditions.

Liquidity assessment:

The Bank has applied both base case and combined stress scenarios on the forecasted balance sheet of the Bank. Both the normal and stress scenarios reflect that the Bank has adequate liquidity available in the next 12 months.

Combined stress scenario:

This stress test is the combination of Idiosyncratic and Market wide stress whereby it is assumed that the Bank will be suffering simultaneous liquidity stress from its counterparties and depositors as well as from an overall systemic and cyclical financial markets crisis.

The results of stress scenarios in relation to capital and liquidity assessments demonstrate that the Bank is likely to meet its obligations. Accordingly, the Board has concluded that the Bank has sufficient resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements.

(c) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. These estimates and underlying assumptions are reviewed on an ongoing basis.

(i) Critical judgements in applying Bank's accounting policies

The critical accounting judgements are noted below.

Impairment losses on loans and advances

The Bank exercised considerable judgement and best estimate for recognising impairment allowance on customer loans and advances at the balance sheet date. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur. (Refer to impairment allowances and collectively assessed impairment allowances in note 2e and note 16). The Bank has also performed sensitivity analysis by applying stress scenarios on the credit portfolio in-line with the Bank's credit policy by credit risk department. Whilst a range of outcomes is reasonably possible, the analysis indicates that even under the most severe scenario, no impairment loss arise on the credit portfolio.

Impairment of Debt Securities

The Bank reviews its financial investments at each balance sheet date to assess whether they are impaired. (Refer to "Held to Maturity Investments" and "Available for Sale Financial Investments" as given in note 2e).

Deferred Taxation

Judgement is involved in determining the period of time over which it is probable there will be sufficient future taxable profits against which the unutilised losses can be used. The Bank's confidence in the sustainability of its business model and its demonstrated ability to generate taxable profits in the foreseeable future, therefore the Bank has performed its assessment over a period of ten years. This includes making judgements on the impact of future economic conditions.

(ii) Key sources of estimation uncertainty

Deferred taxation

The Bank's accounting policy for deferred tax is set out in note 2(g) and the details of Bank's deferred tax assets and liabilities are set out in note 12. The Bank has also performed a sensitivity analysis to assess the potential impact of changes in key assumptions on the recognised deferred tax.

Estimates of the level of future profitability are made in determining the amount of deferred tax asset on unutilised losses to be recognised at the reporting date.

Impairment losses

The Bank's accounting policy for impairment losses is set out in note 2(e) and details are provided in Note 16.

(d) Fixed Assets

Fixed assets are shown at cost less accumulated depreciation and impairment, if any, and reviewed for impairment if necessary. Depreciation is provided on these assets at rates calculated to depreciate the cost, less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Nature of assets	Rate of depreciation
Buildings: Freehold properties	5%
Leasehold improvements	10% & over lease period
Furniture, fixtures and office equipment	10 - 20%
Computer hardware	20 - 33%
Computer software	20%

(e) Financial assets and liabilities

The Bank has adopted the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted by UK) and the disclosure requirements of Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments. The scope of IAS 39 applies to all of the Bank's financial instruments at balance sheet date.

Financial assets

The Bank classifies its financial assets in four categories:

- Financial assets at fair value through income statement.
- Loans and receivables (measured at amortised cost).
- Held to maturity investments (measured at amortised cost).
- Available for sale financial assets (measured at fair value with fair value changes recorded in other comprehensive income).

Financial assets at fair value through Income Statement

- (i) acquired principally for the purposes of selling or repurchasing in the near term, including marketable securities;
- (ii) part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; and
- (iii) a derivative contract.

Financial assets included in this category are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement. Purchases and sales of financial assets held for trading are recognised on trade date, being the date on which the Bank commits to purchase or sell the asset.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale.

Loans and advances to customers are initially recognised at transaction price less attributable transaction costs. They are subsequently valued at amortised cost, using the effective interest method less allowance for impairment.

Impairment Allowances

Loans and receivables are assessed regularly during the course of the year to determine whether there is any evidence of impairment on the accounts which are problematic.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Generally the Bank's portfolio is secured by charge on residential / commercial properties. As per the Bank's policy, valuations of collateral are used as the proxy of future cash flows. Losses are recognised in income statement and reflected in an allowance account. When the Bank considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.

Collectively assessed impairment allowances

Individually assessed loans for which no evidence of impairment has been specifically identified on an individual basis are grouped together according to their credit risk characteristics. A collective impairment allowance is calculated to reflect impairment losses incurred at the balance sheet date which will only be individually identified in the future.

The collective impairment allowance is determined by taking into account the expected loss of the customer derived through the probability of default data calculated by the third party internal credit risk model and using discounted cash flows (including collateral) to arrive at the relevant loss given default.

Held to maturity investments

Held to maturity investments are non-derivative financial assets including debt securities with fixed or determinable payments that the management has the positive intention and ability to hold to maturity. Held to maturity assets are initially recognised at fair value including direct and incremental transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

If there is objective evidence that an impairment loss on a financial asset classified as held to maturity has been incurred, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of future estimated cash flows. Impairment losses are recognised in the income statement and the carrying amount of the financial assets is reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and are not recognised in any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included in a fair value reserve until sold when the cumulative gain or loss is transferred to the income statement. When a decline in the fair value of an available for sale financial asset has been recognised in Statement of Comprehensive Income and there is objective evidence of impairment, the cumulative loss, being the difference between the asset's acquisition cost (net of amortisation) and its current fair value is removed from fair value reserve and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and the increase can be related objectively to the cessation of impaired event, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the Income Statement.

Purchases and sales of financial assets available for sale are recognised on trade date, being the date on which the Bank commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are initially measured at the transaction price (including transaction cost), except for financial liabilities held for trading, which are measured at fair value through income statement. All financial liabilities (including other payables) are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The Bank makes use of derivative financial instruments, i.e. forward foreign exchange contracts and cross currency swaps, to manage exposures to foreign currency risks and balance sheet gap management. The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at market prices. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on the derivatives during the year are taken directly to the income statement.

Derecognition of financial assets and financial liabilities

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and
 - (a) the Bank has transferred substantially all the risks and rewards of the asset, or
 - (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(f) Investment in Subsidiary

Investment in subsidiaries are stated at cost less impairment. Impairment loss is recognised if the carrying amount exceeds its recoverable amount. Recoverable amount is higher of fair value less cost to sell and its value in use.

(g) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been substantially enacted by the balance sheet date.

Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it more likely than not, that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

(h) Pension Costs

The Bank operates a defined pension contribution arrangement and cost is recognised as and when contributions are made. Pension benefits are provided through a defined contribution scheme to which the Bank contributes an amount as per the fixed percentage on each member's earnings. Differences between contributions payable in the year and contributions actually paid are shown as accruals in the balance sheet.

(i) Revenue recognition

Interest income / expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or interest expense is recorded using the effective interest method. The effective interest rate is a method of calculating the amortised cost of financial instruments and of allocating the interest income/expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the instruments, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs and all other premiums or discounts.

Once an impairment loss has been recognised on a loan or financial debt instruments, the accrual of interest is re-assessed in accordance with the contractual terms.

Fee, Commission and Other Income

Fee, commission income and other operating income (excluding capital gain or loss on sale of available for sale investment) is recognised in the income statement when the related services are provided. Fee and commission comprises of commission on letter of credits / guarantees, commitment and loan processing fee, remittance income, fiduciary income and wealth service income.

Capital gain or loss is recognised on realisation of sale proceed of available for sale investment.

(j) Provision and Contingent Liabilities

Provisions are recognised if the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognised. The amount recognised as a provision is measured at the best estimate of the consideration required to settle the obligation as of the balance sheet date, the expense is recognised in the income statement, taking into account the risks and uncertainties surrounding the obligation.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(k) Restructuring cost

Provisions for costs associated with restructuring programmes are recognised when a detailed formal restructuring plan has been approved and communicated. Examples of restructuring-related costs include employee redundancies, write off of tangible assets, dilapidation provision and provision for onerous lease contracts. Redundancy cost comprises of agreed termination cost, payment in lieu of notice and accrued leaves.

(l) Foreign Currency Translation

The financial statements are presented in Pound Sterling, which is the functional currency of the Bank. Items included in the financial statements are measured using their functional currency, being the currency of the primary economic environment in which the Bank operates. Monetary assets and liabilities denominated in foreign currencies at the year end are reported in the functional currency at the rates of exchange prevailing at the year end.

For the purpose of presenting financial statements, the assets and liabilities are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transaction are used. Exchange differences arising, if any, are recognised in Statement of Changes in Equity as exchange translation reserve.

(m) Leases

The Bank enters into operating leases as referred to in note 7. Rentals under operating leases are charged on a straight line basis over the lease term. The Bank has not entered into any finance leases during the year.

(n) Fair Value

Where the recognition of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the Bank uses a valuation technique to arrive at the fair value including the use of prices obtained in recent arms-length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Where appropriate, valuations are adjusted to account for various factors including time value, volatility factors and underlying prices. For each class of financial assets and/or liability recognised at fair value, the company utilises the following hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(o) Offsetting financial assets and financial liabilities

Assets and liabilities, which are considered to be financial assets and liabilities for the purposes of FRS 102, are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously.

(p) Fiduciary Activities

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and other institutions. Assets held in trust and fiduciary accounts do not become assets or liabilities of the Bank and are segregated from the Bank's assets.

(q) Segmental Reporting

A segment is a distinguishable component of the Bank which is specific to either the type of product or service (business segment), or to products and services provided within a particular economic environment (geographical segment), where the risks and rewards are different from those of other segments.

Currently, the directors consider that the Bank's services comprise one business segment (being the provision of banking services).

	2025 £'000	2024 £'000
3 INTEREST INCOME - LOANS AND OTHER SERVICES		
Interest income - loans and advances to customers	15,860	17,346
Interest income - bills discounted	4,392	3,202
Interest income - bank deposits and placements	2,854	5,079
	<u>23,106</u>	<u>25,627</u>
4 INTEREST EXPENSE		
Interest on customer deposits	7,199	6,810
Interest on inter-bank borrowings	49	46
	<u>7,248</u>	<u>6,856</u>
5 FEES AND COMMISSIONS INCOME		
Commission on Letters of Credit and Guarantees	2,979	2,314
Commitment and Loan processing fees	320	211
Remittance income	307	342
Wealth services income	2,587	2,106
	<u>6,193</u>	<u>4,973</u>
6 ADMINISTRATIVE EXPENSES		
Staff costs:		
Wages, salaries and allowances	13,161	12,778
Social security costs	1,108	883
Other pension costs	607	495
Other administrative expenses	6,756	7,293
	<u>21,631</u>	<u>21,449</u>

The average number of persons (including part-time employees) employed by the Bank as at 31 December are as follows:

	Numbers 2025	Numbers 2024
Managers and above	66	63
Non-management	67	66
	<u>133</u>	<u>129</u>

	Note	2025 £'000	2024 £'000
7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			
Profit is stated after			
Charging:			
Gain on disposal of fixed asset			
Freehold property		720	-
Auditor's Remuneration			
Audit of the Bank's financial statements	7.1	395	395
All other audit related assurance services		125	10
Other non-audit assurance services		80	78
Operating lease rentals			
Buildings	7.2	700	700
(Losses) / Gains on foreign exchange - net		(951)	846
Depreciation and amortisation	11	435	310
Provisions for loan losses - net		74	84
Reversal of provision for diminution in the value of investments		-	207

7.1 Auditor's Remuneration include overrun of 15k pertain to 2024 (2024:35k pertain to 2023) paid to auditors during the year.

7.2 The Bank will apply amendments to FRS 102 - section 20 Leases accounting from 1 January 2026.

The Bank has assessed the impact and estimated to recognise right of use assets and corresponding lease liability of £ 8.0m.

The amendments do not have any impact on the financial statements for the year ended 31 December 2025.

	2025 £'000	2024 £'000
7.3 Cash and cash equivalents at the end of the year		
Cash and balances at central bank	54,821	67,835
Loans and advances to banks (Nostros and short term placements)	<u>23,439</u>	<u>34,222</u>
	<u><u>78,260</u></u>	<u><u>102,057</u></u>
8 TAXATION		
(a) Analysis of tax credit for the year		
Current tax:		
UK corporation tax for the year	-	158
Adjustments in respect of prior periods	<u>2</u>	<u>-</u>
Current tax charge	<u>2</u>	<u>158</u>
Deferred tax:		
Reversal / (Origination) of timing differences	697	(1,170)
Prior year adjustment in respect of timing differences	<u>76</u>	<u>196</u>
Total deferred tax credit	<u>773</u>	<u>(974)</u>
Tax Charge / (credit)	<u><u>775</u></u>	<u><u>(816)</u></u>
(b) Tax recognised in the Statement of Other Comprehensive Income		
Deferred tax:		
Origination and reversal of temporary differences	51	168
Effect of tax rate change	<u>-</u>	<u>(11)</u>
Total deferred tax	<u>51</u>	<u>157</u>
Total tax credit recognised in other comprehensive income	<u><u>51</u></u>	<u><u>157</u></u>
(c) Factors affecting tax credit for the year		
Profit on ordinary activities before tax	<u>5,783</u>	<u>9,221</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	1,446	2,305
Effects of:		
Expenses not deductible for tax purposes	1	2
Interest payment on other equity instrument	(513)	(614)
Prior year adjustment	78	196
Movement in unrecognised deferred tax on losses	(257)	(2,705)
Profit on disposal of fixed assets	(21)	-
Non-Qualifying depreciation	45	-
Other adjustments	(4)	-
Total tax Charge / (credit)	<u>775</u>	<u>(816)</u>
9 DIRECTORS' EMOLUMENTS		
Directors' fees and emoluments	1,261	1,161
Pension contributions	<u>28</u>	<u>21</u>
	<u><u>1,289</u></u>	<u><u>1,182</u></u>
The total remuneration and benefits of the highest paid director	<u><u>771</u></u>	<u><u>690</u></u>
Benefits under defined contribution pension arrangements accrued during the year to one director (2024: one director).		
	2025 £'000	2024 £'000
10 DEBT SECURITIES		
Investment securities - Held to Maturity		
Government securities	3,644	3,709
Investment securities - Available for Sale		
Government securities	<u>81,444</u>	<u>163,009</u>
	<u>85,088</u>	<u>166,718</u>
Gain on revaluation on available for sale investments	<u>90</u>	<u>152</u>
	<u><u>85,178</u></u>	<u><u>166,870</u></u>

	2025	2024
	£'000	£'000
10.1 Provision for diminution in the value of investment		
At 1 January	-	3,901
Write off during the year	-	(3,901)
At 31 December	<u>-</u>	<u>-</u>

Market value of held to maturity investments as at 31 December 2025 is £3.7m (2024: £3.8m). All debt securities as at 31 December 2025 and 31 December 2024 are traded in active markets.

Unrealised revaluation gain for the year on investments amounted to £0.01m (2024: Loss of £0.16m).

11 FIXED ASSETS

	Freehold property	Leasehold improve- ments	Computers software	Computers, furniture, fixtures & equipment	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At 1 January 2025	1,249	3,639	1,269	3,400	9,557
Additions	-	403	284	210	896
Disposal	(572)	-	-	-	(572)
At 31 December 2025	<u>677</u>	<u>4,042</u>	<u>1,553</u>	<u>3,610</u>	<u>9,881</u>
<i>Accumulated depreciation</i>					
At 1 January 2025	1,034	2,869	917	3,138	7,958
Charge for the year	43	121	164	107	435
Disposal	(502)	-	-	-	(502)
At 31 December 2025	<u>575</u>	<u>2,990</u>	<u>1,081</u>	<u>3,245</u>	<u>7,892</u>
Net book value at 31 December 2025	<u>102</u>	<u>1,052</u>	<u>472</u>	<u>365</u>	<u>1,989</u>
Net book value at 31 December 2024	<u>215</u>	<u>770</u>	<u>352</u>	<u>262</u>	<u>1,599</u>

	2025	2024
	£'000	£'000
11.1 Fixed assets disposed-off		
Cost	572	25
Accumulated depreciation	(502)	(25)
Net book value of disposal	<u>70</u>	<u>-</u>

12 DEFERRED TAX ASSET

At beginning of year	7,054	6,237
Adjustment in respect of prior years (income statement)	(76)	(196)
Charge/ (credit) in the year (income statement)	(697)	1,170
Deferred tax charge to other comprehensive income	(51)	(157)
At 31 December	<u>6,230</u>	<u>7,054</u>
Deferred tax asset is made up of:		
Accelerated capital allowances	47	248
Losses carried forward	6,165	6,746
Available for sale assets	(3)	47
Other temporary differences	21	13
	<u>6,230</u>	<u>7,054</u>

Factors that may affect the future tax charge

As at 31 December 2025, based on the business plan for 10 years to 31 December 2035 which demonstrates that the Bank will be profitable over that period, the directors have decided that they should only recognise a total deferred tax asset of £6.2m in respect of £24.7m on existing carried forward losses.

The total gross unrecognised deferred tax asset as at 31 December 2025, which comprises of losses, is £6.2m (2024: £6.42m).

Deferred tax sensitivity:

The impact of decrease in profits by 5% would result in reduction of £0.1m in deferred tax assets as of 31 December 2025 (2024: £0.1m).

	2025 £'000	2024 £'000		
13 OTHER ASSETS				
Prepaid expenses	743	1,273		
Corporation tax receivable	46	-		
Unrealised gain on forward exchange contracts	691	1,217		
Other receivables	207	516		
	<u>1,687</u>	<u>3,006</u>		
14 CUSTOMER DEPOSITS				
Current	241,737	240,691		
Savings	21,824	30,244		
Term	185,561	190,766		
	<u>449,122</u>	<u>461,701</u>		
15 OTHER LIABILITIES				
Accrued expenses	3,047	3,312		
Corporation tax payable	-	158		
Unrealised loss on forward exchange contracts	742	834		
Other liabilities	9,398	8,681		
	<u>13,187</u>	<u>12,985</u>		
16 PROVISION FOR LOAN LOSSES				
	Specific Impairment £ '000	Collective Impairment £ '000	2025 Total £ '000	2024 Total £ '000
At 1 January	392	800	1,192	1,108
Charge during the year	274	-	274	84
Reversals during the year	-	(200)	(200)	-
Provision / (reversal) taken to income statement (net)	274	(200)	74	84
At 31 December	<u>666</u>	<u>600</u>	<u>1,266</u>	<u>1,192</u>
17 SHARE CAPITAL			2025 £'000	2024 £'000
<i>Allotted, called up and fully paid</i>				
10,063,081 ordinary shares of £5 each as at January			53,315	53,315
18 OTHER EQUITY INSTRUMENTS				
Additional Tier 1 (AT1) instrument	(a)	15,365		13,744
Tier II instrument (T2)	(b)	6,376		7,611
		<u>21,741</u>		<u>21,355</u>

- (a) In 2020, the Bank established \$30 million Additional Tier 1 (AT1) capital instrument, structured to permit issuance in multiple tranches. The Bank issued \$10 million (£7.60 million) on 12 November 2020, \$3 million (£2.19 million) on 22 September 2021, \$5 million (£3.97 million) on 26 February 2024, and \$2 million (£1.62 million) on 3 February 2025 to further strengthen its Tier 1 capital resources. The Prudential Regulation Authority (PRA) granted approval for these issuances on 17 August 2020, 25 August 2021, 25 January 2024 and 3 January 2025, respectively. The Bank utilised the proceeds of this issuance to fully repay the Tier II capital issued in 2013 and 2012 respectively. The Additional Tier 1 notes are perpetual and are repayable at the option of the bank after five years have passed from the date of issuance. This instrument is subordinated to the claims of depositors and other creditors. The PRA classify this as CRD compliant Additional Tier 1 Capital and approval from them is required prior to any repayment. Interest is payable on a six monthly basis and period start and end on the last business day of June and December. Interest is aggregate of 4.75%, the applicable reference rate and the credit adjustment spread (2024: 4.75%).

Interest is required to be paid from distributable reserves of the Bank, however if on any date when a payment of interest would otherwise be due and the Bank has insufficient profits, payment of such interest shall be delayed until such time as the Bank has sufficient profits for that purpose.

- (b) The Bank issued regulatory compliant Tier II instruments of \$30m during 2011 to 2013 in three equal tranches of \$10m each. These notes are perpetual, subordinated to the claims of depositors and other creditors, and are repayable at the option of the Bank after five years have passed from the date of issuance. The Bank made repayment of \$20m (\$10m on 16 November 2020, \$3m on 27 September 2021, \$5m on 28 February 2024 and \$2m on 5 February 2025) after taking approvals from the PRA. As of 31 December 2025 \$10m (equivalent to £6.4m) is outstanding. Interest is payable on a six monthly basis and period start and end on the last business day of June and December. Interest is aggregate of 4%, the applicable reference rate and the credit adjustment spread (2024: 4%).

	2025	2024
	£'000	£'000
19 CONTINGENCIES AND COMMITMENTS		
(a) Commitments		
(i) Total commitments under non-cancellable operating leases on Operating leases which expire:		
Not later than one year	700	700
Later than one year and not later than five years; and	670	1,584
Later than five years	274	366
(ii) In respect of forward foreign exchange contracts:		
Purchase	6,270	14,514
Sale	6,267	14,516
(iii) In respect of forward cross currency swaps:		
Purchase	17,586	33,899
Sale	17,639	33,347
(iv) In respect of undrawn credit facilities	10,946	23,688
(b) Contingencies:		
Acceptances and endorsements	16,717	40,079
Guarantees	2,504	1,190

Contingent liabilities including guarantees and commitments to extend credit are mainly credit exposures which represent the amounts at risk should contracts be fully drawn upon and clients default. Since a significant portion of contingent exposures and commitments are expected to expire without being drawn fully upon or be covered by cash lien, the total of the contractual amounts is not representative of future liquidity requirements.

20 FOREIGN EXCHANGE

The Bank's net open foreign exchange positions are monitored daily basis and managed by the treasury front office. As most of the transactions are back to back, therefore the Bank is not exposed to material FX risk. The Bank's net open position (NOP) as at 31 December 2025 was £9k (2024: £11k)

	2025	2024
	£'000	£'000
Currency		
USD	(89)	(161)
EURO	8	5
AED	4	2
CHF	9	8
PKR	52	95
Other currencies	23	39

21 CONCENTRATION OF CREDIT RISK

	2025						
	Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sectoral concentration:							
Financial	54,821	-	112,260	-	11,310	610	179,001
Chemicals and Pharmaceuticals	-	6,317	-	-	6	-	6,323
Food, Tobacco and Beverages	-	11,332	-	-	2,236	-	13,568
General traders	-	1,930	-	-	1,064	-	2,994
Government	-	2,967	-	85,178	-	-	88,145
Hotel and Hospitality	-	5,745	-	-	-	-	5,745
Retail and wholesale trade	-	-	-	-	-	81	81
Metal and Allied	-	212	-	-	-	-	212
Printing and Packaging	-	98	-	-	-	-	98
Textile	-	4,230	-	-	1,688	-	5,918
Property Investments	-	240,646	-	-	-	-	240,646
Individual	-	9,162	-	-	-	-	9,162
Other Commodity Trading	-	1,786	-	-	-	-	1,786
Others	-	8,884	-	-	2,917	-	11,801
	54,821	293,309	112,260	85,178	19,221	691	565,480

	2025						
	Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Geographical concentration:							
Europe	54,821	293,309	54,211	39,861	9,276	691	452,169
North America	-	-	6,335	37,221	-	-	43,556
Asia Pacific (including South Asia)	-	-	11,977	8,096	9,945	-	30,018
Africa	-	-	18,621	-	-	-	18,621
Middle East	-	-	21,116	-	-	-	21,116
	54,821	293,309	112,260	85,178	19,221	691	565,480

	2024						
	Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sectoral concentration:							
Financial	67,422	-	100,848	-	34,085	1,077	203,432
Chemicals and Pharmaceuticals	-	6,185	-	-	229	-	6,414
Food, Tobacco and Beverages	-	12,132	-	-	2,209	-	14,341
General traders	-	1,433	-	-	1,540	-	2,973
Government	-	-	-	166,870	-	-	166,870
Hotel and Hospitality	-	2,888	-	-	-	-	2,888
Retail and wholesale trade	-	-	-	-	-	140	140
Metal and Allied	-	191	-	-	-	-	191
Printing and Packaging	-	219	-	-	-	-	219
Textile	-	4,375	-	-	1,480	-	5,855
Property Investments	-	166,148	-	-	-	-	166,148
Individual	-	6,227	-	-	-	-	6,227
Other Commodity Trading	-	1,858	-	-	-	-	1,858
Others	-	13,907	-	-	1,726	-	15,633
	67,422	215,563	100,848	166,870	41,269	1,217	593,189

	2024						
	Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Geographical concentration:							
Europe	67,422	215,563	46,893	59,572	9,404	1,217	400,071
North America	-	-	14,428	103,589	-	-	118,017
Asia Pacific (including South Asia)	-	-	8,280	3,709	31,761	-	43,750
Africa	-	-	8,534	-	104	-	8,638
Middle East	-	-	22,713	-	-	-	22,713
	67,422	215,563	100,848	166,870	41,269	1,217	593,189

22 MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS

Financial instruments maturities at the end of the year were:

	2025					Total
	On Demand	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Greater than 5 years	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central bank	54,821	-	-	-	-	54,821
Loans and advances to:						
Banks;						
- Parent and connected	532	4,584	3,715	-	-	8,831
- Others	19,704	31,288	52,438	-	-	103,429
Customers	20,236	35,871	56,153	-	-	112,260
Debt securities	24,465	19,900	35,096	213,848	-	293,309
Other financial assets	-	26,020	39,073	20,085	-	85,178
Derivative financial assets	-	4	89	-	-	93
	-	604	87	-	-	691
	99,522	82,399	130,498	233,933	-	546,352

		2025					
		On Demand	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Greater than 5 years	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Deposits by:							
Banks;							
	- Parent and connected	4,139	1,486	-	-	-	5,625
	- Others	1,116	-	-	-	-	1,116
		5,255	1,486	-	-	-	6,741
	Customers	263,562	81,873	103,687	-	-	449,122
	Other financial liabilities	385	-	11,293	-	-	11,678
	Derivative financial liabilities	-	649	93	-	-	742
		269,202	84,008	115,073	-	-	468,283
	Net gap	(169,680)	(1,609)	15,425	233,933	-	78,069
		2024					
		On Demand	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Greater than 5 years	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central bank		67,835	-	-	-	-	67,835
Loans and advances to:							
Banks;							
	- Parent and connected	1,087	6,500	46	-	-	7,633
	- Others	25,469	16,704	51,042	-	-	93,215
		26,556	23,204	51,088	-	-	100,848
	Customers	20,691	11,784	19,148	160,828	3,112	215,563
	Debt securities	-	45,805	113,374	7,691	-	166,870
	Other financial assets	-	-	597	-	-	597
	Derivative financial assets	-	815	402	-	-	1,217
		115,082	81,608	184,609	168,519	3,112	552,930
Deposits by:							
Banks;							
	- Parent and connected	2,553	-	1,596	-	-	4,149
	- Others	1,112	-	-	-	-	1,112
		3,665	-	1,596	-	-	5,261
	Customers	270,935	115,273	74,858	635	-	461,701
	Other financial liabilities	1,914	734	9,237	-	-	11,885
	Derivative financial liabilities	-	559	275	-	-	834
		276,514	116,566	85,966	635	-	479,681
	Net gap	(161,432)	(34,958)	98,643	167,884	3,112	73,249

All financial assets and financial liabilities are measured at amortised cost except for:

(1) Available for sale investments which are measured at fair value through the other comprehensive income; and

(2) Derivatives which are measured at fair value through the income statement.

The maturities of loans, debt securities and deposits have been shown according to their contractual maturities except for impaired assets which have been classified in greater than 5 years net of their provision.

Expected maturity dates do not differ significantly from the contract dates except for the maturity of £263.6m (2024: £270.9m) of demand deposits from customers which are considered by the Bank as a stable source of funding.

23 INTEREST RATE SENSITIVITY GAPS

Interest rate risk primarily arises on the mismatching of the Bank's assets with its funding. Interest rate sensitivity gaps in the Bank at the end of the year were:

		2025						
		Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	Greater than 5 years	Non interest bearing	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central bank		54,689	-	-	-	-	132	54,821
Loans and advances to:								
	Banks	35,873	18,230	37,922	-	-	20,235	112,260
	Customers	279,170	-	4,715	7,753	-	1,671	293,309
Debt securities		26,020	15,566	23,508	20,084	-	-	85,178
Other financial assets		-	-	-	-	-	93	93
Other non-financial assets		-	-	-	-	-	11,043	11,043
		395,752	33,796	66,145	27,837	-	33,174	556,704
Deposits by:								
	Banks	1,486	-	-	-	-	5,255	6,741
	Customers	79,674	31,463	72,224	-	-	265,761	449,122
Other liabilities		-	-	-	-	-	13,187	13,187
Total Equity		-	21,741	-	-	-	65,913	87,654
		81,160	53,204	72,224	-	-	350,116	556,704
Overall gap		314,592	(19,408)	(6,079)	27,837	-	(316,942)	0
Cumulative gap		314,592	295,184	289,105	316,942	316,942	-	0

		2024						
		Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	Greater than 5 years	Non interest bearing	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central bank		67,422	-	-	-	-	413	67,835
Loans and advances to:								
	Banks	23,204	27,284	23,804	-	-	26,556	100,848
	Customers	205,609	1,000	7,833	-	-	1,121	215,563
Debt securities		45,805	43,738	69,636	7,691	-	-	166,870
Other financial assets		-	-	-	-	-	597	597
Other non-financial assets		-	-	-	-	-	12,434	12,434
		342,040	72,022	101,273	7,691	-	41,121	564,147
Deposits by:								
	Banks	1,596	-	-	-	-	3,665	5,261
	Customers	115,273	42,788	32,070	635	-	270,935	461,701
Other financial liabilities		-	-	-	-	-	-	-
Other non-financial liabilities		-	-	-	-	-	12,985	12,985
Total Equity		-	21,355	-	-	-	62,845	84,200
		116,869	64,143	32,070	635	-	350,430	564,147
Overall gap		225,171	7,879	69,203	7,056	-	(309,309)	-
Cumulative gap		225,171	233,050	302,253	309,309	309,309	-	-

Non interest bearing items comprise total equity, provisions, tangible & intangible assets, impaired assets and other assets and liabilities not subject to interest.

24 RELATED PARTY TRANSACTIONS

The Bank is a wholly owned subsidiary of HABL (immediate parent), which is 100% controlled by Habib Bank Limited Pakistan. Habib Bank Limited Pakistan is a subsidiary of The Aga Khan Fund for Economic Development (AKFED) SA, the ultimate controlling party and parent undertaking of the Bank, with its registered office in Geneva, Switzerland. The Bank has related party relationships with its immediate parent, the subsidiaries and associates of its immediate parent, and the key management personnel of both the Bank and its immediate parent.

Transactions with related parties are executed on the same terms, including interest rates (deposits/advances) and collateral, as those prevailing at the time for comparable transactions with unrelated parties other than those under the terms of employment and loans provided to employees under the staff loan scheme. Pension contributions are made in accordance with the terms of the pension contribution plan.

	2025	2024
	£'000	£'000
The details of balances with the related parties are as follows:		
Borrowing / deposits / other equity instruments		
Immediate parent and associates	25,880	23,908
Key management personnel	152	122
Loan receivable from:		
Immediate parent and associates	8,831	7,639
Key management personnel	1,678	1,695
Interest Income		
Immediate parent and associates	170	320
Remittance Income		
Immediate parent and associates	54	-
Interest Paid		
Immediate parent and associates	2,063	2,456
Acceptances and guarantees related to:		
Immediate parent and associates	1,648	-

Total compensation of key management personnel in the year amounted to £3.2m (2024: £3m).

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels based on the degree to which the fair value is observable as given in note 2 (n).

	2025			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets available for sale	81,534	-	-	81,534
Derivative financial instruments - assets	-	691	-	691
Total	81,534	691	-	82,225
Derivative financial instruments - liabilities	-	742	-	742
Total	-	742	-	742
	2024			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets available for sale	163,161	-	-	163,161
Derivative financial instruments - assets	-	1,217	-	1,217
Total	163,161	1,217	-	164,378
Derivative financial instruments - liabilities	-	834	-	834
Total	-	834	-	834

For financial assets and liabilities carried at amortised costs (including loans and advances and customer deposits), the directors do not anticipate the fair values to be materially different from the book values considering the underlying nature of the portfolios except as disclosed in note 10.

26 ULTIMATE PARENT UNDERTAKING AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE BANK IS A MEMBER

The ultimate parent company of the Bank is Aga Khan Fund for Economic Development S.A. (AKFED) and its registered office at Avenue de la Paix, 1-3, CH-1211, Switzerland. The registered office of HABL is at 9 Portman Street, London, W1H 6DZ. HABL financial statements are available at the companies house.

27 INVESTMENT IN SUBSIDIARY

HBL UK Nominees Limited (formerly known as Habibsons Nominees Limited) is 100% owned subsidiary of the Bank with its registered office located at 9 Portman Street, London, W1H 6DZ. There has been no trading or business activity in this company since its incorporation on 10 January 2013. One ordinary share of £1 each has been issued which is the total investment of the Bank at cost which is not impaired.

28 RISK MANAGEMENT FRAMEWORK - (RMF)

Salient features of the RMF are summarised below:

Credit Risk

Credit risk is the risk of loss due to the failure of a counterparty to meet their credit obligations in accordance with agreed contract terms.

Credit risk makes up the largest part of the Bank's risk exposures. Credit risk policies are established by the Board Risk Committee (BRC) and are approved by the Board. The BRC is responsible for ensuring appropriate governance and oversight in relation to all the risks in the Bank some of which credit risk, market risk, operational risk, liquidity risk, financial risk from climate changes and reputational risk. In terms of credit risk the BRC's responsibilities include:-

- Reviewing the overall portfolio in detail, including large exposures and concentrations (e.g., geographical, sector-wise, etc.);
- Ensuring that the Bank's credit exposures are always in compliance with the Risk Appetite Statement, with any breaches being reported to the BRC and reviewed;
- Determining the credit approval process, as well as the policies for Large Exposures, Country Risk Exposures, and Loan Provisioning;
- Establishing overall lending policies through the Credit Risk Policy and Credit Procedure Manual;
- Reviewing the general health of the portfolio and discussing any new major lending undertaken since the last BRC meeting;
- Monitoring the effective implementation of policies and considering necessary amendments based on market conditions;
- Ensuring portfolio performance aligns with set benchmarks and determining whether overall provisions are adequate;
- Reviewing the status of credit-related legal cases and management's recommendations on the way forward; and
- Reviewing and discussing the results of stress testing the asset book.

The Bank's strategy for managing its different type of credits is as per the risk appetite statement. The below table provides gross balances of maximum exposures for each class of financial assets.

Credit risk on financial instruments

	Neither past due nor impaired £(000)	Past due not impaired £(000)	Impaired £(000)	Impairment allowances £(000)	Total £(000)
31 December 2025					
<u>Financial Assets at Amortised Cost</u>					
Balances at central bank	54,821	-	-	-	54,821
Loans and advances to banks	112,260	-	-	-	112,260
Loans and advances to customers	291,638	1,112	1,825	(1,266)	293,309
Debt securities	3,644	-	-	-	3,644
All other financial instruments	1,483	-	-	-	1,483
	463,846	1,112	1,825	(1,266)	465,517
<u>Financial assets at fair value through Income Statement</u>					
Unrealised gain on forward exchange contracts	691	-	-	-	691
<u>Available for sale Financial Assets</u>					
Debt securities	81,534	-	-	-	81,534
Total financial instruments	546,071	1,112	1,825	(1,266)	547,742
31 December 2024					
<u>Financial Assets at Amortised Cost</u>					
Balances at central bank	67,422	-	-	-	67,422
Loans and advances to banks	100,848	-	-	-	100,848
Loans and advances to customers	214,442	104	2,209	(1,192)	215,563
Debt Securities	3,709	-	-	-	3,709
All other financial instruments	1,888	-	-	-	1,888
	388,309	104	2,209	(1,192)	389,430
<u>Financial assets at fair value through Income Statement</u>					
Unrealised gain on forward exchange contracts	1,217	-	-	-	1,217
<u>Available for sale Financial Assets</u>					
Debt securities	163,161	-	-	-	163,161
	163,161	-	-	-	163,161
Total financial instruments	552,687	104	2,209	(1,192)	553,808

Quality of loans and advances exposure to banks

An analysis of the exposures to banks as per Credit Quality Step (CQS) based on credit ratings provided by external rating agencies is as follows:

		2025	2024
		£'000	£'000
CQS			
	1	36,139	38,471
	2	3,120	6,890
	3	7,763	10,686
	4	44,551	254
	5	10,261	36,616
	6	10,426	7,930
		<u>112,260</u>	<u>100,848</u>

Credit quality of loans and advances portfolio

The Bank assigns internal risk rating to each customer based on the internal rating model.

The definition of internal risk rating for the loans and advances are given below:

Grade A3-B3	:	Performing
Grade Caa1, Caa2 and Caa3	:	Weak Credit
Grade Ca and C	:	Non-Performing

The Bank's internal risk rating scale is a measure of relative credit worthiness and does not map exactly with that of external rating agencies.

		2025	2024
		£'000	£'000
Internal risk rating of loans and advances to customers			
Rating			
Grade A3-B3		269,340	214,409
Grade Caa1, Caa2 and Caa3		22,299	-
Grade Ca and C		<u>2,937</u>	<u>2,347</u>
Total Gross Amount		294,575	216,755
Allowance for impairment (individual and collective)		<u>(1,266)</u>	<u>(1,192)</u>
Total		<u>293,309</u>	<u>215,563</u>

Concentration of past due and impaired exposure

All the past due and impaired exposure pertained to UK exposure.

Loans and advances past due by more than 90 days are considered as non-performing.

The table below provides the gross value of collaterals including cash and financial collaterals held by the Bank:

Collateral type:			
	Cash collateral	18,392	6,208
	Residential real estate	99,880	86,771
	Commercial real estate	407,207	319,560
	Others including shares and debt securities	<u>45,985</u>	<u>33,098</u>
Total collateral value		<u>571,463</u>	<u>445,638</u>
Gross loans and advances to customers		<u>294,575</u>	<u>216,755</u>

As at 31 December 2025 Bank's net maximum exposure towards credit risk is approximately £569.2m (2024: £600.7m). This represents funded and non-funded exposures towards sovereign, Banks, financial institutions and other customers.

The collateral value in the above table excludes the value of such collateral which the Bank may accept to manage its risks more effectively such as personal guarantees.

Debt securities

An analysis of the Bank's debt securities portfolio as per Credit Quality Step (CQS) based on credit ratings provided by external rating agencies is as follows:

		2025	2024
		£'000	£'000
CQS			
	1	77,082	163,162
	2	-	-
	3	-	-
	4	-	-
	5	-	-
	6	8,096	3,709
		<u>85,178</u>	<u>166,871</u>

No debt securities are pledged as collateral to secure liabilities under repurchase agreement (2024: nil).

Financial Risks from climate change

The Bank is committed to providing finance to customers that meet the minimum applicable requirements in consideration of UK law on climate-related issues and managing climate risks and adverse impacts arising from the activities of its customers. The Bank is also committed to continually enhancing its approach to managing the financial risks from climate change in line with UK regulatory requirements from the PRA and FCA, on a proportionate basis to the size, scale and complexity of its business model.

The Bank recognises the global need to reduce the reliance on fossil fuels and to transition to a low carbon, climate resilient economy. Therefore, the importance of reviewing our customers' climate impact and sensitivity to climate change is acknowledged to understand the physical and transition risks related to their business models.

In enhancing the risk management framework to integrate climate-related financial risks, the Bank has recognised that climate change presents risks which intersect with multiple traditional risk types. Climate risk can exacerbate credit risk by causing losses that prevent the Bank's clients from meeting their obligations to repay and service debt. For example, if rising sea levels force a retail or textiles business to abandon one of its major warehouses, the supply chain related losses could leave the business unable to repay its corporate bonds or loans.

The Bank does not engage in any proprietary trading, therefore climate-related market risk is limited to the debt exposures of sovereign and financial institution counterparties. Thus, the financial impact is similar to that of credit risk whereby the effects of climate change can reduce the value of collateral that the Bank can use to secure funding and access liquidity.

The Bank's climate-related risk appetite is defined by the Credit Risk Committee (CRC) and monitored on a monthly basis.

Liquidity Risk

Liquidity Risk arises from the maturity profile, and type and nature of the Bank's assets and liability mix. If not satisfactorily controlled the Bank could be faced with being unable to meet customer demands for repayment of deposits, which can lead to a run on the Bank deposits.

The Bank's liquidity policy is to ensure the Bank at all times maintains solvency through a prudent funding profile and appropriate mix of assets to ensure compliance with the overall liquidity adequacy principle as defined in the CRD guidelines. The Bank's solvency has to be achieved on a self-sufficiency basis.

A policy document sets out the overall liquidity policy, liquidity risk appetite, thresholds and tolerance levels, and systems and controls. Senior management is responsible for regularly reviewing this policy document and for recommending changes, if any, to the Board in a timely manner.

The Bank will continue to evolve its liquidity risk management arrangements based on feedback from the FCA / PRA experience, and from developments in market and industry best practices.

The Assets and Liabilities Committee (ALCO) has responsibility for the formulation of the overall strategy and oversight of the asset liability management function.

Market risk

Market risk is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. The Bank does not maintain an active trading book.

(i) Interest rate risk

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specific period. A substantial part of the Bank's assets and liabilities are subject to floating rates and hence are re-priced simultaneously. However, the Bank is exposed on a portion of its assets and liabilities and the result of mismatches is reflected in the banking book.

The Bank manages its interest rate exposure through an interest rate gap report whereby assets and liabilities are allocated into an appropriate time band, based on the next interest re-fix date.

The interest risk is then calculated as a 2% impact on earnings of the resulting net position for each time band, in line with the Basel Committee's recommendation.

Interest sensitivity

The impact of 100bps would have had an impact of £0.3m on net interest income for the year ended 31 December 2025 (2024: £0.8m). The Bank has more interest sensitive assets as compared to interest sensitive liabilities within 1 year and consequently movement in interest rate would have positive impact if interest rate rises and negative impact if interest rate decline.

(ii) Foreign exchange risk

The Bank's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. Foreign currency transactions are undertaken only on behalf of customers who are covered from the market on the same day. Therefore, the Bank has not performed the foreign exchange sensitivity analysis, as the risk is not material which is also evident from note 20.

The Bank's foreign exchange risk appetite is defined by ALCO and monitored on a daily basis.

The foreign exchange position risk is calculated as 8% higher of the net overbought or oversold position in foreign currencies.

Operational risk

Operational risk is the risk of loss resulting from weaknesses in systems, procedures and people or from external events. The Bank has adopted the 'Basic Indicator Approach', in line with regulations and results in the operational risk capital requirement under Pillar 2A which is equal to 15% of the three-year average of the sum of (a) A firm's net interest income; and (b) A firm's net non-interest income.

The Operational Risk Management Framework will reduce any operational risk to a minimum, although in view of the number of unknown external factors, the framework is regularly reviewed and overall risk management is kept at a high profile within the business to ensure any unmitigated operational risk is identified at an early stage.

The data available to the Bank since its inception shows that the Bank has made insignificant operational losses during the period to date. The level of complaints received are minimal and insufficient to identify any particular trends or weaknesses, however the Bank continues to monitor the incidents against the defined appetite with defined limits and thresholds.

Counterparty risk

Counterparty credit risk (CCR) is the risk to the Bank that a counterparty to a transaction could default before the final settlement of the transaction's cash flows. In the normal course of business the Bank enters into foreign exchange contracts on behalf of its customers which are generally covered by entering into reciprocal transactions with other Banks in the market on a daily basis to avoid position risk. Counterparty credit risk emanating from these transactions is managed by maintaining appropriate collateral from customers to mitigate customer default exposure at the time of settlement. Exposures on Banks which are other counterparties to these transactions are managed within overall limit allocations determined as part of the Bank's credit assessment of such institutions.

Capital management

The Bank is managing and monitoring its capital resources as per the Total Capital Requirement (TCR) in addition to the Pillar 2B requirements as set out by the PRA. The Bank's capital resources consist of paid-up capital, retained earnings. Additional Tier 1 and Tier II capital. There are no terms and conditions attached to the Bank's Tier I capital resources.

The firm's own assessment of the capital required to hold against its risks is known as ICAAP (Internal Capital Adequacy Assessment Process) and the SREP (Supervisory Review and Evaluation Process) is the qualitative and a quantitative assessment of the ICAAP by the Supervisor.

The Bank has a robust Capital Planning and Management process embedded within the culture. This process addresses Capital Adequacy and ensures compliance with the principle threshold conditions. The core objective of an effective capital planning process is to assess the adequacy of capital against a forward looking forecast, market events, stress scenarios and transaction booking. The viability and sufficiency of the Capital model is also periodically tested against different stress scenarios. In addition the forward looking capital planning process in place is to ensure that the Management and the Board are at all times taking the available capital into consideration when taking any business decision that could impact and affect the Bank's solvency.

The Board has set Capital monitoring limits to ensure capital adequacy is maintained and capital coverage, capital surplus remains within the predetermined thresholds at all times. The Bank's Capital management and monitoring system also entails sequence of processes that manages and monitors the capital adequacy frequently.

The disclosures under Pillar III include a detailed risk management analysis, Capital Management and details of overdue and impaired exposures and are available on the Bank's website: www.hblbankuk.com.

29 COUNTRY-BY-COUNTRY REPORTING AS AT 31 DECEMBER 2025

HBL Bank UK Limited is an authorised credit institution and provides a wide range of Banking and financial services including Commercial Banking, Wealth service, Financial Institution and Treasury services. The Bank is a wholly owned subsidiary of Habib Allied Holding Limited and is headquartered in London, United Kingdom and provides services to its clients through branches in United Kingdom.

Subsidiaries

HBL UK has the following subsidiary incorporated and located in England and Wales:

- HBL UK Nominees Limited (formerly known as Habibsons Nominees Limited).

Country-by-country breakdown 2025

	Type of operation	Turnover £'000	Profit / (Loss) before tax £'000	Corporation tax paid £'000	Average number of employees No.
United Kingdom	Commercial Banking (CB), Wealth services, Financial Institution (FI) and Treasury services (TS)	27,923	5,783	-	133
		27,923	5,783	-	133

Country-by-country breakdown 2024

	Type of operation	Turnover £'000	profit /(Loss) before tax £'000	Corporation tax paid £'000	Average number of employees No.
United Kingdom	Commercial Banking (CB), Wealth services, Financial Institution (FI) and Treasury services (TS)	30,857	9,221	-	129
		30,857	9,221	-	129

30 EVENT AFTER BALANCE SHEET DATE

The Bank has assessed the impact of on-going geopolitical conflict and concluded that as there is no direct exposures so impact is minimal.

Apart from above, the Board confirms that there was no significant events since the reporting date that require to be disclosed.