



Pillar III Disclosures

2025



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1. Introduction

1.1 Ownership 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 Habib Bank Limited, an entity incorporated in Pakistan (“HBL” or the “Group”)

HBL is the principal shareholder and subsidiary of The Aga Khan Fund for Economic Development S.A. (AKFED), registered in Switzerland, the ultimate parent.

1.2 The Bank’s Products/Services

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, providing access to a broad range of investment products and asset classes in line with customer instructions.

Financial Institutions (FI)

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

The Bank is a member of the Financial Services Compensation Scheme (FSCS), full details of deposits protected can be viewed on the FSCS website www.fscs.org.uk.

1.3 Basis, Purpose and Frequency of Disclosures

The Pillar III disclosures have been prepared for the Bank in accordance with the disclosure requirements issued by the Basel Committee on Banking Supervision (BCBS). The document also fulfils the requirements under Part Eight of Capital Requirements Regulations (CRR) as set out in the Public Disclosure section of the Prudential Regulation Authority (PRA) Rulebook and has otherwise directed.

The Pillar III disclosures aim to provide a transparent and comprehensive view of Bank's risk profile, capital adequacy, liquidity, etc. and other market disciplines.

Unless stated otherwise, all figures are as of 31 December 2025 financial year end, with comparative figures of prior year. The Bank has not taken any exemptions from these disclosures with regards to confidential or proprietary information.

The disclosures are published on an annual basis with the release of the Bank's annual audited Financial Statements and displayed on the Bank's website www.hblbankuk.com.

1.4 Location and Verification

These disclosures have been reviewed internally by the Bank's relevant senior management. On the recommendation of senior management, the Chief Executive Officer (CEO) has approved the publication of the disclosures on the Bank's website www.hblbankuk.com.

These disclosures have not been subjected to external audit review except where they are equivalent to those prepared under accounting requirements for inclusion in the Bank's Annual Report and Financial Statements as of 31 December 2025.

2. Key Metrics

The key prudential metrics of the Bank are as follows:

Regulatory Capital and Capital Ratios	Amount in £'000	
	2025	2024
Total Risk Weighted Assets	383,024	330,996
Common Equity Tier 1 Capital (CET 1)	59,210	55,598
Additional Tier 1 Capital (AT 1)	15,364	13,744
Tier 1 Capital (T 1) = (CET 1 + AT 1)	74,574	69,342
Tier 2 Capital (T 2)	6,976	8,411
Total Capital (CET 1 + AT 1 + T 2)	81,550	77,754
CET 1 Ratio (%)	15.46%	16.80%
T 1 Ratio (%)	19.47%	20.95%
Total Capital Ratio (%)	21.29%	23.49%

Leverage Ratio	Amount in £'000	
	2025	2024
Total Leverage Ratio Exposure Measure	568,724	599,922
Leverage Ratio (%)	13.11%	11.56%

Liquidity Ratios – Liquidity Coverage (LCR) and Stable Funding (NSFR)	Amount in £'000	
	2025	2024
Total High quality liquid assets (HQLA)	124,203	215,324
Total Net Flow	52,921	57,288
Liquidity Coverage Ratio (LCR) (%)	235%	376%
Total Available Stable Funding	408,670	435,703
Total Required Stable Funding	282,120	219,242
Net Stable Funding Ratio (NSFR) (%)	145%	199%

The Bank has complied with all the capital (CET-1, T1 and Total capital) and liquidity (LCR and NSFR) ratios with the respective regulatory requirements.

The Bank's leverage ratio increased by 1.55% compared to the previous year due to increase of Tier I capital and decrease in exposure.

3. Risk Management Framework

The Bank has a comprehensive Risk Management Framework designed to proactively and efficiently identify, assess, measure (as far as possible), monitor, and control risks to its strategic advantage. It is important to note that the Bank's risk management approach will always remain aligned with regulatory requirements.

3.1 Risk Appetite Statement (RAS)

Risk appetite statement (RAS) ensures that the Bank has defined risk limits and tolerance levels for all underlying risks, and that these limits are set in accordance with the Bank's strategic goals, financial resources and capacity.

The core objective of the RAS is to measure the total amount of quantifiable risk the Bank is prepared to carry in aggregate across the various risk types, i.e., credit, market, operational, liquidity, and other defined Tier 1 risks. For risks that are challenging to quantify, qualitative risk management measures are identified. Hence, the Bank identifies and manages its risk appetite in the following manner:

- Identification of risk limits and tolerance levels in the form of Early Warning Indicator's (EWIs) for each material risk that can be quantified.
- Defined monitoring mechanisms to ensure risks remain defined risk limits and EWIs.
- Identification of qualitative risk management measures for material risks that cannot be quantified.

3.2 Three Lines of Defence model

The Bank uses a “three lines of defence” model to ensure that the risks are managed effectively on an entity level.

The first line consists of business units that own and manage the risks as part of their daily operations. The second line includes independent risk management and compliance functions that oversee risk-taking activities and ensure adherence to internal policies and regulatory requirements. The third line is the internal audit function, which provides independent assurance to the Board and Senior Management on the effectiveness of governance, risk management, and internal controls.

3.3 Corporate Governance

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.

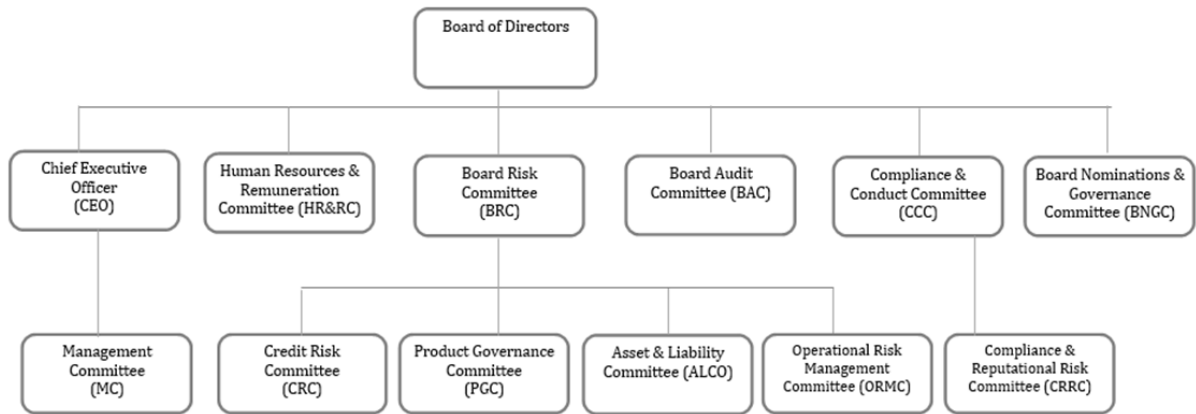
An internal Board effectiveness review is conducted annually. Results are reviewed and action taken if required. External Board effectiveness reviews are undertaken periodically, at least every three years.

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 also undertaken annually. Results are reviewed and action taken if required.

Board and CEO’s Committees



Board Committees

Board Human Resources and Remuneration Committee (HR&RC)

The HR&RC 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 HR&RC, is an Independent Non-Executive Director and an approved person by the PRA/FCA.

The HR&RC’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.

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 (covering cyber security risk and operation resilience), climate risk and reputational risk. The Chair of the BRC, 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.

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. The Chair of BAC 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/programs 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 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, 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, 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”)

All these executive-level committees are governed by their respective terms of reference.

4. Own Fund

The Bank maintains a prescribed excess of own funds over its capital resources requirements. The Bank’s total capital resources comprise of Tier I and Tier II capitals.

Tier I capital comprises of total common equity Tier I capital (CET 1) and Additional Tier I (AT 1) capital. CET 1 consists of permanent share capital and retained earnings with regulatory deduction for deferred tax asset, deficit on revaluation of investments, prudent valuation adjustment and intangible assets. The Bank has included profit for the year into retained earnings and updated deferred tax value as per audited annual accounts in the below table.

Tier II capital is the supplementary capital and comprises of other equity instruments and general provision.

Amount in £'000	31 December 2025	31 December 2024
Tier I Capital		
Permanent share capital	53,315	53,315
Retained earnings	12,595	9,649
Deferred Taxation	(6,165)	(6,746)
Surplus/(Deficit) on revaluation of investments	3	(119)
Prudent Valuation Adjustment	(82)	(164)
Other Intangible Assets	(456)	(337)
Total Common Equity Tier I Capital	59,210	55,598
Additional Tier 1 Capital	15,364	13,744
Total Tier 1 Capital	74,574	69,342
Tier II Capital		
Other Equity Instruments	6,376	7,611
General provision	600	800
Total Tier II Capital	6,976	8,411
Total Tier I and Tier II capital after deductions	81,550	77,753

5. Capital Requirements

The Bank complies with the minimum capital requirements to ensure financial stability by maintaining sufficient capital to cover all relevant risks and exposures.

The key material risks affecting the Bank are credit, market, operations, liquidity, interest rate, exchange rate risk and reputational.

Capital Requirement under PRA Rulebook (CRR Part)

Amount in £'000	31 December 2025			31 December 2024		
	Exposure	RWA	Minimum capital require @ 8%	Exposure	RWA	Minimum capital require @ 8%
Credit Risk						
Sovereign	142,867	15,144	1,212	234,293	5,564	445
Corporates	88,412	84,540	6,763	100,960	109,849	8,788
Exposures in default	2,282	2,288	183	1,922	1,931	154
Institutions	67,716	43,817	3,505	58,634	32,883	2,631
Other items	14,211	3,147	252	9,229	4,980	398
Retail	3,366	2,311	185	4,234	2,948	236
Secured by mortgages on immovable property	250,394	181,249	14,500	183,913	131,504	10,520
Multilateral developments banks	-	-	-	7,470	-	-
Total credit risk requirement	569,247	332,496	26,600	600,653	289,659	23,173
Operational risk			4,036			3,282
Market risk			0			0
Credit value adjustment			6			25
Total capital requirement under CRD IV			30,642			26,480

5.1 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 BRC and are approved by the Board. The BRC is responsible for ensuring appropriate governance and oversight in relation to the credit 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 Risk Procedure Manual.
- Reviewing the general health of the portfolio.
- 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 Bank's strategy for managing its different type of credits is as per the Risk Appetite Statement.

5.1.1 Credit Exposures subject to the Standardised Approach

The below table shows the Bank's on and off balance-sheet credit exposures before and after the application of Credit Conversion Factors (CCFs) and eligible Credit Risk Mitigation (CRM), together with Risk Weighted Assets (RWAs) and RWAs density (RWAs as a percentage of post-CCF/CRM exposure). The application of CCF and eligible CRM reduces exposure values and RWAs, providing a transparent view of the Bank's residual credit risk and supporting a robust assessment of capital adequacy.

Amount in £'000		31 December 2025				
Category	EXPOSURE PRE CCF & CRM		EXPOSURE POST CCF & CRM		RWAs	RWAs DENSITY
	On B/S	Off B/S	On B/S	Off B/S		
Sovereign	142,867	-	142,867	-	15,144	11%
Corporates	76,485	16,762	76,485	11,926	84,540	96%
Exposures in default	2,281	1	2,281	0	2,288	100%
Institutions	64,072	3,643	64,072	3,643	43,817	65%
Other items	3,183	11,028	3,183	11,028	3,147	22%
Retail	2,918	1,557	2,918	447	2,311	69%
Secured by mortgages on immovable property	249,509	3,622	249,509	885	181,249	72%
	541,316	36,614	541,316	27,931	332,496	58%

Amount in £'000		31 December 2024				
Category	EXPOSURE PRE CCF & CRM		EXPOSURE POST CCF & CRM		RWAs	RWAs DENSITY
	On B/S	Off B/S	On B/S	Off B/S		
Sovereign	234,293		234,293		5,564	2%
Corporates	65,374	39,153	65,374	35,586	109,849	109%
Exposures in default	1,921		1,921		3,315	57%
Institutions	54,693	3,941	54,693	3,941	31,499	53%
Other items	4,477	4,752	4,477	4,752	5,512	103%
Retail	3,364	2,057	3,364	870	3,332	71%
Secured by mortgages on immovable property	182,583	6,339	182,583	1,330	130,589	69%
Multilateral developments banks		7,470		7,470		
	546,706	63,711	546,706	53,947	289,659	48%

5.1.3 Sector Concentration

The below table shows the distribution of the Bank's accounting credit exposure across various industry sectors. The concentration in property investment loans, government sector (through investment in Treasury Bills/Gilts) and financial sector (through trade transactions) is by design and as per the business strategy. For other sectors, the Bank assesses by regularly analysing the distribution of credit exposures across key economic sectors, with limits set to mitigate excessive exposure to any single industry. The Bank monitors and manages the industry concentrations to ensure a diversified portfolio.

31 December 2025							
Amount in £'000	Balance at Central Bank	Loans to customers	Loans to banks	Debt securities	Contingencies	Derivative instruments	Total
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 Investment Loans	-	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

31 December 2024							
Amount in £'000	Balance at Central Bank	Loans to customers	Loans to banks	Debt securities	Contingencies	Derivative instruments	Total
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 Investment Loans	-	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

5.1.4 Geographical Concentration

The below table shows the distribution of the Bank's accounting credit exposure across various geographical regions. This assessment highlights the Bank's exposure to region-specific economic, political, or regulatory risks. The Bank monitors and manages these exposures to maintain a diversified credit portfolio, thereby reducing the impact of adverse conditions in any single location on its overall credit risk profile and capital adequacy. The Bank's exposure on the UK (Home Market) is also included in the Europe region.

31 December 2025							
Amount in £'000	Balance at	Loans to	Loans to	Debt	Contingencies	Derivative	Total
	Central Bank	Customers	Banks	Securities		instruments	
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

31 December 2024							
Amount in £'000	Balance at	Loans to	Loans to	Debt	Contingencies	Derivative	Total
	Central Bank	Customers	Banks	Securities		instruments	
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

5.1.5 Residual Maturity of Loans and Debt Securities

The Bank closely monitors the residual maturity profile of its loans and debt securities portfolio to manage liquidity risk and ensure balanced asset-liability positioning. This maturity structure is in line with the Bank's liquidity management strategy and within its risk appetite for duration.

31 December 2025						
Amount in £'000	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
	Loans and advances to:					
Banks	20,236	35,871	56,153	-	-	112,260
Customers (net)	24,465	19,900	35,096	213,848	-	293,309
Debt securities	-	26,020	39,073	20,085	-	85,178
TOTAL	44,701	81,791	130,322	233,933	-	490,747

31 December 2024						
Amount in £'000	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
	Loans and advances to:					
Banks	26,556	23,204	51,088	-	-	100,848
Customers (net)	20,691	11,784	19,148	160,828	3,112	215,563
Debt securities	-	45,805	113,374	7,691	-	166,870
TOTAL	47,247	80,793	183,610	168,519	3,112	483,281

5.1.6 Impaired Assets and Past Due

Impaired assets are those assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms.

The Bank monitors its credit portfolio on a continuing basis through Risk Reporting / MIS and trigger events as set out in the Credit Risk Policy and any early signs of weakness in the accounts is immediately acted upon.

Past due assets are assets for which contractual principal or interest payments are overdue; however, the Bank does not consider these assets to be impaired due to the level of security or collateral available and/or the advanced stage of recovery of amounts owed to the Bank.

The table below shows the impaired and past due exposures by sectors and geographical.

Amount in £'000	31 December 2025				31 December 2024			
	Loans to Customers				Loans to Customers			
	Impaired Exposure	Past Due Exposure	Charges / (Reversals)	Specific Provision	Impaired Exposure	Past Due	Charges / (Reversals)	Specific Provision
Financial	-	-	-	-	-	-	-	-
Chemicals and Pharmaceuticals	-	-	-	-	-	-	-	-
Food, Tobacco and Beverages	787	963	77	337	787	-	36	260
General traders	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-
Hotel and Hospitality	-	-	-	-	-	-	-	-
Retail and wholesale trade	-	-	-	-	-	-	-	-
Metal and Allied	-	-	-	-	-	-	-	-
Printing and Packaging	-	-	-	-	-	-	-	-
Textile	-	-	-	-	-	-	-	-
Property Investment Loans	954	136	197	245	1,338	85	48	48
Individual	84	13	-	84	84	19	-	84
Other Commodity Trading	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	1,825	1,112	274	666	2,209	104	84	392
Europe	1,825	1,112	274	666	2,209	104	84	392
North America	-	-	-	-	-	-	-	-
Asia Pacific (including South Asia)	-	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-	-
Total	1,825	1,112	274	666	2,209	104	84	392

5.1.7 Provisions

The Bank has adopted IAS-39 for the accounting of its loan portfolio and related impairments thereof.

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.

Impairment is reviewed broadly for two categories. The first consists of assets assessed on individual basis because an impairment event has occurred. These exposures require close monitoring and are discussed regularly in the relevant risk committees, with quarterly impairment testing to determine any specific provisions.

The second category comprises a portfolio of assets that are regular, performing well, and show no signs of impairment to determine collective impairment allowance.

The table below shows the movement in provision for loan losses:

Amount in £'000	Specific	General	TOTAL
1 January 2025	392	800	1,192
Provision charge during the year	274	-	274
Provision (reversals) during the year	-	(200)	(200)
Provision charge/(reversals) during the year - net	274	(200)	74
Written off during the year	-	-	-
31 December 2025	666	600	1,266

Amount in £'000	Specific	General	TOTAL
1 January 2024	308	800	1,108
Provision charge during the year	84	-	84
Provision (reversals) during the year	-	-	-
Provision charge/(reversals) during the year - net	84	-	84
Written off during the year	-	-	-
31 December 2024	392	800	1,192

5.2 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.

5.2.1 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, 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.

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 rose and vice versa.

5.2.2 Foreign Exchange Risk

The Bank's assets are typically funded in the same currency as that of the business transacted 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.

The Bank's net open foreign exchange positions are monitored on a 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). Therefore, the Bank has not performed the foreign exchange sensitivity analysis, as the risk is not material.

5.3 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 the regulations that 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 is in place to minimise operational risk. However, given the number of unknown external factors, the framework is subject to regular reviewed. Risk management is maintained a high priority within the business to ensure that 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 financial impact of operational incidents against the defined risk appetite.

5.4 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 withdrawal of deposits, which can lead to a run on the Bank deposits.

The Bank's liquidity policy is to ensure that it always 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 Capital Requirements Directives. 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 regulators, experience, and from developments in market and industry best practices.

The ALCO has responsibility for the formulation of the overall strategy and oversight of the asset liability management function.

The liquidity disclosure template with liquidity risk limits is provided hereunder:

Amount in £'000		
Liquidity Coverage Ratio (LCR)	2025	2024
Total High quality liquid assets (HQLA)	124,203	215,324
Total Net Flow	52,921	57,288
Liquidity Coverage Ratio (LCR) (%)	235%	376%
Regulatory Requirement (%)	100%	100%
Amount in £'000		
Net Stable Funding (NSFR)	2025	2024
Total Available Stable Funding	408,670	435,703
Total Required Stable Funding	282,120	219,242
Net Stable Funding Ratio (NSFR) (%)	145%	199%
Regulatory Requirement (%)	100%	100%

5.5 Counterparty Credit Risk

Counterparty credit risk is the risk 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 an 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.

5.6 Financial risks arising from Climate Change

The Bank is committed to providing finance to customers that meet the minimum applicable requirements in consideration of the 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 the 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.

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 has defined its climate-related risk appetite for credit exposure and it is monitored on a monthly basis.

6. Encumbrances

An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn.

As of 31 December 2025, the Bank maintained encumbered assets of £7m with financial institutions including Bank of England. Further, the Bank's investment portfolio was un-encumbered as there were no investments pledged as collateral. The Bank utilises the Repos lines to test the liquidity of assets on the investment portfolio and usually for a shorter tenor – less than three months.

7. Supervisory Review

The FCA and PRA are risk-based regulators who jointly supervises the Bank. Both the PRA and FCA address different areas of the regulations to ensure that the Bank is compliant with the overall principles, rules and guidance. The Bank engages with both supervisors on periodical basis and ensures that the relevant rules and regulations are complied with in spirit.

8. 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.

During the year, the Bank issued Additional Tier 1 (AT1) Capital of \$2m and repaid Tier 2 (T2) Capital of the same amount after receiving approval from the PRA. This transaction resulted in improvement in quality of the capital which will allow the Bank to pursue planned growth in its lending and trade businesses.

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

The ICAAP is prepared annually to evaluate the amount of capital needed to address all pertinent current and future risks vis-a-vis the strategic business objectives. It demonstrates that the Bank has effective risk management policies and processes in place to ensure overall capital adequacy.

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 is in place 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 defined 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.

9. Countercyclical Capital Buffer

The Countercyclical capital Buffer (CCyB) is designed to strengthen institutions' resilience by requiring the accumulation of capital during periods of credit expansion, enabling them to absorb losses and support financial stability during stress. The Financial Policy Committee (FPC) set the UK CCyB rate at 2%, effective from 5 July 2023, and this rate remained unchanged as at 31 December 2025.

The Bank's CCyB requirement is calculated only on its RWAs that are subject to an applicable jurisdictional buffer rate; exposures to institutions and central governments do not attract a CCyB charge and are therefore excluded.

As at 31 December 2025, the Bank's CCyB requirement stood at 1.22%, which has been incorporated into its overall capital adequacy calculations.

31 December 2025

Geographical breakdown	Exposure values and risk-weighted assets used in the computation of the countercyclical buffer rate		Own fund requirements weights	Risk weighted assets	Countercyclical buffer rate (%)
	Exposure values	Risk weighted assets			
	£'000	£'000	%	£'000	%
United Kingdom	234,067	166,913	2.00%	3,338	2.44%
Europe	33,491	26,528	0.00%	-	-
Asia Pacific (including South Asia)	32,574	35,689	0.00%	-	-
Africa	19,624	22,423	0.00%	-	-
Middle East	34,383	18,195	0.00%	-	-
Other countries	4,526	3,787	0.00%	-	-
Grand Total	358,664	273,534	1.22%	3,338	1.22%

Countercyclical Buffer - Total Risk Weighted Assets

This table summarises the Bank's countercyclical buffer requirement.

31 December 2025	
1 Total risk weighted assets	383,024
2 Countercyclical buffer rate	1.22%
3 Countercyclical buffer requirement	4,674

31 December 2024

Geographical breakdown	Exposure values and /or risk-weighted assets used in the computation of the countercyclical capital buffer		Own fund requirements weights	Risk weighted assets	Countercyclical buffer rate (%)
	Exposure values	Risk weighted assets			
	£'000	£'000	%	£'000	%
United Kingdom	193,990	144,938	2.00%	2,899	2.31%
Europe	6,204	4,082	0.00%	-	-
Asia Pacific (including South Asia)	50,307	63,158	0.00%	-	-
Africa	12,045	11,199	0.00%	-	-
Middle East	36,546	26,869	0.00%	-	-
Other countries	1,165	967	0.00%	-	-
Grand Total	300,257	251,213	1.15%	2,899	1.15%

Countercyclical Buffer - Total Risk Weighted Assets

This table summarises the Bank's countercyclical buffer requirement.

31 December 2024

1 Total risk weighted assets	330,996
2 Countercyclical buffer rate	1.15%
3 Countercyclical buffer requirement	3,818

10. Remuneration Policies

The Board of Directors is responsible for the oversight of remuneration policies for the Bank and is assisted by the Board's HR&RC. The HR&RC is responsible for recommending all remuneration policies and policy changes for Board approval, ensuring that the Bank's remuneration policy adheres to the Remuneration code.

The Bank operates a discretionary performance driven bonus process that is related to the Bank's and individual's performance. The performance of the Bank is judged against fiscal and non-fiscal targets agreed with the Board at the start of the year. An individual's performance is assessed throughout the year and formally at the mid-year and at the year-end performance review cycles. Individual performance ratings are dependent on achievement against agreed individual goals and objectives. The performance rating is based on task / work completion and equal weightage is given to adherence to the Bank's Values and good conduct, whilst exhibiting the right Values and behaviours when carrying out duties and responsibilities.

The performance incentive payment to Remuneration Code Staff is in accordance with the FCA and PRA's Remuneration Code principle 12 proportionality level 3 rule, and all the Remuneration Code staff fall within the de minimis concession.

The Bank does not operate any long-term incentive plan for the staff and there are no other non-cash benefits to staff except a pension scheme and life/ health insurance schemes.

The table below shows the remuneration for the Bank charged during 2025:

Category	No. of Staff	Amount in £'000		
		Fixed Remuneration	Variable Remuneration	Total Remuneration
Board Level including CEO	6	1,138	151	1,289
Senior Management	10	2,316	557	2,873
Business Material Risk Takers who are not part of Senior Management	17	2,047	345	2,392
Support Staff Staff whose activities have material impact on the Bank's risk profile and other staff members	101	7,529	793	8,322
Total	134	13,030	1,846	14,876

11. Leverage ratio

This ratio is disclosed in compliance with Article 451 of CRR under Capital Requirements Directive IV and measures proportion of Tier 1 (T1) capital to total exposure. Leverage ratio is calculated by T1 capital as per Paragraph 6 (Capital Adequacy Resources) divided by the exposure which consists of balance sheet assets plus off-balance sheet items excluding claims on the Central Banks.

The Bank has a leverage ratio of 13.11% as of 31 December 2025.

This is a conservative ratio taking into account that a major part of the assets consists of short-term placements, debt securities and marketable trade exposures. All exposures are governed by the Bank's Risk Appetite Statement which is monitored through regular review by the management and in various risk committees.



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