



COMPANY REGISTRATION NUMBER: 01719649

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024

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Strategic Report

HBL Bank UK Limited Structure

HBL Bank UK Limited (the “Bank”) is authorised by the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”) and is supervised by the PRA. 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 Pakistan (“HBL”).

Strategy

The Bank’s vision is to be a niche financial services institution, providing UK based products to customers by leveraging the parent bank’s network and brand recognition. The Bank accepts customer deposits, undertakes client lending and international trade financing, as well as offering wealth services. The Bank has also adopted a Financial Institutions strategy focused on building relationships and supporting institutional customers to balance the risks and optimise capital usage.

The Board of Directors (the “Board”) annually reviews and updates the forward-looking five-year strategy, considering changes in both the external and internal environments. Management then executes the revised strategy, with the Board monitoring its implementation.

The Board set out nine priorities for 2024, against which progress has been reviewed throughout the year. These were:

- Build a sustainable and profitable business model.
- Ensure continuous improvement and adherence to best practices to enhance operational resilience and compliance.
- Maintain, enhance, and enforce a robust control environment, including risk management, compliance, internal controls, and policies, with Board oversight.
- Enhance the board's overall effectiveness by optimising its structure, processes, and interactions, ensuring robust strategic oversight, informed decision-making, and strong stakeholder relationships.
- Confirm and strengthen the Bank’s strategic direction through development and monitoring of the five-year strategy.
- Foster the development and retention of people.
- Create a diverse and inclusive culture.
- Implement and embed Consumer Duty regulations.
- Leverage the network’s best practices and expertise while retaining local accountability.

The Board is satisfied that good progress has been made in each of these areas during 2024.

Business Model

The Bank serves its customers in the following ways:

- **Deposits and Other Services**

The Bank operates four branches in UK, providing both deposit and payment solutions to UK resident and non-resident individuals, as well as business customers. Customers with deposit accounts have access to debit cards, savings accounts, fixed-term deposits, and online banking services. During the year, the Bank implemented the Faster Payments system, significantly

enhancing the customer experience and improving operational efficiency. The Bank is now one of the few UK Banks with this capability.

- **Client Lending and International Trade Financing**

The Bank offers business, network (customers of the parent bank) and high-net-worth individual customers real estate financing, working capital, term lending, trade finance (including invoice discounting), and foreign exchange (FX) products. The customers are serviced both through the branches and dedicated relationship managers.

- **Wealth Services**

Dedicated wealth desks provide high-net-worth individuals and network customers with execution-only investment accounts.

- **Financial Institutions (FI)**

This business collaborates with banks to provide customer-centric products, opportunities to balance risk, optimise capital, and manage the placement of surplus liquidity.

Business Environment

The current business environment is characterised by a blend of resilience and challenges. In 2024, the UK's GDP growth remained modest, reflecting ongoing economic pressures from high inflation and geopolitical uncertainties. Businesses have faced increased costs, particularly in raw materials and energy, which have compressed profit margins and contributed to higher consumer prices.

Looking ahead, the projected business environment for the near future suggests cautious optimism. The Bank of England's (BOE) monetary policy will play a pivotal role in shaping the economic landscape. Although interest rates have been reduced from 5.25% to 4.50%, they remain elevated and are expected to decrease at a slower pace due to ongoing inflationary pressures. Lower rates could provide some relief to businesses by reducing borrowing costs and encouraging investment. However, recent tax changes, including higher national insurance contributions and an increase in minimum wage, may offset some of these benefits by imposing additional financial burdens on businesses.

Despite elevated interest rates, the Bank continues to effectively manage its lending portfolio and has successfully reduced the volume of non-performing loans. The lending and customer selection criteria are periodically reviewed to ensure the creditworthiness and quality of customers. Additionally, the focus on investing surplus liquidity in short-term, high-quality liquid assets and enhancing self-liquidating trade assets has further reduced the Bank's risk profile.

Financial Performance

The Bank has achieved another record year, the operating profit of £9.2 million and net operating income of £30.9 million are the highest in the last decade. Despite ongoing inflationary pressures, operating costs were effectively managed, with modest increases, while net recoveries from legacy non-performing assets contributed positively. The overall balance of non-performing loans was also reduced by approximately 50%. Net interest income was generated through quality credit assets, the deployment of surplus liquidity in high-quality liquid assets, and short-term placements, although this was partially offset by the higher cost of customer deposits. Additionally, fee and commission income increased by over 47%, driven by a strong focus on the trade finance business and a rise in trading activities from customers in wealth services.

These results reflect the successful execution of the refreshed strategy approved in 2023, which focused on the growth of lending business, efficient allocation of capital and strengthening the overall risk management framework, including internal the control environment.

Key achievements during the year include:

- Significant increase in trade volumes, driven by a focused strategy.
- Further strengthening of relationships with regulators.
- Successful implementation of Consumer Duty standards in alignment with regulatory expectations.
- Implementation of Faster Payments infrastructure, enabling seamless GBP payments for customers.
- Investment in technology, including the implementation of a new customer onboarding solution and a new loan origination system. Additionally, enhancements were made to the relationship management system, digital banking app and cyber security controls.
- Streamlining and strengthening of risk and credit approval processes.
- Development of risk-based compliance monitoring and horizon scanning programme.
- Optimisation of office space usage through the consolidation of premises to improve efficiency.
- Enhancements to the employee proposition including improvement in maternity benefits, supporting hybrid working and enhancing pension benefits.
- Ongoing support of the Diversity, Inclusion and Workplace Culture Forum (DIW) fostering diversity and inclusion within the Bank. The DIW forum continued to be chaired by an Independent Non-Executive Director.

The Bank's financial position as of FY 2024 is as follows:

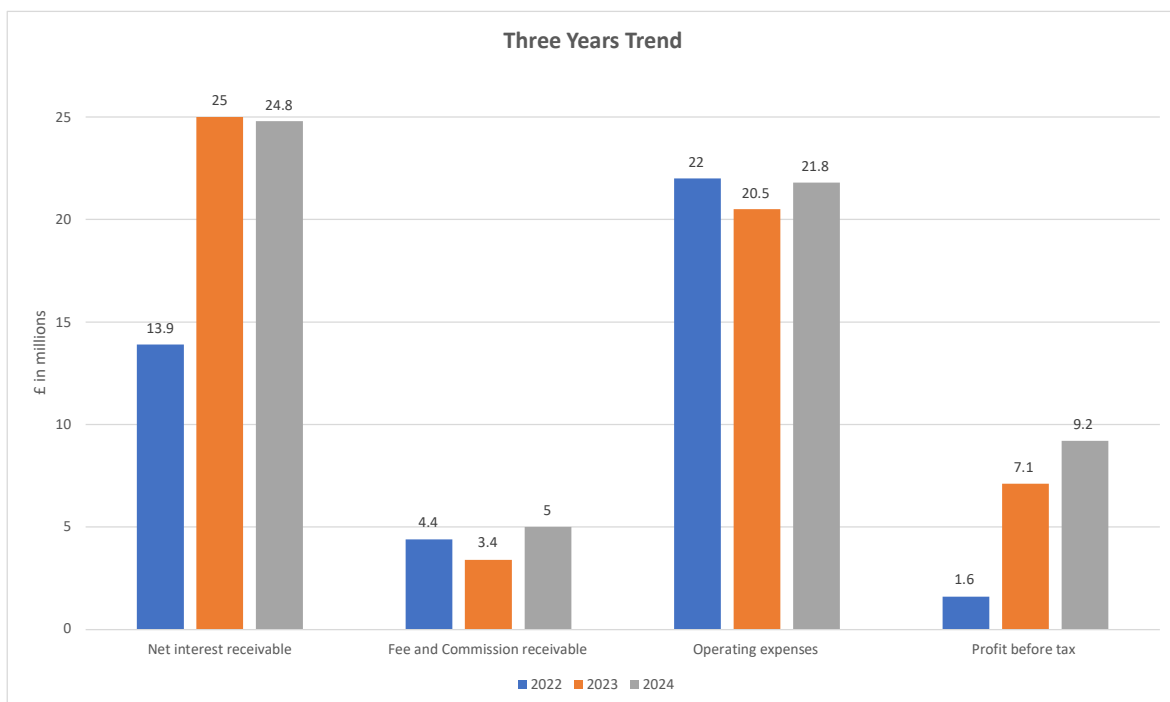
Profit before Tax (£m)	2024	2023
Net Interest receivable	24.8	25.0
Fee and Commission receivable	5.0	3.4
Other income / (charges) – net	1.1	(0.7)
Net Operating Income	30.9	27.7
Total Operating Expenses	(21.8)	(20.5)
Operating Profit before provisions and tax	9.1	7.2
Reversals / (Provisions)	0.1	(0.1)
Profit before tax	9.2	7.1

Statement of Financial Position (£m)	2024	2023
Cash and balances at central banks	67.8	78.1
Loans and advances to banks	100.8	102.9
Loans and advances to customers	215.6	218.0
Debt Securities	166.9	97.1
Other assets	13.0	9.8
Total Assets	564.1	505.9
Deposits by banks	5.2	5.4
Customer accounts (deposits)	461.7	411.9
Other Liabilities	13.0	13.4
Total Liabilities	479.9	430.7
Equity	84.2	75.2
Total Liabilities and Equity	564.1	505.9

- The Bank reported a net operating income of £30.9 million, the highest in the past decade. While lower yields on the lending book, due to interest rate reductions by both the BOE and the FED, and higher cost of deposits partially impacted performance, these were broadly offset by higher volumes of earning assets, which grew from around £496.1 million to £551.1 million. Additionally, a greater focus on trade finance activities, coupled with stability in overall markets, contributed to higher revenue from trade finance and wealth services. As a result, fee revenue increased to £5.0 million from £3.4 million; reflecting a rise of over 47%.
- Despite higher inflation, the Bank continued to seek efficiencies, resulting in a modest 6% increase in overall operating costs.
- Additionally, net recoveries from non-performing assets led to a reversal of credit costs by approximately £0.1 million. There was also a significant reduction in the overall non-performing loan book.
- The Bank effectively managed its assets and liabilities, maintaining strong liquidity and capitalisation. Loans and advances to customers decreased slightly to £215.6 million from the previous year, primarily due to unforeseen early repayments and challenges in certain processes, which were streamlined in the last quarter. These changes, along with the automation of the lending approval system, are expected to significantly enhance the overall lending operations. Surplus liquidity was primarily invested in debt securities, which saw a substantial increase compared to the previous year. The debt securities are primarily short dated high-quality liquid assets.
- The Bank maintains a diversified deposit base of £461.7 million, with approximately 60% in low-cost current and savings deposits. Through sustained focus, the Bank was able to generate a higher level of deposits compared to the previous year.
- The Bank continues to maintain a strong capital base, with equity of £84.2 million and adequate regulatory capital.

Trend Analysis

The financial performance trends of the past three years, reflecting the Bank's turnaround into a profitable franchise, are provided below:



Key Performance Indicators

The Board has established specific financial Key Performance Indicators (“KPIs”) for Management and reviews these periodically. The key KPIs are set out below:

KPI (£m)	2024	Target
Net Interest Income	24.8	25.9
Non Funded Income	6.0	5.3
Operating costs	21.6	21.4
Profit before tax	9.2	7.8
Deposits	461.7	435.0
Commercial loans	202.0	225.0
Gross non-performing loans	2.0	7.5

In addition, the Board also periodically reviews certain non-financial indicators.

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 risk, 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 (P&P), with Board-level oversight ensuring effective risk management and adherence to the P&P.

ii. Risk Management

The PRA has concluded that, based on the scale and nature of the Bank's business, it 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, business 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.
- 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.
- Processes for reviewing the risk management systems and monitoring compliance with set thresholds (limits and EWIs).

The Board has established sub-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 meeting sub-committees are reported to the Board by the Chairman of the respective Committees, namely:

- Board Audit Committee
- Board Risk Committee
- Human Resources and Remunerations Committee
- Compliance and Conduct Committee
- Board Nominations Committee

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 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 in 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 the defined limits and 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 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. 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 & 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 Internal Capital Adequacy Assessment Process (ICAAP).
- Disclosure – ensuring relevant information is disclosed on how climate-related risks are integrated into the governance and risk management processes.

The 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.

To identify, monitor and manage risks, the Bank has set up management-level committees chaired by the Chief Executive Officer. Additionally, the Bank has developed and regularly reviews procedure manuals to ensure they remain up-to-date. The internal control includes 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. Recently, the Bank conducted a review and external validation of its credit risk management, regulatory reporting processes, and associated governance. Following this, the Bank 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 reviewed the possible scenarios arising from a possible Iran/Israel conflict and the broader tensions in the Middle East, assessing their potential impact on its portfolios. Additionally, the Bank has evaluated its portfolio regarding the ongoing Russia/Ukraine conflict. While the Bank has no direct exposure of Russia/Ukraine, some of its customers hold assets related to these regions under custody. However, the Bank has assessed the impact as minimal, and its capital ratios remain 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	Recognising the crucial role customers play in the Bank's long-term success, the Board ensures that their interests are consistently considered and places them at the heart of every significant decision. The Bank is committed to fostering strong, sustainable relationships with	During the year, the Bank implemented the Consumer Duty regulations, which apply to all relevant financial services products and services offered to customers. The satisfaction surveys completed by the customers were reviewed by the Board to ensure outcomes were discussed and considered, with

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
Customers continued	its customers, reflected in its consistent customer service, tailored solutions where possible, and high levels of engagement through both physical and online channels. The Bank operates four branches in the UK, located in Birmingham, Manchester, and two in London and also offers online and mobile applications for both personal and business customers. Customer needs are a central to the Bank's strategy. Feedback from branch employees regarding customer satisfaction and complaint data is regularly reviewed by the Board to inform decision-making.	action plans developed for any necessary changes. These actions are then monitored by management and overseen by the Consumer Duty Champion, an independent non-executive Board member. The Bank also integrated into the Faster Payments infrastructure system, enhancing payment ease and efficiency for customers. The Customer Relationship Management ("CRM") system, launched last year, continues to help the Bank better understand customers' needs and manage communications and interactions. Additionally, enhancements to the digital banking application have expanded the services available to customers, contributing to a reduction in branch footfall. The Bank's product development initiatives are driven by evolving customer needs, customer feedback and market analysis. The Board reviews and updates the long-term five-year strategy and plan on an annual basis. This plan is supported by a detailed roadmap that outlines proposed business changes, new product development to address customer needs, operational adjustments, and the resources required to achieve these objectives.
People	The Board recognises the critical role employees play in the Bank's success and as such, their health, safety, and wellbeing are key considerations in decision-making. The Human Resources and Remuneration Committee ensures that all significant employee-related	Following a review of employee benefits in 2024, the Board approved an increase in pension contributions, effective from 2025 onwards and enhanced the maternity benefits. The DIW Forum has continued to actively promote and advance employee ideas and initiatives that foster a diverse and inclusive culture

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
People continued	matters are brought to the Board for discussion. Employee engagement takes various forms. The CEO hosts bank-wide quarterly townhall meetings to provide key business updates, where employees are encouraged to ask questions and offer feedback. Regular HR updates, including announcements of new joiners are shared with all employees. A robust and progressive performance appraisal system is in place, which evaluates both performance and conduct. In addition, employees receive ongoing training to ensure they are equipped to deliver positive customer outcomes.	within the Bank. During the year, the Bank conducted an employee engagement and cultural survey. The Board thoroughly reviewed the survey results and the accompanying management action plan addressing the observations. Moving forward, the Board will continue to monitor the implementation of the management action plan.
Suppliers	The Bank establishes and maintains relationships with various third-party service providers and vendors to support its diverse business functions. These relationships are governed by the Bank's Vendor Management Policy. The Bank regularly reviews its third-party service provider and vendor relationships to ensure optimal service delivery and to provide suppliers with opportunities for feedback.	The Bank is dedicated to ensuring suppliers are paid promptly and fairly for their services. This commitment is supported by a reliable payment processing system that adheres to agreed payment terms and schedules. Additionally, the Bank regularly reviews supplier contracts to ensure fair compensation and adherence to industry standards. To uphold ethical standards, the Bank requires all suppliers to comply with a strict code of conduct, encompassing ethical behaviour, transparency, and adherence with relevant laws and regulations. Regular reviews and feedback mechanisms are implemented to monitor and ensure that suppliers provide services ethically.
Regulators	The Bank's Board and Management, regularly engages with both its regulators, the FCA and the PRA on a	Throughout the year, the Bank took the necessary steps to comply with relevant rules and regulations,

Stakeholder	How Stakeholder Interests are Considered	Example of areas of involvement / decisions taken during the year:
Regulators continued	variety of matters, maintaining an open and transparent dialogue. The Bank's Board and its Committees regularly receive updates on Management's interactions with regulators, ensuring that their feedback is appropriately considered.	including Consumer Duty regulations. Interactions with regulators were conducted in an open and transparent manner, with all required information provided promptly.
Community and Environment	The Bank acknowledges its responsibility within the community and actively encourages its employees to engage in charitable activities both locally and internationally. This initiative is supported by the Diversity, Inclusion, and Workplace Culture Forum (DIW). While the Bank's direct environmental impact is limited, it remains committed to contributing to climate change efforts wherever possible.	The Bank continued its partnership with the Westminster Food bank, with employees regularly making donations to support its efforts. Additionally, Bank colleagues took part in the Great City Race, raising funds for the Futuremakers charity. Futuremakers is a global initiative that promotes economic inclusion for young people in underserved communities, empowering the next generation to learn, earn, and thrive. The Bank's Board-approved Social and Environmental Management System (SEMS) Policy ensures that environmental, health, safety, and social considerations are integrated into credit decisions. This policy is continually evolving to align with the Bank's strategic objectives. Lastly, under the Bank's DIW forum, activities included a charity event for Macmillan Cancer Support, well-being sessions for employees, and cultural celebrations.

Business Outlook

The Bank has revised its five-year strategy to further diversify its commercial business and expand wealth services. The plan remains to leverage the parent company's network to identify growth opportunities and develop customer-centric products and services. Customer experiences will be enhanced through personal interactions with dedicated relationship managers, improving turnaround times, and proactively identifying, fulfilling customer needs. Additionally, the Bank will continue to

collaborate with the parent Bank to leverage their customer relationships, including integrating into the 'Prestige' brand launched within the network.

The Bank remains vigilant in monitoring the evolving regulatory environment, ensuring that changes are identified and adopted promptly. When necessary, the Bank engages external consultants to support the implementation of regulatory changes and ensure compliance.

The Board has thoroughly considered the impact of interest rates, inflation, and other factors on the Bank's profitability, capital, liquidity, and operational resilience as part of the going concern assessment. The Directors are confident that the going concern basis remains appropriate for preparing the Bank's financial statements. Further disclosures on the going concern basis can be found in note 2(b) of the financial statements.

Approved by the Board and signed on its behalf by



Suzanne Clark
Director
HBL Bank UK Limited
9 Portman Street
London W1H 6DZ
Dated: 14 March 2025

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 2024. 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 pages 2 and 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 2024 are presented in detail on pages 34 to 57. The profit on ordinary activities before tax for the financial year amounted to £9.2m (2023: £7.1m).

The Directors do not propose the payment of a dividend for the year (2023: 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 (2023: £53.3m), and total equity was £84.2m (2023: £75.3m).

The Bank's financial statements have been prepared on a going concern basis, as the Directors are satisfied that there are no material uncertainties that would raise significant doubt about the Bank's ability to continue as a going concern.

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 7 meetings (2023: 11).

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 (joined 01.04.2024)
Suzanne Clark	Independent Non-Executive Director
Khalid Qurashi	Independent Non-Executive Director
Rayomond Kotwal	Non-Executive Director
Faisal N. Lalani	Non-Executive Director (resigned 30.04.2024)
Sagheer Mufti	Non-Executive Director
Farhan Talib	Non-Executive Director (joined 01.05.2024)
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 its parent company, HAML. Furthermore, none of the Directors had any disclosable interest in the shares of the Bank at the end of the year or any time during the year. 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 HAML, 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.

Directors' remuneration report

The total remuneration, including pension contributions, for all Directors, including the Executive Director of the Bank, for the year ended 31 December 2024, was £1.2m (2023: £1.03m).

There are no performance targets or benefits (such as, pension, bonus, long term incentive plan or exit payments) in place for the Non-Executive Directors.

Political Contributions

During the year, the Bank made no political contributions (2023: £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 Financial Conduct Authority ("FCA") and PRA.

The Board is committed to maintaining the highest standards of corporate governance. The Bank follows the UK Corporate Governance Code (published July 2018) (the "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 seven 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 Chairman of the Board and CEO are held by separate individuals, ensuring that no one individual has unfettered decision-making power.

The Chairman 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 Company Secretary and CEO liaise with the Chairman prior to each meeting to agree on the agenda and the papers to be submitted for the Board meetings.

A Board effectiveness review is conducted annually. Results are reviewed and action taken if required.

To enable Directors to effectively discharge 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 conducted 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 has an independent Audit function, with the Head of Internal Audit reporting directly to the Chairman of the BAC, Suzanne Clark. Suzanne is an Independent Non-Executive Director and an approved person by the PRA/FCA.

The BAC's main responsibilities include:

- Reviewing the Bank's financial statements and the appropriateness of its accounting policies and key judgements.
- 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.
- 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.

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, and reputational risk. The Chairman 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”), and Internal Liquidity Adequacy Assessment Process (“ILAAP”).

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 Chairman of the HRRC, Andrea Farace, is an Independent Non-Executive Director and an approved person by the PRA/FCA.

The HRRC’s main responsibilities include:

- Designing 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.

Compliance and Conduct Committee (“CCC”)

The CCC is responsible for supporting the Board in instilling a strong compliance and conduct 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 code of conduct and whistleblowing. The Chairman 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 Bank’s policies and procedures to mitigate the risk of the Bank may be used for financial crime.
- Reviewing the effectiveness of the culture supporting compliance.

Board Nominations Committee (“BNC”)

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

The BNC’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 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.
- Reviewing the Bank’s leadership needs, ensuring a diverse pipeline for appointments to maintain competitiveness.

The CEO, reporting to the Chairman 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

The Bank's Code of Ethics and Business Conduct sets out the ethical standards expected from its employees, guiding them in fulfilling their duties with integrity and dignity. These principles support the Rules and Regulations reflected in the Bank's Policies and Procedures, helping employees maintain high ethical values and build customer confidence.

Code of Conduct

The Bank has adopted the FCA Code of Conduct, including Conduct Rules for Senior Managers and Individual employees. These rules emphasise honesty, integrity, trust, outlining the other principles and standards expected from management, officers and other employees are expected to adhere. Senior Manager Conduct rules apply to employees approved by FCA/PRA under the Senior Managers Regime (SMFs), while Individual Conduct rules are applicable to all Bank employees, regardless of their position or regime certification.

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 2024, the Bank had 131 employees (2023: 127) and provides the following benefits to all employees:

- Defined contributory pension scheme with 6% employer contribution.
- Group life insurance cover (4 times annual salary) in case of death in service.
- Private Health Insurance.
- Group Income Protection, providing an income of 75% of salary for up to five years.

From 1 January 2025, the Bank increased its pension contribution from 6% to 7%.

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
Chairman
HBL Bank UK Limited
9 Portman Street
London W1H 6DZ

Dated:

14 March 2025

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 2024 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: • loan loss provisioning on loans and advances to customers. Within this report, key audit matters are identified as follows:  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used in the current year was £2m which was determined on the basis of 2.5% 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 as compared to the prior year.

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 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;
- comparing the actual results reported in 2024 and 2023 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, considering management's capital and liquidity projections, assessing the results of management's stress testing on the liquidity reserve position and the surplus capital position, and evaluating 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
- 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 2024, the Bank had an outstanding balance of loans and advances to customers, net of provision, amounting to £216m (2023: £218m) (see note 22) with the total impairment provision balance being £1.2m (2023: £1.1m) (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 the 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, who 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 is complex and there is a potential risk of fraud due to the significant judgements applied.

Accordingly, we have identified that the risk of material misstatement is most significant in the individual impairment assessment of the watch-listed and defaulted borrowers. This category includes borrowers where there is an indication of a potential increase in credit risk and are closely monitored by management for any

potential impairment risk.

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

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 bad book loans. This involved assessing the impairment methodology in light of the current macroeconomic environment;
- Challenged the key inputs and judgements used in the impairment assessment by evaluating payment history, collateral valuation and underlying supporting documents;
- Challenged the valuation of the underlying properties with the involvement of our real estate specialist, by assessing the latest collateral valuation report for a sample of loans;
- 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;
- Tested 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.

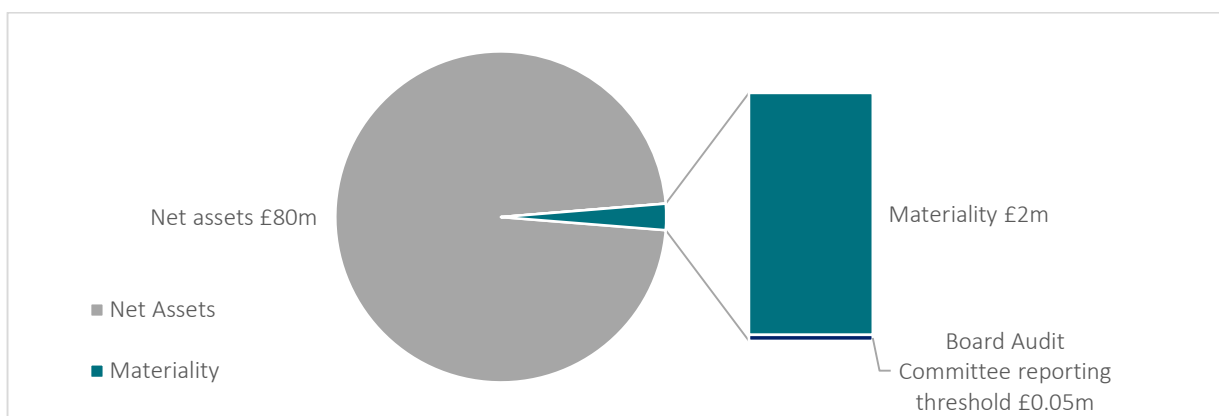
6. Our application of materiality

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	£2.00m (2023: £1.88m)
Basis for determining materiality	2.5% of net assets (2023: 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 owner of the Bank, lenders, and regulatory body focus on and is a good proxy for regulatory capital. The Bank is balance sheet driven and it is their significant deposit and loan positions that drive their 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 2024 audit (2023: 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.

6.3. Error reporting threshold

We agreed with the Board Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2023: £100,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board 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. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team in the UK.

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.

Consistent with the prior year, we obtained an understanding of the relevant controls over the determination of loan loss provisioning (see section 5.1). We also tested the controls relevant to customer deposits and payments, and 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 9 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 read 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 engaged auditors of the parent bank to assist us with testing of the general IT controls over the IT systems relevant to the audit. All other work relating to the audit of financial statements of the Bank for 2024 was carried out by 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; and
- the matters discussed among the audit engagement team and relevant internal specialists, such as IT risk 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 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 2024 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

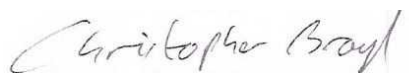
Following the recommendation of the Board Audit Committee, we were appointed by the Board of Directors of the Bank on 21 July 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ended 31 December 2016 to 31 December 2024.

15.2. Consistency of the audit report with the additional report to the Board Audit Committee

Our audit opinion is consistent with the additional report to the Board 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
14 March 2025

Income Statement
For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Interest receivable			
Interest receivable and similar income arising from debt securities		6,032	3,776
Other interest receivable and similar income	3	25,627	24,647
		<u>31,659</u>	<u>28,423</u>
Interest payable	4	(6,856)	(3,466)
NET INTEREST RECEIVABLE		<u>24,803</u>	<u>24,957</u>
Fees and commissions receivable	5	4,973	3,491
Profits / (losses) on foreign exchange - net		846	(1,293)
Other operating income		235	548
NET OPERATING INCOME		<u>30,857</u>	<u>27,703</u>
Administrative expenses	6	(21,449)	(20,221)
Depreciation and amortisation	7	(310)	(314)
TOTAL OPERATING EXPENSES BEFORE PROVISIONS		<u>(21,759)</u>	<u>(20,535)</u>
OPERATING PROFIT BEFORE PROVISIONS AND TAX		<u>9,098</u>	<u>7,168</u>
Provision for loan (losses) - net	16	(84)	(50)
Reversal of provision for diminution in the value of investments	7	207	-
PROFIT BEFORE TAX		<u>9,221</u>	<u>7,118</u>
Tax credit	8	816	637
PROFIT AFTER TAX		<u>10,037</u>	<u>7,755</u>

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

Statement of Comprehensive Income
For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Profit for the year		10,037	7,755
Other comprehensive income / (expense)			
Items that can be reclassified to Income Statement in subsequent periods:			
Gain on revaluation of investments	10	656	808
Deferred tax related to available for sale debt securities	8b	(157)	(265)
		499	543
Total Comprehensive Income for the Year		10,536	8,298

Statement of Financial Position
As at 31 December 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Cash and balances at central banks	22	67,835	78,138
Loans and advances to banks	22	100,848	102,904
Loans and advances to customers	22	215,563	217,968
Debt securities	10	166,870	97,109
Fixed assets	11	1,599	1,116
Other assets	13	3,006	1,717
Accrued income on securities		1,372	758
Deferred taxation	12	7,054	6,237
TOTAL ASSETS		564,147	505,947
LIABILITIES			
Deposits by banks		5,261	5,362
Customer accounts	14	461,701	411,886
Other liabilities	15	12,985	13,447
TOTAL LIABILITIES		479,947	430,695
EQUITY			
Shareholders' funds			
Share capital	17	53,315	53,315
Profit and loss account		9,649	2,068
Revaluation reserve		(119)	(618)
		62,845	54,765
Other equity instruments	18	21,355	20,487
TOTAL EQUITY		84,200	75,252
TOTAL LIABILITIES & EQUITY		564,147	505,947

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 14 March 2025 and were signed on its behalf by:



Suzanne Clark
 Director

Statement of Changes in Equity
For the year ended 31 December 2024

	Share capital	Other Equity instruments	Profit and loss account	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	53,315	20,487	(2,159)	(1,161)	70,482
Total comprehensive income for the year					
Profit for the year	-	-	7,755	-	7,755
Other comprehensive income	-	-	-	543	543
	-	-	7,755	543	8,298
Distributions to owners					
Interest on other equity instruments	-	-	(3,528)	-	(3,528)
At 31 December 2023	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

Cash Flow Statement
For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit for the year		10,037	7,755
Adjustment for:			
Depreciation		310	314
Taxation		(816)	(637)
Provisions for loan losses / (reversal) (net)		84	50
		(422)	(273)
		9,615	7,482
Decrease / (Increase) in operating assets			
Loans and advances to banks (excluding short term placements and Nostro balances)		1,592	28,974
Loans and advances to customers		2,321	(13,284)
Other assets (excl. Corporation Tax) including Accrued Income		(1,746)	1,799
		2,167	17,489
(Decrease) / increase in operating liabilities			
Deposit by banks		(101)	(4,479)
Customer accounts		49,815	(32,475)
Other liabilities (excl. Corporation Tax) including Deferred Income		(620)	(658)
		49,094	(37,612)
Net cash flows generated from / (used in) operating activities		60,876	(12,641)
Cash flows from investing activities			
Net investments in available-for-sale securities		(73,517)	(6,121)
Net investments in held-to-maturity securities		4,255	(4,046)
Fixed capital expenditure		(792)	(272)
Net cash flows used in investing activities		(70,054)	(10,439)
Cash flows from financing activities			
Repayment of Tier II Capital		(3,090)	-
Issuance of ordinary share capital		3,958	-
Interest paid on other equity instruments		(2,456)	(3,528)
Net cash flows used in financing activities		(1,588)	(3,528)
Decrease in cash and cash equivalents during the year		(10,766)	(26,608)
Cash and cash equivalents at the beginning of the year		112,823	139,431
Cash and cash equivalents at the end of the year	7.1	102,057	112,823

Notes to the Financial Statements
For the year ended 31 December 2024

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 and this bank 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. The Bank operates four branches (2023: 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 2024 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, management has applied two different stress scenarios to its loan book in line with the Bank's credit policy. Scenarios 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.

Critical judgements in applying Bank's accounting policies

The critical accounting judgements are noted below.

(i) 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 two stress scenarios on the credit portfolio in-line with the Bank's credit policy. Whilst a range of outcomes is reasonably possible, however in the worst scenario the impairment loss on the credit portfolio was increased by £0.3m.

(ii) 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).

(iii) 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 performs its assessment over a period of five years. This includes making judgements on the impact of future economic conditions.

Key sources of estimation uncertainty

(i) 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.

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.

(ii) 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%
Software development cost	10%

(e) Financial assets and liabilities

The Bank has adopted the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) 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 equity 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).

	2024 £'000	2023 £'000
3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest earned on loans and advances to customers	17,346	16,720
Interest earned on bills discounted	3,202	3,066
Interest earned on bank deposits and placements	5,079	4,861
	<u>25,627</u>	<u>24,647</u>
4 INTEREST PAYABLE		
Interest on customer deposits	6,810	3,415
Interest on inter-bank borrowings	46	51
	<u>6,856</u>	<u>3,466</u>
5 FEES AND COMMISSIONS RECEIVABLE		
Commission on Letters of Credit and Guarantees	2,314	1,534
Commitment and Loan processing fees	211	248
Remittance income	342	402
Wealth service trading income	2,106	1,307
	<u>4,973</u>	<u>3,491</u>
6 ADMINISTRATIVE EXPENSES		
Staff costs:		
Wages, salaries and allowances	12,778	11,584
Social security costs	883	1,322
Other pension costs	495	386
Other administrative expenses	7,293	6,929
	<u>21,449</u>	<u>20,221</u>
The total average number of persons employed during the year was 129 (2023: 131).		
The average number of persons (including part-time employees) employed by the Bank as at 31 December are as follows:		
	Nos 2024	Nos 2023
Managers and above	63	72
Non-management	66	59
	<u>129</u>	<u>131</u>
	Note	
	2024 £'000	2023 £'000
7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		
Profit is stated after		
Charging:		
Auditor's Remuneration		
Audit of the Bank's financial statements	395	340
All other audit related assurance services	10	10
Other non-audit assurance services	78	70
Operating lease rentals		
Buildings	700	878
Gains / (losses) on foreign exchange - net	846	(1,293)
Depreciation and amortisation	11	
Provisions for loan losses - net	84	50
Reversal of provision for diminution in the value of investments	207	-
Auditor's Remuneration include overrun of 0.035m pertain to 2023 (2023:0.025m pertain to 2022) paid to auditors during the year.		
	2024 £'000	2023 £'000
7.1 Cash and cash equivalents at the end of the year		
Cash and balances at central bank	67,835	78,138
Loans and advances to banks (Nostros and short term placements)	34,222	34,685
	<u>102,057</u>	<u>112,823</u>

	2024 £'000	2023 £'000
8 TAXATION		
(a) Analysis of tax credit for the year		
Current tax:	158	-
Deferred tax:		
Origination and reversal of timing differences	(1,170)	(479)
Impact of change in tax rate	-	(39)
Prior year adjustment in respect of timing differences	196	(119)
Total deferred tax credit	(974)	(637)
Tax credit	(816)	(637)
(b) Tax recognised in the Statement of Other Comprehensive Income		
Deferred tax:		
Origination and reversal of temporary differences	168	253
Effect of tax rate change	(11)	12
Total deferred tax	157	265
Total tax credit recognised in other comprehensive income	157	265
(c) Factors affecting tax credit for the year		
Profit on ordinary activities before tax	9,221	7,118
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023: 23.5%)	2,305	1,673
Effects of:		
Expenses not deductible for tax purposes	2	12
Interest payment on other equity instrument	(614)	(829)
Prior year adjustment	196	(39)
Movement in unrecognised deferred tax on losses	(2,705)	(1,335)
Rate change adjustment	-	(119)
Total tax credit	(816)	(637)
9 DIRECTORS' EMOLUMENTS		
Directors' fees and emoluments	1,161	1,014
Pension contributions	21	18
	1,182	1,032
The total remuneration and benefits of the highest paid director	690	642
Benefits under defined contribution pension arrangements accrued during the year to one director (2023: one director).		
	2024 £'000	2023 £'000
10 DEBT SECURITIES		
Investment securities - Held to Maturity		
Government securities	3,709	7,609
Investment securities - Available for Sale		
Government securities	163,009	89,666
Others	-	3,886
	163,009	93,552
Deficit on revaluation on available for sale investments	152	(151)
Provision for diminution in the value of investment	-	(3,901)
	166,870	97,109
10.1 Provision for diminution in the value of investment		
At 1 January	3,901	3,901
Write off during the year	(3,901)	-
At 31 December	-	3,901
Market value of held to maturity investments as at 31 December 2024 is £3.76m (2023: £7.08m). All debt securities as at 31 December 2024 and 31 December 2023 are traded in active markets.		
Unrealised revaluation loss for the year on investments amounted to £0.16m (2023: Loss of £0.81m).		

11 FIXED ASSETS

	Freehold property	Leasehold improve- ments	Software develop- ment cost	Computers, furniture, fixtures & equipment	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At 1 January 2024	1,249	3,164	1,177	3,200	8,790
Additions	-	475	92	225	792
Write-offs	-	-	-	(25)	(25)
At 31 December 2024	<u>1,249</u>	<u>3,639</u>	<u>1,269</u>	<u>3,400</u>	<u>9,557</u>
<i>Accumulated depreciation</i>					
At 1 January 2024	987	2,788	806	3,092	7,673
Charge for the year	47	81	111	71	310
Write-offs	-	-	-	(25)	(25)
At 31 December 2024	<u>1,034</u>	<u>2,869</u>	<u>917</u>	<u>3,138</u>	<u>7,958</u>
Net book value at 31 December 2024	<u>215</u>	<u>770</u>	<u>352</u>	<u>262</u>	<u>1,599</u>
Net book value at 31 December 2023	262	376	370	108	1,116
			2024		2023
			£'000		£'000

11.1 Fixed assets written-off

<i>Cost</i>	25	-
Accumulated depreciation	(25)	-
Amount written off during the year	<u>-</u>	<u>-</u>

12 DEFERRED TAX ASSET

At beginning of year	6,237	5,865
Adjustment in respect of prior years (income statement)	(196)	39
Credit in the year (income statement)	1,170	598
Deferred tax charge to other comprehensive income	(157)	(265)
At 31 December	<u>7,054</u>	<u>6,237</u>
Deferred tax asset is made up of:		
Accelerated capital allowances	248	372
Losses carried forward	6,746	5,469
Available for sale assets	47	204
Other temporary differences	13	192
	<u>7,054</u>	<u>6,237</u>

Factors that may affect the future tax charge

As at 31 December 2024, based on the business plan for 5 years to 31 December 2029 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 £6.8m (net) (£27m gross) in respect of existing carried forward losses.

The total net unrecognised deferred tax asset as at 31 December 2024, which comprises of losses, is £6.42m (2023: £8.92m).

13 OTHER ASSETS

	2024	2023
	£'000	£'000
Prepaid expenses	1,273	1,094
Unrealised gain on forward exchange contracts	1,217	360
Other receivables	516	263
	<u>3,006</u>	<u>1,717</u>

14 CUSTOMER DEPOSITS

Current	240,691	251,410
Savings	30,244	32,210
Term	190,766	128,266
	<u>461,701</u>	<u>411,886</u>

	2024	2023		
	£'000	£'000		
15 OTHER LIABILITIES				
Accrued expenses	3,312	3,555		
Corporation tax payable	158	-		
Unrealised loss on forward exchange contracts	834	332		
Other liabilities	8,681	9,560		
	<u>12,985</u>	<u>13,447</u>		
16 PROVISION FOR LOAN LOSSES				
	Specific Impairment £ '000	Collective Impairment £ '000	2024 Total £ '000	2023 Total £ '000
At 1 January	308	800	1,108	1,058
Charge during the year	84	-	84	234
Provision reversals during the year	-	-	-	(184)
Provision taken to income statement (net)	84	-	84	50
Written off against provision during the year	-	-	-	-
At 31 December	<u>392</u>	<u>800</u>	<u>1,192</u>	<u>1,108</u>
17 SHARE CAPITAL	2024	2023		
	£'000	£'000		
Allotted, called up and fully paid				
10,663,081 ordinary shares of £5 each as at December	53,315	53,315		
18 OTHER EQUITY INSTRUMENTS				
(a)	13,744	9,785		
(b)	7,611	10,702		
	<u>21,355</u>	<u>20,487</u>		

- (a) In 2020, the Bank has created an Additional Tier 1 instrument of \$30m with an ability to issue it in tranches as and when required. First tranche of \$10m (equivalent to £7.60m) has been issued on 12 November 2020, second tranche of \$3m (equivalent to £2.19m) has been issued on 22 September 2021 and third tranche of \$5m (equivalent to £3.97m) was issued on 26 February 2024 to support the capital resources of the bank particularly the overall Tier 1 capital resources. Prior approvals from the PRA was obtained on 17 August 2020, 25 August 2021 and 25 January 2024 for the issuance of these instruments respectively. The Bank utilised the proceeds of this issuance to fully and partially 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 at the rate of 4.75% above the applicable reference rate and the credit adjustment spread with effect from 1 July 2024 (2023: 4.75% above six month USD LIBOR up to 30 June 2024).

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 \$18m (\$10m on 16 November 2020, \$3m on 27 September 2021 and \$5m on 28 February 2024) after taking approvals from the PRA. As of 31 December 2024 \$12m (equivalent to £7.6m) is outstanding. Interest is payable on a six monthly basis at the rate of 4% above the applicable reference rate and the credit adjustment spread with effect from 1 July 2024 (2023: 4% above six months USD LIBOR up to 30 June 2024).

	2024 £'000	2023 £'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	609
Later than one year and not later than five years; and	1,584	1,827
Later than five years	366	-
(ii) In respect of forward foreign exchange contracts:		
Purchase	14,514	16,706
Sale	14,516	16,698
(iii) In respect of forward cross currency swaps:		
Purchase	33,899	21,896
Sale	33,347	21,880
(iv) In respect of undrawn credit facilities	23,688	19,848
(b) Contingencies:		
Acceptances and endorsements	40,079	9,574
Guarantees	1,190	1,549

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 2024 was £0.011m (2023: £0.010m)

	2024 £'000	2023 £'000
Currency		
USD	(161)	(110)
EURO	5	(1)
AED	2	0
CHF	8	3
PKR	95	70
Other currencies	39	28

21 CONCENTRATION OF CREDIT RISK

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

Geographical concentration:

Europe
North America
Asia Pacific (including South Asia)
Africa
Middle East

2024						
Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative & Others	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
67,422	187,827	46,893	59,572	9,404	1,217	372,335
-	1,154	14,428	103,589	-	-	119,171
-	10,751	8,280	3,709	31,761	-	54,501
-	3,358	8,534	-	104	-	11,996
-	12,473	22,713	-	-	-	35,186
67,422	215,563	100,848	166,870	41,269	1,217	593,189

Sectoral concentration:

Chemicals and Pharmaceuticals
Financial
Food, Tobacco and Beverages
General traders
Government
Shipping
Hotel and Hospitality
Retail and wholesale trade
Metal and Allied
Printing and Packaging
Textile
Property Investments
Individual
Medical Services
Others

2023						
Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative & Others	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	10,000	-	-	-	-	10,000
77,556	-	102,904	3,886	2,150	344	186,840
-	15,209	-	-	1,533	-	16,742
-	2,402	-	-	652	-	3,054
-	-	-	93,223	-	-	93,223
-	13	-	-	-	-	13
-	9,517	-	-	-	-	9,517
-	-	-	-	-	16	16
-	454	-	-	-	-	454
-	322	-	-	-	-	322
-	6,485	-	-	2,590	-	9,075
-	148,907	-	-	-	-	148,907
-	8,048	-	-	-	-	8,048
-	3,234	-	-	-	-	3,234
-	13,377	-	-	4,198	-	17,575
77,556	217,968	102,904	97,109	11,123	360	507,020

Geographical concentration:

Europe
North America
Asia Pacific (including South Asia)
Africa
Middle East

2023						
Balances at central bank	Loans to customers	Loans and advances to banks	Debt securities	Contingencies	Derivative & Others	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
77,556	188,839	51,428	19,818	9,844	360	347,845
-	1,150	13,369	70,092	-	-	84,611
-	11,436	14,012	3,313	1,177	-	29,938
-	4,142	13,352	3,886	102	-	21,482
-	12,401	10,743	-	-	-	23,144
77,556	217,968	102,904	97,109	11,123	360	507,020

22 MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS

Financial instruments maturities at the end of the year were:

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	£'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
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

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
Deposits by:					
Banks;					
- Parent and connected	2,553	-	1,596	-	4,149
- Others	1,112	-	-	-	1,112
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				

2023					
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	78,138	-	-	-	78,138
Loans and advances to:					
Banks;					
- Parent and connected	357	4,119	4,266	-	8,742
- Others	19,960	33,040	41,162	-	94,162
Customers	18,250	22,319	16,451	149,833	217,968
Debt securities	-	23,864	27,099	46,146	97,109
Other financial assets	-	-	758	-	758
Derivative financial assets	-	197	163	-	360
	116,705	83,539	89,899	195,979	497,237
Deposits by:					
Banks;					
- Parent and connected	2,713	-	1,571	-	4,284
- Others	1,078	-	-	-	1,078
Customers	284,794	62,649	64,443	-	411,886
Other financial liabilities	1,023	-	12,092	-	13,115
Derivative financial liabilities	-	180	152	-	332
	289,608	62,829	78,258	-	430,695
Net gap	(172,903)	20,710	11,641	195,979	11,115
	66,542				

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 £270.9m (2023: £284.8m) 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:

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
Customers	205,609	1,000	7,833	-	-	1,121
Debt securities	45,805	43,738	69,636	7,691	-	-
Other financial assets	-	-	-	-	-	597
Other non-financial assets	-	-	-	-	-	12,434
	342,040	72,022	101,273	7,691	-	41,121
Deposits by:						
Banks	1,596	-	-	-	-	3,665
Customers	115,273	42,788	32,070	635	-	270,935
Other financial liabilities	-	-	-	-	-	-
Other non-financial liabilities	-	-	-	-	-	12,985
Total Equity	-	21,355	-	-	-	62,845
	116,869	64,143	32,070	635	-	350,430
Overall gap	225,171	7,879	69,203	7,056	-	(309,309)
Cumulative gap	225,171	233,050	302,253	309,309	309,309	-

2023						
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	77,556	-	-	-	582	78,138
Loans and advances to:						
Banks	37,158	35,103	10,326	-	-	20,317
Customers	214,442	-	-	-	-	3,526
Debt securities	23,864	27,099	-	46,146	-	-
Other financial assets	-	-	-	-	-	1,118
Other non-financial assets	-	-	-	-	-	8,710
	353,020	62,202	10,326	46,146	-	34,253
Deposits by:						
Banks	1,571	-	-	-	-	3,791
Customers	62,649	51,783	12,660	-	-	284,794
Other financial liabilities	-	-	-	-	-	13,447
Other non-financial liabilities	-	-	-	-	-	-
Total Equity	-	20,487	-	-	-	54,765
	64,220	72,270	12,660	-	-	356,797
Overall gap	288,800	(10,068)	(2,334)	46,146	-	(322,544)
Cumulative gap	288,800	278,732	276,398	322,544	322,544	-

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, which is 100% controlled by its immediate parent, 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.

	2024 £'000	2023 £'000
The details of balances with the related parties are as follows:		
Borrowing / deposits / other equity instruments		
Immediate parent and associates	23,908	23,200
Key management personnel	122	105
Loan receivable from:		
Immediate parent and associates	7,639	8,831
Key management personnel	1,695	1,721
Interest Income		
Immediate parent and associates	320	393
Interest Paid		
Immediate parent and associates	2,456	3,529

Total compensation of key management personnel in the year amounted to £2.95 m (2023: £3.03 m).

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).

	2024			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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
	2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets available for sale	89,500	-	-	89,500
Derivative financial instruments - assets	-	360	-	360
Total	89,500	360	-	89,860
Derivative financial instruments - liabilities	-	332	-	332
Total	-	332	-	332

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 i.e. credit risk, market risk, operational risk, liquidity risk 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 Policy 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

31 December 2024

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances	Total
	£(000)	£(000)	£(000)	£(000)	£(000)
<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
Total financial instruments	552,687	104	2,209	(1,192)	553,808

31 December 2023

<u>Financial Assets at Amortised Cost</u>					
Balances at central bank	77,556	-	-	-	77,556
Loans and advances to banks	102,904	-	-	-	102,904
Loans and advances to customers	214,443	3,375	1,258	(1,108)	217,968
Debt Securities	7,609	-	-	-	7,609
All other financial instruments	1,021	-	-	-	1,021
	403,533	3,375	1,258	(1,108)	407,058
<u>Financial assets at fair value through Income Statement</u>					
Unrealised gain on forward exchange contracts	360	-	-	-	360
<u>Available for sale Financial Assets</u>					
Debt securities	89,500	-	3,901	(3,901)	89,500
	89,500	-	3,901	(3,901)	89,500
Total financial instruments	493,393	3,375	5,159	(5,009)	496,918

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:

		2024 £'000	2023 £'000
CQS			
	1	38,471	40,533
	2	6,890	7,441
	3	10,686	8,084
	4	254	2,249
	5	36,616	35,809
	6	7,930	8,788
		<u>100,848</u>	<u>102,904</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.

	2024 £'000	2023 £'000
Internal risk rating of loans and advances to customers		
Rating		
Grade A3-B3	214,409	214,259
Grade Caa1, Caa2 and Caa3	-	184
Grade Ca and C	2,347	4,633
Total Gross Amount	216,755	219,076
Allowance for impairment (individual and collective)	(1,192)	(1,108)
Total	<u>215,563</u>	<u>217,968</u>

Concentration of past due and impaired exposure

UK	2,313	6,126
AFRICA	-	2,408
	<u>2,313</u>	<u>8,534</u>

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	6,208	7,640
Residential real estate	86,771	87,669
Commercial real estate	319,560	309,709
Others including shares and debt securities	33,098	30,739
Total collateral value	<u>445,638</u>	<u>435,757</u>
Gross loans and advances to customers	<u>216,755</u>	<u>219,076</u>

As at 31 December 2024 Bank's maximum exposure towards credit risk is approximately £601m (2023: £514m). 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:

		2024 £'000	2023 £'000
CQS			
	1	163,162	89,910
	2	-	-
	3	-	3,886
	4	-	-
	5	-	-
	6	3,709	3,313
		<u>166,871</u>	<u>97,109</u>

No debt securities are pledged as collateral to secure liabilities under repurchase agreement (2023: 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 (including PRA SS3/19), 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 £0.8m on net interest income for the year ended 31 December 2024 (2023: £0.3m). 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 2024

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 2024

	Type of operation	Turnover £'000	Profit / (Loss) before tax £'000	Corporation tax paid £'000	Average number of employees Nos
United Kingdom	Commercial Banking (CB), Wealth service, Financial Institution (FI) and Treasury services (TS)	30,857	9,221	-	129
		30,857	9,221	-	129

Country-by-country breakdown 2023

	Type of operation	Turnover £'000	profit /(Loss) before tax £'000	Corporation tax paid £'000	Average number of employees Nos
United Kingdom	Commercial Banking (CB), Wealth service, Financial Institution (FI) and Treasury services (TS)	27,703	7,118	-	131
		27,703	7,118	-	131

30 EVENT AFTER BALANCE SHEET DATE

The Bank issued Additional Tier 1 Capital of \$2m on 3 February 2025 and repaid Tier 2 of the same amount on 5 February 2025 after receiving approval from the Prudential Regulation Authority (PRA).

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