AL RAYAN BANK PLC

Annual Report and
Financial Statements

Registered number 04483430
(England & Wales)

For the year ended 31 December 2024

Contents

Introduction

Al Rayan Bank is the United Kingdom's oldest and largest Sharia-compliant bank. The Bank specialises in Commercial Property Finance and Premier Banking, and offers a limited range of savings accounts through its Digital Banking platform and third party savings aggregation platforms.

Al Rayan Bank was the first Sharia-compliant bank in the UK to receive a public rating, achieving an Aa3(cr) rating from Moody's Investors Service (Moody's), one of the leading global ratings agencies.

The Bank prides itself on delivering value to customers through various channels, including in-person services via Relationship Managers and a Premier Banking office at its Head Office in London, as well as through Digital and Telephone Banking services.

Our ambition is for Al Rayan Bank to be the most trusted Sharia-compliant bank in the UK, providing Premier and Commercial Property Finance. We achieve this by maintaining simplicity in our operations and connecting with each other through our 'TEAM' values, creating a great place to work and a great place for customers to bank. We promote ethical banking, embrace and celebrate diversity and we care about having a positive impact on the world around us.

Al Rayan Bank PLC is the UK subsidiary of AlRayan Bank QPSC, formerly Masraf Al Rayan (MAR). AlRayan Bank QPSC is one of the largest banks in Qatar, providing Sharia-compliant banking, financial, investment, and brokerage services across the country. Incorporated in January 2006, AlRayan Bank QPSC is licensed by the Qatar Central Bank.

Al Rayan Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 229148.

Al Rayan Bank is incorporated and registered in England and Wales with Registration No. 4483430. Registered Office: 4 Stratford Place, London W1C 1AT.

alrayanbank.co.uk

Chairman's Statement

I am pleased to report that in its twentieth anniversary year, Al Rayan Bank UK achieved another strong year of financial results. The Bank's combination of strong leadership and governance, a clear strategic focus, and prudent management of economic, political and regulatory headwinds allowed the Bank to exceed its original forecast for 2024.

In 2024, the Bank realigned its successful strategy with a focus on key areas: Commercial Banking and Premier Banking. Our experienced and stable Executive team has delivered excellent progress against this strategy with an emphasis on providing a best of class experience for our customers supported by a positive working environment and culture.

We have built ever closer links with our parent bank and have increased our visibility in countries within the Gulf Cooperation Council (GCC), building strong customer links and strengthening our position in the Gulf and domestically in the United Kingdom (UK).

Strategic growth and a strong financial performance

The Bank responded to regulatory, economic and political change with an updated strategy that delivered strong financial results and pre-tax profits of £23.47m.

Global geopolitical risks and uncertainties, including the ongoing wars in Ukraine and Gaza and elections in the United States of America (USA), the UK and many other countries across the world have contributed to financial and asset price volatility, and it seems likely that we will see continued global political uncertainty in 2025 which will present its challenges. Meanwhile, the Bank of England's efforts to tackle stubborn levels of inflation with higher base rates have made it more costly for businesses and consumers to finance.

The Bank has taken prudent steps to mitigate these risks, maintaining strong capital and liquidity positions whilst continuing to focus on resilient customer markets. This includes an expansion of Premier Banking customers in the GCC region, notably Qatar, Saudi Arabia and the UAE. The Bank also reinforced its leading position in Commercial Property Finance building on its expertise and broadening its product range to include higher-margin asset classes, such as bridging finance, whilst growing the Commercial Banking team to support these initiatives. Our CEO, Giles Cunningham, provides further details on the commercial strategy and plan in his statement.

Underpinning the Bank's success is its stable Board and Executive teams, featuring a combination of experience and technical expertise. The continuity of leadership, which has been a major goal in recent years (with no changes in the Board's composition and only one Executive change in 2024), has provided a strong foundation for our long-term strategy. It has enabled us to maintain a clear vision and consistent delivery, which in turn has helped engage employees, navigate market challenges, and seize opportunities and new customers with confidence.

In 2024, the Bank continued its close collaboration with its parent, AlRayan Bank QPSC, marked by several visits between the Boards of both companies to Qatar and the UK respectively. The Bank will continue to explore opportunities to collaborate further and leverage the strength of the Group in Qatar and the wider region.

The Bank also retained its commitment to Environmental, Social and Governance (ESG), publishing its first Sustainability report following the establishment of the Bank's ESG Committee in 2023.

Chairman's Statement (continued)

Economic, regulatory and operational risk mitigation

The Bank has continued to build strong working relationships with regulators and stakeholders in 2024. It has adapted effectively to recent and planned regulatory change, including preliminary assessment of Basel 3.1.

The FCA has continued to prioritise the implementation of the Consumer Duty provisions, and the Bank has responded through the application of this approach on closed products to ensure good outcomes for our customers. The FCA continues to emphasise the need for continuous learning and improvement, something Al Rayan Bank fully supports.

The Board and Executive teams remain highly attentive to systemic and operational risks, with a clear mitigation strategy to manage both. The Bank has strengthened its resilience to Information Communications Technology and wider cybersecurity threats, responding to new banking standards that will help increase operational resilience to withstand and recover from cyber-attacks or disruption.

Like any responsible bank, our risk framework is under constant review and recent improvements build upon enhanced controls implemented in preceding years.

Looking ahead

The world faces continued geopolitical and economic uncertainty. However, we hope that under a new government, the UK will experience a period of domestic political stability and make progress in prioritising economic growth, balanced with appropriate risk mitigation in the future regulatory environment.

Al Rayan Bank has cemented its position as the premier Sharia-compliant bank, twenty years after becoming the first such bank to be issued a licence by UK regulators. It has proudly laid the foundations for the UK Sharia-compliant banking sector in the past two decades and will continue to lead as these evolve.

The Bank will deepen its collaboration with its parent bank and rebrand in May 2025 to align with the Group. This will highlight both the Group's strength and our potential to deliver sustainable growth through our connection with the GCC region, allowing clients in the region to benefit from our knowledge of the UK market.

The Bank's strategy and leadership, along with the whole Al Rayan Bank team, will be key to our success in 2025 and beyond. Our clear strategic focus on Commercial Banking, Premier Banking and liquidity management funding coupled with a strong focus on delivery through Technology will position the Bank better to serve its clients, drive innovation and ensure sustainable growth. We will also deliver an even more positive impact on our communities thanks to our strengthened ESG commitments and sustainability plan.

On behalf of the Board, I thank our customers, investors, regulators, colleagues, our Sharia Supervisory Committee and AlRayan Bank QPSC for their continued support. The support of all of our stakeholders is at the heart of the Bank's success in 2024.

We will build on these achievements in 2025.

Michael Williams
Chairman
31 March 2025

Report of the Sharia Supervisory Committee

بسم الله الرحمن الرحيم

(*In the name of Allah, the Most Gracious, the Most Merciful*)

السلام عليكم ورحمة الله وبركاته

(Assalamu Alaykum Wa Rahmatu Allah Wa Barakatuh)

To the shareholders and customers of Al Rayan Bank PLC
For the period from 1 January 2024 to 31 December 2024

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and contracts relating to the transactions and applications introduced by Al Rayan Bank during the period ended 2024. We have also conducted our review to form an opinion as to whether Al Rayan Bank has complied with Sharia rules and principles and also with the specific fatwas, rulings and guidelines issued by us.

Al Rayan Bank's management is responsible for ensuring that the financial institution conducts its business in accordance with Sharia rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of Al Rayan Bank, and to report to you.

We conducted our review which included examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by Al Rayan Bank.

We planned and performed our review to obtain all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Al Rayan Bank has not violated Sharia rules and principles.

In our opinion:

a- The contracts, transactions and dealings entered into by Al Rayan Bank during the year ended 2024 that we have reviewed are in compliance with the Sharia rules and principles;

b- The allocation of profit and charging of losses relating to accounts conform to basis that had been approved by us in accordance with Sharia rules and principles;

c- All the Sharia compliance audit issues found during the audit review occurred due to either misjudgement or human errors in implementing the Sharia controls by the Bank's staff and did not have any material effects on the Bank's overall compliance with Sharia. All issues found have been fully addressed with the management of the Bank;

d- All earnings that have been realised from sources or by means prohibited by Sharia rules and principles will be disposed of to charitable causes.

The Bank does not pay zakat on behalf of its shareholders, and it is the sole responsibility of the individual shareholder(s) to make their zakat payments. The amount of zakat due per share is £0.00037.

We beg Allah the Almighty to grant us all the success and straightforwardness.

والسلام عليكم ورحمة الله و بركاته

(Wassalamu Alaykum Wa Rahmatu Allah Wa Barakatuh)

Sheikh Dr. Waleed Bin Hadi *Chairman*	*Sheikh Dr. Nizam Yaqoobi* *Vice-Chairman*	*Mufti Abdul Qadir Barakatulla* *Member*

19 March 2025

CEO's Statement

In another successful year, Al Rayan Bank continued to unlock long-term, sustainable value for shareholders and customers, delivering the second highest financial performance in the Bank's history through a clear strategy that has helped it become the UK's leading Sharia-compliant bank.

We built upon the record financial performance of 2023 by further expanding the Bank's gross asset financing book in 2024. Despite the reversing base rate trajectory, which in general has the effect of shrinking bank margins, the Bank again delivered a strong year, recording pre-tax profits of £23.47m.

The Bank's revised strategic priorities, which include an increased focus on Premier Banking and Commercial Property Finance (CPF), have enabled it to mitigate risk and target sustainable growth opportunities.

The success of this strategy has been delivered at the same time as we have streamlined our business, through a combination of digitisation of services, simplification of operations and improved process efficiency. We have also further increased the level of engagement of our team, embedding strong values, improving benefits and remuneration, and completing the investment in new offices in London and Birmingham.

We welcome the continued trust of our customers, the expertise of our employees, and the support of our stakeholders and regulators in helping us become the most successful Sharia-compliant bank in the UK.

A year of continued growth

In 2022, the Bank unveiled its vision to become the most trusted Sharia-compliant bank in the UK. This strategic shift served as a catalyst for the Bank's record financial performance in both 2022 and 2023. Last year, we continued this trajectory with another robust year of growth, achieving pre-tax profits of £23.47m. Additionally, we expanded our overall financing asset portfolio by £214 million, from £1.89 billion in 2023 to £2.11 billion in 2024.

Our strategy to grow the CPF division has included investment in expanding the team, providing a wider suite of products and services, and diversifying into higher-margin asset classes - such as commercial real estate, mixed use and bridge financing. Meanwhile, we have concentrated on growing our Premier Banking customer base in the GCC, with particular focus on the Kingdom of Saudi Arabia.

Streamlining & digitising our operations

We have also invested in streamlining our operations to better serve our customers. This includes enhancing digital capabilities to deliver a more secure and efficient banking experience for customers. We transitioned our Fixed Term Deposit reinvestment process to a digital platform, improved customer onboarding and account application process, and a number of new security and anti-fraud measures.

As well as improving the experience for customers, these investments have also created an opportunity for enhanced operational efficiency. In 2024, we conducted a review of our operational resource requirements, leading to a reduction in full-time equivalent roles. While we recognise how challenging this was for those colleagues affected, our business is now even better placed to build on our position as the most successful Sharia-compliant bank in the country.

Expanding our ESG commitments

The Bank published its first Sustainability Report in 2024, illustrating our enhanced commitment to environmental, social and governance standards that have been supported since the creation of our first ESG Committee in 2023.

CEO's Statement (continued)

The Bank is proud to have achieved carbon neutrality by offsetting its emissions, while colleagues have saved over 5,500 tonnes of carbon through their participation in our electric car scheme. We expect to outline our full roadmap in the coming months as part of our work to help the UK achieve net zero by 2050.

We have also appointed Educate a Child International as our official charity partner, launching the 'Educate A Child International Fixed Term Deposit' to advance education for marginalised and vulnerable children and young people. In addition, we made donations to local and global charities.

The Bank also introduced various initiatives centred around colleagues' health and wellbeing, including annual health screenings and mental health support. Furthermore, it joined 'Women in Banking and Finance UK', strengthening its commitment to diversity and inclusion in the financial sector.

Finally, the Bank's secured the ISO27001:2022 certification, recognising its commitment to information security governance and continuous improvement.

The year ahead

We aim to build on our achievements in recent years to become the most trusted, specialist property finance provider for UK and GCC investors and homeowners, guided by ethical, Sharia-compliant principles. This will be enhanced by our forthcoming rebrand, which will further strengthen our connection with our parent company and make it simpler and clearer for our customers in both regions.

The Bank will be renamed 'AlRayan Bank' to align with our parent company's new, more global, naming convention. Our logo will be simplified for optimal digital rendering, which is crucial as most of our communications are now digital. The new branding, featuring the colour blue, conveys safety, reliability, and comfort—qualities our customers expect. This rebrand underscores our commitment to global professionalism, simplicity, and reliability, which are essential for our continued success.

Our TEAM values (trusted, empowered, able, motivated), which were chosen by our colleagues, will remain at the core of our operations, and at the heart of our culture. We are proud to have such a highly engaged, expert and ambitious team that will help us evolve further and better serve our customers in the UK and elsewhere.

The Board and Executive teams were delighted with results of our Colleague Engagement Survey conducted in December 2024. With an outstanding 95% participation rate, the Bank's Employee Engagement Index rose from 86% to 87%, well above the sector average, and reflecting our strong positive culture.

Highlights include high satisfaction with corporate communications, job skills, managerial approachability, and overall pride in working for the Bank. This reaffirms our commitment to build a supportive and ambitious work environment.

We are committed to increasing the representation of women employees at all levels and will create more opportunities for people to enter the financial service industry. Through a more diverse and inclusive culture, we will be better able to act nimbly and responsively to the challenges and opportunities ahead.

Finally, we will maintain our focus on customers and markets that demonstrate resilience amid ongoing economic and geopolitical volatility. This strategy includes sustained investment in CPF and focus on our market penetration in the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE).

Together with our prudent approach to regulatory and operational risk, these strategies will help us mitigate risk and deliver sustainable, long-term growth for years to come.

I would like to end my statement, by extending my gratitude to our customers, our colleagues, our regulators, our Sharia Supervisory Committee and the wider AlRayan Bank QPSC in Qatar for their continued support. I'm delighted that Al Rayan Bank UK has such strong and positive relationships with all our stakeholders; this has been key to our achievements in 2024 and will be so moving forward.

Giles Cunningham
CEO, Al Rayan Bank
31 March 2025

Strategic Report

1. Financial Performance

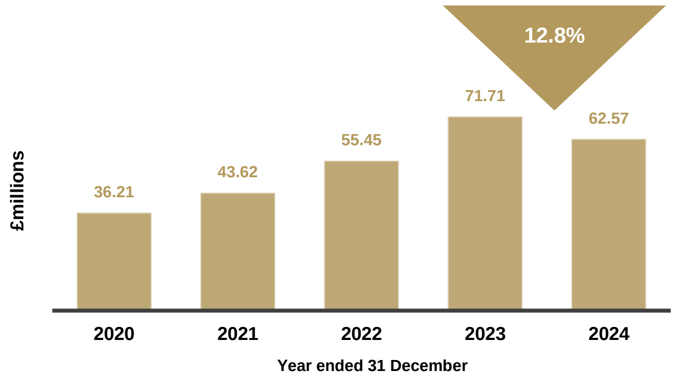
The financial statements for the year ended 31 December 2024 are shown on pages 39 to 80.

The Bank delivered another strong performance in 2024, delivering better-than-forecast results and an expansion of its gross asset financing book, cementing its position as the leading Sharia compliant Bank in the UK. The Bank's profit before tax of £23.47m showed a 23.32% decrease from 2023, primarily driven from higher return payables on fixed term deposits raising the Bank's cost of funding in the year. The Bank has continued to focus on growing Premier Banking and Commercial Financing and expanded its overall financing asset portfolio by £214m, from £1.89 billion to £2.11 billion in 2024.

The Bank delivered a range of competitive products enhancing its digital banking service that is now used by more than 35,000 active customers. The Bank has reached more UK savers and diversified its funding distribution channels by offering its award-winning savings products across aggregator platforms. The Bank also launched its first wholesale bank syndicated Commodity Murabaha agreement, evolving further its funding strategy across the syndicated wholesale marketplace.

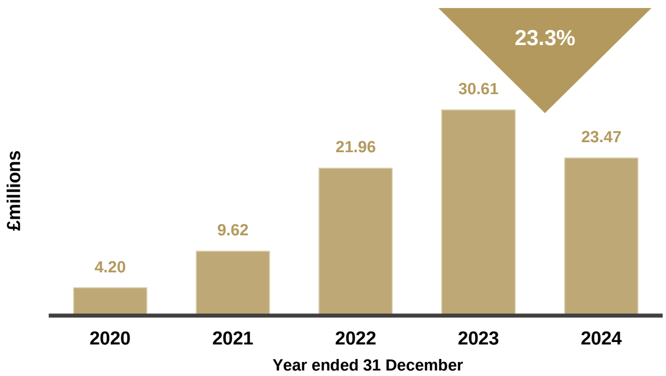
The Bank's strategy to focus on Commercial Property Finance (CPF), including supporting high-value real estate investors, delivered strong growth with a 30.80% increase in its gross CPF asset book from £904m to £1,182m. In addition, CPF revenue also increased by 22.49% from £64.51m to £79.02m.

Net income from financing



2024: £62.57m (2023: £71.71m)

Profit Before Tax



2024: £23.47m (2023: £30.61m)

In line with its strategy, the Bank's overall asset book has increased to £2.11 billion in 2024 (up from £1.89 billion in 2023). The strategic shift in the Bank's target customer mix has improved the Bank's financing revenue performance.

Alongside growth in CPF and Premier Banking, the Bank delivered a planned reduction in its legacy retail portfolio. The Bank continues to support its existing retail home finance customers, offering competitive rental rates for customers who remain with the Bank to ensure that they are able to continue to utilise Sharia compliant home financing.

The Bank also continued to improve operational efficiencies through a strategic plan to streamline operations and become a simpler, lower risk Bank with stable cost base.

Expected Credit Loss (ECL) provision increased by £2.94m (2023: £1.43m), as result a single impaired legacy non-performing counterparty. The Bank's cost to income ratio increase by 5% (from 53% in 2023 to 58% in 2024), driven primarily by the elevated cost of funding.

Key financial performance indicators (KPIs):

Financial Metric	Use of Metric	Basis of Calculation	2024	2023
Profit before tax	Key measure of the Bank's underlying performance, with profit targets set by the Board as part of the budget process		£23.47m	£30.61m
Profit after tax	Key measure of the Bank's underlying performance		£17.72m	£23.03m
Cost to income ratio	The cost to income ratio is a key financial performance metric against which the performance of the Bank is measured, with a target of reducing the ratio as part of the Bank's strategy	Total operating expenses for the year (excluding expected credit losses) divided by total income.	58%	53%
Return on equity	Shareholder performance metric against which the performance of investment is measured	The ratio of profit for the year (before tax) to average equity, expressed as a percentage.	11.40%	16.89%
Common equity tier 1 ratio (as at 31 December)	Key metric for the Bank's sustainability both from a regulatory standpoint and ability of the Bank to deliver on strategic targets	Common equity tier 1 (CET1) capital ratio is the CET1 capital of the institution as a percentage of its total risk-weighted assets.	16.03%	17.36%
Liquidity coverage ratio (as at 31 December)	Regulatory requirements for LCR, as well as a performance metric for management of the Bank's assets and liabilities and the effectiveness of the use of funds	Liquidity Coverage Ratio (LCR) is high quality liquid assets that can be converted to cash with little or no loss in value expressed as a percentage of expected net cash outflows over the following 30 days according to CRD IV requirements.	746%	786%

2. Net income

Net income from financing decreased in the year due to an overall increase in returns payable to customers as maturing deposits were replaced and subsequently repriced by higher funding costs. Simultaneously, a strong performance in CPF finance income has enabled targeted sustainable growth, further strengthening strategic diversification into higher-margin asset classes.

The Bank continued to grow its financing portfolio through expansion of CPF and Premier Banking customers across the GCC region, notably Qatar, Saudi Arabia and the UAE, broadening wider its suite of products services.

The Bank's total balance sheet increased by 13.74% during 2024 as it finished the year with £2.84bn in total assets (2023: £2.49bn). Funding book has increased proportionally by 12.3% (2023: 3.2%), maintained in order to support accelerated growth of the CPF financing book.

The Bank has been able to continue to increase income from favourable profit rates despite a reversing base rate trajectory. The Bank will continue to prioritise customers and markets that are resilient to geopolitical volatility and expects to increase income in 2025, as pressures on the cost of funding is expected to ease along with the expectation that income margins will stabilise as the market settles.

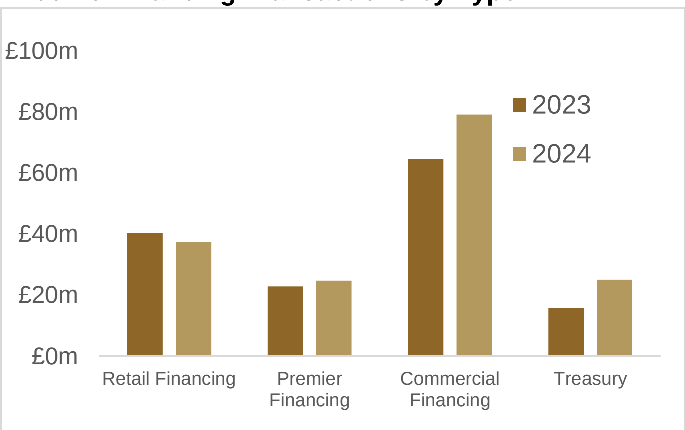
In order to navigate market risk pressures, the Bank entered into a Profit Rate Swap (PRS) in 2024. The PRS was undertaken to manage net margin cash flow variability on its fixed profit rate financing book underwritten by customer deposits that are sensitive to changes in market profit rates. The hedging strategy aligns the cash flows across its fixed profit rate financing and variable deposit costs, reducing the Bank's exposure to changes in profit rate movement to naturally offset cash flow variability and stabilise net profit margin.

Within the year, variations in market rates have caused favourable impact in fair value movement on the Bank's PRS. The treatment has been to recognise and measure the gain in fair value through profit or loss (FVTPL) within other income. The Bank will look to incorporate hedge accounting treatment in order to manage effectively fair value movement across its PRS for 2025.

Overall favourable market rates also enabled the Bank to generate higher levels of income from its excess liquidity, including the utilisation of the Bank of England Alternative Liquidity Facility (ALF) which provided a further opportunity for the Bank to manage its liquidity effectively.

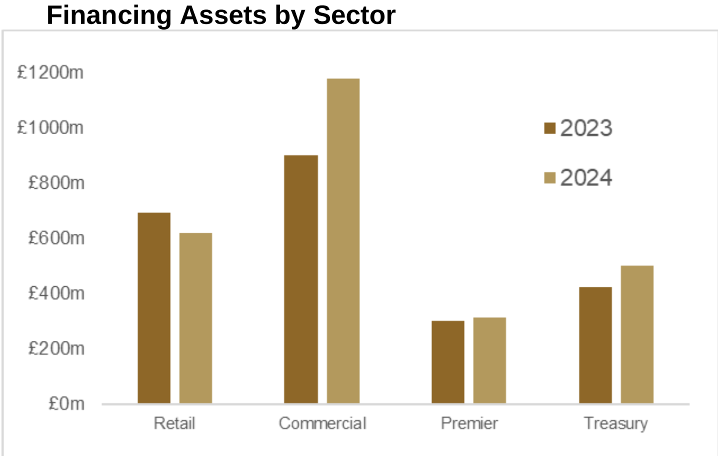
The following charts illustrate the split of financing assets and total income.

Income Financing Transactions by Type



2024: £166.21m (2023: £143.58)

Financing Assets by Sector



2024: £2,107m (2023: £1,893m)

3. Costs

The Bank's strategy to digitise services, streamline its operations and become a simpler, lower risk Bank has helped it manage a stable re-occurring base line cost level over the course of 2024. The Bank saw its cost to income ratio increase from 53% to 58%, as result of a reduction in income predominantly driven by higher cost of funding.

The Bank also continues to work to reduce its ongoing operational costs. The relocation of its operational headquarters within Birmingham will allow the Bank to provide ongoing savings and enhanced service support and integration with its London Head Office. As part of continued infrastructure investment, the

Bank is working to modernise and reduce the cost of some of its IT systems, moving to a more cost effective and robust cloud-based infrastructure as well enhancing its digital platform and cyber security.

4. Expected Credit Losses

The strategic positioning of the Bank has been to undertake prudent steps to limit exposure to global, regional and national economic and political risks, ensuring it faces negligible exposure to new risks within the year.

Despite the Bank's robust risk management, a specific credit risk arose due to a single impaired legacy non-performing counterparty. As a result, the Bank's ECL provision increased to £2.94m (2023: £1.43m). The Bank's has taken a proactive approach to addressing specific credit risks across the financing portfolio while maintaining its overall risk management strategy framework.

Home Purchase Plan (HPP)

There was a decrease in overall HPP ECL from £1.20m (2023) to £0.1m (2024), with a corresponding decrease in coverage to 0.01% (2023: 0.12%).

The Bank’s strategic decision to discontinue new HPP products, has resulted in an ongoing gradual reduction in balances, whilst maintaining a low level of risk from decreasing Finance to Value (FTVs). In line with the overall market, the Bank has seen an increase in additional acquisition payments, further reducing FTVs. Despite the ongoing uncertainty in the economy, the Bank does not expect significant credit losses due to its FTV profile.

Commercial Property Finance (CPF)

There was an increase in CPF ECL from £3.82m (2023) to £7.87m (2024), with an increase in coverage at 0.67% (2023: 0.42%).

The total CPF provision has been significantly impacted by a single impaired legacy non-performing asset, resultant from profit payment breaches and asset revaluations. During 2024 the Bank has developed a bespoke and robust stage 3 assessment for non-performing accounts, contributing to a more accurate provisioning, increasing the ECL and enhancement of the Bank’s Risk Management Framework.

Whilst the CPF book has overall performed satisfactorily, macro-economic factors which impact the real estate market, continue to put pressure on a limited number of customers’ and their tenants’ ability to pay, as well as commercial property prices in response to rising yield expectations. The Bank’s primary commercial property financing is in the residential investment market and whilst base rates have not softened as far as anticipated, a combination of UK housing market changes and global uncertainty have impacted both the residential and non-residential commercial property market.

The outlook in the UK and wider geo-political scenario remains uncertain, against which the Bank has continued to make ECL provisions to account for continued higher levels of risk in areas where the economy continues to be challenging.

5. The Strategic Plan

In 2024, the Bank realigned its successful strategy with a focus on Commercial Banking and Premier Banking. In doing so, it delivered its second highest financial results and pre-tax profits of £23.47m.

The Bank has taken prudent steps to mitigate risks, maintain strong capital and liquidity positions whilst continuing to focus on resilient customer markets. This includes expanding customer numbers in Qatar, Saudi Arabia and UAE as part of its strategic focus on Premier Banking customers in the GCC region. Further investments have been made into the Bank's commercial financing teams, as the bank has successfully diversified into higher-margin asset classes.

At the same time, the Bank has made a number of strategic investments to digitise its services and simplify and streamline its business. This includes enhancing digital capabilities to deliver a more secure and efficient banking experience for customers, for example improving the process for onboarding customers.

The Bank has also continued to extend its commitments to ESG, delivering its first Sustainability Report, achieving and maintaining carbon neutrality and enhancing our support for our employees and the communities they serve.

Together, this refreshed strategy is helping cement the Bank's position as the most trusted, Sharia-compliant bank in the UK.

Our Market and Competition

In 2024, the Bank launched its updated strategy with an enhanced focus on Commercial Banking and Premier Banking this built on the success of the strategy launched in 2022.

In Commercial Banking, Al Rayan Bank UK recommitted to investing in Commercial Property Finance (CPF) to drive growth. This involved diversifying into higher-margin asset classes such as bridging finance and expanding the team to support these initiatives.

For Premier Banking, the Bank concentrated on growing its customer base in the GCC, with a particular emphasis on Qatar through the Group. Additionally, it explored options in Saudi Arabia and the UAE to better serve its clients in these regions.

In addition the Bank shifted its strategy towards aggregators and wholesale funding. This move diversified funding sources and helped to improve overall efficiency.

In the area of technology, Al Rayan Bank UK invested in its technological infrastructure. This included enhancing digital capabilities to provide a more secure and efficient banking experience for its customers, and investigating new core banking systems.

Through ongoing competitor analysis, the Bank stays abreast of the evolving landscape, enabling informed strategic decisions. Its solid foundation, specialist expertise, and comprehensive range of products and services position it well to capitalise on the demand for UK-based financing, evident in the robust growth of its CPF book.

6. Liquidity and Funding

Liquidity

The Bank maintains low levels of liquidity risk, with one of its key objectives to ensure that it has sufficient liquidity to meet the needs of its customers on a day-to-day basis, as well as to meet regulatory requirements. The Bank, through its executive and board committees closely monitors liquidity to ensure resources are effectively managed and meet all applicable regulations and planned asset growth.

Since its establishment in December 2021, the Bank of England Alternative Liquidity Facility (ALF) has played a pivotal role in the Bank's operational strategy. The Bank has proactively maintained substantial holdings within the facility. The residual portion of the High-Quality Liquid Assets (HQLA) comprises Level 1 Sukuk denominated in USD.

Funding

Retail funding

The strategy for funding is underpinned by the acquisition of stable funding through retail deposits, which are closely managed with competitive products catering for varied customer needs.

Expected rates of return are monitored and managed to attract and retain deposits to provide sufficient funding for the financing assets being underwritten. The funding mix is also monitored to ensure the Bank has flexibility in its funding and cost bases to maintain sufficient margins.

Deposit Aggregator funding

The Bank works with a number of deposit aggregators and has taken note of regulatory perspectives in respect of these relationships, is cognisant of the opportunities and potential downsides that they present and has acted cautiously by setting appropriate limits to mitigate concentration risks.

The Bank offers a range of saving accounts through aggregator marketplaces, where the aggregator executes the sale of the savings accounts and the on-going management of the customers administration. This channel provides an operationally light touch proposition for the Bank and enables the Bank to raise funding as required.

Wholesale funding

The Bank funding book is complemented by its Wholesale Funding to diversify the funding base and liquidity requirements. The Bank has continued to diversify its wholesale funding sources from several key sectors such as, multilateral organisations, financial institutions, large corporates, credit unions, local governments, and client funds across the UK and GCC.

As part of the Bank's funding diversification strategy, the Bank has entered into a wholesale bank syndicated Commodity Murabaha agreement. This funding is at a variable profit rate and has a maturity of 3 years.

7. Risk Management Framework

The Bank is committed to effectively managing risks to protect its people, assets, reputation, and overall business objectives. The Bank's Risk Management Framework (RMF) outlines its approach to identifying, assessing, controlling / effectively managing, monitoring and reporting risks the Bank is, or might be, exposed to - as well as detailing the internal control mechanisms that are consistent with, and promote, sound and effective risk management.

The RMF also provides an effective, consistent and transparent approach to managing risks across the Bank. The RMF is supported by a more in-depth suite of policies that detail how risks are controlled and effectively managed across the Bank on a more granular basis.

Sound risk management supports the business strategy and enables the Bank to minimise losses (both financial and reputational), provide a fair and appropriate service to its customers, and deliver returns for shareholders in a Sharia compliant manner.

The Bank's approach to risk management supports and complements its overall strategic aims but also seeks to add value through challenge and independent oversight of business activities. Through the deployment of a robust RMF, the Bank aims to deliver the following risk objectives:

1. Support the establishment of a strong, empowered risk management culture, together with risk management and control arrangements embedded throughout the Bank.

2. Promote a risk aware culture across the Bank, driving an environment where individuals take responsibility and ownership for both risk and high standards of customer conduct.

3. Ensure all risks are identified, assessed, controlled / effectively managed, monitored, and reported through appropriate governance, with clear accountability and responsibility for risk management across the Bank.

4. Maintain positive stakeholder confidence and reputation with customers, colleagues, shareholders, the Sharia Supervisory Committee, rating agencies and regulators.

5. Ensure sustainability and ongoing viability through continuing capital and liquidity strengths, and operational stability and resilience, including that of third party providers.

The Bank's culture reflects its TEAM (Trusted, Empowered, Able, Motivated) Values and corporate governance structure and Risk Management Objectives, which define the Board's cultural expectations and sets the tone from the top.

The Bank's culture is a critical factor in determining the effective operation of the RMF. Governance, policies, processes, controls and escalation processes support the embedding of a robust culture throughout the organisation.

The Bank believes that a culture which promotes effective risk management exists when all colleagues understand the organisation's approach to risk, take personal responsibility to manage risk in everything they do, and encourage others to follow their example. The Bank's RMF promotes this culture and greater risk awareness across the organisation through communications, training and a focus on integrating risk management practices into everyday processes.

Risk Governance

Risk governance is an integral aspect of the Bank's corporate governance which focuses on the structures, processes and approach to the management of the Primary Risks in alignment with the Bank's objectives. This includes clearly defined accountabilities and expectations for all relevant parties, including the roles and responsibilities of the Board, management and employees for the management and oversight of all Primary Risk Types.

The Board has established a governance structure that is commensurate with the Bank's size, complexity and nature of its activities, comprising the Board and its sub-committees; a management level executive committee and its sub-committees; and a Sharia Supervisory Committee. These ensure the Bank's operations are conducted in an effective manner with appropriate challenge and supervision at both management and Board level.

The Bank's approach to risk governance ensures that risk management is directed and controlled by the Bank's Board and utilises hierarchical management control structures and management information (MI) as appropriate.

Whilst the Board is ultimately accountable for the Bank's Risk Management Framework, everyone in the Bank has responsibility for risk management. The Bank operates a 'three lines of defence' model in order to embed clear risk management roles and responsibilities. These are outlined as follows:

- **First line of defence:** Line management within each business area is responsible for the identification, measurement, monitoring, mitigation, management and reporting of the risks within the Bank's risk appetite, ensuring appropriate controls are in place and operating effectively.

- **Second line of defence:** Risk and Compliance functions provide risk management expertise and challenge managers and staff in their performance of risk management activities through independent reviews, monitoring and testing. Specific Sharia compliance monitoring activities performed by the Sharia Compliance Department fall within the second line of defence. The Sharia Compliance Department also conduct an independent Sharia audit on an annual basis to provide assurance to the Sharia Supervisory Committee on the appropriateness and operational effectiveness of Sharia governance, Sharia non-compliance risk management and internal Sharia compliance controls.

- **Third line of defence:** The Bank's Internal Audit function is responsible for independently reviewing the effectiveness of the risk management structure and providing assurance on the effectiveness of internal controls across both the first and the second line of defence. The Internal Audit function reports directly to the Chair of the Board Audit Committee (BAC). The BAC approves the internal audit work programme and receives reports on the results of the work performed. The Internal Audit function is also supported by resources from the AlRayan Bank QPSC and co-source on certain audits, as and when required.

Risk Appetite

A key pillar of the Bank's risk strategy is its Risk Appetite Statement (RAS), and its application to strategic and day-to-day decision-making processes. The RAS articulates the nature and level of risk that the Bank is prepared to accept in order to meet its strategic objectives, the business plan and regulatory obligations, before action is deemed necessary to reduce the risk. The Bank's Board of Directors (Board) considers and approves the types and levels of risk it is willing to accept, or seeks to avoid or limit, in pursuit of the Bank's business strategy and objectives. This is articulated to the business through a series of risk appetite statements and limits. Management then seeks to embed these into all business activities through effective process design and appropriate risk governance.

The Bank's risk tolerance signifies the Bank's ultimate ability to bear risk, without triggering insolvency and/or inability to continue as a going concern. The Bank's risk appetite is formally reviewed by the Board of Directors on an annual basis or more frequently in the event of material changes within the Bank or external environment, and is aligned to the Bank's strategic objectives. Articulating the amount of risk taking that is acceptable to the Bank and helping staff to understand the relative significance of the risks faced allows for more efficient and effective risk management.

8. Risk Management Categories/Primary Risk Types

The main tool of risk classification is the Bank's risk taxonomy, whereby the Bank defines (at a high level) the primary types of risk to which the Bank is exposed to. This supports the clear allocation of ownership of risk, and provides structure to risk reporting across the Bank.

In line with this, the Bank's management has performed an assessment of the primary risks that it faces and their potential impact on its operations, as well as the Bank's ability to achieve its strategic objectives.

Note that in the table below, loss is defined to include financial losses, reputational damage, loss of customers and regulatory censure/fines.

Primary Risk Type	Mitigations
Strategic and Business Model Risk Failure to define, deliver, or execute the Bank's strategic goals and objectives, or that result in impacts to the Bank's business model viability.	• Setting of the Bank's risk appetite by the Board with a focus on identification and monitoring of risks, with limits in place to manage exposure to risks where appropriate • Continual monitoring of performance through financial and non-financial KPIs against the Bank's strategy and financial plans • Development of short and medium-term financial plans based on policies and processes aligned to the Bank's structure and operating model and risk appetite. • Continued review of external risks, including competitor analysis, the financial impact of climate change and operational dependencies on third parties • Scenario modelling and stress testing to assess the potential impact of external events and downside risk events. • Review of the overall market and competitor analysis to inform the strategic plan and approach to market and continual update of these assessments to ensure the strategic objectives remain achievable
Prudential Risk (Market Risk, Liquidity & Funding Risk, Capital Risk) (a) reductions in earnings and/or unfavorable market movements; (b) inability to meet liquidity obligations as they become due, from an unstable funding profile or from a lack of availability of funds; (c) sub-optimal quantity and quality of capital, or breach of regulatory capital requirements	• Risk appetite statements and metrics, with supporting policies • Daily monitoring of the financial position of the Bank against internal and regulatory limits • Adequacy of liquidity buffer, as well as longer-term growth forecasting, stress testing and planning to monitor future capital requirements • Regular monitoring of risks relating to the effect of changes in market rates • Annual ICAAP and ILAAP update, or more frequently if required, with ongoing monitoring on deviance against plan • Recovery and Resolution Plan (RRP) and Solvent Exit Analysis development
Credit Risk Failure of other parties to meet their financial obligations to the Bank and the deterioration of creditworthiness of parties to which the Bank is exposed.	• Appropriate risk appetite and monitoring metrics • A focus on the provision of products to markets where the Bank has specific expertise, and recruitment of specialist staff to assist with the development of new products and markets • Appropriate level of supporting asset cover security and reviews of affordability • Robust policies and guidelines in place which are regularly reviewed and updated in response to internal and external developments and changes in risk appetite • Performance of portfolio stress testing to confirm compliance and resilience • Regular reviews of performance against risk appetite

Primary Risk Type	Mitigations
Conduct Risk Products or actions that lead to poor customer outcomes or cause harm to stakeholders or broader market integrity.	• Risk appetite, policies and processes are aligned to the Bank's structure and operating model • Detailed monitoring and management of the Bank's defined key customer outcomes • Development of simple, understandable products aligned to core offering • Application of governance and rigour to the approval of new products and initiatives, incorporating best practice and Consumer Duty principles • Ongoing staff awareness training (including as part of induction training), supported by a clearly defined risk aware culture • Collaborative working across the Bank to ensure that customers facing financial hardship are offered appropriate support e.g. during the pandemic
Compliance and Legal Risk Non-compliance with laws, rules, regulations, standards, contractual obligations and codes of conduct.	• Risk appetite, policies and processes are aligned to the Bank's structure and operating model • Active monitoring of regulatory changes, including engagement with regulators and industry bodies to keep abreast of current and future developments • Continuous horizon scanning and forward planning to ensure compliance with current and new regulatory requirements • Maintenance and monitoring of policies, including continual refinement of processes and controls to ensure ongoing suitability • Continued embedding of the second line of defence Compliance Operating Model, including Compliance advisory business partnerships and the delivery of the Board approved Compliance Monitoring Plan • Ongoing staff awareness training (including as part of induction training) and assurance mechanisms (e.g. Compliance Monitoring Plan)
Environmental, Social & Governance (ESG) Risk Ineffective or inadequate integration of environmental, social and governance practices into the Bank's operations, including products and supply chain.	• ESG Committee in place that oversees the Bank's approach to integrating environmental, social, and governance practices into its business strategy and operations, and its impact and sustainability • Ongoing work to ensure financial risk from climate change is embedded across the Risk Management Framework. The ESG Committee is overseeing this process with regular updates to the Board • Scenario modelling and analysis to assess the potential climate risk impact • Maintenance and monitoring of policies, including continual refinement of processes and controls to ensure ongoing suitability
People Risk Inability to recruit and retain skilled staff, inadequate training or management of staff, inappropriate reward and incentives and inadequate health and safety practices.	• Recruiting high calibre staff with the right skills, capabilities and behaviours to contribute to delivering the Bank's objectives and strategy • Robust training programmes to support staff with their development and provide opportunities for growth • Offer competitive salary and benefits including bank wide social wellbeing initiatives to aid retention • An annual colleague engagement survey to understand any areas of dissatisfaction and take action on these as appropriate • Processes in place for managing succession planning for key roles

Primary Risk Type	Mitigations
Operational Resilience, Change and Execution Risk Inadequate or failed internal or third-party processes, including execution errors, change management, and selection, management and performance of third parties	• Risk appetite, policies and processes are aligned to the Bank's structure and operating model • Regular risk event and loss escalation processes, including reporting of incidents and remediation and follow up programmes • Operational Resilience and Business Continuity Planning, including embedding and regular effectiveness testing on internal controls and outsourced/third party providers • Structured Risk Control Self-Assessment regime • Regular monitoring of change and transition programmes
Financial Crime Risk Engaging with or facilitating criminal conduct in breach of financial crime laws, rules and regulations	• Risk appetite, policies and processes are aligned to the Bank's structure and operating model, including dedicated policies, standards and guidelines across AML/Counter Terrorist Financing (CTF), Sanctions, Anti-Bribery and Corruption, Anti-Fraud, Politically Exposed Persons (PEPs) and Tax Transparency • Financial Crime customer risk assessments, including the use of enhanced due diligence and enhanced governance via a risk-based approach • On-going monitoring activities, including transaction monitoring, suspicious activity reporting (SAR), customer due diligence and sanctions screening • Active monitoring of regulatory and legal changes, including engagement with regulators and industry bodies to keep abreast of current and future developments • Maintenance and monitoring of policies, including continual refinement of processes and controls to ensure ongoing suitability • Maintenance of system infrastructure and technology to meet operational requirements for customer due diligence and transaction monitoring • Ongoing staff awareness training and assurance mechanisms, including dedicated Bank-wide Financial Crime training delivered during the year
Information Technology & Cyber Risk Inadequate or inappropriate provision of technology services or compromise of the confidentiality, integrity or availability of information.	• Maintenance and monitoring of policies, including continual refinement of processes and controls to ensure ongoing suitability • Application of governance and rigour to data quality, confidentiality and availability • Regular risk event and loss escalation processes are in place, including reporting of incidents and remediation and follow up programmes • Active monitoring of regulatory and legal changes, including engagement with regulators and industry bodies to keep abreast of current and future developments • Ongoing staff awareness training and assurance mechanisms • Maintenance of ISO27001 status through continual improvement of information management systems

Primary Risk Type	Mitigations
Financial Management Risk Inaccurate or incomplete financial information, loss or misuse of financial resources, inaccurate, incomplete or untimely financial reporting and non-compliance with laws, regulations and accounting standards.	• Risk appetite, policies and processes are aligned to the Bank's structure and operating model • Internal controls and audit in place to ensure accurate financial reporting • Model Risk Management Policy in place to ensure appropriate governance and oversight over models and End-User-Developed Applications used by the Bank
Sharia Non-Compliance Risk The Bank may not adhere with Sharia rules and principles established by the Bank's Sharia Supervisory Committee. This risk includes, but not limited to, the design and delivery of products and financial services, outsourcing arrangements and vendor management, marketing and communications, social responsibility activities including volunteering and donations, entertainment and expense payments	• Products, services, policies, procedures, transactions and behaviours are aligned to Sharia principles and the ethical code of the Bank • Monitoring, oversight and challenge of the Bank's activities by an independent Sharia Supervisory Committee and internal Sharia compliance department • Review of products and initiatives prior to changes being implemented to ensure continuing Sharia compliance across all areas of the business and product offerings

9. Financial Risks from Climate Change

The Bank's Environmental, Social and Governance (ESG) Policy acts as the overarching document detailing roles and responsibilities, and the Bank's approach to managing the risks associated with ESG, including financial risks from climate change. This Policy sets out the principles and standards that Al Rayan Bank will adopt in response to the potential material financial impacts it faces from exposure to climate related financial risk, and ensures that it aligns itself with industry and governmental expectations to achieve a net zero economy by 2050. Furthermore, it forms the basis for managing and monitoring climate change risk and establishes the framework required to ensure that climate change risk management and sustainability is embedded in the Bank's longer-term strategy.

The Bank also has a management level ESG committee in which climate change risks are a key focus. As part of its remit, the ESG Committee considers how the Bank assesses its emissions, which in line with the Greenhouse Gas ('GHG') Protocol are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions from owned or controlled sources, Scope 2 covers indirect emissions from the generation of purchased electricity consumed and Scope 3 includes all other indirect emissions that occur in a company's value chain. In 2024, the Bank's commitment to ESG was enhanced further through the publication of its first Sustainability Report.

The Bank's core business of real estate finance could be impacted by financial risks from climate change due to the underlying properties taken as security. There are physical risks that can impact the value of the security including flooding, subsidence, and coastal erosion. In terms of transition risk, the changes to energy efficiency policy could impact the Bank's customers' ability to refinance, or in the case of investment properties impact their ability to let them and service their financing. To be able to quantify the financial risks in the Bank's real estate financing portfolio, the Bank conducted analysis to understand the impact future climate risk may have on existing property security. Overall, the Bank's review found that the impact of climate change was deemed to be negligible.

It should also be noted that as a routine part of providing financing, the Bank undertakes surveys of properties and has insurance requirements when providing financing which include cover for damage, such as from floods, that would impact the value of collateral and have an opportunity to impact the Bank's losses. The Bank also restricts financing on residential letting properties based on energy performance certificate (EPC) criteria to ensure that compliance with regulations can be met at the time of financing and updates its financing acceptance criteria in line with changes to regulations to minimise risk from climate related regulation.

10. Climate Risk Metrics and Targets

The Bank is continually assessing the impact of Climate Change Risk as a standing agenda item at its Board Risk Committee meeting, forming part of the Bank's overall ESG initiative.

Climate performance:
The Bank's report on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013 is set out below. In compiling this information, the Bank continued its relationship with Carbon Neutral Britain, a recognised independent provider of carbon audits and carbon offsetting schemes.

Carbon Neutral Britain has used the GHG Protocol Corporate Accounting and Reporting Standards for greenhouse gas emissions calculated based on the Bank's energy usage and travel and converting them to the equivalent amount of carbon dioxide using emission factors from the UK Government's GHG Conversion Factors for Company Reporting. The figures for each year have been calculated using the conversion factor for the relevant year.

Scope 1 and 2 emissions relate to those from the operation of the Bank's premises. Significant Scope 3 emissions included are based on business travel for all means of transport, including private car use, aeroplanes and public transport, based on available information from expense claims. All of the Scope 1 and Scope 2 emissions relate to activities within the United Kingdom. Scope 3 emissions include UK and international travel.

The Bank is proud to have achieved carbon neutrality by offsetting its emissions, while colleagues have saved over 5,500 tonnes of carbon through their participation in its electric car scheme. The Bank expects to expand its commitment further in 2025, launching a Net Zero roadmap that forms its approach to helping the UK achieve its 2050 Net Zero goals.

	2024		2023		2022	
	CO_2e (tonnes)	KWh	CO_2e (tonnes)	KWh	CO_2e (tonnes)	KWh
Scope 1 – direct emissions from combustion of fuel (heating gas)	4	21,523	4	20,733	-	-
Scope 2 – indirect emissions from electricity purchased	99	479,954	108	520,396	66	339,999
Total Scope 1 and 2 emissions	103	501,477	112	541,129	66	339,999
Environmental intensity indicator (tonnes of carbon dioxide per £1m gross income)	0.6		0.8		0.8	
Scope 3 – business travel only	281		246		38	

The Bank's scope 2 carbon emissions decreased in 2024 after the Bank transitioned to its new office footprint.

11. Environmental, Social and Governance

ESG Committee

The Bank has an Environmental, Social, and Governance (ESG) Committee to advance the Bank's ESG agenda by providing a framework for implementing necessary changes.

ESG Strategy

In 2024, the Bank published its inaugural Sustainability Report, outlining its commitments to environmental and social governance. This report will be produced annually.

Key highlights include achieving carbon neutrality by offsetting all emissions in 2023. This effort was repeated in 2024, with 281t CO_2e offset, ensuring the Bank's operational carbon neutrality for the third consecutive year.

The Bank has proactively reduced paper consumption internally and externally. Initiatives such as paperless statements, where customers are automatically opted out of receiving paper statements, and an email-first approach to customer notifications have significantly reduced paper usage. The Nominated Account project, which changed the statement frequency on many savings accounts from monthly to quarterly, further reduced paper consumption by over 50% to 736,870 A4-equivalent units per year.

In 2024, Al Rayan Bank UK appointed Educate A Child International as its official charity partner, launching the 'Educate A Child International Fixed Term Deposit' to support education for marginalised and vulnerable children. The Bank introduced various initiatives focused on colleagues' health and wellbeing, including annual health screenings and mental health support. Additionally, it joined ‘Women in Banking and Finance UK’, reinforcing its commitment to diversity and inclusion in the financial sector.

Gender Equality Targets

The Bank is committed to furthering its efforts to become a more diverse and inclusive workplace. Significant progress has been made in increasing team diversity, particularly at senior levels. Initiatives to close gender pay gaps include changes to recruitment and selection processes, support for hybrid working, and leadership and development training.

12. Customers

The Bank’s strategic plan is informed by customer feedback, leading to the development of new products and improvements to Digital Banking services. The executive team uses customer insights to define the Bank’s ongoing business strategy, actions, and investment plan.

The Bank is managing customer risk by simplifying savings propositions and reducing fraud risk. Further investment in digital transformation will enhance customer onboarding and account handling, as well as the Bank’s ability to monitor transactions and reduce financial crime risk.

The Bank will continue to target growth from CPF and Premier Banking customers, while responding to changing market dynamics through increased use of aggregators to secure retail customers for its savings products.

13. Employees

The Bank is committed to making further progress in its effort to become a more diverse and inclusive workplace. It has made significant progress increasing the diversity of its team, particularly at a senior level. The Bank has also implemented initiatives which have helped close gender pay gaps, including changes to our recruitment and selection process, provision of more support for hybrid working, and by offering leadership and development training. The Bank is committed to increasing the representation of women employees at all levels , and plans to create more opportunities for people from disadvantaged communities to enter the industry.

The Bank's TEAM values (trusted, empowered, able, motivated) are at the heart of the Bank's operations, chosen by our colleagues to help define and shape our culture. The Bank's employees are highly engaged, as evidenced by the results of its Colleague Engagement Survey conducted in December 2024. The Bank's Employee Engagement Index rose from 86% to 87%, well above the sector average, and reflecting its strong positive culture. Employees noted high satisfaction with corporate communications, job skills, managerial approachability, and overall pride in working for the Bank.

15. Shareholders

As well as a formal Annual General Meeting (AGM) which is open to all shareholders, the Bank through its executive team and Board has regular dialogue with its ultimate parent company AlRayan Group. Through its representation on the Board it has regular updates on the Bank's performance. The Bank's parent company is also a key stakeholder in respect of future growth plans and the Bank's future capital and other funding requirements.

16. Suppliers

Vendor Management

The Bank has established relationship managers to act as a primary point of contact between the Bank and its vendors. The Bank aims to make all payments to vendors within 30 days of invoices being received, or in line with terms if sooner, and the Bank does not engage in vendor financing arrangements. The Bank also ensures it engages with its Strategic and Tactical vendors on an annual basis both to maintain the relationships it has and to review the relationships to ensure that they are working for all parties and that issues or challenges can be resolved in an effective manner.

17. Regulators

The Board regularly engages with the Bank's regulators and, as a matter of course, discusses relevant matters. These engagements include periodic meetings, compliance reviews, and updates on regulatory changes. The Board and management note that HM Treasury has signalled to financial regulators that it expects them to increasingly prioritise growth alongside risk management. The Bank will address these changes as necessary, while ensuring that all regulatory requirements are met and that any concerns raised by the regulators are promptly addressed. This proactive approach helps maintain a transparent and cooperative relationship with the regulators, fostering trust and ensuring the Bank's operations remain compliant with all applicable laws and regulations.

18. Outlook

The UK's economic outlook is more optimistic as the economy begins to find its footing amid global and domestic challenges. While growth is expected to remain sluggish, improving consumer spending driven by the gradual unwinding of household savings, a period of monetary easing, and a resilient labour market could support pockets of economic activity. However, lingering pressures from inflation, the new government fiscal agenda, and global dynamics may taper the pace of the UK's recovery, with subdued growth raising concerns of an economic contraction.

2024 marked a pivotal transition in the UK, with Labour coming into power and a shift to a more supportive fiscal stance designed to stimulate investment. While the rise in public spending provides opportunities for economic revitalisation, the Budget also raised concerns over a softening in the pace of job creation and risks to inflation due to the additional financing costs.

A gradual easing of monetary policy is expected in 2025, with policymakers anticipated to maintain a watchful stance. This approach aims to balance economic stability and growth ambitions while preventing an inflationary rebound by avoiding premature rate cuts.

Global risks remain as the regional and domestic authorities contend with the sweeping changes in global economics following the US Presidential election. This could exacerbate existing inflationary pressures and have implications for trade dynamics. Moreover, China's ongoing policy reforms to boost domestic consumption, coupled with escalating tensions with the US over tariffs, could fuel global trade uncertainties and dampen UK export prospects.

While the Middle East and the Ukraine war remained focal points of geopolitical uncertainty in 2024, the political landscape in the Middle East has witnessed positive developments marked by efforts to promote stability and cooperation across the region. These advancements are encouraging but remain fragile and in their early stages. Regional initiatives aimed at fostering dialogue and reducing tensions have contributed to a more optimistic outlook. However, the complex interplay of political, economic, and social factors underscores the need for continued engagement and commitment from both local and international stakeholders to ensure these gains translate into lasting peace and prosperity.

The UK's economic landscape holds promise but significant challenges remain, requiring robust and forward-looking policies to ensure the anticipated soft landing materialises. As a Bank, we remain vigilant and cautious, fully cognisant of the complexity and uncertainties in the current environment. Our strategic focus on customers and markets that are resilient to these wider economic and political challenges, along with our pricing and risk management frameworks, enables us to mitigate risk and adapt and respond effectively. Despite the headwinds the Bank is resilient, proactive and steadfast in its commitment to safeguarding the interests of our stakeholders and navigate these dynamics with confidence and agility.

House prices grew in 2024 as base rates remained stable at 5.25% for the majority of the year and softened to 4.75% by the year end. The Nationwide housing report showed a 4.7% year on year increase with a particularly strong performance in quarter 4. The home finance market has proven surprisingly resilient given the affordability challenges facing buyers. Activity levels increased over the course of 2024 with house purchase finance approvals rising above pre pandemic levels by the end of the year.

The upcoming changes to stamp duty are likely to generate some volatility in the market in 2025 with buyers anticipated to bring forward purchases to avoid the additional tax. The expectation is that the housing market will continue to strengthen gradually as affordability constraints ease as base rate reduce and earnings outpace house price growth.

Similarly, commercial property has seen an increase in market activity with 2024 investment volumes up 20% on the previous year. The forward trajectory of base rate reductions, expectations around GDP growth and the UK being less politically volatile is likely to provide investors and businesses with more confidence.

The majority of the Bank’s financing assets continue to be backed by residential property across both the CPF and HPP portfolios, and as such the property market remains the most significant factor affecting the performance of the Bank’s asset book. The current forecasts used by the Bank in its IFRS 9 expected credit losses are detailed in note 29, along with a sensitivity analysis of the effect of changes.

The Bank has a strong financial position and maintains a conservative and comfortable liquidity stance and is well capitalised. This was backed by robust financial performance in 2024 as the Bank continued on the refreshed strategy. The Bank has also maintained an investment grade rating from Moody's, with a high-grade rating of Aa3(cr).

The Bank’s strong position is further strengthened by its ownership. The Bank is privately owned and is insulated from volatility in capital markets as its equity and additional capital instruments are primarily from its parent, AlRayan Bank QPSC - one of the largest banks in Qatar.

Business outlook

The Bank will continue to focus on growing its Premier Banking and CPF customers with an enhanced digital service and competitive products.

The strategy continues to target growth from GCC high-net worth customers, expanding the Bank’s customer base in Qatar and extending to Saudi Arabia and the UAE. The continued strong performance of the GCC states, buoyed by oil and gas prices, has meant that this segment has not seen significant impacts from wider economic uncertainty.

The Bank continues to service its existing HPP customers and has seen its retail HPP book continue to decrease as customers make regular acquisition payments, and as additional payments are made across the market as customers look to settle home financing. The Bank has limited exposure to the market, with low FTVs across the home financing book, resulting in continued high retention in the current base rate environment. The Bank expects a continued gradual reduction in the HPP book across the year, in line with the Bank's strategy.

Competition in the deposit market intensified in 2024 as market rates remained relatively high. The Bank maintains a diversified deposit base by utilising deposit aggregators and agreed funding facilities with new financial institutions to secure longer-term funding. However higher market rates as well as rationalisation of product rates, resulted in higher returns payable to customers during the year. The deposit market is expected to remain competitive throughout 2025 with the expectation that deposit rates will soften over the longer term.

The Bank expects a strong performance in 2025 as it continues to execute on its strategy.

Giles Cunningham
CEO, Al Rayan Bank

Approved by the Board of Directors and signed on behalf of the Board

Al Rayan Bank PLC
4 Stratford Place
London
W1C 1AT

31 March 2025

Directors' report

The Directors present their report and audited financial statements for the year ended 31 December 2024.

Directors and Directors' interests

The Directors who held office during the year ended 31 December 2024 are as follows:

Michael Williams		Chairman of the Board
Caroline Ashton	(a) (c)	Audit Committee Chair
Steven Hicks	(a) (b) (c)	Board Risk Committee Chair
Giles Cunningham		Chief Executive Officer
Fahad Abdulla Alkhalifa *	(b)	
Hamad Faisal Al Thani *		
Omar Abdulrazaq Al-Emadi *	(a) (c)	
Catherine Lewis	(b) (c)	Remuneration and Nomination Committee Chair

(a) Denotes member of Audit Committee at the date of signing
(b) Denotes member of Remuneration and Nomination Committee at the date of signing
(c) Denotes member of Board Risk Committee at the date of signing

* Fahad Abdulla Alkalifa, Hamad Faisal Al Thani and Omar Abdulrazaq Al-Emadi have current associations with AlRayan Bank QPSC and are therefore not considered independent.

No Director had any interest in the ordinary shares of the Bank in the current or preceding year per the register of Directors' interests.

Significant shareholders

The Board of Al Rayan (UK) Limited disposed the shareholding of its subsidiary Al Rayan Bank PLC. The intention of the Board has been to cease all activities of Al Rayan (UK) Limited, liquidating the assets and settling its liabilities for maintaining operational simplification for its subsidiary.

AlRayan Bank QPSC owns 73.76% and Qatar Holding LLC incorporated in Doha, Qatar owns 24.58% of Al Rayan Bank PLC. The remaining 1.66% is owned by other minority shareholders.

AlRayan Bank QPSC is considered to be the Bank's parent company and all deposits, placements and swap agreements are undertaken on an arm's length basis.

Sharia Supervisory Committee members

The Sharia Supervisory Committee (SSC) members during the year were as follows:

Sheikh Dr. Waleed Bin Hadi (Chairman)
Sheikh Dr. Nizam Yaqoobi (vice-Chairman)
Mufti Abdul Qadir Barkatullah (member)

The report of the Sharia Supervisory Committee is set out on page 4.

Dividends

The Directors do not recommend the payment of a discretionary dividend for the year ending 31 December 2024 (2023: £nil). During 2024, £281,715 (2023:£280,950) was paid in respect of Contingent Convertible instruments in line with the terms of these instruments, reflecting profit due from 1 July 2023 to 1 July 2024. See note 23 for further details.

Directors' report (continued)

Political contributions

The Bank made no political contributions during the year ending 31 December 2024 (2023: £nil).

Going concern

Accounting standards require the Directors to assess the Bank's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them, having regard to the 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' published by the Financial Reporting Council in April 2016.

In order to assess the appropriateness of the going concern basis the Directors considered the Bank's financial position, the cash flow requirements laid out in its forecasts, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them. The Bank is profitable on a sustained basis and generates additional regulatory capital from these profits.

Global developments continue to cause significant uncertainty relating to the likely future macroeconomic environment in the UK, Europe and the rest of the world. The Bank has modelled a range of possible macro-economic scenarios and produced capital and liquidity forecasts based on these models which show continued compliance with regulatory requirements and sufficient resources to continue activities.

After performing this assessment, the Directors concluded that it was appropriate for the Bank to continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The assessment performed covers 12-month period to 31 March 2026.

Financial risk management

The Bank's approach to financial risk management is outlined in the Strategic Report and in note 29.

Section 172(1) Statement

In accordance with Section 172 of the Companies Act 2006, the Directors are required to act in a way they consider, in good faith, to be most likely to promote the success of the Bank for the benefit of its members as a whole and in doing so have had regard, among other matters, to:

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

The Directors have taken into consideration these matters, and also considered the views and interests of other stakeholders, such as the Bank's regulators. The Directors approved the business plan and updated strategy for 2024 after ensuring these matters were given due consideration and the needs of all stakeholders were incorporated in the development of the business plan and future strategy of the Bank.

The Board regularly receives reports from management on issues concerning customers, the environment, suppliers, employees and regulators, which it takes into account in its decision-making process. The Board also reviews the financial and operational performance of the Bank, including key risk areas and legal, Sharia and regulatory compliance.

Further details on the Director's actions and considerations are included in the Strategic Report.

Directors' report (continued)

Greenhouse gas emissions and energy disclosures

The Bank's emissions disclosure is included in the Strategic Report on page 20.

Subsequent events

Events subsequent to 31 December 2024 have been highlighted in note 30.

Future developments

Future developments are outlined in the Chairman's Statement and Strategic Report.

Directors' indemnities and insurance

The Bank provides the Directors and Officers of the Bank with appropriate insurance during the course of their appointment, which is reviewed annually.

Directors' emoluments

Director's emoluments are set out in note 9 of the financial statements, including the remuneration of the highest paid director.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Ernst and Young have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM

Approved by the Board of Directors and signed on behalf of the Board:

Al Rayan Bank PLC
4 Stratford Place
London
W1C 1AT

Michael Williams
Chairman

31 March 2025

Directors' responsibilities statement

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 UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the bank and of the profit or loss of the bank for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- make an assessment of the Bank's ability to continue as a going concern; and
- make judgements and accounting estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank 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 Bank'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 AL RAYAN BANK PLC

Opinion

We have audited the financial statements of Al Rayan Bank Plc (the Bank) for the year ended 31 December 2024 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes 1 to 34, except for note 32 and the section of note 29(e) identified as "unaudited", including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards (IAS UK).

In our opinion, the financial statements:

- give a true and fair view 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 UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Bank's financial statement close process, we confirmed our understanding of management's going concern assessment process and engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment for the Bank, including forecasts for the going concern period covering the period to 31 March 2026 and compared historical budgeted financial information with actual results to form a view of the reliability of the forecasting process.
- We evaluated management's going concern assessment which included considering the long-term business and strategic plans, capital adequacy, liquidity and funding positions . Further, we reviewed management's reverse stress test and downside sensitivity analysis, and challenged key assumptions, in particular relating to liquidity and capital.
- We reviewed regulatory correspondence and minutes of the Board and key committees to identify events or conditions that may have had an impact on the Bank's ability to continue as a going concern.
- We considered whether there were events subsequent to the balance sheet date that could have a bearing on the going concern conclusion.

- We read and evaluated the adequacy of the disclosures included in the Annual Report and financial statements for conformity with the reporting standards and considered whether there were other events after the balance sheet date which could have a bearing on the going concern conclusion.

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 which covers not less than 12 months to 31 March 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Allowance for expected credit loss • Improper revenue recognition under the effective profit rate method • Valuation of freehold property
Materiality	• Overall materiality of £1.17m which represents 5% profit before tax.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Bank and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Bank. The Bank has determined that the most significant future impacts from climate change on its operations will be from the duration of financing and the specific physical and transitional risks that may be present within the UK, which is the primary market for the Bank. These are explained on pages 19 and 20 in the strategic report. All these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".
In planning and performing our audit we assessed the potential impacts of climate change on the Bank's business and any consequential material impact on its financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and whether the effects of potential climate risks have been appropriately reflected in determining that the impact on the financial statements would be immaterial. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Allowance for expected credit loss (ECL): £8m (2023: £5.1m) The forward-looking nature of *International Financial Reporting Standard 9 – Financial Instruments* requirements mean that a range of subjective inputs are required in determining a final position. These include the impacts of continuing uncertain geopolitical and economic outlook, higher base rate environment, a protracted period of inflation that is above the policy target, refinance risks and stresses on recoverable values. The key judgements and estimates in respect of the timing and measurement of ECL include: • *Staging:* Allocation of assets to stage 1, 2 or 3 using criteria in accordance with the accounting standard; • *Model and model assumptions:* The accounting interpretations and modelling assumptions used to build the models that calculate ECL and the data inputs to the models; • *Economic scenarios*: Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios, particularly those influenced by current economic conditions; • Post-model adjustments and management overlays: the risk that	We assessed the design effectiveness of key controls across the processes relevant to the ECL calculation, involving specialists to assist us where appropriate. We reviewed the minutes of the Board committees where inputs, assumptions, and adjustments to the ECL were discussed and approved. **Overall stand-back assessment:** We performed a stand back analysis on the ECL recorded by the Bank as at 31 December 2024 to understand whether the overall provision is reasonable in terms of the year-on-year provision movement and consideration of the customer base and exposures and how they may have been impacted by current macroeconomic factors. We also assessed the adequacy of the disclosures made in the financial statements in comparison to peers, including the appropriateness of the assumptions and sensitivities disclosed. *Staging*: We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We recalculated the staging of the complete population of assets based on management's criteria,	Based on the work we performed, we concluded that the ECL is reasonably stated in compliance with the requirements of IFRS 9. We raised observations in relation to data inputs, model recalibration and validation, none of which individually or in aggregate had a material impact on the ECL recorded. Based on our sensitivity analysis of the staging criteria, we noted that substantial changes would be needed to the criteria to result in a material difference to ECL. We noted that certain forecast macroeconomic variables used within the models were outside of expected ranges. However, the impact on the ECL was not material. We also noted no model overlays were applied, and concurred with management's rationale. We assessed the individual provisions recorded for the stage 3 portfolio and concluded the provision was appropriate.

there are incomplete and inaccurate post model adjustment recognised. Individual provisions: Measurement of individual provisions including the assessment of multiple scenarios and probability weights, the impact of the current uncertain geopolitical and economic outlook on exit or recovery strategies, collateral valuations, and time to collect. There is no change in the risk compared to prior year. *Refer to Accounting policies (page 47); and Note 29 of the Financial Statements (page 66)*	and performed sensitivity analysis to assess the impact of different criteria on the ECL. *Model and model assumptions*: We engaged EY modelling specialists to test the assumptions, inputs, methodology and model build. This included a combination of assessing model design and formulae, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default. We also considered the results of the Bank's internal model monitoring and validation results. To perform testing over completeness and accuracy of data used in the ECL models, we agreed a sample of key data fields, to source system and contracts and two-way testing between the ledger and other sources of information. *Economic scenarios:* We engaged EY economic specialists to assist us in evaluating the base case and alternative economic scenarios, including evaluating probability weights, and comparing these with peer Banks. This assessment included the impacts of the current geopolitical and economic environment and whether forecast macroeconomic variables such as GDP, unemployment rate, Consumer Price Index, Bank of England base rates and the House Price Index were appropriate. With the support of our credit modelling specialists, we evaluated the correlation and translation of the macroeconomic factors, including the impacts of alternative paths or weights to ECL. *Post model adjustments*: We challenged management as to whether any model overlays were required using our	

	knowledge and experience across the industry. *Individual provisions*: We challenged the, assumptions, collateral values and the existence of cross collateralised facilities, exit values and cashflows for individual provisions estimated by management, involving EY Valuation, Modelling and Economics (EY VME) specialists where appropriate. We assessed the individual provisions recorded for the stage 3 portfolio and considered if they were in line with industry-specific risks.	
Improper revenue recognition under the effective profit rate (EPR) method: £3.4m (2023: £3.4m) Revenue is a key measure of performance of the Bank and could be misstated as a result of manipulation in order for the Bank or individuals working at the Bank to meet performance targets. We identify those revenue streams which are material, as it is a rebuttable presumption under International Standard on Auditing (UK) 240, that a fraud risk is associated with any significant revenue stream. We also identify manually generated elements of revenue, where the opportunity for manipulation or management override is higher. The majority of the Bank's revenues, i.e., financing and similar income, are recognised via an automated process and only effective profit rate adjustments are calculated manually. There is judgement involved in forecasting customer behaviour and estimating the future expected cash flows for EPR, therefore we have identified a fraud risk in EPR. The risk has been refined compared to the prior year, to focus on the element of revenue which is deemed the most susceptible to fraud risk.	We obtained an understanding of processes and controls related to revenue recognition and assessed the design effectiveness of the key controls. We recalculated, on a sample basis, the EPR income recognised across different product classes to determined that it has been calculated in accordance with the underlying transaction documentation and recorded in the appropriate accounting period. We performed backtesting to confirm whether the EPR calculation assumption of behavioural life being equal to contractual life is appropriate. We tested whether appropriate fees are included within, or excluded from, the EPR calculation in accordance with IFRS 9, considering whether they are integral to the EPR of the financing facility	Based on the procedures performed, we concluded that revenue recognised under the EPR method was reasonably stated for the year ended 31 December 2024.

Refer to Accounting policies (page 45); and Note 6 of the Financial Statements (page 52) .		
Valuation of freehold property : £30m (2023: Nil) During 2024, the Bank voluntarily changed the measurement basis of its freehold land and building from a cost model to a revaluation model. Risks include: • Inappropriate application of change in accounting policy; • Inappropriate valuation of property due to the magnitude of the valuation of property and the degree of subjectivity and assumptions involved in calculating the fair value. This is a new risk compared to the prior year, as a result of the change in accounting policy. *Refer to Accounting policies (page 49); and Note 14 of the Financial Statements (page 56 to 57)*	We obtained an understanding of the rationale for the voluntary change in accounting policy to a revaluation model and of the underlying process. We evaluated the objectivity, competence and capability of management's expert engaged to value the property. We engaged EY valuation specialists to review and challenge the management expert's valuation report and the assumptions applied in the fair value calculated by management. We assessed whether the accounting policy and related disclosures were appropriate and in line with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16 Property, Plant and Equipment.	Based on the procedures performed, we concluded that the accounting policy was appropriately applied and disclosed, and that the recorded fair value of the property was reasonable as at 31 December 2024.

In the prior year, our auditor's report included a key audit matter in relation to Information Technology general controls (ITGCs), due to control observations noted. In the current year, these were remediated or addressed through our substantive testing. As such, we concluded not to consider this to be a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Bank to be £1.17m (2023: £1.27m), which is 5% (2023: 5%) of profit before tax. We believe that profit before tax provides us with an appropriate basis for materiality to reflect the performance of the Bank, as this is also the level at which management considers the financial performance of the Bank when reporting internally or to any external stakeholders.

During the course of audit, we reassessed initial materiality, which was based on forecast profit before tax, and recalculated it based on year-end profit before tax, which was lower than forecast at the date of our planning, resulting in a decrease in materiality applied.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £585K (2023: £635K). We have set performance materiality at this percentage based on a variety of risk assessment factors such as the expectation of misstatements, internal control environment considerations and other factors.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £59K (2023: £63.5K), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 this 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 toa material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Bank and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are the Companies Act 2006, Financial Services and Markets Act 2000, Financial Services Act 2012, Capital Requirements Regulation, and relevant Prudential Regulation Authority, Financial Conduct Authority regulations and tax legislation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of executive management and internal audit, and reviewing the key policies, reports on the legal and regulatory frameworks and where applicable, holding discussions with and obtaining written confirmations from external legal counsel.
- We understood how the Bank is complying with those frameworks by making inquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed regulatory correspondence and minutes of the Board, Audit Committee and Risk Committee meetings held and gained an understanding of the Bank's approach to governance.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by considering the controls that the Bank has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We made enquiries of management and internal audit to supplement our assessment of how fraud might occur. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates, testing year-end adjustments and other targeted journal entries and performing procedures to identify any significant items inappropriately held in suspense. We also assessed the risks of fraud in our key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.
- The Bank operates in the financial services industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address.

Following the recommendation from the audit committee we were appointed by the Bank at its annual general meeting on 30 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2023 to 31 December 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

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.

Signed by:
Ernst & Young LLP
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Helen Joseph (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 31 March 2025

Statement of comprehensive income

For the year ended 31 December

	Note	**2024 £'000s**	2023 £'000s
Income from financing transactions	*6*	166,206	143,577
Returns to banks and customers	*6*	(103,641)	(71,869)
Net income from financing transactions		**62,565**	**71,708**
Fees and commission income	*7*	882	996
Fees and commission expense	*7*	(658)	(394)
Net fees and commission income		**224**	**602**
Gain on profit rate swaps held at fair value		733	-
Loss on disposal of investment securities		-	(3,766)
Foreign exchange loss		(274)	(266)
Other non-fee income		183	119
Other income / (loss)		**642**	**(3,913)**
Total income		**63,431**	**68,397**
Staff costs	*8*	(20,093)	(20,423)
General and administrative expenses		(13,728)	(13,370)
Expected credit loss charge	*28, 29*	(2,936)	(1,428)
Depreciation & Impairment	*14*	(1,844)	(1,338)
Amortisation	*15*	(1,361)	(1,230)
Total operating expenses		**(39,962)**	**(37,789)**
Profit before tax		**23,469**	**30,608**
Tax charge	*11*	(5,752)	(7,580)
Profit for the financial year		**17,717**	**23,028**
Other comprehensive income:			
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of investment securities at FVOCI		1,825	3,003
Amounts transferred to the income statement		-	3,766
Taxation – deferred	*11*	(455)	(1,693)
		1,370	**5,076**
Items that will not be reclassified to the income statement			
Gain on the revaluation of freehold property	*14*	3,374	-
Taxation – deferred	*11*	(843)	-
		2,531	**-**
Total comprehensive income for the financial year		**21,618**	**28,104**

The results from the year are derived entirely from continuing activities.

The notes on pages 43 to 80 are an integral part of these financial statements.

Statement of financial position

As at 31 December

	Note	**2024 £'000s**	2023 £'000s
Assets			
Cash		1,118	953
Treasury placements and cash balances with banks	*12*	539,414	401,615
Home Purchase Plans	*28, 29*	933,032	993,121
Commercial Property Finance	*28, 29*	1,173,952	899,686
Investment securities	*27*	141,863	148,713
Property and equipment	*14*	34,833	33,561
Intangible assets	*15*	2,972	3,166
Deferred tax asset	*11*	2,049	4,838
Derivative financial instruments	*26*	733	3,344
Other assets	*13*	3,674	4,221
Assets held for sale	*16*	2,084	-
Total assets		**2,835,724**	**2,493,218**
Liabilities and equity			
Liabilities			
Deposits from banks and financial institutions	*17*	64,752	111,237
Deposits from customers	*18*	2,412,883	2,149,200
Financing from banks	*19*	80,776	-
Subordinated funding	*20*	25,000	25,000
Other liabilities	*21*	35,174	12,621
Derivative financial instruments	*26*	665	22
Total liabilities		**2,619,250**	**2,298,080**
Equity			
Share capital	*23*	121,219	121,219
Contingent convertible investment	*23, 24*	3,000	3,000
Investment securities fair value reserve		(202)	(1,572)
Property revaluation reserve		2,531	-
Retained earnings		89,830	72,392
Profit stabilisation reserve	*4*	96	99
Total equity		**216,474**	**195,138**
Total liabilities & equity		**2,835,724**	**2,493,218**

The notes on pages 43 to 80 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 31 March 2025 and were signed on its behalf by:

Michael Williams
Chairman
Al Rayan Bank PLC - Registration number: 04483430

Statement of changes in equity

For the year ended 31 December

	Share capital	Contingent convertible investment	Investment securities fair value reserve	Property revaluation reserve	Retained earnings/ (deficit)	Profit stabilisation reserve	Total
Note	*23*	*23*		*14*	*23*		
£'000s							
Balance at 1 January 2024	**121,219**	**3,000**	**(1,572)**	-	**72,392**	**99**	**195,138**
Profit for the year	-	-	-	-	17,717	-	17,717
Other comprehensive income	-	-	1,370	2,531	-	-	3,901
Total comprehensive income	-	-	1,370	2,531	17,717	-	21,618
Profit payment to additional Tier 1 capital holders	-	-	-	-	(282)	-	(282)
Transfer to profit stabilisation reserve	-	-	-	-	3	(3)	-
Balance at 31 December 2024	**121,219**	**3,000**	**(202)**	**2,531**	**89,830**	**96**	**216,474**
Balance at 1 January 2023	121,219	3,000	(6,648)	-	49,647	97	167,315
Profit for the year	-	-	-	-	23,028	-	23,028
Other comprehensive income	-	-	5,076	-	-	-	5,076
Total comprehensive income	-	-	5,076	-	23,028	-	28,104
Profit payment to additional Tier 1 capital holders	-	-	-	-	(281)	-	(281)
Transfer to profit stabilisation reserve	-	-	-	-	(2)	2	-
Balance at 31 December 2023	**121,219**	**3,000**	**(1,572)**	**-**	**72,392**	**99**	**195,138**

The notes on pages 43 to 80 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

	Note	**2024 £'000s**	2023 £'000s
Cash flows from operating activities			
Profit before tax		23,469	30,608
Adjustments for:			
Depreciation	*14*	1,844	1,338
Amortisation	*15*	1,361	1,230
Loss on disposal of investment securities		-	3,766
Cost of subordinated funding		2,000	2,000
Expected credit loss charge on financial assets	*28*	2,936	1,428
Other non-cash items		943	340
		32,553	**40,710**
Movement in:			
Treasury placements		3,330	(350)
Home purchase plans	*28*	61,204	106,281
Commercial property finance	*28*	(278,317)	(111,420)
Other assets	*13*	925	(138)
Derivative financial instruments	*26*	3,254	(4,188)
Deposits from banks and financial institutions	*17*	(46,485)	(34,466)
Deposits from customers	*18*	263,683	105,052
Other liabilities	*21*	22,284	(3,379)
Taxation paid		(4,688)	(6,300)
Net cash inflow from operating activities		**57,743**	**91,802**
Cash flows from investing activities			
Purchase of investment securities		(200,801)	(226,418)
Sales of investment securities		209,476	189,530
Purchase of property and equipment	*14*	(1,826)	(1,828)
Investment in intangible assets	*15*	(1,167)	(1,321)
Net cash outflow from investing activities		**5,682**	**(40,037)**
Cash flows from financing activities			
Financing from banks	*19*	80,776	-
Payment of principal in respect of leases		(325)	(1,260)
Payment of financing in respect of leases		(27)	(33)
Payment of Additional Tier 1 Financing profit	*23*	(282)	(281)
Payment of profit on subordinated funding		(2,000)	(2,000)
Net cash outflow from financing activities		**78,142**	**(3,574)**
Net change in cash and cash equivalents		**141,567**	**48,191**
Foreign exchange loss		(274)	(266)
Cash and cash equivalents at 1 January		397,753	349,828
Cash and cash equivalents at 31 December		**539,046**	**397,753**

The notes on pages 43 to 80 are an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Al Rayan Bank PLC (the Bank) is a public unlisted bank, limited by shares, domiciled in England, UK. The Bank's registered office is 4 Stratford Place, London W1C 1AT. The Bank is primarily involved in retail and corporate banking services.

The financial statements of the Bank are presented as at and for the year ended 31 December 2024. The financial statements are presented in pound sterling, which is the Bank's functional currency.

2 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards and approved by the Directors which are presented on a historical cost basis as modified by the recognition of Sharia compliant derivative financial instruments at fair value through profit or loss with investments and freehold property measured at fair value through other comprehensive income.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The following amendments to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2024:

- *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1*
- *Lease Liability in a Sale and Leaseback – Amendments to IFRS 16*
- *Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7*

None of these amendments have had an impact on the Bank's financial statements at 31 December 2024.

New standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements.

- IFRS 18 Presentation and Disclosure in Financial Statement

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations.

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027 and the Bank is currently working to identify any impacts the amendments will have on the primary financial statements and notes to the financial statements.

There were other new and amended standards and interpretations issued but not yet effective, however, they are not expected to have a material impact on the financial statements of the Bank.

4 Material accounting policies (continued)

Going concern

Accounting standards require the Directors to assess the Bank's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them, having regard to the 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' published by the Financial Reporting Council in April 2016.

In order to assess the appropriateness of the going concern basis the Directors considered the Bank's financial position, the cash flow requirements laid out in its forecasts, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them. The Bank is profitable on a sustained basis and generates additional regulatory capital from these profits.

Global developments continue to cause significant uncertainty relating to the likely future macroeconomic environment in the UK, Europe and the rest of the world. The Bank has modelled a range of possible macro-economic scenarios, and produced capital and liquidity forecasts based on these models which show continued compliance with regulatory requirements and sufficient resources to continue activities.

After performing this assessment, the Directors concluded that it was appropriate for the Bank to continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The assessment performed covers 12-month period to 31 March 2026 and further details are contained in the Directors' report.

Fees and commissions

Fee and commission income that relates mainly to transaction and service fees and is recognised as the related services are rendered.

Directly attributable fees and costs relating to Commercial Property Finance (CPF) deals and Home Purchase Plan (HPP) transactions are recognised using an Effective Profit Rate (EPR) methodology as part of the amortised cost. These fees are reflected in the income from financing assets.

Fees and commissions not directly attributable to CPF deals and HPP transactions are recognised in the statement of comprehensive income and are included in fees and commission income or expenses.

Treasury placements and cash balances with banks

Treasury placements are recognised at trade date when the Bank becomes party to the contractual provisions of the placement and qualify as financial instruments which are initially recognised at fair value and are subsequently measured at amortised cost. These are assets where the business model is to hold the assets to collect the contractual cash flows and those cash flows represent solely payments of principal and profit.

Treasury placements are mainly Commodity Murabaha or Wakala transactions. Commodity Murabaha is an Islamic financing transaction, which represents an agreement whereby the Bank buys a commodity and sells it to a counterparty based on a promise received from that counterparty to buy the commodity per specific terms and conditions. The selling price is comprised of the cost of the commodity and a pre-agreed profit margin. Wakala is an Islamic financing transaction, which represents an agreement whereby the Bank provides a certain sum of money to an agent, who invests it per specific conditions in order to achieve an expected specified return. The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Receivables under Commodity Murabaha contracts are initially recognised at fair value upon the sale of the commodity to the counterparty and subsequently measured at amortised cost. Receivables under Wakala contracts are recognised at fair value upon placement of funds with other institutions and subsequently measured at amortised cost.

4 Material accounting policies (continued)

Income from Treasury placements is recognised on an amortised cost basis using an effective profit rate. The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of the financial asset.

Cash balances with banks are stated at amortised cost and are non-return bearing.

Home Purchase Plans (HPP) and Commercial Property Finance (CPF)

HPP and CPF are provided using the Diminishing Musharaka (reducing partnership) and Commodity Murabaha (Cost plus profit) principles of Islamic financing. For Diminishing Musharaka, the Bank enters into an agreement to jointly purchase a property and rental income is received by the Bank relating to the proportion of the property owned by the Bank at any point in time. The other party to the agreement will make separate payments to purchase additional proportions of the property from the Bank, thereby reducing the Bank's effective share. HPP and CPF financing are recognised initially at fair value and subsequently at amortised cost.

A financial asset is recognised upon legal completion of the property purchase with the fair value at inception recognised as the receivable amount equal to the bank's net investment in the transaction. Where initial direct costs are incurred by the Bank such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging the transaction, these costs and fees are included in the initial measurement of the receivable and the amount of income over the term is adjusted. Rental income is recognised based on an effective profit rate (EPR) measured against the expected life of the contract to provide a constant periodic rate of return on the Bank's net investment.

The Bank also undertakes syndicated financing activities in order to manage its exposure to individual counterparties or underlying collateral. Where financing is syndicated, the portion held by the Bank is initially recognised at fair value and subsequently measured on an amortised cost basis, with profits and impairments recognised in line with other home purchase or commercial property financing transactions. The portion to be syndicated will be measured at FVTPL in line with IFRS 9 from origination up to the point of syndication, where the balance will be derecognised upon transfer to any third parties.

Derecognition of financial assets and liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards or ownership of the financial asset are transferred or the cashflows or contractual terms are modified significantly. Any remaining beneficial interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

Where a modification has been made to contractual cash flows, the changes are assessed for qualitative factors which would indicate a significant modification, and the revised cash flows are compared to the original cash flows to identify whether the derecognition threshold of a 10% difference in the value of the cashflows has been exceeded. If qualitative factors indicate a significant modification or the 10% threshold is met or exceeded then the asset would be derecognised, and re-recognised as a new asset, with any difference in value recognised to profit and loss. The credit risk on the new asset would also be assessed to identify the relevant stage and whether this asset would be purchased or originated credit-impaired (POCI).

Where the derecognition threshold has not been met, but the terms have been significantly modified, the revised cashflows are compared to the previous cashflows and a gain or loss is recognised in statement of comprehensive income.

4 Material accounting policies (continued)

Investment securities

The Bank's investment security holdings are in US dollar and British pound denominated sukuk. Investment securities are non-derivative financial assets which are purchased for profit and intended to be held and sold in response to liquidity requirements or changes in profit rates or exchange rates. They are classified as Fair Value through Other Comprehensive Income (FVOCI) and are initially recognised on trade date at fair value including direct and incremental transaction costs, and subsequently measured at FVOCI. The cash flows received by the Bank are solely payments of principal and profit on the outstanding balance or sale proceeds in the event of a sale.

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

Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks and highly liquid financial assets which are available on demand or with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents exclude assets with original maturities greater than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Deposits from banks, financial institutions and customers

Profit sharing accounts are based on the principle of Mudaraba whereby the Bank and the customer share an agreed percentage of any profit earned on the customer's deposit. The customer's share of profit is paid in accordance with the terms and conditions of the account. The profit calculation is undertaken at the end of each calendar month.

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

Deposits accepted on a Qard basis are classified as current accounts, with no profit or loss is allocated to current account holders.

Financing from banks

Financing from banks are arranged under the Commodity Murabaha agreement, where commodities are sold at cost plus an agreed profit margin. The commodities are delivered immediately from the seller to the bank being buyer, but payment is deferred through a financing contract. The Bank uses a Commodity Murabaha contract, trading metal as the underlying commodity to generate funding through the interbank short-term liquidity markets

Held for sale

In accordance with IFRS 5, the Bank classifies any non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

4 Material accounting policies (continued)

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

Sharia compliant derivative financial instruments

The Bank has two types of Sharia compliant derivative financial instruments used for risk management purposes. The Bank holds forward foreign exchange arrangements based on the Wa'ad principle, where a promise is made for future exchange of currency amounts. The Bank also has Profit rate swap arrangements through Murabaha trades.

These are both treated as derivative financial instruments under IFRS 9 and recognised initially and subsequently measured at fair value through profit or loss (FVTPL).

Where derivatives are held with the same counterparty and have a right of offset through the relevant agreement for net settlement, the net value of the derivative financial instruments is shown either as an asset or liability on the balance sheet depending on whether the derivatives are in a net gain or loss position within the same class of derivative.

Where the derivative financial instruments held are used for risk management purposes to hedge foreign currency and profit rate exposure, these are not hedge accounted for. Foreign exchange movements and gain or loss on forward foreign exchange contracts are shown as part of the foreign exchange line in the statement of comprehensive income.

Impairment of financial assets

Impairment of financial assets is based on a forward-looking expected credit loss (ECL) approach for financial assets classified as amortised cost and FVOCI.

The ECL approach utilises historical information, current conditions and forecasts of future economic conditions to generate the expected credit loss for assets. Multiple economic scenarios are modelled and weighted as part of the ECL calculation using a variety of future economic assumptions, including a central scenario which is based on the assumptions used in the Bank's financial planning process, updated for any changes to the prevailing economic conditions at year end. At initial recognition, financial assets are categorised as stage 1 and an impairment provision is required for ECL resulting from default events expected within the next 12 months (12-month ECL).

The Bank assesses exposures to be in stage 2 when the accounts are more than 30 days past due or there has been a significant increase in credit risk compared to initial recognition. The Bank considers both quantitative and qualitative factors based on early warning indicators and expert credit risk assessment when making the determination. For assets in stage 2, the ECL recognised is equal to the expected loss calculated over the life of the exposure.

Financial assets are included in stage 3 when there is objective evidence that the exposure is credit impaired, with expected credit losses calculated over a 12 month basis. Exposures may be deemed to be impaired if they are more than 90 days past due or otherwise considered to be in default (including possession, insolvency and assets beyond term expiry). Criteria of application is consistent with the definition of default used for internal credit risk management purposes. The impairment provision is determined through an assessment that utilizes a PD set at 100%, along with EAD and LGD metrics. This assessment is conducted at the specific individual customer level, incorporating tailored haircuts and discount rates. Furthermore, profit income is calculated by applying the EPR to the net amortised cost of the financial assets carrying value (that is, net of credit allowance).

4 Material accounting policies (continued)

The Bank does not hold any purchased or originated credit-impaired (POCI) assets, which would be classified separately from stage 1, 2 or 3 assets.

Assets in stage 2 or 3 can be transferred back to stage 1 or 2 once the criteria which resulted in classification in stage 2 or 3 (significant increase in credit risk or impairment) are no longer met. For financing affected by other adverse events, such as forbearance, accounts must be current for a minimum of 90 days before they can be transitioned from Stage 3 to Stage 2. Additionally, a period of 30 days is required for the transition from Stage 2 to Stage 1 with consideration taken of other qualitative and quantitative factors including credit ratings.

ECLs are calculated at the individual exposure level using three main components, which are described below:

Component	Definition
Probability of Default (PD)	The PD is the probability that within 12 months of the reporting date (for stage 1) or over the lifetime of the product (stage 2 and 3) a customer will default. The PD is based on individual customer details, adjusted for forward looking assumptions such as base rate and unemployment rate, which may impact the credit risk of the customer.
Loss Given Default (LGD)	LGD is the loss expected to arise on default and represents the difference between the contractual cash flows due and the actual cash flows that Bank expects to receive after the default occurs. The LGD considers the recovery of any collateral that is linked to the financial asset, including the impact of forward-looking economic assumptions where relevant, see note 29.
Exposure at Default (EAD)	The EAD is based on the expected balance sheet exposure at the time of default, incorporating changes in the exposure over the lifetime of the customer, such as payments of principal and profit, prepayments and drawdowns of committed facilities, including off-balance sheet commitments.

Where the ECL model does not capture specific risk elements relating to financing assets, a post model adjustment may be incorporated into the overall ECL figure. These typically relate to specific assets or asset classes, or scenarios where additional factors above the standard economic modelling are expected to impact either the PD, LGD or EAD. These post model adjustments are calculated using similar inputs and methodologies to the core ECL calculation, but may have adjustments applied which are reviewed by management and subject to oversight. See note 29 for further details of the post model adjustments.

Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment in accordance with IAS 36. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income.

4 Material accounting policies (continued)

Provisions

A provision is recognised in accordance with IAS 37 if the Bank has a present legal or constructive obligation, as a result of a past event, that gives rise to a probable outflow of economic benefit which can be reliably measured. Provisions are determined by discounting the expected future cash flows at a profit rate that reflects current market assessments of cost of funds and, where appropriate, the risks specific to the liability. Where a reliable estimate of the expected future cash flows cannot be made, a contingent liability is disclosed but no value is recognised.

Profit stabilisation reserve

The profit stabilisation reserve is used to maintain returns payable to customers on Mudaraba based savings accounts. Returns payable on these profit sharing accounts are credited to customers in accordance with the terms and conditions of the account. Any surplus returns arising from the investment of funds are then credited to this reserve. In the case of inadequate returns generated by these funds, the Bank will maintain the return to depositors by utilising this reserve. The Profit stabilisation reserve is attributable to depositors of the Bank.

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property and equipment

Items of property and equipment, except for freehold land & buildings, are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and required to bring the asset to its intended condition and location.

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day to day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

During the year, the Bank elected to change the method of the accounting of its freehold land and building, adopting a revaluation model on a prospective basis. Management have determined that freehold land and building of the Bank constitute a separate class of property, based on the nature, characteristics and risk factors of the property.

4 Material accounting policies (continued)

The value of each freehold property is assessed periodically by an independent member of the Royal Institution of Chartered Surveyors. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged/credited to the profit and loss account.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of each part of an item of property and equipment as follows:

Computer equipment	3	Years
Fixtures, fittings and office equipment	5-10	Years
Leasehold improvements	Up to 15	Years or over the life of the lease whichever is shorter
Long leasehold buildings	100	Years or over the life of the lease whichever is shorter
Freehold buildings	40	Years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively where applicable.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Intangible assets

Licences acquired by the Bank are stated at cost less accumulated amortisation and accumulated impairment losses. These are intangibles with a finite useful life of more than one year.

Expenditure on internally developed software is recognised as an asset when the Bank is expected to be able to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs of the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its estimated useful life. Internally developed software is initially recorded as work in progress until completion, and then stated at total eligible cost less accumulated amortisation and impairment. An impairment assessment is performed when the project transfers from work in progress or at the date of initial capitalisation.

Subsequent expenditure on software assets and licenses is capitalized when it meets the recognition criteria and exceeds a minimum threshold of £5,000. All other expenditure on software or licences is expensed as incurred. Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software or the licence term, from the date that it becomes available for use. The estimated useful life of purchased software is three years or the duration of the license, whichever is shorter. Internally developed software is amortised over three to seven years.

Leases

A lease liability is recognised measured at the present value of remaining cash flows on the lease, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental funding rate.

4 Material accounting policies (continued)

A right of use (ROU) asset is recognised at commencement of the lease, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. The ROU asset is subsequently measured at cost less accumulated depreciation and impairment.

Each lease is individually assessed for its expected life based on the terms of the lease agreement and the Bank's anticipated use of any extension or break clauses. Where subsequent changes to these expectations are made or there are modifications to lease agreements, the lease asset and liability will be adjusted to reflect the value of the revised lease payments where these are different from initial recognition. The lease payments are recognised in the statement of cash flows as financing activities, resulting in an increase in cash generated by operating activities and a corresponding increase in cash outflows relating to financing activities.

Short term leases and leases of low-value assets

The Bank assesses all new leases against the requirements of IFRS 16 and where the lease has a minimum fixed term of less than 12 months or meets the low value threshold, the Bank has opted to apply the short term lease low-value asset recognition exemption and accounts for the lease payments on a straight line basis over the duration of the term on the lease.

Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when they are due.

Short-term employee benefits, such as salaries, paid absences, and other benefits are accounted for on an accruals basis over the period for which employees have provided services.

Other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate as at that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income.

5 Accounting judgements and key sources of estimation uncertainties

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Management discusses with the Board Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Items where there is a significant risk of material change to the carrying value of assets and liabilities within the next year due to estimates, judgements and uncertainties are disclosed in the following notes:

Allowance for expected credit losses (ECL)	Judgements and estimates included in Note 29
Deferred tax	Judgements and estimates included in Note 11
Freehold property revaluation	Judgements and estimates included in Note 14

6 Net income from financing transactions

£'000s	**2024**	2023
Treasury placements	19,134	12,462
Home Purchase Plan	62,151	63,229
Commercial Property Finance	79,016	64,511
Investment securities	5,905	3,375
Income from financing transactions	**166,206**	**143,577**
Deposits from banks and financial institutions	(6,867)	(8,572)
Deposits from customers	(95,676)	(63,297)
Financing from banks	(1,098)	-
Returns to banks and customers	**(103,641)**	**(71,869)**
Net income from financing transactions	**62,565**	**71,708**

7 Net fees and commission income

£'000s		
Fees and commission income		
Retail customer banking fees	706	848
ATM commission	45	63
Other	131	85
Total fees and commission income	**882**	**996**
Transaction fees	(658)	(394)
Total fees and commission expense	(658)	(394)
Net fees and commission income	**224**	**602**

8 Staff costs

£'000s		
Wages and salaries	17,014	17,483
Social security costs	1,825	1,803
Contributions to defined contribution pension plans	1,110	965
Other staff costs	144	172
Total	**20,093**	**20,423**

The following table summarises the average number of employees within the Bank during the year:

	2024	2023
Average for the period	**193**	**206**

9 Directors' emoluments

The emoluments of the Directors who served during the year were as follows:

	2024			2023		
£'000s	**Fees/Salary**	**Pension**	**Total**	**Fees/Salary**	**Pension**	**Total**
Directors' Salaries and Fees	1,426	-	1,426	1,480	-	1,480
Of which: Highest paid Directors' Salaries and Fees	1,000	-	1,000	1,047	-	1,047

The total amount paid to non-executive directors during the year ended 31 December 2024 was £425,900 (2023: £433,828).

10 Auditor's remuneration

Included within operating expenses are the following amounts payable to the auditor (excluding VAT):

£'000s	**2024**	2023
Audit of these financial statements	752	653
Audit-related assurance services	16	-
Total	**768**	**653**

11 Tax

£'000s		
Current tax expense:		
Current tax charge on profits for the year	(4,498)	(5,757)
Adjustment in respect of prior year credit	237	-
Current Year tax charge	**(4,261)**	**(5,757)**
Deferred Tax through income statement:		
Current year charge	(1,689)	(1,899)
Adjustment in respect of previous periods credit	198	76
Deferred tax charge through income statement	**(1,491)**	**(1,823)**
Charge to income statement:	**(5,752)**	**(7,580)**
Other Comprehensive Income items: Deferred tax charge	**(1,298)**	**(1,693)**
Total tax charge	**(7,050)**	**(9,273)**

Reconciliation of effective tax rate:		
Profit before tax	23,469	30,608
Tax on profit at standard UK tax rate of 25% (2023:23.5%)	(5,867)	(7,193)
Effects of:		
Adjustments in respect of prior years through profit and loss	437	76
Expenses not deductible	(391)	(407)
Effects of tax rate changes	-	(122)
Expense from other comprehensive Income	69	66
Income tax expense reported in the income statement	**(5,752)**	**(7,580)**

The movement on the deferred tax account is as follows:

£'000s		
Asset at start of period	4,838	8,354
Adjustment in respect of prior years	198	76
Deferred tax (charge) to comprehensive income for the year	(2,987)	(3,592)
Deferred tax asset as at 31 December	**2,049**	**4,838**

Movements in deferred tax assets / (liabilities) during the year 2024 are set out below:

2024	Charge to the income statement			Charge to equity		Total
£'000s	Fixed assets	Other TD	Losses	Property Revaluation	Loss/ gain Investments	
Balance as at 01 January 2024	(492)	546	4,260	-	524	4,838
(Charged) / credited to the income statement	324	(23)	(1,792)	-	-	(1,491)
Credited to equity	-	-	-	(843)	(455)	(1,298)
Balance as at 31 December 2024	**(168)**	**523**	**2,468**	**(843)**	**69**	**2,049**

2023	Charge to the income statement			Charge to equity		Total
£'000s	Fixed assets	Other TD	Losses	Property Revaluation	Loss/ gain Investments	
Balance as at 01 January 2023	(31)	344	5,824	-	2,217	8,354
(Charged) / credited to the income statement	(461)	202	(1,564)	-	-	(1,823)
Credited to equity	-	-	-	-	(1,693)	(1,693)
Balance as at 31 December 2023	**(492)**	**546**	**4,260**	**-**	**524**	**4,838**

The deferred tax asset at 31 December 2024 had been calculated using the applicable rates enacted at the balance sheet date 25% (2023:25%).

Key estimates and judgements: Deferred tax assets are recognised only to the extent that realisation of the related tax benefit against future taxable profits is probable. The deferred tax asset balances attributable to carried forward losses are expected to be recoverable against future taxable profits. The assumptions surrounding the Bank's estimated forecasts to generate sufficient profits to utilise the carried forward losses represent a subjective areas of judgment in management's projections of future taxable profits.

The Bank had accumulated tax losses prior to 2014 of £66.8m, of which £57.1m (2023: £49.8m) have been utilised against carried forward taxable profits to date. There is a restriction on the use of carried forward losses, where only 25% of each year's profits may be offset by the carried forward losses, meaning the Bank must generate £38.8m of profit to fully utilise the remaining losses.

The value of the deferred tax asset has been estimated based on the prevailing tax rates and expected future profitability. There is uncertainty over the timing and value of the realisation of the deferred tax asset held due to these uncertainties.

Management has judged that the losses should be recognised in full as the Bank has consistently made profits since 2014 and expects to continue to do so and expects to realise all of the deferred tax balance.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023

The Bank is a member of a multinational group consolidated by AlRayan Bank QPSC, which exceeds the revenue threshold and falls within the scope of the Base Erosion and Profit Shifting (BEPS) Pillar Two Anti Global Base Erosion ("GloBE") Rules. The GloBE rules incorporate various mechanisms to ensure that large multinational enterprises with consolidated annual revenues of more than €750 million pay a minimum tax of 15% on excess profits in each jurisdiction they operate in.

The UK legislation applies to accounting periods that began on or after 31 December 2023. Therefore, the first year when GloBE rules apply to Al Rayan Bank Plc is 2024. The Group have assessed the impact of the GloBE rules on its financial performance. It is deemed that the CBCR transitional safe harbour provisions in the UK are met therefore no top-up tax liabilities have been recognised for the current reporting period.

On 23 May 2023 and 27 June 2023, respectively, the IASB and AASB issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The Company applied the temporary exception at 31 December 2024.

12 Treasury placements and cash balances with banks

Balances with banks classified as cash and cash equivalents are balances available on demand and placements with less than three-month maturity.

£'000s	**2024**	2023
Balances with banks available on demand	69,939	75,714
Balances subject to encumbrance *	1,486	5,851
Treasury placements with original maturity less than 3 months	467,989	320,050
Total placements and balances with banks	**539,414**	**401,615**

* **Balances with banks subject to encumbrance**

This balance comprises a non-return bearing deposit with *the Bank of England* as well as repayable security deposits held by banks that have issued a guarantee to cover the Bank's future customer card transactions with *MasterCard*, and do not earn a return. A Bank of England deposit ratio scheme is a levy imposed by the regulator and is returnable if eligible liabilities fall below predefined threshold (expired in 2024). Similarly, collateral held with MasterCard, covering a 3 day settlement default pipeline if the Bank can not pay due funds to the merchants. These are both classified as encumbered balances as they do not have a specific maturity and are not freely available for the Bank to use, but could be used to cover any shortfall that arose from the Bank in respect of transactions made by the Bank. Furthermore, due to movements in the fair value of its FX forward swaps, the Bank has also been subject to a margin call under the terms of the agreements in 2024.

12.1 Cash and cash equivalents

£'000s	**2024**	2023
Treasury placements and balances with banks, excluding balances subject to encumbrance	537,928	396,800
Cash	1,118	953
	539,046	**397,753**

13 Other assets

£'000s	2024	2023
Prepayments and other receivables	2,245	3,170
VAT recoverable	155	204
Corporation tax recoverable	1,274	847
	3,674	**4,221**

There are no receivable balances which are expected to be recovered in more than 12 months in 2024 (2023: Nil).

14 Property and equipment

£'000s	Computer Equipment	Office Equipment	Leasehold Improvement	Right of Use assets	Fixtures & Fittings	Long leasehold Land & Buildings	Freehold Land & Buildings	**Total**
Cost or Valuation								
Balance at 1 January 2024	**373**	**803**	**1,151**	**1,970**	**3,573**	**3,736**	**27,079**	**38,685**
Additions	111	25	286	585	819	-	-	1,826
Disposals	(5)	(19)	(925)	(477)	(35)	-	-	(1,461)
Reclassified as held for sale *(note 16)*	-	-	-	-	-	(3,719)	-	(3,719)
Revaluations	-	-	-	-	-	-	3,374	3,374
Balance at 31 December 2024	**479**	**809**	**512**	**2,078**	**4,357**	**17**	**30,453**	**38,705**
Depreciation and impairment								
Balance at 1 January 2024	104	377	1,017	1,489	938	1,036	163	5,124
Depreciation charge for the year	152	112	36	241	404	116	291	1,352
Impairment charges	-	-	-	-	-	492	-	492
Disposals	(5)	(19)	(925)	(477)	(35)	-	-	(1,461)
Reclassified as held for sale *(note 16)*	-	-	-	-	-	(1,635)	-	(1,635)
Balance at 31 December 2024	**251**	**470**	**128**	**1,253**	**1,307**	**9**	**454**	**3,872**
Net book value								
As at 31 December 2024	**228**	**339**	**384**	**825**	**3,050**	**8**	**29,999**	**34,833**
Cost								
Balance at 1 January 2023	**626**	**359**	**3,192**	**5,949**	**2,506**	**3,736**	**27,160**	**43,528**
Additions	325	462	-	-	1,122	-	-	1,909
Disposals	(578)	(18)	(2,041)	(3,979)	(55)	-	-	(6,671)
Adjustments	-	-	-	-	-	-	(81)	(81)
Balance at 31 December 2023	**373**	**803**	**1,151**	**1,970**	**3,573**	**3,736**	**27,079**	**38,685**
Depreciation and impairment								
Balance at 1 January 2023	**582**	**314**	**2,942**	**4,936**	**783**	**899**	**-**	**10,456**
Depreciation charge for the year	100	81	116	532	209	137	163	1,338
Disposals	(578)	(18)	(2,041)	(3,979)	(54)	-		(6,670)
Balance at 31 December 2023	**104**	**377**	**1,017**	**1,489**	**938**	**1,036**	**163**	**5,124**
Net book value								
As at 31 December 2023	**269**	**426**	**134**	**481**	**2,635**	**2,700**	**26,916**	**33,561**

14 Property and equipment (continued)

As detailed in note 4, during the financial year, the Bank revalued its freehold land and building. An independent third-party surveyor was instructed for conducting the valuation on a vacant possession basis. The property revaluation is reported through OCI with a corresponding deferred tax liability created and offset within the deferred tax asset (see note 11).

The valuation techniques adopted provide a reliable estimation of the Banks freehold land and buildings fair value. The fair value is based on valuation performed by Graham & Sibbald UK LLP, an accredited independent valuer, who have undertaken the valuation on comparable market-based methodology, using propriety database of prices and transactions of similar nature, location and condition.

Before the change in accounting policy, the carrying value of freehold land and building amounting to £27m was based on cost, less accumulated depreciation. Subsequently, the property has been measured at fair value, which amounted to £30m (i.e. unit price of £3,056 per square foot). Subsequent to this change, freehold land and building are measured at fair value, less any subsequent accumulated depreciation and accumulated impairment losses.

The Bank incepted the lease of its new Birmingham operational headquarters with a commencement date of March 2024. The Bank has entered a contractual commitment to pay the lease over a 5 year term in which fit out cost are capitalised at the enacted VAT recoverable rates at time of the refurbishment work being undertaken.

15 Intangible assets

£'000s	**Computer licences**	**Purchased & developed software**	**Work in progress**	**Total**
Cost				
Balance at 1 January 2024	1,263	12,160	1,134	14,557
Additions	-	46	1,275	1,321
Write-Offs	-	-	(154)	(154)
Transfers	-	891	(891)	-
Balance as 31 December 2024	**1,263**	**13,097**	**1,364**	**15,724**
Amortisation				
Balance at 1 January 2024	1,263	10,128	-	11,391
Amortisation charge for the year	-	1,361	-	1,361
Impairment charges	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2024	**1,263**	**11,489**	**-**	**12,752**
Net book value as at 31 December 2024	**-**	**1,608**	**1,364**	**2,972**
Cost				
Balance at 1 January 2023	1,263	11,385	588	13,236
Additions	-	-	1,323	1,323
Write-downs and disposals	-	-	(2)	(2)
Transfers	-	775	(775)	-
Balance at 31 December 2023	**1,263**	**12,160**	**1,134**	**14,557**
Amortisation				
Balance at 1 January 2023	1,263	8,898	-	10,161
Amortisation charge for the year	-	1,230	-	1,230
Impairment charges	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2023	**1,263**	**10,128**	**-**	**11,391**
Net book value as at 31 December 2023	**-**	**2,032**	**1,134**	**3,166**

15 Intangible assets (continued)

Work in progress includes the development of software projects, which will be transferred to ‘purchased & developed software’ when the software is capable of operating as intended. Additions relating to existing work in progress projects are included in work in progress during the year and shown as transfers upon completion of the asset.

16. Held for sale

During 2024, the Bank relocated its operational headquarters from 24a to 57 Calthorpe road.

An independent 3rd party valuation was undertaken to survey 24a Calthorpe Road for the purposes of listing the property for sale.

In line with IAS 36 (Impairment of Assets) the Bank further undertook an impairment review of 24a Calthorpe Road, comparing the recoverable amount, which comprised of fair value less cost to sell amounting to £2.1m, against the carrying value (net book value which amounted to £2.6m) of the asset held. Following the assessment, an impairment of £0.5m has been charged to the statement of comprehensive income. The property is being actively marketed and a sale is expected within the next 12 months.

17 Deposits from banks and financial institutions

£’000s	**2024**	2023
Repayable on demand	2,708	3,006
1 months or less but not repayable on demand	10,455	9,916
1-3 months	26,434	44,233
3 months to 1 year	23,526	51,002
1 year to 2 years	1,629	3,080
Total deposits from banks and financial institutions	**64,752**	**111,237**
Non-profit paying accounts	2,708	3,006
Profit sharing / paying accounts	62,044	108,231
Total deposits from banks and financial institutions	**64,752**	**111,237**

18 Deposits from customers

£’000s		
Repayable on demand	688,130	634,295
1 months or less but not repayable on demand	104,089	63,074
1-3 months	235,960	235,235
3 months to 1 year	1,096,173	979,893
1 year to 2 years	210,880	140,395
Between 2 year and 5 years	77,651	96,308
Total deposits from customers	**2,412,883**	**2,149,200**
Comprising:		
Non-profit paying	175,234	163,042
Profit sharing / paying accounts	2,237,649	1,986,158
Total deposits from customers	**2,412,883**	**2,149,200**

19 Financing from banks

£’000s	80,776	-
Financing from banks	**80,776**	-

The Banks has drawn down £80.8m through its bilateral floating rate Commodity Murabaha agreement entered in the year with its wholesale counterpart. The wholesale syndicated arrangement facility contains a limit up to $250m across a 3 year term linked to quarterly SOFR profit rate (Secured Overnight Financing Rate).

20 Subordinated funding

£'000s	**2024**	2023
Subordinated funding	25,000	25,000
	25,000	**25,000**

Total returns paid on this funding for the year ended 31 December 2024 were £2m (2023: £2m). All returns were fully paid during the year and there were no outstanding payables as at 31 December 2024 (2023: £nil). This amount is included in returns to banks and other financial institutions in note 6.

The Tier 2 facility was granted through an agreement dated 24 March 2017 negotiated on an arm's length basis with AlRayan Bank QPSC. The contract is based on a Wakala agreement and expected profit is payable every 6 months. £25m was outstanding as at 31 December 2024, and there were no further drawdowns in 2024.

At 31 December 2024, nominal amount of £25m had less than five years to maturity (2023: £25m), and under the Capital Requirements Regulation II the value for regulatory capital is required to be amortised when there is less than five years to maturity. At 31 December 2024 the Tier 2 capital value of the subordinated funding was £13.7m (2023: £18.7m). This does not impact the carrying amount of these amounts under IFRS 9.

21 Other liabilities

£'000s	**2024**	2023
Social security and income tax	652	637
Accruals	7,223	6,981
Provisions	690	300
Trade settlement obligations	20,000	-
Other creditors	5,649	4,012
Lease liabilities	960	691
	35,174	**12,621**

Provisions includes £193k (2023: £300k) of customer claims referred to the Financial Ombudsman Service (FOS), which are anticipated to be settled in 2025. These provisions are based on the probable expected cash outflow requirements for the Bank to increase its award limits for cases referred to the FOS.

A further provision of £497k pertains to a contractual obligation the Bank has regarding the variation of its core banking system license agreement from which the Bank is required to pay for the historical usage of features and functionality pursuant under its original licensing agreement.

The trade settlement obligation represents a £20 million Wakala Placement traded with the parent company in December 2024, which is required to be cash settled in January 2025. Treasury placements are recognised on trade date basis where the Bank enters into a contractual arrangement to exchange funds at a future date of settlement agreed with the counterparty.

The 'Lease liabilities' line reflects the present value of balances due on leases under IFRS 16. Contractual and discounted details of the lease are reflected below:

Maturity of lease liabilities

£'000s	**2024**	**2023**
Maturity Analysis – Contractual undiscounted cash flows		
Less than one year	**-**	289
One to five years	**1,046**	457
Total undiscounted lease liabilities at 31 December	**1,046**	746
Lease liabilities included in the statement of financial position at 31 December	**960**	691
Of which: Current	**415**	224
Non-current	**545**	467

The total expense included as part of "general and administrative expenses" fully paid in respect of short term and low value leases, including the VAT element of leases included as Right of Use assets above where applicable, was £128,000 for the year (2023: £174,000).

22 Reconciliation of movement in liabilities to cash flows arising from financing activities

£'000s	Other liabilities	Financing from bank	Subordinated funding
Balance as at 1 January 2024	**12,621**	**-**	**25,000**
Changes from financing activities			
Payment of principal in respect of leases	(325)	-	-
Financing from bank received & payable	-	80,776	-
Cost of subordinated funding	-	-	(2,000)
Payment of financing in respect of leases	(27)	-	-
	(352)	**80,776**	**(2000)**
Other changes Liability related			
Cash based	22,284	-	-
Cost of subordinated funding	-	-	2,000
Non-cash based	621	-	-
	22,905	**-**	**2,000**
Balance as at 31 December 2024	**35,174**	**80,776**	**25,000**

£'000s	Other liabilities	Financing from bank	Subordinated funding
Balance as at 1 January 2023	**17,261**	**-**	**25,000**
Changes from financing activities			
Payment of principal in respect of leases	(1,260)	-	-
Cost of subordinated funding	-	-	(2,000)
Payment of principal in respect of leases	(33)	-	-
	(1,293)	**-**	**(2,000)**
Other changes Liability related		**-**	
Cash based	(3,379)	**-**	**-**
Profit payable on subordinated funding	-	-	2,000
Non-cash based	32	**-**	**-**
	(3,347)	**-**	**2,000**
Balance as at 31 December 2023	**12,621**	**-**	**25,000**

23 Share capital

	2024	2023
Allotted, called up and fully paid (£'000s)		
Issued ordinary share capital (12,121,870,000 ordinary shares of £0.01 each)	**121,219**	**121,219**

Contingent Convertible Investment

On 1 July 2019 the Bank received £3m of contingent convertible investment as Additional Tier 1 (AT1) capital funding from AlRayan Bank QPSC , its ultimate parent company. This investment is classified as AT1 capital for the purposes of Prudential Regulatory Authority rules. The investment features a profit rate of 8.5% plus the mid-swap profit rate for UK Sterling swap transactions with a maturity of 5 years and has a reset date 5 years after the investment is made. The profit rate for the £3m investment received was set at 12.561% (2024: 9.365%) for the period to 1 July 2025.

The investment is convertible into Ordinary Shares of the Bank in the event of the Bank's Common Equity Tier 1 capital ratio falling below 7.5%. As the investment agreement contains no obligation on the Bank to make payments of principal or profits the investment has been classified as additional equity investment under IAS 32, and has been included as a component of equity at the fair value of the proceeds received less any attributable direct costs associated with the investment.

23 Share capital (Continued)

As at 31 December 2024 £189,956 (2023: £141,630) discretionary profit was payable in respect of the AT1 capital, based on the contractual profit rate. During 2024 a profit payment was made from reserves of £281,715 (2023: £280,950 this related to the profit for the period from 1 July 2022 to 1 July 2023) was paid to AlRayan Bank QPSC, as distributable reserves were available to make payment. This amount related to the profit for the period from 1 July 2023 to 1 July 2024 and reflected full settlement of the outstanding amounts at that time.

24 Related parties

(a) Transactions with key management personnel

At 31 December 2024, Directors of the Bank and their immediate relatives have Nil shareholding in the Bank (2023: £nil).

Key management of the Bank are the Board of Directors and members of the Executive Committee. The compensation of key management personnel is as follows:

£'000s	**2024**	**2023**
Key management emoluments including social security costs	4,114	3,696
Long term emoluments payable to key management	-	389
Bank contributions to defined contribution pension plans	43	38
Total	**4,157**	**4,123**

Deposit balances, operated under standard customer terms and conditions, held by key management personnel, including Directors and immediate relatives, totalled £1,244,315 as at 31 December 2024 (2023: £203,446). Total returns paid on these accounts during the year were £7,099 (2023: £4,283).

Home Purchase Plan balances relating to key management personnel and immediate relatives as at 31 December 2024 was £1,870,000 (2023: £1,650,000).

(b) Transactions with ultimate parent company

During the year, Al Rayan (UK) Limited (the parent entity) was dissolved in order to simplify and align to the operational requirements of the Bank. The shares of the parent entity have been distributed to the existing shareholder, AlRayan Bank QPSC and Qatar Holding LLC incorporated in Doha, Qatar.

AlRayan Bank QPSC owns 73.76% and Qatar Holding LLC, owns 24.58% of the Bank. The remaining 1.66% is owned by other minority shareholders. AlRayan Bank QPSC is considered to be the Bank's parent company. All deposits, placements and swap agreements are on an arm's length basis.

AlRayan Bank QPSC prepares consolidated financial statements which are the only consolidated financial statements in which the Bank's results are reported. These statements are available to the public.

	2024			**2023**		
£'000s	**Cash**	**Less than 3 months**	**3-6 months**	**Cash**	**Less than 3 months**	**3-6 months**
Placements	-	104,000	-	-	20,056	-
Deposits	2,708	-	-	3,007	-	-

As at 31 December 2024 there was an outstanding subordinated financing balance payable to AlRayan Bank QPSC of £25m (2023: £25m). See note 20 for further details of this facility. A Contingent Convertible Investment of £3m was made during 2019 and profit of £281,715k was paid during 2024 in respect of this investment relating to the period from 2023 to 2024. See note 23 for further details.

Profit paid to AlRayan Bank QPSC on deposits received, included in returns to banks and other financial institutions in note 6, was £971,000 (2023: £846,000), excluding amounts paid on subordinated funding (see note 20). Profit received from AlRayan Bank QPSC on placements was £3,143,000 (2023: £941,000) included in Treasury placements income in note 6.

25 Assets and liabilities denominated in foreign currency

Assets denominated in foreign currencies are included within treasury placements, cash balances with banks, financing assets and investment securities.

Deposits denominated in foreign currencies are included within deposits from banks and customers.

£'000s equivalent	USD	EUR
31 December 2024		
Assets	143,243	1,245
Deposits	(119,361)	(1,245)
Net on balance sheet exposure	**23,882**	**-**
Forward foreign exchange contracts (nominal)	**23,970**	**-**
31 December 2023		
Assets	179,845	2,205
Deposits	(63,440)	(2,210)
Net on balance sheet exposure	**116,405**	**(5)**
Forward foreign exchange contracts (nominal)	**119,382**	**-**

While the Bank holds other currencies in addition to those above, these balances are not material on a gross or net basis individually or in aggregate. The Bank manages its foreign currency exposure within its set risk appetite. For additional details see note 29.

26 Sharia compliant derivative financial instruments

There are no balances which include a right of offset between instruments. For individual profit rate swaps quarterly settlements of the fixed and floating legs are paid on a net basis, but there is no right of offset between the profit rate swaps.

£'000s	Assets	Liabilities	Total	Notional balance
2024				
Forward exchange rate contracts	-	(665)	(665)	**23,304**
Profit rate swaps	733	-	733	**60,650**
Total	**733**	**(665)**	**68**	
2023				
Forward exchange rate contracts	3,344	(22)	3,322	**116,060**
Profit rate swaps	-	-	-	-
Total	**3,344**	**(22)**	**3,322**	

Maturity £'000s	Up to 1 month	1-3 months	3-12 months	1-5 years	Notional balance
2024					
Forward exchange rate contracts	11,747	**-**	11,557	-	**23,304**
Profit rate swaps	**-**	**-**	**-**	60,650	**60,650**
2023					
Forward exchange rate contracts	33,720	43,130	39,210	-	**116,060**
Profit rate swaps	-	-	-	-	-

26 Sharia compliant derivative financial instruments (Continued)

The Bank has entered into forward foreign exchange contracts in order to manage foreign currency exposures. All foreign exchange contracts are used for risk management purposes to minimise currency risk between GBP and USD. The Bank monitors foreign exchange exposure on a daily basis to minimise foreign exchange exposure and enters into foreign exchange forward contracts when required to hedge open exposures. The foreign exchange forward contracts are entered into for periods which match underlying currency exposures.

The Bank has also entered into profit rate swap contracts in order to manage its exposure to profit rate risk fluctuations and corresponding base rate movements. The profit rate swap contracts were entered into for hedging purposes on a floating to fixed profit rate basis with reference to SONIA GBP swap rates against the financing asset portfolio. The profit rate swap instruments are accounted for at fair value through profit and loss.

27 Financial Instruments

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

Categories of financial instruments

£'000s	**Amortised Cost**	**Fair Value through OCI**	**Fair value through profit or loss**	**Total carrying amount**
At 31 December 2024				
Cash	1,118	-	-	1,118
Treasury placements and balances with banks	539,414	-	-	539,414
Home Purchase Plans	933,032	-	-	933,032
Commercial Property Finance	1,173,952	-	-	1,173,952
Investment securities	-	141,863	-	141,863
Derivatives financial instruments	-	-	733	733
	2,647,516	**141,863**	**733**	**2,790,112**
Deposits from banks and financial institutions	64,752	-	-	64,752
Deposits from customers	2,412,883	-	-	2,412,883
Financings from banks	80,776	-	-	80,776
Derivatives financial instruments	-	-	665	665
	2,558,411	**-**	**665**	**2,559,076**

£'000s	**Amortised Cost**	**Fair Value through OCI**	**Fair value through profit or loss**	**Total carrying amount**
At 31 December 2023				
Cash	953	-	-	953
Treasury placements and balances with banks	401,615	-	-	401,615
Home Purchase Plans	993,121	-	-	993,121
Commercial Property Finance	899,686	-	-	899,686
Investment securities	-	148,713	-	148,713
Derivatives financial instruments	-	-	3,344	3,344
	2,295,375	**148,713**	**3,344**	**2,447,432**
Deposits from banks and financial institutions	111,237	-	-	111,237
Deposits from customers	2,149,200	-	-	2,149,200
Derivatives financial instruments	-	-	22	22
	2,260,437	**-**	**22**	**2,260,459**

27 Financial Instruments (Continued)

The carrying value of all financial instruments approximate their fair value. Fair values of financial assets and financial liabilities are based on quoted market prices. If the market is not active the Bank establishes a fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

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

Investment securities: These are measured at fair value after initial recognition through other comprehensive income and comprise the investment securities held for the purpose of collecting contractual cash flows and for selling. All of the Bank’s investments are valued at Level 1 as an active market exists. The Bank’s investment security holdings are in US dollar and British pound denominated sukuk.

Derivatives held for risk management: These derivatives held are forward foreign exchange rate contracts and profit rate swaps (see note 26). These are valued at Level 2 and priced using comparable market rates prevailing at year end.

The table below analyses financial instruments measured at fair value into a fair value hierarchy:

£’000s	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Investment securities	141,863	-	-	141,863
Derivatives financial instruments	-	733	-	733
As at 31 December 2024	**141,863**	**733**	**-**	**142,596**
Financial Liabilities				
Derivatives financial instruments	-	665	-	665
As at 31 December 2024	**-**	**665**	**-**	**665**

£’000s	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Investment securities	148,713	-	-	148,713
Derivatives financial instruments	-	3,344	-	3,344
As at 31 December 2023	**148,713**	**3,344**	**-**	**152,057**
Financial Liabilities				
Derivatives financial instruments	-	22	-	22
As at 31 December 2023	**-**	**22**	**-**	**22**

28 Financing assets

£'000s	2024 Gross amount	2024 Impairment Allowance	2024 Carrying Amount	2023 Gross amount	2023 Impairment Allowance	2023 Carrying Amount
Consumer finance	**55**	**(55)**	**-**	**62**	**(62)**	**-**
Home Purchase Plans	**933,121**	**(89)**	**933,032**	**994,318**	**(1,197)**	**993,121**
Commercial Property Finance	**1,181,818**	**(7,866)**	**1,173,952**	**903,501**	**(3,815)**	**899,686**

Total impairment allowance on financing assets:

£'000s	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January 2024	327	142	4,605	5,074
Charge for the year	23	13	2,900	2,936
Amounts written off during the year	-	-	-	-
Balance as at 31 December 2024	**350**	**155**	**7,505**	**8,010**
Balance at 1 January 2023	2,519	106	1,021	3,646
(Release) / Charge for the year	(2,192)	36	3,584	1,428
Amounts written off during the year	-	-	-	-
Balance as at 31 December 2023	**327**	**142**	**4,605**	**5,074**

29 Financial risk management

The Bank has exposure to the following risks arising from its use of financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risk
d) Concentration risk
e) Capital management

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing these risks, and its management of capital.

Risk Management Framework (RMF)

The Board of Directors has overall responsibility for the establishment of the Bank's Risk Management Framework with robust oversight provided through the Board Risk Committee (BRC). The Bank has established the Asset & Liability Committee (ALCO), Credit Risk Committee (CRC) and Executive Risk Committee (ERC), supported by other sub-committees, which together are responsible for developing and monitoring risk management policies in their specific areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk management controls and procedures are reviewed by Internal Audit, both as part of the regular audit review programme and through ad-hoc reviews. The results of these reviews are reported to the Audit Committee.

29 Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of loss arising from the failure of a customer or counterparty to meet their contractual obligations. The risk arises from the Bank's secured and unsecured finance provided to customers and the investment of surplus funds in Sharia compliant wholesale deposits with bank counterparties.

(i) Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Credit Risk Committee and the Executive Risk Committee. The Chief Risk Officer is responsible for oversight of the Bank's credit risk, including:

f) Formulating credit policies in consultation with other business units, covering credit assessments, collateral requirements, risk reporting, legal requirements and compliance with regulatory and statutory requirements.
g) Establishing authorisation limits and structures for the approval and renewal of credit exposure limits.
h) Reviewing and assessing credit risk prior to agreements being entered into with customers.
i) Limiting concentrations of exposure to counterparties, countries or sectors and reviewing these limits.
j) Ongoing assessment of exposure and implementation of procedures to reduce this exposure.
k) Providing advice, guidance and specialist skills to all business areas to promote best practice throughout the Bank in the management of credit risk.

(ii) Exposure to credit risk

Adherence to country and counterparty limits, for amounts due from other banks, is monitored on an ongoing basis by the Bank's Treasury department, with a detailed review of all limits at least annually. Senior management receive regular reports on the utilisation of these limits.

The Bank's maximum exposure to credit risk from financing activities is set out in the table below as the gross total financing assets.

At initial recognition, financial assets are categorised as stage 1 and an impairment provision is required for ECL resulting from default events expected within the next 12 months (12-month ECL). Where there is a significant increase in credit risk (SICR), an account may be moved to stage 2 or stage 3, depending on the nature of the change in credit risk.

SICR thresholds have been applied across the Bank's financing portfolio, alongside qualitative considerations on a per financing deal basis. These qualitative factors may lead to additional monitoring of customers to facilitate the early identification of potential problems which may lead to an increase in credit risk, and may include the following criteria, depending on segment and sector: short-term forbearance; extensions to the terms granted; significant adverse changes in business; early signs of cash flow or liquidity problems or significant change in collateral value. The combination of quantitative and qualitative factors are the key drivers of movement into stage 2 for CPF deals, while quantitative factors are the primary driver for HPP deals.

For assets in stage 2, the ECL recognised is equal to the expected loss calculated over the life of the exposure. Financial assets are included in stage 3 when there is objective evidence that the exposure is credit impaired, with expected credit losses calculated over a 12 month basis.The impairment provision is determined through an assessment that utilizes a PD set at 100%, along with EAD and LGD metrics. This assessment is conducted at the specific individual customer level, incorporating tailored haircuts and discount rates. Criteria of application is consistent with the definition of default used for internal credit risk management purposes.

A cure period is also applied to each stage for CPF and HPP customers, which may delay the transition of financing to a lower credit risk classification (e.g. from stage 3 to stage 2), where sustained performance is required before financing is reclassified. This means that financing may be held in stage 2 or 3 despite being considered as a performing asset at the reporting period date as they have not yet exited the cure period.

The Bank has aligned its definition of stage 3 default with the regulatory and accounting definitions.

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Key Judgements and estimates

Financial assets are evaluated for impairment on the basis described in note 4 under the IFRS 9 expected credit loss (ECL) model. The assessment of significant increases in credit risk and calculation of ECL are complex and both incorporate forward-looking information and require significant management judgement. The calculation of the ECL provision includes a number of judgements and estimates. The ECLs are calculated at the individual exposure level using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

Component	Judgements and Estimates
Staging/ Significant increase in credit risk (SICR) **Judgement**	Staging is a significant judgement, and the Bank considers staging on an individual account basis. Key judgements around whether a SICR has occurred which would change the stage of a customer's account are: • there is a significant decrease in credit score relative to the credit score at time of origination, or significant movement in the customer credit scorecard; • a customer is in arrears of greater than 30 days for stage 2, or 90 days for stage 3; • For HPP customers, if the credit score drops below the Bank's minimum underwriting standards for the type of exposure, the exposure will be deemed to be in stage 2; For CPF customers, where breaches of covenants are noted customers may be moved to stage 2 or 3 in combination with other qualitative and quantitative factors as determined by management. These customers will be monitored on a watchlist by management.
Post-model adjustments **Judgement**	Where Management views that certain factors are not captured within the ECL model, a post model adjustment may be included in the ECL balance, which will be determined based on the specific factors identified by Management which are outside the scope of the model, which may include additional forward looking factors, specific property type risks, or other economic uncertainty or shock factors which are not captured within the economic scenarios used in the ECL model. These post model adjustments will be based on Management's judgement of the probability and severity of these factors and the impact they would have on expected losses. The post model adjustments are detailed later in this note.
Loss Given Default (LGD) **Estimate**	LGD is the estimated loss expected to arise on default and represents the difference between the contractual cash flows due and the actual cash flows that Bank expects to receive after the default occurs. The LGD considers the recovery value of any collateral that is linked to the financial asset, including the impact of forward-looking economic assumptions where relevant, which may impact the expected value of the collateral.
Multiple economic scenarios (MES) **Estimate**	Macro factors incorporated within the scenario are Management's estimates of potential economic outcomes over the future which carry inherent uncertainty. These have been derived from economic analysis governed by the Bank's ALCO, as well as benchmarking against economic data and forecasts. The key variables included in the MES are benchmark rates, unemployment, and house prices indices as observed from Moody' analytics projected data forecast. Judgement is then applied by Management in respect of the number and weighting of the scenarios which are used to model the ECL. The scenarios are determined with reference to the use of Moody analytics probability scenario data and internal management probability expectations. The Bank has used four economic scenarios for the current year's ECL (2023: four) and these scenarios, sensitivities and weightings are set out later in this note.

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Total financing assets and ECL at 31 December 2024

Treasury placements and deposits with banks	Investment grade £'000s	Below investment grade £'000s	Unrated financial assets £'000s	Gross Total £'000s	ECL £'000s	Net Total £'000s	Coverage %
- Stage 1	539,414	-	-	539,414	-	539,414	**0.00%**
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	**539,414**	-	-	**539,414**	-	**539,414**	**0.00%**
Investment securities							
- Stage 1	141,881	-	-	141,881	**(18)**	141,863	**0.00%**
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	**141,881**	-	-	**141,881**	**(18)**	**141,863**	**0.00%**
Home Purchase Plans							
- Stage 1	-	-	874,364	874,364	(87)	874,277	0.01%
- Stage 2	-	-	31,360	31,360	(2)	31,358	0.01%
- Stage 3	-	-	27,397	27,397	-	27,397	0.00%
Total	-	-	**933,121**	**933,121**	**(89)**	**933,032**	**0.01%**
Commercial Property Finance							
- Stage 1	-	-	1,069,929	1,069,929	(263)	1,069,666	0.02%
- Stage 2	-	-	59,764	59,764	(153)	59,611	0.26%
- Stage 3	-	-	52,125	52,125	(7,450)	44,675	14.29%
Total	-	-	**1,181,818**	**1,181,818**	**(7,866)**	**1,173,952**	**0.67%**
Consumer Finance							
- Stage 1	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	55	55	(55)	-	100%
Total	-	-	**55**	**55**	**(55)**	-	**100%**
Total Financial Assets							
- Stage 1	681,295	-	1,944,293	2,625,588	(368)	2,625,220	0.01%
- Stage 2	-	-	91,124	91,124	(155)	90,969	0.17%
- Stage 3	-	-	79,577	79,577	(7,505)	72,072	9.43%
Total	**681,295**	-	**2,114,994**	**2,796,289**	**(8,028)**	**2,788,261**	**0.29%**

Of the £91.1m (2023: £88.5m) of total gross financial assets in stage 2 that have experienced increase in credit risk, £54.9m (2023: £18.4m) are included in stage 2 due to arrears of 30 days or more past due, of which 88% of balances relate to CPF's (2023: Nil) and 12% to HPPs (2023: 100%). The remaining £36.2m (2023: £69.8m) assets are included in stage 2 due to non-arrears factors which have impacted the credit risk, including other qualitative factors taken into consideration as part of the Bank's credit assessment.

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

The Bank does not hold any purchase or originated credit-impaired (POCI) assets. Investment grade financial assets have a minimum rating of BBB-.

Total financing assets and ECL at 31 December 2023

	Investment grade £'000s	Below investment grade £'000s	Unrated financial assets £'000s	Gross Total £'000s	ECL £'000s	Net Total £'000s	Coverage %
Treasury placements and deposits with banks							
- Stage 1	401,615	-	-	401,615	-	401,615	0.00%
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	**401,615**	**-**	**-**	**401,615**	**-**	**401,615**	**0.00%**
Investment securities							
- Stage 1	148,731	-	-	148,731	(18)	148,713	0.01%
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	**148,731**	**-**	**-**	**148,731**	**(18)**	**148,713**	**0.01%**
Home Purchase Plans							
- Stage 1	-	-	915,181	915,181	(76)	915,105	0.01%
- Stage 2	-	-	60,058	60,058	(76)	59,982	0.13%
- Stage 3	-	-	19,079	19,079	(1,045)	18,034	5.79%
Total	**-**	**-**	**994,318**	**994,318**	**(1,197)**	**993,121**	**0.120%**
Commercial Property Finance							
- Stage 1	-	-	832,827	832,827	(252)	832,575	0.03%
- Stage 2	-	-	28,456	28,456	(65)	28,391	0.23%
- Stage 3	-	-	42,218	42,218	(3,498)	38,720	9.03%
Total	**-**	**-**	**903,501**	**903,501**	**(3,815)**	**899,686**	**0.42%**
Consumer Finance							
- Stage 1	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	62	62	(62)	-	100%
Total	**-**	**-**	**62**	**62**	**(62)**	**-**	**100%**
Total Financial Assets							
- Stage 1	550,347	-	1,748,008	2,298,354	(346)	2,298,008	0.02%
- Stage 2	-	-	88,514	88,514	(141)	88,373	0.16%
- Stage 3	-	-	61,359	61,359	(4,605)	56,754	8.11%
Total	**550,347**	**-**	**1,897,881**	**2,448,227**	**(5,092)**	**2,443,135**	**0.21%**

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

A reconciliation of movements in the ECL from the opening position as at 1 January to the closing position as at 31 December in each year for customer financing products (HPP and CPF) is set out below:

2024	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
Customer financing - HPP and CPF £'000s	**Gross carrying amount**	**ECL allowance**	**Gross carrying amount**	**ECL allowance**	**Gross carrying amount**	**ECL allowance**	**Gross carrying amount**	**ECL allowance**
At 1 Jan 2024	1,748,008	327	88,516	142	61,357	4,605	1,897,881	5,074
ECL on customer financing matured/settled during the period	(150,343)	(18)	(6,660)	(2)	(1,641)	-	(158,644)	(20)
Transfers of financial instruments:								
Transfers from Stage 1 to Stage 2	(55,230)	(8)	55,230	8	-	-	-	-
Transfers from Stage 2 to Stage 1	34,499	72	(34,499)	(72)	-	-	-	-
Transfers to Stage 3	(7,130)	-	(10,894)	(2)	18,024	2	-	-
Transfers from Stage 3	965	-	208	-	(1,173)	-	-	-
Net transfers	**(26,896)**	**64**	**10,045**	**(66)**	**16,851**	**2**	**-**	**-**
Net remeasurement of ECL on deals which have transferred stage *		(61)		66		(2)		3
Net new financing/payments and remeasurement of continuing customer ECL	373,524	38	(777)	15	3,010	2,900	375,757	2,953
At 31 Dec 2024	**1,944,293**	**350**	**91,124**	**155**	**79,577**	**7,505**	**2,114,994**	**8,010**
ECL income statement (charge)/release for the period on customer financing	-	(23)	-	(13)	-	(2,900)	-	(2,936)
ECL movements on other assets	-	-	-	-	-	-	-	-
Total income statement (charge)/release in ECL provision for the period on assets								**(2,936)**

2023	**Stage 1**		**Stage 2**		**Stage 3**			**Total**
Customer financing - HPP and CPF £'000s	**Gross carrying amount**	**ECL allowance**	**Gross carrying amount**	**ECL allowance**	**Gross carrying amount**	**ECL allowance**	**Gross carrying amount**	**ECL allowance**
At 1 Jan 2023	1,802,774	2,519	70,443	106	19,527	1,021	1,892,744	3,646
ECL on customer financing matured/settled during the period	(130,265)	(191)	(8,619)	(13)	(918)	(19)	(139,802)	(223)
Transfers of financial instruments:								
Transfers from Stage 1 to Stage 2	(70,737)	(133)	70,737	133	-	-	-	-
Transfers from Stage 2 to Stage 1	41,547	61	(41,547)	(61)	-	-	-	-
Transfers to Stage 3	(41,726)	(232)	(1,509)	(2)	43,235	234	-	-
Transfers from Stage 3	112	7	872	18	(984)	(25)	-	-
Net transfers	**(70,804)**	**(297)**	**28,553**	**88**	**42,251**	**209**	**-**	**-**
Net remeasurement of ECL on deals which have transferred stage *		**(69)**		**(24)**		**3,836**		**3,743**
Net new financing/payments and remeasurement of continuing customer ECL	146,303	(1,635)	(1,861)	(15)	497	(442)	144,939	(2,092)
At 31 Dec 2023	**1,748,008**	**327**	**88,516**	**142**	**61,357**	**4,605**	**1,897,881**	**5,074**
ECL income statement (charge)/release for the period on customer financing	-	2,191	-	(36)	-	(3,586)	-	(1,430)
ECL movements on other assets	-	-	-	-	-	2	-	2
Total income statement (charge)/release in ECL provision for the period on assets								**(1,428)**

* 'Net remeasurement of ECL on deals which have transferred stage' is calculated from December to December, and includes the impact of changes in model, MES and any post model adjustments on those deals, as well as the impact of the change in staging.

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

The ECL adjustment for assets matured or settled during the period reflect accounts where the product term has either expired, or the customer has left the Bank during the year, and to whom the Bank no longer has exposure.

The transfers of financial instruments relate to accounts which have moved between the stages from the prior period end date to the current period end date only, and do not include any accounts which may have moved stage within the year and then moved back or cured. The transfer adjustment reflects the prior year closing ECL balance. The remeasurement of the ECL reflects all of the accounts which have transferred into the stage and shown on an aggregated basis.

The new financing ECL is the ECL which has been determined for customers who joined the Bank during the year and are still with the Bank at the end of the year. Customers who joined and left within the year are not shown in the above table as the Bank does not retain any exposure to these customers.

The impact of remeasurement of ECL represents the change in the ECL for all customers and accounts which are not captured in the above categories. These are customers or accounts which have not changed stage and have remained with the Bank throughout the year. These ECLs are impacted by macroeconomic factors such as changes in house prices, as well as customer acquisition payments or new drawdowns, and the remeasurement may result in increases or decreases in ECL balances for these customers year on year.

Overall stage 1 ECL amount has remained consistent from last year due to relatively stable economic scenario being observed, identical base case scenario weightages used, and as well as ensuring ECL parameters and model performance continued to be monitored and validated.

However, it is noted that CPF provision has been significantly impacted by a single impaired legacy counterparty exposure, calculated through a bespoke internal assessment tool for the non-performing accounts in the year. The enhanced framework aligns to the Bank's proactive approach for managing specific credit risks, using obligor-specific factors and recovery strategies. Although the CPF book has performed satisfactorily overall, macro-economic factors affecting the real estate market continue to pressure a limited number of customers and tenants. Specifically, rising yield expectations have impacted commercial property prices. The Bank's primary focus on residential commercial property has been influenced by UK housing market dynamics and global economic uncertainty. Despite base rates not decreasing as anticipated, these factors have affected both residential and non-residential commercial property sectors.

Sensitivity analysis:

The key assumptions in the ECL models are unemployment expectations, forecast house price growth and changes in market rates. The ECL is calculated on a per customer basis, incorporating local indexation, with adjustments made to incorporate additional risk factors in geographical locations which are expected to have a greater reaction to changes in economic circumstances.

The Bank’s ECL position as at 31 December 2024 has been calculated using data derived from the Moody’s analytics forecast as at that date.

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

The ECL calculation incorporates multiple economic scenarios which have been weighted according to considered likelihood. The tables below show the weightings and values of the key variables used within the scenarios, based on a 5-year forecast:

2024	**Base case**	**Downturn**	**Moderate downturn**	**Slight upturn**
Scenario weighting	**40%**	**7%**	**23%**	**30%**

2023	Base case	Downturn	Moderate downturn	Slight upturn
Scenario weighting	55%	5%	25%	15%

2024 Key economic variables:

		Model scenario inputs 2025	2026	2027	2028	2029	2024 Average	2023 Average
Base case	BOE Rate	4.23%	3.02%	2.50%	2.50%	2.50%	2.95%	3.90%
	Unemployment	4.17%	4.45%	4.57%	4.65%	4.73%	4.51%	4.36%
	Annual HPI growth	2.04%	3.61%	3.43%	1.60%	1.85%	2.51%	1.10%
Downturn	BOE Rate	2.98%	1.01%	0.62%	0.88%	0.99%	1.30%	4.90%
	Unemployment	5.95%	8.31%	8.23%	8.11%	7.60%	7.64%	7.44%
	Annual HPI growth	-7.80%	-14.02%	-1.07%	2.71%	4.04%	-3.23%	-3.40%
Moderate downturn	BOE Rate	3.49%	1.42%	1.16%	1.61%	1.86%	1.91%	4.40%
	Unemployment	5.30%	7.07%	7.30%	7.08%	6.51%	6.65%	5.90%
	Annual HPI growth	-4.51%	-7.89%	-0.38%	3.29%	5.27%	-0.84%	-1.15%
Slight upturn	BOE Rate	4.38%	3.19%	2.70%	2.51%	2.50%	3.06%	3.45%
	Unemployment	3.71%	3.64%	3.72%	3.97%	4.25%	3.86%	4.11%
	Annual HPI growth	10.54%	11.85%	2.64%	-2.29%	-1.35%	4.28%	1.80%

2023 Key economic variables:

		Model scenario inputs 2024	2025	2026	2024	2025	2023 Average	2022 Average
Base case	BOE Rate	4.75%	4.00%	3.75%	3.50%	3.50%	3.90%	3.30%
	Unemployment	4.62%	4.56%	4.29%	4.17%	4.14%	4.36%	4.44%
	Annual HPI growth	-2.00%	-3.50%	3.50%	3.50%	4.00%	1.10%	0.21%
Downturn	BOE Rate	5.75%	5.00%	4.75%	4.50%	4.50%	4.90%	4.91%
	Unemployment	8.50%	8.00%	7.40%	6.80%	6.50%	7.44%	7.56%
	Annual HPI growth	-3.50%	-14.11%	-10.50%	4.34%	6.79%	-3.40%	-2.90%
Moderate downturn	BOE Rate	5.25%	4.50%	4.25%	4.00%	4.00%	4.40%	4.11%
	Unemployment	6.56%	6.28%	5.85%	5.49%	5.32%	5.90%	6.00%
	Annual HPI growth	-2.75%	-8.81%	-3.50%	3.92%	5.40%	-1.15%	-1.84%
Slight upturn	BOE Rate	4.50%	3.50%	3.25%	3.00%	3.00%	3.45%	2.80%
	Unemployment	4.30%	4.25%	4.00%	4.00%	4.00%	4.11%	3.70%
	Annual HPI growth	-1.00%	-2.00%	4.00%	3.75%	4.25%	1.80%	4.11%

29 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Exposure to credit risk (continued)

The base case scenario has been updated for changes to the prevailing economic conditions at year end. Upturn and downturn economic scenarios are viewed as less likely and are weighted accordingly in the model. Scenario weightings are revised periodically throughout the year to reflect management's view on the probability of each outcome.

For year-end 2024, the scenarios have been updated to reflect a revised outlook using updated macroeconomic inputs based on the Bank's current view, with reference the latest Moody's analytics data forecast.

The alternative plausible scenarios are calculated by modifying the base case, and these are designed to be cyclical, with reversion to mean after year five. The impact of individual scenarios at 100% weighting are shown below. This illustrates sensitivities to model weightings along with the weighted scenarios with no post-model management adjustment applied.

Under the current and forecasted economic conditions, stage 3 instruments are not expected to be materially sensitive to changes in modelled macroeconomic assumptions and therefore have not been included in the sensitivity analysis for 2024 (2023: Stage 3 included). ECL on stage 3 instruments have been individually assessed which are more sensitive to idiosyncratic obligor-specific factors and recovery strategies that are independent of macroeconomic factors.

2024	**Weighted scenario ECL, no PMA**	**Base case, no adjustment**	**Slight upturn scenario**	**Moderate downturn scenario**	**Downturn scenario**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
HPP	89	85	25	148	199
CPF	416	209	73	891	1,501
Total	**505**	**294**	**98**	**1,039**	**1,700**

2023	**Weighted scenario ECL, no PMA**	**Base case, no adjustment**	**Slight upturn scenario**	**Moderate downturn scenario**	**Downturn scenario**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
HPP	1,197	1,151	1,020	1,323	1,606
CPF	3,815	3,724	3,546	4,029	4,547
Total	**5,012**	**4,875**	**4,566**	**5,352**	**6,153**

Post Model Adjustments:

		2024			**2023**	
	ECL model output	**PMA**	**Total ECL**	**ECL model output**	**PMA**	**Total ECL**
	£'000		**£'000**	**£'000**		**£'000**
HPP	89	-	89	1,197	-	1,197
CPF	7,866	-	7,866	3,815	-	3,815
Total	**7,955**	**-**	**7,955**	**5,012**	**-**	**5,012**

For 2024, the Bank has not applied any post model adjustments to the ECL output as all considerations captured have been derived from the underlying modelled output.

Specific property collateral valuation have been incorporated as part individual assessment of stage 3 CPF impaired accounts.

29 Financial risk management (continued)

(a) Credit risk (continued)

(iii) Write-off policy

The Bank writes off a balance (and any related allowances for impairment) when the Credit Risk department determines that the balance is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the customers financial position such that the counterparty can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

In 2024, £nil of financing profit were written off (2023: £nil).

(iv) Collateral

The Bank holds collateral against secured financing made to businesses and individuals in the form of charges over properties, other registered securities over assets, and guarantees. For some financing arrangements the Bank also has rights to cash balances held either by the Bank or by third parties as additional security balances.

Commercial Property Finance:

CPF	Gross exposure £'000	ECL Total £'000	Net balance £'000	ECL coverage	Collateral £'000
2024	**1,181,818**	**7,866**	**1,173,952**	**0.67%**	**1,955,759**
2023	903,501	3,815	899,686	0.42%	1,547,680

Home Purchase Plan exposure by FTV (finance to value) band:

2024 FTV band	Gross exposure £'000	ECL Total £'000	Net balance £'000	ECL coverage	Collateral £'000
<=60%	674,283	1	674,282	0.00%	1,819,007
60%-70%	156,444	14	156,430	0.01%	240,604
70%-80%	95,683	62	95,621	0.06%	127,619
>80%+	6,711	12	6,699	0.18%	10,045
Total	**933,121**	**89**	**933,032**	**0.01%**	**2,197,275**

2023 FTV band	Gross exposure £'000	ECL Total £'000	Net balance £'000	ECL coverage	Collateral £'000
<=60%	702,310	1,046	701,264	0.149%	1,841,603
60%-70%	173,990	23	173,967	0.013%	268,458
70%-80%	95,829	93	95,736	0.097%	129,926
>80%+	22,189	35	22,154	0.156%	30,847
Total	**994,318**	**1,197**	**993,121**	**0.120%**	**2,270,834**

29 Financial risk management (continued)

(v) Concentration of credit risk

The Bank monitors concentration of credit risk by sector and geographical location of underlying assets. An analysis of concentrations of credit risk at the reporting date is shown below.

Concentration by sector:

£'000s **2024**	**Central Banks**	**Government/ MDB***	**Individuals**	**Corporate/ SME**	**Bank**	**Total**
Treasury placements and balances with banks	95,775	-	-	-	443,639	539,414
Investment securities	7,060	134,654	-	149	-	141,863
Home Purchase Plans	-	-	914,647	18,385	-	933,032
Commercial Property Finance	-	-	25,560	1,148,392	-	1,173,952
	102,835	**134,654**	**940,207**	**1,166,926**	**443,639**	**2,788,261**

2023	**Central Banks**	**Government/ MDB***	**Individuals**	**Corporate/ SME**	**Bank**	**Total**
Treasury placements and balances with banks	104,013	-	-	-	297,602	401,615
Investment securities	-	147,999	-	714	-	148,713
Home Purchase Plans	-	-	985,964	7,157	-	993,121
Commercial Property Finance	-	-	26,037	873,649	-	899,686
	104,013	**147,999**	**1,012,001**	**881,520**	**297,602**	**2,443,135**

* Multilateral development banks (MDB)

Concentration by geographical location of assets:

£'000s **2024**	**UK**	**Europe**	**Asia**	**Middle East**	**Total**
Treasury placements and balances with banks	350,988	-	-	188,426	**539,414**
Investment securities	7,060	-	-	134,803	**141,863**
Home Purchase Plans	932,860	172	-	-	**933,032**
Commercial Property Finance	1,173,952	-	-	-	**1,173,952**
2023					
Treasury placements and balances with banks	338,710	-	-	62,905	**401,615**
Investment securities	-	-	-	148,713	**148,713**
Home Purchase Plans	992,934	187	-	-	**993,121**
Commercial Property Finance	899,686	-	-	-	**899,686**

The asset quality underlying the Commercial Property Finance and Home Purchase Plans portfolios is maintained, with financing decisions based on clear affordability assessments and prudent finance-to-value (FTV) ratios. As at 31 December 2024, 82 of the facilities within the secured finance portfolios were in arrears of 30 days or more (31 December 2023, 43).

29 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its commitments when they fall due or can secure such resources only at excessive cost. The Bank's approach to managing liquidity is to ensure that it will aim to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The difference in the nature of long term assets funded by short-term fundings, mostly on demand accounts, results in structural mismatches which can put pressure on resources. To mitigate this risk, the Treasury department maintains sufficient liquid resources made up of cash and on demand and short term Treasury placements to meet the normal day-to-day operations of the business and, in addition, maintains a buffer of high quality liquid assets which can be converted quickly into cash to cover outflows in severely stressed conditions. All liquidity policies and procedures are subject to review and sanction at ALCO and approved by the Board.

The Board reviews, at least annually, the adequacy of its liquidity under the ILAAP. The ILAAP specifies the daily processes that the Bank will use to determine the amount of liquidity required to cover its potential cash flow needs under a range of stressed scenarios. The Bank regularly tests both the current balance sheet and the latest projections to ensure that actual and forecast liquidity remain within appetite. Treasury maintains liquid resources at the greater of the LCR requirement or that indicated by the ILAAP.

An additional measure used by the Bank for managing liquidity risk is the comparison of the maturity of assets and customer deposits. This analysis is completed, monitored and reports are submitted each month for review by ALCO. A similar calculation of mismatches is submitted to the Prudential Regulation Authority (PRA) as part of the Bank's quarterly regulatory reporting.

Residual contractual maturities of financial liabilities

The following table shows the undiscounted cash flows on the Bank's financial liabilities based on their earliest possible contractual maturity. When calculating mismatch, the Bank applies behavioural adjustments, based on observed behaviours. This results in demand deposits from customers spread further out over a longer time period.

£'000s	*Note*	**Carrying Amount**	**Gross maturity outflow**	**Less than 1 - month**	**1 - 3 months**	**3 months - 1 year**	**1 year - 2 years**	**2 years - 3 years**	**3 years - 4 years**	**4 years - 5 years**
2024										
Deposits from banks & Financial Institutions	*17*	64,752	65,692	13,179	26,643	24,143	1,726	-	-	-
Financings from Banks	*19*	80,776	93,267	-	-	-	-	93,267		
Deposits from customers	*18*	2,412,883	2,504,585	798,519	243,409	1,139,578	298,450	24,455	174	-
		2,558,411	**2,663,544**	**811,698**	**270,052**	**1,163,721**	**300,176**	**117,722**	**174**	**-**
2023										
Deposits from banks & Financial Institutions	*17*	111,237	116,303	12,945	44,633	55,611	3,114	-	-	-
Deposits from customers	*18*	2,149,200	2,228,460	700,863	241,172	1,023,551	153,001	109,531	342	-
		2,260,437	**2,344,763**	**713,808**	**285,805**	**1,079,162**	**156,115**	**109,531**	**342**	**-**

29 Financial risk management (continued)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. Financing assets have been classified on the same basis of expected repayment behaviour that was used for estimating the effective profit rate.

2024	Due within 12 months £'000	Due after 12 months £'000	Total £'000
Cash	1,118	-	1,118
Treasury placements and cash balances with banks	539,414	-	539,414
Home Purchase Plans	128,394	804,638	933,032
Commercial Property Finance	167,037	1,006,915	1,173,952
Investment securities	130,200	11,663	141,863
Property and equipment	697	34,136	34,833
Intangible assets	59	2,913	2,972
Deferred tax asset	493	1,556	2,049
Derivative financial instruments	733	-	733
Other assets	3,674	-	3,674
Assets held for sale	2,084	-	2,084
Total assets	**973,903**	**1,861,821**	**2,835,724**
Deposits from banks and financial institutions	63,123	1,629	64,752
Deposits from customers	780,693	1,632,190	2,412,883
Financing from banks	-	80,776	80,776
Subordinated funding	-	25,000	25,000
Other liabilities	34,214	960	35,174
Derivative financial instruments	665	-	665
Total Liabilities	**878,695**	**1,740,555**	**2,619,250**
Net balance	**95,208**	**121,266**	**216,474**

2023	Due within 12 months £'000	Due after 12 months £'000	Total £'000
Cash	953	-	953
Treasury placements and cash balances with banks	401,615	-	401,615
Home Purchase Plans	141,521	851,600	993,121
Commercial Property Finance	171,432	728,254	899,686
Investment securities	133,214	15,499	148,713
Property and equipment	671	32,890	33,561
Intangible assets	63	3,103	3,166
Deferred tax asset	1,102	3,736	4,838
Derivative financial instruments	3,344	-	3,344
Other assets	4,221	-	4,221
Total assets	**858,136**	**1,635,082**	**2,493,218**
Deposits from banks and financial institutions	108,157	3,080	111,237
Deposits from customers	903,457	1,245,743	2,149,200
Subordinated funding	-	25,000	25,000
Other liabilities	11,930	691	12,621
Derivative financial instruments	22	-	22
Total Liabilities	**1,023,566**	**1,274,514**	**2,298,080**
Net balance	**(165,430)**	**360,568**	**195,138**

29 Financial risk management (continued)

(c) Market risk

Market risk is the risk of changes in the value of, or loss of income arising from adverse market movements, including foreign exchange rates, profit rates and basis risk. The objective of market risk management is to manage and control exposures within acceptable parameters, whilst optimising returns. The Bank does not have residual exposure to any material foreign currency risk, as any exposure is actively managed through Sharia compliant forward foreign exchange instruments to reduce exposures. Given the Bank's current profile of financial instruments, the principal exposure is the risk of loss arising from fluctuations in the future cash flows or fair values of these financial instruments because of a change in rates. This is managed principally through monitoring gaps between effective profit and rental rates and matching fixed or variable rate assets with liabilities of comparable rate basis and reviewing approved rates and bands at regular re-pricing meetings.

Profit rates for treasury placements are agreed with the counterparty bank at the time of each transaction and the profit (mark-up) and effective profit rate is consequently fixed (for Murabaha) and maintained (for Wakala) for the duration of the contract. Risk exposure is managed by reviewing the maturity profiles of transactions entered into.

Rentals / profit for longer term Commercial Property Financing and Home Purchase Plans are benchmarked against a market measure, in agreement with the Bank's Sharia Supervisory Committee.

The Bank has exposure to market risk on its investment securities portfolio. While the majority of the portfolio has been invested in fixed profit rate sukuk, the fair value of the securities is subject to price volatility linked to changes in market rates, primarily the impact of changes in UK and US base rates. The Bank aims to hold all of its investment securities to maturity, however significant changes in base rates may result in movements in the fair value of these securities measured through other comprehensive income.

As at 31 December 2024, a shift of 1.00% to base rates (both GBP and USD) would result in a £0.4m movement in the market value (2023: £1.3m). At 31 December 2024 the mark to market loss net of deferred tax was £0.2m (2023: £1.5m loss).

Profit rates payable on Mudaraba customer deposit accounts are calculated at each month-end in line with the profit allocation model and the customer terms and conditions. Profit rates payable on wholesale deposits are agreed with the customer at the time of each transaction and the profit (mark-up) and effective profit rate is consequently fixed (for Murabaha) and maintained (for Wakala) for the duration of the contract. Risk exposure is managed by reviewing the maturity profiles of transactions entered into.

Profit rates and re-pricings are reviewed and agreed at Product Pricing and Development Group, (PPDG), who's authority is delegated to by ALCO. ALCO is principally responsible for monitoring market risk and reviews sensitivities of the Bank's assets and liabilities to standard and non-standard changes to the underlying reference rates, the impact of a parallel shift in rates are considered monthly.

An analysis of the sensitivity of the Bank's balance sheet to an increase or decrease in effective rates (based on 31 December statement of financial position) is as follows:

Profit Rate Risk in the Banking Book (PRRBB)

This looks at the net present value (NPV) of the balance sheet impact of the mismatch in each time period arising between assets and liabilities measured up to 10 years. The profit risk is the result of the most severe impact of a 2.0% increase and a 2.0% decrease in rates. This mismatch is identified by examining details of profit rate sensitive assets and liabilities to establish when they will next reprice and then tabulating those which reprice within set time periods.

£'000s	2.00% parallel increase	2.00% parallel decrease
31 December 2024	**(7,435)**	**8,863**
31 December 2023	(2,471)	3,029

29 Financial risk management (continued)

(d) Concentration risk

Concentration risk is the risk of loss arising from inadequate diversification of credit risk across sectors. The risk arises due to exposure to specific geographical locations, industry sectors or particular customers or institutions. See pages 75 for breakdowns of assets by customer types and geography.

The Board sets counterparty, country and regional limits in respect of treasury assets and adherence to these limits is monitored daily. Concentrations exist within the Commercial Property Finance and Home Purchase Plans portfolios. Concentration limits are set for customers. As these portfolios grow, such concentrations are expected to reduce.

The Credit Risk Committee monitors both sectoral and geographic concentration for each finance asset class and regularly reviews counterparty, country and regional limits in respect of treasury assets.

(e) Capital management

In accordance with the UK implemented Capital Requirements Directive (CRD) V and the required parameters set out in the UK's Capital Requirements Regulation (CRR) part of the PRA rulebook, the Bank's ICAAP is embedded in the risk management framework of the Bank. The ICAAP is updated on an annual basis as part of the Bank's strategic planning process and more frequently if business requirements demand.

The PRA has reviewed and evaluated the ICAAP and has provided the Bank with its Total Capital Requirement (TCR) to be met. The PRA sets out ICR for all banks operating in the United Kingdom by reference to its Capital Resources Requirement and monitors the available capital resources in relation to the ICR requirement. The Bank's capital requirements are monitored by the Executive team and the Board.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Bank has complied with all externally imposed capital requirements throughout the period.

Regulatory capital is analysed as below:

- Tier 1 capital, includes ordinary share capital, share premium, additional tier 1 capital, revaluation reserves, retained earnings/ (deficit), less intangible assets, additional value adjustments and deferred tax,
- Tier 2 capital, includes subordinated funding.

The Bank's regulatory capital position as at 31 December was as follows:

£'000s – figures **Unaudited**	**2024**	2023
Tier 1 capital		
Total equity excluding profit stabilisation reserve	216,378	195,038
Less intangible assets	(2,972)	(3,166)
Less deferred tax	(2,049)	(4,837)
Less additional value adjustments	(144)	(152)
	211,213	**186,883**
Tier 2 capital		
Subordinated funding	13,657*	18,667*
Total regulatory capital	**224,870**	205,550

* All three Tier 2 tranche (£10m, £5m and £10m) are being amortised by the Bank, in line with regulatory requirements, as they are due to mature within 5 years. The amortisation of Tier 2 funding has been incorporated in the Bank's capital forecasts.

30 Events after the reporting period

There were no events after the reporting period.

31 Contingent liabilities and other commitments

Under the terms of some of the Bank's Commercial Property Financing, there are undrawn customer financing amounts. The outstanding undrawn amounts in respect of these agreements at 31 December 2024 £22,249,543 (2023: £24,674,249).

32 Zakatable Assets (unaudited)

The Bank does not pay zakat on behalf of its shareholders and it is the sole responsibility of the individual shareholders to make their zakat payments. Zakatable assets are calculated on the basis of net zakatable assets/net assets methodology according to AAOIFI standards. Therefore, zakatable assets are based on the reported balance sheet, with adjustments made to remove non-zakatable items including property plant and equipment, intangible assets, market adjustments to investment securities and Sharia compliant derivative financial instruments, prepayments, lease liabilities and deferred tax. After these adjustments, net zakatable assets have been calculated as £172,198,487 (2023: £148,612,341) and total zakat due would be £4,438,416 (2023: £3,830,483) on a 2.5775% basis (the zakat has been calculated on the basis of a solar year). The amount of zakat per share is £0.00037.

33 Country by Country reporting

The Bank is required as a CRD IV regulated institution to disclose annually under UK legislation the following information:

Name, nature of activities, and geographical location	Al Rayan Bank PLC Providing Sharia compliant banking services in the UK.
Turnover (£'000s)	£167,730
Average number of employees on a full-time equivalent basis	193
Profit or loss before tax (£'000s)	£23,469
Tax charge on profit (£'000s)	£5,752
Public subsidies received	Nil

34 Ultimate parent company

The Bank's controlling parent company is AlRayan Bank QPSC, a company registered in Doha, Qatar and which prepares group financial statements, which is the smallest and the largest group. The group financial statements include the Bank and the Bank's immediate parent company.

Copies of the group financial statements, in English, can be obtained from https://www.alrayan.com/en/investor-relations/financial-information/financial-statements or from AlRayan Bank QPSC, Al-Atya Building, Grand Hamad Street, PO Box 28888, Doha, Qatar.