



Annual Report and
Financial Statements

Registered number 04483430
(England & Wales)

For the year ended 31 December 2025



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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

Introduction

Al Rayan Bank PLC, a majority-owned subsidiary of AIRayan Bank QPSC, is the United Kingdom's oldest and largest Sharia-compliant bank.

Headquartered in London, Al Rayan Bank is the UK's most successful Sharia-compliant bank.

Over the past two decades, it has played a pivotal role in shaping the UK's Sharia-compliant banking sector.

The Bank's strategy continues to centre on Structured Real Estate (SRE) and Premier Banking for GCC-based customers.

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

The Bank is proud to deliver value to our customers through a range of channels. This includes personalised support from Relationship Managers and a Premier Banking office at the Bank's Head Office in London, complemented by Digital and Telephone Banking services.

Al Rayan Bank's ambition is to be the UK's first-choice Sharia-compliant bank, specialising in Structured Real Estate Finance and Premier Banking. This is pursued by keeping operations simple, staying connected through the Bank's TEAM values, and maintaining a culture that makes Al Rayan Bank a great place to work and a great place for customers to bank. The Bank champions ethical, Sharia compliant banking, embraces and celebrates diversity, and remains committed to making a positive impact on the world around us.

AIRayan Bank QPSC, is one of the largest banks in Qatar. AIRayan Bank QPSC provides Sharia-compliant banking, financial, investment, and brokerage services across the country. Incorporated in January 2006, it is licensed and regulated by the Qatar Central Bank.

Chairman's Statement

It is my privilege to present Al Rayan Bank's Annual Report for 2025, my fifth as Chairman. 2025 was a year defined by operational transformation, brand evolution, enhanced resilience, and strategic progress, set against a backdrop of global turbulence and domestic economic shifts. In this context the Bank not only again delivered strong financial results but also positioned itself for sustainable growth and long-term success.

Vision and strategic direction

Our purpose remains clear: to be the UK's first choice Sharia compliant bank for Structured Real Estate (SRE) financing and Premier Banking, while delivering value to our customers, shareholders, and communities enabling our employees through providing a great place to work. As mentioned previously, a key focus of our strategy is delivering sustainable profits, and we are pleased to report pre-tax profit of more than £20m for the fourth consecutive year.

In 2025, we sharpened our focus on our two core areas of banking - SRE and Premier Banking - creating a platform for growth that is both disciplined and future-ready. This strategy has again delivered strong pre-tax profits of £23.59m, reflecting the resilience of our business model.

Strong performance in a complex environment

The global environment remains challenging. Geopolitical tensions, energy market volatility, and shifting political dynamics in the UK and U.S. continue to impact economic conditions and introduce a new level of unpredictability. At the time of writing, conflict in the Middle East has escalated further. We deeply hope that stability is restored quickly and that a peaceful resolution is reached for the wellbeing of all those affected.

Here in the UK, falling base rates due to easing inflationary pressures have introduced margin compression across the banking sector. Through prudent risk management and disciplined execution, we have navigated these dynamics effectively, protecting profitability and maintaining a strong balance sheet.

A core element of our mission is to maintain strong regulatory relationships. Al Rayan Bank is proud of the open, transparent, and constructive dialogue we maintain with UK regulators. Our commitment is not simply to meet regulatory requirements, but to anticipate them and, where necessary, to exceed them where our business warrants it. As Chairman, I am proud of the professionalism, responsiveness, and integrity with which our teams engage with our regulators.

Partnership with our parent bank

Equally important to our progress is the strength of our partnership with our parent bank in Qatar. This relationship continues to be strong and I am pleased that we are developing new avenues and opportunities to work together. Our parent's confidence, strategic alignment, and consistent support provide Al Rayan Bank with a stable foundation for sustainable growth. In 2025, cooperation across risk, governance, capital planning, and strategy deepened significantly, reflecting a shared vision for the Bank's future and a mutual commitment to excellence. These ties not only reinforce our resilience but also enable disciplined expansion across our core markets.

Macro perspectives and industry trends

The banking sector constantly evolves and this transformation is visible primarily through digital innovation. We see customer expectations which are shifting and thereby are redefining the competitive landscape. Islamic finance, in particular, is gaining traction globally as customers seek ethical and transparent financial solutions. Al Rayan Bank is uniquely positioned to continue to lead this evolution in the UK, combining deep sector expertise with a commitment to innovation.

We are investing in technology to enhance the customer experience, strengthen operational resilience, and support scalable growth. At the same time, our ESG agenda remains important to our strategy notwithstanding changing political appetite for this, ensuring that we contribute positively to society while delivering sustainable returns.

Stakeholder value creation

Our stakeholders are at the heart of everything we do. Customers trust us to provide ethical, Sharia-compliant solutions; regulators require us to uphold the highest standards of governance; and investors expect sustainable returns. In 2026 and beyond, we will continue to meet these expectations through disciplined growth, robust risk management, and strategic transformation.

People and culture

Our success is driven by our people. In 2025, we strengthened our leadership team and introduced new capabilities to support transformation. We remain committed to a culture of integrity, collaboration, and excellence - values that underpin our ability to serve customers and create long-term value.

Looking ahead

More than two decades after becoming the first Sharia-compliant bank licensed in the UK, Al Rayan Bank remains the sector leader. Our transformation programme, encouraged by a supportive and experienced Board, a strong Executive team and a clear strategic vision, will ensure we remain agile and future ready.

On behalf of the Board, I extend our sincere appreciation to all those who continue to support the Bank. Together, we will build on the achievements of 2025 and pursue sustainable growth in 2026 and beyond.



Michael Williams
Chairman

Report of the Sharia Supervisory Committee

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

(Assalamu Alaykum Wa Rahmatu Allah Wa Barakatuh)

To the shareholders and customers of Al Rayan Bank PLC
For the period from 1 January 2025 to 31 December 2025

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 2025. 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 2025 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 £0.00040.

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

والسَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

(Wassalamu Alaykum Wa Rahmatu Allah Wa Barakatuh)

Sheikh Dr. Waleed Bin Hadi
Chairman

Sheikh Dr. Nizam Yaqoobi
Vice-chairman

Mufti Abdul Qadir Barakatulla
Member

24 Feb 2026

CEO's Statement

2025 was another year of strong delivery for Al Rayan Bank, as we continued to unlock sustainable value for our stakeholders despite a challenging economic backdrop. Falling base rates typically compress margins, yet we achieved a pre-tax profit of £23.59m. Our gross financing asset book grew to £2.49 billion, up from £2.11 billion in 2024, driven principally by robust performance in Structured Real Estate (SRE). For the first time, total assets surpassed £3 billion – reaching the scale of operation that can drive material value creation.

Executing our strategic priorities

Our focus on SRE and Premier Banking for GCC clients continued to deliver results. In SRE, we expanded our specialist team and financed a wider range of asset classes, achieving a record performance. Premier Banking also grew strongly, particularly in the Kingdom of Saudi Arabia (KSA), where we deepened relationships and enhanced service offerings.

Driving transformation through APEX

2025 marked the successful launch of APEX - Achieving Productivity Excellence, a programme designed to simplify processes and modernise technology. APEX has already delivered measurable improvements with further enhancements scheduled for completion by March 2026. Building on this success, the newly established Enterprise Transformation Office will accelerate progress and lead the Bank through the next stage of its evolution. Together, these initiatives are creating a leaner, more agile organisation, delivering an enhanced experience for our customers.

Brand evolution

In May 2025, we completed a major rebrand. This was more than a logo change - it signalled our ambition and strengthened our market presence. The initiative was implemented seamlessly and was duly recognised as “Highly Commended” at the Financial Promoter Awards later in the year.

Operational resilience and cybersecurity

Cybersecurity remains a top priority. Recent high-profile cyber incidents in the UK have shown how attacks can severely disrupt business operations. These events highlight the growing sophistication of threats and the potential consequences for organisations that are not adequately prepared.

In response to this evolving risk landscape, we have strengthened our resilience through advanced threat detection systems, multi-factor authentication, regular penetration testing, and comprehensive staff training. These measures are designed to safeguard customer data, protect operational integrity, and ensure continuity of service at all times.

Strengthening leadership

To support the transformation, we introduced structural changes at the end of 2025. Saalim Mahmood assumed a newly created role as Chief Finance, Strategy & Operations Officer, and six Deputy Chief roles were added to strengthen delivery capability. We also appointed Raheel Malik as Chief Internal Auditor. These changes ensure agility and responsiveness as we execute our strategy. At the end of the year, we said goodbye to outgoing Chief Operating Officer, Imran Pasha, and we thank him for his contribution.

Regulatory progress

The regulatory environment continues to evolve rapidly, shaped by global economic shifts, climate imperatives, and heightened prudential standards. Our ability to anticipate and adapt to these changes reflects the strength of our governance and the resilience of our business model.

In 2025, we advanced our regulatory agenda significantly across three key areas:

Basel 3.1 Implementation

The Bank has made strong progress on Basel 3.1, working with specialists to ensure assumptions and judgements are clear, consistent and aligned with regulatory expectations. A decision tree has been developed to show how exposures will be risk-weighted under the new framework, giving stakeholders a clear view of the methodology. Overall, the Bank is well organised, proactive and in a robust position for the Basel 3.1 transition.

Climate Risk Integration

We embedded climate risk into our core risk management frameworks, supported by the ESG Committee. Following a portfolio-level climate risk analysis in late 2024, which confirmed minimal exposure, we have committed to conducting independent climate risk assessments every three years or sooner if our risk profile changes.

Large Exposure Management

We proactively managed changes introduced under the PRA's updated large exposure framework.

We remain aligned with supervisory expectations while positioning the Bank to meet future challenges with confidence. Our proactive approach to governance, risk management, and capital strength continues to safeguard stakeholder interests and underpin our long-term growth strategy.

People and culture

Our colleagues remain central to our success. We introduced initiatives to support wellbeing, including health screenings, menopause awareness, and enhanced mental health resources. Engagement remains high, with a 96% participation rate and an 87% engagement score in our Employee Survey - well above industry benchmarks. In January 2026, we were proud to be named "Best Company to Work For" at the HR Brilliance Awards, reflecting the strength of our culture

Advancing ESG commitments

Our ESG committee, established in 2024, has continued to drive change in this area. We maintained carbon neutrality, achieved a 75% reduction in paper usage since 2019, and deepened our partnership with Educate a Child International. Our second Sustainability Report reaffirmed our commitment to creating positive environmental and social impact.

The year ahead

In 2026, Al Rayan Bank will enter a period of unprecedented transformation to ensure we remain the most successful and trusted Sharia-compliant bank in the UK. Our priorities include continuing to grow the SRE portfolio, deepening relationships in GCC markets, and accelerating our productivity and technology modernisation programme.

Growth will be further accelerated by a planned £50 million capital injection from our parent Group, strengthening our balance sheet and enabling us to pursue new opportunities with confidence. This investment from Group is recognition of the strong returns the UK business produces and the attractive future market opportunity.

As we move forward, our focus remains on building a stronger, more agile, and customer-centric bank - one that combines innovation with the principles of ethical, Sharia-compliant finance.

I extend my sincere gratitude to our customers, colleagues, regulators, our parent bank and the Sharia Supervisory Committee for their trust and support. Together, we are shaping the future of Al Rayan Bank, ready to lead, ready to grow, and ready to deliver sustainable value for years to come.



Giles Cunningham
CEO and Director, Al Rayan Bank PLC

Strategic Report

Financial Performance

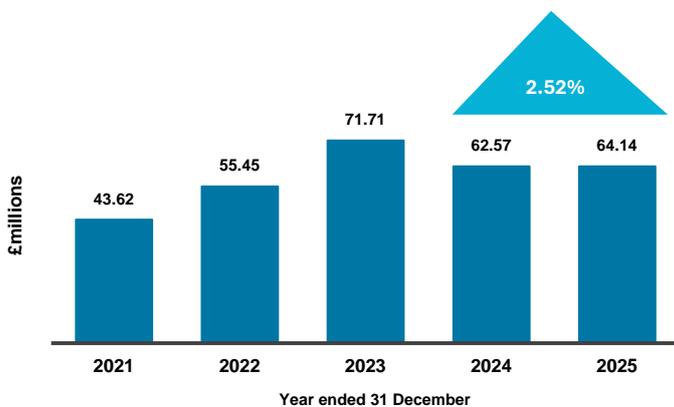
The financial statements for the year ended 31 December 2025 are presented on pages 37 to 86.

The Bank delivered a resilient performance in 2025, underpinned by continued balance sheet growth, disciplined funding management and sustained customer demand across its core markets. This reinforces its position as the UK's leading Sharia-compliant bank. Profit before tax for the year was £23.59 million, ahead of budget and marginally ahead of last year (2024: £23.47m), despite higher operating and impairment costs. Performance benefited from the ongoing expansion of SRE and Premier Banking, with the overall financing asset portfolio increasing by £373m, from £2.11 billion to £2.49 billion in 2025.

The Bank continued to deliver a simplified and competitive range of products while enhancing its digital banking services, which are now used by more than 36,000 active customers. Building on this momentum, the Bank expanded access for UK savers by offering its savings products through aggregator platforms, while further strengthening its online and digital banking channels.

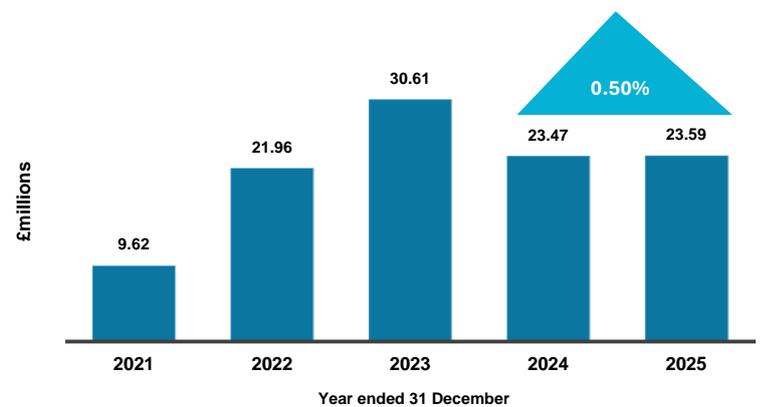
The Bank's strategic focus on SRE, including support for high-value real estate investors, delivered strong growth. The gross SRE asset book increased by 35.36%, rising from £1,182m to £1,600m, while SRE revenue grew by 21.52% from £79m to £96m.

Net income from financing



2025: £64.14m (2024: £62.57m)

Profit Before Tax



2025: £23.59m (2024: £23.47m)

In line with its strategy, the Bank's overall asset financing book increased to £2.49 billion in 2025 (up from £2.11 billion in 2024). The strategic shift in the Bank's target customer mix has further strengthened financing revenue performance.

Funding and liquidity position also improved during the year. Funding deposits were £316.5m higher than in December 2024, supported by continued inflows across retail, aggregator and wholesale channels. Wholesale balances increased materially as the Bank took advantage of pricing below equivalent retail profit rates, enhancing funding diversification and cost efficiency. The increase in customer deposits, combined with the refinancing of higher profit rate maturities at prevailing lower profit rates, resulted in the Bank's cost of funding remaining broadly consistent with the prior year. Liquidity remained a core strength, with a year-end Liquidity Coverage Ratio (LCR) of 598% and liquidity headroom of £314m, providing ample capacity to pre-fund the expected SRE pipeline and support continued growth.

Alongside its strategic repositioning, the Bank continued with the planned reduction of its legacy retail portfolio.

The Bank also delivered improvements in operational efficiency through the ongoing strategic programme to streamline operations and evolve into a simpler, lower-risk bank with a stable cost base. As part of the strategy, the Bank delivered an improvement in the cost-to-income ratio, decreasing from 58% to 57% in 2025

The Expected Credit Loss (ECL) provision increased by £3.80m in 2025 (2024: £2.94m), driven by legacy non-performing accounts and a small number of new defaults during the year. The increase also reflects the adoption of a more conservative methodology for assessing losses on defaulted exposures.

Key financial performance indicators (KPIs):

Financial Metric	Use of Metric	Basis of Calculation	2025	2024
Profit before tax	Key measure of the Bank's underlying performance, with profit targets set by the Board as part of the budget process		£23.59m	£23.47m
Profit after tax	Key measure of the Bank's underlying performance		£17.68m	£17.72m
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.	57%	58%
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.	10.47%	11.40%
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.	15.41%	16.03%
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.	598%	746%

Net income

Net income from financing remained broadly in line with the prior year, supported by stronger financing asset income and improved treasury returns. Growth in SRE and Premier Banking contributed to higher asset yields, although this benefit was partly offset by continued pressure on deposit pricing and the full pass-through of the 2025 base rate reduction to customer financing profit rates, which reduced overall asset yields.

The Bank's total balance sheet increased by 10.22% during 2025, closing the year with £3.13bn in total assets (2024: £2.84bn). The funding book increased proportionally by 12.37% (2024: 13.18%), in line with the Bank's objective to support the accelerated growth of the SRE financing portfolio.

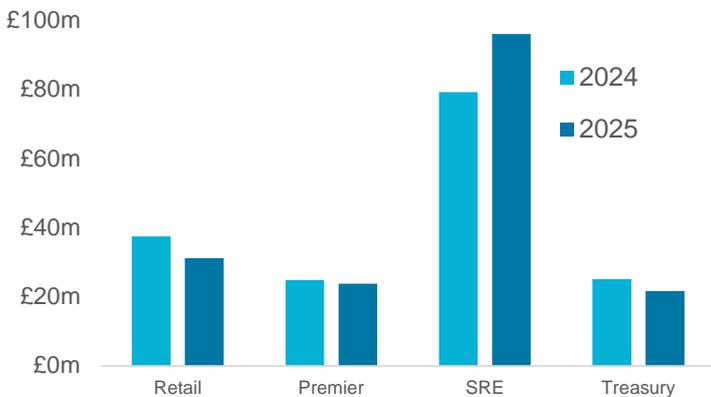
While reductions in benchmark rates placed downward pressure on asset yields, the Bank sustained and enhanced income by prioritising selective growth in higher-margin financing segments and maintaining disciplined pricing on newly originated assets. Strong demand within SRE enabled the Bank to deploy assets at attractive profit rates, helping to maintain yields and partially offset the impact of variable profit rate repricing.

Funding costs increased modestly during the year, driven by slower repricing of term deposits and a deposit mix that remained weighted towards higher-cost fixed-term balances. This created downward pressure on the Net Profit Margin; however, the impact was mitigated through improved deployment of liquidity into higher-yielding treasury instruments and the selective use of wholesale funding.

Deposit balances increased year on year, underpinning liquidity stability and enabling the Bank to pre-fund anticipated pipeline growth. While pre-funding temporarily increased funding costs ahead of income recognition, it ensured readiness for planned financing activity and supported earnings stability throughout the year. Growth in wholesale funding further diversified the Bank's liability base and provided cost-efficient support to net income.

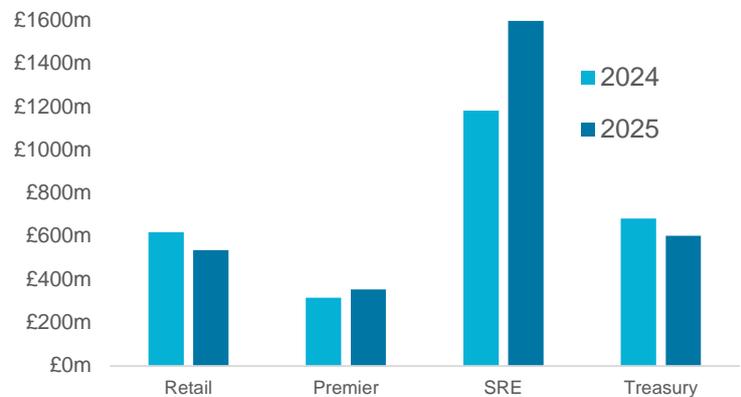
Market risk remained well controlled, with targeted actions taken to reduce profit rate sensitivity and enhance treasury returns. These included selective Sukuk purchases and tactical recalibration of hedging strategies to smooth the impact of rate movements on earnings.

Income Financing Transactions by Type



2025: £172.54m (2024: £166.21m)

Financing Assets by Sector



2025: £3,090m (2024: £2,796m)

Costs

The Bank's strategy to digitise services, streamline operations and evolve into a simpler, lower-risk organisation supported the maintenance of a stable recurring baseline cost level throughout 2025.

The Bank advanced its strategic investments in digital capability and ESG to meet rising client expectations for sustainability and digital sophistication. Enhancements to onboarding systems, cloud infrastructure, cybersecurity, and delivery of the APEX productivity initiative, together with continued progress on ESG aligned product development and governance, were delivered within the planned project budget. These initiatives expanded capability and strengthened efficiency without increasing the

underlying cost base, positioning the Bank for future operational benefits and greater competitive resilience.

Strong demand from high-net-worth GCC clients, particularly within Premier Banking and SRE, led to a higher volume of complex, bespoke transactions and a more personalised, relationship-led service model. These requirements were met using existing resources, without any material increase in operating costs, reflecting the Bank's disciplined approach to cost management.

The cost-income ratio improved from 58% to 57%, driven by stable costs and stronger income from higher-margin assets and treasury optimisation.

Expected Credit Losses (ECL)

The Bank's strategic positioning continues to emphasise prudent risk management, with deliberate measures taken to limit exposure to global, regional and domestic economic and political risks. As a result, the Bank maintained negligible exposure to new risk types during the year.

Despite this disciplined approach, specific credit risks emerged from impaired legacy non-performing counterparties. Consequently, the Bank's Expected Credit Loss (ECL) provision increased by £3.80m (2024: £2.94m). The Bank has taken proactive steps to address these specific credit risks across the financing portfolio while maintaining adherence to its overarching risk management framework.

Home Purchase Plan (HPP)

HPP ECL rose from £0.09m in 2024 to £1.04m in 2025, with coverage increasing from 0.01% to 0.12% over the same period.

The increase in ECL reflects idiosyncratic movements within Stage 3 exposures, rather than a deterioration in the broader HPP portfolio.

Despite this, the underlying performance of the wider HPP portfolio remained strong, supported by resilient collateral values, stable customer payment behaviour, and continued improvement in Finance-to-Value (FTV) ratios. Despite ongoing economic uncertainty, the Bank does not anticipate significant credit losses due to the strength of its FTV profile.

Structured Real Estate (SRE)

SRE ECL increased from £7.87m in 2024 to £10.71m in 2025, with coverage remaining consistent at 0.67% (2024: 0.67%).

The SRE provision was notably affected by impaired legacy non-performing assets, arising from profit payment breaches and downward asset revaluations. During 2025, the Bank implemented a Stage 3 assessment methodology for non-performing accounts. This strengthened provisioning accuracy, contributed to the increase in ECL, and enhanced the wider Risk Management Framework.

While the SRE portfolio performed satisfactorily overall, macro-economic factors continued to exert pressure on a limited number of customers and their tenants, affecting repayment capacity and commercial property values amid rising yield expectations. The Bank's primary focus within SRE remains the residential investment market; however, a combination of UK housing market adjustments and global geopolitical uncertainty has influenced both residential and non-residential commercial property performance.

The outlook for the UK economy, and the broader geopolitical environment, remains uncertain. Against this backdrop, the Bank has maintained adequate ECL provisioning to reflect elevated risk levels in areas where economic conditions remain challenging.

The Strategic Plan

The Bank's strategy continues to centre on UK SRE and Premier Banking for GCC-based customers wishing to purchase UK assets. 2025 marked a milestone year, with total assets exceeding £3 billion for the first time. Building on the decision to diversify into higher-margin SRE segments, the Bank expanded its specialist capabilities and delivered record performance in this area. Premier Banking also maintained strong momentum, with a particular focus on deepening client relationships in the Kingdom of Saudi Arabia.

At the same time, the Bank progressed a series of strategic investments to digitise services and simplify and streamline operations through the Achieving Productivity Excellence (APEX) programme. APEX has already delivered measurable benefits.

The Bank also continued to advance its ESG commitments - publishing its second Sustainability Report, maintaining carbon-neutral status and enhancing its support for colleagues and the communities it serves.

Together, this refreshed strategy continues to strengthen the Bank's position as the most trusted Sharia-compliant bank in the UK.

Our Market and Competition

In 2025, Al Rayan Bank UK reaffirmed its commitment to investing in SRE as a key driver of growth. This included diversifying into higher-margin asset classes and expanding the specialist team to support these priorities.

Within Premier Banking, the Bank focused on expanding its customer base across the GCC, with a particular emphasis on Saudi Arabia. Members of the Premier Banking team conducted regular in-market visits to build and deepen client relationships.

In funding, the Bank continued its strategy of simplifying its savings range, increasing tactical use of deposit-aggregator platforms and further strengthening its wholesale funding base. This diversification supported improved funding efficiency and enhanced flexibility.

In the area of technology, the Bank continued to invest in its digital and operational infrastructure. This included enhancements to digital capability to provide a more secure and efficient experience for customers, alongside assessments of future core banking system options.

Through ongoing competitor analysis, the Bank remains well-informed of developments across the market, enabling strategic decision-making based on emerging trends and customer needs. Its strong foundations, specialist expertise and comprehensive product range position it well to capitalise on continued demand for UK-based financing - reflected in the robust growth of the SRE portfolio.

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 predominantly denominated in USD.

Funding

Retail Funding

The Bank's funding strategy remains centred on maintaining a stable base of retail deposits. Pricing and expected returns are actively managed to ensure competitiveness in the market, supporting the attraction and retention of deposits required to underpin ongoing financing activity. Over the past year, significant effort has been directed toward simplifying the funding base through the closure or consolidation of non-material accounts, allowing the Bank to concentrate on its most strategic and reliable funding sources. These actions strengthen cost flexibility and support the preservation of sustainable margins.

Deposit Aggregator Funding

The Bank continues to maintain strong relationships with a number of deposit aggregator platforms, recognising their value as an efficient and scalable channel through which funding can be raised in line with operational and strategic requirements. The Bank remains alert to the regulatory considerations associated with this model and, while acknowledging the benefits aggregators provide, has implemented prudent exposure limits to manage concentration risk appropriately.

Wholesale Funding

2025 represented a transformational year for the Bank's liability and funding strategy, reflecting a deliberate and successful shift towards enhancing the wholesale funding portfolio. The Bank focused not only on increasing the size of the wholesale book but also on improving its overall quality, diversification and resilience.

Wholesale funding balances more than doubled during the year, demonstrating the Bank's strategic commitment to securing alternative, flexible, and cost-efficient sources of funding. The wholesale base now includes a diverse range of counterparties across the UK and GCC, as well as local authorities, credit unions and both financial and non-financial institutions. Compared with traditional retail funding, wholesale funding provides greater diversification, increased tenor flexibility and improved balance sheet efficiency.

Building on the momentum of the Bank's 2024 debut, the 2025 strategy delivered a significant expansion in syndicate funding, attracting new participants and broadening the funding base. Notably, the Bank raised increased levels of syndicated funding on an unsecured basis, with maturities of three years - clear evidence of strong market confidence in Al Rayan Bank's credit profile, governance standards, and long-term business model. The Bank's credibility in wholesale markets is further strengthened by its Aa3(cr) Counterparty Risk Assessment from Moody's, affirming its position as a highly rated and resilient participant in the sector.

Risk Management Framework

The Bank is committed to the effective management of risk in order to protect its people, assets, reputation and strategic objectives. The Bank's Risk Management Framework (RMF) sets out its approach to identifying, assessing, controlling, monitoring and reporting the risks to which it is, or may

become, exposed. It also defines the internal control mechanisms that support sound and effective risk management across the organisation.

The RMF provides a consistent, transparent and comprehensive approach to risk management and is supported by a suite of detailed policies that outline how individual risk types are controlled and managed at a granular level. Sound risk management underpins the Bank's business strategy, helping to minimise financial and reputational losses, ensure fair customer outcomes, and deliver sustainable returns for shareholders in a Sharia-compliant manner.

The Bank's approach to risk management complements its strategic aims while adding value through robust challenge and independent oversight of business activities. Through the effective deployment of the RMF, the Bank aims to deliver the following objectives:

1. Embed a strong, empowered risk culture supported by robust risk management and control arrangements across the organisation.
2. Promote risk awareness throughout the Bank, fostering an environment in which individuals take ownership of risk and uphold high standards of customer conduct.
3. Ensure all material risks are identified, assessed, controlled, monitored and reported through appropriate governance structures, with clear accountability and responsibility.
4. Maintain stakeholder confidence - including customers, colleagues, shareholders, the Sharia Supervisory Committee, rating agencies and regulators.
5. Ensure long-term sustainability and viability through strong capital and liquidity positions, and through operational resilience, including resilience within third-party arrangements.

The Bank's culture is shaped by its TEAM Values (Trusted, Empowered, Able, Motivated), its corporate governance framework and its Risk Management Objectives, which collectively set expectations and establish the tone from the top. Culture is a critical determinant of the effective operation of the RMF. Governance, policies, processes, controls and escalation routes all support the embedding of a strong risk culture across the organisation. The Bank is committed to ensuring all colleagues understand their responsibilities in managing risk and that the Bank's Risk Appetite and policies are communicated, understood and integrated into decision-making.

A culture that promotes effective risk management exists when colleagues understand the Bank's approach to risk, take personal responsibility for managing risk in their roles, and encourage others to do the same. The RMF reinforces this culture through communication, training and the integration of risk considerations into day-to-day processes.

Risk Governance

Risk governance forms an integral part of the Bank's corporate governance, providing the structures, processes and approach through which the primary risks facing the Bank are managed in alignment with its strategic objectives. It includes clearly defined responsibilities and expectations for the Board, management and employees in relation to risk oversight and management.

The Board has established a governance framework appropriate for the Bank's size, complexity and business model. This includes the Board and its sub-committees, a management-level Executive Committee and its sub-committees, and the Sharia Supervisory Committee. Together, these bodies ensure that the Bank operates effectively with appropriate oversight and challenge at both Board and executive levels.

Risk management is directed by the Board and supported by Executive management structures and appropriate management information. While the Board retains ultimate accountability for the RMF, risk management is a responsibility shared by all colleagues. The Bank operates a "three lines of defence" model, defined as follows:

- **First line of defence:** Line management within each business area is responsible for identifying, measuring, monitoring, managing and reporting risks within the Bank's risk appetite, ensuring controls are in place and operating effectively.
- **Second line of defence:** The Risk and Compliance functions provide subject matter expertise, challenge and independent oversight through reviews, monitoring and testing. Sharia compliance monitoring and the annual independent Sharia audit are conducted by the Sharia Compliance Department, which reports directly to the Sharia Supervisory Committee.
- **Third line of defence:** The Internal Audit function independently reviews the effectiveness of the overall risk management structure and internal controls across the first and second lines. Internal Audit reports directly to the Chair of the Board Audit Committee (BAC), which approves the audit plan and receives all audit reports. The function is supported, where required, by resources from AlRayan Bank QPSC and external co-sourced providers.

Risk Appetite

A core pillar of the Bank's risk strategy is its Risk Appetite Statement (RAS), which guides strategic and day-to-day decision making. The RAS articulates the level and types of risk the Bank is willing to accept in pursuing its strategic objectives, business plan and regulatory requirements. The Board reviews and approves the Bank's risk appetite annually, or more frequently when circumstances require, setting clear expectations for risk-taking across the organisation. Management embeds these expectations through process design, risk limits and governance structures.

The Bank distinguishes between risk appetite—the risk it is prepared to accept—and risk tolerance—the maximum level of risk it can bear without jeopardising its ability to operate as a going concern. Clear articulation of risk appetite supports informed decision-making and enhances the effectiveness of risk management.

Risk Management Categories / Primary Risk Types

The Bank's risk taxonomy provides a structured classification of the primary risk types to which the Bank is exposed. This taxonomy supports clear allocation of ownership, consistent risk assessment and structured reporting across the organisation. The Bank's management has identified the key Primary Risk Types and their potential impact on operations and the Bank's ability to achieve its strategic objectives.

In the table below, "loss" includes financial loss, reputational impact, loss of customers and regulatory censure or fines.

Primary Risk Type	Mitigations
<p>Strategic and Business Model Risk</p> <p>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.</p>	<ul style="list-style-type: none"> • 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
<p>Prudential Risk (Market Risk, Liquidity & Funding Risk, Capital Risk)</p> <p>(a) reductions in earnings and/or unfavorable market movements;</p> <p>(b) inability to meet liquidity obligations as they become due, from an unstable funding profile or from a lack of availability of funds;</p> <p>(c) sub-optimal quantity and quality of capital, or breach of regulatory capital requirements</p>	<ul style="list-style-type: none"> • 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 Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) update, or more frequently if required, with ongoing monitoring on deviance against plan • Recovery and Resolution Plan (RRP) and Solvent Exit Analysis development
<p>Credit Risk</p> <p>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.</p>	<ul style="list-style-type: none"> • 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
<p>Conduct Risk</p> <p>Products or actions that lead to poor customer outcomes or cause harm to stakeholders or broader market integrity.</p>	<ul style="list-style-type: none"> • 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
<p>Regulatory Compliance Risk</p> <p>Non-compliance with regulations and codes of conduct.</p>	<ul style="list-style-type: none"> • 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 maintain 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)
<p>Legal & Governance (ESG) Risk</p> <p>Non-compliance with laws, rules, standards, contractual obligations and good corporate governance.</p>	<ul style="list-style-type: none"> • Active monitoring of legal changes, including continuous horizon scanning and forward planning to maintain compliance with current and new requirements • Board and committee effectiveness reviews to uphold effective governance and oversight • Risk appetite, policies and processes are aligned to the Bank’s structure and operating model • Maintenance and monitoring of policies, including continual refinement of processes and controls to maintain ongoing suitability
<p>People Risk</p> <p>Inability to recruit and retain skilled staff, inadequate training or management of staff, inappropriate reward and incentives and inadequate health and safety practices.</p>	<ul style="list-style-type: none"> • 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
<p>Operational Resilience, Change and Execution Risk</p> <p>Inadequate or failed internal or third-party processes, including execution errors, change management, and selection, management and performance of third parties</p>	<ul style="list-style-type: none"> • 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
<p>Financial Crime Risk</p> <p>Engaging with or facilitating criminal conduct in breach of financial crime laws, rules and regulations</p>	<ul style="list-style-type: none"> • 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 maintain 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
<p>Information Technology & Cyber Risk</p> <p>Inadequate or inappropriate provision of technology services or compromise of the confidentiality, integrity or availability of information.</p>	<ul style="list-style-type: none"> • Maintenance and monitoring of policies, including continual refinement of processes and controls to maintain ongoing suitability • Application of governance and rigour to data quality, confidentiality and availability • Regular risk event and loss escalation processes, 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
<p>Financial Management Risk</p> <p>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.</p>	<ul style="list-style-type: none"> • Risk appetite, policies and processes are aligned to the Bank’s structure and operating model • Financial controls support accurate financial reporting and cost management, including accounting policies, authorisation and approval limits, reconciliations • Internal and external audit activity provides assurance over the accuracy of financial reporting • Model Risk Management Policy defines the governance and oversight over models and End User Developed Applications in the Bank
<p>Sharia Non-Compliance Risk</p> <p>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</p>	<ul style="list-style-type: none"> • 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

Financial Risks from Climate Change

The Bank’s Environmental, Social and Governance (ESG) Policy serves as the overarching framework setting out roles, responsibilities and the Bank’s approach to managing ESG-related risks, including financial risks arising from climate change. The Policy establishes the principles and standards that Al Rayan Bank adopts in response to potential material financial impacts linked to climate-related risk and ensures alignment with industry and governmental expectations for achieving a net-zero economy by 2050. It also forms the foundation for monitoring and managing climate-related risks and embeds sustainability considerations into the Bank’s long-term strategy.

A management-level ESG Committee provides oversight of ESG matters, with climate-related risks forming a central part of its remit. The Committee oversees the Bank’s approach to assessing its emissions, which are categorised in accordance with the Greenhouse Gas (GHG) Protocol into three scopes:

- **Scope 1:** Direct emissions from sources owned or controlled by the Bank.
- **Scope 2:** Indirect emissions from the generation of purchased electricity consumed by the Bank.
- **Scope 3:** All other indirect emissions arising within the Bank’s value chain.

The Bank further strengthens its ESG commitment through the annual publication of its Sustainability Report, enhancing transparency and accountability.

The Bank's core business of real estate finance exposes it to climate-related financial risks due to the underlying property collateral. Physical risks—such as flooding, subsidence and coastal erosion—have the potential to affect security values. Transition risks, including future changes to energy-efficiency policy, may also influence customers' refinancing ability or, in the case of investment properties, their ability to let properties and service their financing obligations.

To quantify these risks, the Bank undertook detailed analysis to assess the potential impact of future climate-related risks on its real estate security portfolio, with a particular focus on physical risks. The review concluded that the impact of climate change on the Bank's collateral base is currently considered negligible. This assessment was carried out in 2024 and will now be repeated on a three-year cycle, unless circumstances warrant an interim review.

Climate Risk Metrics and Targets

The Bank continues to evaluate Climate Change Risk as a standing agenda item at each Board Risk Committee meeting, forming an integral part of the wider ESG agenda.

Climate Performance

The Bank's disclosures covering all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are set out below. In preparing these disclosures, the Bank maintained its partnership with Carbon Neutral Britain, an established independent provider of carbon assessments and offsetting solutions.

Carbon Neutral Britain applied the GHG Protocol Corporate Accounting and Reporting Standards to calculate the Bank's greenhouse gas emissions. This methodology converts energy usage and travel data into carbon dioxide equivalents using the UK Government's GHG Conversion Factors for Company Reporting relevant to each reporting year.

Scope 1 and Scope 2 emissions relate to emissions generated from the operation of the Bank's premises. The most material Scope 3 emissions are associated with business travel—including private vehicle use, air travel and public transport—captured through expense submissions. All Scope 1 and Scope 2 emissions arise from UK-based activities, while Scope 3 emissions reflect both domestic and international travel.

The Bank is proud to have achieved carbon neutrality for the fourth consecutive year, offsetting its emissions through verified schemes. Colleagues have saved more than 11,000 kg of CO₂ through the Bank's electric car scheme, and the installation of EV charging points at the Birmingham office has further supported the transition to low-emission travel. The Bank actively promotes environmentally friendly travel, encouraging colleagues to choose rail where possible and supporting initiatives such as the cycle-to-work scheme.

Further information on the Bank's ESG initiatives is available in the Sustainability Report at www.alrayanbank.co.uk/ESG.

	2025		2024		2023	
	CO ₂ e (tonnes)	KWh	CO ₂ e (tonnes)	KWh	CO ₂ e (tonnes)	KWh
Scope 1 – direct emissions from combustion of fuel (heating gas)	6	32,735	4	21,523	4	20,733
Scope 2 – indirect emissions from electricity purchased	84	477,030	99	479,954	108	520,396
Total Scope 1 and 2 emissions	90	509,765	103	501,477	112	541,129
Environmental intensity indicator (tonnes of carbon dioxide per £1m gross income)	0.5		0.6		0.8	
Scope 3 – business travel only	203		281		246	

The Government emission factor assumptions used to calculate the Bank's carbon emissions were updated in 2025 based on the latest data available post Covid. This resulted in a reduction in the Bank's carbon emissions.

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 2025, the Bank published its second Sustainability Report, providing a comprehensive overview of progress made across its Environmental, Social and Governance (ESG) commitments. A key highlight was the Bank's continued achievement of carbon neutrality. Having offset all emissions since 2022, this commitment was repeated in 2025, with tCO₂e offset, maintaining operational carbon neutrality for the fourth consecutive year.

The Bank continued to reduce paper consumption across both internal processes and customer communications. Initiatives such as paperless statements - where customers are automatically opted out of receiving printed statements - and an email-first approach to notifications have contributed to a 75% reduction in paper usage over five years.

The Bank also continued its support for Educate A Child International, its official charity partner, notably through the Educate A Child International Fixed Term Deposit, supporting education for marginalised and vulnerable children. In addition, a range of initiatives were introduced to support colleagues' health and wellbeing, including annual health screenings for family members and expanded mental-health and emotional-resilience support. The Bank also continued its association with Women in Banking and Finance UK, reinforcing its commitment to diversity and inclusion within the financial services sector.

Gender Equality

The Bank remains committed to strengthening diversity and inclusion across the organisation. Significant progress has been achieved in improving representation at all levels, particularly in senior roles. Initiatives to address gender pay gaps include enhancements to recruitment and selection processes, increased flexibility through hybrid-working arrangements and the provision of targeted leadership and development training.

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 SRE and Premier Banking customers, while responding to changing market dynamics through increased use of aggregators to secure retail customers for its savings products.

Employees

The Bank continues to strengthen its commitment to building a diverse, inclusive and high-performing workplace. Over the past year, further progress has been made in broadening representation across all levels of the organisation.

Initiatives to reduce the gender pay gap have been expanded, including enhancements to recruitment practices, increased flexibility through hybrid-working support, and the delivery of targeted leadership and development programmes. Looking ahead, the Bank remains focused on increasing opportunities for women and has reintroduced its graduate scheme to further support early-career talent development.

The Bank's culture continues to be shaped by its TEAM values - Trusted, Empowered, Able, Motivated - which remain central to how colleagues work together. Engagement remains strong, as demonstrated by the December 2025 Colleague Engagement Survey. The Employee Engagement Index held firm at 87%, significantly above industry benchmarks and reflective of a positive and inclusive working environment.

Shareholders

In addition to the formal Annual General Meeting (AGM) open to all shareholders, the Bank maintains regular dialogue with its ultimate parent company, AlRayan Group, through both the executive team and the Board. Through its representation on the Board, the parent company receives regular updates on performance and remains a key stakeholder in future growth plans, capital strategy and broader funding requirements.

Suppliers

Vendor Management

The Bank has designated relationship managers as the primary point of contact with its vendors, helping to ensure consistent communication and effective oversight. The Bank aims to make all vendor payments within 30 days of receiving invoices and in line with agreed contractual terms. The Bank does not engage in vendor-financing arrangements.

To support strong working relationships and performance transparency, the Bank meets annually with its strategic and tactical vendors to review delivery standards, assess service quality and address any issues or opportunities for improvement.

Regulators

The Board maintains regular and constructive engagement with the Bank's regulators, with supervisory matters forming a core part of the Bank's governance processes. Engagement activities include scheduled supervisory meetings, thematic reviews, compliance updates and periodic briefings on regulatory developments.

During 2025 and into 2026, HM Treasury progressed its regulatory reform agenda, highlighting the expectation that UK regulators support economic growth alongside their established objectives for risk management and financial stability. The Bank continues to monitor these policy developments closely and will respond as required to ensure full compliance with all applicable regulations. The Board and management remain committed to addressing regulatory feedback promptly and fostering transparent, collaborative relationships with supervisory authorities, recognising that proactive engagement is essential to maintaining trust and regulatory confidence.

Outlook

The global economy demonstrated notable resilience throughout 2025 despite a challenging backdrop of geopolitical tensions, shifting trade dynamics and continued cost-of-living pressures. Growth was uneven but broadly positive as major advanced economies transitioned from restrictive to more neutral policy settings with limited disruption. Resilient household balance sheets and continued business investment supported activity, although downside risks persisted from geopolitical flashpoints, elevated sovereign debt levels and lingering supply-chain frictions.

In the UK, economic performance broadly mirrored global trends. Inflation eased steadily through 2025, supporting the shift toward a more neutral rate environment and contributing to an improvement in real household incomes. Overall activity remained modest but stable, supported by services output and gradually improving financial conditions. Fiscal policy remained broadly neutral, leaving monetary policy and private-sector demand as the primary drivers of economic momentum.

Looking into 2026, the economic outlook is cautiously positive. Softer inflation dynamics and the cumulative effects of more accommodative financial conditions are expected to support growth. Inflation is projected to stabilise closer to target ranges, although monetary policy is likely to remain conservative to manage the risk of any renewed price pressures. The UK labour market has softened, with slower hiring and rising cost pressures for businesses. While this easing in labour-market tightness may help contain wage-driven inflation, it also signals more subdued demand conditions for households and corporates.

Risks remain, particularly around customer affordability in a softer growth environment, ongoing geopolitical tensions and continued global policy uncertainty. As competition for high-quality assets increases and margins narrow, the Bank maintains a prudent and cautious outlook, with a clear focus on balance-sheet resilience, disciplined risk management and maintaining strong liquidity and capital positions.

The housing market proved resilient in 2025 despite subdued consumer sentiment. Demand remained limited as home finance rates continued to trade at around three times pre-pandemic levels, constraining household affordability. Stamp duty changes led to a temporary surge in activity in March as customers brought forward transactions, followed by softer activity over the remainder of the year. Annual house-price growth was muted at 0.6%, down from 4.7% in 2024.

Looking ahead to 2026, housing-market activity is expected to strengthen gradually as affordability improves, base rates decline and earnings continue to outpace house-price growth. House-price growth is forecast to remain between 2% and 4%. Recent Budget changes to property taxes are not expected to have a material impact on market dynamics.

The UK commercial property market remained resilient despite macroeconomic headwinds, with investment volumes ending the year approximately 8% below 2024 levels. Signs of renewed momentum emerged, including a two-year high in demand for industrial and logistics space, the strongest growth in retail rents since 2008, and the highest office-rental growth since 2016. This improvement is expected to continue into 2026 as investor and business confidence stabilises.

The majority of the Bank's financing assets remain secured against UK residential properties across both the SRE and HPP portfolios, making property-market performance a key determinant of the Bank's asset quality. The forecasts used within the Bank's IFRS 9 expected credit loss modelling are detailed in Note 30, which includes a sensitivity analysis covering potential changes in market conditions.

The Bank enters 2026 from a position of strength, supported by a prudent liquidity profile, strong capitalisation and resilient financial performance in 2025 as it advanced its refreshed strategic direction. The Bank continues to hold an investment-grade Moody's rating, including a high-grade Aa3(cr) assessment. Its stability is further supported by its ownership structure—its equity and capital instruments are primarily provided by its parent, AlRayan Bank QPSC, one of Qatar's largest banks, insulating it from capital-market volatility.

Business Outlook

The Bank will continue to prioritise growth in Premier Banking and SRE as it strengthens key client relationships and delivers competitive Sharia-compliant products.

The strategy remains focused on extending the Bank's presence among high-net-worth customers across the GCC, broadening its client base in Qatar and expanding further into Saudi Arabia and the UAE. Supported by favourable oil and gas market conditions, the GCC region continues to demonstrate economic resilience with limited impact from broader global uncertainty.

The Bank will continue to support existing HPP customers. The retail HPP portfolio is expected to continue its natural decline as customers make scheduled acquisition payments or choose to settle early. With low FTV ratios across the portfolio, exposure to market-risk remains limited, contributing to strong retention in the current base-rate environment.

The deposit market remains competitive as market benchmark rates remain elevated. The Bank maintains a diversified deposit base by utilising deposit-aggregator platforms and secured funding facilities with new financial-institution counterparties to secure longer-term funding. In 2025, profit rate rationalisation and sustained high market rates resulted in higher returns payable to customers. The deposit market is expected to remain competitive throughout 2026, with a gradual softening of benchmark rates anticipated over the longer term.

The Bank expects a strong performance in 2026 as it continues to execute its strategic plan.



Giles Cunningham
CEO and Director, Al Rayan Bank PLC

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

Al Rayan Bank PLC
4 Stratford Place
London
W1C 1AT

26 March 2026

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2025.

Directors and Directors' interests

The Directors who held office during the year ended 31 December 2025 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, Senior Independent Director (SID)
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 Alkhalifa, 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

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. All deposits, placements and swap agreements are in the normal course of business.

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 2025 (2024: £nil). During 2025, £376,715 (2024: £281,715) was paid in respect of Contingent Convertible instruments in line with the terms of these instruments, reflecting profit due from 1 July 2024 to 1 July 2025. See note 24 for further details.

Political contributions

The Bank made no political contributions during the year ending 31 December 2025 (2024: £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 February 2025.

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 macroeconomic 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 2027 and further details are contained in the Directors' report.

Financial risk management

The Bank's approach to financial risk management is outlined in the Strategic Report and in note 30.

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 2025 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.

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 2025 have been highlighted in note 31.

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:



Michael Williams
Chairman

Al Rayan Bank PLC
4 Stratford Place
London
W1C 1AT

26 March 2026

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 2025 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 35 except for note 33, 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 2025 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 including assessing management's forecasts and key assumptions used for the assessment.
- We obtained management's going concern assessment for the Bank, including forecasts for the going concern period covering the period to 31 March 2027 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 also considered other factors which could have an impact on the Bank's ability to continue as a going concern, including international conflicts.
- 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 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.
- We considered whether there were events subsequent to the balance sheet date that 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 to 31 March 2027.

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		2025	2024
	Allowance for expected credit loss	✓	✓
	Improper revenue recognition under the effective profit rate method	x	✓
	Valuation of freehold property	x	✓
Materiality	<ul style="list-style-type: none"> Overall materiality of £1.2m which represents 5% of 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 18 and 20 in the strategic report. All of 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.

We also challenged the Directors’ considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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 judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in 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
<p>Allowance for expected credit loss (ECL): £11.8m (2024: £8.0m)</p> <p>The forward-looking nature of <i>International Financial Reporting Standard 9 – Financial Instruments</i> 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.</p>	<p>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.</p> <p>Overall stand-back assessment:</p> <p>We performed a stand back analysis on the ECL recorded by the Bank as at 31 December 2025 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.</p> <p>We also assessed the adequacy of the disclosures made in the financial</p>	<p>Based on the work we performed, we concluded that the ECL is reasonably stated in compliance with the requirements of IFRS 9.</p> <p>We noted some 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.</p> <p>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.</p> <p>We noted that macroeconomic variables used within the models were within our expected ranges.</p> <p>We also noted no model overlays were applied, and concurred with management’s rationale.</p>

<p>The key judgements and estimates in respect of the timing and measurement of ECL include:</p> <ul style="list-style-type: none"> • <i>Staging</i>: Allocation of assets to stage 1, 2 or 3 using criteria in accordance with the accounting standard; • <i>Model and model assumptions</i>: The accounting interpretations and modelling assumptions used to build the models that calculate ECL and the data inputs to the models; • <i>Economic scenarios</i>: 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 there are incomplete and inaccurate post model adjustment recognised. <p>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.</p> <p>There is no change in the risk compared to prior year.</p> <p><i>Refer to Accounting policies (page 49); and Note 30 of the Financial Statements (page 70)</i></p>	<p>statements in comparison to peers, including the appropriateness of the assumptions and sensitivities disclosed.</p> <p><i>Staging</i>: 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.</p> <p><i>Model and model assumptions</i>: 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.</p> <p>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.</p> <p><i>Economic scenarios</i>: 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 unemployment rate, Bank of England base rates and the House Price Index were appropriate. With the support of our credit modelling specialists, we evaluated the</p>	<p>We assessed the individual provisions recorded for the stage 3 portfolio and concluded the provision was appropriate.</p>
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	<p>correlation and translation of the macroeconomic factors, including the impacts of alternative paths or weights to ECL.</p> <p><i>Post model adjustments:</i> We challenged management as to whether any model overlays were required using our knowledge and experience across the industry.</p> <p><i>Individual provisions:</i> We challenged the assumptions, collateral or exit values and cashflows for individual provisions estimated by management, involving real estate valuation specialists where appropriate. We assessed the individual provisions recorded for the stage 3 portfolio, including any overlays, and considered if they were in line with industry-specific risks.</p>	
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In the prior year, our auditors’ report included key audit matters in relation to improper revenue recognition under the effective profit rate method and valuation of freehold property. In the current year, we reassessed the key audit matters and concluded that these matters did not have a significant impact on the overall audit strategy or the allocation of resources and, accordingly, did not constitute 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 £1.2m million (2024: £1.17 million), which is 5% (2024: 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 our audit, we reassessed initial materiality and concluded that the planning materiality remains appropriate.

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% (2024: 50%) of our planning materiality, namely £0.6m (2024: £0.58m). 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 £60k (2024: £59k), 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 to a 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 27, 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, relevant regulations of the Prudential Regulation Authority and Financial Conduct Authority, and tax legislation.

- 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.
- 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 and obtaining written confirmations from external legal counsel.
- 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

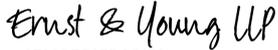
Following the recommendation from the audit committee we were appointed by the Bank on 30 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 December 2023 to 31 December 2025.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting 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:


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Bansi Haria (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 March 2026

Statement of comprehensive income

For the year ended 31 December

	Note	2025 £'000s	2024 £'000s
Income from financing transactions	6	172,541	166,206
Returns to banks and customers	6	(108,402)	(103,641)
Net income from financing transactions		64,139	62,565
Fees and commission income	7	530	882
Fees and commission expense	7	(596)	(658)
Net fees and commission (expense) / income		(66)	224
Net (loss) / gain on profit rate swaps at fair value	27	(54)	733
Foreign exchange gain / (loss)		4	(274)
Other non-fee income		181	183
Other income		131	642
Total income		64,204	63,431
Staff costs	8	(20,773)	(20,093)
General and administrative expenses		(13,575)	(13,728)
Expected credit loss charge	29	(3,798)	(2,936)
Depreciation & Impairment	15	(1,407)	(1,844)
Amortisation	16	(1,064)	(1,361)
Total operating expenses		(40,617)	(39,962)
Profit before tax		23,587	23,469
Tax charge	11	(5,906)	(5,752)
Profit for the financial year		17,681	17,717

Statement of comprehensive income
For the year ended 31 December

	Note	2025 £'000s	2024 £'000s
Other comprehensive income:			
<i>Items that are or may be subsequently reclassified to profit or loss</i>			
<i>Investment securities at FVOCI:</i>			
Change in fair value of investment securities at FVOCI		386	1,825
Taxation – deferred	11	(98)	(455)
		288	1,370
<i>Cash flow hedge reserve:</i>			
Change in fair value of cash flow hedge	27	(84)	-
Taxation - deferred	11	21	-
		(63)	-
<i>Items that will not be reclassified to the income statement</i>			
<i>Revaluation of freehold property:</i>			
Gain on the revaluation of freehold property	15	-	3,374
Taxation - deferred	11	-	(843)
		-	2,531
Total comprehensive income for the financial year		17,906	21,618

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

The notes on pages 42 to 86 are an integral part of these financial statements.

Statement of financial position

As at 31 December

	Note	2025 £'000s	2024 £'000s
Assets			
Cash		1,379	1,118
Treasury placements and cash balances with banks	12	288,533	539,414
Securities purchased under reverse repurchase agreements	13	74,193	-
Home Purchase Plans	29, 30	887,078	933,032
Structured Real Estate	29, 30	1,588,996	1,173,952
Investments securities through FVOCI	28	209,111	141,863
Investment securities at amortised cost	28	30,046	-
Property and equipment	15	33,780	34,833
Intangible assets	16	3,071	2,972
Assets held for sale	17	2,084	2,084
Deferred tax asset	11	316	2,049
Derivative financial instruments	27	792	733
Other assets	14	6,053	3,674
Total assets		3,125,432	2,835,724
Liabilities and equity			
Liabilities			
Deposits from banks and financial institutions	18	221,222	64,752
Deposits from customers	19	2,477,658	2,412,883
Financing from banks	20	176,023	80,776
Subordinated funding	21	2,500	25,000
Derivative financial instruments	27	1,950	665
Other liabilities	22	12,076	35,174
Total liabilities		2,891,429	2,619,250
Equity			
Share capital	24	121,219	121,219
Contingent convertible investment	24, 25	3,000	3,000
Investment securities fair value reserve		86	(202)
Property revaluation reserve		2,491	2,531
Cash flow hedge reserve	27, 11	(63)	-
Retained earnings		107,172	89,830
Profit stabilisation reserve	4	98	96
Total equity		234,003	216,474
Total liabilities & equity		3,125,432	2,835,724

The notes on pages 42 to 86 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 March 2026 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	Cash flow hedge reserve	Retained earnings / (deficit)	Profit stabilisation reserve	Total
<i>Note</i>	24	24			27	24		
£'000s								
Balance as at 1 January 2025	121,219	3,000	(202)	2,531	-	89,830	96	216,474
Profit for the year	-	-	-	-	-	17,681	-	17,681
Other comprehensive income	-	-	288	-	(63)	-	-	225
Total comprehensive income	-	-	288	-	(63)	17,681	-	17,906
Profit payment to additional Tier 1 capital holders	-	-	-	-	-	(377)	-	(377)
Transfer to profit stabilisation reserve	-	-	-	-	-	(2)	2	-
Transfer of depreciation on revaluation surplus	-	-	-	(40)	-	40	-	-
Balance as at 31 December 2025	121,219	3,000	86	2,491	(63)	107,172	98	234,003
Balance as 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 as at 31 December 2024	121,219	3,000	(202)	2,531	-	89,830	96	216,474

The notes on pages 42 to 86 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

	Note	2025 £'000s	2024 £'000s
Cash flows from operating activities			
Profit before tax		23,587	23,469
Adjustments for:			
Depreciation	15	1,407	1,844
Amortisation	16	1,064	1,361
Cost of subordinated funding	21	1,118	2,000
Expected credit loss charge on financial assets	29	3,798	2,936
Other non-cash items		191	943
		31,165	32,553
Movement in:			
Encumbered non-cash balances		(1,054)	3,330
Home purchase plans	29	45,000	61,204
Structured real estate	29	(417,886)	(278,317)
Securities purchased under reverse repurchase agreements	13	(74,193)	-
Other assets	14	(2,105)	925
Derivative financial instruments		1,143	3,254
Deposits from banks and financial institutions	18	156,470	(46,485)
Deposits from customers	19	64,775	263,683
Other liabilities	23	(22,811)	22,284
Taxation paid		(4,547)	(4,688)
Net cash outflow / (inflow) from operating activities		(224,043)	57,743
Cash flows from investing activities			
Purchase of investment securities		(302,813)	(200,801)
Proceeds from maturities of investment securities		205,903	209,476
Purchase of property and equipment	15	(354)	(1,826)
Investment in intangible assets	16	(1,163)	(1,167)
Net cash outflow / (inflow) from investing activities		(98,427)	5,682
Cash flows from financing activities			
Financing from banks	20	95,247	80,776
Payment of principal in respect of leases	23	(435)	(325)
Payment of financing in respect of leases	23	(25)	(27)
Payment of Additional Tier 1 Financing profit	24	(377)	(282)
Payment of subordinated funding	23	(23,618)	(2,000)
Net cash inflow from financing activities		70,792	78,142
Net change in cash and cash equivalents		(251,678)	141,567
Foreign exchange loss		4	(274)
Cash and cash equivalents at 1 January		539,046	397,753
Cash and cash equivalents at 31 December	12.1	287,372	539,046

The notes on pages 42 to 86 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 2025. 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. They are presented on a historical cost basis, except for the following:

- Sharia-compliant derivative financial instruments, which are measured at fair value through profit or loss and fair value hedge and cash flow hedge. Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.
- Investments in sukuk and freehold property, which are measured at fair value through other comprehensive income (FVOCI).

During the year, the Bank elected to apply hedge accounting in accordance with IFRS 9 Financial Instruments. This election reflects an update to the Bank's risk management strategy and ensures that the accounting treatment is aligned with the underlying economic hedging activities. The hedging relationships have been designated and documented in accordance with IFRS 9 and hedge accounting has been applied prospectively.

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 effective in the current year

The following amendments to existing IFRS Accounting Standards became effective for annual periods beginning on 1 January 2025:

- *Lack of Exchangeability – Amendments to IAS 21*

None of these amendments have had an impact on the Bank's financial statements at 31 December 2025.

New standards and amendments 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 Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1. IFRS 18 introduces new presentation requirements for the statement of profit or loss, including specified totals and subtotals, and requires entities to classify all income and expenses into one of five categories: operating, investing, financing, income taxes, and discontinued operations. It also introduces disclosures for newly defined management-defined performance measures and enhances requirements for aggregation and disaggregation based on the 'roles' of the primary financial statements and notes.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, and the Bank is currently assessing the impact on the primary financial statements and notes.

➤ Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

Issued in May 2024, these amendments clarify classification and measurement requirements, introduce an accounting policy option for early derecognition of liabilities settled via electronic payment systems, and enhance disclosure requirements for certain instruments.

The amendment is effective for reporting periods beginning on or after 1 January 2026 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

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 macroeconomic 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 2027 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 Structured Real Estate (SRE) 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 SRE 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.

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.

Securities purchased under reverse repurchase agreements

Securities purchased under reverse repurchase agreements recognised at amortised cost and are not recognised as investments in the financial statements. The difference between the purchase and resale price is accrued over the life of the agreement using the effective profit rate (EPR) method.

Bank purchases securities (a reverse repurchase agreement – ‘reverse repo’) typically with financial institutions subject to a commitment to resell or return the securities at a predetermined price.

Home Purchase Plans (HPP) and Structured Real Estate (SRE)

HPP and SRE (previously known as Commercial Property Finance) 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 SRE 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 Structured Real Estate 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. Where a SRE which is carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

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.

Investment securities

Classification and Measurement

Fair Value through Other Comprehensive Income (FVOCI)

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.

Amortised Cost

Investment securities initially recognised at fair value and subsequently measured at amortised cost when held within a business model to collect contractual cash flows and when those cash flows comprise solely payments of principal and profit in line with Shariah-compliant structures.

Profit on sukuk is accrued over the holding period using the effective profit rate method and recognised in the income statement. Settlement of sukuk transactions is conducted in accordance with market conventions and contractual terms, typically through recognised clearing systems or bilateral arrangements.

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 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 Non-current Assets Held for Sale and Discontinued Operations, the Bank classifies non-current assets as held for sale when their carrying amounts are expected to be recovered principally through a sale transaction rather than through continuing use. To qualify as held for sale, the asset must be available for immediate sale in its present condition, and the sale must be highly probable.

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 the asset, excluding finance costs and income tax expense.

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 is committed to the planned sale of the asset, and the sale is expected to be completed within one year from the date of 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 (PRS) arrangements through Murabaha trades. The Bank uses the derivative financial instruments to hedge its foreign currency and profit rate risks respectively.

Sharia-compliant derivatives are accounted for in accordance with IFRS 9 Financial Instruments and are recognised initially and subsequently at fair value through profit or loss (FVTPL). PRS arrangements are designated within hedge accounting relationships, with the associated measurement and recognition requirements applied in line with IFRS 9's hedge accounting framework.

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 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.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The accounting for subsequent changes in fair value depends on whether or not the derivative is designated for hedge accounting.

Hedge accounting

The Bank designates certain derivatives as hedging instrument as either:

- **Fair value hedges** when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- **Cash flow hedges** when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The Bank applies hedge accounting using a micro-hedge approach, whereby each hedging instrument is designated against a specific identified hedged item.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Bank will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item.

Hedge ineffectiveness can arise from timing mismatches between cash flows, differences in discount curves and non-nil derivative fair values at designation.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

For cash flow hedges, the effective portion of changes in the fair value of the hedging instrument is recognised in Other Comprehensive Income (OCI) and accumulated in the cash flow hedge reserve. In line with IFRS this reserve is measured at the lower of:

- (a) the cumulative gain or loss on the hedging instrument, and
- (b) the cumulative change in the present value of the hedged item's cash flows.

This ensures that the amount recognised in OCI does not exceed the lower-of test threshold. Any excess gain or loss on the hedging instrument beyond the hedged item's change is recorded in profit or loss as hedge ineffectiveness.

Amounts accumulated in OCI are reclassified to earnings when the hedged item affects profit or loss. If the hedge relates to a forecast transaction that results in a non-financial asset or liability, the accumulated gains or losses are transferred from equity and included in the initial measurement of that asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, or no longer qualifies. If the forecast transaction is no longer expected to occur, the accumulated amount in equity is immediately recognised in profit or loss.

Fair value hedges

For fair value hedges, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are both recognised in profit or loss. The change in fair value attributable to the hedged risk also adjusts the carrying amount of the hedged item, ensuring that the asset or liability reflects the impact of the hedge.

Gains or losses on the effective portion of profit rate swaps used to hedge fixed profit rate financing are recognised within finance income, together with the corresponding fair value adjustments made to the hedged financing exposure. Any ineffective portion of the hedge is recognised immediately in profit or loss as hedge ineffectiveness.

Realised gains and losses on profit rate swaps designated in a fair value hedge relationship are recognised immediately in profit or loss in the period in which they arise and are presented within net income from financing transactions. Where Structured Real Estate (SRE) exposures are designated as hedged items, the carrying amount is adjusted for the fair value change attributable to the hedged risk, with the resulting gain or loss also recognised in profit or loss.

If the hedge ceases to qualify for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to profit or loss over its remaining life using the effective profit method.

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 lifetime 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).

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 30.
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 30 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.

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

All items of property and equipment 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.

Freehold land and buildings are measured using the revaluation model. 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.

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 retained earnings 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 £10,000. 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.

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 & 30
Deferred tax	Judgements and estimates included in Note 11
Derivative financial instruments (Hedging instruments)	Judgements and estimates included in Note 27

6 Net income from financing transactions

	2025	2024
£'000s		
Treasury placements	14,678	19,134
Home purchase plan	54,895	62,151
Structured real estate	95,999	79,016
Investment securities	6,969	5,905
Income from financing transactions	172,541	166,206
Deposits from banks and financial institutions	(3,242)	(6,867)
Deposits from customers	(96,992)	(95,676)
Financing from banks	(8,168)	(1,098)
Returns to banks and customers	(108,402)	(103,641)
Net income from financing transactions	64,139	62,565

7 Net fees and commission income

	2025	2024
£'000s		
Fees and commission income		
Retail customer banking fees	425	706
ATM commission	50	45
Other	55	131
Total fees and commission income	530	882
Transaction fees	(596)	(658)
Total fees and commission expense	(596)	(658)
Net fees and commission (expense) / income	(66)	224

8 Staff costs

	2025	2024
£'000s		
Wages and salaries	(17,247)	(17,014)
Social security costs	(2,131)	(1,825)
Contributions to defined contribution pension plans	(1,222)	(1,110)
Other staff costs	(173)	(144)
Total	(20,773)	(20,093)

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

	Average No. of employees	
Average for the year	175	193

9 Directors' emoluments

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

£'000s	2025			2024		
	Fees/Salary	Pension	Total	Fees/Salary	Pension	Total
Directors' Salaries and Fees	1,829	-	1,829	1,426	-	1,426
Of which: Highest paid Directors' Salaries and Fees	1,387	-	1,387	1,000	-	1,000

The total amount paid to non-executive directors during the year ended 31 December 2025 was £442,213 (2024: £425,900).

10 Auditor's remuneration

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

£'000s	2025	2024
Audit of these financial statements	769	752
Audit-related assurance services	50	16
	819	768

11 Tax

£'000s	2025	2024
<i>Current tax expense:</i>		
Current tax charge on profits for the year	(4,250)	(4,498)
Adjustment in respect of prior year credit	-	237
Current Year tax charge	(4,250)	(4,261)
<i>Deferred Tax through income statement:</i>		
Current year charge	(1,785)	(1,689)
Adjustment in respect of previous periods credit	129	198
Deferred tax charge through income statement	(1,656)	(1,491)
Charge to income statement:	(5,906)	(5,752)
Other Comprehensive Income items: Deferred tax charge	(77)	(1,298)
Total tax charge	(5,983)	(7,050)
<i>Reconciliation of effective tax rate:</i>		
Profit before tax	23,587	23,469
Tax on profit at standard UK tax rate of 25% (2024:25%)	(5,897)	(5,867)
Effects of:		
Adjustments in respect of prior years through profit and loss	129	437
Expenses not deductible	(138)	(391)
Effects of tax rate changes	-	-
Expense from other comprehensive Income	-	69
Income tax expense reported in the income statement	(5,906)	(5,752)

The movement on the deferred tax account is as follows:

	2025	2024
£'000s		
Asset at start of period	2,049	4,838
Adjustment in respect of prior years	129	198
Deferred tax (charge) to comprehensive income for the year	(1,862)	(2,987)
Deferred tax asset as at 31 December	316	2,049

Movements in deferred tax assets / (liabilities) during the year 2025 are set out below:

2025	Charge to the income statement			Charge to equity		Cash flow hedge reserve	Total
	Fixed assets	Other TD	Losses	Property revaluation	loss / (gain) investments		
£'000s							
Balance as at 01 January 2025	(168)	523	2,468	(843)	69	-	2,049
(Charged) / credited to the income statement	74	(311)	(1,419)	-	-	-	(1,656)
Credited to equity	-	-	-	-	(98)	21	(77)
Balance as at 31 December 2025	(94)	212	1,049	(843)	(29)	21	316
2024							
	Fixed assets	Other TD	Losses	Property revaluation	loss/ (gain) investments	Cash flow hedge reserve	Total
£'000s							
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

The deferred tax asset at 31 December 2025 had been calculated using the applicable rates enacted at the balance sheet date of 25% (2024:25%).

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 area of judgment in management's projections of future taxable profits.

The Bank had accumulated tax losses of £66.8m, of which £62.7m (2024: £57.1m) 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 £16.4m 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. Additionally, the UK has also implemented the Under-Taxed Payments Rule (“UTPR”) and this is effective from 1 January 2025 for the Bank.

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 Group is within the scope of the OECD Pillar Two model rules (the “Global Minimum Tax”). Since the Group has consolidated annual revenues exceeding €750 million, it is subject to the UK’s Multinational Top-up Tax and Domestic Top-up Tax, which apply for accounting periods beginning on or after 31 December 2023.

For the year ended 31 December 2025, the Group has performed an assessment to determine its potential exposure to Pillar Two top-up taxes. Based on this analysis, the Group has elected to apply the Transitional Country-by-Country Reporting (CbCR) Safe Harbour provisions issued by the OECD. Under these provisions, the Group has concluded that no Pillar Two top-up tax is expected to arise in the UK or other relevant jurisdictions for the 2025 financial year.

The Group’s operations met the requirements of the Simplified Effective Tax Rate (ETR) test, which, under the transitional rules for fiscal years beginning in 2025, requires an ETR of at least 16%.

The Group also notes that the State of Qatar has enacted Pillar Two legislation through Law No. 22 of 2024 that introduces an Income Inclusion Rule (IIR) and a Domestic Minimum Top-up Tax (DMTT), intended to operate as a Qualified Domestic Minimum Top-up Tax, for fiscal years beginning on or after 1 January 2025. As a result, the Group has concluded that no material Pillar Two top-up tax is expected to arise in relation to the 2025 financial year.

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 Group applied the temporary exception at 31 December 2025.

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.

	2025	2024
£’000s		
Balances with banks available on demand	54,616	69,939
Balances subject to encumbrance *	2,540	1,486
Treasury placements with original maturity less than 3 months	231,377	467,989
Total placements and balances with banks	288,533	539,414

* Balances with banks subject to encumbrance

This balance comprises repayable security deposits held with banks that have issued guarantees supporting the Bank’s future customer card transactions with MasterCard, as well as margin call payments made under agreements relating to FX and PRS swaps transacted by the Bank. These deposits do not earn a return. In addition, collateral is held directly with MasterCard to cover a potential three-day settlement-default period should the Bank be unable to remit funds due to merchants. Both the security deposits and the collateral are classified as encumbered balances because they have no defined maturity and are not freely available for use by the Bank. However, MasterCard monies may be utilised to meet any shortfall arising from transactions processed by the Bank.

12.1 Cash and cash equivalents	2025	2024
£'000s		
Treasury placements and balances with banks, excluding balances subject to encumbrance	285,993	537,928
Cash	1,379	1,118
	<u>287,372</u>	<u>539,046</u>

13 Securities purchased under reverse repurchase agreements

	2025	2024
£'000s		
Securities purchased under reverse repurchase agreements	<u>74,193</u>	<u>-</u>

Securities purchased under reverse repurchase agreements represent short-term Shariah-compliant placements structured through Commodity Murabaha arrangements. These transactions are primarily undertaken for liquidity management purposes and are entered into with financial institution counterparties of high credit quality. Collateral held as at the reporting date £66 million (2024: Nil).

14 Other assets

	2025	2024
£'000s		
Prepayments and other receivables	4,350	2,245
VAT recoverable	132	155
Corporation tax recoverable	1,571	1,274
	<u>6,053</u>	<u>3,674</u>

There are no receivable balances which are expected to be recovered in more than 12 months in 2025 (2024: Nil).

15 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 2025	479	809	512	2,078	4,357	17	30,453	38,705
Additions	4	7	-	-	343	-	-	354
Disposals	-	(49)	-	-	-	(17)	-	(66)
Revaluations	-	-	-	-	-	-	-	-
Balance at 31 December 2025	483	767	512	2,078	4,700	-	30,453	38,993
Depreciation and impairment								
Balance at 1 January 2025	251	470	128	1,253	1,307	9	454	3,872
Depreciation charge for the year	148	97	58	282	479	8	335	1,407
Impairment charges	-	-	-	-	-	-	-	-
Disposals	-	(49)	-	-	-	(17)	-	(66)
Balance at 31 December 2025	399	518	186	1,535	1,786	-	789	5,213
Net book value								
As at 31 December 2025	84	249	326	543	2,914	-	29,664	33,780
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 17)	-	-	-	-	-	(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 17)	-	-	-	-	-	(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

*The freehold land and buildings are classified within Level 2 of the fair value hierarchy.

** The carrying amount of Free hold land and building as at 31 December 2025 would have been £26m (2024: £27m), representing the net book value determined under the historical cost model if the revaluation model has not applied.

16 Intangible assets

	Computer licences	Purchased & developed software	Work in progress	Total
£'000s				
Cost				
Balance as at 1 January 2025	1,263	13,097	1,364	15,724
Additions	-	-	1,163	1,163
Transfers	-	1,848	(1,848)	-
Write-downs and disposals	(215)	(2,082)	-	(2,297)
Balance as at 31 December 2025	1,048	12,863	679	14,590
Amortisation				
Balance as at 1 January 2025	1,263	11,489	-	12,752
Amortisation charge for the year	-	1,064	-	1,064
Disposals	(215)	(2,082)	-	(2,297)
Balance as at 31 December 2025	1,048	10,471	-	11,519
Net book value as at 31 December 2025	-	2,392	679	3,071
Cost				
Balance as at 1 January 2024	1,263	12,160	1,134	14,557
Additions	-	46	1,275	1,321
Write-downs and disposals	-	-	(154)	(154)
Transfers	-	891	(891)	-
Balance as at 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
Disposals	-	-	-	-
Balance as at 31 December 2024	1,263	11,489	-	12,752
Net book value as at 31 December 2024	-	1,608	1,364	2,972

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.

17 Held for sale

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the Bank continues to classify Property 24A, Calthorpe Road as a non-current asset held for sale. The property remains available for immediate sale in its existing condition, and management continues to undertake the actions necessary to support its classification within this category and remains committed to the sale of the asset.

The Bank continues to market the property at a price that represents a reasonable assessment of its current fair value. Although the asset has been held for sale for a period exceeding twelve months, it continues to meet the criteria for classification as held for sale under IFRS 5. In accordance with IFRS 5, the asset is not depreciated while classified as held for sale and is measured at the lower of its carrying amount and its fair value less costs to sell.

18 Deposits from banks and financial institutions

	2025	2024
£'000s		
Repayable on demand	1,640	2,708
1 months or less but not repayable on demand	4,634	10,455
1-3 months	45,732	26,434
3 months to 1 year	167,702	23,526
1 year to 2 years	1,514	1,629
Total deposits from banks and financial institutions	221,222	64,752
Non-profit paying accounts	1,640	2,708
Profit sharing / paying accounts	219,582	62,044
Total deposits from banks and financial institutions	221,222	64,752

19 Deposits from customers

£'000s		
Repayable on demand	725,367	688,130
1 months or less but not repayable on demand	171,685	104,089
1-3 months	286,375	235,960
3 months to 1 year	1,121,036	1,096,173
1 year to 2 years	109,458	210,880
Between 2 year and 5 years	63,737	77,651
Total deposits from customers	2,477,658	2,412,883
Comprising:		
Non-profit paying	149,514	175,234
Profit sharing / paying accounts	2,328,144	2,237,649
Total deposits from customers	2,477,658	2,412,883

20 Financing from banks

£'000s		
Financing from banks	176,023	80,776

The Bank has an outstanding balance of £176.0m (2024: £80.8m) under a floating-rate syndicated facility entered into in 2024. The syndicated facility provides a total funding of up to USD 235m over a three-year tenor and is priced on a quarterly rate linked to SOFR (Secured Overnight Financing Rate).

21 Subordinated funding

£'000s	2025	2024
Subordinated funding	2,500	25,000

During the year, the Bank repaid £22.5m of its Tier 2 capital facility, with the remaining £2.5m tranche contractually extended to a revised maturity date of 31 December 2040. Total profit expense recognised on this facility for the year ended 31 December 2025 amounted to £1.1m (2024: £2.0m). All profit expense obligations were settled during the year, and there were no outstanding payables at the reporting date (2024: £nil). This amount is included within profit expense to banks and other financial institutions in Note 6.

The Tier 2 facility was originally established on a Wakala-based agreement dated 24 March 2017 with AlRayan Bank QPSC, under which expected profit is payable on a semi-annual basis. Following the partial repayment and subsequent extension, £2.5m remained outstanding at 31 December 2025, and no additional drawdowns were made during the year.

In line with CRR II requirements, the extended tranche continues to qualify in full as Tier 2 regulatory capital, given its remaining maturity exceeds five years. This regulatory treatment has no impact on the measurement of the instrument under IFRS 9.

22 Other liabilities

	2025	2024
£'000s		
Social security and income tax	472	652
Accruals	5,791	7,223
Provisions	113	690
Trade settlement obligations	-	20,000
Other creditors	5,151	5,649
Lease liabilities	549	960
	12,076	35,174

The Bank has recognised a provision of £113k (2024: £193k) for customer claims referred to the Financial Ombudsman Service (FOS), representing management's best estimate of the probable cash outflows for cases expected to settle in 2026.

Furthermore, prior-year includes provision of £497k relating to the contractual obligation under the Bank's core banking system licence agreement was fully utilised during 2024, with no remaining liability required as at 31 December 2025.

There were no trade settlement obligations outstanding at 31 December 2025 (2024: £20m). The prior-year balance related to a Wakala placement executed with the parent company in December 2024, which was cash-settled in January 2025. Treasury placements continue to be recognised on a trade-date basis, reflecting the point at which the Bank becomes contractually committed to the future exchange of funds.

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	2025	2024
Maturity Analysis – Contractual undiscounted cash flows		
Less than one year	282	-
One to five years	308	1,046
Total undiscounted lease liabilities at 31 December	590	1,046
Lease liabilities included in the statement of financial position at 31 December	549	960
Of which: Current	259	415
Non-current	290	545

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 £123,000 for the year (2024: £128,000).

Total lease payments made during the year amounted to £435k, with a finance charge of £25k.

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

	Other liabilities	Financing from bank	Subordinated funding
£'000s			
Balance as at 1 January 2025	35,174	80,776	25,000
Changes from financing activities			
Payment of principal in respect of leases	(435)	-	-
Financing from bank received	-	95,247	-
Payment to subordinated funding	-	-	(23,618)
Payment of financing in respect of leases	(25)	-	-
	(460)	95,247	(23,618)
Other changes Liability related			
Cash based	(22,811)	-	-
Cost of subordinated funding	-	-	1,118
Non-cash based	173	-	-
	(22,638)	-	1,118
Balance as at 31 December 2025	12,076	176,023	2,500

	Other liabilities	Financing from bank	Subordinated funding
£'000s			
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	(2,000)
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

24 Share capital

(£'000s)	2025	2024
Allotted, called up and fully paid		
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: 12.561%) for the period to 1 July 2026.

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.

During 2025 a profit payment was made from reserves of £376,715 (2024: £281,715 this related to the profit for the period from 1 July 2024 to 1 July 2025) 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 2024 to 1 July 2025 and reflected full settlement of the outstanding amounts at that time.

25 Related parties

(a) Transactions with key management personnel

At 31 December 2025, Directors of the Bank and their immediate relatives have Nil shareholding in the Bank (2024: £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	2025	2024
Key management emoluments including social security costs	3,895	4,114
Long term emoluments payable to key management	1,313	-
Bank contributions to defined contribution pension plans	42	43
Total	5,250	4,157

Deposit balances, operated under standard customer terms and conditions, held by key management personnel, including Directors and immediate relatives, totalled £509,962 as at 31 December 2025 (2024: £1,244,315). Total returns paid on these accounts during the year were £5,944 (2024: £7,099).

Home Purchase Plan balances relating to key management personnel and immediate relatives as at 31 December 2025 was £4,870,000 (2024: £1,870,000).

(b) Transactions with ultimate parent company

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 in the normal course of business.

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.

£'000s	2025			2024		
	Cash	Less than 3 months	3-6 months	Cash	Less than 3 months	3-6 months
Placements	-	13,011	-	-	104,000	-
Deposits	1,640	-	15,027	2,708	-	-

As at 31 December 2025 there was an outstanding subordinated financing balance payable to AlRayan Bank QPSC of £2.5m (2024: £25m). See note 21 for further details of this facility. A Contingent Convertible Investment of £3m was made during 2019 and profit of £376,715 was paid during 2025 in respect of this investment relating to the period from 2024 to 2025. See note 24 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 £nil (2024: £971,000), excluding amounts paid on subordinated funding (see note 21). Profit received from AlRayan Bank QPSC on placements was £1,506,000 (2024: £3,143,000) included in Treasury placements income in note 6.

26 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 2025		
Assets	235,655	10,165
Deposits	(228,367)	(10,082)
Net on balance sheet exposure	7,288	83
Forward foreign exchange contracts (nominal)	7,448	-
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	-

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 30.

27 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.

	2025			2024		
	Fair value assets	Fair value liability	Notional Amount	Fair value assets	Fair value liability	Notional Amount
£'000s						
Derivatives designated as fair value and cash flow hedge:						
Profit rate swap fair value hedge	-	1,866	170,100	-	-	-
Profit rate swap cash flow hedge	-	84	14,856	-	-	-
	-	1,950	184,956			
Derivatives not designated in hedge accounting:						
Foreign exchange forward contracts	792	-	8,239	-	(655)	23,304
Profit rate swaps	-	-	-	733	-	60,650
	792	-	8,239	733	(655)	83,954
Total derivative financial instruments	792	1,950	193,195	733	(655)	83,954

Derivatives designated in cash flow hedging relationships

£'000	Carrying amount of hedging instruments	Change in fair value in year (hedging instrument)	Cash settlements in the period (hedging instrument)	Change in fair value in year (hedged item)	Cash settlements in the year (hedged item)	Hedge ineffectiveness in the year
Profit rate swaps	(84)	(84)	64	(83)	63	-

Hedge effectiveness is assessed using the hypothetical derivative method, under which a hypothetical instrument is constructed at inception to match the critical terms of the hedged item designated within the banks syndicated funding arrangements. The effective portion is recognised in OCI and accumulated in the cash flow hedge reserve, which is restricted by the "lower-of" test. Any excess movement above this limit is recognised immediately in profit or loss as hedge ineffectiveness.

Equity (OCI) reconciliation - cash flow hedge reserve

£'000	Opening balance	Amount recognised in OCI (Effective portion)	Reclassifications during the period				Closing balance	Amounts relating to continuing hedging relationships	Amounts relating to discontinued hedging relationships
			Fixed assets	profit expense	FX remeasurement	Missed forecast			
Profit rate swaps	-	19	-	65	-	-	84	84	-

No hedge ineffectiveness was recognised for cash flow hedges during the year 2025.

Derivatives designated in fair value hedge relationship

£'000	Carrying amount (hedge instruments)	Carrying amount of the hedged item	Cumulative fair value adjustment on the hedged item	Change in fair value in period for calculating ineffectiveness (hedged item)	Change in fair value in period for calculating ineffectiveness (hedging instrument)	Hedge ineffectiveness in the period	Amortisation of fair value adjustment (terminated hedges)
Fair value hedge	1,799	212,544	2,731*	2,799	(2,853)	(54)	68

*Fair value adjustment of £2,731,000 has been recognised on the hedged item and included within its carrying amount in the Finance assets - Structure Real Estate.

Hedge ineffectiveness is recognised within Net (loss) / gain on profit rate swaps at fair value in the statement of comprehensive income.

Outstanding notional and strike rates

£'000	Currency	Outstanding Notional at year end	Average strike rate	Units
Profit rate swaps fair value hedge	GBP	170,100	3.91	per cent
Profit rate swaps cash flow hedge	USD	14,856	3.71	per cent

Hedge ratio

The Bank designates each hedging instrument in a 1:1 hedge ratio against an equivalent notional amount of the hedged item, consistent with its Sharia-compliant risk-management strategy and IFRS 9 requirements. Where the available amount of hedged item becomes insufficient, the Bank will either de-designate the hedging instrument or adjust the designation proportionately so that the hedge ratio continues to reflect the actual quantities used for risk management purposes.

Economic relationship

For hedge accounting purposes, the Bank assesses whether the hedging instrument and the hedged item exhibit an economic relationship, consistent with the Bank's Sharia-compliant risk-management strategy.

Where the critical terms of the hedging instrument and hedged item are closely aligned, the Bank applies a qualitative assessment to demonstrate the existence of an economic relationship.

Where more material differences exist-either at hedge inception or during the term of the hedging relationship, the Bank applies appropriate quantitative methods, such as regression analysis, supported by management judgement, to demonstrate that an economic relationship continues to exist and that the hedge continues to meet the qualifying criteria under IFRS 9.

Benchmark profit rate - risk components

For fair value hedges of profit rate risk, the Bank designates the benchmark profit rate component of fixed-rate Sharia-compliant financing exposures as the hedged item. At designation, the Bank identifies the mid-market benchmark profit rate relating to the hedged item as a separately identifiable and reliably measurable risk component. The hedge relationship is designated for 96.5% of the notional amount of the hedged item; accordingly, 96.5% of the changes in fair value of the hedged item attributable to movements in the benchmark profit rate are included in the hedge relationship, with the remaining portion not designated.

For cash flow hedges, the Bank designates the variability in future cash flows arising from movements in benchmark profit rates on floating-rate Sharia-compliant funding as the hedged item. The hedge relationship is designated for 100% of the notional amount of the hedged item and therefore represents the entirety of the variability in contractual cash flows attributable to changes in the benchmark profit rate.

Sensitivity to benchmark profit rate movements

The details below summarise the sensitivities of the bank's risk management positions to fluctuations in reasonably possible changes in the underlying benchmark prices, with all other variables held constant.

Derivatives	Base unit	Reasonable possible change in variable	Impact on fair value of carrying amount			
			Up to 1 month	1-3 months	3-12 months	1-5 years
profit rate swaps GBP	bps	+100				
profit rate swaps GBP	bps	-100				
profit rate swaps USD	bps	+100				
profit rate swaps USD	bps	-100				
Maturity Notional Amount £'000s						
2025						
Derivatives not designated in hedge accounting:						
Forward exchange rate contracts			-	-	-	8,239
Derivatives designated as fair value and cash flow hedge						
Profit rate swaps			-	-	-	184,956
Maturity Notional Amount £'000s						
2024						
Forward exchange rate contracts			11,747	-	11,557	-
Profit rate swaps			-	-	-	60,650

Key estimates and judgements

The Bank applies hedge accounting under IFRS 9 to manage exposure to profit rate risks. The application of hedge accounting requires significant judgement in determining whether hedge relationships are expected to be effective and aligned with the Bank's risk-management strategy.

Hedge designation and effectiveness

At the point of designation, and on an ongoing basis, management assesses whether each hedging relationship meets the IFRS 9 qualification criteria, including an expectation that the hedge will be effective in reducing profit rate risk. These assessments involve judgement over future market behaviour, including movements in benchmark profit rates and the stability of the underlying risk exposure.

Forecast transactions

For cash flow hedges, determining whether forecast transactions are *highly probable* requires judgement based on business forecasts and market conditions. Shifts in customer activity or economic trends may affect these assessments, consistent with the uncertainty seen in UK banking environments.

Fair value measurement

The fair value of profit rate swaps used as hedging instruments is derived from valuation models using observable market inputs such as benchmark yield curves, credit risk adjustments, and pricing volatility. These inputs involve estimation uncertainty, and changes in assumptions may materially impact profit or loss or other comprehensive income.

Changes and discontinuation

Management applies judgement when assessing whether a hedging relationship should be discontinued, including situations where the hedge no longer meets IFRS 9 requirements or no longer aligns with the Bank's risk-management strategy.

28 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 FVOCI	Fair value through profit or loss	Total carrying amount
At 31 December 2025				
Cash	1,379	-	-	1,379
Treasury placements and balances with banks	288,533	-	-	288,533
Securities purchased under reverse repurchase agreements	74,193	-	-	74,193
Home purchase plans	887,078	-	-	887,078
Structured real estate	1,588,996	-	-	1,588,996
Investment securities	30,046	209,111	-	239,157
Derivatives financial instruments	-	-	792	792
	2,870,225	209,111	792	3,080,128
Deposits from banks and financial institutions	221,222	-	-	221,222
Deposits from customers	2,477,658	-	-	2,477,658
Financings from banks	176,023	-	-	176,023
Derivatives financial instruments	-	-	1,950	1,950
	2,874,903	-	1,950	2,876,853

£'000s	Amortised cost	Fair Value through FVOCI	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
Structured real estate	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

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 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 27). These are valued at Level 2 and priced using comparable market rates prevailing at year end which includes spot and forward exchange rate and market yield curves.

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	239,157*	-	-	239,157
Derivatives financial instruments	-	792	-	792
As at 31 December 2025	239,157	792	-	239,949

*Fair value of sukuks at amortised cost amounts to £30m as at 31 December 2025 (2024: nil).

Financial liabilities				
Derivatives financial instruments	-	1,950	-	1,950
As at 31 December 2025	-	1,950	-	1,950

£'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

29 Financing assets

£'000s	Gross amount	2025 Impairment allowance	Carrying amount	Gross amount	2024 Impairment allowance	Carrying amount
Consumer finance	57	(57)	-	55	(55)	-
Home purchase plans	888,120	(1,042)	887,078	933,121	(89)	933,032
Structured real estate *	1,599,705	(10,709)	1,588,996	1,181,818	(7,866)	1,173,952

* The fair value adjustment of £2,731,000 relating to the SRE within the micro fair value hedge accounting relationship has been included in the carrying amount.

Total impairment allowance on financing assets:

£'000s	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January 2025	350	155	7,505	8,010
(Reversal) / charge for the year	254	(105)	3,649	3,798
Amounts written off during the year	-	-	-	-
Balance as at 31 December 2025	604	50	11,154	11,808
2024				
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

30 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.

(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.

30 Financial risk management

(a) Credit risk

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 SRE 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 lifetime 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 SRE 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.

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).

30 Financial risk management

(a) Credit risk

Component Judgements and Estimates

Staging/ Significant increase in credit risk (SICR) Judgement	<p>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:</p> <ul style="list-style-type: none"> • 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; <p>For SRE 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.</p>
Post-model adjustments Judgement	<p>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.</p> <p>The post model adjustments are detailed later in this note.</p>
Loss Given Default (LGD) Estimate	<p>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.</p> <p>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. An LGD floor for stage 3 financing is applied to ensure that the economic loss associated to accrued profit at default is properly recognised.</p>
Multiple economic scenarios (MES) Estimate	<p>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.</p> <p>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.</p> <p>The Bank has used four economic scenarios for the current year's ECL (2024:four) and these scenarios, sensitivities and weightings are set out later in this note.</p>

30 Financial risk management (continued)
(a) Credit risk (continued)

Total financing assets and ECL at 31 December 2025

	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	288,533	-	-	288,533	-	288,533	0.00%
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	288,533	-	-	288,533	-	288,533	0.00%
Securities purchased under reverse repurchase agreements							
- Stage 1	74,193	-	-	74,193	-	74,193	0.00%
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	74,193	-	-	74,193	-	74,193	0.00%
Investments securities through FVOCI & amortised cost							
- Stage 1	239,175	-	-	239,175	(18)	239,157	0.00%
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
Total	239,175	-	-	239,175	(18)	239,157	0.00%
Home purchase plans							
- Stage 1	-	-	836,008	836,008	(100)	835,908	0.01%
- Stage 2	-	-	28,079	28,079	(11)	28,068	0.04%
- Stage 3	-	-	24,033	24,033	(931)	23,102	3.87%
Total	-	-	888,120	888,120	(1,042)	887,078	0.12%
Structured real estate							
- Stage 1	-	-	1,481,353	1,481,353	(504)	1,480,849	0.03%
- Stage 2	-	-	39,357	39,357	(39)	39,318	0.10%
- Stage 3	-	-	78,995	78,995	(10,166)	68,829	12.87%
Total	-	-	1,599,705	1,599,705	(10,709)	1,588,996	0.67%
Consumer finance							
- Stage 1	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	57	57	(57)	-	100%
Total	-	-	57	57	(57)	-	100%
Total financial assets							
- Stage 1	601,901	-	2,317,361	2,919,262	(622)	2,918,640	0.02%
- Stage 2	-	-	67,436	67,436	(50)	67,386	0.07%
- Stage 3	-	-	103,085	103,085	(11,154)	91,931	10.82%
Total	601,901	-	2,487,882	3,089,783	(11,826)	3,077,957	0.38%

30 Financial risk management (continued)

(a) Credit risk (continued)

Of the £67.4m (2024: £91.1m) of total gross financial assets in stage 2 that have experienced decreased in credit risk, £23.7m (2024: £54.9m) are included in stage 2 due to arrears of 30 days or more past due, of which 72% of balances relate to SRE's (2024: 88%) and 28% to HPPs (2024: 12%). The remaining £43.7m (2024: £36.2m) 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.

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 2024

	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	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%
Structured real estate							
- 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%

30 Financial risk management (continued)
(a) 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 SRE) is set out below:

2025	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance						
Customer financing - HPP and SRE £'000s								
At 1 Jan 2025	1,944,293	350	91,124	155	79,577	7,505	2,114,994	8,010
ECL on customer financing matured/settled during the period	(107,785)	(30)	(4,803)	-	(2,609)	-	(115,197)	(30)
Transfers of financial instruments:								
Transfers from Stage 1 to Stage 2	(49,961)	(4)	49,961	4	-	-	-	-
Transfers from Stage 2 to Stage 1	47,104	80	(47,104)	(80)	-	-	-	-
Transfers to Stage 3	(10,778)	(5)	(17,449)	(75)	28,227	80	-	-
Transfers from Stage 3	3,895	-	755	-	(4,650)	-	-	-
Net transfers	(9,740)	71	(13,837)	(151)	23,577	80	-	-
Net remeasurement of ECL on deals which have transferred stage *		(76)		45		891		860
Fair value adjustment for micro hedged risk	2,731	-	-	-	-	-	2,731	-
Net new financing/payments and remeasurement of continuing customer ECL	487,862	289	(5,048)	1	2,540	2,678	485,354	2,968
At 31 Dec 2025	2,317,361	604	67,436	50	103,085	11,154	2,487,882	11,808
Total income statement (charge)/release in ECL provision for the period on assets	-	(254)	-	105	-	(3,649)	-	(3,798)

2024	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance						
Customer financing - HPP and SRE £'000s								
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)
Total income statement (charge)/release in ECL provision for the period on assets								(2,936)

* '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.

30 Financial risk management (continued)

(a) 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 SRE provision has been impacted by impaired legacy counterparty exposures, calculated through a bespoke internal assessment tool for the non-performing accounts in the year, together with a £1.3m increase from the introduction of a minimum Loss Given Default (LGD) floor threshold for cases with a zero calculated ECL for stage 3. The enhanced framework aligns to the Bank's proactive approach for managing specific credit risks, using obligor-specific factors and recovery strategies. Although the SRE 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 quickly as anticipated, these factors have affected both residential and non-residential commercial property sectors.

The introduction of minimum LGD floor applied during the year for HPP financing with zero calculated ECL for stage 3 financing amounted to £0.8m.

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 2025 has been calculated using data derived from the Moody's analytics forecast as at that date.

30 Financial risk management (continued)

(a) 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:

2025	Base case	Downturn	Moderate downturn	Slight upturn
Scenario weighting	40%	7%	23%	30%

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

2025 Key economic variables:

		Model scenario inputs					2025	2024
		2026	2027	2028	2029	2030	Average	Average
Base case	BOE Rate	3.46%	2.77%	2.75%	2.66%	2.50%	2.83%	2.95%
	Unemployment	4.85%	4.85%	4.86%	4.86%	4.87%	4.86%	4.51%
	Annual HPI growth	1.73%	2.72%	1.78%	1.75%	2.27%	2.05%	2.51%
Downturn	BOE Rate	1.78%	0.73%	0.72%	0.88%	1.03%	1.03%	1.30%
	Unemployment	7.42%	8.73%	8.47%	8.22%	7.55%	8.08%	7.64%
	Annual HPI growth	-12.29%	-12.24%	-0.12%	3.13%	4.72%	-3.36%	-3.23%
Moderate downturn	BOE Rate	2.39%	1.07%	1.17%	1.51%	1.90%	1.61%	1.91%
	Unemployment	6.50%	7.57%	7.55%	7.16%	6.48%	7.05%	6.65%
	Annual HPI growth	-7.50%	-7.31%	-0.08%	4.15%	5.62%	-1.02%	-0.84%
Slight upturn	BOE Rate	3.69%	3.21%	2.90%	2.66%	2.50%	2.99%	3.06%
	Unemployment	4.28%	4.00%	4.04%	4.23%	4.44%	4.20%	3.86%
	Annual HPI growth	13.28%	7.65%	-0.11%	-2.23%	-0.38%	3.64%	4.28%

2024 Key economic variables:

		Model scenario inputs					2024	2023
		2025	2026	2027	2025	2026	Average	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%	-	-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%

30 Financial risk management (continued)

(a) 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 2025, 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 2025. 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.

2025	Weighted scenario ECL, no PMA	Base case, no adjustment	Slight upturn scenario	Moderate downturn scenario	Downturn scenario
£'000					
HPP	111	86	8	219	338
SRE	543	299	76	1,171	1,875
Total	654	385	84	1,390	2,213
2024	Weighted scenario ECL, no PMA	Base case, no adjustment	Slight upturn scenario	Moderate downturn scenario	Downturn scenario
£'000					
HPP	89	85	25	148	199
SRE	416	209	73	891	1,501
Total	505	294	98	1,039	1,700

Post Model Adjustments:

	ECL model output	2025		ECL model output	2024	
		PMA	Total ECL		PMA	Total ECL
£'000						
HPP	1,042	-	1,042	89	-	89
SRE	10,709	-	10,709	7,866	-	7,866
Total	11,751	-	11,751	7,955	-	7,955

For 2025, 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 (2024:Nil).

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

30 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 2025, £nil of financing profit were written off (2024: £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.

Structured Real Estate:

SRE	Gross exposure £'000	ECL Total £'000	Net balance £'000	ECL coverage	Collateral £'000
2025	1,599,705	10,709	1,588,996	0.67%	2,590,484
2024	1,181,818	7,866	1,173,952	0.67%	1,955,759

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

2025					
FTV band	Gross exposure £'000	ECL Total £'000	Net balance £'000	ECL coverage	Collateral £'000
<=60%	652,134	909	651,225	0.14%	1,785,026
60%-70%	133,427	50	133,377	0.04%	205,178
70%-80%	101,727	83	101,644	0.08%	136,727
>80%+	832	-	832	0.00%	1,021
Total	888,120	1,042	887,078	0.12%	2,127,952
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

The asset quality underlying the Structured Real Estate 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 2025, 87 of the facilities within the secured finance portfolios were in arrears of 30 days or more (31 December 2024, 82).

30 Financial risk management (continued)

(a) Credit risk (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.

£'000s 2025	Central Banks	Government/ MDB*	Individuals	Corporate/ SME	Bank	Total
Treasury placements and balances with banks	100,092	-	-	-	188,441	288,533
Securities purchased under reverse repurchase agreements	-	-	-	-	74,193	74,193
Investment securities through FVOCI	36,871	172,240	-	-	-	209,111
Investment securities at amortised cost	-	30,046	-	-	-	30,046
Home purchase plans	-	-	859,214	27,864	-	887,078
Structured real estate	-	-	33,508	1,555,488	-	1,588,996
	136,963	202,286	892,722	1,583,352	262,634	3,077,957

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 through FVOCI	7,060	134,654	-	149	-	141,863
Home purchase plans	-	-	914,647	18,385	-	933,032
Structured real estate	-	-	25,560	1,148,392	-	1,173,952
	102,835	134,654	940,207	1,166,926	443,639	2,788,261

* Multilateral development banks (MDB)

Concentration by geographical location of assets:

£'000s 2025	UK	Europe	Asia	Middle East	Total
Treasury placements and balances with banks	268,058	-	-	20,475	288,533
Securities purchased under reverse repurchase agreements	74,193	-	-	-	74,193
Investment securities through FVOCI	36,871	-	-	172,240	209,111
Investment securities at amortised cost	-	-	-	30,046	30,046
Home purchase plans	886,905	173	-	-	887,078
Structured real estate	1,588,996	-	-	-	1,588,996
2024	UK	Europe	Asia	Middle East	Total
Treasury placements and balances with banks	350,988	-	-	188,426	539,414
Investment securities through FVOCI	7,060	-	-	134,803	141,863
Home purchase plans	932,860	172	-	-	933,032
Structured real estate	1,173,952	-	-	-	1,173,952

30 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
2025										
Deposits from banks & financial institutions	18	221,222	225,387	6,278	46,115	171,415	1,579	-	-	-
Deposits from customers	19	2,477,658	2,559,022	714,056	313,685	1,183,415	151,527	74,701	55,849	65,789
Financings from banks	20	176,023	199,899	-	-	-	-	199,899	-	-
		<u>2,874,903</u>	<u>2,984,308</u>	<u>720,334</u>	<u>359,800</u>	<u>1,354,830</u>	<u>153,106</u>	<u>274,600</u>	<u>55,849</u>	<u>65,789</u>
2024										
Deposits from banks & financial institutions	18	64,752	65,692	13,179	26,643	24,143	1,726	-	-	-
Deposits from customers	19	2,412,883	2,504,585	798,519	243,409	1,139,578	298,450	24,455	174	-
Financings from banks	20	80,776	93,267	-	-	-	-	93,267	-	-
		<u>2,558,411</u>	<u>2,663,544</u>	<u>811,698</u>	<u>270,052</u>	<u>1,163,721</u>	<u>300,176</u>	<u>117,722</u>	<u>174</u>	<u>-</u>

30 Financial risk management (continued)

(b) Liquidity risk

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. Financing assets have been classified on the same basis of expected repayment behaviour that was used for estimating the effective profit rate.

	Due within 12 months £'000	Due after 12 months £'000	Total £'000
2025			
Cash	1,379	-	1,379
Treasury placements and cash balances with banks	288,533	-	288,533
Securities purchased under reverse repurchase agreements	74,193	-	74,193
Home purchase plans	35,641	851,437	887,078
Structured real estate	237,991	1,351,005	1,588,996
Investment securities through FVOCI	177,110	32,001	209,111
Investment securities at amortised cost	-	30,046	30,046
Property and equipment	43	33,737	33,780
Intangible assets	230	2,841	3,071
Deferred tax asset	-	316	316
Derivative financial instruments	-	792	792
Other assets	6,053	-	6,053
Assets held for sale	2,084	-	2,084
Total assets	823,257	2,302,175	3,125,432
Deposits from banks and financial institutions	100,591	120,631	221,222
Deposits from customers	897,098	1,580,560	2,477,658
Financing from banks	-	176,023	176,023
Subordinated funding	-	2,500	2,500
Other liabilities	12,076	-	12,076
Derivative financial instruments	-	1,950	1,950
Total Liabilities	1,009,765	1,881,664	2,891,429
Net balance	(186,508)	420,511	234,003
2024			
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
Structured real estate	167,037	1,006,915	1,173,952
Investment securities through FVOCI	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

30 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 profit 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 Structured Real Estate 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.

Profit rate risk represents a significant element of the Bank's market risk profile. The Bank is funded through long-term floating-rate Sharia-compliant facilities, which expose it to variability in future cash flows arising from movements in benchmark profit rates.

In line with its Sharia-compliant risk management strategy, and where the requirements of IFRS 9 hedge accounting are satisfied, the Bank designates certain profit rate swaps as either fair value or cash flow hedging instruments.

For fair value hedges of profit rate risk, the Bank designates the benchmark profit rate component of fixed profit rate Sharia-compliant financing exposures as the hedged item. At designation, the Bank identifies the mid-market benchmark profit rate relating to the hedged item as a separately identifiable and reliably measurable risk component. For cash flow hedges, the Bank designates the variability in future cash flows arising from movements in benchmark profit rates on floating profit rate Sharia-compliant funding as the hedged item.

As at 31 December 2025, a shift of 1.00% to base rates (both GBP and USD) would result in a £1.6m movement in the market value (2024: £0.4m). At 31 December 2025 the mark to market gain net of deferred tax was £0.1m (2024: £0.2m 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.

30 Financial risk management (continued)

(c) Market risk

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 2025	(8,160)	9,691
31 December 2024	(7,435)	8,863

(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 80 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 Structured Real Estate 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 which was repaid in the year and re-issued for £2.5m.

30 Financial risk management (continued)

(e) Capital management

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

£'000s – figures	2025	2024
Tier 1 capital		
Total equity excluding profit stabilisation reserve	233,905	216,378
Less intangible assets	(3,071)	(2,972)
Less deferred tax	(316)	(2,049)
Less additional value adjustments	(212)	(144)
	<u>230,306</u>	<u>211,213</u>
Tier 2 capital		
Subordinated funding	2,500	13,657*
Total regulatory capital	<u>232,806</u>	<u>224,870</u>

In 2025, the Bank repaid £22.5m of its Tier 2 capital, with the remaining £2.5m tranche extended to a maturity date of 31 December 2040.

*At year end 2024, all three Tier 2 tranche (£10m, £5m and £10m) were 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.

31 Events after the reporting period

In February 2026, the Bank completed a £10 million Tier 2 capital drawdown from its parent as part of its ongoing capital planning activities. The arrangement forms part of the Bank's broader Tier 2 capital programme, under which the Bank retains the capability to draw further Tier 2 funding if required. This injection further strengthens the Bank's regulatory capital position and supports its long term growth strategy. As the transaction took place after the reporting date and does not reflect conditions existing at 31 December 2025, it is treated as a non adjusting post balance sheet event.

Following the year end, the Bank has continued to monitor global geopolitical developments, including instability in the Middle East, the ongoing Ukraine conflict and wider political tensions. Management notes that while the events in the Middle East in early March are deeply concerning, they do not have a material impact on the Bank, reflecting the Bank's position as an independent UK subsidiary with limited exposure to investment grade treasury counterparties in the region. The Bank maintains a diversified funding base and strong capital and liquidity position, and the geopolitical developments are considered non-adjusting post-balance-sheet events with no impact on the financial statements for the year ended 31 December 2025.

32 Contingent liabilities and other commitments

Under the terms of some of the Bank's Structured Real Estate Financing, there are undrawn customer financing amounts. The outstanding undrawn amounts in respect of these agreements at 31 December 2025 £20.3m (2024: £22.3m).

33 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 £189,706k (2024: £172,198k) and total zakat due would be £4,890k (2024: £4,438k) on a 2.5775% basis (the zakat has been calculated on the basis of a solar year). The amount of zakat per share is £0.00040.

34 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)	£173,202
Average number of employees on a full-time equivalent basis	175
Profit or loss before tax (£'000s)	£23,587
Tax charge on profit (£'000s)	£5,906
Public subsidies received	Nil

35 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.