Pillar 3 Disclosures

31 December 2025

AlRayan Bank PLC

Registered number 04483430 (England & Wales)

ALRAYAN BANK

alrayanbank.co.uk

Contents

Executive Summary

1.1 Background to the Bank

AlRayan Bank PLC[1] ("the Bank") is a majority-owned subsidiary of AlRayan Bank Q.P.S.C., one of the largest Sharia-compliant banks in Qatar.

Headquartered in London, AlRayan Bank PLC is the longest-established and largest Sharia-compliant retail bank in the United Kingdom. Over more than two decades, the Bank has played a significant role in the development and growth of the UK Sharia-compliant finance sector, contributing to the expansion of ethical, asset-backed financial services within a robust regulatory framework.

The Bank operates under a clear strategic focus on Structured Real Estate ("SRE") finance and Premier Banking services, primarily serving UK-based and international high-net-worth individuals, including customers from the Gulf Cooperation Council (GCC) region. This focused business model is supported by disciplined risk management practices and a commitment to maintaining strong capital and liquidity positions in line with regulatory expectations.

AlRayan Bank was the first Sharia-compliant bank in the UK to obtain a public credit rating, achieving an Aa3 (cr) rating from Moody's Investors Service, reflecting the strength of its credit profile and its relationship with its parent.

The Bank delivers its products and services through a multi-channel offering, combining personalised relationship management with digital and telephone banking capabilities. Premier Banking services are delivered from the Bank's Head Office in London, ensuring tailored and relationship-driven customer engagement.

AlRayan 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 AlRayan 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.

[1] A resolution was formally approved at a general meeting held in May 2026, resulting in the Bank's transition from a public limited company (PLC) to a private limited company (Ltd).

1.2 Purpose of the Pillar 3 Disclosures

This document comprises the Bank's Pillar 3 disclosures on Capital and Risk Management as at 31st December 2025. It has two principal purposes:

- To provide useful information on the capital and risk profile of the Bank; and
- To meet the regulatory disclosure requirements under the UK Capital Requirements Regulation ("CRR"), Part 8 and the rules of the Prudential Regulation Authority ("PRA") as amended and as on-shored by the UK

1.3 Summary metrics

Capital ratios remained in excess of regulatory requirements throughout the year and as at 31st December 2025, Common Equity Tier 1 (CET1) ratio is 15.4% (2024: 16.0%) and Total Capital Ratio is 15.8% (2024: 17.2%).

The leverage ratio is calculated per the Capital Requirements Directive IV (CRD IV) which measures the relationship between Tier 1 capital and total assets, to supplement risk-based capital requirements. At present, the Bank is not within the scope of the UK Leverage Framework Regime as its deposit levels are less than £50 billion. The Bank, as per risk appetite, maintains a prudent limit well above the PRA prescribed minimum leverage ratio requirement for larger institutions.

Under the European Banking Authority's (EBA) rules on leverage, the leverage ratio is calculated by dividing Tier 1 capital by on-balance sheet and off-balance sheet assets. The leverage ratio remained above regulatory requirements throughout the year, and as at 31st December 2025 is 7.6% (2024: 7.7%).

As at 31st December 2025, the Bank's Liquidity Coverage Ratio (LCR) was 598% (2024: 746%). The LCR exceeds the UK regulatory minimum requirement of 100%.

Full details regarding the Bank's overall financial position can be found in the Annual Report and Financial Statements for the year ended 31 December 2025 (the Accounts). A summary of the key metrics is shown opposite.

Key metrics

Table 1: Available capital £m

	31 Dec 2025	31 Dec 2024
Total Risk Weighted Assets (RWA)	1,471.2	1,307.8
Common Equity Tier 1	227.3	208.2
Additional Tier 1[2]	3.0	3.0
Tier 1	230.3	211.2
Tier 2[3]	2.5	13.7
Total Capital	**232.8**	**224.9**

Table 2: Capital ratios as a percentage of RWA (%)

	31 Dec 2025	31 Dec 2024
Common Equity Tier 1 Ratio	15.4%	16.0%
Tier 1 Ratio	15.7%	16.1%
Total Regulatory Capital Ratio	**15.8%**	**17.2%**

Table 3: CRR Leverage ratio (£m/%)

	31 Dec 2025	31 Dec 2024
Total Leverage Ratio Exposure	3,027.0	2,757.3
Leverage Ratio	7.6%	7.7%

Table 4: Liquidity Coverage Ratio (%)

	31 Dec 2025	31 Dec 2024
Liquidity Coverage Ratio	598%	746%

Table 5: Net Stable Funding Ratio (%)

	31 Dec 2025	31 Dec 2024
Net Stable Funding Ratio	151%	161%

Table 6: Profit after tax (£m)

	31st Dec 2025	31st Dec 2024
Profit after tax	17.7	17.7

[2] Additional Tier 1 capital was drawn down from the parent company during 2019.

[3] 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.

Introduction

1.4 Background

The Basel III regulatory framework is implemented through the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD), together referred to as CRD IV.

The CRD IV framework includes three 'pillars':

Pillar 1 Minimum capital requirements relating to credit, market and operational risks;

Pillar 2 Firm's own internal assessment of additional capital requirements relating to specific risks not covered by the Pillar 1 minimum capital requirement. This additional capital requirement is subject to review by the PRA;

Pillar 3 Disclosure of information relating to the risk assessment process and resulting capital adequacy. The Pillar 3 Disclosures are designed to promote market discipline through external disclosure of a firm's risk management framework and risk exposures

The UK implemented CRD V on 31st December 2020, with the aim of addressing the adequacy and effectiveness of capital and liquidity resources. This implementation included an improved approach, known as Pillar 2, for managing and controlling profit rate risk in the banking book (PRRBB). Additionally, it introduced several measures specific to the European Union (EU) to promote greater consistency in both micro and macro prudential supervision, while also enhancing proportionality in prudential requirements.

Further to the CRD IV and CRD V frameworks outlined above, Basel 3.1 represents the finalisation of the Basel III reforms and introduces additional enhancements aimed at improving the comparability, consistency, and risk sensitivity of capital requirements. These reforms include revisions to the calculation of risk-weighted assets (RWAs), constraints on the use of internal models through the introduction of an output floor, and updated standardised approaches for credit, market, and operational risk. In the UK, the PRA intends to implement Basel 3.1 with effect from 1st January 2027. The Bank is well advanced in its implementation programme and expects only a limited impact on its capital position from the adoption of these reforms.

The Bank's disclosures have been prepared in accordance with the UK Capital Requirements Regulation (CRR) Disclosure part of the PRA rulebook following the implementation of PS22/21 'implementation of Basel Standards: Final rules' which came into force on 1 January 2022.

1.5 Scope of application

The Bank has no trading subsidiaries; therefore, this document only contains the Pillar 3 disclosures for AlRayan Bank PLC.

1.6 Basis and frequency of disclosures

Unless stated otherwise, all data is at or for the year to 31st December 2025, with 31st December 2024 comparatives. The term CRD IV is used throughout these disclosures as a collective term for CRD IV, CRR and the PRA's policy statements. This report is in accordance with the rules laid out in the Capital Requirements Regulation (Part 8) as amended and on shored by the UK. This includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II.

The Bank qualifies as a small and non-complex institution in line with the requirements set out in article 4 (145) CRR, therefore, the Bank has included only those disclosure templates which are applicable to such an institution within Annex 1.

This document will be updated annually and will be based on the Bank's most recent audited financial statements and regulatory returns. The regulatory returns go through a rigorous check with reconciliation to management accounts and variance analysis explained where applicable. The disclosures may differ from similar information in the Bank's Accounts which are prepared in accordance with International Financial Reporting Standards (IFRS). Therefore, the information in these disclosures may not be directly comparable.

Both the Financial statements and the Pillar 3 disclosures can be found on the Bank's website.

1.7 Verification

These disclosures have been reviewed and approved by the Bank's Executive Management Committee, Board Audit Committee and the Board.

1.8 External audit

The disclosures provided in this document have been internally verified by management but have not been subjected to external audit.

1.9 Board responsibility for risk management

The Board has overall accountability and ownership for ensuring that the Bank has an appropriate system of risk management in place to ensure risks in the bank are quantified, identified, assessed, managed, mitigated and reported.

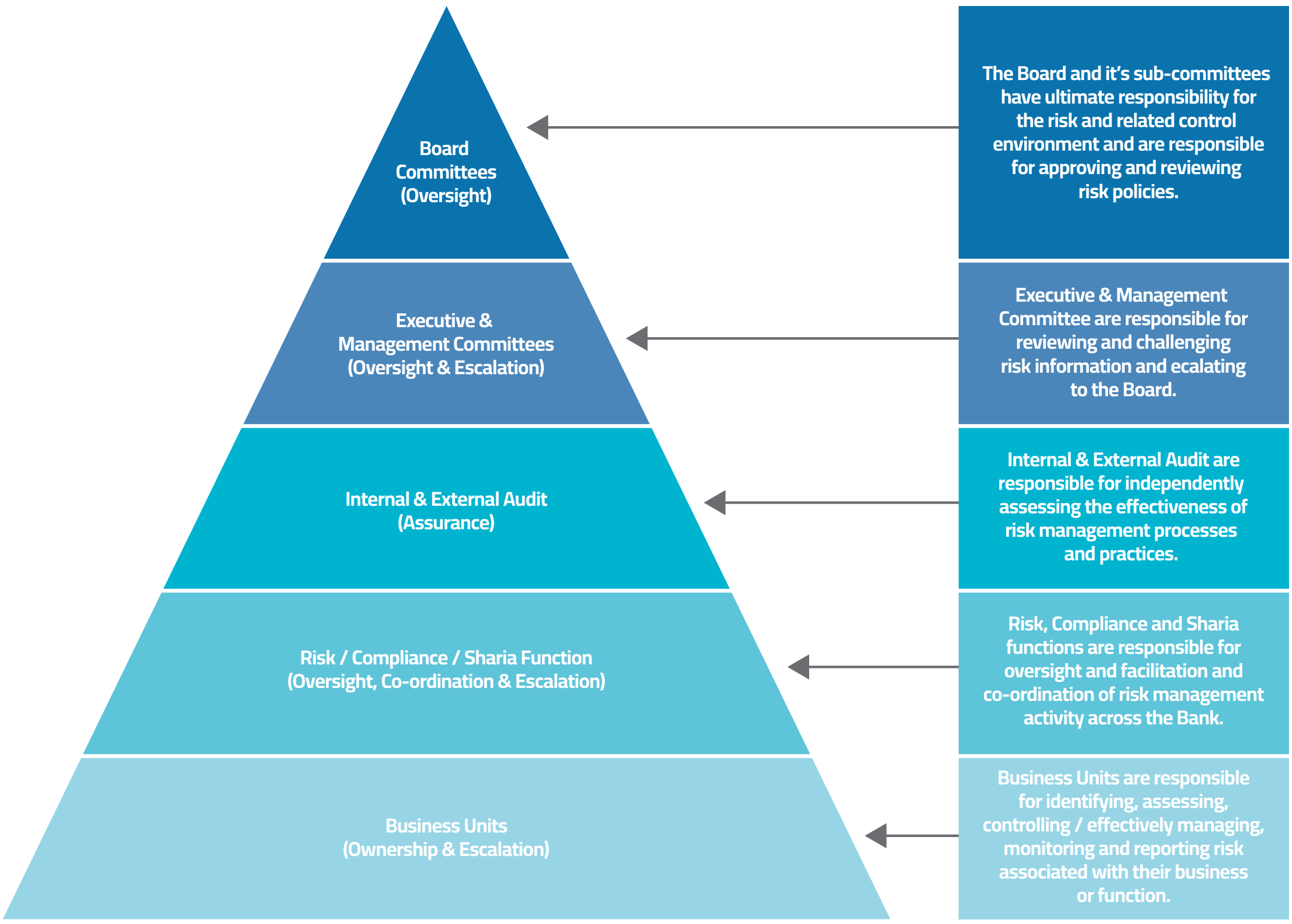
The Board considers that, as at 31st December 2025, it had in place adequate systems and controls regarding the Bank's risk profile and strategy. Furthermore, the Board can confirm that the Bank remained within defined regulatory limits for risk exposure throughout the year for all principal risks.

Governance Structure

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

The Bank's approach to risk governance ensures that risk management is directed and controlled by the Bank's Board and utilises hierarchical management control structures and management information as appropriate. Figure 1 below illustrates the Bank's overall risk governance structure which provides a framework for the identification, assessment, control / effective management, monitoring and reporting of risks across the Bank.

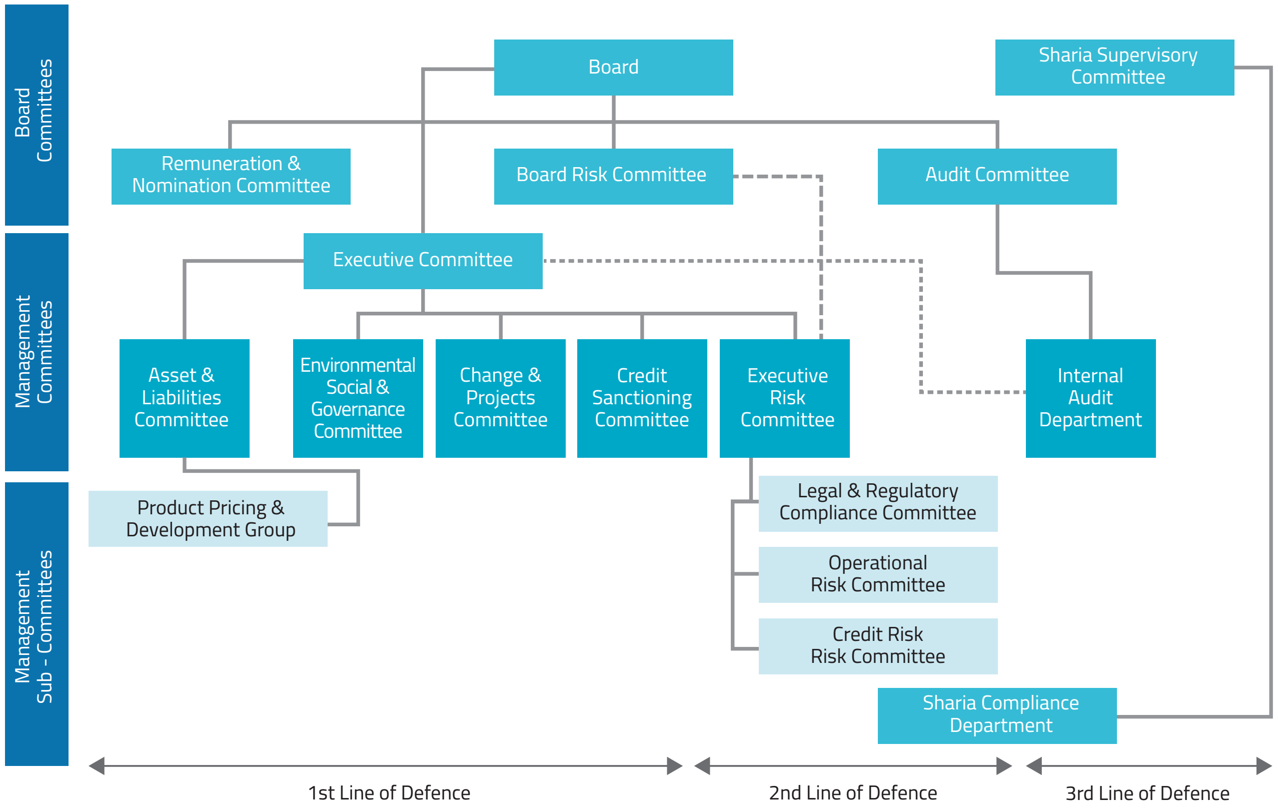
Figure 1: AlRayan Bank Governance Framework



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

Figure 2 below outlines the Bank's Corporate Governance structure that ensures appropriate delegation of authority from the Board. Each committee is responsible for risk monitoring and oversight within its terms of reference, considering the relevant sub-set of risk appetite and metrics applicable to each committee. Minutes are also prepared for all key committee meetings.

Figure 2: AlRayan Bank Corporate Governance Structure



1.10 Board of Directors and Board level committees

The Board has overall accountability to ensure that the Bank has an appropriate system of risk management in place to ensure risks in the Bank are identified, assessed, controlled / effectively managed, monitored and reported. The Board's risk governance is supported through a series of sub-committees, or by Management, operating under delegated mandates for the oversight of management of risks within the Bank. The roles of the permanent Board committees are outlined in Figure 3 below:

Figure 3: Role of the Board and its relationship to key committees

Board of Directors		▸ Overall accountability to ensure that the bank has an appropriate system of risk management in place to ensure risks are identified, assessed, managed, mitigated and reported ▸ Leads the development of and approves the Bank's strategy and risk appetite ▸ Ensures risk management is appropriate and functioning; and monitors the adequacy of financial resources in the light of the Bank's risk exposures
	Board Risk Committee	▸ Board sub-committee providing oversight and advice to the Board on current and future risk exposures and risk strategy ▸ Provides oversight of the development, implementation and maintenance of the RMF, risk appetite, risk strategy, and key policies, to ensure they are in line with emerging regulatory, corporate governance and industry best practice
	Board Audit Committee	▸ Board sub-committee that assists the Board in fulfilling its responsibilities in relation to accounting reporting practices and independent monitoring and reviewing of the internal controls ▸ Assesses Internal Audit reviews on the effectiveness of the risk management framework and whether a sound system of internal control is maintained
	Remuneration & Nomination Committee	▸ Board sub-committee that ensures that the bank has a Board, SMFs and Certified Employees in place who are suitably qualified, experienced and trained, and that effective succession planning is undertaken ▸ Ensures remuneration policies and practices are compliant with the FCA Remuneration Code, make proper use of risk-based objectives, and are designed to attract, retain and motivate the bank's employees
	Executive Committee	▸ The CEO's forum for major operational decisions, responsible for assisting the CEO in the performance of duties, including managing and overseeing all aspects of the Bank's business and operations and assessing and controlling risk across the Bank ▸ Delegates authority to management sub-committees described in the Governance and Delegated Authorities section of this document
Sharia Supervisory Committee		▸ Fully independent committee comprising three leading scholars who are experts in the interpretation of Islamic law and its application within Islamic financial institutions ▸ Ensures the Bank complies with Sharia principles and provides advice and support in developing and delivering Sharia compliant services and outcomes to its customers ▸ Reports to the shareholders by way of a Sharia audit report in the Bank's Annual Report and Accounts

1.11 Executive/Management level committees

Executive Committee ('ExCo')

The ExCo is the Chief Executive Officer's (CEO) forum for major operational decisions and is responsible for assisting the CEO in the performance of their duties, including:

1. The development, implementation and execution of strategy, the strategic plan, risk appetite, operational plans, policies, procedures and budgets for consideration by the Board
2. The monitoring of operating and financial performance
3. The assessment and control of risk
4. The prioritisation and allocation of resources; and
5. The monitoring of competitive forces in each area of operation
6. Approval of the ICAAP, ILAAP, RRP and Solvent exit plan.

Assets & Liabilities Committee ('ALCO')

The ALCO is the principal 1st line management committee, chaired by the CFSOO, that is primarily responsible for monitoring market, capital and liquidity and funding risks. This includes monitoring risks associated with profit rates in the banking book, open foreign exchange positions, the composition of assets and liabilities, funding mismatches, capital adequacy, liquidity, wholesale credit risk, the results of liquidity stress tests, and the approval of new products.

A further sub-management committee also reports to the ALCO, which is the Product Pricing & Development Group.

Executive Risk Committee ('ERC')

The ERC is the principal 2nd Line risk oversight committee and is chaired by the CRO. It has full authority to act on all material and / or enterprise-wide risk and control matters across the Bank. ERC provides executive input on risk management issues to the Board, BRC and ExCo, including recommendations on risk appetite, policies and risk management strategies. It is also the principal risk monitoring forum for all the Bank's primary risks.

Credit Sanctioning Committee ('CSC')

The CSC is a sub-committee of ExCo, chaired by the CEO. The principal purpose of the CSC is to review and opine on applications for Property Finance facilities and Treasury country and counterparty requests presented by relevant business areas, in accordance with the discretionary limits set by the Board.

Credit Risk Committee ('CRC')

The CRC is a sub-committee of ERC, chaired by the CRO. The principal purpose of the CRC is to review appropriate management information, policies and papers, working in collaboration with the Finance team as required, relating to credit risk across the Bank, including those related to Expected Credit Loss ('ECL') in line with IFRS9 requirements.

Legal & Regulatory Compliance Committee ('LRCC')

The LRCC is a sub-committee of ERC and is chaired by the Head of Compliance, MLRO & Deputy CRO. Its primary purpose is to provide summarised upwards reporting to the ERC on relevant legal, regulatory and compliance risks and/or recommendations for approval, including as a minimum: management information, new and emerging risks, horizon scanning, policies, compliance monitoring reports, regulatory interactions, Consumer Duty related management information, mandatory regulatory reporting, and changes to the management responsibilities map and SMCR developments.

Operational Risk Committee ('ORC')

The ORC is a sub-committee of the ERC and is chaired by the Head of Enterprise & Operational Risk or their delegate. Its primary purpose is to provide summarised input to the ERC on relevant operational risk and/or recommendations for approval, including as a minimum: risk appetite – significant breaches of supporting metrics, Risk and Controls Self-Assessment ('RCSA') output, business incident reporting, development of the Operational Risk Plan and oversight of other in-scope risk types.

Change and Projects Committee ('CPC')[4]

As at 31st December 2025 the CPC was a sub-committee of ExCo and was chaired by the COO. The Committee was responsible for the initial authorisation, ongoing oversight and decision making on all significant projects within the Bank. It also monitored the Bank's overall project delivery plan, ensuring sufficient resources were allocated to each project and provided oversight on financial and risk management of projects. The Committee was also responsible for reviewing and maintaining oversight, monitoring and assessing performance against the transformation plan and managing all change activity within the bank. Accountability for projects rested with the Executive sponsor of each project

Environment, Social and Governance Committee ('ESGC')

The Environmental, Social and Governance Committee ('ESGC') is a sub-committee of ExCo and is chaired by the Chief People & Sustainability Officer ('CPSO'). Its primary purpose is to oversee the Bank's approach to integrating environmental, social, and governance practices into its business strategy and operations, and its impact and sustainability. The ESGC is the Bank's principal forum for developing core ESG objectives and metrics to ensure appropriate monitoring and reporting to all key stakeholders and at appropriate governance forums including the Board or Board sub-committees as appropriate. The committee monitors and assesses current and emerging ESG trends, relevant national standards and legislative requirements; and identifies how these are likely to impact on the strategy, operations, and reputation of the Bank; and determine whether and how these are incorporated into or reflected in the Bank's ESG policies and objectives.

Transformations Committee

The Transformation Committee was established in January 2026 and is chaired by the CEO. It is a subcommittee of ExCO and provides robust, streamlined and rapid decision-making for all Bank-wide transformation activities over an initial 18-month operational period, which is expected to be both intense and time-critical. The Bank is transitioning away from a legacy model of incremental change towards a fundamental transformation of both the business and IT estate. The Transformations Committee supports the banks intention to create an almost entirely new ARB IT estate, with a rationalised product range and customer base, alongside a controlled transition of existing customers to that new estate.

[4] The CPC was formally disbanded on 31st December 2025 and replaced by the Transformations Committee.

Risk Management Framework

The Bank's Risk Management Framework (RMF) as illustrated in Figure 4 below, outlines the Bank's approach to identifying, assessing, controlling / effectively managing, monitoring and reporting risks the Bank is, or might be exposed to, and provide adequate internal control mechanisms that are consistent with, and promote, sound and effective risk management. The purpose of the RMF is to provide an effective, consistent and transparent approach to managing risks across the Bank. The RMF is supported by a more in-depth suite of policies that detail how risks are controlled and effectively managed across the bank on a more granular basis.

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

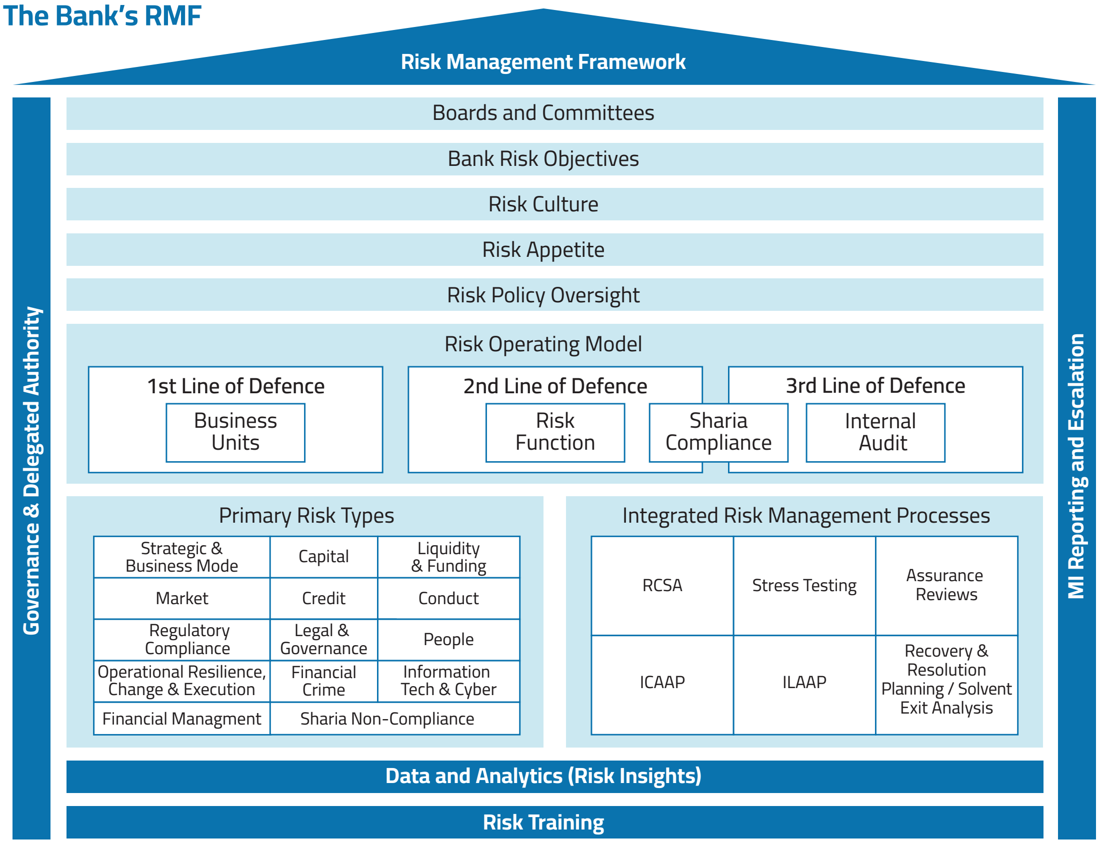
The Bank's approach to risk management supports and complements its overall strategic aims, but also seeks to add value through challenge and independent oversight of business activities. Through the deployment of a robust RMF, the Bank aims to deliver the following risk objectives:

1. Support the establishment of a strong, empowered risk management culture, together with risk management and control arrangements embedded throughout the Bank.
2. Promote a risk aware culture across the Bank, driving an environment where individuals take responsibility and ownership for both risk and high standards of customer conduct.
3. Ensure all risks are identified, assessed, controlled / effectively managed, monitored, and reported through appropriate governance, with clear accountability and responsibility for risk management across the Bank.
4. Maintain positive stakeholder confidence and reputation with customers, colleagues, shareholders, the Sharia Supervisory Committee, rating agencies and regulators.
5. Ensure sustainability and ongoing viability through continuing capital and liquidity strengths, and operational stability and resilience, including that of third-party providers.

The adoption of, and compliance with, the RMF evidences the Bank's ongoing focus on embedding effective risk management and emphasises the Board's commitment to incorporating the management of risk into everyday thinking, behaviours, processes and business practices. The responsibility for ensuring effective implementation and monitoring of the RMF compliance lies with the Bank's CRO, overseen by the management level ERC.

The figure 4 below articulates the Bank's RMF, which is described in more detail in the RMF document.

Figure 4: The Bank's RMF



1.12 Primary Risks (Risk Taxonomy)

The main tool of risk classification is the Bank's risk taxonomy, whereby the Bank defines (at a high level) the primary types of risk that the Bank is exposed to. This supports the clear allocation of ownership of risk and provides structure to risk reporting across the Bank. The Bank has categorised risks into fourteen Primary Risk Types supported by dedicated risk management policy documents. Risk ownership is cascaded through Risk Categories, which have been defined to support the identification, management and reporting of qualitative Primary Risk Types across the Bank. Figure 5 below outlines the Bank's Primary Risk Types and Risk Categories with associated descriptions for each.

Figure 5: Primary risk types within the RMF

Primary risk type		Description
1.	**Strategic & Business Model Risk**	Failure to define, deliver, or execute the Bank's strategic goals and objectives, or that result in impacts to the Bank's business model viability.
1.1	**Corporate and Social Responsibility**	The Bank's business model and operations cause damage to people, the environment, or society, which can lead to a negative impact on the Bank's reputation and financial stability.
1.2	**Climate Change Transition**	The Bank's business model is adversely impacted by changes in climate, including expected or required transition changes e.g., to low carbon economy.
2.	**Capital Risk**	Sub-optimal quantity and quality of capital, or a breach of regulatory capital requirements.
3.	**Liquidity & Funding Risk**	Inability to meet liquidity obligations as they become due, from an unstable funding profile or from a lack of availability of funds.
4.	**Market Risk**	Reductions in earnings and/or value from unfavorable market movements.
5.	**Credit Risk**	Failure of other parties to meet their financial obligations to the Bank and the deterioration of creditworthiness of parties to which the Bank is exposed.
6.	**Conduct Risk**	Products or actions that lead to poor customer outcomes or cause harm to stakeholders or broader market integrity.
6.1	**Product Governance**	Product defects exposing the Bank or the Bank's customers to unanticipated outcomes. This includes product design flaws, unapproved product changes, legislative changes impacting on product value proposition or design and non-adherence with product rules.
6.2	**Communications**	Unclear, inaccurate, misleading or incomplete communications with customers or stakeholders. This includes digital, electronic, and physical communication formats.
6.3	**Sales Practices**	Products sold to customers that are not appropriate for the customers' needs. This includes aggressive sales, disclosure issues and improper trade or market practices.
6.4	**Responsible Financing**	Financing is provided to customers that are not in the customers' best interests. This includes exceeding customer limits, not ensuring affordability, lack of transparency of terms and conditions, value for money and suitability issues.
6.5	**Financial Difficulties**	Not providing appropriate support to customers in financial difficulty based on their individual circumstances resulting in poor customer outcomes.
6.6	**Complaints Handling**	Customer complaints are not identified, investigated and resolved promptly, fairly, efficiently and/or in line with regulatory obligations.

Primary risk type		Description
6.7	Vulnerable Customers	Vulnerable customers are not identified and accommodated resulting in poor outcomes for these customers and failure to meet regulatory obligations.
6.8	Conflicts of Interest	The judgement or actions of the Bank's employees, including management or Board may be adversely influenced due to conflicts with the interest of the Bank or the Bank's customers or where the Bank's interest may conflict with the interests of its stakeholders or customers. This risk includes abuse of access to privileged Bank or customer information, abuse of a position of authority or mandate.
7.	**Regulatory Compliance Risk**	Non-compliance with regulations and codes of conduct.
7.1	Regulatory Compliance	The Bank may not comply with regulations, rules, and codes of conduct applicable to the jurisdictions and services it provides. This includes the risk of Non-Financial Regulatory Reporting (NFRR) timelines not being met, or inaccurate or incomplete NFRR submissions.
7.2	Data Protection	The Bank may not collect, protect, handle and/or manage personal data in line with privacy laws, associated regulations, and industry standards.
8	**Legal and Governance Risk**	Non-compliance with laws, rules, standards, contractual obligations and good corporate governance.
8.1	Legal	Legal action or criminal charges against the Bank or authorised representatives of the Bank. Types of legal risk include corporate risk, contract risk, litigation risk, intellectual property risk (including copyrights and trademarks) and tort (wrongful act other than breach of contract that injures another).
8.3	Corporate Governance	The Bank's ESG governance standards or the Bank's commitment to building a culture dedicated to ethical business behaviour and responsible corporate activity is not supported by the way in which the Bank is led and managed. This includes the following: Business ethics, Board composition, corporate leadership, Risk and crisis management, Resource allocation, Incentive structures, Political responsibility, Transparency, Anti-corruption and integrity, Tax strategy, Fair competitive practices, Stakeholder engagement and Supply/value chain management.
9.	**People Risk**	Inability to recruit and retain skilled staff, inadequate training or management of staff, inappropriate reward and incentives and inadequate health and safety practices.
9.1	Diversity & Inclusion	Not fostering a diverse and inclusive workplace, ensuring fair treatment and /or addressing potential biases. This includes all types of discrimination.
9.2	Remuneration & Reward	Reward and / or incentive structures do not support long term, sustainable business performance or appropriate risk management practices.
9.3	Resourcing	The Bank may select inappropriate candidates, not attract or recruit talent that is appropriately skilled, qualified or diverse, or not recruit appropriate levels of resources to support the operational activities of the Bank.
9.4	Culture	Misalignment between the Bank's values and leader's actions, colleague behaviour or the Bank's organisational systems.
9.5	Retention	The Bank may not retain its current and valuable employees.

Primary risk type		Description
9.6	Performance Management & Development	Staff performance may not be aligned with the Bank's strategic and operational objectives, underperformance may not be identified and rectified, opportunities for staff development may not be identified and supported, and good performance may not be recognised or inconsistently recognised.
9.7	Health & Safety	Unsafe workplace environment or inadequate or ineffective employee health and wellbeing support. This includes e.g. general liability (Slip & fall) and harm to colleagues, or visitors at the Bank's premises, due to exposure to a hazard or human losses or injury or death from external sources (e.g. terrorism, vandalism).
10.	Operational Resilience, Change and Execution Risk	Inadequate or failed internal or third-party processes, including execution errors, change management, and selection, management and performance of third parties.
10.1	Business Disruption and Resilience	The Bank's critical operational processes, client facing, or critical systems may be unavailable for a period of time. Possible causes may include failure of software or hardware, damage to infrastructure, telecommunications outages or utility service disruptions, natural disasters, political or social unrest. This includes disruption of a third-party service provider and damage to physical assets but excludes the impact of outages caused by cyber risk events.
10.2	Change Management	Change initiatives are not mandated or approved, do not align with the Bank's strategy, do not achieve the intended outcomes or may not be completed on time, within budget and/or in line with defined requirements.
10.3	Procurement and Outsourcing	Inadequate selection, management and performance of third parties including third party service providers and outsourcing agreements, aggregators and charities that the Bank make donations to. This includes liquidation, ownership change or strategy changes of a third party and vendor disputes, but excludes litigation, which is assessed under PRT07.01 Legal risk.
10.4	Process Design & Execution	Business processes produce unanticipated results due to inadequate process design or ineffective process execution. This may result from unintentional human error, miscommunication, missed deadlines, responsibility gaps or delivery failure.
11.	Financial Crime Risk	Engaging with or facilitating criminal conduct in breach of financial crime laws, rules and regulations.
11.1	Internal Fraud	Acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy (excluding diversity/ discrimination events), which involve at least one internal party. This includes collusion, intentional non-reporting of transactions, unauthorised transactions (with monetary loss), intentional misstatements, fraud (e.g. payment fraud, credit fraud, deposit fraud), theft, extortion, embezzlement, misappropriation of assets, malicious destruction of assets, forgery and account take-over.
11.2	External Fraud	Acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party. This includes theft/robbery, forgery, theft of information (with monetary loss), malicious destruction or damage of assets, Authorised Push Payment (APP) fraud.

Primary risk type		Description
11.3	Bribery & Corruption	The Bank or any staff member bribing another person, accepting a bribe or bribing a foreign public official. This include the following actions; Promise to supply financial or other advantage to another person, intending to induce them to perform an improper function or activity, Rewarding a person for having conducted improper function or activity, Agreeing to, or receiving financial or other advantage in exchange for conducting improper function or activity, Promise to supply an incentive to public officials intended to influence them in their capacity whether foreign or domestic, Knowingly promising an incentive to ease or expediate a routine procedure.
11.4	Money Laundering & Terrorist Financing	The Bank's products or services being abused to facilitate money laundering or terrorist financing. This includes inadequate or ineffective Anti Money Laundering and Terrorist Financing governance and control processes.
11.5	Sanctions	The Bank's products or services being provided to sanctioned individuals or entities or used to facilitate transactions with entities or individuals in sanctioned jurisdictions. This includes inadequate governance, or controls processes to manage risk associated with Politically Exposed Persons.
11.6	Tax Evasion	The Bank undertaking or facilitating transactions which are designed to achieve tax results that are contrary to the intention of tax legislation. Activities may include: Engaging in any form of facilitating UK or foreign tax evasion, Aiding, abetting or counselling any person or procuring the commission of a UK / foreign tax evasion offence by another person, Failing to promptly report any request or demand from any third party to facilitate the fraudulent evasion of tax by another person, Engaging in any other activity that might lead to a breach of the Bank' Tax transparency Policy.
12.	Information Technology & Cyber Risk	Inadequate or inappropriate provision of technology services or compromise of the confidentiality, integrity or availability of information.
12.1	Information Technology	Technology that is inadequate or inappropriate to support business operations. This includes inadequate technology solutions, architecture and support, incompatible/unsupported technologies, ineffective software licensing/licensing management, unauthorised technology changes and system mis-operation. This covers hardware, software and network/IT infrastructure supported in-house or through contracted services such as Platform as a Service (PaaS), Software as a Service (SaaS) agreement.
12.2	Information Security	Unauthorised access, use, disclosure, disruption, modification or destruction of information and/or systems by external parties using electronic means. This includes non-compliance with mandatory industry standards such as PCI DSS and all forms of cyber-attack including Distributed Denial of Service (DDOS), hacking, phishing (all types), malware, ransomware, social engineering, MITM (man in the middle) attack, worms, drive by downloads and advanced persistent threats.
12.3	Data Management	Data may be incomplete, inaccurate, inappropriately used, stored or destroyed. This includes inappropriate or ineffective maintenance of data integrity, confidentiality and availability in transit, at rest (stored, including archiving and back up) or handling (processing) and the safe destruction of data in electronic or physical format.

Primary risk type		Description
13.	Financial Management Risk	Inaccurate or incomplete financial information, loss or misuse of financial resources, inaccurate, incomplete or untimely financial reporting and non-compliance with laws, regulations and accounting standards.
13.1	Financial Control	Inaccurate or incomplete financial information, loss or misuse of financial resources and non-compliance with laws, regulations and accounting standards. This includes expenditure, including expense claims, not appropriately authorised or commercially and financially in the Bank's best interest, but excludes financial reporting.
13.2	Financial Reporting	Inaccurate, incomplete, or untimely financial reporting or missed regulatory reporting obligations. This includes management reporting, Regulatory Reporting, financial statements and disclosures.
13.3	Model Risk	Models may not produce accurate, complete or relevant results or modelled outputs may not be used appropriately to inform business decisions. Possible causes may include model design flaws including methodological errors or inaccurate assumptions, input data may be incomplete, inaccurate or misinterpreted, flawed model implementation, inappropriate or incorrect use of the model, incorrect or inappropriate application or interpretation of model outputs or incorrect / incomplete mapping of data into models.
14.	Sharia Non-Compliance Risk	The Bank may not adhere with Sharia rules and principles established by the Bank's Sharia Supervisory Committee. This risk includes, but not limited to, the design and delivery of products and financial services, outsourcing arrangements and vendor management, marketing and communications, social responsibility activities including volunteering and donations, entertainment and expense payments.

1.13 Risk Appetite

A key pillar of the Bank's risk strategy is its Risk Appetite Statement (RAS), and its application to strategic and day-to-day decision-making processes. The RAS articulates the nature and level of risk that the Bank is prepared to accept in order to meet its strategic objectives, the business plan and regulatory obligations, before action is deemed necessary to reduce the risk.

The Bank's Board of Directors (Board) considers and approves the types and levels of risk it is willing to accept, or seeks to avoid or limit, in pursuit of the Bank's business strategy and objectives. This is articulated to the business through a series of risk appetite statements and limits. Management then seek to embed these into all business activities through effective process design and appropriate risk governance.

The Risk Appetite statements for each Primary Risk Type are shown below:

Figure 6: Risk Appetite Statements

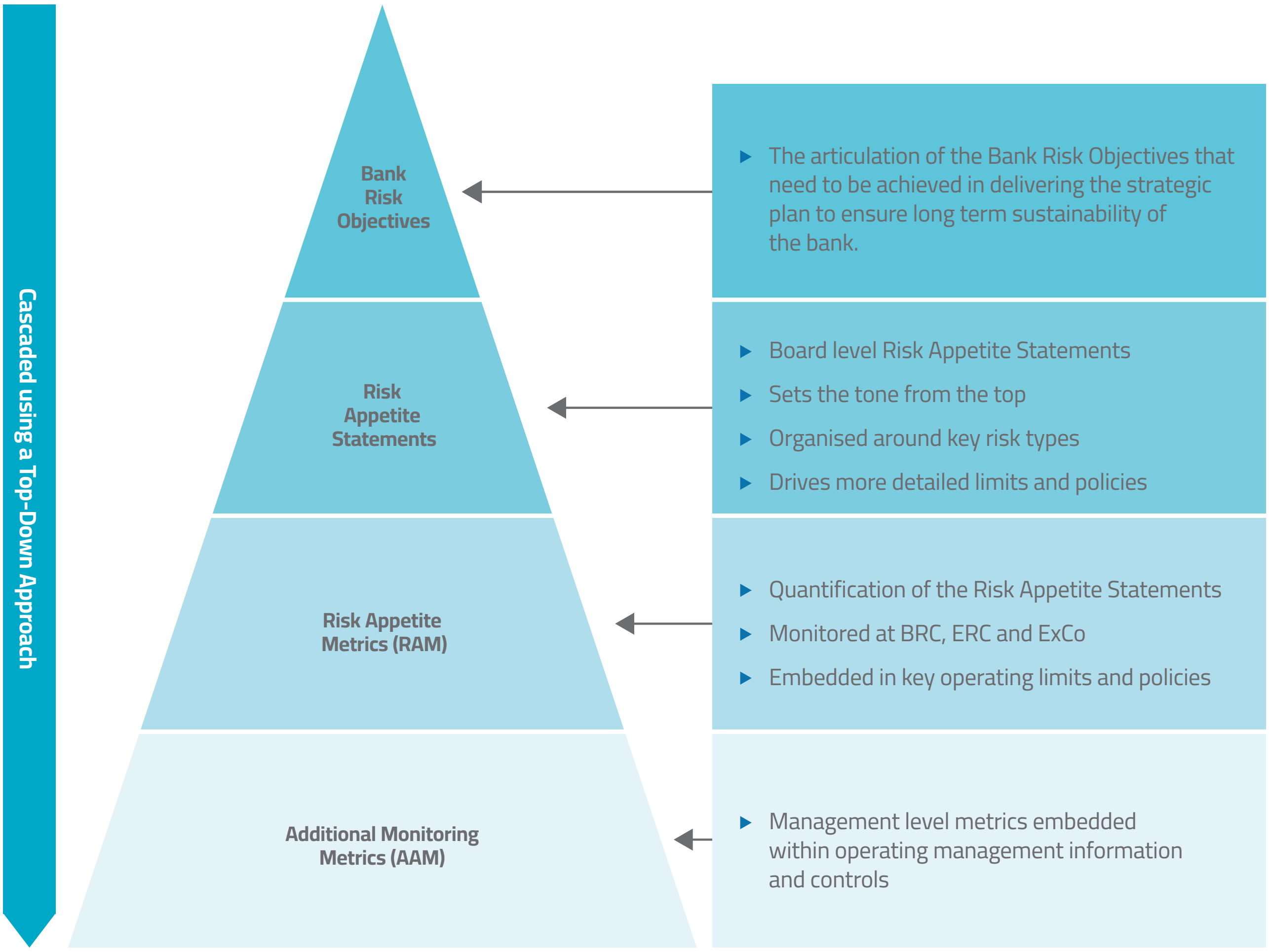
Primary Risk Type		Risk Appetite Statements
1	**Strategic & Business Model Risk**	The Bank's strategic and business model risk appetite is to ensure an effective operating model is in place at all times, that will maintain a sustainable business over the long term and provide appropriate returns to customers and shareholders.
2	**Capital Risk**	The Bank's capital risk appetite is to maintain a prudent level of capital resources that is sufficient to cover the requirements of the business plan and has the ability to absorb capital movements under severe but plausible stress scenarios without breaching regulatory requirements.
3	**Liquidity & Funding Risk**	The Bank's liquidity and funding risk appetite is to maintain sufficient levels of liquidity and funding, through High Quality Liquid Assets, and diversified sources and tenors of funding. This enables the Bank to meet current and forecasted obligations as they fall due, under business as usual and severe but plausible stress scenarios and operate in line with regulatory requirements.
4	**Market Risk**	The Bank's market risk appetite is to ensure risks relating to the effect of changes in market rates are minimised where it is economically viable, such that it avoids incurring any losses beyond approved limits, or excess volatility in either EVE or the consolidated statement of profit and loss. The Bank accepts a low level of volatility in its balance sheet and avoids holding proprietary positions.
5	**Credit Risk**	The Bank's credit risk appetite is to maintain a well-diversified property finance portfolio by location and type of property, secured with conservative Finance-To-Value's (FTV) relative to the security type. For Treasury exposures, the Bank has appetite primarily for investment grade instruments and counterparties to achieve its strategic objectives, while maintaining financial stability and regulatory compliance. Both must be supported by an assessment of the customers and/or counterparties creditworthiness and be conducted in line with the Bank's policies.
6	**Conduct Risk**	The Bank conducts business ethically, with honesty and integrity. The Bank seeks to ensure customers are provided with good outcomes from the business they undertake with ARB, as well as being supported in achieving their financial objectives.
7	**Regulatory Compliance Risk**	The Bank has a very low appetite for regulatory compliance risk and seeks to comply with all laws, rules and regulations, including those related to information and data, in a manner proportionate to its nature, scale and complexity and engages with its regulators in an open and transparent manner.
8	**Legal & Governance Risk**	The bank seeks to maintain effective governance, clear accountabilities and robust legal oversight. Legal disputes are assessed on their merits, taking int account financial, reputation and commercial considerations.
9	**People Risk**	The Bank recruits, develops, supports and retains a committed, capable, diverse employee base, which displays the organisational culture, values and behaviours expected of all.
10	**Operational Resilience, Change and Execution Risk**	The Bank maintains robust and resilient business-as-usual and change management processes and systems directly or via third parties. These are regularly reviewed to support the services that are provided to customers and employees and regularly assessed to ensure they remain within approved impact tolerances and recovery and resolution timescales.
11	**Financial Crime Risk**	The Bank has no appetite for systematic weaknesses in its financial crime systems and controls or any breach of the financial crime laws and regulations applying to its business and activities. The Bank does not undertake business with individuals or entities that it suspects are subject to sanctions or are engaged in and/or exposed to activities relating to financial crime.

Primary Risk Type		Risk Appetite Statements
12	Information Technology & Cyber Risk	The Bank adopts strong, risk-based cyber security practices and technological solutions that will aim to prevent the risk of a material cyber security event occurring.
13	Financial Management	The Bank maintains robust and resilient processes to support accurate and complete financial information, appropriate application of financial resources and compliance with relevant laws, regulations and accounting standards.
14	Sharia Non-Compliance Risk	The Bank operates in a manner which is compliant with Sharia principles and rules.

The Board undertakes a full review of the Bank's risk appetite on an annual basis or more frequently in the event of material changes within the Bank or in the external environment. Articulating the amount of risk taking that is acceptable to the Bank and helping staff to understand the relative significance of the risks faced allows for more efficient and effective risk management.

Board level RAMs and AMMs for prudential risks are used to ensure that supporting risk appetite statements are embedded throughout the business. The continual monitoring, reporting and escalation of these metrics and AMMs supports the Bank in identifying drivers behind the higher-level Board risk appetite statements.

Figure 7: Risk Appetite Framework



1.14 Three Lines of Defence approach to risk management

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

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

Second line of defence: Risk and Compliance functions provide risk management expertise and challenge managers and staff in their performance of risk management activities through independent reviews, monitoring and testing.

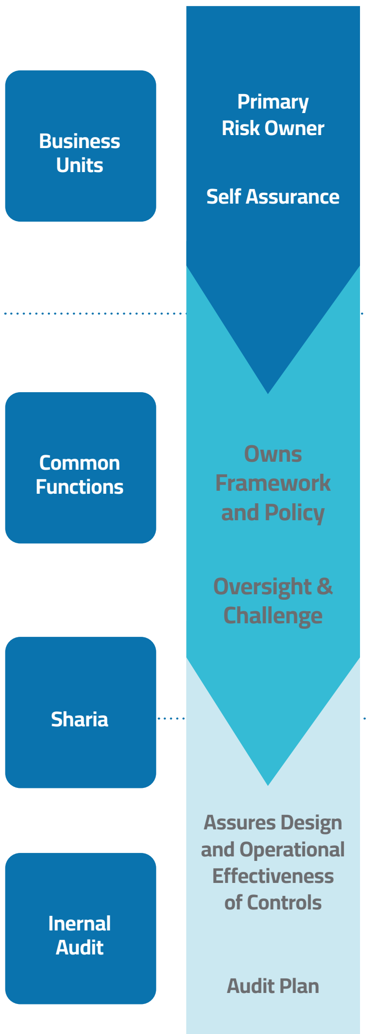
Specific Sharia compliance monitoring activities performed by the Sharia Compliance Department fall within the second line of defence. The Sharia Compliance Department also conduct an independent Sharia audit on an annual basis to provide assurance to the Sharia Supervisory Committee ('SSC') on the appropriateness and operational effectiveness of Sharia governance, Sharia non-compliance risk management and internal Sharia compliance controls.

Third line of defence: The Bank's Internal Audit function is responsible for independently reviewing the effectiveness of the risk management structure and providing assurance on the effectiveness of internal controls across both the first and the second line of defence.

The Internal Audit function reports directly to the Chair of the BAC. The BAC approves the internal audit work programme and receives reports on the results of the work performed. The Internal Audit function is also supported by resources from the AlRayan Bank QPSC Internal Audit function on certain audits, as and when required.

Figure 8 below summarises the key responsibilities for each line of defence:

Figure 8: Three Lines of Defence Framework



Accountable and responsible for:

- Owning key operational and business risks
- Identifying, assessing and managing risks
- Designing and implementing controls and mitigating activities, for example business unit-level assurance
- Monitoring, reporting and escalating risks as a appropriate
- Ensuring all decisions are taken with customers in mind
- Completing and maintaining business unit risk monitoring and reporting, including Risk and Control Self Assessment (RCSA)

Independent from business units and responsible for:

- Developing the Risk Management Framework and Risk Appetite for Board approval
- Independent challenge and oversight of risk management activities across the Bank
- Supporting business units with advice and guidance on the operating models
- Reporting to the Board on risk profiles and the efficacy of the risk controls
- Reporting and aggregating risks
- Reviewing the business strategy and ensuring strategic risks are understood with appetite monitoring and control

The Sharia Compliance Department is responsible for:

- Undertaking risk based independence oversight and audits of operating models, processes and controls relating to Policies, in line with the Bank's Sharia governance and its audit plan
- Escalating any identified concerns in line with its documented audit methodology and reporting

Independent from the business units and control functions

Internal Audit is responsible for providing independent assurances to the Board of Directors and executive management on the quality and effectiveness of:

- Governance
- Risk management
- Internal controls to monitor, manage and mitigate the key risks to achieving the Bank's objectives

1.15 Credit risk

Credit Risk is defined as loss resulting from (a) the failure of other parties to meet their financial obligations to the Bank and (b) the deterioration of creditworthiness of parties to which the Bank is exposed. Credit Risk losses can arise because of customer actions (intended or otherwise), weaknesses in security held, or outside influences such as macroeconomic factors.

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:

- 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
- Establishing authorisation limits and structures for the approval and renewal of credit exposure limits
- Reviewing and assessing credit risk prior to agreements being entered into with customers
- Limiting concentrations of exposure to counterparties, countries or sectors and reviewing these limits
- Ongoing assessment of exposure and implementation of procedures to reduce this exposure
- Providing advice, guidance and specialist skills to all business areas to promote best practice throughout the Bank in the management of credit risk

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

The Bank maintains a dynamic approach to credit risk management and aims to take necessary steps if specific issues are identified or if credit performance deteriorates, or is expected to deteriorate, due to customer, economic or sector-specific weaknesses.

The Bank applies the Standardised Approach ('SA') in order to calculate its credit risk capital requirements in accordance with Title II, Chapter 2 of the CRR, and any relevant derivations applied by the PRA.

Table 7 shows the credit risk exposures and the composition of the Pillar 1 capital requirements for credit risk as at 31st December 2025 and 31st December 2024:

Table 7: Pillar 1 capital requirements: credit risk: 31 December 2025 (£m)

Asset Class	IFRS Balance Sheet	Credit risk exposure	Average credit risk exposure	Risk Weighted Assets	Minimum capital Requirements	% of total RWA
Treasury assets	362.7	362.7	414.8	64.0	5.1	4.8%
Investment securities	239.2	239.2	167.2	30.1	2.4	2.2%
Home purchase plans	887.1	887.1	900.7	325.6	26.0	24.3%
Structured Real Estate [5]	1,589.0	1,589.0	1,387.0	868.7	69.5	64.8%
Other assets[6]	47.5	44.0	43.3	42.7	3.4	3.2%
Sub-total	**3,125.5**	**3,122.0**	**2,913.0**	**1,331.1**	**106.4**	**99.3%**
Commitment to finance[5]	-	10.1	10.5	4.0	0.3	0.3%
Sharia compliant derivatives	-	11.9	14.4	5.9	0.5	0.4%
Total	**3,125.5**	**3,144.0**	**2,937.9**	**1,341.0**	**107.2**	**100%**

[5] These two amounts have been combined and reported as Commercial property finance in all the following tables.

[6] Other asset credit risk exposures excludes deferred tax (£2.1m) and intangibles (£3m), which are deducted from own funds.

Table 8: Pillar 1 capital requirements: credit risk: 31 December 2024 (£m)

Asset Class	IFRS Balance Sheet	Credit risk exposure	Average credit risk exposure	Risk Weighted Assets	Minimum capital Requirements	% of total RWA
Treasury assets	539.4	539.4	459.0	175.3	14.0	14.8%
Investment securities	141.9	141.9	146.7	19.6	1.6	1.7%
Home purchase plans	933.0	933.0	952.5	344.7	27.6	29.0%
Structured Real Estate[5]	1,173.9	1,173.9	1,045.0	599.3	47.9	50.5%
Other assets[6]	47.5	42.5	39.9	41.3	3.3	3.5%
Sub-total	**2,835.7**	**2,830.7**	**2,643.1**	**1,180.2**	**94.4**	**99.5%**
Commitment to finance[5]	-	11.1	12.3	3.9	0.3	0.3%
Sharia compliant derivatives	-	6.2	11.5	3.1	0.2	0.2%
Total	**2,835.7**	**2,848.0**	**2,666.9**	**1,187.2**	**94.9**	**100%**

Table 9: Movements in RWAs for credit risk from 1 January 2025 to 31 December 2025

Asset Class	£m
Decrease in Treasury assets	(111.2)
Increase in investment securities	10.5
Decrease in home purchase plans	(19.2)
Increase in Structured Real Estate	269.5
Increase Other assets	1.3
Increase Sharia Compliant Derivatives	2.8
Credit Risk RWAs increase for 2025	**153.7**

[5] These two amounts have been combined and reported as Structured Real Estate in all the following tables.

[6] Other asset credit risk exposures excludes deferred tax (£0.3m) and intangibles (£3.1m), which are deducted from own funds.

Table 10: 31 December 2025 Exposures subject to Standardised Approach (£m)

Asset Class	Financing – Individuals	Financing – Structured Real Estate	Financial	Sovereign	Other Assets	Total
Treasury assets	–	–	262.7	100.0	–	362.7
Investment securities	–	–	52.7	186.5	–	239.2
Home purchase plans	887.1	–	–	–	–	887.1
Structured Real Estate	–	1,599.1	–	–	–	1,599.1
Other assets	–	–	–	–	44.0	44.0
Sharia compliant derivatives	–	–	11.9	–	–	11.9
Total	**887.1**	**1,599.1**	**327.3**	**286.5**	**44.0**	**3,144.0**

Table 11: 31 December 2024 Exposures subject to Standardised Approach (£m)

Asset Class	Financing – Individuals	Financing – Structured Real Estate	Financial	Sovereign	Other Assets	Total
Treasury assets	–	–	443.8	95.6	–	539.4
Investment securities	–	–	–	141.9	–	141.9
Home purchase plans	933.0	–	–	–	–	933.0
Structured Real Estate	–	1,185.0	–	–	–	1,185.0
Other assets	–	–	–	–	42.5	42.5
Sharia compliant derivatives	–	–	6.2	–	–	6.2
Total	**933.0**	**1,185.0**	**450.0**	**237.5**	**42.5**	**2,848.0**

Table 12: 31 December 2025 Standardised Approach by risk weight percentage (£m)

Asset Class	0%	20%	35%	50%	75%	100%	150%	Total
Treasury assets	100.0	224.4	-	38.3	-	-	-	362.7
Investment securities	156.7	37.2	-	45.3	-	-	-	239.2
Home purchase plans	-	-	863.9	-	-	23.2	-	887.1
Structured Real Estate	-	-	1,162.3	39.0[7]	-	345.2	52.6	1,599.1
Other assets	1.3	-	-	-	-	42.7	-	44.0
Sharia compliant derivatives	-	-	-	11.9	-	-	-	11.9
Total	**258.0**	**261.6**	**2,026.2**	**134.5**	**-**	**411.1**	**52.6**	**3,144.0**

Table 13: 31 December 2024 Standardised Approach by risk weight percentage (£m)

Asset Class	0%	20%	35%	50%	75%	100%	150%	Total
Treasury assets	95.6	155.5	-	288.3	-	-	-	539.4
Investment securities	43.8	98.1	-	-	-	-	-	141.9
Home purchase plans	-	-	905.0	-	0.1	27.9	-	933.0
Commercial property finance	-	-	893.2	19.0	-	256.4	16.4	1,185.0
Other assets	1.1	-	-	-	-	41.4	-	42.5
Sharia compliant derivatives	-	-	-	6.2	-	-	-	6.2
Total	**140.5**	**253.6**	**1,798.2**	**313.5**	**0.1**	**325.7**	**16.4**	**2,848.0**

[7] This amount reflects an exposure which is part of an unfunded risk participation agreement, where the underlying counterparty is the Parent Bank. As such, the exposure is subject to a 50% risk weighting.

1.16 Credit Concentration Risk

Credit 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 customers or institutions.

The Board sets counterparty, country, and regional limits in respect of treasury assets and adherence to these limits is monitored daily. 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.

Geographic distribution of credit risk exposures

The Bank's credit risk exposures, based on the location of the asset being financed, are largely within the UK, however as at 31st December 2025, £243.2 million of the Bank's assets were held outside the UK (31 December 2024: £423.2 million) of which £243.0 million account for Treasury assets.

Table 14: Credit risk exposures analysed by exposure class: 31 December 2025

Asset Class	UK (£m)	Middle East (£m)	Rest of the World (£m)	Global Supra-national (£m)	Total (£m)
Treasury assets (bank counterparties)	324.4	38.3	-	-	362.7
Investment securities	36.8	121.3	-	81.1	239.2
Home purchase plans	886.9	-	0.2	-	887.1
Structured Real Estate	1,560.1	39.0[7]	-	-	1,599.1
Sharia compliant derivatives	9.5	2.4	-	-	11.9
Total	**2,817.7**	**201.0**	**0.2**	**81.1**	**3,100.0**

Table 15: Credit risk exposures analysed by exposure class: 31 December 2024

Asset Class	UK (£m)	Middle East (£m)	Rest of the World (£m)	Global Supra-national (£m)	Total (£m)
Treasury assets (bank counterparties)	251.1	288.3	-	-	539.4
Investment securities	7.2	-	98.1	36.6	141.9
Home purchase plans	932.8	-	0.2	-	933.0
Structured Real Estate	1,185.0	-	-	-	1,185.0
Sharia compliant derivatives	6.2	-	-	-	6.2
Total	**2,382.3**	**288.3**	**98.3**	**36.6**	**2,805.5**

[7] This amount reflects an exposure which is part of an unfunded risk participation agreement, where the underlying counterparty is the Parent Bank. As such, the exposure is subject to a 50% risk weighting.

Distribution of Credit risk exposures by residual maturity

Table 16: Residual contractual maturity of credit risk exposures: 31 December 2025

Asset Class	< 1 year (£m)	1 – 5 years (£m)	More than 5 years (£m)	Total (£m)
Treasury placements and cash balances with banks	362.7	-	-	362.7
Investment securities	177.8	61.4	-	239.2
Home purchase plans	30.5	145.2	711.4	887.1
Structured Real Estate	194.7	1,305.6	98.8	1,599.1
Sharia compliant derivatives	1.1	10.8	-	11.9
Total	**766.8**	**1,523.0**	**810.2**	**3,100.0**

Table 17: Residual contractual maturity of credit risk exposures: 31 December 2024

Asset Class	< 1 year (£m)	1 – 5 years (£m)	More than 5 years (£m)	Total (£m)
Treasury placements and cash balances with banks	539.4	-	-	539.4
Investment securities	128.0	13.9	-	141.9
Home purchase plans	32.1	142.5	758.4	933.0
Structured Real Estate	82.7	1,089.9	12.4	1,185.0
Sharia compliant derivatives	2.8	3.4	-	6.2
Total	**785.0**	**1,249.7**	**770.8**	**2,805.5**

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 Fair Value through Other Comprehensive Income (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 still calculated on 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 using the same calculation as stage 2, but with the Probability of Default (PD) set to 100% along with EAD and LGD metrics. This assessment is conducted at the specific individual customer level, incorporating tailored haircuts and discount rates. Profit income is calculated by applying the EPR to the net amortised cost of the financial assets (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 subject to other adverse events such as forbearance, accounts must first be up to date for a period 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 or 1, with consideration taken of other qualitative and quantitative factors including credit ratings.

1.17 Market Risk (including Profit Rate Risk in the Banking Book and FX Risk)

Market Risk is defined by the Bank as the risk of a reduction in earnings and/or value from unfavourable market movements.

The Bank accepts a degree of market risk in the banking book. It does so in a way that manages and controls market risk exposures to optimise return while maintaining a limited and clearly controlled market risk profile consistent with the Bank's relatively small size and complexity.

The Bank does not run a proprietary trading book, and therefore for Pillar 1 purposes is only required to calculate a market risk requirement in respect of its foreign currency positions. The Bank has no appetite to undertake trading activities or to take proprietary positions in financial instruments.

The base currency of the Bank is GBP, and any net positions in other currencies than GBP result in a foreign currency risk own funds requirement.

The Bank's assets are mainly denominated in GBP and funded through GBP deposits. However, a portion of GBP assets is funded through USD deposits. These USD deposits are converted to GBP using sharia-compliant forward rate FX swaps to address the currency mismatch. These swaps are prefunded, and the Bank may need to provide additional collateral if its position is negatively affected.

As of 31st December 2025, as the Bank's overall net FX position was less than 2% of its total own funds, the Bank has not reported any capital requirement for Pillar 1 and the Bank expects to remain under this de minimis threshold in the future.

Market risk for the Bank is primarily associated with Profit Rate Risk in the Banking Book ('PRRBB'). PRRBB is the risk (today or in the future) to the Bank's capital and earnings resulting from adverse movements in profits rates, due to changes in rate indices (i.e. Bank of England Base Rate) which are used as a benchmark only by the Bank.

All profit rates and re-pricings are reviewed at ALCO or its sub-committees. ALCO is principally responsible for monitoring market risk, and it also reviews sensitivity of the Bank's assets and liabilities to standard and non-standard changes in achievable effective rates.

The net profit income sensitivities are indicative and based on scenarios and shocks prescribed in Rule 9.4A of the PRA Rulebook: CRR Firms: Interest Rate Risk[8] Arising from Non Trading Activities Instrument 2020. They are also in accordance with Article 448(1) of the European Capital Requirements Regulation (CRR).

Calculations are performed under the following scenarios (where an immediate shock of +/- 200 basis points ('bps') to the current market implied path of profit rates across one year are applied):

- Parallel up
- Parallel down

The EVE sensitivities are based on the six Basel Standard Outlier shocks (which apply an immediate shock off +/- 250 bps to the current market implied path of profit rates across one year):

- Parallel up
- Parallel down
- Steepener (short rates down and long rates up)
- Flattener (short rates up and long rates down)
- Short rates up
- Short rates down

1.18 Operational Risk

Operational risk is defined by the Bank as Inadequate or failed internal processes, including execution errors, change management, and selection, management and performance of third parties.

The Bank's Operational Risk Management Policy requires operational risks to be identified, mitigated, monitored and reported upon with the objective to effectively manage the Bank's operational risks and mitigate against operational losses.

The Bank has defined risk appetite metrics against each of its primary risk types within Operational Risk. These metrics are monitored and reported to ORC and LRCC, ERC and BRC as appropriate.

The Bank has applied the Basic Indicator Approach ('BIA') in accordance with Title III Chapter 2 of the CRR to calculate its Pillar 1 operational risk capital requirement.

According to the CRR, under BIA, the own funds requirement for operational risk is equal to 15% of the average over three years of the relevant indicator.

The relevant indicator is calculated following the prescription in Article 316 of the CRR. It is the sum of the elements listed below considered with their positive or negative signs:

- Profit/rent receivable and similar income
- Profit/rent payable and similar charges
- Income from shares and other variable/fixed-yield securities
- Commissions/fees receivable
- Commissions/fees payable
- Net profit or net loss on financial operations
- Other operating income

The Bank employs a range of risk management tools and techniques to ensure the effective identification and mitigation through the RCSA process. The Bank also undertakes a range of scenario analysis, and compares this to historical or realised operational losses, to consider the level of operational risk capital required in addition to the Pillar 1 requirement.

[8] The term "Interest Rate Risk" is a legal terminology refers to Profit Rate Risk, which accurately reflects the operational nature of AlRayan Bank.

Table 18 and 19 below show movements in RWAs for operational risk during 2025 and 2024:

Table 18: Operational risk RWAs flow statement and minimum Pillar 1 capital requirement 2025

	£m
RWAs at 1st January 2025	117.3
Increase in revenue generation	5.2
RWAs at 31st December 2025	122.5
Operational risk Pillar 1 capital requirement at 31st December 2025	9.8

Table 19: Operational risk RWAs flow statement and minimum Pillar 1 capital requirement 2024

	£m
RWAs at 1st January 2024	105.4
Increase in revenue generation	11.9
RWAs at 31st December 2024	117.3
Operational risk Pillar 1 capital requirement at 31st December 2024	9.4

1.19 Liquidity & Funding Risk

Liquidity & Funding risk is defined by the Bank as the loss arising from an inability to meet liquidity obligations as they become due, from an unstable funding profile or from a lack of availability of funds. The Bank's business model and balance sheet requires long-term assets to be funded by contractually shorter-term liabilities, creating a risk of not meeting liabilities as they fall due, should significant liability outflows occur.

The Board has established the Bank's Treasury Policy, and associated limits, with the intention of achieving the following objectives:

- To operate within the Bank's Liquidity and Funding Risk appetite
- To meet obligations as they fall due
- To manage and control the impact of maturity mismatches

The Bank's risk appetite for liquidity and funding risk is to ensure that we maintain prudent levels of liquidity which are more than sufficient to meet the Bank's obligations as they fall due, including forecast requirements and manage the overall funding mix to ensure stability on an ongoing basis.

Assessment

The Bank's ILAAP sets out how it manages liquidity risk and the appropriate amount of liquidity the Bank should hold. The ILAAP is an integral part of the liquidity risk management framework and is updated at least annually, and more frequently if there are significant changes to business profile, business plan or operating environment.

As part of the ILAAP, the Bank maintains a High-Quality Liquid Asset ('HQLA') buffer consisting of the Level 1 assets (Central government and Multilateral development Assets) and Level 2A assets (Public sector assets). In the event of a liquidity crisis these assets could be liquidated via outright sale, and management recognise that a haircut may be experienced on liquidation of the assets, particularly the Level 2A assets.

The Bank's HQLA portfolio, which is analysed (post haircut) at 31 December 2025 and at 31 December 2024 as follows:

Table 20: HQLA portfolio

	31 December 2025 (£m)	31 December 2024 (£m)
Central Bank Reserve Account	97.3	92.9
Central governments	164.7	95.9
Regional governments and central banks	-	7.2
Multilateral development banks	70.8	36.6
Corporates	3.7	-
Cash	1.4	1.1
Total	**337.9**	**233.7**

Liquidity Ratios

The CRR provides for two liquidity safeguards: the Liquidity Coverage Ratio ("LCR") which aims to improve the resilience of banks to liquidity risks over a 30-day period. The Net Stable Funding Ratio ("NSFR") which aims to ensure that banks have an acceptable amount of stable funding to support their assets over a one-year period of extended stress.

Liquidity Coverage Ratio

The Bank's approach to calculating its LCR in accordance with the provisions of the PRA Rulebook: CRR Firms: Liquidity (CRR), and PRA Rulebook: CRR Firms: Liquidity Coverage Ratio (CRR) (the "LCR Rules", and together the "Liquidity Rules") is explored in this section.

The LCR Rules contains the following calculation for LCR:

Liquidity Coverage Ratio (%) =	**Liquidity Buffer**
	Net Liquidity Outflows over a 30-day calendar day stress period

The objective of the LCR is to ensure the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock (liquidity buffer) of unencumbered HQLAs that can be converted easily and immediately into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The LCR ratio of 100% or more means that the Bank will have sufficient liquid assets to meets its obligations as and when they fall due, even in case of a severe stress for a period of at least 30 calendar days.

The Bank's LCR as at 31st December 2025 was 598% (31st December 2024: 746%) which is in excess of the minimum standard of 100% mandated by the PRA. A breakdown showing the average of the calculation for both 2025 and 2024 can be found in Annex 1 template KM1.

Net Stable Funding Ratio

The Bank has used the NSFR to analyse the stability of its funding profile. The NSFR requires the Bank to hold enough stable funding to cover the duration of long-term assets. The NSFR was introduced through the Basel III framework, and in July 2021, the PRA published PRA Rulebook (CRR) Instrument 2021, which formally introduced the NSFR as a requirement from 1 January 2022.

Available Stable Funding ('ASF') is measured based on the broad characteristics of the relative stability of the Bank's funding sources, including contractual maturities of all liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. Generally, higher weighting is given to liabilities that have residual maturity of over 1 year (i.e. the longer dated liabilities are given a favourable treatment, compared to shorter term liabilities).

Net Stale Funding Ratio (NSFR) =	**Available Stable Funding**	**> 100%**
	Required Stable Funding	

The Bank's NSFR as of 31st December 2025 is calculated to be 151% (31st December 2024: 161%) which is in excess of the regulatory requirement of 100%. A breakdown showing the average of the calculation for both 2025 and 2024 can be found in Annex 1 template KM1.

Asset Encumbrance

As of 31st December 2025, the Bank had not undertaken any securitisation activities. Furthermore, the finance assets and securities are unencumbered. However, in the past the Bank has been able to successfully securitise a portion of its finance assets in order to raise funds.

The Bank successfully executed two sharia compliant repo transactions as part of its funding initiatives as of 31st December 2025, with each transaction conducted at different times and with varying tenors.

1.20 Sharia non-compliance risk

Sharia non-compliance risk is the risk associated with the failure to adhere to Sharia principles in conducting banking activities and operations. The Bank's primary objective is to provide banking products and services that are compliant with Sharia to its customers. Consequently, the Sharia-compliant nature of each transaction, product, and service offered is pivotal to the Bank's success.

The Bank's risk appetite for Sharia non-compliance risk is such that we must operate in a manner which conforms with Sharia principles and rules.

Oversight of Sharia compliance for transactions, products, and services is achieved through a robust Sharia governance framework. This framework includes the independent Sharia Supervisory Committee (SSC), which is tasked with ensuring the Bank's operations are in alignment with Islamic law. The SSC, comprising experts in the interpretation of Islamic law and its application in modern Islamic financial institutions, meets regularly to review contracts and agreements related to the Bank's transactions, certifying each product offered by the Bank from a Sharia perspective. In addition, the Bank's Sharia Compliance Department works daily with all departments within the Bank to ensure compliance with Sharia principles in their operations. The department also conducts regular Sharia Compliance audit reviews.

1.21 Group Risk

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risk which may affect the financial position of the whole group, including reputational contagion.

The Bank's majority shareholder is AlRayan Bank QPSC; however, it operates as an independent, stand-alone entity within the UK. There are no shared systems, services, or operational dependencies between the Bank and its Parent entity. Furthermore, the Bank is not reliant on Group funding, as there are no formal intra-group funding arrangements in place. As evidenced by the Bank's internal stress testing, it has the capacity to access diversified funding sources independently, without recourse to its Parent.

While the Bank acknowledges that certain risks could arise in the event that its majority shareholders experience severe financial stress, including a material credit rating downgrade, particularly given the concentration of ownership linked to a sovereign shareholder, such risks are considered limited in potential impact. This assessment also takes into account broader geopolitical developments, including ongoing tensions and conflict in the Middle East, which could indirectly affect sovereign credit profiles or investor sentiment.

Notwithstanding these considerations, the Bank's long-standing and robust operating history in the UK since 2004, coupled with its absence of operational or financial dependencies on its Parent, significantly mitigates the potential transmission of such risks.

1.22 Financial Risks from Climate Change

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

The Bank also has a management level ESGC in which climate change risks are a key focus. As part of its remit, the ESGC considers how the Bank assesses its emissions, which in line with the Greenhouse Gas Protocol are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions from owned or controlled sources; Scope 2 covers indirect emissions from the generation of purchased electricity consumed and Scope 3 includes all other indirect emissions that occur in a company's value chain.

To review the current potential environmental risks posed to the Bank's real estate finance portfolio, the Bank engaged with an external specialist in 2025 to provide a climate risk assessment. Overall, the Bank's review found that the impact of climate change was deemed to be negligible from a capital perspective. Climate Risk is considered on an annual basis in the ICAAP and ILAAP documents.

1.23 Conduct Risk

Conduct Risk at AlRayan is defined as products or actions that lead to poor customer outcomes or cause harm to stakeholders or broader market integrity.

Achieving good outcomes for our customers is at the heart of AlRayan's vision, mission, strategic plans and values. The Bank's core values are Trusted, Empowered, Able and Motivated which support the achievement of the Bank's vision. They also promote and support the proactive identification and management of Conduct Risk, which is critical to ensuring the successful delivery of the Bank's proposed business plan, fair outcomes and protection of customers.

The Consumer Duty requirements came into force for open products and services on 31 July 2024 and for closed products from 31st July 2025. Under these rules, the Bank must act to deliver good outcomes for retail customers. The Consumer Duty is focussed around four key outcomes that reflect the entire customer journey, and include:

- Products and services
- Price and value
- Understanding
- Support

The Bank implemented Consumer Duty, which completed in which was confirmed by the Board and is now fully imbedded across the bank, operating as business as usual.

AlRayan has a conduct risk framework which fully encompasses the requirements of the FCA Consumer Duty regulation. The Bank has a structured and disciplined approach to the management of Conduct Risk, and it has been designed to ensure:

- The Bank has processes in place to identify, measure, manage and report on Conduct Risk ensuring that customers are treated fairly and defined Customer Outcomes are achieved
- Appropriate governance and oversight arrangements are in place across the business in relation to Conduct Risk
- Roles and responsibilities are clear, there is appropriate challenge, and the customer is at the heart of governance and decision-making processes
- Conduct Risk Appetite has been defined to ensure the Bank only carries out business where Conduct Risk has been evaluated, and the residual risk exposure is within the Conduct Risk Appetite
- Employees will receive regular training to understand what good customer outcomes look like
- Conduct Risk is considered as part of the Bank's Business Change/transformation framework and process
- The Bank's third parties and vendors apply the principles of Conduct Risk
- Compliance with applicable laws and regulations

1.24 Financial Crime Risk

Financial Crime Risk is defined as engaging with or facilitating criminal conduct in breach of financial crime laws, rules and regulations.

The Bank has no appetite for systematic weaknesses in its financial crime systems and controls or any breach of the financial crime laws and regulations applying to its business and activities. The Bank does not undertake business with individuals or entities that it suspects are subject to sanctions or are engaged in and/or exposed to activities relating to financial crime.

The Bank has invested significantly in the management of financial crime risk and the controls in managing this risk are now materially stronger. However, financial crime is a material non-financial risk across the industry. This has been exacerbated in recent times (e.g., market-wide increases in fraud), so remains a prominent risk within the Bank's Pillar 2A operational risk assessment.

Capital Requirements and Resources

In line with regulatory guidance, Pillar 1 capital requirements are derived from the Bank's assessment of the Capital Requirement for Credit Risk, Operational Risk and Market Risk ('Pillar 1 Capital Requirement').

The Bank adopts the standardised approach to credit risk and the basic indicator approach to operational risk to calculate the minimum Pillar 1 capital requirement. As the Bank's overall net foreign-exchange position was less than 2% of its total own funds, the Bank has not reported any capital requirement for Pillar 1.

In addition to the risks covered under Pillar 1 (credit, market and operational risks), all other material risks to which the Bank is exposed were assessed as part of the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Financial and capital forecasts were prepared covering a three-year period incorporating all current and planned strategic initiatives, products and services, enabling the Board to assess the level of capital required to support both current and future activities.

The ICAAP is undertaken at least annually and more frequently should the Bank's strategic plans, forecasts or risk profile change. The ICAAP is driven by Finance, overseen by Risk, submitted to ExCo, recommended by BRC and ultimately approved by Board. The results of the ICAAP indicate the minimum capital required to be maintained by the Bank to support current and future activities. The results are documented and approved by the Board and are assessed by the PRA as part of its supervisory review of the Bank.

The ICAAP is integrated in normal business activities. The impact on capital requirements of new, and changes to existing, business processes, products and services are assessed. Strategic decisions are made following an assessment of their impact on capital, ensuring adequate capital is maintained at all times and that it is efficiently utilised.

The ICAAP is considered by the PRA as part of its Supervisory Review and Evaluation Process (SREP) and is used in part to determine the Total Capital Requirement (TCR) for the Bank. The Board approved ICAAP will highlight risks faced by the business for which additional capital above Pillar 1 (8.00% of total risk weighted assets) is required. The additional capital will be part of the Bank's Pillar 2A requirement which forms part of the organisation's overall TCR requirement. Further information for years 2025 and 2024 can be found within Annex 1, template KM1.

Capital adequacy is monitored as per risk appetite by ALCO and reported to ERC, BRC and the Board.

1.25 Pillar 1 Capital

The Bank's overall capital requirement under Pillar 1 is calculated by adding together the capital requirements for credit risk, market risk, and operational risk. However, as per Article 351 of the CRR, the net foreign exchange holding of the Bank is below the de minimis and thus the Bank does not hold Pillar 1 capital for market risk.

The following table shows the Bank's capital requirement and capital surplus under Pillar 1 as at 31st December.

Table 21: Pillar 1 requirement and total capital resource

	31 December 2025 (£m)	31 December 2024 (£m)
Total Capital Resource	232.8	224.9
Total Pillar 1 Capital Requirement	117.7	104.7
Surplus over Pillar 1 requirements	115.1	120.2

1.26 Total Capital Resources

The following table shows the composition of the Bank's regulatory capital position as at 31st December 2025 and at 31st December 2024.

Table 22: Overview of RWA & Pillar I (calculated using standardised approach)

	31 December 2025 RWA (£m)	Pillar 1 Capital Requirement (£m)	31 December 2024 RWA (£m)	Pillar 1 Capital Requirement (£m)
Credit risk	1,335.0	106.8	1,184.0	94.7
Operational risk	122.5	9.8	117.3	9.4
Counterparty Credit Risk	6.0	0.5	3.2	0.3
Credit Valuation Adjustment	8.2	0.6	3.3	0.3
Total requirement	**1,471.7**	**117.7**	**1,307.8**	**104.7**
Capital resources		232.8		224.9
Capital resources surplus over Pillar 1 requirement		115.1		120.2

As at 31st December 2025, total capital resources have increased by £7.9 million to £232.8 million (2024: £224.9 million) over 2025 as a result of the inclusion of the Bank's 2025 audited total comprehensive income for the year in retained earnings as well as a decrease in deferred tax assets and mark-to-market of sukuk. During the year, the Bank also repaid £22.5 million of its £25 million Tier 2 capital.

The table below shows movements in regulatory capital during 2025.

Table 23: Movement in regulatory capital during 2025

	£m
Total Capital at 01st January 2025	224.9
Increase in retained earnings	17.3
No change in Property revaluation reserve	-
Increase in intangible asset deduction	(0.1)
Decrease in deferred tax deduction	1.8
Increase in prudential valuation deduction	(0.1)
Increase in mark-to-market	0.2
Repayment of Tier 2 balance	(11.2)
Total Capital at 31st December 2025	**232.8**

Reconciliation of statutory equity to regulatory capital resources

Table 24: Reconciliation of statutory equity to total regulatory capital resources

	31 December 2025 £m	31 December 2024 £m
Total equity excluding profit stabilisation reserve	233.9	216.4
Regulatory adjustments		
Add: tier 2 issuance	2.5	13.7
Less: deferred tax assets	(0.3)	(2.1)
Less: intangible assets	(3.1)	(3.0)
Less: additional value adjustment	(0.2)	(0.1)
Total capital resources	**232.8**	**224.9**

Regulatory capital requirement buffers CRD IV buffers

The Bank is subject to a number of CET1 capital buffers over and above the required minimum CET1, Tier 1 and total capital ratios. These capital buffers were implemented under CRD IV. The buffers applicable to the Bank include the capital conservation buffer (CCB) of 2.5% and the counter-cyclical buffer (CCyB). The Financial Policy Committee (FPC) is responsible for setting the UK countercyclical capital buffer which creates a cushion for banks to absorb potential losses in the event of a stress.

As at 31st December 2025, the effective institution specific CCyB rate for the Bank is 1.38% (2024: 1.25%). The buffer requirement is based on the relevant risk weight assets multiplied by the specific buffer rate.

Further information for years 2025 and 2024 can be found within Annex 1, template KM1.

PRA buffer

The stress testing conducted in the Bank's ICAAP forms the basis for the PRA buffer assessment. Following their review, the PRA sets a PRA buffer, which in combination with the CRD IV combined buffer is held to ensure the Bank can withstand an adverse economic downturn.

This is set by the PRA and is not disclosed.

Further information for years 2025 and 2024 can be found within Annex 1, template KM1.

1.27 Leverage ratio

The leverage ratio measures the relationship between the capital resources of the Bank and its total assets. The leverage ratio is calculated by dividing Tier 1 capital resources by a defined measure of on and off-balance sheet items.

At present, the Bank has no minimum leverage requirement as it is currently not within the scope of the UK Leverage Framework Regime as its deposit levels are less than £50 billion. However, the Bank maintains the ratio well above the minimum leverage ratio requirement.

The Bank's Leverage ratio as at 31st December 2025 is 7.6% (2024: 7.7%). Further information for years 2025 and 2024 can be found within Annex 1, template KM1.

Remuneration Code Disclosures

The financial services regulator issued its Policy Statement SS2/17 (February 2024) and UK CRR Article 450, which set out their requirements in this regard. The Remuneration Code (Code) is set out in SYSC 19A of the FCA Handbook.

Approach to remuneration and policy

AlRayan Bank PLC qualifies as a Tier 3 firm under the Code. It is required to disclose certain qualitative items and quantitative remuneration items.

This statement sets out the disclosures required under the Code as they apply to the Bank. The Remuneration and Nomination Committee (Remco) is responsible for the governance and implementation of the Code and the annual review of adherence to it. The Remco is comprised of two independent non-Executive Directors and a Shareholder Director. The Company Secretary or their nominee is secretary of the committee but carries no vote in decision making. The majority of non-Executive Directors are regarded as being independent of AlRayan Bank and possess the necessary skills to exercise the appropriate judgement. The Remco has recently reviewed and approved the Bank's remuneration policy.

Board recruitment

Appointment of Executive Directors

A new Executive Director would be recruited on terms in accordance with the approved Remuneration Policy at that time. The Bank's Remuneration Policy balances the need to have appropriate remuneration levels with the ability to attract high-performing individuals to the Bank. With this in mind, the starting point for the Remco in setting a remuneration package for a new Executive Director will be to structure a package in accordance with the firm's Remuneration Policy, based on the individual's knowledge and experience.

Remco recognises that, when recruiting externally in particular, it may be necessary to compensate an individual to ensure that they are remunerated effectively. The areas where Remco may exercise its discretion in order to achieve this are set out in the Remuneration Policy. This may arise in particular in relation to bonus and incentive plans given that variable performance-related pay is widely used in the financial services industry to incentivise senior management.

Appointment of Non-Executive Directors

A new Non-Executive Director would be recruited on terms in accordance with the approved Remuneration Policy at that time. The Board has delegated specific powers and authority to Remco to lead the appointments process for nominations to fill Board vacancies. It is also responsible for keeping the size, structure and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary.

Remco also formulates succession plans for the Chairman, Non-Executive Directors, and the senior Executives. Before an appointment is made by the Board, Remco evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, Remco will:

- use open advertising or the services of external advisers to facilitate the search;
- consider candidates from a wide range of backgrounds; and
- consider candidates on merit and against objective criteria, including reference to the FCA and PRA's "fit and proper" test, and the competence and capability criteria set out as part of their approach to approving individuals. Care is also taken to ensure appointees have enough time available to devote to the position on an ongoing basis.

Responsibility for determining the individual remuneration and benefits package of each of the Bank's Executive Directors and the Chairman lies with the Remco.

The remuneration of Non-Executive Directors is set by the Board. No Director or senior manager is involved in any decisions as to their own remuneration.

Diversity & Inclusion

The Bank is committed to diversity and ensuring that all of AlRayan Bank's colleagues are offered equal opportunities throughout their career. Further, the Bank ensures that employees are not discriminated against, directly or indirectly, on the basis of age, ethnic or national origin, religion or beliefs, sexual orientation, gender, marital status or disability. This commitment applies equally to members of the Board. The Board strongly supports the principle of boardroom diversity, of which gender is one important aspect. However, the Board does not have a measurable target for gender representation on the Board. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

			a	b	c	d
	£m (where applicable)		MB[9] Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	6	-	10
2		Total fixed remuneration	£0.4	£1.8	-	£1.4
3		Of which: cash-based	£0.4	£1.8	-	£1.2
9	Variable remuneration	Number of identified staff	7	6	-	10
10		Total variable remuneration	-	£2.4	-	£0.6
11		Of which: cash-based	-	£2.4	-	£0.6
12		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**£0.4**	**£4.2**	**-**	**£2.0**

The Code requires that banks identify senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile and designate them as "Identified Staff".

In total, 23 Identified Staff have been recognised as being employed during the year. Additional restrictions apply to the remuneration of Identified Staff. All Directors (Executive and Non-Executive) and Senior Managers have been identified as Identified staff. Our highest paid director had either variable or total remuneration in excess of £500,000.

The Bank has in place a discretionary bonus scheme and the payment of awards is linked to achievement of the Bank's overall business objectives, as well as affordability based on the end of year financial results. Bonus awards under the schemes qualify as "variable remuneration" as defined in the Code. The Bank's performance year runs from 1 January to 31 December. This bonus scheme is in place to reward staff for performance during the current performance year. The purpose of the scheme is to recognise and reward staff for their individual contribution towards the Bank achieving its business objectives.

A retention scheme covering the period from 2022 to 2025 was paid out in October 2025. This scheme was introduced to support the retention of key colleagues. A separate retention scheme was established in 2025 for selected colleagues, with payment scheduled for 2028, subject to the achievement of specified criteria.

At the beginning of each performance year, objectives are agreed for each individual based on the Bank's corporate objectives and linked to their specific job role. Achievement of these objectives is reviewed periodically throughout the performance year as part of the Bank's performance management process and at the end of the year an assessment is made of each individual's overall performance against the agreed objectives. All individual ratings are calibrated as part of the annual performance management cycle. Whether any awards will be payable at the end of the performance year will depend on whether the Bank has met its overall business objectives, including mandatory risk management objectives and the end of year financial results.

Guaranteed bonuses do not form part of AlRayan Bank's current performance award arrangements, unless they have been specifically agreed as part of the recruitment process.

[9] MB is an abbreviation for Management Body in line with definitions found within article 3 (1) Capital Requirements Directive 2013.

Annex I

Key Metrics Template – KM1

		31/12/2025 (£m)	31/12/2024 (£m)
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	227.3	208.2
2	Tier 1 capital	230.3	211.2
3	Total capital	232.8	224.9
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	1,471.7	1,307.8
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.45%	15.95%
6	Tier 1 ratio (%)	15.65%	16.15%
7	Total capital ratio (%)	15.82%	17.19%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.54%	1.80%
UK 7d	Total SREP own funds requirements (%)	9.54%	9.80%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	1.38%	1.25%
11	Combined buffer requirement (%)	3.88%	3.75%
UK 11a	Overall capital requirements (%)	13.42%	13.55%
12	CET1 available after meeting the total SREP own funds requirements (%)	38%	38%
Leverage ratio			
13	Total exposure measure excluding claims on central banks	3,027.0	2,758.0
14	Leverage ratio excluding claims on central banks (%)	7.6%	7.7%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	249.5	229.7
UK 16a	Cash outflows – Total weighted value	208.5	198.3
UK 16b	Cash inflows – Total weighted value	290.2	344.0
16	Total net cash outflows (adjusted value)	52.1	49.6
17	Liquidity coverage ratio (%)	481%	523%
Net Stable Funding Ratio			
18	Total available stable funding	2,540.2	2,331.0
19	Total required stable funding	1,687.6	1,449.3
20	NSFR ratio (%)	151%	161%

Overview of risk weighted exposure amounts – OV1

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2025 £m	31/12/2024 £m	31/12/2025 £m
1	**Credit risk (excluding CCR)**	**1,335.0**	**1,184.1**	**106.8**
2	Of which the standardised approach	1,335.0	1,184.1	106.8
6	**Counterparty credit risk – CCR**	**14.2**	**6.4**	**1.1**
7	Of which the standardised approach	6.0	3.1	0.5
UK 8b	Of which credit valuation adjustment – CVA	8.2	3.3	0.6
15	**Settlement risk**	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	-	-	-
UK 22a	**Large exposures**	-	-	-
23	**Operational risk**	**122.5**	**117.3**	**9.8**
UK 23a	Of which basic indicator approach	122.5	117.3	9.8
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	-	-	-
29	**Total**	**1,471.7**	**1,307.8**	**117.7**

Annex II

Impairment and provisions

Please see below a breakdown of past due exposures by asset class and movement in impairment provisions for the year.

Table 25: Past due exposures for the year to 31 December 2025

	Treasury assets (£m)	Investment securities (£m)	Commercial property finance (£m)	Home purchase plans (£m)	Total (£m)
Neither past due nor impaired	362.7	239.2	1,509.2	863.1	**2,974.2**
Past due but not impaired:					
Up to 3 months	–	–	–	0.3	**0.3**
3 to 6 months	–	–	15.1	0.9	**16.0**
6 to 12 months	–	–	5.0	2.8	**7.8**
Over 12 months	–	–	59.7	20.0	**79.7**
Total gross exposure	**362.7**	**239.2**	**1,589.0**	**887.1**	**3,078.0**

Table 26: Past due exposures for the year to 31 December 2024

	Treasury assets (£m)	Investment securities (£m)	Commercial property finance (£m)	Home purchase plans (£m)	Total (£m)
Neither past due nor impaired	539.4	141.9	1,120.3	906.0	**2,707.6**
Past due but not impaired:					
Up to 3 months	–	–	–	0.6	**0.6**
3 to 6 months	–	–	15.8	7.9	**23.7**
6 to 12 months	–	–	7.3	2.5	**9.8**
Over 12 months	–	–	30.5	16.0	**46.5**
Total gross exposure	**539.4**	**141.9**	**1,173.9**	**933.0**	**2,788.2**

Table 27: The movement in impairment provisions for the year ended 31 December 2025

ECL Stage	Stage 1 (£m)	Stage 2 (£m)	Stage 3 (£m)	Stage 4 (£m)
Balance at 1st January 2025	**0.4**	**0.1**	**7.5**	**8.0**
Charge for the year	0.2	-	3.6	3.8
Amounts written off during the year	-	-	-	-
Balance at 31st December 2025	**0.6**	**0.1**	**11.1**	**11.8**

AlRayan Bank PLC
PO Box 12461, Birmingham B16 6AQ
United Kingdom

Contact
0800 408 6407 (UK)
0044 129 889 0137 (overseas)

ALRAYAN BANK