ANNUAL REPORT 2025

BANK OF CEYLON (UK) LTD - GATEWAY TO SRI LANKA

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Annual Report & Financial Statements 2025

Our Purpose

To grow as a community bank dedicated to the everyday banking needs of those we serve, delivering excellence in the services we provide.

As the only Sri Lankan bank with a regulated presence in the United Kingdom, we serve as a trusted specialist institution, supporting the financial and trade flows of the UK-Sri Lanka corridor within a conservatively managed and well-governed framework.

BANK OF CEYLON (UK) LIMITED
Authorised by the PRA and regulated by the PRA and FCA.

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KEY FINANCIAL HIGHLIGHTS

For the year ended 31 December 2025

Despite a challenging macroeconomic backdrop, Bank of Ceylon (UK) Limited delivered a resilient performance in 2025, with strong growth in both customer deposits and the lending portfolio, while maintaining a robust capital position well in excess of regulatory requirements.

£368k
PROFIT BEFORE TAX
▼ vs £412k in 2024

£195m
TOTAL ASSETS
▲ +13% year-on-year

£3.16m
NET OPERATING INCOME
▲ +4% year-on-year

20%
CET1 CAPITAL RATIO
Well above PRA min

+72%
CUSTOMER DEPOSIT GROWTH
▲ £44.5m → £76.7m

+34%
LOAN PORTFOLIO GROWTH
▲ £56.8m → £76.1m

All figures are as at 31 December 2025 unless otherwise stated. Prior year comparatives are as at 31 December 2024.

CHAIRMAN'S STATEMENT

Our priority remains strengthening governance, maintaining a strong risk culture, and continuing to invest in digital initiatives to enhance the customer experience, with solutions and services at the centre of everything we do.

09 April 2026

Kavinda de Zoysa
Chairman
Bank of Ceylon (UK) Limited
Group Chairman, Bank of Ceylon

Economic and Operating Environment

The year 2025 was one of continued adjustment within the global economic environment. In the United Kingdom, monetary policy remained focused on addressing inflationary pressures, resulting in a period of higher interest rates and moderated economic activity.

In Sri Lanka, economic conditions showed encouraging signs of stabilisation, with inflation easing, foreign exchange reserves improving and economic activity reflecting a strong recovering. These developments contributed to strengthening confidence and renewed momentum in trade and financial flows between the two countries.

Against this backdrop, Bank of Ceylon (UK) Limited continued to build on its longstanding presence in the United Kingdom. For more than seven decades, the Bank has served as an important financial link between the two countries, supporting customers engaged in cross-border trade as well as retail and commercial banking activities. Our strategy remains focused on delivering specialist banking services while maintaining the highest standards of governance, prudence and regulatory compliance.

Financial Performance

The Bank recorded a further year of profitability in 2025. This continued progress has enabled a further reduction in historically accumulated losses and reflects the disciplined and measured approach adopted by the Board and management. The Bank maintains strong capital and liquidity levels and remains committed to sustainable growth supported by a prudent risk appetite.

Our People

The Board recognises that the Bank's future success depends on the strength and capability of its people. During the year we continued to invest in the development of our staff and leadership capability. The Board has also placed emphasis on empowering the senior management team to manage the Bank's operations effectively within a clear governance framework.

Board Composition

The composition of the Board continued to further strengthen during the year in support of strong governance and a broad range of perspectives. I welcome Mr Christopher Fitzgibbon, who joined the Board as an Independent Non-Executive Director in 2025. Following the year end, Dr Nashwa Sherif Ibrahim Saleh joined the Board as an Independent Non-Executive Director and will chair the Board Risk Committee. Her appointment further strengthens the Board's expertise and diversity of perspectives.

During the year we were deeply saddened by the passing of Mr Carey Leonard, who served the Bank with distinction as an Independent Non-Executive Director. On behalf of the Board, I would like to record our sincere appreciation for his valuable contribution to the Bank and extend our condolences to his family. I would also like to thank Mr W D R Swanney for his service and contributions during his tenure on the Board.

Service Development

The Bank continued to enhance its service offering during the year, including the launch of RemitWire, our digital remittance platform designed to provide customers with a convenient and efficient way to transfer funds between the United Kingdom and Sri Lanka.

Governance and Risk Management

A key priority during the year was the continued strengthening of the Bank's governance framework and risk management culture. As a UK authorised bank, Bank of Ceylon (UK) Limited operates with clear independence within the UK regulatory environment. The Board remains focused on ensuring that governance arrangements, oversight structures and internal controls continue to evolve in line with regulatory expectations and the Bank's long-term strategic objectives.

At the same time, the Bank benefits from the stability and support of its ultimate parent, Bank of Ceylon, the largest commercial bank in Sri Lanka. The strength of the wider Group provides a solid foundation for the Bank's activities in the United Kingdom while allowing the business to operate independently within the UK regulatory framework.

Outlook

Looking ahead, the Board remains confident in the Bank's direction and in the resilience of its business model. Our focus will remain on strengthening governance, maintaining a strong risk culture and supporting the customers and communities we serve. With the continued commitment of our employees and the support of our stakeholders, the Bank is well positioned to build on its role as a trusted financial bridge between the United Kingdom and Sri Lanka.

Acknowledgements

Finally, I would like to thank our senior management team and all employees for their professionalism and dedication throughout the year. I also extend my appreciation to our customers, regulators and stakeholders for their continued confidence and support.

Kavinda de Zoysa
Chairman
Bank of Ceylon (UK) Limited
Group Chairman, Bank of Ceylon

CHIEF EXECUTIVE OFFICER'S REVIEW

For the year ended 31 December 2025

The UK banking environment during the year continued to evolve amid changing economic conditions and higher interest rate levels. At the same time, the Sri Lankan economy continued its gradual recovery following the economic challenges experienced in recent years.

In this context, the Bank maintained a prudent approach to lending and risk management while continuing to strengthen its governance and operational framework.

"We continued to build on strong foundations, growing our lending portfolio by 34%, strengthening governance and launching our RemitWire digital remittance platform.

Madhawa Dissanayake
CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR
Bank of Ceylon (UK) Limited

We delivered another year of profitable operations in 2025. Profit before tax for the year amounted to £368,000 (2024: £412,000). The modest reduction in profitability compared to the prior year primarily reflects continued investment in strengthening governance arrangements, risk management capability and operational infrastructure.

Financial Performance

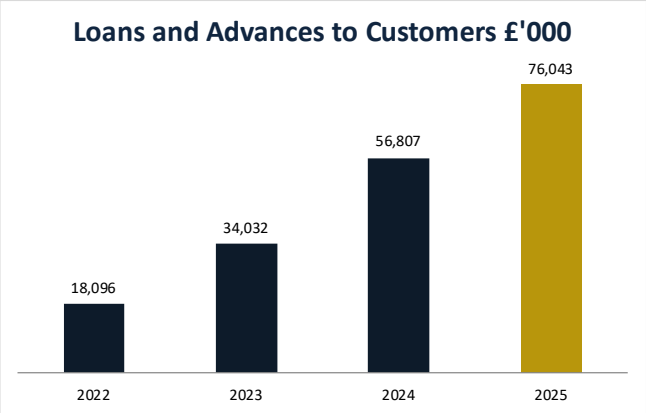
Total assets increased to £195 million at 31 December 2025 as the Bank continued to expand its core lending activities. The loan portfolio grew significantly during the year to £76 million (2024: £56.8 million), reflecting the Bank's continued focus on relationship-led lending while maintaining disciplined credit underwriting standards.

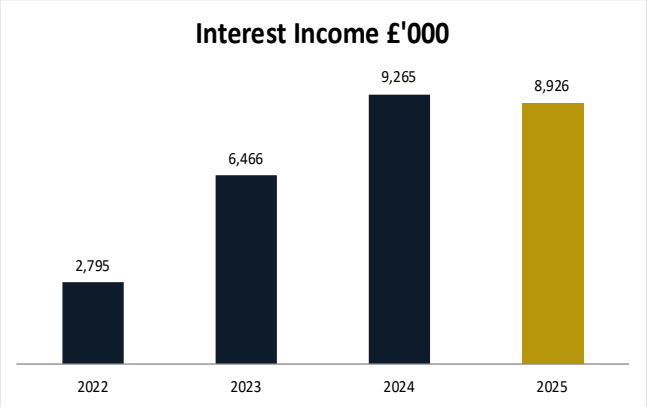
Customer deposits also increased during the year to £76.7 million (2024: £44.5 million), supporting the Bank's objective of maintaining a stable and diversified funding base.

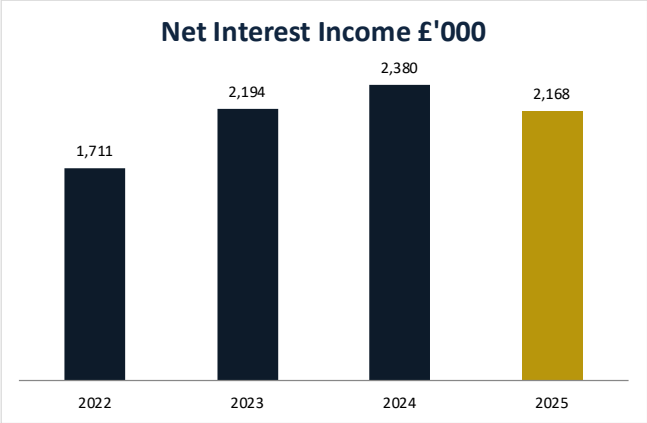
Credit quality across the portfolio remained stable during the year, with only one loan classified as Stage 3 at the reporting date.

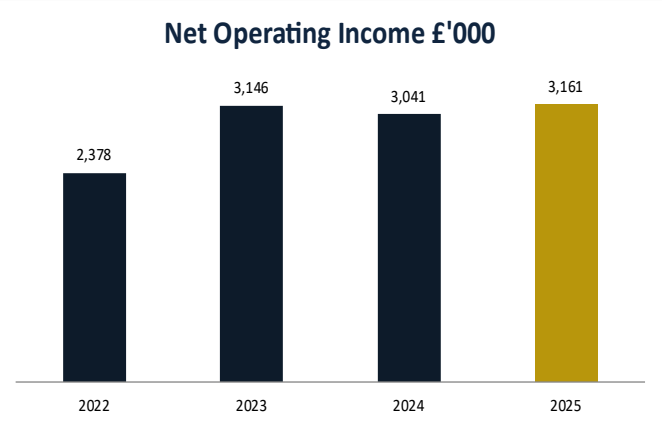
The Bank maintained a strong capital position throughout the year. The Common Equity Tier 1 ("CET1") ratio stood at 20% as at 31 December 2025, remaining comfortably above both internal risk appetite thresholds and regulatory minimum requirements.

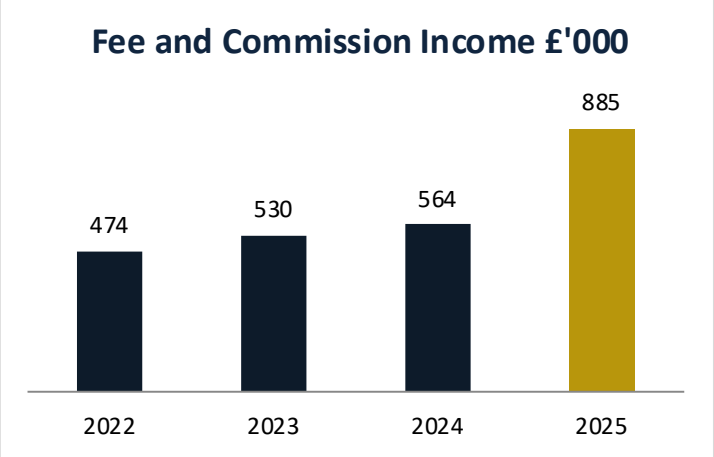
FINANCIAL HIGHLIGHTS *Four-year trend 2022-2025*











Trade Finance Activities

Trade finance continues to represent an important pillar of the Bank's business model. During the year the Bank supported a range of documentary trade activities, including the advising of letters of credit and related trade services, together with bill discounting.

Fee income from trade finance activities increased significantly during the year, supported in part by the reopening of Sri Lanka's vehicle import market, which contributed to higher transaction volumes.

While Sri Lanka remains an important market for the Bank's trade finance activities, the Bank also supported selected trade transactions with counterparties in other Asian markets as part of efforts to broaden and diversify trade finance relationships.

Trade finance activities are managed carefully within the Bank's risk management framework, taking into account evolving global trade conditions and applying appropriate credit assessment and monitoring processes.

Strengthening Governance and Operations

During the year the Bank continued to strengthen its governance and risk management framework. A new Independent Non-Executive Director joined the Board during 2025, with a further Independent Non-Executive Director appointed in early 2026.

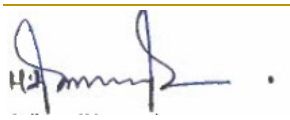
In addition, a Credit Risk Manager was appointed during the year to further enhance the Bank's credit risk management capability. The Bank also continued to invest in strengthening technology infrastructure and cybersecurity controls to support operational resilience.

A key development during the year was the launch of RemitWire, the Bank's digital remittance platform. RemitWire enables customers to send funds between the United Kingdom and Sri Lanka through a streamlined digital process.

Outlook

Looking ahead, the Bank will continue to focus on selective and sustainable growth in its lending activities while maintaining strong capital and liquidity buffers.

The Bank will also continue to evaluate opportunities to enhance its digital capabilities, including initiatives aimed at improving customer access to digital banking services where appropriate.



Madhawa Dissanayake
CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR
Bank of Ceylon (UK) Limited
09 April 2026

STRATEGIC OVERVIEW

Who we are, what we do, and how we create value

WHO WE ARE

Bank of Ceylon (UK) Limited is a UK-incorporated bank connecting the United Kingdom with Sri Lanka and key international trade corridors. As a wholly owned subsidiary of Bank of Ceylon, Sri Lanka's largest bank, the Bank combines the financial strength and heritage of its parent with a specialist focus on relationship banking in the UK market.

Bank of Ceylon has maintained a presence in London for more than 75 years, initially operating as a branch of the parent bank before becoming a separately incorporated UK subsidiary in 2010. Today, Bank of Ceylon (UK) Limited is the only Sri Lankan bank with a regulated banking presence in the United Kingdom. The Bank provides deposit taking, property secured lending, trade finance, foreign exchange, correspondent banking and remittance services, operating a focused relationship banking model serving the UK Sri Lankan community and selected commercial customers, supported by specialist expertise in cross border trade finance and the UK-Sri Lanka financial corridor.

75
Years serving the UK market

£195m
Total assets at 31 Dec 2025

3rd
Consecutive profitable year

PRINCIPAL ACTIVITIES

Bank of Ceylon (UK) Limited operates as a specialist relationship bank serving the UK Sri Lankan community and businesses engaged in cross-border trade. The Bank provides property secured lending to retail and commercial customers, including buy-to-let investors and SMEs.

It supports international trade through bills discounting and letters of credit advising and confirmation, enabling exporters and importers to access working capital and manage cross border payment risk. Retail and community customers are served through savings and fixed deposit accounts and the RemitWire digital remittance platform, which provides a direct channel for fund transfers to Sri Lanka.

TARGET MARKETS	PRODUCTS & SERVICES
UK Sri Lankan community	Savings, fixed deposits, RemitWire remittances
UK property investors and SMEs	Property secured lending (buy-to-let, mixed-use, business)
UK-Sri Lanka trade corridor	Bills discounting, LC advising and confirmation, FX services
Correspondent banks	Vostro accounts, GBP clearing and correspondent services

03 HOW WE CREATE VALUE

Our business model is built around four complementary areas of activity supporting sustainable growth and long-term customer relationships.

Community Focus

Relationship banking for the UK Sri Lankan diaspora, savings, deposits and RemitWire remittances, delivered with bilingual service and a personal approach.

Trade Finance

Bills discounting and letters of credit across the UK-Sri Lanka corridor and selected Asian markets.

Domestic Lending

Disciplined lending to buy-to-let investors and SMEs, underpinned by conservative underwriting and a strong track record.

Digital Enablement

RemitWire, launched in 2025, provides customers with a fast, competitive digital channel for fund transfers to Sri Lanka.

Regulatory standing *Bank of Ceylon (UK) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.*

COMMUNITY
AT THE HEART OF OUR BANK

As a community-focused bank, we actively supported the Sri Lankan community across the UK through cultural celebrations, sporting initiatives and targeted support during times of need.

During the Cyclone Ditwah period, the Bank waived remittance fees to facilitate faster and more affordable financial support to Sri Lanka, reinforcing our role as a trusted financial bridge between the UK and Sri Lanka.

Sri Lankan Community Cricket Festival – UK

Sinhala and Tamil New Year Celebrations

Community Vigil Supporting Sri Lanka – London

RISK MANAGEMENT AND PRINCIPAL RISKS

For the year ended 31 December 2025

01 RISK MANAGEMENT FRAMEWORK

The Bank maintains a comprehensive risk management framework designed to identify, assess and manage the risks arising from its business activities. The framework supports the Bank's strategy while ensuring that risks are managed within the risk appetite approved by the Board.

The Bank's activities expose it to a range of financial and non-financial risks, including credit risk, liquidity risk, market risk, operational risk and regulatory compliance risk. These risks are managed through established policies, procedures and internal control systems designed to ensure prudent risk management and effective oversight.

The Bank operates a three lines of defence model:

1ST LINE OF DEFENCE
Business Functions
Identify and manage risks within their day-to-day activities

2ND LINE OF DEFENCE
Risk & Compliance
Independent oversight and monitoring of risk management processes

3RD LINE OF DEFENCE
Internal Audit
Independent assurance to the Board on governance, risk and controls

02 RISK GOVERNANCE

The Board has overall responsibility for the Bank's risk management framework and for determining the Bank's risk appetite.

The Board Audit and Compliance Committee supports the Board in overseeing the integrity of the Bank's financial reporting, the effectiveness of its internal control and audit arrangements, and compliance with regulatory and legal requirements. The Committee oversees the work of the internal and external auditors and monitors the Bank's compliance with applicable laws and regulations.

The Board Risk Committee supports the Board in overseeing the Bank's risk profile and monitoring the effectiveness of the Bank's risk management and internal control systems. The Committee reviews key risk indicators, monitors risk exposures against approved limits and considers emerging risks that may affect the Bank's activities.

Senior management are responsible for the day to day management of risks in accordance with policies and limits approved by the Board. Risk management responsibilities are embedded across business functions to ensure that risks are identified, assessed and managed appropriately.

The Bank also maintains supporting governance structures including management committees such as the Asset and Liability Committee (ALCO), which oversees specific areas including liquidity management and balance sheet risks.

03 PRINCIPAL RISKS AND UNCERTAINTIES

The Board reviews the Bank's principal risks on a regular basis. The principal risks and uncertainties that could affect the Bank's performance and financial position, together with the key measures in place to mitigate those risks, are summarised below.

RISK CATEGORY	RISK DESCRIPTION	KEY MITIGANTS
Credit Risk	**RISK** The risk of financial loss arising from a borrower or counterparty failing to meet its contractual obligations.	**MITIGATION** Disciplined credit approval supported by established policies, independent credit assessment and ongoing monitoring. Lending decisions subject to defined approval limits and regular portfolio reviews.
Liquidity and Funding Risk	**RISK** The risk that the Bank may be unable to meet its financial obligations as they fall due.	**MITIGATION** Managed through a conservative liquidity framework supported by regulatory requirements, internal monitoring and oversight by the Asset and Liability Committee (ALCO).

Market Risk	**RISK** Risk arising from movements in interest rates or foreign exchange rates which may affect the value of financial assets and liabilities.	**MITIGATION** Exposures managed within established limits and monitored through treasury management processes and oversight by ALCO.
Trade Finance and Country Risk	**RISK** Exposure to risks associated with international trade transactions and counterparties operating in different jurisdictions.	**MITIGATION** Transactions conducted within established risk appetite limits, supported by credit assessment, transaction monitoring and consideration of country risk factors.
Operational Risk	**RISK** The risk of loss arising from inadequate or failed internal processes, people or systems, or from external events.	**MITIGATION** Managed through a framework of internal controls, policies and procedures designed to support operational resilience and effective management of operational risks.
Cybersecurity and Technology Risk	**RISK** Risks arising from potential threats to information systems, data security and operational continuity.	**MITIGATION** The Bank continues to strengthen its technology infrastructure, cybersecurity controls and monitoring capabilities to protect systems, customer data and operational resilience.
Regulatory and Compliance Risk	**RISK** As a regulated institution, failure to comply with regulatory requirements could result in sanctions, financial penalties or reputational damage.	**MITIGATION** Maintained through a dedicated compliance framework supported by policies, monitoring activities and ongoing engagement with regulators.
Concentration Risk	**RISK** Exposures to particular sectors, products and geographic markets may give rise to concentration risk.	**MITIGATION** Concentration levels monitored across lending portfolios, counterparties and geographic exposures and managed within defined internal limits and risk appetite parameters.
Climate Risk	**RISK** Climate-related risks may arise from physical risks associated with extreme weather events or transition risks linked to the shift towards a lower carbon economy.	**MITIGATION** Considered through potential impact on property collateral. Flood risk assessments and insurance requirements incorporated into the credit assessment process where relevant.

SECTION 172 STATEMENT

This section of the Strategic Report describes how the Directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006.

Under Section 172, the Directors must act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors must have regard, among other matters, to:

- the likely consequences of decisions in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and other stakeholders
- the impact of the Company's operations on the community and the environment
- the desirability of maintaining a reputation for high standards of business conduct

The Directors take these factors into account when making decisions and overseeing the activities of the Bank. The Board recognises that building strong and sustainable relationships with its stakeholders is fundamental to the long-term success of the Bank.

The following sections summarise how the Directors have fulfilled their duties under Section 172 in relation to each key stakeholder group.

Long-term Development

The Board actively shapes the long-term direction of the Bank through approval and oversight of strategy. During 2025, the Board considered strategic initiatives including the Bank's digitalisation programme and held its annual strategy meeting with the Prudential Regulation Authority.

Employees

The Bank is committed to maintaining a positive working environment and high standards of professional conduct. Executive Directors maintain regular engagement with staff, and Non-Executive Directors engage through meetings, events and visits, helping the Board understand staff perspectives and organisational culture.

Business Partners

The Bank maintains long-standing relationships with providers of payment services and banking technology solutions. Directors engage with key partners on strategic initiatives and technology developments, recognising that strong business partner relationships are an important element of the Bank's strategy.

Customers and Community

As a community-focused bank, the Bank places significant importance on serving the Sri Lankan community in the UK. During 2025 the Bank participated in and supported a number of community initiatives, providing opportunities for customers, employees and Directors to engage with the wider community.

Regulators

The Bank maintains an open and constructive relationship with its regulators. During 2025, the Bank engaged with regulators on cybersecurity and strategic developments and held its annual strategy meeting with the Prudential Regulation Authority. Both Executive and Non-Executive Directors engage with regulators as appropriate.

Shareholder

The Bank maintains a close relationship with its shareholder, Bank of Ceylon, which is represented on the Board through nominated Non-Executive Directors. The shareholder supports the long-term development of the Bank, including the reinvestment of profits to support business growth and strategic initiatives.

This report was approved by the Board of Directors on 09 April 2026 and signed on its behalf by:

Madhawa Dissanayake
CHIEF EXECUTIVE OFFICER
09 April 2026

CORPORATE GOVERNANCE

For the year ended 31 December 2025

01 BOARD GOVERNANCE AND OVERSIGHT

The Board of Bank of Ceylon (UK) Limited provides leadership and oversight of the Bank within a framework of prudent and effective controls. The Board is responsible for setting the Bank's strategic direction, defining its risk appetite and ensuring that appropriate governance and risk management arrangements are in place.

The Board also promotes a strong governance culture across the organisation and ensures that the Bank operates in a safe and sound manner in accordance with regulatory expectations.

02 BOARD COMPOSITION

The Board comprises six directors, representing a balance of executive leadership, independent oversight and shareholder representation. This structure ensures that the Board benefits from a range of experience and perspectives while maintaining effective independent oversight.

2

Executive Directors

Providing day-to-day management and operational accountability

2

Independent Non-Executive Directors

Providing independent oversight and challenge

2

Non-Executive Directors

Appointed by Bank of Ceylon as shareholder representative

03 BOARD COMMITTEES

The Board is supported by two committees which assist in overseeing key areas of the Bank's governance framework. These committees provide focused oversight of financial reporting, compliance and risk management matters and report regularly to the Board.

Board Audit and Compliance Committee

Financial reporting, internal controls, compliance and external audit oversight

Board Risk Committee

Risk appetite, risk profile and effectiveness of the risk management framework

Further details of the activities of these committees during the year are provided in the Board Audit and Compliance Committee Report and the Board Risk Committee Report for the year ended 31 December 2025.

04 BOARD RESPONSIBILITIES

The Board meets regularly during the year to oversee the Bank's strategy, performance and risk profile. The Board's key responsibilities include:

- ✓ Approving the Bank's strategy, business plan and financial objectives
- ✓ Monitoring the Bank's financial performance and financial position
- ✓ Ensuring effective governance, internal control and risk management arrangements are maintained
- ✓ Establishing and overseeing the risk management framework and risk appetite
- ✓ Approving significant organisational or structural changes
- ✓ Reviewing and approving key policies covering credit risk, large exposures, impairment, liquidity management and operational risk

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 December 2025

The Board of Directors present their report together with the audited financial statements of Bank of Ceylon (UK) Limited (the "Bank") for the year ended 31 December 2025.

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("UK-IAS") and in accordance with the requirements of the Companies Act 2006.

A review of the Bank's business, performance and development during the year is set out in the Chairman's Statement and the Strategic Report.

Directors

The Directors who served during the financial year ended 31 December 2025 and up to the date of approval of the Annual Report were as follows:

DIRECTOR	ROLE	STATUS
Mr Kavinda De Zoysa	Chairman	Serving
Mr Madhawa Dissanayake	Chief Executive Officer	Serving
Mr Sanjeewa Samarakoon	Chief Operating Officer	Serving
Mr Christopher Fitzgibbon	Independent Non-Executive Director	Appointed 21 January 2025
Mr Y. A. Jayathilaka	Non-Executive Director	Appointed 4 November 2025
Dr Nashwa Sherif Ibrahim Saleh	Independent Non-Executive Director	Post year end - Appointed 21 January 2026
Mr W.D.R. Swanney	Non-Executive Director	Resigned 28 February 2025
Mr W. P. Russel Fonseka	Non-Executive Director	Resigned 20 August 2025
Mr Carey Leonard	Non-Executive Director	Ceased to serve 1 September 2025

Results and Dividends

Profit before taxation for the year ended 31 December 2025 amounted to £368,000 (2024: £412,000). The results for the year are set out in the Statement of Profit or Loss on page 24.

The Directors do not recommend the payment of a dividend for the year (2024: Nil).

Going Concern

The Directors have assessed the Bank's ability to continue as a going concern for a period of not less than twelve months from the date of approval of these financial statements. The assessment has taken into account the Bank's financial position, capital and liquidity resources, business plan projections, principal risks and uncertainties and the results of stress testing conducted as part of the Bank's Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

At 31 December 2025 the Bank maintained capital and liquidity ratios significantly above regulatory minimum requirements and delivered its third consecutive profitable year, with profit before tax of £368,000. Total assets stood at £195 million.

The Directors have reviewed the Bank's financial projections for the period through to April 2027. The projections indicate that capital and liquidity ratios are expected to remain above regulatory minima and the Bank's internal risk appetite thresholds throughout the assessment period, without any assumption of capital support from the parent. Stress testing conducted under adverse macroeconomic and idiosyncratic scenarios confirmed that regulatory requirements would be maintained throughout the assessment period, with management actions available to the Board in the event of material deterioration.

The Bank is a wholly owned subsidiary of Bank of Ceylon, Sri Lanka's largest bank with assets exceeding USD 12 billion. The parent bank has confirmed its ongoing support for the Bank and, if required, has the financial capacity to provide additional capital or liquidity

support. The Directors have had regard to this support in their assessment, noting however that the base case projections do not assume any such support is required.

Based on this assessment, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Post Balance Sheet Events

There were no material post balance sheet events requiring disclosure.

Additional Disclosures

Certain disclosures required under the Companies Act 2006 are included elsewhere in the Annual Report and are incorporated into this report by reference:

Disclosure	Location in Annual Report
Review of business and performance	**Chairman's Statement and CEO's Review**
Principal risks and uncertainties	**Strategic Report - Principal Risks and uncertainties**
Stakeholder engagement (Section 172)	**Strategic Report - Section 172 Statement**
Financial risk management	**Notes to the Financial Statements**
Corporate governance and committee oversight	**Committee Reports**

Disclosure of Information to the Auditor

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

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

Directors' Indemnity and Political Donations

The Bank maintained Directors' and Officers' liability insurance throughout the year. The Bank made no political donations or incurred any political expenditure during the year (2024: Nil) in accordance with Part 14 of the Companies Act 2006.

Independent Auditor

Zenith Audit Ltd served as the Bank's external auditor during the year and has indicated its willingness to continue in office.

Approved by the Board on 9 April 2026.

Signed on behalf of the Board:

Madhawa Dissanayake
DIRECTOR
9 April 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, and reliable;
- state whether they have been prepared in accordance with the Companies Act 2006 and in accordance with UK-adopted IAS;
- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board:

Madhawa Dissanayake
CHIEF EXECUTIVE OFFICER
9 April 2026

BOARD COMMITTEE REPORTS

For the year ended 31 December 2025

BOARD AUDIT AND COMPLIANCE COMMITTEE

For the year ended 31 December 2025

The Board Audit and Compliance Committee assists the Board in fulfilling its oversight responsibilities in relation to financial reporting, internal controls, the internal audit function, the compliance framework and the independence of the external auditor.

Composition and Meetings

The Committee met five times during the year and was chaired by Mr Christopher Fitzgibbon. Senior management and representatives of the internal audit, compliance and external audit functions attended meetings as appropriate.

5 COMMITTEE MEETINGS held during 2025

Key Areas of Focus

During the year the Committee focused on the following key areas:

1. Review of the annual financial statements and financial reporting processes before recommending them to the Board for approval
2. Oversight of the external audit process, including review of the audit plan and discussion of audit findings
3. Review of the internal audit programme and monitoring of management responses to audit findings
4. Oversight of the Bank's compliance framework, including regulatory developments and financial crime controls

The Committee is satisfied that it has effectively discharged its responsibilities during the year.

On behalf of the Board Audit and Compliance Committee

Christopher Fitzgibbon
CHAIR, BOARD AUDIT AND COMPLIANCE COMMITTEE

BOARD RISK COMMITTEE

For the year ended 31 December 2025

The Board Risk Committee supports the Board in overseeing the Bank's risk appetite, risk profile and the effectiveness of the Bank's risk management framework.

Composition and Meetings

The Committee met four times during the year. Mr Carey Leonard served as Chair during the early part of the year and chaired two meetings of the Committee. Following his passing during the year, Mr Christopher Fitzgibbon assumed the role of Chair for the remainder of the year.

The Committee records its sincere appreciation for Mr Leonard's valuable contribution to the Bank and to the work of the Committee.

4 COMMITTEE MEETINGS held during 2025

Key Areas of Focus

During the year the Committee focused on the following key areas:

1. Review of the Bank's risk appetite framework and monitoring of risk limits and key risk indicators
2. Oversight of credit risk including monitoring of the lending portfolio and trade finance exposures
3. Review of liquidity and capital positions to ensure compliance with regulatory and internal risk requirements
4. Monitoring of operational risk, including technology resilience and cybersecurity controls
5. Consideration of emerging risks and developments affecting the Bank's risk profile

The Committee is satisfied that it has effectively discharged its responsibilities during the year.

On behalf of the Board Risk Committee

Christopher Fitzgibbon
CHAIR, BOARD RISK COMMITTEE

INDEPENDENT AUDITOR'S REPORT

To the members of Bank of Ceylon (UK) Limited

Opinion
We have audited the financial statements of Bank of Ceylon (UK) Limited (the "Bank") for the year ended 31 December 2025. These financial statements are included within the Annual Report, which comprise: the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the Notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Bank's financial statements is applicable law and International Accounting Standards adopted in the UK (UK-adopted IAS).

In our opinion the Bank's financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2025 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted IAS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Board Audit and Compliance Committee.

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

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

Conclusions relating to going concern assumption on the Financial Statements
In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- Reviewed and challenged management's assessment of the Bank's ability to continue in operation for the foreseeable future;
- Reviewed and challenged the assumptions used in the preparation of budgets and forecasts and performed sensitivities on the information through changes in the assumptions;
- Reviewed the entity's ICAAP and ILAAP and considered compliance with capital and liquidity requirements within the forecast;
- Enquired of management as to their knowledge of events or conditions beyond the period of management's assessment that could have cast significant doubt on the entity's ability to continue as a going concern;
- Discussed with management with regards to the progress the Bank has made in response to regulatory matters in prior years; and
- Checked that going concern disclosures were appropriate and sufficient.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.
Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability as a going concern.

Overview of our audit approach
Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Materiality

- Overall materiality for the financial statements - £309,000 based on c.2% of Net Assets ("NA")
- Performance materiality - £232,000 based on 75% of the overall materiality

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Expected credit loss (ECL) provision – impairment of loans and advances to customers. Gross loan and advances to customers on 31 December 2025 total £76,088k (2024: £56,833k) net of impairment loss provision of £45k (2024: £26k). Credit loss events may have occurred but may not have been recognised by the Bank. There is an inherent risk that the Bank's counterparties default, resulting in impairment of the loans. In addition, impairment provision estimates require management to make judgements about the timing and extent of future cash flows which are inherently uncertain. Given the relative size of the loans and advances portfolio, a failure to recognise required impairment loss provision could have a material impact on the financial statements.	The calculation of Expected Credit Losses ("ECL") requires management to exercise significant judgement and make estimates that are inherently subjective due to the high level of uncertainty associated with the underlying assumptions. The following areas involve the greatest degree of management judgement and estimation and are therefore considered significant risk areas in the ECL calculation: • **Staging** – The timely and appropriate allocation of assets to Stage 1, 2, or 3 in accordance with IFRS 9. • **Model estimations** – Management's accounting interpretations, modelling assumptions, and the data used in the Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD") models that determine the ECL. • **Economic scenarios** – The inputs, assumptions, and weightings applied to multiple economic scenarios, including any required scenario changes. • **Adjustments** – In-model and post-model adjustments ("IMAs" and "PMAs") applied by management to address known model limitations, emerging risks, or trends not fully captured by the models. These adjustments involve significant judgement and are inherently uncertain. • **Significant Increase in Credit Risk ("SICR")** – The criteria applied to determine whether a SICR has occurred, which dictates whether a 12-month or lifetime ECL is recognised. We evaluated the design and implementation of key controls relevant to these ECL judgements and estimates. Our work included consideration of controls over: • the development and governance of multiple economic scenarios and the application of associated weightings; • the allocation of assets to the appropriate stages, including management's monitoring of staging effectiveness; • model governance, including ongoing monitoring and model validation activities; • the recording of collateral in the lending system for retail loans; • credit risk rating determination processes; • data accuracy and completeness controls; • credit monitoring processes, including watchlist governance and the identification of credit-impaired loans; • the governance and review of IMAs and PMAs. We involved our external credit modelling specialists to assess the performance of the ECL models and to evaluate the appropriateness of management's key judgements and assumptions in the context of the current economic environment and wider industry practice. **Staging** We evaluated the criteria used to allocate financial assets to Stages 1, 2, or 3 in accordance with IFRS 9. This included assessing management's credit monitoring processes, which drive the PD estimates applied in staging. We tested a sample of loans to evaluate credit quality and the appropriateness of their assigned stage. In

	addition, we recalculated, on a sample basis, risk ratings for performing loans and assessed the timing and robustness of management's annual credit reviews, including consideration of publicly available information. **Model estimations** We assessed and challenged the Bank's impairment methodologies for compliance with IFRS 9. Following a risk assessment of all models used in the ECL calculation, we selected key models for detailed testing. With the support of our external modelling experts, we tested the assumptions, inputs, and formulae used in the PD, EAD, and LGD models. Our specialists independently replicated these models to evaluate their performance. To assess data quality, we traced a sample of data points used in the ECL calculation back to source systems, including balance-sheet-date data and historical loss data used for model monitoring. We also tested the flow of ECL outputs from the calculation engine through to the general ledger and related disclosures. **Economic scenarios** Our external expert assessed and challenged the economic scenarios and associated probability weightings. We compared management's scenarios against a range of external sources and evaluated the completeness and accuracy of the forecast macroeconomic variables. **Adjustments** We assessed the expert judgements applied by management through IMAs and PMAs to reflect risks not fully captured by the models. This included evaluating and challenging the methodology, completeness, and application of these adjustments. **Overall assessment** We performed an overall assessment of the ECL provision levels by stage to determine whether they were reasonable, taking into account the overall credit quality of the Bank's portfolios. **Disclosures** We tested the data used to populate the ECL-related disclosures and assessed the adequacy and completeness of those disclosures for compliance with applicable accounting standards and regulatory requirements.
Key observations communicated to the Bank's Board Audit Committee	We found the approach taken in respect of ECL to be consistent with the requirements of IFRS 9 and we have concluded that the assumptions and judgements made by the management in the application of ECL were reasonable and supportable

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

When calculating the materiality we have taken the following into account:

- The Bank is an entity authorised by the PRA and regulated by the PRA and FCA, which has relevant regulatory and compliance requirements. The main users of the financial statements are the regulatory bodies and the bank's majority and ultimate controlling shareholder, Bank of Ceylon – Sri Lanka.

Accordingly, we selected net assets ("NA") as the most appropriate benchmark, as this aligns with the parent's and regulator's primary focus on the Bank's capital adequacy.

	Net Assets (NA)
Overall materiality The total of any proposed unadjusted misstatements should not exceed the total materiality for the financial statements as a whole.	£309,000
Basis for determination	**Circa 2% of NA**
Rationale for benchmark applied	NA and the percentage have been used as an industry practice, also considering there is one ultimate beneficiary shareholder, and the entity is regulated and has relevant capital requirements.
Performance materiality (75% of overall). This is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits. PM has been set up at 75% due to this being a second-year audit with no material misstatements in the previous year.	£232,000
Clearly trivial threshold (5% of overall materiality) This de minimums amount is considered when deciding whether to propose an audit adjustment. Any corrected or uncorrected misstatements above this threshold are reported to the Board Audit and Compliance Committee.	£15,450
Qualitative misstatements	We assess materiality not only quantitatively but also qualitatively. Determining materiality involves the exercise of judgment and there are sensitive areas, in respect of which our materiality assessment is more qualitative. Such areas include but are not limited to key management and directors' remuneration, related party transactions, and material non-compliance with applicable banking laws and regulations.

The control environment
We evaluated the design and implementation of those internal controls of the Bank which are relevant to our audit, such as those relating to the financial reporting cycle. We deployed our internal IT audit specialist to get an understanding of the general IT environment

Climate-related risks
In planning our audit and gaining an understanding of the Bank, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment. We have agreed with managements' assessment that climate-related risks are not material to these financial statements.

Reporting on other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Strategic report and directors report

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

- the information given in the strategic report and the directors' report for the financial year ended 31 December 2025 is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: We considered the nature of the industry and sector in which the Bank operates, while performing risk assessment procedures and obtaining an understanding of the Bank and its environment, the applicable financial reporting framework, the applicable laws and regulations, the Bank's system of internal control and the fraud risk factors relevant to the Bank that affect the susceptibility of assertions to material misstatement due to fraud. The senior statutory auditor led a discussion among the audit team with particular emphasis on how and where the Bank's financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. The Bank operates in a highly regulated banking industry. As such, the senior statutory auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. The senior statutory auditor also communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We enquired of the directors and management concerning the Bank's policies and procedures relating to:

- identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates. We considered compliance with the provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Bank including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) as the key laws and regulations which non-compliance could directly lead to material misstatement due to fraud at the financial statement level. We evaluated whether the selection and application of accounting policies by the Bank may be indicative of fraudulent financial reporting. Our audit procedures responsive to assessed risks of material misstatement due to fraud at the assertion level included but were not limited to:

- Testing the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, including those posted late for financial statements preparation, those posted infrequently or by unexpected users, those posted to suspense accounts or with unusual descriptions;
- Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries;
- Selecting and testing journal entries and other adjustments made at the end of a reporting period and throughout the period;
- Reviewing and challenging accounting estimates for biases that could represent a risk of material misstatement due to fraud;
- Evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
- Enquiry of management around actual and potential litigation and claims;
- Obtaining confirmations from third parties to confirm existence of a sample of transactions and balances;
- Reviewing of the minutes of the Bank's board and audit and risk committee meetings, inspection of the complaints register, inspection of legal and regulatory correspondence and correspondences with the regulators PRA and the FCA;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements due to irregularities, including fraud, may not be detected, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as they may involve collusion, forgery, intentional omissions, or override of internal controls. A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other requirements

We were appointed by the directors on 16 December 2024. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years. We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Bank, and we remain independent of the Bank in conducting our audit.

Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
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Filip Lyapov (Senior Statutory Auditor)
for and on behalf of Zenith Audit Ltd
Statutory Auditors
3rd Floor North, Warwick House,
65/66 Queen Street, London EC2M 4RH

20 April 2026

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	NOTE	2025 £'000	2024 £'000
Interest income	4	8,926	9,265
Interest expense	5	(6,758)	(6,885)
Net interest income		**2,168**	**2,380**
Fees and commission income	6	885	564
Net gains from foreign exchange transactions		108	97
Net operating income		**3,161**	**3,041**
Personnel expenses	7	(1,512)	(1,459)
Operational expenses	8	(1,168)	(1,133)
Depreciation	9	(84)	(120)
Amortisation	10	(14)	(10)
Impairment (charge)/gain on credit exposure	11	(15)	93
Total operating expenses		**(2,793)**	**(2,629)**
Profit from ordinary activities before tax		**368**	**412**
Tax charge on profit	12	(45)	(85)
Profit from ordinary activities after tax		**323**	**327**
Other comprehensive income			
Fair value gain on revaluation of property		–	–
Deferred tax on revaluation		–	32
Total other comprehensive income		**–**	**32**
Total comprehensive income for the year		**323**	**359**

The accompanying notes on pages 29 to 53 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	NOTE	2025 £'000	2024 £'000
Assets			
Cash and cash equivalents	13	109,027	100,818
Loans and advances to banks	14	4,053	7,121
Loans and advances to customers	15	76,043	56,807
Prepayments and accrued income	16	300	154
Other assets	17	57	83
Investments	18	1,414	3,712
Property, plant and equipment	9	4,079	4,071
Intangible assets	10	140	94
Total assets		**195,113**	**172,860**
Liabilities			
Deposits by banks	19	100,091	111,334
Customer account deposits	20	76,703	44,538
Accruals	21	162	258
Other liabilities	22	2,082	973
Current liabilities		**179,038**	**157,103**
Current tax	12	80	85
Deferred tax		502	502
Total liabilities		**179,620**	**157,690**
Equity			
Share capital	23	15,000	15,000
Revaluation reserve		1,136	1,136
Accumulated losses		(643)	(966)
Equity shareholders' funds		**15,493**	**15,170**
Total liabilities and equity		**195,113**	**172,860**

The accompanying notes on pages 29 to 53 form an integral part of these financial statements. These financial statements were approved by the Board of Directors and were authorised for issue on 9 April 2026, and were signed on its behalf by:

Madhawa Dissanayake
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	SHARE CAPITAL £'000	ACCUMULATED LOSSES £'000	REVALUATION RESERVE £'000	TOTAL EQUITY £'000
Balance at 1 January 2024	**15,000**	**(1,293)**	**1,104**	**14,811**
Profit for the year	–	327	–	327
Other comprehensive income	–	–	32	32
Balance at 31 December 2024	**15,000**	**(966)**	**1,136**	**15,170**
Profit for the year	–	323	–	323
Other comprehensive income	–	–	–	–
Balance at 31 December 2025	**15,000**	**(643)**	**1,136**	**15,493**

The accompanying notes on pages 29 to 53 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	NOTE	2025 £'000	2024 £'000
Cash flows from operating activities			
Profit before tax		368	412
Non-cash items and other adjustments			
Depreciation of property, plant and equipment	9	84	120
Amortisation of intangible assets	10	14	10
Impairment charge / (gain) on loans	11	15	(431)
Net (increase) / decrease in operating assets			
Loans to customers	15	(19,255)	(22,782)
Financial instruments	14, 18	5,370	(7,861)
Other receivables		(84)	14
Net increase / (decrease) in operating liabilities			
Retail deposits	20	32,166	25,309
Financial instruments	19	(11,243)	(9,670)
Other liabilities	21, 22	1,013	635
Sub-total before tax		8,448	**(14,244)**
Corporate tax paid		(87)	(179)
Net cash flow from operating activities		8,361	**(14,423)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(152)	(461)
Net cash flow from investing activities		(152)	**(461)**
Cash flows from financing activities			
Repayment on investments		-	–
Net cash flow from financing activities		-	**–**
Net increase / (decrease) in cash and cash equivalents		8,209	**(14,884)**
Opening cash and cash equivalents		100,818	115,702
Closing cash and cash equivalents		**109,027**	**100,818**

Represented by balances within:			
Cash in hand	13	30	59
Short-term bank balances		108,997	100,759
Total closing cash		**109,027**	**100,818**

Interest received and interest paid are classified as operating activities. During the year, interest received amounted to £8,504,000 (2024: £8,968,000) and interest paid amounted to £5,033,000 (2024: £5,439,000).

The accompanying notes on pages 29 to 53 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

The following notes form an integral part of the financial statements of Bank of Ceylon (UK) Limited for the year ended 31 December 2025 and should be read in conjunction with the primary statements.

1 CORPORATE INFORMATION

Bank of Ceylon (UK) Limited (the "Bank") is a company incorporated in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom. The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority to carry on certain regulated financial services activities including deposit taking and dealing in investments as principal. The Bank offers retail services, corporate and correspondent banking facilities together with trade finance and remittance services.

Information regarding the principal activities and operations of the Bank and its regulatory status is set out in the Report of the Directors and elsewhere in these financial statements.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards.

The financial statements have been prepared under the historical cost convention except for freehold property which is measured at revalued amount and certain financial assets which are measured at fair value. The financial statements were authorised for issue by the Board of Directors on 9 April 2026.

New or amended standards adopted

The following amendment became effective for annual periods beginning on or after 1 January 2025.

- Amendments to IAS 21 - Lack of Exchangeability.

This amendment clarifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The adoption of this amendment did not have a material impact on the Bank's financial statements.

Standards and amendments issued but not yet effective

The following standards and amendments have been issued or adopted by the UK Endorsement Board but are not yet effective and have not been early adopted by the Bank.

- Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments (effective 1 January 2026)
- Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity (effective 1 January 2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11 (effective 1 January 2026)
- IFRS 18 - Presentation and Disclosure in Financial Statements (effective 1 January 2027)

The Bank is currently assessing the impact of these standards and amendments. The Amendments to IFRS 9 and IFRS 7 on Classification and Measurement may have relevance to the Bank given its financial instruments portfolio and will be assessed in detail ahead of the effective date. IFRS 18 will require changes to the presentation of the primary financial statements when it becomes effective and the Bank is monitoring developments in this area. The Bank does not currently expect the remaining standards and amendments to have a material impact on its financial statements.

Going concern

The financial statements have been prepared on a going concern basis as the Directors are satisfied that the Bank has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the financial statements.

In forming this view the Directors have considered the Bank's financial position together with forecasts of profitability, cash flows and regulatory capital over the relevant assessment period. These forecasts incorporate management's expectations of future business performance and include consideration of potential downside scenarios.

Based on this assessment the Directors have a reasonable expectation that the Bank will continue to operate and meet its liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Functional and presentation currency

The Bank's functional currency is Pound Sterling, which is the currency of the primary economic environment in which it operates. The financial statements are presented in Pounds Sterling and, unless otherwise stated, amounts are rounded to the nearest thousand pounds.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for freehold property which is measured at revalued amount and certain financial assets which are measured at fair value.

3 MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

The accounting policies describe the basis on which the Bank recognises, measures and presents transactions and balances arising from its banking activities. The Bank's principal financial assets comprise loans and advances to customers together with investments in debt securities. The Bank's principal financial liabilities comprise customer deposits and other funding liabilities. These policies have been applied consistently to all periods presented in these financial statements unless otherwise stated.

a) Interest income and expense

Interest income and interest expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or to the amortised cost of the financial liability as appropriate.

For credit impaired financial assets interest income is recognised by applying the effective interest rate to the amortised cost of the asset rather than the gross carrying amount.

b) Foreign currency

Transactions in foreign currencies are translated into Sterling at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the reporting date. Exchange gains and losses arising on translation are recognised in profit or loss.

c) Fees and commissions

Fee and commission income arises from a range of banking services including trade finance services, remittances, treasury related services and loan arrangement services.

Fees are recognised in profit or loss as the related services are provided. Where the service represents a single performance obligation, income is generally recognised at the point in time when the service has been completed.

Loan arrangement fees arise from services provided in connection with the structuring and documentation of lending facilities.

d) Investments

Investments comprise a sovereign bond and a corporate bond held by the Bank. Investments are initially recognised at fair value.

The sovereign bond is measured at fair value through profit or loss with changes in fair value recognised in profit or loss.

The corporate bond is measured at amortised cost using the effective interest method less any impairment allowance where applicable.

e) Property and equipment

Freehold property is carried at revalued amount, being fair value at the date of revaluation less subsequent depreciation and any impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the reporting date.

Other items of property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to the acquisition of the asset. Software that is integral to the operation of related hardware is capitalised as part of that equipment.

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of the related assets. Land is not depreciated. The estimated useful lives applied in the current year are as follows:

ASSET CATEGORY	USEFUL LIFE
Buildings	50 years
Refurbishment	10 years
Fixtures, fittings & furniture	10 years
IT equipment and software	5 years

Useful lives, residual values and depreciation methods are reviewed at each reporting date and adjusted where appropriate.

f) Revaluation reserve

Gains arising on the revaluation of freehold property are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that they reverse a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in profit or loss except to the extent that they relate to a credit balance held in the revaluation reserve in respect of the same asset.

g) Intangible assets

Intangible assets comprise computer software that is not integral to related hardware. They are measured at cost less accumulated amortisation and any impairment losses.

h) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the asset from the date it is available for use. The estimated useful life of computer software is five years.

i) Financial assets and financial liabilities

Classification

On initial recognition financial assets are classified based on the Bank's business model for managing the assets and the contractual cash flow characteristics of the financial instrument.

Financial liabilities are measured at amortised cost unless they are required to be measured at fair value through profit or loss.

Loans and advances

Loans and advances to customers are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment allowance.

Recognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or when the Bank transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership are transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only where the Bank currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount, and for financial assets adjusted for any impairment allowance.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where available, fair value is determined by reference to quoted prices in active markets. Where quoted prices are not available, fair value is determined using appropriate valuation techniques including reference to recent arm's length transactions, discounted cash flow techniques and other commonly used valuation methods.

Impairment

The Bank recognises expected credit loss allowances for loans and advances and other financial assets measured at amortised cost.

Expected credit losses are assessed using a three stage approach based on changes in credit risk since initial recognition.

Stage 1 - Exposures where there has not been a significant increase in credit risk since initial recognition. A twelve-month expected credit loss allowance is recognised.

Stage 2 - Exposures where there has been a significant increase in credit risk since initial recognition, but the exposure is not credit impaired. Lifetime expected credit losses are recognised.

The Bank determines whether a significant increase in credit risk has occurred using a combination of quantitative and qualitative indicators including deterioration in internal credit grade relative to origination, adverse changes in credit score, arrears exceeding thirty days past due applied as a regulatory backstop, and qualitative indicators such as evidence of financial stress, refinancing difficulties or covenant breaches.

Stage 3 - Exposures which are credit impaired at the reporting date. Indicators of credit impairment include arrears of ninety days or more, the Bank assessing that the borrower is unlikely to pay its obligations in full without recourse to collateral, or formal restructuring due to financial difficulty. Lifetime expected credit losses are recognised.

Expected credit losses incorporate forward looking information including management's assessment of relevant macroeconomic conditions.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances held with banks with original maturities of three months or less.

k) Pension obligations

The Bank operates a defined contribution pension scheme. Contributions payable for the year are recognised as an expense in profit or loss in the period to which they relate.

l) Taxation

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable profit for the year using tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured using tax rates and laws enacted or substantively enacted at the reporting date which are expected to apply when the related temporary differences reverse.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or equity as appropriate.

m) financial risk management

The Bank's exposure to credit risk, liquidity risk and market risk and its objectives, policies and processes for managing and measuring those risks are set out in the Strategic Report and in the related risk disclosures in these financial statements.

n) Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these estimates. The areas involving the most significant judgements and estimates are set out below.

Expected Credit Loss
The measurement of expected credit losses requires significant management judgement and estimation. The key areas of judgement and estimation uncertainty are set out below.

The assessment of whether a financial asset has experienced a significant increase in credit risk since initial recognition requires judgement, particularly for exposures where quantitative indicators are not conclusive, and qualitative factors must be weighed. The classification of an exposure as Stage 2 or Stage 3 directly determines whether a twelve month or lifetime ECL is recognised and therefore can have a material effect on the allowance. At 31 December 2025 one exposure has been classified as Stage 3, representing management's assessment that the borrower is unlikely to meet its obligations in full without recourse to collateral.

The measurement of ECL involves estimation uncertainty in the following areas.

The probability of default assigned to each exposure is derived from the Bank's internal credit grading framework by reference to external benchmark default rates. The loss given default for property secured exposures is estimated using a collateral recovery model incorporating assumptions for property value movements, disposal costs and recovery timelines under each macroeconomic scenario. The probability weighting assigned to the downside scenario is a matter of judgement, reflecting management's view of the asymmetric distribution of credit losses on a collateralised portfolio where adverse outcomes are disproportionately more damaging than favourable ones.

The ECL allowance at 31 December 2025 is £82,000 (2024: £67,000). The sensitivity of the allowance to changes in key assumptions is disclosed in Note 11.

Revaluation of Freehold Property
The Bank's freehold property is carried at revalued amount, being fair value at the date of revaluation less subsequent depreciation. The most recent independent valuation was performed by a professionally qualified valuer as at 31 December 2023 in accordance with RICS guidance. IAS 16 requires revaluations to be performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the reporting date.

In the absence of a formal revaluation at 31 December 2025, management has assessed whether the carrying amount of £3,979,000 remains a reasonable approximation of fair value by reference to observable trends in the London commercial property market and the specific characteristics and location of the property. Management concluded that no material change in value has occurred since the December 2023 valuation. The next formal independent valuation is scheduled for 31 December 2026. A 10% adverse movement in the estimated fair value of the property would reduce the carrying amount by approximately £398,000, which would be recognised in other comprehensive income to the extent of the revaluation reserve of £1,136,000.

Deferred Tax
The Bank has carried forward tax losses of £215,000 at 31 December 2025 (2024: £470,000), giving rise to a potential deferred tax asset of £54,000 (2024: £118,000). A deferred tax asset is recognised only to the extent that it is probable that sufficient future taxable profits will be available against which the losses can be utilised.

Management has not recognised the deferred tax asset at 31 December 2025. This judgement reflects the assessment that, whilst the Bank has delivered three consecutive profitable years, the quantum of profits does not yet provide sufficient certainty that the recognition threshold under IAS 12 has been met. Management will reassess this position at each future reporting date in light of the Bank's profitability trajectory. Full recognition of the deferred tax asset would increase net assets by £54,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

4 INTEREST INCOME

	2025 £'000	2024 £'000
Loans and advances to customers	4,175	3,072
Loans and advances to banks	4,564	5,965
Interest from investments	187	228
Total interest income	**8,926**	**9,265**

Interest income for all interest-bearing financial assets is calculated using the effective interest method.

5 INTEREST EXPENSE

	2025 £'000	2024 £'000
Customer deposits	2,189	1,443
Deposits from banks	4,569	5,442
Total interest expense	**6,758**	**6,885**

6 FEES AND COMMISSION INCOME

	2025 £'000	2024 £'000
International commission	282	65
Domestic commission	470	372
Other income	133	127
Total fees and commission	**885**	**564**

International commission income primarily relates to trade finance and documentary credit transactions.

7 PERSONNEL EXPENSES

Staff costs

	2025 £'000	2024 £'000
Staff - salary and allowances	1,032	998
Social security costs	133	99
Pension costs	37	38
Total staff costs	**1,202**	**1,135**
Directors - salary and allowances	273	286
Social security costs	37	38
Total director's costs	**310**	**324**
Total personnel expenses	**1,512**	**1,459**

The Bank contributes to defined contribution pension schemes for employees. Contributions are recognised in the Statement of Comprehensive Income in the period to which they relate.

The total emoluments of the directors were £273,733 in 2025 (2024: £286,566). The highest paid director received emoluments of £109,840 in 2025 (2024: £91,342).

Average number of employees during the year

	2025	2024
Executive directors	2	2
Independent non-executive directors	2	1
Executive management	4	3
Clerical and other grades	19	19
Total employees	**27**	**25**

8 OPERATIONAL EXPENSES

	2025 £'000	2024 £'000
Audit of statutory financial statements	110	110
Audit related services (Group Reporting)	20	20
Other administrative expenses	1,038	1,003
Total operational expenses	**1,168**	**1,133**

9 PROPERTY, PLANT AND EQUIPMENT

The Bank's land and buildings are measured under the revaluation model. Fair value is determined by an external, independent and professionally qualified valuer with appropriate recognised qualifications and recent experience in the location and category of the property being valued.

External valuations are performed at least every three years. The most recent independent valuation was carried out as at 31 December 2023.

The valuation was performed in accordance with internationally recognised valuation standards and reflects market participant assumptions as at the valuation date. The resulting fair value forms the basis of the carrying amount in the financial statements. The carrying amount of the freehold property under the cost model would have been £2,573,560 as at 31 Dec 2025.

Year ended 31 December 2025

	LAND £'000	FREEHOLD PROPERTY £'000	COMPUTER EQUIPMENT £'000	FURNITURE £'000	TOTAL £'000
Cost at 1 January 2025	1,945	2,069	364	277	4,655
Additions in the year	–	70	22	–	92
Cost at 31 December 2025	**1,945**	**2,139**	**386**	**277**	**4,747**
Accumulated Depreciation					
Depreciation at 1 January 2025	–	(50)	(346)	(188)	(584)
Depreciation charged for the year	–	(55)	(16)	(13)	(84)
Revaluation	–	–	–	–	–
Depreciation at 31 December 2025	**–**	**(105)**	**(362)**	**(201)**	**(668)**
Net book value at 31 December 2025	**1,945**	**2,034**	**24**	**76**	**4,079**

Year ended 31 December 2024

	LAND £'000	FREEHOLD PROPERTY £'000	COMPUTER EQUIPMENT £'000	FURNITURE £'000	TOTAL £'000
Cost at 1 January 2024	1,945	1,755	360	215	4,275
Additions in the year	–	314	4	61	379
Cost at 31 December 2024	**1,945**	**2,069**	**364**	**277**	**4,655**
Accumulated Depreciation					
Depreciation at 1 January 2024	–	–	(291)	(173)	(464)
Depreciation charged for the year	–	(50)	(55)	(15)	(120)
Revaluation	–	–	–	–	–
Depreciation at 31 December 2024	**–**	**(50)**	**(346)**	**(188)**	**(584)**
Net book value at 31 December 2024	**1,945**	**2,019**	**18**	**89**	**4,071**

10 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Intangible assets primarily comprise software licences purchased by the Bank together with capitalised development costs.

These assets are amortised over their estimated useful economic life of five years.

	2025 £'000	2024 £'000
Cost at 1 January	839	757
Additions in the year	60	82
Cost at 31 December	**899**	**839**
Amortisation at 1 January	(745)	(735)
Amortisation charge for the year	(14)	(10)
Amortisation at 31 December	**(759)**	**(745)**
Net book value at 31 December	**140**	**94**

11 EXPECTED CREDIT LOSS PROVISIONING

The Bank recognises expected credit loss allowances for financial assets measured at amortised cost in accordance with IFRS 9. Financial assets subject to the expected credit loss model comprise loans and advances to customers, loans and advances to banks, cash and cash equivalents, and investments in debt securities.

The expected credit loss model uses a three-stage approach based on changes in credit risk since initial recognition.
Stage 1 - Exposures where there has not been a significant increase in credit risk since initial recognition. A twelve-month expected credit loss allowance is recognised.
Stage 2 - Exposures where there has been a significant increase in credit risk since initial recognition, but the exposure is not credit impaired. Lifetime expected credit losses are recognised.
Stage 3 - Exposures which are credit impaired at the reporting date. Lifetime expected credit losses are recognised.

The Bank determines whether a significant increase in credit risk has occurred using a combination of quantitative and qualitative indicators including deterioration in internal credit grade relative to origination, adverse changes in credit score, arrears exceeding thirty days past due applied as a regulatory backstop, and qualitative indicators such as evidence of financial stress, refinancing difficulties or covenant breaches.

Credit impaired exposures include those that are ninety days past due or where the Bank considers the borrower unlikely to meet its obligations in full without recourse to collateral.

Exposures may migrate from Stage 2 back to Stage 1 where credit risk has demonstrably improved and is no longer considered significantly higher than at initial recognition, subject to a sustained period of satisfactory repayment performance of at least six months and the absence of adverse qualitative indicators. Equivalent criteria apply for reversal from Stage 3.

ECL Methodology - Inputs, Assumptions and Estimation Techniques

Definition of Default

The Bank considers a financial asset to be in default when one or more of the following conditions are met: the borrower is more than 90 days past due on any material credit obligation; or the Bank considers the borrower unlikely to meet its credit obligations in full without recourse to collateral, regardless of the existence of any past due amount. Unlikely to pay indicators include evidence that the borrower is experiencing significant financial difficulty, the granting of a concession that would not otherwise be considered, the probability that the borrower will enter bankruptcy or financial reorganisation, and the disappearance of an active market for a financial asset due to financial difficulties. The definition of default is applied consistently across all portfolios and is consistent with the definition used for internal credit risk management purposes.

Probability of Default (PD)

Each exposure is assigned an internal credit grade at origination reflecting the borrower's financial strength, repayment capacity and collateral quality. Grades are reviewed at least annually and more frequently where adverse credit indicators are identified. Base PDs are assigned to each internal credit grade by reference to external benchmark default rates consistent with that level of credit risk. PDs represent the estimated likelihood of default over the relevant horizon, twelve months for Stage 1 exposures and the remaining lifetime for Stage 2 and Stage 3 exposures. Base PDs are adjusted to reflect current point in time conditions and forward-looking macroeconomic expectations through the application of scenario specific multipliers as described in the forward-looking information section above. For Stage 3 exposures assessed individually, PD is set at 100%. PDs are reviewed annually by management and subject to ongoing validation against observed portfolio performance.

Loss Given Default (LGD)

For property secured exposures, LGD is derived from a collateral recovery model applied on an exposure-by-exposure basis. The model estimates the net present value of expected recovery proceeds following enforcement, taking into account scenario specific assumptions for property values, disposal costs and recovery timelines under each of the three macroeconomic scenarios. For well-collateralised exposures, LGD is at or near zero under the base and upside scenarios as expected collateral proceeds cover the outstanding balance after costs, and the significant majority of probability weighted ECL on property secured exposures therefore arises from the downside scenario. For treasury and interbank exposures where property collateral is not held, a conservative flat rate LGD is applied as a prudent assumption in the absence of the Bank's own default and recovery experience on such exposures.

Exposure at Default (EAD)

EAD represents the gross carrying amount of each financial asset at the reporting date, comprising principal balance and accrued interest.

Collective and Individual Assessment

ECL is calculated on a collective basis for Stage 1 and Stage 2 exposures, grouping financial assets with shared credit risk characteristics. The single Stage 3 exposure at 31 December 2025 is assessed on an individual basis, with PD and LGD determined by reference to the specific circumstances and collateral position of that exposure.

Forward looking Information and Scenario Assumptions

The Bank applies a three-scenario probability weighted framework in measuring expected credit losses. ECL is calculated separately under each scenario and combined using the assigned probability weights to derive the final allowance. The use of multiple scenarios reflects the requirement under IFRS 9 that expected credit losses represent a probability weighted estimate that considers a range of possible outcomes rather than a single most likely outcome.

The scenarios and macroeconomic assumptions applied at 31 December 2025 are set out below.

Macroeconomic Variable	Upside (5%)	Base (55%)	Downside (40%)
UK GDP growth 2026	+2.5%	+1.1%	−1.5%
UK unemployment rate 2026	4.2%	5.3%	6.5-7.0%
Bank of England base rate (end-2026)	3.00%	3.50%	4.25%+
UK CPI inflation 2026	1.8%	2.3%	3.5%+
UK house price index 2026	+4.0%	0.0%	−20.0%

Sources: OBR Economic and Fiscal Outlook; Bank of England Monetary Policy Report; ONS/Land Registry UK House Price Index. Base case figures reflect OBR central projections. Upside and downside figures are management stress assumptions informed by Bank of England financial stability stress parameters and historical UK house price experience.

The base case reflects management's assessment of the central economic outlook at 31 December 2025, having regard to published macroeconomic forecasts available at the reporting date. The upside scenario reflects a plausible improvement in economic conditions relative to the base case. The downside scenario represents a plausible but severe deterioration in economic conditions including a material decline in UK house prices.

The probability weightings reflect management's assessment of current macroeconomic conditions and the range of plausible outcomes at the reporting date. The downside scenario carries an elevated weighting of 40% relative to the upside weighting of 5%, reflecting the asymmetric nature of credit losses on the Bank's collateralised lending portfolio. For well collateralised exposures, expected credit losses under the base and upside scenarios are near zero as expected collateral proceeds cover the outstanding balance in full after costs. The probability weighted ECL is therefore primarily determined by the downside scenario outcome, and the elevated downside weighting ensures that this characteristic of the portfolio is appropriately reflected in the final allowance.

Credit exposure by stage

The following table shows the gross carrying amount of financial assets subject to the expected credit loss model by impairment stage at the reporting date. Gross carrying amounts represent balances before deduction of ECL allowances. The reconciliation of gross carrying amounts to net carrying amounts as presented in the statement of financial position is set out in the table immediately below.

EXPOSURE CATEGORY (£'000)	STAGE 1 £'000	STAGE 2 £'000	STAGE 3 £'000	TOTAL £'000
31 December 2025				
Cash and cash equivalents	109,027	-	-	109,027
Loans and advances to banks	4,082	-	-	4,082
Loans and advances to customers	72,088	3,646	354	76,088
Investments	1,422	-	-	1,422
Total exposure	**186,619**	**3,646**	**354**	**190,619**
31 December 2024				
Cash and cash equivalents	100,820	-	-	100,820
Loans and advances to banks	7141	-	-	7,141
Loans and advances to customers	55,739	1,094	–	56,833
Investments	3,731	–	–	3,731
Total exposure	**167,431**	**1,094**	**–**	**168,525**

Gross carrying amounts include principal balances and accrued interest, consistent with the gross carrying amount as defined under IFRS 9.

Reconciliation to Statement of Financial Position

The table below reconciles the gross carrying amounts in the credit exposure table above to the net carrying amounts presented in the statement of financial position after deduction of ECL allowances.

	Gross £'000	ECL Allowance £'000	Net £'000	Balance Sheet Reference
Cash and cash equivalents	109,027	—	**109,027**	*Note 13*
Loans and advances to banks	4,082	(29)	**4,053**	*Note 14*
Loans and advances to customers	76,088	(45)	**76,043**	*Note 15*
Investments	1,422	(8)	**1,414**	*Note 18*
Total	**190,619**	**(82)**	**190,537**	

Movement in Gross Carrying Amount - Loans and Advances to Customers

The following table presents the movement in the gross carrying amount of loans and advances to customers subject to the expected credit loss model during the year. All other portfolios (cash and cash equivalents, loans and advances to banks and investments) remained within Stage 1 throughout both years presented.

2025

GROSS CARRYING AMOUNT (£'000)	STAGE 1 £'000	STAGE 2 £'000	STAGE 3 £'000	TOTAL £'000
Balance at 1 January 2025	55,739	1,094	–	56,833
New financial assets originated	30,441	–	–	30,441
Transfers to Stage 2	(3,646)	3,646	–	–
Transfers to Stage 3	–	(354)	354	–
Repayments and derecognitions	(10,446)	(740)	–	(11,186)
Write-offs	–	–	–	–
Balance at 31 December 2025	**72,088**	**3,646**	**354**	**76,088**

2024

GROSS CARRYING AMOUNT (£'000)	STAGE 1 £'000	STAGE 2 £'000	STAGE 3 £'000	TOTAL £'000
Balance at 1 January 2024	33,798	–	–	33,798
New financial assets originated	26,864	–	–	26,864
Transfers to Stage 2	–	1,094	–	1,094
Transfers to Stage 3	–	–	–	–
Repayments and derecognitions	(4,923)	–	–	(4,923)
Write-offs	–	–	–	–
Balance at 31 December 2024	**55,739**	1,094	**–**	**56,833**

Reconciliation of loss allowance - loans and advances to customers

The following table presents the movement in the expected credit loss allowance for loans and advances to customers. Allowances are presented as negative amounts reflecting their nature as deductions from the gross carrying amount.

2025

LOSS ALLOWANCE (£'000)	STAGE 1 £'000	STAGE 2 £'000	STAGE 3 £'000	TOTAL £'000
Balance at 1 January 2025	(24)	(2)	-	(26)
Net remeasurement of loss allowance	19	1	(39)	(19)
Balance at 31 December 2025	**(5)**	**(1)**	**(39)**	**(45)**

2024

LOSS ALLOWANCE (£'000)	STAGE 1 £'000	STAGE 2 £'000	STAGE 3 £'000	TOTAL £'000
Balance at 1 January 2024	(19)	–	**–**	(19)
Net remeasurement of loss allowance	(5)	(2)	**–**	(7)
Balance at 31 December 2024	**(24)**	**(2)**	**–**	**(26)**

The net remeasurement line includes ECL recognised on new financial assets originated during the year, allowances transferred between stages on reclassification, releases on derecognition of financial assets, and remeasurement of existing allowances reflecting changes in credit risk and forward-looking assumptions.

All cash and cash equivalents, loans and advances to banks and investment exposures remained within Stage 1 throughout 2025 and 2024. Movements in the related loss allowances reflect new placements, maturities and remeasurement of existing allowances during the year.

ECL Sensitivity Analysis

The following table presents the sensitivity of the ECL allowance for loans and advances to customers to changes in key assumptions, applied individually and holding all other variables constant.

Assumption Change	Base ECL £	Stressed ECL £	Incremental Impact £
Downside scenario weighting increased	45,381	**50,282**	**+4,901**
Property prices decline beyond current model assumption	45,381	**68,171**	**+22,790**
Downside recovery period extended	45,381	**58,557**	**+13,176**

The sensitivities indicate that no individual parameter movement produces a change that is considered material in the context of the Bank's overall financial position.

Collateral and credit risk mitigation

The Bank mitigates credit risk through the use of collateral and other credit risk mitigation techniques. Loans and advances to customers are primarily secured by residential or commercial property or by cash deposits held with the Bank.

Property collateral is assessed at the time of lending using independent or professionally recognised valuation sources. The Bank monitors collateral values on an ongoing basis and, in appropriate cases, commissions updated independent valuations.

The table below presents the distribution of loan to value ratios for property secured lending based on the most recent available valuations.

Loan to value profile of secured lending

	2025 £'000	2024 £'000
Below 50 percent	4,928	5,645
51 percent to 60 percent	10,566	9,099
61 percent to 70 percent	40,006	27,909
71 percent to 80 percent	16,564	12,068
Above 80 percent	20	-
Total secured lending	**72,084**	**54,721**

Property secured lending of £72,084,000 (2024: £54,721,000) represents the gross carrying amount of loans and advances to customers secured by residential or commercial property. The difference between this amount and the total gross carrying amount of loans and advances to customers of £76,088,000 (2024: £56,833,000) relates to other lending exposures within the portfolio.

The Bank does not normally take possession of collateral unless there is a default on the underlying loan. During the year no properties were taken into possession.

Write offs

Financial assets are written off when the Bank has no reasonable expectation of recovering the contractual cash flows. The Bank retains the legal right to pursue recovery following write-off. No financial assets were written off during the years ended 31 December 2025 or 31 December 2024.

Credit quality of financial assets

The Bank monitors the credit quality of financial assets using internal credit assessments together with other relevant quantitative and qualitative information.

Performing exposures represent assets that have not experienced a significant increase in credit risk since initial recognition. Exposures with significant increase in credit risk correspond to Stage 2 assets under the expected credit loss model. Credit impaired exposures correspond to Stage 3 assets.

Credit quality analysis

	2025 £'000	2024 £'000
Performing exposures	186,619	167,431
Exposures with significant increase in credit risk	3,646	1,094
Credit impaired exposures	354	–
Total gross exposure	**190,619**	**168,525**

12 ANALYSIS OF THE TAX CHARGE

Management have decided not to recognise a deferred tax asset of £53,801 (2024: £117,517) arising on £215,204 (2024: £470,066) of tax losses until the Bank establishes a consistent record of profitability.

Finance Act 2021 enacted an increase of corporation tax from 19% to 25% with effect from 1 April 2023 and later years.

Current and deferred tax

	2025 £'000	2024 £'000
UK corporation tax at 25%	80	87
Adjustments in respect of prior periods	(35)	(2)
Total current tax charge	45	**85**
Origination and reversal of timing differences	-	–
Adjustments in respect of prior periods	-	–
Effect of tax rate change on opening balance	-	–
Total deferred tax charge / (credit)	-	**–**
Tax on profit on ordinary activities	45	**85**

Tax reconciliation

	2025 £'000	2024 £'000
Profit from ordinary activities before tax	368	412
Tax at 25% (2024: 25%)	92	103
Fixed asset differences	17	26
Adjustments in respect of prior periods	(35)	(2)
Effect of expenses not deductible for tax purposes	1	1
Effect of tax rate change	-	–
Temporary differences not recognised	(30)	(43)
Total tax charge	45	**85**

Deferred tax liability/(asset)

	2025 £'000	2024 £'000
Accelerated capital allowances	168	120
Short term timing differences	(2)	(3)
Capital gains	502	502
Losses	(166)	(117)
Deferred tax liability / (asset)	502	**502**

The Group is within the scope of the UK's implementation of the OECD Pillar Two global minimum tax rules. The Group has applied the mandatory temporary exception from recognising deferred taxes related to Pillar Two income taxes. Based on current assessments, no material exposure to top-up tax is expected in respect of the year ended 31 December 2025.

13 CASH AND CASH EQUIVALENTS

	2025 £'000	2024 £'000
Cash in hand	30	59
Current account balances	7,587	3,148
Bank of England reserve account	101,410	97,613
Gross cash and equivalents	**109,027**	**100,820**
Less: impairment loss allowance	-	(2)
Net cash and cash equivalents	**109,027**	**100,818**

14 LOANS AND ADVANCES TO BANKS

	2025 £'000	2024 £'000
Repayable within one month	272	5,152
Repayable within three months but more than one month	2,084	1,729
Repayable with agreed maturity within 1 year but more than 3 months	1,726	260
Gross loans and advances to banks	**4,082**	**7,141**
Less: impairment loss allowance	(29)	(20)
Net loans and advances to banks	**4,053**	**7,121**

Loans and advances to banks included £866,000 (2024: £20,000) relating to bills discounted issued by Bank of Ceylon Group companies.

15 LOANS AND ADVANCES TO CUSTOMERS

£'000	GROSS AMOUNT	IMPAIRMENT ALLOWANCE	CARRYING AMOUNT
2025			
Personal loans and advances	65,260	(44)	65,216
Commercial loans and advances	10,828	(1)	10,827
Total	**76,088**	**(45)**	**76,043**
2024			
Personal loans and advances	**48,303**	(21)	48,282
Commercial loans and advances	8,530	(5)	8,525
Total	**56,833**	**(26)**	**56,807**

16 PREPAYMENTS AND ACCRUED INCOME

	2025 £'000	2024 £'000
Prepayments	300	154
Total	**300**	**154**

17 OTHER ASSETS

	2025 £'000	2024 £'000
Cheque clearing	21	60
Others	36	23
Total	**57**	**83**

18 INVESTMENTS

The Bank's investment portfolio comprises debt securities classified in accordance with IFRS 9 based on the Bank's business model for managing the assets and the contractual cash flow characteristics of the instruments.

Financial assets measured at amortised cost are managed within a business model whose objective is to hold assets to collect contractual cash flows. These investments primarily comprise corporate bonds.

In 2024, the Bank reassessed its business model for managing its holding in the Sri Lankan international sovereign bond and determined that the objective had changed from holding the asset to collect contractual cash flows to selling the asset. Accordingly, the bond was reclassified from amortised cost to fair value through profit or loss in accordance with IFRS 9. The reclassification was applied prospectively from the date of the change in business model.

During the year ended 31 December 2025, the Bank disposed of the majority of this holding and continues to seek disposal of the remaining balance at the reporting date.

	MARKET VALUE		COST / AMORTISED COST	
£'000	2025	2024	2025	2024
Financial assets at fair value through profit or loss	66	530	69	678
Financial assets measured at amortised cost	–	–	–	–
Gross carrying amount	1,356	3,201	1,356	3,201
Less: loss allowance	(8)	(19)	(8)	(19)
Net carrying amount	1,348	3,182	1,348	3,182
Total investments	**1,414**	**3,712**	**1,417**	**3,860**

19 DEPOSITS BY BANKS

	2025 £'000	2024 £'000
Repayable on demand or at short notice	37,491	68,314
Repayable with agreed maturity within three months	32,078	12,131
Repayable with agreed maturity between 3 months and 1 year	–	15,041
Repayable with agreed maturity of over 1 year	30,522	15,848
Total deposits by banks	**100,091**	**111,334**

20 CUSTOMER ACCOUNT DEPOSITS

	2025 £'000	2024 £'000
Repayable on demand or at short notice	4,989	5,295
Repayable with agreed maturity within three months	8,486	7,540
Repayable with agreed maturity over three months	63,228	31,703
Total customer account deposits	**76,703**	**44,538**

21 ACCRUALS

	2025 £'000	2024 £'000
Accruals	162	258
Total	**162**	**258**

22 OTHER LIABILITIES

	2025 £'000	2024 £'000
Trade payables	2,082	973
Total	**2,082**	**973**

The balance includes £1,236,391 (2024: £405,200) of funds received from counterparties awaiting completion of anti-money laundering (AML) verification procedures as at the balance sheet date, and £537,882 (2024: £259,460) of deferred income relating to loan arrangement fees.

23 SHARE CAPITAL

	2025 £'000	2024 £'000
15,000,000 (2024: 15,000,000) authorised, issued and fully paid ordinary shares of £1 each	15,000	15,000

Ordinary shares were issued at par and they qualify for standard voting rights and equal dividends. As at the reporting date, the entire issued share capital is held by the parent.

24 RELATED PARTIES AND ULTIMATE CONTROLLING PARTY

Bank of Ceylon (UK) Limited is a wholly owned subsidiary of Bank of Ceylon, which is the Bank's ultimate parent undertaking. Bank of Ceylon is a licensed commercial bank incorporated in Sri Lanka under the Banking Act No. 30 of 1988 and is wholly owned by the Government of Sri Lanka.

The registered office of Bank of Ceylon is No. 01, Bank of Ceylon Square, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. Copies of the consolidated financial statements of the ultimate parent are available at the parent's registered office.

The Bank has related party relationships with its parent undertaking, fellow group entities, directors and key management personnel, and entities over which such individuals exercise control or significant influence.

Transactions with related parties are conducted in the ordinary course of business on normal commercial terms and conditions.

Transactions with Bank of Ceylon (parent undertaking)

During the year, the Bank entered into the following transactions with Bank of Ceylon:

- Interest expense in respect of deposits amounted to £4,522,363 (2024: £5,313,669).
- As at 31 December 2025, deposits placed by Bank of Ceylon with the Bank amounted to £92,333,130 (2024: £105,434,762), excluding Vostro accounts.
- Bills discounted on behalf of Bank of Ceylon amounted to £866,343 as at 31 December 2025 (2024: £771,909).
- There were no confirmations outstanding on behalf of Bank of Ceylon as at 31 December 2025 (2024: £nil).
- In addition, two ten-year deposits of £10.7 million and USD 6 million are in place with Bank of Ceylon. These deposits are contractually structured as ten-year instruments and are rolled over annually in accordance with their agreed terms.

Deposits placed by Bank of Ceylon - maturity profile

	2025 £'000	2024 £'000
Repayable on demand or at short notice	35,951	63,215
Repayable with agreed maturity within three months	32,078	11,330
Repayable with agreed maturity between 3 months and 1 year	–	15,041
Repayable with agreed maturity of over 1 year	30,522	15,848
Total	**98,551**	**105,434**

25 TRANSACTIONS WITH DIRECTORS AND MANAGERS

As at 31 December 2025, the total amount of loans outstanding to directors was £33,300 (2024: £29,500) and are repayable over a period of one to two years. During the year, interest of £1,039 (2024: £600) was charged on these loans.

Other than directors, loans outstanding to managers at the year-end totalled £25,184 (2024: £28,500) and are repayable over a two to three-year period. Interest charged on these loans during the year amounted to £877 (2024: £110).

26 CONTINGENT LIABILITIES

	2025 £'000	2024 £'000
Guarantees	700	–
Total	**700**	**–**

This balance represents a guarantee issued by the Bank on behalf of a customer which is fully secured by a fixed deposit held with the Bank.

27 INTEREST RATE RISK

Interest rate risk represents the risk that changes in market interest rates will affect the Bank's income or the economic value of its financial assets and liabilities.

The Bank is exposed to interest rate risk primarily through mismatches in the repricing of interest-bearing assets and liabilities. The Bank manages this risk through regular monitoring of repricing gaps and by maintaining an appropriate balance between fixed and variable rate exposures.

Loans and advances to customers primarily comprise mortgage lending with interest rates fixed for an initial period of approximately two years before repricing.

The table below analyses the Bank's exposure to interest rate risk based on the earlier of the next interest rate repricing date or contractual maturity date. Assets and liabilities are allocated to time bands according to the period remaining until the next repricing date. Amounts which do not bear interest are included within the non-interest-bearing column.

Interest rate repricing analysis - 2025

INTEREST	CARRYING VALUE £'000	0-3 MONTHS £'000	3-12 MONTHS £'000	OVER 12 MONTHS £'000	NON-INTEREST BEARING £'000
Assets					
Cash and cash equivalents	109,027	101,410	–	–	7,617
Loans and advances to banks	4,053	2,327	1,726	–	–
Loans and advances to customers	76,043	2,574	823	72,646	–
Debt securities	1,414	–	–	1,414	–
Prepayments	300	–	–	–	300
Other assets	57	–	–	–	57
Total assets	190,894	106,311	2,549	74,060	7,974
Liabilities					
Deposits by banks	100,091	61,811	–	30,522	7,758
Customer accounts	76,703	10,953	11,145	52,082	2,523
Accruals	162	–	–	–	162
Other liabilities	2,082	–	–	–	2,082
Deferred tax	502	–	–	–	502
Total liabilities	179,540	72,764	11,145	82,604	13,027
Net interest rate gap	–	**33,547**	**(8,596)**	**(8,544)**	**(5,052)**
Cumulative interest rate gap	–	**33,547**	**24,951**	**16,407**	**–**

2024

INTEREST	CARRYING VALUE £'000	0-3 MONTHS £'000	3-12 MONTHS £'000	OVER 12 MONTHS £'000	NON-INTEREST BEARING £'000
Assets					
Cash and cash equivalents	100,818	97,613	–	–	3,205
Loans and advances to banks	7,121	6,861	260	–	–

Loans and advances to customers	56,807	3,349	5,126	48,332	–
Debt securities	3,712	958	786	1,968	–
Prepayments	154	–	–	–	154
Other assets	83	–	–	–	83
Total assets	168,695	108,781	6,172	50,300	3,442
Liabilities					
Deposits by banks	111,334	76,655	30,889	–	3,790
Customer accounts	44,538	10,438	5,492	25,445	3,163
Accruals	258	–	–	–	258
Other liabilities	973	–	–	–	973
Deferred tax	502	–	–	–	502
Total liabilities	157,605	87,093	36,381	25,445	8,686
Net interest rate gap	–	**21,688**	**(30,209)**	**24,855**	**(5,244)**
Cumulative interest rate gap	–	**21,688**	**(8,521)**	**16,334**	**–**

The net interest rate gap represents the difference between interest-sensitive assets and interest-sensitive liabilities within each time band. A positive gap indicates that assets reprice earlier than liabilities, while a negative gap indicates that liabilities reprice earlier than assets.

The Bank monitors these gaps as part of its ongoing asset and liability management framework.

Interest Rate Sensitivity Analysis

The Bank has performed a sensitivity analysis to assess the potential impact of changes in interest rates on profit before tax.

As at 31 December 2025, a 1.0% increase in interest rates would increase profit before tax by approximately £164,069 (2024: £163,340). A 1.0% decrease in interest rates would have an approximately equal and opposite effect.

The analysis assumes that all other variables remain constant and reflects the Bank's exposure to variable rate financial instruments at the reporting date.

28 MATURITY ANALYSIS

Liquidity risk represents the risk that the Bank may encounter difficulty in meeting obligations associated with its financial liabilities as they fall due. The Bank manages liquidity risk by maintaining an appropriate level of liquid assets and by monitoring contractual maturity mismatches between assets and liabilities.

The table below analyses the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Assets and liabilities are allocated to time bands based on the remaining contractual maturity at the reporting date. Items that do not have a contractual maturity are classified as non-maturity items.

The maturity gap represents the difference between assets and liabilities within each time band. A positive gap indicates that assets mature earlier than liabilities, while a negative gap indicates that liabilities mature earlier than assets.

The Bank regularly monitors these maturity gaps as part of its ongoing liquidity risk management and asset and liability management framework.

Contractual maturity analysis — 2025 and 2024

MATURITY	CARRYING VALUE £'000	0-3 MONTHS £'000	3-12 MONTHS £'000	OVER 1 YEAR £'000	UNDATED £'000
Assets					
Cash and cash equivalents	109,027	109,027	–	–	–
Loans and advances to banks	4,053	2,327	1,726	–	–
Loans and advances to customers	76,043	2,574	823	72,646	–
Debt securities	1,414	–	–	1,414	–
Prepayments	300	–	–	–	300
Other assets	57	–	–	–	57
Total assets	190,894	113,928	2,549	74,060	357
Liabilities					
Deposits by banks	100,091	69,569	–	30,522	–
Customer accounts	76,703	13,476	11,145	52,082	–
Accruals	162	–	–	–	162
Other liabilities	2,082	–	–	–	2,082
Deferred tax	502	–	–	–	502
Total liabilities	179,540	83,045	11,145	82,604	2,746
Maturity gap	–	**30,883**	**(8,596)**	**(8,544)**	**(2,389)**
Cumulative maturity gap	–	**30,883**	**22,287**	**13,743**	**–**

MATURITY	CARRYING VALUE £'000	0-3 MONTHS £'000	3-12 MONTHS £'000	OVER 1 YEAR £'000	UNDATED £'000
Assets					
Cash and cash equivalents	100,818	100,818	–	–	–
Loans and advances to banks	7,121	6,861	260	–	–
Loans and advances to customers	56,807	3,349	5,126	48,332	–
Debt securities	3,712	958	786	1,968	–
Prepayments	154	–	–	–	154
Other assets	83	–	–	–	83
Total assets	168,695	111,986	6,172	50,300	237
Liabilities					
Deposits by banks	111,334	80,486	15,000	15,848	–
Customer accounts	44,538	13,601	5,492	25,445	–
Accruals	258	–	–	–	258
Other liabilities	973	–	–	–	973
Deferred tax	502	–	–	–	502
Total liabilities	157,605	94,087	20,492	41,293	1,733
Maturity gap	–	**17,899**	**(14,320)**	**9,007**	**(1,496)**
Cumulative maturity gap	–	**17,899**	**3,579**	**12,586**	**–**

29 FOREIGN EXCHANGE RISK

Foreign exchange risk arises when the Bank holds assets or liabilities denominated in currencies other than its functional currency, Sterling. The Bank manages this risk by monitoring foreign currency positions and maintaining limited open exposures.

The table below summarises the Bank's exposure to foreign currency risk based on notional amounts of financial assets and liabilities denominated in foreign currencies. The net open position represents the difference between foreign currency denominated assets and liabilities in each currency.

Foreign currency exposure (£'000) - As at 31 December 2025

	CARRYING VALUE £'000	GBP £'000	EUR £'000	USD £'000	OTHER £'000
Assets					
Cash and cash equivalents	109,027	103,104	4,833	1,069	21
Loans and advances to banks	4,053	–	–	4,053	–
Loans and advances to customers	76,043	76,043	–	–	–
Debt securities	1,414	–	–	1,414	–
Prepayments	300	300	–	–	–
Other assets	57	57	–	–	–
Total assets	190,894	179,504	4,833	6,536	21
Liabilities					
Deposits by banks	100,091	88,944	4,769	6,378	–

Customer accounts	76,703	76,545	64	94	–
Accruals	162	162			–
Other liabilities	2,082	1,969		113	–
Deferred tax	502	502			–
Total liabilities	179,540	168,122	4,833	6,585	–
Maturity gap	–	**11,382**	–	**(49)**	**21**

As at 31 December 2024

	CARRYING VALUE £'000	GBP £'000	EUR £'000	USD £'000	OTHER £'000
Assets					
Cash and cash equivalents	100,818	98,175	1,018	1,609	16
Loans and advances to banks	7,121	123	–	6,998	–
Loans and advances to customers	56,807	56,807	–	–	–
Debt securities	3,712	(167)	–	3,879	–
Prepayments	154	154	–	–	–
Other assets	83	83	–	–	–
Total assets	168,695	155,175	1,018	12,486	16
Liabilities					
Deposits by banks	111,334	98,063	920	12,351	–
Customer accounts	44,538	44,415	83	40	–
Accruals	258	258	–	–	–
Other liabilities	973	929	9	35	–
Deferred tax	502	502	–	–	–
Total liabilities	157,605	144,167	1,012	12,426	–
Maturity gap	–	**11,008**	**6**	**60**	**16**

Foreign currency sensitivity analysis

The Bank has performed a sensitivity analysis to assess the impact of movements in exchange rates on profit before tax.

As at 31 December 2025, a 5% strengthening of Sterling against the US Dollar would have reduced profit before tax by approximately £2,431 (2024: £3,000). A 5% weakening of Sterling against the US Dollar would have had an approximately equal and opposite effect.

The analysis assumes that all other variables remain constant.

30 CAPITAL MANAGEMENT

The Bank's objectives when managing capital are to safeguard its ability to continue as a going concern, maintain sufficient capital resources to support its business activities and comply with regulatory capital requirements.

The Bank's capital comprises share capital, accumulated losses and other reserves.

As at 31 December 2025, the Bank's available capital, after deducting the book value of intangible assets from shareholders' funds, amounted to £13,893,760 (2024: £13,612,295). The Bank is subject to regulatory capital requirements set by the Prudential Regulation Authority (PRA) and monitors its capital position regularly to ensure compliance with these requirements. The Bank complied with all externally imposed capital requirements during the year.

31 FAIR VALUE

IFRS 13 requires assets and liabilities measured or disclosed at fair value to be classified within a fair value hierarchy based on the significance of the inputs used in the valuation.

The hierarchy is defined as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques using observable market inputs either directly or indirectly.

Level 3 Valuation techniques using significant inputs that are not based on observable market data.

There were no transfers between levels during the years ended 31 December 2025 and 31 December 2024

Fair value hierarchy

As at 31 December 2025

31 DECEMBER 2025	CARRYING AMOUNT £'000	FAIR VALUE £'000	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000
Assets					
Cash and cash equivalents	109,027	109,027	–	109,027	–
Loans and advances to banks	4,053	4,053	–	4,053	–
Loans and advances to customers	76,043	76,043	–	–	76,043
Investments	1,414	1,414	–	1,414	–
Property, plant and equipment	4,079	3,980	–	–	3,980
Total	194,616	194,517	–	114,494	80,023
Liabilities					
Deposits by banks	100,091	100,091	–	100,091	–
Customer accounts	76,703	76,703	–	76,703	–
Total	176,794	176,794	–	176,794	–

As at 31 December 2024

31 DECEMBER 2024	CARRYING AMOUNT £'000	FAIR VALUE £'000	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000
Assets					
Cash and cash equivalents	100,818	100,818	–	100,818	–
Loans and advances to banks	7,121	7,121	–	7,121	–
Loans and advances to customers	56,807	56,807	–	–	56,807
Investments	3,712	3,712	–	3,712	–
Property, plant and equipment	4,071	3,964	–	–	3,964
Total	172,529	172,422	–	111,651	60,771
Liabilities					
Deposits by banks	111,334	111,334	–	111,334	–
Customer accounts	44,538	44,538	–	44,538	–
Total	155,872	155,872	–	155,872	–

Valuation techniques

Cash and cash equivalents and loans and advances to banks - the carrying values approximate their fair values due to the short-term nature of these instruments. These instruments are classified within Level 2 of the fair value hierarchy.

Investments - Investments comprise a sovereign bond and a corporate bond. Fair values are determined using market prices obtained from recognised pricing services such as Bloomberg. As these valuations are based on observable market inputs but not quoted prices in active markets, they are classified within Level 2 of the fair value hierarchy.

Loans and advances to customers - Loans and advances to customers are carried at amortised cost. The carrying amount is considered to approximate fair value and therefore amortised cost has been used as an estimate of fair value. These exposures are classified within Level 3 of the fair value hierarchy.

Property, plant and equipment - the Bank's office property is measured using the revaluation model. The valuation is performed by an independent professionally qualified valuer using recognised valuation techniques consistent with Royal Institution of Chartered Surveyors (RICS) guidance. Due to the use of unobservable inputs, the property is classified within Level 3 of the fair value hierarchy.

Deposits by banks and customer accounts - the carrying values of deposits by banks and customer accounts approximate their fair values due to their short-term nature. These balances are classified within Level 2 of the fair value hierarchy.

32 EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting date and up to the date of approval of these financial statements that require adjustment to, or disclosure in, these financial statements.

33 AUDITOR LIABILITY LIMITATION AGREEMENT

An auditors' limitation of liability agreement has been approved by the members on 2 April 2026 for the financial year ended 31 December 2025. The principal terms and conditions are as below:

- The agreement limits the liability of the auditors to the Company in respect of any negligence, default, breach of duty or breach of trust, occurring in the course of the audit of the Company's account and pursuant to this agreement the auditor may be guilty in relation to the Company.
- The agreement also stipulates the maximum aggregated amount payable in the event of any of the circumstance stated above.

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