



The only bank built solely for established businesses

2025 Annual Report and Accounts

Allica Bank Limited
Company Number 07706156



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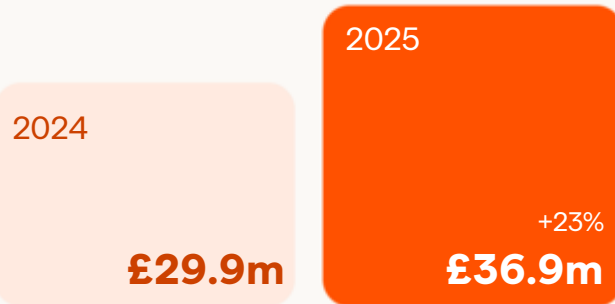
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Strategic report

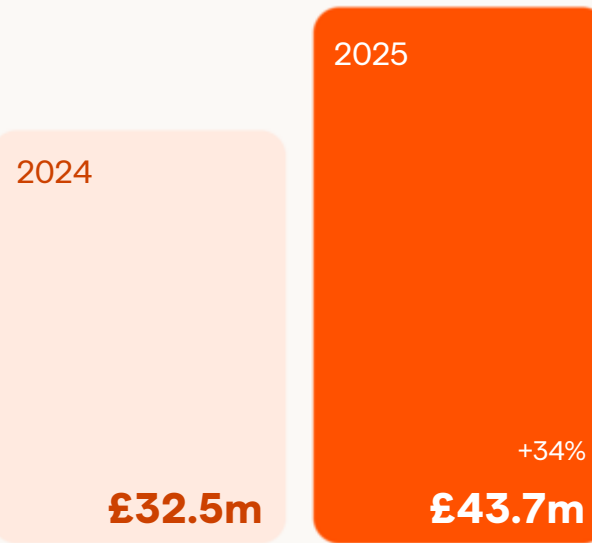
2025 at a glance

Key metrics

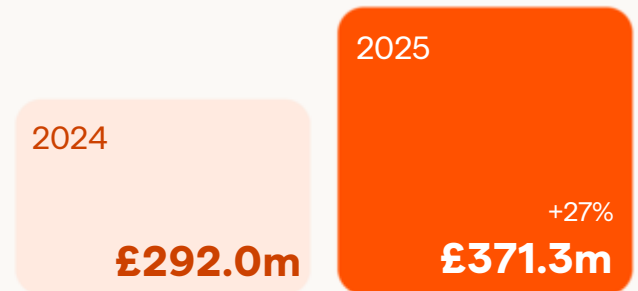
Profit before tax



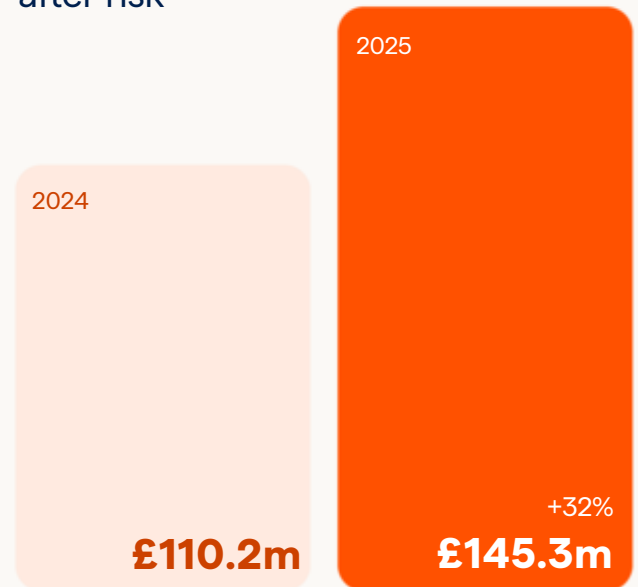
Underlying profit before tax



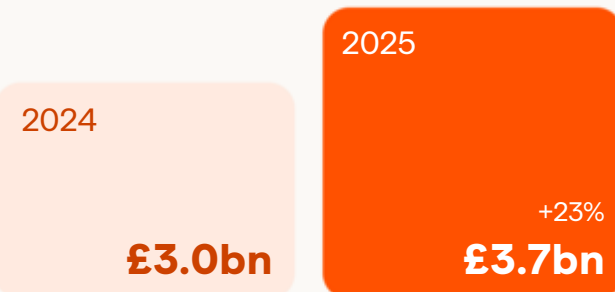
Gross revenue



Gross profit after risk



Loans and advances to customers



Net interest margin

4.7%

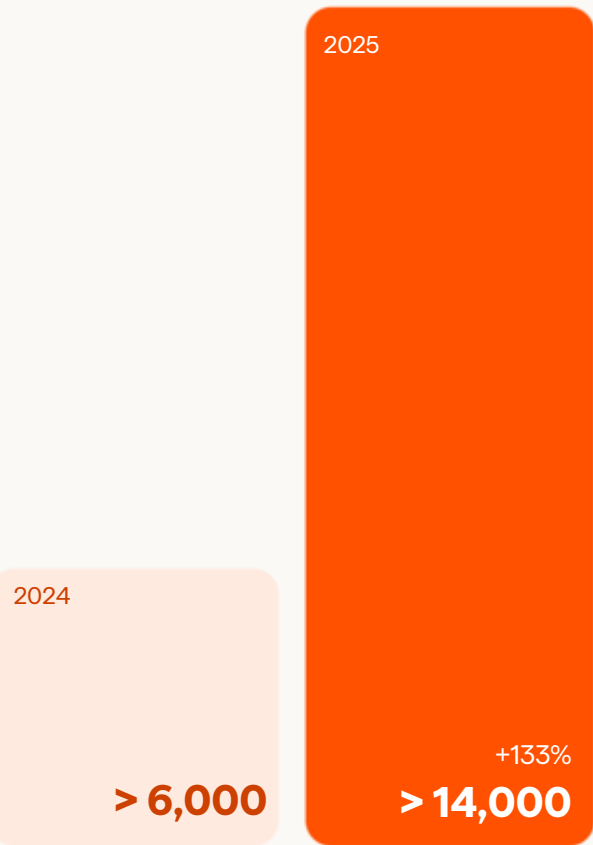
2024
4.5%



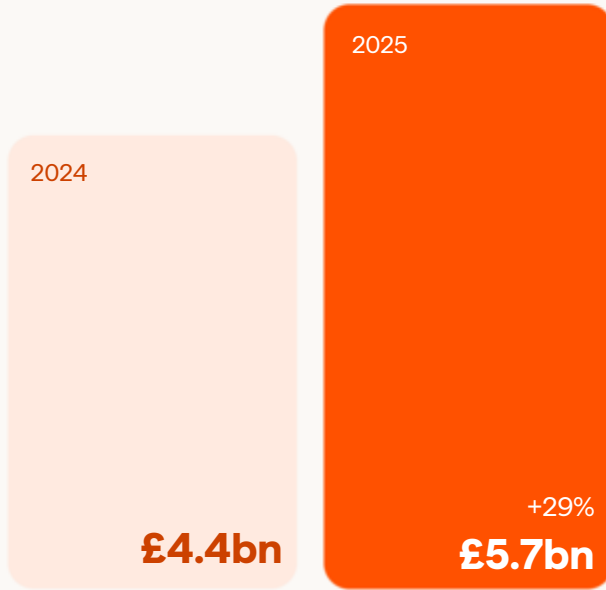
2025 at a glance

Key metrics

Active Business Rewards Account customers



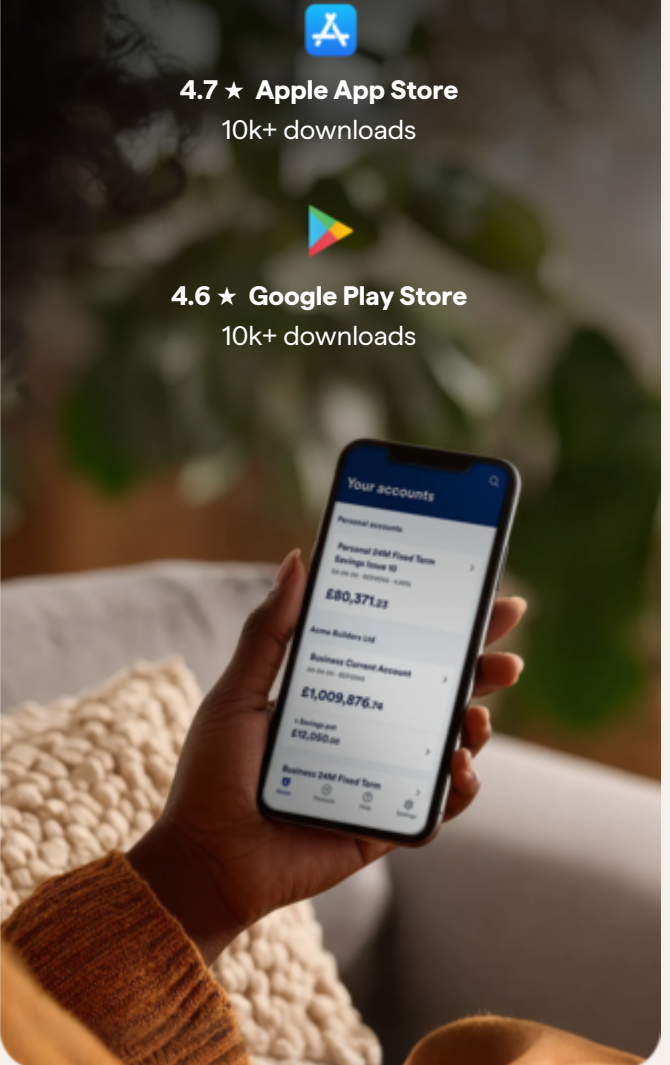
Customer deposits



Number of colleagues



App store ratings



Number of colleagues is stated as at 31 December 2025

2025 at a glance

Recognition

Winner

Bank of the Year

CityAM Awards 2025



Featured

Three years running

Deloitte UK Technology Fast 50
2023, 2024 & 2025



Allica Bank ranked #6, LinkedIn's
Top Startups 2025 London

Winner

Four years running

British Bank Awards Best business finance provider



Chair's review



"In 2025, Allica strengthened its role as the trusted banking partner for the UK's established SMEs, delivering innovative solutions to help them thrive in challenging times."

John Maltby
Chair

Allica exists to serve the UK's established SMEs (ESMEs), which remain underserved by the incumbent banks. Our unique proposition of leading full-service digital banking solutions is complemented by skilled relationship teams and we set the standard in UK ESME Banking. Our commitment to supporting established SMEs is reflected in our ongoing investment in a comprehensive suite of credit, payment, and savings solutions designed to empower these businesses to thrive.

During 2025, the economic landscape across the country remained difficult for ESMEs. Although inflation eased, companies continue to face rising cost pressures, hindering their potential for growth. Our customers told us that our solution and services helped them to address their challenges and enabled them to do what they do best – deliver for their customers and for the benefit of the UK economy. Our SME customers see us as a bank they can trust with their money, and one that truly understands them and seeks to reward them.

This has been reflected in the uptake of the Business Rewards Account (BRA), our business current account, with the number of account holders more than doubling in 2025. Allica has made significant investment into the BRA across the year, with a host of new features integrated.

We truly believe that we are offering established SMEs the best bank account

on the market, so it has been pleasing to see businesses across the country joining us.

In 2024, we reported that SMEs were losing out on £9 billion a year as a result of being offered far lower interest rates than those offered to larger firms. We continue to lead the Great British Savings Squeeze, a campaign to get businesses the interest on their savings that they deserve. We want every business to receive a fair return on their savings and cash reserves - and this is what we are delivering through our BRA.

Our loan book sits at £3.7 billion at year end, off the back of a very strong year where we originated £1.3 billion of new lending. This was possible not only due to our position as the UK's market leader for broker distributed lending, but also an increasing flow directly from customers. I'm proud that we are serving the needs of established SMEs across a range of lending products, from our more established products like Commercial Mortgages and Asset Finance, to newer ones such as Bridging Finance or Growth Finance, the latter of which has now passed £200 million of originations. We were delighted to add invoice and embedded finance to our range of products through our acquisition of Kriya Finance.

We see substantial opportunities to deploy AI to further develop our ESME market leadership position, particularly in complex lending. We made good progress on this in

2025, with further material investment planned in 2026.

It was very pleasing to see that, against a background of significant investment into our products, Allica continued to grow its underlying profit before tax to £43.7 million. This was supported by significant growth in our gross revenue, which grew to £371.3 million.

We appreciate the continued support of our three main equity investors: Warwick Capital Partners, TCV, and Blue Owl (formerly Atalaya Capital Management), and were pleased to welcome new investors Ventura Capital, GLG and Sona AM for common equity and AT1 instruments in early 2026.

Entering 2026, we've seen heightened market volatility associated with geopolitical events surrounding the Middle East. While we continue to monitor the situation closely, the Board is highly confident in our strategy and the ability of our team to deliver it, even with the potential for increased economic uncertainty. The need for a disruptive SME digital bank in the UK has never been greater, and our full service proposition is incredibly well placed to serve customers – existing and new – through the period ahead.

Lastly, I want to thank our dedicated colleagues. Our ever-growing team, now at over 800¹ people, has made all of our achievements possible and continues to enable us and our customers to fulfil our respective ambitions.

¹ As at date of approval of the financial statements

Chief Executive Officer's review



"2025 was a year of innovation and strategic expansion, as Allica deepened its commitment to transforming finance for established SMEs."

Richard Davies
Chief Executive Officer

2025 marks another period of strong progress for Allica. We have continued our impressive growth, allowing us to support more of the UK's established SMEs (ESMEs). We made huge steps forward in the use of AI during 2025, and are very excited by the potential we see to transform financial services for the ESME segment of the economy that has for too long been neglected.

Our continued growth

Our gross profit after risk has grown substantially during the year, up 32% to £145.3 million. Throughout the year we have invested significantly into enhancing our technology and products, to ensure we continue to provide the best payment and lending products for established SMEs on the market.

Underlying profit before tax increased at a faster rate of 34%, even though we also made further significant strategic investments into our technology, product and distribution capabilities, especially into our business current account, the Business Rewards Account (BRA). These significant investments will support scalable, sustained growth in our profitability over future years.

Throughout 2025, we have seen very rapid growth in the uptake of the BRA. The number of account holders and balances more than doubled in the year, while primary users and card spend increased even more significantly.

This is a result of our market leading product, combined with the unique growth playbook we have developed, and underpinned by great progress in our brand.

The orange bowler hat is becoming that rare thing of a stand out brand icon. We've seen brand awareness increase from 4% in 2023 to 8% in 2024 to 16% in 2025. And with our customer penetration of the established SME segment now at over 6%, we see a great uptake rate as business owners become increasingly aware of Allica.

Alongside this, we have seen continued growth in our balance sheet. Our loan book has increased by 23% to £3.7 billion, and our customer deposits have increased by 29%, up to £5.7 billion.

Serving our customers

Against a landscape where the incumbent banks make so many established SMEs feel unwelcome, we want our customers to feel rewarded by their bank account.

We released a wide range of enhancements across our customer-facing technology during the year. On top of this, we continue to provide market-leading benefits to the established SME segment, including named relationship managers for all BRA holders and cashback of up to 1.5%, all while providing a fair interest rate on spare cash and low monthly fees.

We have seen all of this reflected in the feedback we receive from our customers and partners. Our Trustpilot score of 4.7/5 (2024: 4.6), Apple App Store rating of 4.7/5, Google Play Store rating of 4.6/5 and customer NPS of +76 where their main bank is Allica (2024: +67) all represent the positive impact we are having on our customers.

Full-service ESME banking

Our full stack of products makes us the only full service digital banking provider in the UK for established SMEs. During 2025, we continued to expand and improve our offerings across the board.

Our continued investment into the award-winning BRA ensures that established SMEs have access to a unique, tailored current account proposition. During 2025, we added a host of new features to our business account, with highlights including a major upgrade to our Overdraft product, integration with QuickBooks, Apple Pay and Google Pay, the launch of expense cards, and improved savings rates for those who use Allica as their main bank account. In the first half of 2026 we are building on this with the release of a wide range of proprietary developed financial operations capabilities for ESMEs including expense management, bill pay, and AI powered cashflow insights.

2025 was a significant year for Allica's organic lending, with the Bank advancing over £1.3 billion of lending to established SMEs, primarily through our established secured lending products, though with encouraging growth in our newer lending products (primarily Bridging and Growth Finance).

During 2025, we continued integrating our Bridging Finance offering into Allica's infrastructure, following our acquisition of Tuscan Capital in 2024, which rebranded under the Allica umbrella early in 2025. We launched a market first 'Bridge-to-Term' product in the middle of the year, which we were pleased to see recognised with the NACFB Pioneers Award (along with 3 other awards, including Commercial Lender of the Year).

Another milestone this year was Allica's acquisition of Kriya, a strategic move that accelerates our entry into the invoice finance and embedded finance markets. This acquisition not only broadens our working capital product offering, but also positions Allica at the forefront of providing flexible, technology-driven finance solutions in the emerging B2B embedded finance market.

Scalable technology

We have continued to build and enhance our technology stack during 2025 across our customer facing products, operational and back end software and data capabilities.

Proprietary technology is at the heart of our operating strategy – solving the 'complexity x volume' problem that is the core of why the established SME segment is underserved, and enabling us to serve our customers at low marginal cost, while providing a great customer experience.

These developments are delivered by our in-house product and engineering teams, who make up over 240 of our colleagues, and who have collectively delivered over 3,700 releases during the year, with high reliability (uptime >99.5%). We operate the single-threaded squad model, allowing cross functional teams to focus entirely on delivering against metrics on the specific product or service they own.

AI is increasingly reshaping the world, and I'm very pleased with the substantial progress in 2025 in this regard.

We have placed particular focus on engineering, rapidly moving from a position of limited AI engineering tooling at the start of 2025, to 23% using AI on a daily equivalent basis in April, and now 79% daily usage by January 2026. Autonomous developer agent usage in particular soared in Q4 of 2025. From this we saw a significant increase in output, with a more than doubling in merged (i.e. successful) pull requests during H2.

We are pleased that benchmarking against the most comprehensive study of AI engineering usage available, we show as well into the top decile of companies (see 2025 Priorities section for further detail).

Building on this, we have been rebuilding our design system to Tailwind and Radix to be optimised for AI native tools. We see an 89% reduction in page build times as a result and we have deployed structured training that moves our functional engineering roles to a full stack basis, meaning 25% less roles needed in a typical squad. In technology, small AI powered teams win.

Beyond product engineering, Allica's organisation-wide adoption of AI tools rose from under 50% of employees in Q1 2025 to over 80% in Q4.

We have placed a lot of emphasis on encouraging bottom up agentic AI ideas and deployment, and we have seen strong results here with Allicans deploying a wide range of agents. This includes gathering structured product feedback from across our customer calls and email contact universe, copywriting in Allica's tone of voice, and rapid root cause error identification for production bugs.

A subset of our squads have had a dedicated focus on building highly bespoke agents for complex lending use cases. We have seen some third party fintechs trying to build standalone businesses on these use cases, but it's clear we can create better solutions more rapidly in house using our proprietary internal data and ability to quickly shadow test and live pilot. Evidencing this, we were pleased to see one of these solutions recognised at the FSTech Awards in March 2026 as 'best use of technology in Commercial Finance' across EMEA.

With our proprietary loan software across the end to end lending lifecycle now fully in place on a multi channel and multi product basis, we see substantial opportunity in 2026 for our squads to focus on developing AI agents that leverage this loan software and data to revolutionise the end to end of complex SME lending, further cementing our proprietary operating advantage in the established SME segment.

Championing SMEs in public policy

I welcome the commitment shown by the PRA and FCA towards supporting growing banks, as demonstrated by the introduction of their joint Scale-Up Unit for high potential firms, and I am pleased Allica is in the inaugural cohort. We have been a major voice in calling out the need for increased focus from regulators on scale ups in the UK's successful fintech industry.

We are supportive of the Bank of England's decision to increase the FSCS deposit protection limit from £85,000 to £120,000, which we have pushed for in the past. We believe SMEs and consumers alike should feel confident that deposits they make with their banks are secure.

I spoke in November at the Business & Trade Committee in Parliament, discussing the research we published in April that highlighted the significant gap of £65 billion in productive credit for growing SMEs in working capital and investment in intangible assets. The UK's Growth Guarantee Scheme (GGS) needs to expand to support these economic ambitions. The scheme is three-to-four times smaller, relative to GDP, than comparable schemes in economies such as the US, France and Spain.

Our people

Our people remain at the heart of our success and are the driving force behind our continued growth and innovation. To support our continued growth, we increased our headcount by 21% during the year, to a total of 799, including 27 who joined us as part of our acquisition of Kriya.

We are focused on developing our colleagues and enabling them to produce the best results for Allica and for their own careers. To support this, we offer a number of upskilling programmes which allow individuals to manage their own development plan.

Throughout the year, we've held several 'AI Show and Tell' sessions open to all of our colleagues, offering a platform for staff to share their success stories for others to learn from, as well as an 'AI Spotlight' programme which rewards colleagues who make the best use of AI across the Bank.

I'm proud to see our culture and values reflecting positively among our colleagues. In our end of year employee survey, 83% of our colleagues said they would recommend Allica as a place to work.

We continue to strive towards making Allica a truly diverse place to work. In our end of year anonymous employee survey, 86% said they believe Allica is diverse. Across 2025, 41% of our colleagues identified as female, and 33% identified as being from ethnic minority groups. This was reflected similarly across our Executive Committee, 40% of colleagues identified as female, and 33% identified as being from ethnic minority groups.

Series D

Building on all of our progress outlined above, we were pleased to announce our \$155m Series D round in February 2026. This valued Allica at close to \$1.2bn.

The majority of the round consisted of common equity, alongside a portion of new additional Tier 1 equity capital, and was raised from Ventura Capital, GLG, Sona AM and existing investors TCV and Blue Owl.

The capital will fuel Allica's continued lending growth and deepen investment into Allica's proprietary AI development, while enabling Allica to expand outside of our UK home market for the first time.

We see Allica as being a clear winner in the age of AI. Both through our own leadership in deploying AI to complex ESME use cases, and because our lending finances a highly diversified set of real world assets from hotels to waste recycling plants to cranes - so we have no meaningful exposure to the so-called 'SaaSpocalypse'.

Looking ahead, we are primed to continue building on our momentum. I am incredibly grateful for the hard work of our colleagues which, in combination with our proprietary technology and market positioning, ensures that we can further support the ambitions of established SMEs. We are excited about the opportunities that lie ahead and remain focused on driving sustainable growth, innovation, and value for all our stakeholders.

Lastly, to all of our colleagues, our customers and our investors - thank you for your continued support. I am so proud of what we have achieved, and none of this would be possible without you.

Our business model and strategy

Strategy and purpose

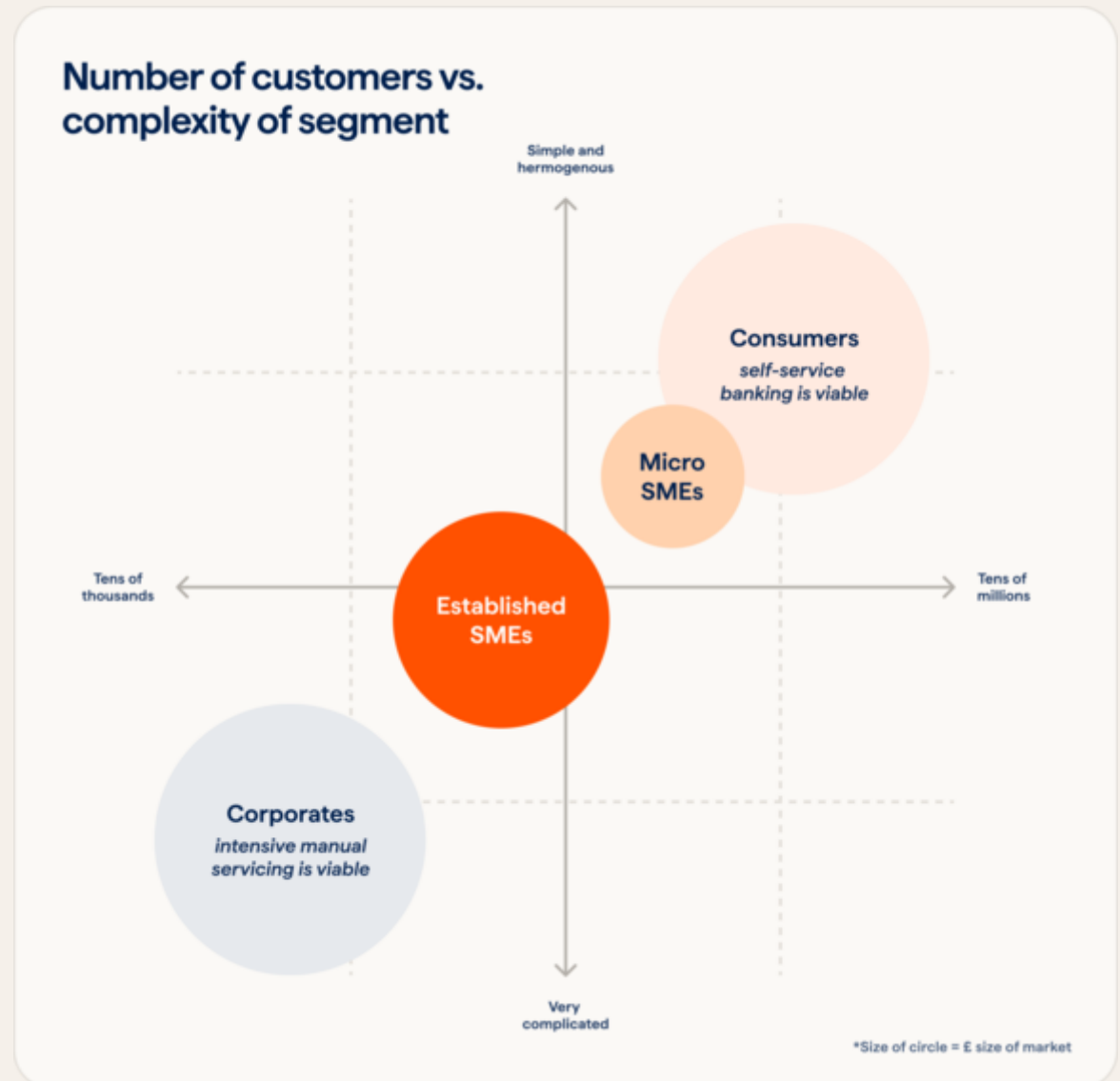
Allica exists to serve established SMEs, meaning businesses which typically have 5–250 staff. These established businesses are critical for our economy and communities, making up a third of UK employment and turnover. Yet the service they get from big banks is increasingly impersonal, inconvenient, and poor value.

For traditional banks, established SMEs sit awkwardly between their two core markets of tens of millions of homogeneous households and micro-businesses on one side, and a few thousand highly valuable large corporations on the other. As a result, combined with unsuitable technology platforms and operating models, incumbent banks find the complex needs of established SMEs too costly to serve effectively.

Allica is doing things differently. We are committed exclusively to the needs of this large and valuable segment of the economy, ensuring established SME businesses receive the banking they deserve.

This means proprietary technology that allows us to deliver a superior customer experience, offer exceptional value and a personal touch when needed.

It's business banking how it used to be, just better.



The only bank built solely for established businesses

Our journey so far

Allica is the only digital bank built solely for established businesses, offering a full-service banking proposition to established SMEs (ESME) in the UK. We offer a suite of products to serve the immediate needs of our customers and allowing us to offer a true alternative to the high street incumbent banks.

The heart of our offering is our business current account – the Business Rewards Account (BRA). This enables us to have a full banking relationship with our customers, allowing Allica to access lending opportunities, whilst also providing access to funding that reduces the cost base for our lending.

We have seen enormous growth in both the number of BRA holders and those using it as their main bank account during 2025, and we plan to continue scaling this as we grow.

Part of Allica's success is owed to our proprietary technology platform, which allows us to solve the problem of volume and complexity and provide exceptional service to our customers.

We continue to build on our technology, specifically to meet the evolving and complex needs of established businesses.

Our vision for transforming finance for ESMEs

We understand that Allica holds a unique position: to serve the needs of a large and vital segment of the UK economy, which remains underserved by the incumbents. We will continue to reinvent finance for ESMEs in the age of AI, by developing a range of tools to support established SMEs in growing their business, centred from the Allica Business Rewards Account.

Our goal is to redefine the role of finance in solving the long-term challenges faced by UK established SMEs.



How we're different for our customers

As Allica exists to serve the UK's established SMEs, everything we do revolves around supporting these businesses. Our proprietary technology and expertise allows us to focus relentlessly on solving their complex banking needs and pains. We express this through four pillars of differentiation – against the current experience that established SMEs face from incumbent high street banks.

Experience with incumbents

They...

Struggle to access the right financing options they need to fund their growth.

They...

Have lost the relationship manager service their high street bank used to provide.

They...

Feel ripped off on day-to-day banking due to poor service, low interest and high fees.

They...

Feel that banking is not on their terms, with fragmented systems and faceless call centres.

How we seek to be different

Allica is...

A lender that seeks out ways to say yes, instead of reasons to say no.

Allica provides...

A relationship manager who listens to you, not one who hides from you.

Allica provides...

A current account that rewards you, instead of punishing you.

Allica provides...

Technology that brings us closer to you, instead of cutting you off.

How Allica is built differently for long-term advantage

Incumbent banks suffer from legacy systems (often from third-parties) that were not designed with the unique characteristics of the established SME segment in mind.

This typically leads to manual processes, endemic rework, weak insight and poor customer experience.

We have high conviction that getting our technical and data foundations right delivers sustained and growing competitive advantage as we continue to scale. As such, Allica will continue to invest in our proprietary technology and data platform.

Customer experience

Product

Data

Operations

Incumbents' legacy foundations

Product-level relationships,
not customer-level relationships

Customer experience is forced to fit
inflexible internal processes

Each minor product iteration bakes
in a further layer of inefficiency

Each minor product iteration involves
costly change programmes

Constant waste and rework from
the need to remediate data

Duplicated and dispersed data
undermines business visibility

New processes inevitably add
manual workarounds

Breadth of product range undermined
by high operating costs

Legacy begets more legacy

Allica getting the foundations right

A single customer view creates
joined up experiences

Customer sales come naturally
and efficiently

Able to evolve our product suite
to evolving customer needs

New processes can be automated
quickly and seamlessly

Proprietary data enables machine learning
and artificial intelligence

Processes and performance insights
accurately in real-time

Processes can constantly
improve based on data insights

Software and AI enable customised
products at low marginal cost

A virtuous cycle

Our 2025 priorities

In 2025, we continued to assess our performance against our four key priorities of:

- ★ **Most recommended in all we do**
- ✈ **Full-service established SME capabilities**
- 👤 **Best in class efficiency**
- 🛡 **Robust risk outcomes**

Delivery against these priorities is underpinned by our two enduring enablers: the supporting pillars of talent and culture, and technology and data.

This framework remains central to our internal performance management, informing objectives, key performance indicators (KPIs) and colleague remuneration.



Delivering on our 2025 priorities

1. Most recommended in all we do

Recommended by our customers

We measure progress towards this priority using Net Promoter Score (NPS) methodology, which measures the likelihood of our business customers recommending Allica, and other independent feedback channels.

We measure NPS across three different groups: our ESME customers, our broker partners and our accountancy partners. The Bank conducts semi-annual surveys across these groups to assess our performance, using a third party financial services research firm.

This exercise was carried out by RFI Global in November 2025. Our customer NPS from this exercise was +76 (November 2024: +67), which is considered an excellent rating.

Our customers have rated us 4.6/5 on Trustpilot as at the end of 2025, with over 1,700 customers having left feedback for us.

Additionally, we have received over 2,400 reviews on Smart Money People, with an average rating of 4.89/5.

Recommended by our partners

Our largest channel for lending is commercial finance brokers, whose role is to recommend suitable loans to their business clients. In addition, we also continue to deepen our partnership with accountants, reflecting the growing role accountants play in advising established SMEs. During the year, we have expanded our focus on supporting accountancy firms with practical tools and relationship-led access, helping them and their clients to get more from their banking.

Our 2025 year-end broker survey showed an NPS of +52, a rating that we consider excellent, with our NPS for accountants +79.

Recommended by our colleagues

In addition to our customers and brokers, we want to be the most recommended Bank by our colleagues. We measure this through our semi-annual anonymous employee surveys, in which 83% of colleagues said they would recommend Allica as a place to work.

2. Full-service established SME capabilities

Grow our lending products

During the year, we increased our lending capabilities through both organic and inorganic expansion.

Organically, we invested in our Overdraft offering and continued the rapid growth of our Growth Finance product. In addition, we broadened capability within our core Commercial Mortgage and Asset Finance propositions.

This included targeted enhancements to our specialist buy-to-let offering and an expansion in the range of asset types we are able to support, giving customers and intermediaries greater choice.

We further integrated our Bridging Finance acquisition completed in 2024, including expanding its product coverage to include an innovative new 'bridge-to-term' product.

Inorganically, we acquired Kriya to expand our capabilities in receivables finance and embedded lending.

We will continue to enhance our lending proposition to established SMEs. In early 2026, we implemented price reductions across our commercial mortgage and bridging products, as well as a simplification of our lending range.

Scaling our Business Rewards Account

The Business Rewards Account sits at the heart of our proposition for established SMEs.

In 2025, we focused on targeting new customers and increasing primary usage of the account across all BRA holders. In order to attain our targets, we added new features to make the account more user-friendly, such as Apple Pay and Google Pay, integration with Quickbooks, the launch of expense cards, all while improving in-life experience for users of our online banking and web portals.

On top of this, we launched tiered savings rates to reward those who use the BRA as their primary bank account, and boosted rates for those who perform a full switch of their bank account to the BRA.

The result of these improvements is that we've made significant progress towards our 2025 objectives on deposits. Monthly card spend more than doubled across 2025, the number of CASS full and partial switches into the BRA increased by over 300% and the number of active BRA holders more than doubled.

Delivering on our 2025 priorities (continued)

3. Best in class efficiency

Improving our operating leverage

Our proprietary technology stack allows us to drive enhanced operating efficiencies without compromising on customer experience.

In 2024, we moved to our 'single-threaded teams' approach for our product engineering colleagues, with each cross functional team focused on owning and optimising a single service.

In the second half of 2025 we have built on this with a move to 'T-shaped' (i.e. multi-disciplinary) roles in

engineering, alongside rebuilding our design system to Tailwind and Radix to be optimised for AI native tools. We see a 89% reduction in page build times as a result.

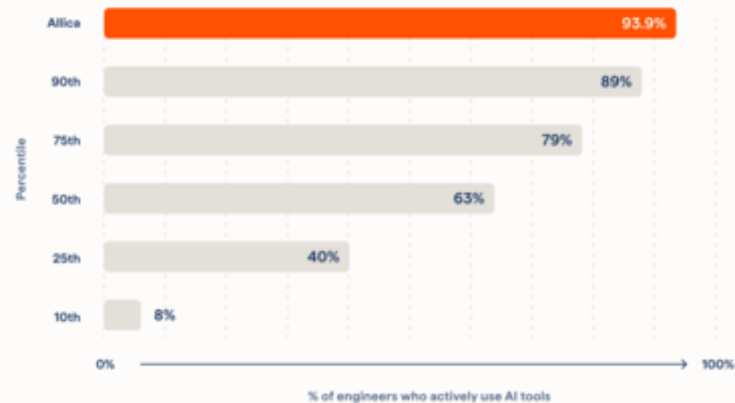
We have benchmarked our engineering productivity and AI adoption against the most comprehensive study available from Jellyfish, which covers over 700 companies with 200,000 engineers. The key comparisons are shown below and demonstrate Allica is at the top end of performance.

From a feature point of view, during 2025 we invested in developing our bulk payments APIs and expense management tools for our Business Rewards Account,

both aimed at reducing the administrative burden for our established SME customers.

In lending, we continued to develop our proprietary Loan Processing Hub alongside investing in agentic AI technologies. This enables ever better service and efficiency in areas such as loan underwriting, where AI is used to automate heavily manual tasks such as data entry, allowing our colleagues to focus on areas which require their expertise.

Weekly Active Users (WAU)



Pull Requests (PR) Throughput Impact

Adoption level	% of frequent AI users	Weekly PRs per engineer	vs baseline
Low	0% - 25%	1.12	-
Medium	25% - 50%	1.58	+41%
High	50% - 75%	1.81	+62%
Very High	75% - 100%	2.20	+97%
Allica Bank	93.9%	3.0	+168%



Over 93% of Allica Bank engineers are using AI tools at least 3+ days a week.

Only 32% of other organisations are seeing at least half of their engineers use AI tools 3+ days a week.

Delivering on our 2025 priorities (continued)

4. Robust risk outcomes

A culture with risk management at its heart

Risk management is embedded in our culture and central to achieving our objectives. Our Risk Management Framework (RMF), overseen by the Board, sets out our approach, while the Risk Appetite Statements (RAS) and associated limits define the level of risk we are prepared to assume in pursuit of our strategic goals.

Our risk culture is supported by strong leadership, clear accountability, and comprehensive training that promotes consistent awareness across the organisation. We operate a robust three-lines-of-defence model and ensure our remuneration practices are aligned with sound risk management. Regular communication, structured training, and the integration of risk considerations into performance assessments help reinforce an environment of openness, constructive challenge, and timely escalation.

Continuous enhancement remains a core focus. Routine self-assessments and lessons-learned reviews drive ongoing improvement and ensure prudent risk-taking is embedded throughout the business - from Board decision-making to day-to-day activity. This integrated approach supports the protection of stakeholder interests and underpins the organisation's long-term resilience and success.



Chief Financial Officer's review



"2025 delivered strong financial performance, underpinned by continued growth in lending and deposits. Our loan book reached £3.7 billion and customer deposits climbed to £5.7 billion, driving a 32% increase in gross profit after risk to £145.3 million and a 34% rise in underlying profit before tax to £43.7 million. These results position us well for sustained profitability and future expansion."

James Heath
Chief Financial Officer

Profit before tax

£36.9m

23% increase from 2024 (£29.9m)

Underlying profit before tax

£43.7m

34% increase from 2024 (£32.5m)

Gross profit after risk

£145.3m

32% increase from 2024 (£110.2m)

Gross revenue

£371.3m

27% increase from 2024 (£292.0m)

Loans and advances to customers

£3.7bn

23% increase from 2024 (£3.0bn)

Net interest margin

4.7%

2024: 4.5%

Deposits from customers

£5.7bn

29% increase from 2024 (£4.4bn)

During 2025, we delivered strong growth across our core performance metrics. Gross revenue increased by 27% to £371.3m and gross profit after risk rose by 32% to £145.3m, supporting a 34% increase in underlying profit before tax to £43.7m (23% increase in statutory profit before tax to £36.9m). This performance was underpinned by the continued growth in lending to our target market of established SMEs. New loan origination totalled £1.3 billion in 2025 across our Broker and Direct channels, the latter seeing strong growth alongside the continuing success of our Business Rewards Account (BRA), our market leading current account designed specifically for the needs to established SMEs. The strong growth of the Business Rewards Account, continued diversification in our mix of lending products and active treasury management of funding and interest rate positions maintained a robust Net Interest Margin (NIM) of 4.7%.

Operating expenses increased by 35% to £108.4m (2024: 53%), reflecting targeted investment in technology, product and distribution to support further growth, particularly the Business Rewards Account. Excluding these deliberate investments, our cost growth would have been materially lower, and we remain focused on driving operating leverage as these initiatives mature.

On an underlying basis, profit before tax increased by 34% to £43.7m. Underlying profit before tax adjusts the statutory results for certain non-recurring items to better reflect management's view of Allica's underlying operating performance for the year and to improve comparability between periods.

The following adjustments have been excluded from the underlying results:

- **Acquisition costs:** represents non-recurring costs incurred relating to the corporate acquisitions of Kriya Finance Limited (2025) and Allica Bridging Finance Limited (formerly Tuscan Capital (2024)). See note 31 of the Financial statements.
- **Accelerated amortisation on legacy technology platforms:** represents the accelerated amortisation charge incurred as a result of management decisions to replace certain legacy technology platforms.
- **International expansion costs:** represents non-recurring costs incurred in relation to the Bank's planned international expansion and related corporate restructuring.

Additionally, the current year includes a tax charge of £9.6m, compared to £0.1m in the prior year. The prior year tax charge includes a deferred tax benefit totalling £3.2m due to the recognition of a deferred tax asset relating to the Bank's carry forward trading losses.

Summary performance metrics

	Year ended 31/12/2025	Year ended 31/12/2024
Gross revenue	371.3	292.0
Gross profit after risk (£'m)	145.3	110.2
Underlying profit before tax (£'m)	43.7	32.5
Statutory profit before tax (£'m)	36.9	29.9
Net interest margin (NIM)	4.7 %	4.5 %

Non-IFRS measures referenced within the strategic report are defined on page 174. Metrics are statutory unless stated otherwise.

Condensed profit or loss account

	Year ended 31/12/2025	Year ended 31/12/2024
	£'m	£'m
Net interest income	159.0	114.0
Fair value gains on financial instruments	6.5	11.8
Net fee and commission expense	(6.9)	(5.4)
Total operating income	158.6	120.4
Operating expenses	(101.6)	(77.7)
Impairment losses	(13.3)	(10.2)
Underlying profit before tax	43.7	32.5
Acquisition costs	(0.9)	(1.1)
Accelerated amortisation on legacy technology platforms	(4.6)	(1.5)
International expansion costs	(1.3)	-
Statutory profit before tax	36.9	29.9
Taxation charge	(9.6)	(0.1)
Statutory profit after tax	27.3	29.8

Total operating income

	Year ended 31/12/2025	Year ended 31/12/2024
	£'m	£'m
Interest income		
On loans and advances to customers	269.0	213.2
On loans and advances to banks	52.5	49.7
On debt securities	32.3	11.0
Interest income calculating using EIR	353.8	273.9
On derivatives in hedge relationships	50.4	46.4
Total	404.2	320.3

Total operating income grew by 32% to £158.6m (2024: £120.4m) primarily driven by growth in net interest income, which rose by 39% to £159.0m (2024: £114.0m) during the year.

Interest income grew by £83.9m (26%) to £404.2m, with the majority of this increase attributable to loans and advances to customers, reflecting continued strong growth in the loan book. Interest earned on loans and advances to banks and on debt securities also increased, supported by growth in these asset classes.

	Year ended 31/12/2025	Year ended 31/12/2024
	£'m	£'m
Interest expense		
On deposits from customers	(190.6)	(154.8)
On subordinated debt	(4.2)	(2.2)
On wholesale funding	(0.5)	-
On other interest bearing financial instruments	(3.0)	(5.5)
Interest expense calculated using EIR	(198.3)	(162.5)
On derivatives in hedge relationships	(46.9)	(43.8)
Total	(245.2)	(206.3)

Interest expense increased by 19% to £245.2m, primarily reflecting the significant growth in customer deposits. This was partly offset by the reduction in the Bank of England base rate and by changes in product mix, with significant growth in BRA balances helping to lower the overall cost of funding.

The Net Interest Margin (NIM) improved to 4.7% (2024: 4.5%). This occurred despite the falling-rate environment, as the Bank benefited from further diversification in lending products, growth in current account balances and careful management of interest rate risk.

	Year ended 31/12/2025	Year ended 31/12/2024
	£'m	£'m
Net fee and commission expense		
Customer card transaction income	5.0	2.1
Fee income on loans and advances to customers	2.5	1.6
Servicing and transactional fees for loans and advances to customers	(8.3)	(7.6)
Servicing and transactional fees for deposits from customers	(5.2)	(0.8)
Other expenses on loans and advances to customers	(0.9)	(0.7)
Net fee and commission expense	(6.9)	(5.4)

Net fee and commission expense increased from £5.4m to £6.9m, primarily due to an increase in net servicing and transaction fees for our BRA.

Total operating expenses

	Year ended 31/12/2025	Year ended 31/12/2024
	£'m	£'m
Operating expenses		
Staff costs	63.3	47.3
Legal and professional fees	5.7	4.7
Depreciation and amortisation	10.9	6.3
Technology licence fees and subscriptions	8.9	6.8
Marketing	7.0	5.5
Other	12.6	9.7
Total operating expenses	108.4	80.3

Operating expenses increased by 35% to £108.4m (2024: £80.3m) as we continued to invest in the future growth of the Bank. Staff costs rose by 34%, driven by investment in our sales and partnerships teams, as well as our technology, data, and product functions.

The expansion of our distribution channels - including relationship managers, account managers, and partnerships teams - has supported the increase in the proportion of loan originations through our direct channel and driven the acquisition of BRA customers. We remain committed to investing in this area to accelerate growth in direct originations and BRA expansion.

Investment in our technology, data, and product functions is focused on the continued development of our core technology infrastructure, which will deliver future efficiencies and scalability as the Bank grows. In addition, we have increased marketing expenditure through successful multi-channel campaigns aimed at enhancing brand awareness and reducing customer acquisition costs.

Also included within operating expenses are certain non-recurring expenses, including acquisition costs associated with the Bank's acquisition of Kriya Finance Limited (see Note 32 of the financial statements) of £0.9m, accelerated amortisation on intangible assets as a result of the replacement of certain legacy technology platforms totalling £4.6m (2024: £1.5m) and costs totalling £1.3m (2024: £nil) relating to international expansion options being explored by the Group.

Impairment losses

Impairment losses increased by 30% to £13.3m (2024: £10.2m), with coverage rates increasing slightly to 1.1% (2024: 1.1%), reflecting seasoning of the loan book rather than a deterioration in asset quality. Coverage ratios have remained broadly consistent at each provisioning stage.

	Gross loan and advances to customers ¹	Expected credit loss	Coverage ratio
	£'m	£'m	%
As at 31/12/25			
Stage 1	3,308.5	13.1	0.4 %
Stage 2	387.1	11.4	2.9 %
Stage 3	100.2	18.1	18.1 %
POCI	6.3	0.0	0.5 %
Total	3,802.1	42.6	1.1 %

As at 31/12/24

Stage 1	2,710.1	13.1	0.5 %
Stage 2	308.6	6.1	2.0 %
Stage 3	59.5	13.0	21.8 %
POCI	22.2	0.8	3.6 %
Total	3,100.4	33.0	1.1 %

Taxation

The taxation charge for the year was £9.6m (2024: £0.1m). This is made up of a current tax charge of £3.6m and a deferred tax charge of £6.0m. The prior year taxation charge benefited from the recognition of a deferred tax asset relating to the Bank's taxable trading losses.

¹ Refers to total credit exposure held by the Group, which excludes adjustments for EIR and other minor adjustments to the principal balance of Gross loans and advances to customers.

The Bank's condensed balance sheet

	2025 £'m	2024 £'m
Assets		
Loans and advances to customers	3,742.0	3,048.8
Cash, cash equivalents and other liquid assets	2,442.1	1,804.0
Other assets	74.9	70.4
Deferred tax asset	9.9	11.3
Total assets	6,268.9	4,934.5
Liabilities		
Deposits from customers	5,719.9	4,428.1
Other liabilities	125.0	129.7
Total liabilities	5,844.9	4,557.8
Equity		
Share capital	3.7	3.4
Share premium	323.0	280.9
Perpetual notes (including convertible)	44.9	44.9
Other capital and reserves	52.4	47.5
Total equity	424.0	376.7
Total equity and liabilities	6,268.9	4,934.5

Other financial position metrics

New organic lending (£m)	1,273.0	1,124.5
Total capital ratio	16.8 %	18.8 %
Liquidity coverage ratio (LCR)	207.7 %	253.0 %

Loans and advances

The Bank continued to grow its lending to established SMEs during the year, primarily through our organic lending products delivered via direct distribution and broker channels. As a result, loans and advances to customers increased by 23% to £3.7bn. At 31 December 2025, our loan portfolio mix was as follows:

	As at 31/12/2025 £'m	As at 31/12/2024 £'m
Net loans and advances to customers		
Commercial Mortgages	2,358.2	1,747.4
Asset Finance	507.4	427.8
Forward flow	428.8	476.2
Growth Finance	171.1	75.4
Bridging Finance	120.7	65.4
Portfolio acquisitions	109.3	256.0
Other	47.4	2.6
Hedge adjustment	(0.9)	(2.0)
Total	3,742.0	3,048.8

The year saw excellent growth across all core lending streams. We advanced £1.3 billion of new lending through our organic lending products, which include Commercial Mortgages, Asset Finance, and other products such as Bridging Finance and Growth Finance.

Commercial Mortgages increased by 35% to £2,358.2m, while Asset Finance balances grew by 19% to £507.4m. Growth Finance, which enables flexible borrowing for SMEs against a pool of business assets, saw significant growth of 127% to £171.1m. Following the acquisition of Tuscan Capital in 2024, we were delighted that the loan book nearly doubled in 2025 to £120.7m. We continue to look for opportunities to expand our range of products as demonstrated by the acquisition of Kriya Finance, which adds invoice and embedded finance to our portfolio.

The balances above are presented net of impairment losses. Our total provision for expected credit losses increased to £42.6m at the year-end (2024: £33.0m), which reflects model refinements.

To mitigate exposure to interest rate risk on lending, the Bank utilises interest rate swaps. At 31 December 2025, the Bank held derivative assets of £9.1m (2024: £23.5m) and derivative liabilities of £22.4m (2024: £8.1m), resulting in a net derivative liability position of £13.3m (2024: asset of £15.4m).

Deposits

	As at 31/12/2025 £'m	As at 31/12/2024 £'m
Deposits		
Business Deposits	2,266.8	1,345.9
Personal Deposits	1,662.0	2,330.3
Business Rewards Account	1,790.8	752.0
Fair value adjustment for hedged risk	0.3	(0.1)
Total	5,719.9	4,428.1

The Bank's deposits grew significantly during the year as we continued to offer competitive savings rates to both personal and business customers. We are particularly pleased with the strong growth in balances from BRA customers, which increased by 138% and now represent 31% of total deposit balances (2024: 17%). This shift reflects our successful strategy to deepen relationships with SME customers and encourage use of the BRA as their primary bank account, strengthening our funding base. SME deposits (including those accepted through our distribution partners) accounted for 71% of total deposit balances (2024: 47%), surpassing personal deposits.

As a result, deposits from customers increased by 29% to £5.7bn (2024: £4.4bn). We remain committed to investing in our Business Rewards Account and savings products to ensure we continue offering competitive solutions that meet the evolving needs of our customers.

Liquidity

The Bank continues to adopt a prudent approach to managing its liquid asset portfolio, with over £1.1bn of cash held with the Bank of England and a further £1.2bn invested in high-quality debt securities. During the year, the Group made the decision to increase its investments in these debt securities, resulting in an increase of 282.9% from the prior year balance - this was the result of the Group taking a market opportunity to lock in a fixed rate receivable during a falling interest rate environment. The majority of these debt securities have been hedged to mitigate interest rate risk on these instruments.

The strength of the Bank's liquidity is measured by our Liquidity Coverage Ratio (LCR). At the year end, the ratio was 207.7% (2024: 253.0%). This is significantly above the minimum regulatory requirement of 100%. This strong position demonstrates our commitment to maintaining a robust liquidity buffer.

We monitor liquidity levels closely to ensure the Bank maintains sufficient liquid assets to meet its obligations as they fall due.

Capital

The Group remained in a strong capital position, well in excess of its minimum capital requirements throughout the year. As at 31 December 2025, the CET1 ratio was 13.4% (2024: 14.5%) and the total capital ratio was 16.8% (2024: 18.8%).

On 25 February 2026, the Group announced the successful completion of its Series D capital raise, comprising both CET1 and AT1 issuance. The round was supported by new investors Ventura Capital, GLG and Sona AM, together with continued backing from our existing investors, TCV and Blue Owl. This strengthened capital position will underpin continued and accelerated UK growth, deepen investment in our proprietary technology and initiate the next phase of future international expansion.

The Group monitors its capital adequacy on an ongoing basis, employing stress testing across a number of scenarios to ensure that we have sufficient resources to support our growth ambitions.

Basel 3.1/SDDT regime

On 20 January 2026, the Prudential Regulation Authority (PRA) published its final rules for its implementation of Basel 3.1 and the Small Domestic Deposit Takers (SDDT) regime. The Bank has decided to not adopt the SDDT regime given its growth ambitions and therefore will be adopting the Basel 3.1 rules. The Bank has an established implementation programme in place and is progressing execution activities ahead of the effective date.

Our values

2025 has been another year of significant growth for Allica, with our group headcount reaching 799 colleagues as at year-end. As we scale, our priority remains clear which is to uphold the culture and principles that define us. The values we refreshed last year continue to guide how we work together and deliver for our customers. They are embedded in everything we do, ensuring that as we grow, our values consistently reflect and reinforce the culture that makes Allica unique.

Our values are more than words on a page; they are the driving force behind our people. From the outset, our recruitment process ensures that every new colleague not only shares these values but can demonstrate how they have championed them in their previous experience. This alignment is critical to our success.

Our success depends on every colleague consistently living our values. These values shape the way we work, guiding decisions and ensuring alignment with our goals and objectives. They are a true reflection of our culture, influencing how we interact with one another and with our customers.

Beyond decision-making, our values provide a shared language and a strong foundation for collaboration. They help integrate new colleagues seamlessly and foster mutual understanding across teams. When lived every day, our culture and values create something tangible which is a clear difference that customers can feel. Most importantly, they build trust. The trust our customers place in us is a direct result of our unwavering commitment to integrity and exceptional service, and it is this trust that sets Allica apart from its competitors.

In it together

Missionaries not mercenaries

For others it's just a job. We're passionate about truly helping our customers

It takes all sorts

Others treat diversity as a buzzword. We want the best from any background.

Share the glory

Others build personal empires. We know our success comes from achieving our company goals by helping each other out.

Lead by example

No preening

Others measure worth by job titles, meetings and headcount. We value the outcomes you deliver.

In the action

Others shout from the stands. We're player-managers who lead from the front.

Dive deep

Others are hands-off. We're on top of the data and details, and no task is beneath us.

Need for speed

Speed wins

Others are slow. We know if we execute and improve faster then we build a massive advantage over time.

Talk is cheap

Others like to talk about what needs doing. We get on with doing it.

Be open

Others hoard information as internal currency. We believe transparency by default is faster and better.

Straight bat

Speak up

Others turn a blind eye. We aren't afraid to speak up and are ready to do something about it.

Do good

Others follow rules because they have to. We do because we want to - even when no one is looking.

No nonsense

Others over-complicate. We start with the customer and find practical solutions.

Own it

Make it happen

Others pass the buck and don't take decisions. We take responsibility and follow through.

Never settle

Others settle for good enough. We keep improving to be the best we can be and are always learning.

Own risks

Others manage around risks and issues. We follow the data and get to the root causes.



Our approach to people

At Allica, our mission remains clear: to be the UK's most-recommended business bank.

Our colleagues are the driving force behind this ambition; they are what make Allica distinctive and what make Allica exceptional.

We don't just strive to be the most recommended bank for our customers; we aim to be the most recommended bank for our colleagues too. Our goal is to create the best workplace experience our people have ever had. One that is enjoyable, healthy, and rewarding. This means fostering an environment where diversity is celebrated and every colleague feels empowered to bring their whole self to work.

By doing so, we continue to attract exceptional talent who are high achievers who consistently deliver and play a vital role in helping Allica achieve its ambitious plans.



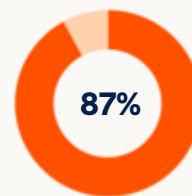


A great place to work

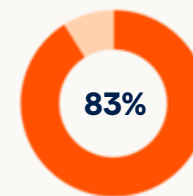
One of our core priorities is to make Allica a truly great place to work and ensure our colleagues feel engaged and valued. We maintain regular dialogue with our colleagues, using feedback to understand their experiences and identify opportunities for improvement.

We are proud that feedback from our internal surveys consistently reflects strong engagement and motivation across our workforce. Colleagues regularly highlight Allica's inclusive and diverse culture as a key reason they feel connected to the business, take pride in being part of it, and recognise how their work contributes to strong results, making their roles both impactful and rewarding.

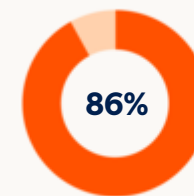
Employee survey responses



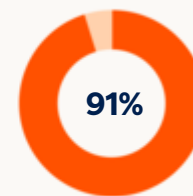
...of colleagues love working for Allica.



...would recommend working at Allica to a friend or relative.



...of colleagues believe that Allica is demographically diverse.



...of colleagues are proud to tell others they work for Allica.

Diversity and inclusion

At Allica, diversity remains a core focus and a cornerstone of our success. We are committed to nurturing a workplace culture that is fair, supportive, and inclusive for all colleagues. This commitment ensures we continue to deliver the highest standard of service to our customers.

Through our diversity initiatives, Allica has developed a truly diverse workforce with 41% of colleagues identifying as female (ExCo: 40%) and 33% of our colleagues being from ethnic minority groups (ExCo: 33%).

Last year, we highlighted our Diversity & Inclusion Forum and shared details of our approach in the annual report. This forum continues to play a vital role in promoting an environment where colleagues feel genuinely represented and empowered to bring their authentic selves to work.

Throughout 2025, the forum has built on this foundation by hosting events and conversations that celebrate and raise awareness of cultural, social, and identity-related themes.

We have hosted several colleagues' conversations within the organisation, allowing people to share their experiences on diverse topics. Some of our key events in this area celebrated:

- Neurodiversity Week
- Mental Health Awareness for all genders
- Movember
- Pride Month
- Black History Month

Additionally, we have also arranged several 'time to talk' sessions for all colleagues to join remotely. Within these sessions we have discussed mental health and neurological conditions which impact colleagues in the workplace and how we can best manage them.

Allica is committed to maintaining employment policies that reflect best practice and ensure equal opportunities for all employees, regardless of gender, race, colour, age, disability, sexual orientation, or marital or civil partner status. We are dedicated to providing individuals with disabilities equal opportunities to enter and progress within employment at Allica. This commitment applies across all stages of employment, including recruitment and selection, terms and conditions, and access to training and career development.

Recruitment

Allica's ongoing growth and continued diversification of its product offering has driven the increase in our workforce, ending the year at 799 colleagues. This saw us average a headcount of 750 throughout the year, up from 568 last year, an increase of 14%.

We have continued to operate Allica India Technology Services, our subsidiary which aims to tap into India's rich talent pool. As at the end of 2025, this entity employs 109 colleagues – an increase from 76 in the prior year.

Develop the best

We delivered the Allica Bank Management Foundations programme multiple times this year, supporting both new and experienced managers in developing future-ready management skills. The programme was rebranded to reflect our values shifting from theory to practical, action-oriented learning aligned with Allica's pace.

We also launched a Leadership course to develop the future leaders of Allica and strengthen succession planning. Manager Onboarding was introduced to establish clear expectations for new managers, along with targeted training on key topics. We enhanced rating calibration, introduced new rating descriptors and quantitative scorecards, which have uplifted our performance review process – all supporting us in constantly raising our performance bar.

Beyond internal initiatives, we continued investing in colleague development through external courses, subscriptions, and learning platforms.

These efforts have delivered tangible results: during 2025, 75 colleagues were promoted – representing 10% of our workforce – reinforcing that a career at Allica truly accelerates professional growth.

Our approach to transparency and colleague engagement

Transparency is a core value at Allica, ensuring colleagues have access to all relevant information. We hold regular All-Bank meetings where colleagues can share their views and ask questions directly to management.

Every colleague has a vested interest in our success through a performance-linked bonus structure, with awards directly tied to delivery against the Company scorecard. Business performance updates are shared frequently by the Executive team and reinforced through these meetings, keeping everyone informed and engaged.

Section 172(1) statement

At Allica, our success depends on the people and organisations we work with and serve every day. Our stakeholders include our customers, colleagues, regulators, investors, partners and the wider communities we operate in. Building strong and lasting relationships with these groups is fundamental to delivering sustainable growth and achieving our purpose of supporting established SMEs across the UK.

Section 172(1) of the Companies Act 2006 requires Directors to act in the way they consider, in good faith, would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, while having regard to the interests of our wider stakeholders.

The Board considers stakeholder perspectives as part of its decision-making and oversight of the business. Proposals brought to the Board are reviewed and challenged by management in advance, including consideration of the potential impact on key stakeholder groups. This helps ensure that when the Board makes decisions, it does so with a clear understanding of the broader implications for our customers, colleagues, investors, partners and regulators.

Colleagues

Our colleagues are central to Allica's success. They bring together relationship-led banking and modern technology to deliver for established SMEs, and they are critical to maintaining the pace, quality and integrity required of a growing regulated bank. The Board and its Committees keep people and culture matters under active review throughout the year. The Board RemCo receives regular updates on colleague engagement and culture through anonymous surveys and pulse checks, alongside reporting on attrition, wellbeing, diversity and inclusion, internal mobility and talent development. The Board uses this information to challenge management on the themes emerging from colleague feedback, the actions being taken in response, and whether the organisation has the right capabilities and capacity as we scale.

Engagement with colleagues is supported through regular communications and open forums. Monthly All-Bank calls provide an opportunity for colleagues to hear business-wide updates and to raise questions, including anonymously, directly to leadership.

The Board also oversees that our approach to reward and performance supports long-term success and sound risk management. Diversity and belonging remain important priorities. A dedicated Diversity & Inclusion Committee supports delivery, and the Board expects management to demonstrate progress through clear data, practical initiatives and accountable ownership.

Through its oversight, the Board seeks to ensure Allica remains a great place to work - one that attracts and retains talent, enables colleagues to develop, and supports a culture of ownership, openness and high standards as we continue to grow.

Customers

Our customers are established SMEs who value straightforward banking, fair pricing, and access to real expertise when decisions matter. Our customers are central to everything we do. Our engagement with them is crucial to ensuring we understand their needs and consider these across our strategy & decision making.

The Board receives regular updates on customer outcomes and experience, including Net Promoter Score (NPS) and feedback from independent channels such as Trustpilot and Smart Money. The Board reviews trends in customer feedback alongside complaint themes, service performance metrics and operational incidents, enabling it to challenge management on root causes and ensure actions are taken to improve customer experience and consistency.

While the FCA no longer expects firms to appoint a Consumer Duty Champion, the Board has chosen to retain the role in practice. This reflects the Board's continued focus on ensuring that the delivery of good customer outcomes remains central to the Bank's governance and oversight.

Consumer Duty considerations remain a regular feature of Board discussions. The Consumer Duty Champion works alongside fellow Directors to help ensure that the customer perspective is reflected in Board discussions and decision making. Through this approach, the Board maintains oversight of how the Bank embeds Consumer Duty principles and delivers good outcomes for its customers.

Regulators

Allica is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). We are committed to maintaining open, constructive and transparent relationships with our regulators, which is fundamental to operating safely and compliantly as we continue to scale.

During the year, the Chair and other Board members met regularly with the PRA and FCA, alongside scheduled engagement between senior management and the supervisory teams. The Board is kept up to date on regulatory interactions and key themes through regular financial, risk and strategic reporting, and uses this to challenge management on progress against regulatory priorities and the strengthening of our governance, controls and operational resilience.

Key areas of focus during 2025 include contributing constructively to wider policy discussions that affect the UK banking sector and the SMEs we serve. During the year, Allica engaged with policymakers and regulators on matters including the role of scale-up banks in supporting SME growth and improving access to productive credit. We also welcomed the launch of the PRA and FCA's joint Scale-Up Unit, with Allica selected as part of the inaugural cohort supporting high-potential firms.

The Board also recognises the importance of maintaining robust capital and liquidity planning as the business grows, continued enhancement of our risk and control environment, and ensuring we remain on track with operational resilience expectations.

Shareholders

Allica maintains a regular, open dialogue with its principal investors. Warwick Capital Partners, Blue Owl and TCV each have appointed observers who have the right to attend meetings of the Board and its Committees, supporting effective information flow and ensuring investor perspectives are heard as appropriate.

Engagement with investors takes place through a combination of formal and informal channels, including regular performance and strategic updates with the Chair, CEO and CFO. The Board values investors' long-term support and experience, and considers their perspectives when assessing material strategic decisions, investment priorities and the pace of growth - while ensuring that decisions remain consistent with the Group's purpose, risk appetite and regulatory obligations.

Management incentive arrangements are designed to align management's interests with those of shareholders and to support sustainable value creation over the long term.

Suppliers and other third parties

Third parties play an important role in enabling Allica to serve customers effectively and scale safely. We work with a range of suppliers and partners across technology, operations, data and professional services, and we recognise that strong oversight of these relationships is critical to operational resilience, information security and regulatory compliance.

We also recognise the importance of being a responsible customer to our suppliers, many of whom are SMEs themselves. Paying promptly is part of how we support a healthy and resilient supplier ecosystem and maintain strong long-term partnerships. During 2025, we paid 98.5% of invoices within 30 days.

The Board provides oversight of our approach to outsourcing and third-party risk management through the governance framework and policies that set expectations for how we select, contract with and monitor suppliers throughout the relationship lifecycle. During 2025, we continued to enhance our vendor management and outsourcing policies and strengthened the supporting processes, including due diligence standards, contractual protections, incident management and ongoing performance monitoring for key suppliers.

For our most important relationships, Allica assigns a named relationship owner and holds regular senior bilateral meetings to review service performance, upcoming change, resilience and risk matters. Management monitors material relationships and key third-party risks through the Operations Committee, with escalation through Board and BRC where appropriate. This ensures that, as we grow, we maintain disciplined governance over supplier risk while continuing to benefit from the innovation and capability our third parties bring.

Environment

We consider the impact of running our business on the environment and the wider climate crisis, and how we can mitigate these impacts over time. The Board provides oversight of our approach to climate and environmental matters, including reviewing progress against our commitments and considering climate-related risks as part of the Group's wider risk management and governance.

Social matters remain a standing agenda item for the Executive Committee, ensuring sustained focus on people priorities, supporting data and reporting, and actions that enhance our organisational culture and social contribution. Further details on our approach, commitments and progress are set out in the "Environmental" section on page 43.

How the Board considered stakeholder interests in key decisions

The Board considers the potential impact of significant decisions on the Bank's key stakeholders, including customers, colleagues, investors, regulators and partners. During the year, the Board considered a number of important strategic and governance matters. The examples below illustrate how stakeholder considerations informed the Board's decision-making.

Appointment of the Deputy CEO, Niv Subramanian, to the Board

The Board approved the appointment of Niv Subramanian, Deputy Chief Executive Officer, to the Board. In reaching this decision, Directors considered the importance of strengthening executive leadership as the Bank continues to grow and scale its operations.

Niv's extensive experience in commercial banking and financial services supports the delivery of the Bank's strategy and helps ensure that the perspectives of both customers and colleagues are reflected in Board discussions. The appointment also supports continuity of leadership and the effective execution of initiatives aimed at improving customer outcomes and supporting colleagues across the organisation.

Appointment of Amitabh Ghatak as Non-Executive Director

The Board approved the appointment of Amitabh Ghatak as a Non-Executive Director. In making this appointment, the Board considered the importance of maintaining strong governance and effective independent oversight in supporting the interests of stakeholders, including regulators, investors, customers and colleagues.

Amitabh brings significant experience from high-growth fintech and technology businesses, strengthening the Board's understanding of digital product development, technology, cybersecurity and scaling platforms.

AT1 capital raise

The Board approved the issuance of Additional Tier 1 capital to support the Bank's continued growth and strengthen its capital position. In reaching this decision, the Board considered the interests of investors, regulators and customers, recognising that a resilient capital base underpins the Bank's long-term stability and supports its ability to continue lending to established SMEs.

Acquisition of Kriya Finance Limited

The Board approved the acquisition of Kriya Finance Limited as part of the Bank's strategy to broaden its SME lending capabilities. In considering the transaction, the Board assessed the potential benefits for customers through faster and more flexible working capital and PayLater solutions, while also considering the implications for colleagues, partners and investors, and the regulatory and operational considerations associated with integration.

This Strategic Report was approved by the Board and signed on its behalf by:



James Heath, Chief Financial Officer

27 March 2026

Risk management

Overview

Allica operates with a 'Three-Lines-of-Defence' model and an enterprise-wide Risk Management Framework (RMF), both of which are centred on a well embedded risk management culture. The RMF is designed and maintained by the risk function under the ownership of the Chief Risk Officer and ensures the governance, capabilities and tools remain in place and are effective to support decision-making across the organisation whilst giving appropriate consideration to risks. The RMF is reviewed and approved annually by the Board.

While all Allica colleagues are responsible for managing risk, the Risk & Compliance function (acting as the Bank's second line of defence) provide oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting ongoing enhancements to policies, standards and operational procedures.

The Chief Risk Officer alongside the Chief Compliance Officer play an integral role in providing the Board with advice on the Group's risk profile, the performance of its controls, and provide challenge to strategic and tactical risks.

Part of Allica's risk management focuses on risk categorisation known as our risk taxonomy, with the most senior risk categories referred to as Principal Risks.

Allica's Risk Taxonomy is a structured classification system embedded within the RMF to ensure consistent identification, categorisation, and reporting of risks across the organisation. It is reviewed annually by the Board and underpins key processes such as Risk and Control Self-Assessments (RCSAs), risk appetite setting, Key Risk Indicators (KRIs), and committee reporting.

The Board has approved 11 Principal Risks that represent the most material and impactful risks that occur in the day to day running of the Bank.

Each Principal Risk is supported by comprehensive frameworks, policies, and practices that define tolerance levels and provide a structured approach to risk-taking. Additional details on Principal Risks are provided later in this section.

Allica also operates processes to identify and manage external and emerging threats which could have a negative impact on the Group's ability to meet its strategic objectives. Both external and emerging threats may incorporate aspects of, or correlate to, Principal Risks and/or other risks within our taxonomy and are regularly reported to appropriate risk committees including the Board for appropriate triaging. As the use of AI develops we are evolving our risk management framework to control the associated risks.

Components of the risk management framework

The Risk Management Framework (RMF) represents the overarching framework established by the Bank to manage its risk profile, in line with the business strategy and objectives. The RMF governs the supporting frameworks, policies, standards, and procedures that underpin robust risk management, financial soundness, and stakeholder confidence.

The RMF defines how Allica Bank identifies, assesses, responds to, monitors, and reports risks across the organisation.

The key objectives of the RMF are to:

- ensure comprehensive and proportionate risk management across Allica Bank, covering all material risks;
- embed a culture of transparent accountability, with clear roles, responsibilities, and escalation points;
- support informed decision-making by balancing risk control with business agility and growth;
- maintain robust governance and oversight through the Three Lines of Defence and committee structures;
- align risk management practices with regulatory requirements and industry best practice;
- promote proactive identification, assessment, and management of current and emerging risks;
- enable timely escalation, reporting, and remediation of risks outside appetite; and
- foster operational resilience through stress testing, scenario analysis, and contingency planning.

Additionally, we have added three new principles to the RMF during 2025. These are:

Transparent Accountability & Governance

- clear roles and responsibilities, using the Three Lines of Defence model;
- strong governance through Board and committee structures;

Proportionate Risk Management

- frameworks, policies, and tools are scaled to the bank's risk profile;
- balance sustainable growth with effective risk controls and a risk-aware culture;

Proactive Risk Management

- forward-looking approach, including stress testing, scenario analysis, and horizon scanning; and
- ensure resilience to plausible adverse scenarios and emerging risks.

The basis of all risk management is the adoption of a 'Three Lines of Defence' model.

First Line of Defence

The First Line of Defence (1LOD) is the business functions of the Bank comprising all colleagues who do not form part of the risk, compliance and internal audit functions. 1LOD remain responsible for identification, monitoring, and mitigation of risks. This entails:

- identifying key risks and related controls in our business by regularly undertaking a Risk Controls Self-Assessment (RCSA);
- assessing each risk within the RCSA on an inherent and residual post control basis; rating all risks and incidents using the Likelihood & Impact Classification Matrix;
- managing risks within risk appetite as detailed in the Risk Appetite Statement (RAS) and Key Risk Indicators (KRIs);
- monitoring the performance of these controls and escalating any concerns or breaches of risk appetite to management and the Second Line of Defence;
- regularly evaluating, testing and where necessary, enhancing key controls to confirm they remain appropriately designed, fit for purpose and operating effectively; and
- escalating any emerging risks or incidents to the Second Line of Defence and beyond as per the escalation processes outlined within the RMF.

Second Line of Defence

The Risk and Compliance functions are Allica's Second Line of Defence (2LOD) who are responsible for:

- developing and maintaining the RMF for recommendation by the Risk Management Committee (RMC) and approval by Board Risk Committee (BRC) and the Board;
- formulation and execution of Allica's Assurance & Compliance Monitoring Plans (complementing the activity of Internal Audit) to assess effectiveness and adequacy of 1LOD testing and key controls;
- maintenance of Allica's Risk Register, incident logs and causality and control libraries;
- maintenance of Allica's Impact Classification Matrix (ICM) which acts as the Bank's standard tool for assessing and rating risks consistently; and
- providing independent oversight, challenge and support of risk management activity conducted by the 1LOD.

Third Line of Defence

Allica's Chief Internal Auditor is responsible for the Third Line of Defence (3LOD). Internal Audit is an independent control function reporting to the Chair of the Board Audit Committee (an independent non-executive director).

The Internal Audit function in Allica is responsible for assessing and evaluating the effectiveness of risk management, control, and governance processes, providing independent assurance and oversight.

Risk appetite

Allica's risk appetite statement:

The Bank will take risks required to build and scale a business that is profitable and sustainable, even in times of stress, provided those risks are understood and can be managed. The Bank will not take risks that expose it to a material non-diversified loss event or risk significant damage to the brand.

Establishing an appropriate risk appetite is critical in supporting risk assessment, monitoring, and control activities. Its purpose is to establish clear rationale and parameters within which management can operate and help colleagues understand the significance of risks faced by the Bank.

Allica's risk appetite is determined by the amount and type of risk we are willing to seek or accept.

The Board defines the overarching risk strategy and sets the appetite in consideration of the Bank's short and long-term objectives, prudential and conduct related requirements, whilst protecting the competitive advantage of our business model.

Setting the RAS is based upon qualitative statements which articulate the Board's attitude to respective risks and sets the foundations for risk management expectations. These statements are supported by quantitative and qualitative metrics which often have an associated risk appetite set in the form of triggers and limits.

The Bank operates with a well defined and embedded risk appetite. This allows the day-to-day management of the business to take place with informed and controlled risk taking. Our risk appetite provides clarity over how actions and activities are to be measured, monitored and mitigated where appropriate to remain within tolerance.

Principal risks

We consider our principal risks and their related responses, to be as follows:

Principal risk	Group's response to the risk
<p>Capital Adequacy</p> <p>The risk that the bank does not have adequate capital resources to meet minimum regulatory capital requirements, sustainably achieve the objectives of the corporate plan or meet its financial obligations when they fall due.</p>	<ul style="list-style-type: none"> • Our internal capital target is determined by evaluating planned business growth, the business's risk profile, market expectations, and regulatory requirements. • We have established critical risk appetite limits for capital and leverage ratios. These are monitored proactively to ensure timely capital management actions, supporting business growth and ensuring adequate capital resources for forecasted growth. • Capital ratios are periodically tested under stress scenarios and continuously monitored based on actual and planned business growth. • A detailed ICAAP assessment is performed annually. • On 20 January 2026, the Prudential Regulation Authority (PRA) published its final rules for its implementation of Basel 3.1 and the Small Domestic Deposit Takers (SDDT) regime. The Bank has decided to not adopt the SDDT regime and therefore will be adopting the Basel 3.1 rules. The Bank has an established implementation programme in place and is progressing execution activities ahead of the effective date.
<p>Liquidity</p> <p>The Risk that Allica could fail to meet its short-term obligations as they fall due, or future asset growth cannot occur because of an inability to obtain funds at a reasonable price within a reasonable time.</p>	<ul style="list-style-type: none"> • In addition to monitoring and managing to prescribed regulatory metrics, we have established a set of forward-looking risk appetite metrics to ensure that obligations can be met under stressed conditions. These metrics, which include minimum required liquidity ratios, funding concentrations, and deposit maturities, are monitored daily. • The ALCO monitors these liquidity risk appetite metrics and relevant deposit market information. Additionally, a comprehensive ILAAP assessment is conducted annually.
<p>Information Security and Data</p> <p>The potential for threats such as unauthorised access, data breaches, cyberattacks and mismanagement of data, which can lead to the loss of sensitive information, inaccurate data, financial damage, and reputational harm.</p>	<ul style="list-style-type: none"> • This involves identifying and mitigating emerging information security and data risks to ensure our information is kept secure and data is reliable and accurate. • Information security follows industry leading approaches to ensure any threats are rapidly mitigated. Ongoing threat detection and penetration testing confirms we can keep our controls up to date. • We have adopted a structured approach to data risk management and set up specialised teams who are continuously monitoring data breaks and performing reconciliation to source systems. • We have detailed documentation around the Group's data infrastructure and journey, ensuring that appropriate risk assessment can be performed to identify potential risks in data.

Principal risk	Group's response to the risk
<p data-bbox="91 288 174 316">Credit</p> <p data-bbox="91 352 539 499">The risk of financial loss arising from a borrower failing to fulfil their contractual obligations on time and in full. The risk primarily crystallises by customers defaulting on lending facilities.</p>	<ul data-bbox="595 352 2148 727" style="list-style-type: none"> <li data-bbox="595 352 2148 440">• We have established detailed and prudent guidelines and policies for lending, covering key areas such as Debt Service Cover and Loan to Value. Our credit risk appetite limits are set for factors such as the average probability of default, loss given default, and sectoral and single name concentration. <li data-bbox="595 472 1809 499">• Credit risks are evaluated by experienced credit risk professionals, with support from our credit analytics team. <li data-bbox="595 531 2148 584">• Our experienced portfolio monitoring team runs robust monitoring processes to proactively identify and address all risks related to individual borrowers. <li data-bbox="595 616 2148 668">• The Board is continuously engaged in reviewing the KRIs on the loan book to ensure it is performing as expected and that risks remain within defined limits. <li data-bbox="595 700 1733 727">• Macroeconomic risks are fully considered in our credit policy for origination and in portfolio monitoring.
<p data-bbox="91 751 185 778">Market</p> <p data-bbox="91 815 555 1018">The risk that Allica's earnings or economic value of equity or capital will underperform due to changes in interest rates or financial market asset prices. Allica's ability to manage market risks contributes to our overall capital management.</p>	<ul data-bbox="595 815 2148 991" style="list-style-type: none"> <li data-bbox="595 815 2148 868">• Allica has limited appetite for exposure to interest rate risk in the banking book (IRRBB), in terms of both potential changes to economic value of equity or to expected net interest income or earnings. <li data-bbox="595 900 1487 927">• Management regularly monitors exposures to price risk and market movements. <li data-bbox="595 959 2107 986">• Market positions will only be taken for the purposes of liquidity management and hedging, and the Group does not operate a trading book.
<p data-bbox="91 1046 271 1074">Financial crime</p> <p data-bbox="91 1110 551 1313">The risk of financial loss or reputational damage due to regulatory fines or penalties, restriction or suspension of business, or cost of mandatory corrective action because of failing to comply with prevailing legal and regulatory requirements relating to financial crime.</p>	<ul data-bbox="595 1110 2148 1374" style="list-style-type: none"> <li data-bbox="595 1110 2148 1195">• We have implemented comprehensive policies for anti-money laundering, sanctions, fraud prevention, and anti-bribery and corruption. These controls are embedded in our processes and systems, applied by skilled staff in the first line of defence, with oversight from first line management and second line assurance. <li data-bbox="595 1227 1632 1254">• Our financial crime prevention tools enable us to manage risks more efficiently and effectively. <li data-bbox="595 1286 1951 1313">• We conduct enterprise-wide risk assessments across all areas, with controls subject to a continuous improvement program. <li data-bbox="595 1345 1760 1372">• The Group regularly engages with its regulatory supervisors and other industry bodies to manage this risk.

Principal risk	Group's response to the risk
<p>Conduct</p> <p>Conduct Risk is the risk that the bank conducts its business improperly, in a manner that is contrary to the fair treatment of its business clients and maintenance of market integrity, whether on occasion or systemically. This includes business client detriment, or poor outcomes caused by unsuitable business banking products, poor service or process failures.</p>	<ul style="list-style-type: none"> • The Conduct Risk Policy outlines the framework for ensuring fair treatment of customers and appropriate behaviour of employees in accordance with the FCA's Conduct Rules. • We have customer-focused policies and procedures in place that cover product approval, change management, complaint handling, financial hardship, and support for vulnerable customers. • We monitor customer outcomes through close attention to Net Promoter Scores (NPS) and the feedback which we receive within those surveys and customer complaints. • Key governance committees regularly review and report on customer outcome measures.
<p>Compliance</p> <p>Compliance Risk is the risk of non-compliance with regulatory requirements resulting in regulatory censure, financial loss and reputational damage.</p>	<ul style="list-style-type: none"> • A full suite of policies and processes is in place to support full compliance, and is continually updated. • Regulatory developments are actively tracked, analysed, and actioned. • Compliance training is undertaken for all staff, and policy and processes are validated for compliance and continuously revised and updated as regulation and regulatory expectations evolve. • Allica complies with all applicable laws, rules, regulations and sourcebooks, and has no appetite for regulatory breaches. The Group regularly engages with its regulatory supervisors and other industry bodies to manage this risk.
<p>Operational</p> <p>Operational Risk is the risk of loss as result of inadequacy or failure within internal Processes, People, Systems, or External events.</p>	<ul style="list-style-type: none"> • Allica aims to maintain robust operational systems and controls and seeks a low level of operational risk. • The Group has detailed policies, procedures and controls in place which are designed to evaluate, monitor and report these risks. • We have developed mitigation plans to minimise the impact of losses sustained in the normal course of business (expected losses) and to avoid or reduce the likelihood of sustaining a large, extreme (or unexpected) loss.

Principal risk**Group's response to the risk**

Model risk

The risk of potential loss, suboptimal decision making and regulatory non-compliance due to decisions that could be principally based on the output of models, due to errors in the design, development, implementation, or use of such models.

- Allica recognises the risks inherent in reliance on models, specifically of running levels of risk in excess of those generally deemed acceptable.
- The Bank has a low appetite for model risk, based on the desire to ensure that model limitations are understood by model users and decision makers.
- Metrics and status on model validation is reported to and reviewed at governance committees, including any remediation plan, where relevant.
- Model validation and performance monitoring is performed periodically.

Strategic Risk

The risk of bank having an insufficiently defined, flawed, or poorly implemented strategy, a strategy that does not respond effectively to changes in the external environment, and/or a strategy that fails to meet the requirements and expectations of stakeholders.

- We have established a governance framework to ensure climate change risks are managed where they manifest, in particular climate risks associated with collateral is considered during underwriting. Broader climate risks are deliberated at senior levels within the business, led by the responsible ExCo member for ESG.
- Carbon emission reporting is provided to management with reduction targets. Physical and transitional risk assessments and scenario modelling have been undertaken.
- Risk to business strategy including the alignment between strategic business planning activities and risk appetite is considered.
- Geopolitical risk is monitored and reflected in stress testing and scenario analysis.
- Macroeconomic events which may have an adverse impact on markets which we operate in are monitored through stress testing and monitoring through ALCO.

External and emerging risks

In addition to the risks outlined above, there are risks not considered principal risks that are worth of note. These include:

External/emerging risk	Risk description
Legislation impacting Property backed Lending	The risk arising from regulatory/ legislative changes impacting property backed lending. Includes changes to minimum EPC ratings for landlords who rent out commercial property as well as changes to tenant rights, particularly if rules affecting residential property carry over to commercial property.
Artificial Intelligence & Technological Change	The risk of AI-driven fraud and its potential to break existing security and exposing the bank and our customers. Additionally, there is a risk that staff improperly use AI, exemplified by uploading confidential data onto AI servers.
Geopolitical Instability & Macroeconomic Pressures	Political changes and a focus on global protectionism could further affect economic stability and financial markets. Increasing risk of disruptions to global trade through sanctioning could cause economic downturn and disrupt Allica's growth objectives. Poor UK economic performance could lead to a sovereign debt crisis, higher inflation and less experienced governments. Uncertainty in global relationships and shifting global alliances could impact supplier relationships causing disruption. Uncertainty could affect the bank's ability to raise capital and undertake capital transactions.

Financial crime

Anti-financial crime measures

At Allica Bank, we recognise the profound impact that financial crimes – which include money laundering, terrorist financing, tax evasion, bribery and corruption and sanctions breaches – can have on local communities and the world at large. Our commitment to ethical banking goes beyond financial transactions; it extends to safeguarding the well-being of the communities we serve and contributing to the national fight against illicit activities.

Financial crimes pose a direct threat to the stability and prosperity of local communities. Money laundering can fund illegal activities, jeopardising the safety and livelihoods of our neighbours. We acknowledge that tax evasion deprives governments of vital resources needed for public services, education, and healthcare. Bribery and corruption erode the foundations of fair competition and trust, hindering economic growth and development. Sanctions breaches not only violate international laws, but also contribute to geopolitical instability. Allica Bank condemns such practices and is committed to maintaining the highest standards of transparency and integrity in all its operations.

As a responsible financial institution, we wholeheartedly acknowledge our duty to actively prevent, detect, and report financial crimes. In order to fulfil this commitment, we have established a robust financial crime framework which encompasses the following measures, designed to be proactive, reflecting a focus on staying ahead of evolving risks:

- **Policies:** a robust financial crime policy is maintained and supported by broad processes and governance measures;
- **Customer onboarding:** every new customer undergoes a thorough onboarding process that evaluates their background and financial history, ensuring we comply with regulatory requirements;
- **Continuous monitoring:** we implement continuous monitoring mechanisms to dynamically assess the activities of our customers, enabling detection of suspicious or non-compliant behaviour;
- **Training and awareness:** ongoing training programmes and awareness initiatives equip our colleagues to stay informed about, and alert to, the latest developments in financial crime and strengthen our collective ability to combat illicit activities;
- **Regular audits and assurance activities:** we conduct regular audits and assessments to evaluate the effectiveness of our financial crime prevention measures, allowing us to refine and enhance our approach on an ongoing basis; and
- **Governance and oversight:** comprehensive metrics and supporting information are reported to keep senior management and the Board updated on key indicators and trends related to financial crime. This transparent reporting mechanism also underpins senior management accountability.

Modern slavery

Our commitment to human rights and the ethical treatment of our colleagues, suppliers and customers is fundamental to who we are and what we stand for. Acting with integrity in all our business relationships is a core value and we continually demonstrate this with our implementation of systems and controls to ensure slavery and human trafficking is not taking place anywhere in our business or supply chains.

Several policies are in place to facilitate this, including our supplier onboarding, financial crime, anti-bribery and corruption, and whistleblowing policies. We also actively engage with new suppliers to identify and mitigate any risk of human trafficking or modern slavery in our supply chain, and we continue to monitor those risks throughout the course of our long-term relationships.

**Environmental,
social &
governance**

Our impact on society

We believe that our core purpose of serving established SMEs is a social good

Allica Bank exists to serve the UK's few hundred thousand established SMEs that collectively represent around a third of the economy.

Each UK town has a few dozen of these established SMEs, and they are crucial pillars of each local community.

As such, we believe that our core purpose of delivering the business banking that established SMEs deserve is a societal good.

As a market-leader for lending to established SMEs in the UK, our lending has directly enabled established SMEs to create jobs, unlock investment and help power growth across all corners of Britain.

Established SMEs are also vital in keeping local communities thriving, which is why we were proud to continue our support for the truly unique events at the heart of local communities, including the Town Crier Championships and PoohSticks World Championships.

Throughout 2025, we continued to act as a champion for Britain's established SMEs by leading the Great British Savings Squeeze campaign, which seeks to address the disparities in savings rates offered to SMEs, as well as campaigning to expand the supply of vital productive credit for UK SMEs, such as through expansion of the government's Growth Guarantee Scheme (GGS).

During 2025, we launched 'Scale-Up', a growth programme aimed at supporting earlier stage businesses and underrepresented business owners. In its pilot year, this programme has supported over 1,000 founders across virtual & face-to-face events, and across social media communities.



In 2025, Allica:



Identified a £65 billion gap in productive credit for SMEs and campaigned for change to expand access to finance.



Supported 118,000 jobs

Our lending to date provides the equivalent of **1 in every 310** jobs in the UK.



Supported local communities

Our lending makes the largest relative contribution to employment in **Wales, the North East** and the **East Midlands**.



Supported high-growth businesses

Our lending customers have a stronger propensity for recent turnover growth.



Raised over 170% of our fundraising target for Sands

Supports families affected by fertility challenges, miscarriage and neonatal loss.



Supported 1,000+ entrepreneurs with Scale Up and Entrepreneurs Wellbeing Club

Providing free wellbeing support.



Increased financed emissions estimates to 80% of our total lending

Up from 65% in 2024.

Our contribution to the UK economy

Allica exists to support established SMEs in powering economic growth

In 2025, we commissioned Oxford Economics, a leading global economics advisory firm, to repeat analysis measuring the cumulative impact of Allica's lending on the UK economy at a national and regional level.

This analysis looked at the economic impact of our lending up to 31 December 2025 across our three major organic lending products: business loans secured on property, commercial investment mortgages and Asset Finance.

On a national basis, Allica reached the milestone in 2025 of having supported 118,000 jobs across the country, helping established SMEs contribute £8.4 billion to the UK's economy and providing £2.1 billion in government tax revenues. That's equivalent to 1 in every 310 UK jobs, or the total employment of Portsmouth.

Our lending supports local communities and powers growth in the real economy, with 80% of the jobs supported located in areas outside of London and the South East. In 2025, we increased our economic impact in areas outside London and the South East even further, with employment supported increasing by 40% outside London and the South East, compared to 29% in London and the South East itself. As a share of total regional employment, our lending supports the most jobs in Wales, the North East and the East Midlands.

The estimate of jobs supported by Allica's lending to SMEs comprises a combination of those working within the SMEs that we have lent to, as well as jobs supported within the supply chain and from wage-financed spend in local communities where SMEs reside.

Allica's lending disproportionately targets high-growth SMEs

In 2025, we worked with Experian to consider the growth characteristics of our established SME customer base against the UK average. We compared the growth rate in current account turnover of around 3,500 of our established SME customers against a sample of around 265,000 SMEs with between 5 and 250 employees.

The analysis suggests Allica's established SME customers appear to have a much stronger propensity towards recent turnover growth than the UK average, so our lending disproportionately tends to be supporting growing SMEs.

It also showed that our lending supported just over 1,000 customers who grew their revenues by more than £1 million in the last year, underscoring the importance of debt finance in supporting high-growth businesses in powering economic growth.

Our national economic impact

Oxford Economics found that in 2025, Allica's lending supported:

118,000
jobs

£8.4 billion
in UK GDP

£2.1 billion
in tax revenue

Oxford Economics found that as a proportion of regional totals, Allica's lending supported the most jobs in Wales, the North East and the East Midlands:

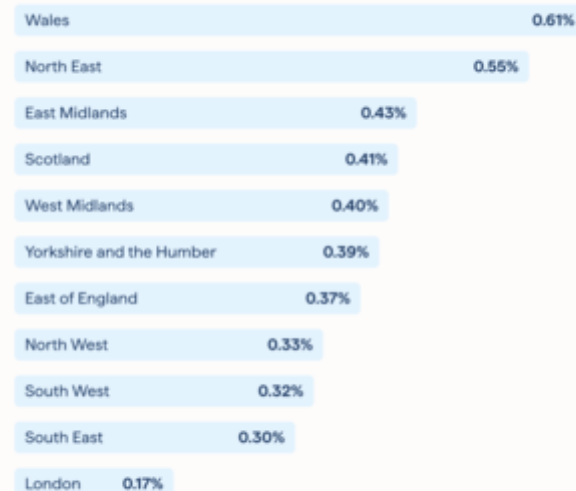


Figure: Total employment as a share of regional total in 2025
Source: Allica Bank, Oxford Economics



Our campaigning for SMEs

We are a champion for established SMEs in public policy

We believe our core purpose of serving established SMEs is a social good and in 2025 we sought to champion SMEs by highlighting many of the issues that exist in the SME finance market, and to campaign for change.

In April, we published research¹ which estimates there is now a £65 billion gap in productive credit for SMEs in the UK compared to long-run trends, as incumbent banks have focused on residential mortgage lending rather than productive finance. Working capital provision - in particular Overdrafts - has collapsed since the early 2000s.

The evidence also shows a substantial drop in SMEs seeking external funding over the last three decades, which combined with a considerable rise in loan rejection rates means SMEs' appetite to borrow is at historic lows.

We believe the biggest and most immediately usable lever for change to power SME lending and economic growth is an expansion in the British Business Bank's successful Growth Guarantee Scheme. We support doubling the size of the scheme to bring the UK in line with international peers, and to use the expansion to address the gap in productive credit and working capital outlined in our report.

Throughout the year, we have been campaigning for this change, as well as wider issues relating to SME finance, through meetings with government ministers and appearances at the Treasury Committee and the Business and Trade Committee.

Our research also led us to consider how we can start to fill the gap in working capital provision for Britain's established SMEs, leading to the acquisition of invoice finance business Kriya, with a target of advancing an initial £1 billion of working capital finance for SMEs over the next three years, and an expansion in our Overdraft offering.

In 2025, we also continued our Great British Savings Squeeze campaign to highlight the £9 billion annual loss for SMEs due to banks offering poor returns on their savings. We want to fix the savings market by campaigning for an end to the SME savings penalty. We were delighted that in 2025 our campaigning helped the PRA increase the Financial Services Compensation Scheme (FSCS) limit to £120,000 to give SMEs greater confidence to save with challenger banks.



SMEs applying for external finance has fallen markedly

65%
1987 - 1990

25%
2022 - 2024

There is a gap of up to £65 billion in SME credit vs trend

£90bn
Gap in bank lending vs trend

£65bn
Gap in bank lending vs trend

£25bn
Growth in non-bank lending

SMEs prioritise slow growth over borrowing

77%

of small businesses in 2024 would rather grow slower than borrow

The decline of overdrafts in 20 years

£18bn
2004 peak

£2.7bn
2024 present

2000

2024

¹ Allica Bank, Rebooting SME Finance, April 2025

Our support for charity and local communities

Charity partnerships

Allica's Charity Squad plays a central role in coordinating and championing all colleague-led fundraising activity across the Bank. Its mission is to bring teams together to support causes that matter to our people and communities, while fostering connection and shared purpose. Our 2025-26 fundraising cycle runs from 1 April 2025 to 31 March 2026, giving us a full year to deliver against our agreed targets.

Each year, our Charity of the Year is selected by a company-wide vote, ensuring our fundraising efforts reflect the priorities of the wider team. In 2025, Sands was chosen as our primary charity after receiving the most votes, with Hospice UK selected as our secondary charity after placing second. In 2025, we successfully raised over 170% of our fundraising target for Sands, which supports families affected by fertility challenges, miscarriage and neonatal loss.

In addition to participating in Sands' events programme, including 31 Miles in May, we have coordinated internal initiatives such as our ongoing Allica Bakes bake-off series and limited edition merchandise sales. For Hospice UK, we are raising money to help ensure compassionate end-of-life care is accessible to all. Through these partnerships and activities, we are deepening engagement across the organisation while delivering meaningful social impact.

Proudly supporting
sands 

Scale Up and Entrepreneurs Wellbeing Club (EWC)

In 2025, Allica continued to advance the social commitments at the heart of our purpose: supporting established SMEs. Our flagship programmes - Scale Up and the Entrepreneurs Wellbeing Club (EWC) - were designed to be "overrepresented among under-represented groups", including female and black entrepreneurs. Together, they supported over 1,064 businesses, exceeding our annual goal, with EWC demonstrating strong early traction by achieving in four weeks what Scale up delivered in six months. Additional activity such as our sponsorship of Black History month events, extended our reach to well over 1,000 participants, reinforcing our commitment to inclusive access and community-level impact.

Looking ahead, we aim to consolidate and scale the most effective elements of this work, and enhance its impact through high-profile speakers and accessible content formats. Our focus remains on delivering meaningful social value through practical support for entrepreneurs, embedding diversity and inclusion across our initiatives, and ensuring Allica's growth contributes to broader economic resilience and opportunity across the UK.



Our impact on the environment

We understand the impact that our activities have on the environment, through our direct operations, as well as indirectly through our lending to established SMEs

We want to build an environmentally responsible bank, which means adhering to climate-related regulation and best practice, as well as supporting our SME customers in adapting to environmental change.

Last year, we set out our target Net Zero date of 2050, in line with the UK government's target. Building on the progress achieved in 2024, we have made good progress throughout 2025 in maturing our existing capabilities in measuring our greenhouse gas emissions, particularly for our financed emissions, which make up around 99% of our total emissions. We have provided financed emission estimates for 80% of our total lending in 2025, up from 65% in 2024.

Whilst it is common for financed emissions to be the largest source of greenhouse gas emissions for banks, it is more so for Allica given our branchless model limits our direct operational emissions.

This means that, as we continue to grow our lending to support more established SMEs across the UK, we expect our absolute emissions to continue growing. This is why we see carbon intensity as our primary focus for measuring emissions, to understand how we decouple growth from greenhouse gases over time.

During 2026, we will undertake a gap analysis and action plan in relation to the Bank of England Prudential Regulation Authority's Supervisory Statement 5/25 ("PRA's SS5/25") and develop our emission reporting capabilities further ahead of the expected implementation of the UK Sustainability Reporting Standards.



Allica is targeting a Net Zero by

2050

Last year, we set out our target Net Zero date of 2050, in line with the UK government's target to decarbonise the country.



In 2025, we provided emission estimates for

80%

of our total lending activities, up from 65% in 2024.



Climate-related Financial Disclosures

This section contains disclosures aligned to the Companies Act 2006 requirements as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulation 2022 (“Companies Act CFD”), and the UK Streamlined Energy and Carbon Reporting (“SECR”) requirements.

Governance

Allica’s Board is responsible for the strategic oversight and accountability of climate-related issues. The Board receives an update on environmental and social issues at least yearly, including climate-related issues, which is the primary mechanism by which it approves and oversees progress on Allica’s climate approach and targets.

The Board Risk Committee (“BRC”) has delegated authority from the Board in relation to climate-related risks. Within its Terms of reference, it has responsibility for assessing the financial risks from climate change and addressing these risks within the bank’s overall business strategy and risk appetite. At each meeting, BRC receives an update on the relevant climate-related Key Risk Indicators (“KRIs”). The Board Audit Committee (“BAC”) has responsibility for climate-related disclosures, including the methodologies underpinning the disclosures and ensuring compliance with relevant regulation.

Management responsibility for climate-related issues sits with the Chief Executive Officer (“CEO”) who has delegated responsibility for climate-related strategy, compliance and opportunities to the Chief Product and Strategy Officer (“CPSO”) and for climate-related risks to the Chief Risk Officer (“CRO”). Climate-related issues are an agenda item at the Executive Committee (“ExCo”) at least yearly and climate-related KRIs are monitored monthly at the Risk Management Committee (“RMC”).

Strategy

Allica provides a full suite of banking services to established UK SMEs with commercial mortgages and asset finance comprising the majority of its customer lending (63% and 14% respectively). This is enabled by Allica’s people, proprietary software and operations which are based primarily in the UK, with certain technology services in India, and its key supply chain partners, the majority of which are large UK and global technology providers.

Allica considers climate-related issues relevant to its business model over the short term (within five years), medium term (within the next five to fifteen years) and long term (beyond fifteen years) and recognises that climate issues may materialise over decades. The following page considers the climate-related physical or transition risks and potential financial impacts they might give rise to.

There has been no impact from climate-related issues on Allica’s financial performance to date, nor have any potential impacts been assessed to be financially material over the short or medium term. There is significantly less certainty over long-term financial or business impacts.

Scenario analysis for Allica’s commercial property portfolio (which accounts for 63% of its balance sheet as at 31 December 2025) shows likely realised losses from physical climate impacts in a downturn remain limited out to 2080 under a High-Emissions Scenario¹, as do potential realised losses from energy efficiency remediation in the Bank of England’s Early or Late Action scenarios. However, scenarios tend to be based on the mid-point estimates of impacts for a given temperature increase rather than upper limits and assume that the Gulf Stream will continue to circulate as it does now, meaning actual physical impacts under any of the scenarios assessed could be dramatically different.

¹ The High-Emissions Scenario is based on RCP 8.5 in the IPCC fifth assessment which models an increase in temperature by 2100 of 3.2-5.4°C. Modelling of UK impacts relies on the UKCP18 climate change predictions generated by the Met Office which provides monthly weather predictions for the RCP8.5 scenario up to 2080

Climate-related Financial Disclosures (continued)

Potential financial impacts	Risk drivers	Time horizon	Identification and assessment	Actual business impact to date
<p>Credit risk: (a) Increase in defaults and collateral depreciation or damage across property lending portfolios (b) Increase in defaults and collateral depreciation or damage across other lending to carbon-related industries or those more exposed to physical climate risks (e.g. certain asset finance lending).</p>	<ul style="list-style-type: none"> Transition: Policy and legal, technology, market Physical: Acute (e.g. heatwaves, floods, wildfires), chronic (e.g. temperatures, precipitation, sea levels) 	<ul style="list-style-type: none"> Short, medium and long term 	<ul style="list-style-type: none"> Scenario analysis Portfolio analysis Transaction assessment 	<ul style="list-style-type: none"> Incorporation of environmental scores, flood and subsistence risk and EPCs into credit appetite limits and the underwriting process Incorporation of climate into ICAAP scenarios
<p>Strategic risk: Risk that Allica does not respond effectively to climate change and/or becomes an outlier versus the UK's climate transition goals resulting in financial loss and reputational damage.</p>	<ul style="list-style-type: none"> Transition: Policy and legal, market, reputation 	<ul style="list-style-type: none"> Medium and long term 	<ul style="list-style-type: none"> Horizon scanning Policy monitoring 	<ul style="list-style-type: none"> Commitment to achieving Net Zero by 2050, in line with the current UK government time frame Proactive estimation of scope 3 emissions
<p>Compliance risk: Increase in risk of non-compliance with new or changing climate-related regulatory requirements resulting in regulatory censure, financial loss and reputational damage.</p>	<ul style="list-style-type: none"> Transition: Policy and legal, reputation 	<ul style="list-style-type: none"> Medium and long term 	<ul style="list-style-type: none"> Horizon scanning Regulatory engagement 	<ul style="list-style-type: none"> ESG policy (under review) Gap analysis (in progress) on the PRA's SS5/25¹
<p>Operational risk: Increase in business costs, losses or litigation from the impact on Allica or its key suppliers of: a) New or changing climate policy or market expectations, and/or b) Damage or disruption from climate-related weather events.</p>	<ul style="list-style-type: none"> Transition: Policy and legal, technology, market, reputation Physical: Acute, chronic 	<ul style="list-style-type: none"> Short, medium and long term 	<ul style="list-style-type: none"> Horizon scanning 	<ul style="list-style-type: none"> Partnership with Octopus EV, offering salary-sacrifice EV leasing to UK-based colleagues²
<p>Growth opportunities: Shift in consumer demand towards low-carbon or transition-related lending products supporting market or product expansion.</p>	-	<ul style="list-style-type: none"> Medium and long term 	<ul style="list-style-type: none"> Customer feedback Horizon scanning 	<ul style="list-style-type: none"> Launch of rate discount for EPC A-C certain mortgages in 2022

¹ Bank of England Prudential Regulation Authority Supervisory Statement 5/25 on enhancing banks' and insurers' approaches to managing climate-related risks

² 67 tonnes of CO2 emissions have been saved through the partnership with Octopus EV

Climate-related Financial Disclosures (continued)

Risk Management

Climate-related risks are proactively identified at an organisational level on an ongoing basis through horizon scanning, including policy monitoring and regulatory engagement, and through the incorporation of climate scenarios in Allica's annual ICAAP. The key policy areas currently being monitored are minimum energy efficiency standards on commercial properties, the phase-out of internal combustion engine vehicles, and the implementation of UK Sustainability Reporting Standards. From a regulatory perspective, Allica is undertaking a gap analysis and developing action plans over the first half of 2026 in relation to the Bank of England Prudential Regulation Authority's Supervisory Statement 5/25 ("PRA's SS5/25").

At a portfolio level, Allica works with a third party to undertake annual quantitative scenario analysis for its commercial property lending. It also undertakes high-level internal analysis on its Asset Finance balances.

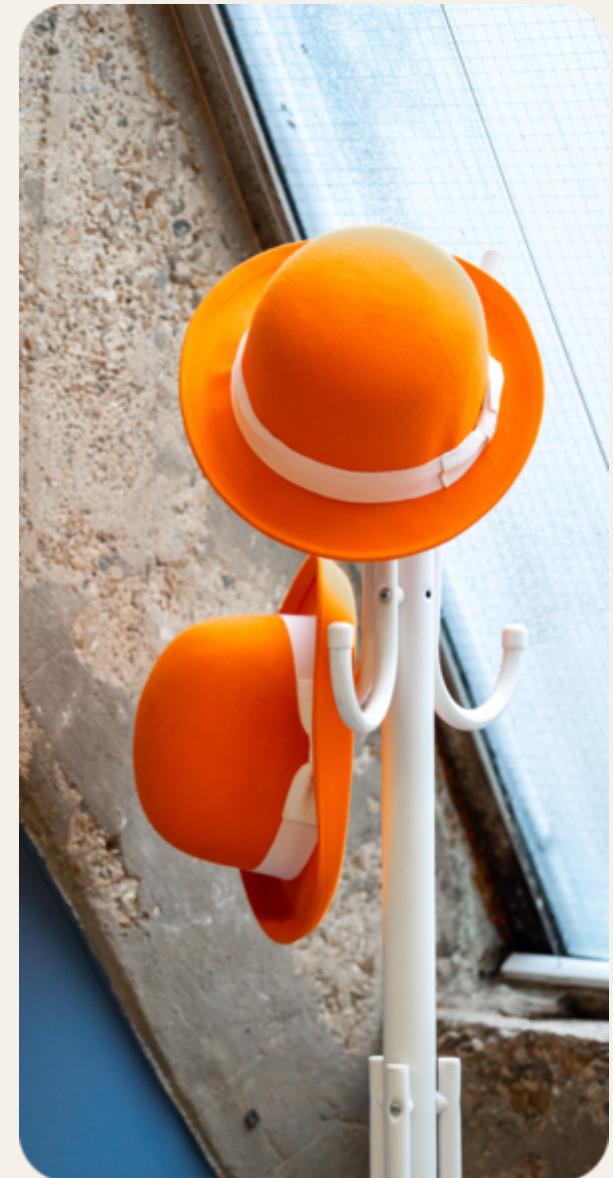
Once identified, risks are categorised under Allica's Risk Taxonomy. Climate risk is a cross-cutting risk, incorporated as a level two risk under the Principal Risks of Credit Risk and Strategic Risk. The latter currently encompasses climate considerations on other Principal Risk categories such as Compliance Risk, Operational Risk and Capital Adequacy Risk.

We will review this approach and consider more deeply embedding climate across all relevant Principal Risk types as we work towards compliance with the PRA's SS5/25.

Risks are assessed annually through a Risk and Control Self-Assessment ("RCSA") process which considers expected impact and likelihood on both an inherent and residual basis. The same Impact Classification Matrix is used for all risks, whether climate-related or not, for consistent prioritisation. The risk response (manage, avoid, or accept) is then decided based on the materiality of residual risk versus existing risk appetite.

Climate risks are managed at a transaction and portfolio level against the Risk Appetite Statement ("RAS") for each relevant Principal Risk. Key Risk Indicators ("KRIs") have been defined for climate-related level two and three risks, which are also reflected in underwriting guidelines and delegated lending authorities.

The process for identifying, assessing and managing all risks, including those related to climate, is defined by Allica's Risk Management Framework ("RMF") which governs the supporting frameworks, policies, standards and procedures. As detailed above, climate risk is embedded across Allica's Risk Taxonomy and integrated into its full Risk Management Cycle including RAS, KRIs and lending policy. Climate-related issues are also incorporated into Allica's new product approval process.



Climate-related Financial Disclosures (continued)

Metrics and Targets: Greenhouse Gas Emissions

This section contains the information required under Streamlined Energy and Carbon Reporting ("SECR") disclosures. Allica has continued to build out its inventory of greenhouse gas emissions in 2025, prioritising measurement based on materiality, feasibility and influence. The following table shows greenhouse gas emissions for the period 1 January to 31 December for 2025 and for the comparative period in 2024. Calculations have been completed in alignment with the Greenhouse Gas Protocol ("GHGP") using an operational control approach and certain 2024 figures (denoted with a *) have been restated to maintain base year comparability in accordance with the GHGP. Activity data was used in most cases, with spend-based estimates employed where not available (e.g. underground travel), and emissions factors sourced from UK Government GHG Conversion Factors for Company Reporting.

In 2025, scope 1 and 2 emissions were down versus 2024 due to falling UK grid emissions factors, data improvements and the move to a more efficient office in Q3 2025. Both 2024 and 2025 figures include a full year's estimated emissions from the leased office belonging to Tuscan Capital (Holdings) Limited which was acquired by Allica on 29 August 2024. Scope 3 emissions grew, largely due to the growth in Allica's lending portfolios driving corresponding financed emissions (details in the following section).

The reduction in business travel emissions was driven by a decrease in official UK Government conversion factors for air travel and an improvement in flight travel class data (estimated in 2024), partially offset by an increase in activity across other transport types (rail, taxis, business mileage) reflecting Allica's employee and customer growth.

The increase in employee commuting and homeworking was driven by growth in the average number of employees, particularly the increase in colleagues in India to whom we attribute a higher homeworking emission factor to reflect India's more carbon-intensive energy mix. No specific company actions were taken to reduce emissions during 2025.

In the 2024 Annual Report, Allica noted its intention to start measuring supply chain emissions - the remaining material category of emissions - in 2025. This has been delayed pending a broader procurement framework review, with ESG included on the procurement roadmap.

Greenhouse Gas Emissions in tCO ₂ e	2025	2024 ⁵	% Change
Scope 1 emissions ¹	-	-	-
Scope 2 emissions ² - location based	16	21*	(25)%
Scope 2 emissions - market based	10	14*	(29)%
Scope 3 emissions			
3.3: Upstream emissions associated with scope 2 (location-based)	6	7*	(12)%
3.5: Business travel	259	414	(37)%
3.6: Employee commuting and homeworking ³	786	513	53%
3.15: Financed emissions ⁴	115,705	95,656	21%
Total Scope 3 emissions excl. 3.15 Financed emissions	1,051	934	13%
Total Scope 1, 2 (market-based) and 3 emissions	116,767	96,604	21%
Emission intensities in tCO₂e per FTE			
Scope 1 & 2 (location based)	0.02	0.04*	(42)%
Scope 1 & 2 (market based)	0.01	0.03*	(49)%
Average monthly FTE for intensity ratios	750	574	31%
Energy consumed in kWh			
Energy used to calculate Scope 1 & 2 (100% UK)	88,998	101,868*	(13)%

¹ No activity data available on air conditioning leakage in Allica's offices. Previous estimates show these to be negligible, justifying their exclusion on materiality grounds.

² Outside of scope biogenic CO₂ emissions from electricity use in 2025 amount to 8.8 tCO₂e (9.3 tCO₂e in 2024).

³ Based on colleague survey data, with actual results used as proxy for the 14% of annual average employees without responses. Where official emissions factors were not available, e.g. for India homeworking emissions, these were estimated using recognised grid intensity data (source: Ember Energy) and applying assumptions around home cooling activity.

⁴ Further details on financed emissions are provided below. Year on year, these emissions are not comparable as more of Allica's lending portfolios were included in calculations in 2025.

⁵ Base year recalculation in alignment with GHGP and SECR guidance was triggered for Scope 2 emissions due to the acquisition of Tuscan Capital (Holdings) Limited on 29 August 2024 and additional information being provided in 2025 relating to renewable electricity sources for 2024. Original reported figures for 2024 can be accessed in the 2024 Annual Report and Accounts.

Climate-related Financial Disclosures (continued)

Metrics and Targets: Financed Emissions

Financed emissions are Allica's most material source of emissions; however, accurate measurement suffers from industry-wide challenges on data quality and availability. Allica estimates its financed emissions and associated intensity metrics in accordance with Partnership for Carbon Accounting Financials ("PCAF") methodology and now reports emissions for 80% of its total lending (65% in 2024). PCAF provides a methodology for attributing a data quality score to financed emissions estimates which runs from 1 (best) to 5 (worst), with Allica's scores reflecting current data limitations across UK Property and SME sectors.

In 2025, Allica continued to focus on increasing the scope and robustness of its measurement of financed emissions to build the foundation of data and insights necessary for any potential future considerations on target setting or action to reduce emissions. With the addition of forward-flow Buy to Let financed emissions estimates in 2025, Allica now measures emissions for 80% of its total lending and is in discussions with another forward flow partner about incorporating these emissions in future.

Other portfolios not yet in scope are those without sufficiently robust and standardised financed emissions methodologies (6% of total lending), historic acquisitions, or portfolios that currently make up a small proportion of the balance sheet and do not satisfy a cost versus materiality test for including in current estimates.

Whilst year on year comparison is limited by industry-wide challenges on data accuracy and availability for estimating financed emissions, the following points are of note:

- Total emissions growth for commercial mortgages and asset finance portfolios were moderately lower than the corresponding growth in lending balances year-on-year due, in most part, to external factors not linked to specific Allica actions.
- The emissions intensities of commercial mortgages improved in 2025 largely due to improved EPC and floor area coverage, minor methodology improvements, and improvements in the EPC profile of the portfolio balances compared to 2024: bands A-C increasing from 44% of balances to 51% in 2025 and F-G reducing from 5% to 3%.
- The emission intensities of asset finance (vehicle finance) improved modestly as a result of small favourable changes across several factors including improved coverage of direct vehicle emissions data, reductions in vehicle emissions conversion factors provided by the UK government for vehicles where direct data was not available, and a small reduction in the proportion of more carbon-intensive vehicles in the portfolio.

Lending Portfolios	2025	2024
Commercial Mortgages¹		
Lending balances assessed (£'m) (% of total portfolio)	2,324 (99%)	1,700 (97%)
Financed emissions (tCO ₂ e)	53,607	42,052
Data quality score	3.3	3.7
Physical emissions intensity (kgCO ₂ e/m ²)	26.5	33.3
Economic emissions intensity (tCO ₂ e/£'m)	23.1	24.7
Asset Finance²		
Lending balances assessed (£'m) (% of total portfolio)	385 (76%)	317 (74%)
Of which are non-emitting assets (£'m)	59	54
Financed emissions (tCO ₂ e)	60,497	53,604
Data quality score	3.6	3.6
Physical emissions intensity (kgCO ₂ e/km)	0.5	0.6
Economic emissions intensity (tCO ₂ e/£'m)	157.1	168.9
Forward Flow Buy to Let³		
Lending balances assessed (£'m) (% of total portfolio)	281 (65%)	Not measured
Financed emissions (tCO ₂ e)	1,601	Not measured
Data quality score	3.1	Not measured
Physical emissions intensity (kgCO ₂ e/m ²)	19.4	Not measured
Economic emissions intensity (tCO ₂ e/£'m)	5.7	Not measured

¹ Estimated in line with PCAF's Commercial Real Estate methodology and using PCAF's European building emissions factors for Commercial Real Estate, 2023. EPC ratings were available for 79% of balances in 2025 vs. 58% in 2024 and floor area for 98% of balances in 2025 vs. 83% in 2024. Small methodology improvements were made between 2024 and 2025, for example refining property classifications and emissions factor estimates where floor area unavailable.

² Estimated in line with PCAF's methodology for Motor Vehicle Loans. Official vehicle-specific emissions factors used for tailpipe emissions where available. Official UK Government conversion factors used for upstream emissions, grid electricity and for tailpipe emissions where vehicle-specific data was unavailable. Certain assets (e.g. trailers) were determined to be non-emitting. Emissions were not assessed for non-vehicle, emitting assets (e.g. soft assets, machinery and equipment) – c.26% of portfolio.

³ Forward Flow Buy to Let emissions were estimated in line with PCAF's Mortgages methodology and using PCAF's European building emissions factors for Mortgages, 2023. EPC bands were available for 99% of balances and floor area for 87% of balances.

Climate-related Financial Disclosures (continued)

Transition Risks in Lending

Based on the guidance provided by the International Sustainability Standards Board ("ISSB") which now oversees TCFD disclosures and Allica's own judgement, Allica has identified 57% of its credit exposure as at 31 December 2025 was to potentially carbon-related industries, namely Construction, Real estate (Buy to Let), Real estate activities, and Transport and storage¹. This means the companies it lends to in these sectors may be subject to heightened climate transition risk.

Based on the Climate Change Portfolio Assessment undertaken by an external party in 2025, 4.9% of Allica's commercial property lending is to properties most exposed to transition risks, rated EPC F and G (7.4% in 2024)². Under a 2060 high-emissions scenario, energy efficiency remediation poses a greater financial risk than physical climate risks albeit the modelled realised loss in downturn³ remains 'low' impact according to the thresholds in Allica's RCSA Impact Classification Matrix.

At a transaction underwriting level, Allica sets credit appetite limits based on environmental scores - sourced from IBIS World data - for all lending and EPC bands/scores for property-related lending. Allica will not lend to borrowers operating in certain sectors, including those operating in extractive industries, nor to EPC F or G properties without additional checks and justification. Allica monitors the proportion of its property collateral in England and Wales with an EPC rating below E on a monthly basis, with defined triggers and limits, and reports this monthly to the RMC.

Physical Risks in Lending

Allica's property-related lending is broadly distributed across the UK⁴. Allica commissions a Climate Change Portfolio Assessment annually from an external party which details the value at risk from flood, subsidence, coastal erosion and sea level rises under different climate scenarios in five year increments out to 2080. This assessment also looks at the sensitivity of the portfolio to a 1 in 1,000 year flood event and considers potential challenges on insurability, including if Flood Re ceases to operate.

Between 2024 and 2025, the number of properties in Allica's commercial property portfolio increased by 44%. Under a 2060 high-emissions scenario, the modelled realised loss in downturn from flood, subsidence and coastal erosion remained 'low' to 'very low' in 2025 according to the thresholds in Allica's RCSA Impact Classification Matrix. At a transaction underwriting level, Allica sets credit appetite limits for flood and subsidence risk and requirements for insurance for property lending.

Climate-related Opportunities

Allica introduced a rate discount for commercial investment, specialist buy-to-let, owner occupied and owner-occupied hotel mortgages with EPC ratings A-C in 2022. 40% of commercial mortgage lending balances originated in 2025 included a property with an EPC rated A-C and received the discount. Allica's Asset Finance portfolio includes the financing of renewable energy initiatives such as the installation of solar panels and the installation of air source heat pumps. While we may see growth in this area in future, lending to renewables was less than 1% of total Asset Finance balances as at the end of 2025.

Targets

In 2024, Allica set a target to achieve Net Zero greenhouse gas emissions by 2050, in line with the UK government's target to decarbonise the country. Allica also has processes, triggers and risk appetite limits in place in relation to EPC ratings and the proportion of lending exposed to flood, coastal erosion, subsidence and un-insurability risks from climate change, as referenced in the *Transition Risks in Lending* and *Physical Risks in Lending* sections above. No further climate-related targets have yet been set as Allica seeks to first establish a more robust and comprehensive emissions baseline.

Building on efforts in 2024, further progress was made on emissions measurement in 2025 including the expansion of financed emissions coverage, improvements to EPC and floor area coverage for commercial property, and greater internal assurance over methodology choices. However, scope 3 emissions estimates which account for over 99% of Allica's overall emissions remain subject to significant data availability and accuracy limitations which are unlikely to resolve in the near term.

1 See page 146 for a full breakdown of Allica's sectoral concentration.

2 EPC distribution differs from Allica's internal analysis as the third party infers an EPC rating by analysing neighbouring properties if the EPC information is missing.

3 Realised loss in downturn is the value at risk in downturn multiplied by the probability of possession. Value at risk in downturn is the reduction in property value due to climate-related issues that would result in a loss if the property were possessed and the property market was in a downturn

4 See page 147 for the geographic breakdown of Allica's loan book secured on property.

Governance

Allica continues to be committed to achieving high corporate standards, rooted in a robust governance structure with clear individual lines of accountability and committee oversight responsibility.

2025 has been another year of incredible growth for Allica. As the Bank continues to grow, the Board understands the need to continue evolving our corporate governance structure and framework to support our high standards. The activities of the Board during the year have been outlined on page 63.

The Board recognises that effective governance is necessary to facilitate purposeful decision-making and to ensure that the business strategy is implemented for the benefit of shareholders and other stakeholders. Allica fully complies with the Senior Managers & Certification Regime by clearly conveying the roles and responsibilities of all senior management functions in individual Statements of Responsibility.



Meet our Board of Directors

Our Board

Board committee memberships are included for each director using the following key:

Key	Board committee
BAC	Board Audit Committee
NomCo	Board Governance and Nominations Committee
RemCo	Board People and Remuneration Committee
BRC	Board Risk Committee
ExCo	Executive Committee
Key	Membership position
●	Board member chair
●	Board committee member



John Maltby

Chair of the Board

Memberships

NomCo BRC

Experience

Alongside his Chair role, John is also Chair of West Bromwich Building Society, Chair of Max Nicholas Renewables and is a NED of Nordea Bank.

John has been CEO of Williams & Glyn and Group Director of the Commercial Bank of Lloyds Banking Group during his extensive executive career.



Richard Davies

Chief Executive Officer

Memberships

ExCo

Experience

Alongside his CEO role, Richard is a NED on the group board of UK unicorn payments fintech, Zepz.

Previously, Richard was group COO at digital bank Revolut, the inaugural CEO of OakNorth, and held senior leadership roles at TSB and HSBC.



Paul Marston

Chair of the People and Remuneration Committee and Non-Executive Director

Memberships

NomCo RemCo BRC

Experience

Paul is currently CEO of the FSE Group, previously holding senior roles at Secure Trust Bank and NatWest Group including Lombard.

Paul is also the Allica Board Consumer Duty Champion. As noted on page 29, while the FCA no longer expects firms to appoint a Consumer Duty Champion, the Board has chosen to retain the role in practice.

Meet our Board of Directors



James Heath

Chief Financial Officer

Memberships

ExCo

Experience

Prior to joining Allica, James has been CFO of ABN AMRO UK, founding CFO at Cambridge & Counties Bank and Finance Director, Banking at Close Brothers.



Patrice McDonald

Chair of the Risk Committee and Senior Independent Director

Memberships

BAC NomCo RemCo BRC

Experience

Alongside her roles at Allica, Patrice is also the Non-Executive Chair of the Board and the Chair of the Risk Committee at Brown Brothers Harriman Trustee Services, and the Chair of the Risk Committee at Coutts. She has previously been the Chair of the Board of TD Global Finance and TD Bank (Europe), a non-Executive Director of Simcorp PLC and the Non-Executive Chair of Marshall Wace's Super ManCo. During her executive career, she was the Global Chief Risk Officer & Head of Governance at Barclays Wealth and Barclays Capital.



Tracy Dunley-Owen

Chair of the Audit Committee and Non-Executive Director

Memberships

BAC NomCo BRC

Experience

Alongside her role as chair of Allica's Audit Committee, Tracy acts as a non-executive director at a number of other companies, including Euroclear UK & International Limited and Simplyhealth, as well as previous roles with companies such as AIB Group (UK) plc and Sun Life Assurance Company of Canada (UK) Ltd.

Meet our Board of Directors



Patrick Magee

Non-Executive Director

Memberships

BAC BRC RemCo

Experience

Following an extensive career with JP Morgan Cazenove, Patrick worked for ten years on the establishment and growth of the British Business Bank, where he was Chief Commercial Officer.

Alongside his role at Allica, Patrick is also the Chair at Power Roll, the SID at International Biotechnology Trust, a NED at Edge Investments and a Non Executive Member of the NI Civil Service Board.



Niv Subramanian

Deputy Chief Executive Officer

Memberships

ExCo

Experience

Prior to joining Allica, Niv was General Manager and CFO at Previser. Before that Niv has been responsible for UK and global business lines at HSBC, Barclays and TSB, and was part of the Executive team that built and received the license at Oaknorth Bank. Niv was also founder and CEO of Economyz, a green startup.



Amitabh Ghatak

Non-Executive Director

Memberships

RemCo

Experience

With a background in software engineering, Amitabh has held Chief Product and Technology Officer roles at some of the UK's fastest-growing fintech and technology companies, including Dojo, Molo and William Hill.

Meet our Executive Committee



Nick Baker

Chief Commercial Officer

Experience

Nick has over 15 years of experience working with brokers in the financial space, having spent almost 12 years as a Director of broker firm Christie Finance before joining Allica.



Conrad Ford

Chief Product & Strategy Officer

Experience

Conrad was founder and CEO of Funding Options, having previously been COO for Barclays subsidiary ClearlyBusiness and Product & Marketing Director at Validis.



Kate Valdar

General Counsel & Company Secretary

Experience

Kate has over 20 years of experience working as a corporate and commercial lawyer, including having spent the last 11 years as a General Counsel in financial services.



Alan Dunmur

Chief Risk Officer

Experience

Alan has over 20 years of experience in financial services, most recently as director of financial risk at Monzo. His experience includes senior positions held at the Bank of Ireland, Tesco Bank and RBS.

Meet our Executive Committee



Ravneet Shah

Chief Technical Officer

Experience

Ravneet joined Allica in January 2020 as a lead engineer and is now our Chief Technology Officer. Previously she has worked at Santander, Teradata and Infosys.



Mitch Trehan

Chief Compliance Officer

Experience

Mitch has held senior positions at Citi, Barclays and JP Morgan, and is Chair of the Interbank Payment Policy Committee for UK Finance.



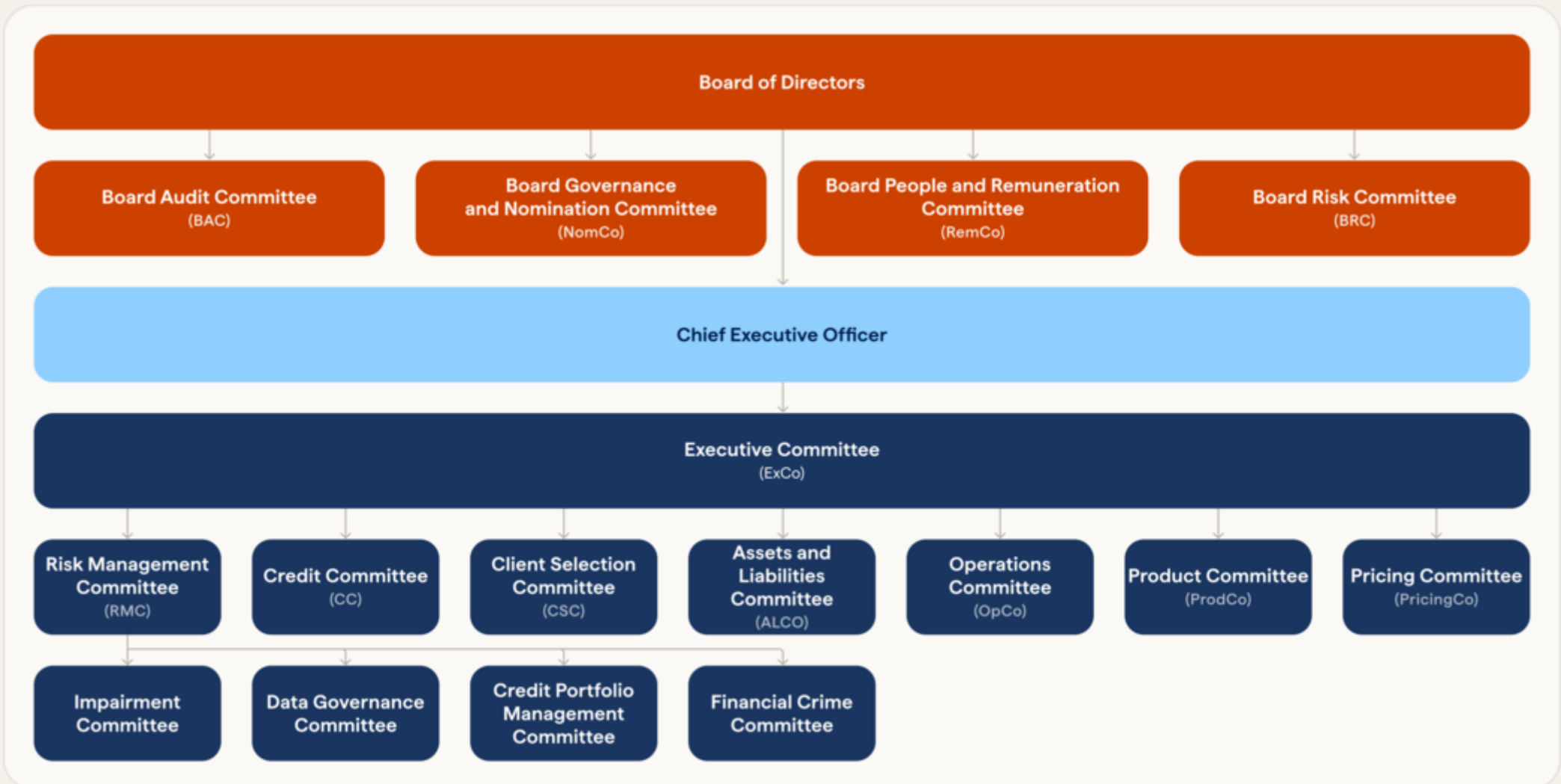
Patricia Otegui

Chief Internal Auditor

Experience

With 25 years experience working in financial services, Patricia has previously managed Internal Audit at HSBC and Santander.

Organisational framework, responsibilities and controls



Board of Directors

The Board is the governing body of the Bank, with ultimate responsibility for corporate governance, strategic direction, performance and oversight. The Board sets the Bank's business strategy and objectives, determines its risk appetite and ensures the Bank delivers against its financial, operational and cultural priorities in a manner consistent with the interests of customers, shareholders, regulators and wider stakeholders. The Board also ensures compliance with the Bank's Articles of Association and all applicable legal, regulatory and governance requirements.

In practice, the Board approves the Bank's strategy, budgets, capital plans and key policies (including risk and compliance policies), while delegating day to day management to the Chief Executive Officer under a defined system of delegation. The Board retains overall accountability for ensuring that systems, controls and governance arrangements are effective and appropriate for the scale and complexity of the Bank.

The Board has adopted written terms of reference and a formal schedule of matters reserved to it. These include strategy, budgets, financial control, capital and liquidity plans, risk management, remuneration principles, key policies and major structural or strategic transactions. The Board meets regularly and reviews detailed management information, including financial performance, risk metrics, customer outcomes, culture and people related insights, operational resilience, regulatory developments and progress against strategic initiatives.

Board Responsibilities

The Board's responsibilities include:

- approving the business strategy and risk appetite, ensuring the Bank operates in line with its strategic, financial and cultural objectives;
- authority to act as the ultimate decision-making body of the Bank, while delegating day to day management to the CEO and overseeing the performance and accountability of Executive Management;
- establishing appropriate policies to manage the strategy and risk appetite of the Bank;
- ensuring that systems and controls are appropriate to manage the risks the Bank faces, including safeguarding the Bank's soundness and ensuring effective systems of internal control; and
- oversight of accountability for all decisions and actions taken by the Bank, ensuring the organisation is run in a prudent, controlled and transparent manner.

The Board, led by the Chair, continuously reviews its composition to ensure that there is an appropriate level of competency and experience to discharge effective governance of the Bank.

Board Composition

The Board is chaired by an Independent Non-Executive Director, John Maltby. John is responsible for leading the Board and ensuring it operates effectively in delivering the Bank's strategy and supporting and challenging the CEO in the discharge of day to day responsibilities.

The Board comprises Executive Directors and independent Non-Executive Directors. This mix ensures:

- independence of thought;
- deep expertise across SME banking, credit, technology, regulation and financial services; and
- informed oversight of Allica's growth strategy and risk profile.

The Board has also established a committee structure comprising an Audit Committee, a People & Remuneration Committee, a Risk Committee and a Governance & Nominations Committee, each chaired by an appropriate NED. In line with corporate governance best practice, all non executive directors are independent, and there are three executive directors.

The Board keeps its composition under review to ensure it remains suitable for the scale and complexity of the Bank's operations as it continues to expand.

Committee Structure and Meetings

Terms of reference for the Board and each of its committees detail the primary responsibilities along with governance arrangements, committee resourcing, agenda items, meeting monitoring and composition. The Board approves these terms annually and reviews them as required.

Conflicts of interest and ethics

Directors are required to avoid and promptly disclose actual or potential conflicts of interest. Any conflicts are recorded in the Conflicts Register maintained by the Company Secretary, and monitored as a standing agenda item. Directors are required to abstain from any discussion or decision making where a conflict exists.

Directors must also ensure that they have sufficient time to fulfil their duties and that external appointments do not impair independence, judgement or capacity. Independence is reviewed annually, taking into account tenure, shareholdings, external roles and other relevant factors.

Board Leadership and Focus Areas

Throughout FY2025, the Board dedicated significant time to oversight, strategic discussion and ensuring the Group continued to operate with resilience and clarity of direction. As the Bank delivered on major initiatives and navigated a changing external environment, Board members played an active role in shaping key decisions and monitoring progress across all areas of the business.

This year's activity included close oversight of capital and structural actions, such as the AT1 issuance, as well as continued involvement in product launches and the development of our colleague value proposition.

The Board also received regular updates on progress against our sustainability strategy and reviewed strategic opportunities, including the acquisition of Kriya Finance.

Across the year, the Board continued to balance strategic debate with strong oversight, ensuring the Group remained well governed, resilient and positioned for long-term sustainable growth.

We've captured a snapshot of the key activities of the Board in the below table:

Summary of Board activities during 2025

Strategy, culture and values	<ul style="list-style-type: none"> • Approving key capital and structural activities • Overseeing the launch of new products • Receiving updates on People strategy and our employee value proposition • Receiving updates on our progress against our sustainability strategy • Approving the acquisition of Kriya Finance
Business performance	<ul style="list-style-type: none"> • Approving our Group and subsidiary FY2026 budget and business plan • Monitoring our performance against budget and forecasts • Approving our FY2024 annual report and its financial website disclosures
Risk and compliance	<ul style="list-style-type: none"> • Monitoring our risk and approving our risk appetite • Overseeing the progress of major change programmes relating to Financial Crime and Fraud risk • Approving our Risk Management Framework • Approving submissions to demonstrate compliance with key regulations including the ICAAP, ILAAP and recovery plan • Approving the 2025 Operational Resilience Self-Assessment • Overseeing the progress of our Consumer Duty implementation programme • Approving policies in line with our policy register
Corporate governance	<ul style="list-style-type: none"> • Overseeing Board make-up and the collective suitability of the Board including succession planning • Approving Board training plan • Approving the appointment of Niv Subramanian as Deputy Chief Executive Officer and Amitabh Ghatak as an independent Non-Executive Director • Establishing a Governance & Nominations Committee (previously the Nominations Committee)

Board Audit Committee

The Board Audit Committee (BAC) supports the Board in fulfilling its responsibilities relating to financial reporting, corporate governance and internal controls. This includes oversight of the annual report and financial statements, the effectiveness of the Bank's system of internal control, the work of the Internal Audit function, the external audit process, and the Bank's whistleblowing arrangements.

During the year, the BAC maintained a structured programme of work aligned to the Bank's financial reporting cycle and key control priorities. The Committee received regular and detailed reporting from management, Internal Audit and the external auditor, and devoted sufficient time to matters requiring detailed consideration and challenge. This included focused review of significant accounting judgements and estimates, oversight of the financial control environment and remediation activity, and monitoring of audit findings and management actions.

BAC comprises independent non-executive directors with relevant financial experience and is chaired by Tracy Dunley-Owen who is a chartered accountant with significant experience across a range of senior leadership roles in finance.

A significant area of focus during the year was the external audit tender. BAC led the tender process, including agreeing the scope and timetable and determining the evaluation criteria against which proposals would be assessed.

The Committee invited three firms to submit full proposals, including the Bank's incumbent auditor, EY LLP. Each firm presented its proposed audit approach and engagement team to the Committee. Proposals were assessed against agreed criteria, with a particular focus on audit quality, sector experience, team capability, independence and fees.

On completion of the process, the Committee recommended the re-appointment of EY LLP as the Bank's external auditor and recommended the outcome to the Board for approval. The Committee was satisfied that the process was robust and that the selected firm would provide an appropriate level of audit quality and challenge.

BAC's activities during the year are summarised as follows:

Financial reporting

- reviewing and recommending the FY24 Annual Report and Financial Statements to the Board for approval;
- reviewing and recommending the FY24 Pillar 3 Report to the Board for approval;
- reviewing significant accounting judgements and estimates applied in the preparation of the financial statements, including the going concern assessment;
- receiving updates on forthcoming changes to accounting standards and reporting requirements relevant to the Bank;

Statutory audit and external auditor engagement

- overseeing the external audit process and relationship with EY LLP, including approval of the audit plan, fees and materiality;
- reviewing the effectiveness of the FY24 audit process;
- assessing the independence and objectivity of the external auditor, including approval and monitoring of non-audit services;
- reviewing audit findings arising from the FY24 management letter, management's responses and progress against agreed actions;
- designing and conducting a comprehensive external audit tender process;
- recommending the re-appointment of EY LLP as the Bank's external auditor to the Board for approval;
- continuing ongoing engagement with EY throughout 2025, including holding private sessions with the external audit partner without management present.

Internal Audit and Chief Internal Audit Officer

- reviewing and approving the Internal Audit Charter and risk-based Internal Audit Plan, and considering changes to the plan during the year;
- reviewing the outcomes of Internal Audit reviews and management's remediation of audit findings;
- monitoring the effectiveness, independence and resourcing of the Internal Audit function;
- receiving regular updates from the Chief Internal Audit Officer, including private sessions without management present;

Internal systems and controls

- in conjunction with Board Risk Committee, monitoring the effectiveness of the Bank's financial control environment, including progress on remediation of control issues;
- considering the outcomes of control testing and thematic reviews, and related management actions;

Whistleblowing

- overseeing the effectiveness of the Bank's whistleblowing arrangements and policy;
- reviewing periodic reports on concerns raised and the handling and resolution of those; and

Environmental, Social and Governance (ESG)

- reviewing and recommending the approval of ESG disclosures forming part of the financial statements to the Board.

Board Governance & Nominations Committee

In 2025, the Board, having reflected on the maturity of the Company, reviewed the governance model and revised the scope and focus of the Nominations Committee to include the overall governance of the Company, renaming it the Governance and Nominations Committee.

The Board Governance and Nomination Committee (NomCo) supports the Board in fulfilling its responsibilities relating to Board composition, governance arrangements, succession planning and senior leadership development. The Committee ensures that the Bank maintains an effective, diverse and well-governed Board and oversees the frameworks that support long-term leadership capability across the organisation.

The minimum composition of NomCo is two members drawn from the independent Non-Executive Directors. The Committee is chaired by John Maltby, who also serves as Chair of the Board. John brings extensive leadership and governance experience from senior roles across the financial services sector.

A key focus for the Committee during the year was maintaining effective governance arrangements and monitoring their alignment to industry and regulatory expectations. This included reviewing the Bank's governance framework, Board committee structures, and ensuring that responsibilities remained appropriate for the scale and complexity of the organisation.

The Committee recommended the appointment of Amitabh Ghatak for his experience in product and technology, the appointment of Niv Subramanian, Deputy CEO, as an Executive Director and also reviewed succession planning for the Chair of the Board Risk Committee. The Committee also agreed the approach to an external assessment of the effectiveness of the Board in 2026.

NomCo's activities during the year are summarised below:

Governance arrangements

- keeping the Bank's governance arrangements under regular review to ensure they remain consistent with evolving regulatory expectations and recognised best practice;
- recommending updates to the Board's governance framework, including committee mandates, delegation structures and Board processes;

Director appointments and development

- managing the end-to-end appointment process for new Board Directors and senior Executives, including role definition, search activities, evaluation of candidates and recommendation of appointments to the Board;
- overseeing induction programmes for newly appointed directors to ensure effective integration into the Board and committees;
- monitoring ongoing training and development activities for directors, ensuring skills and knowledge remain current and relevant;

Board and Committee effectiveness

- leading the annual evaluation of the Board, its committees and individual directors, including assessing performance, composition and contribution;
- overseeing actions arising from the effectiveness review to support continual enhancement of Board operations;
- reviewing committee membership to ensure the right balance of experience and independence across Board committees;

Succession planning, executive pipeline and talent development

- overseeing Board and senior Executive succession planning to ensure continuity in key leadership roles;
- reviewing the executive pipeline and talent development programmes, including monitoring depth of capability for critical roles; and

- ensuring succession plans take account of regulatory requirements, future skill needs and diversity considerations.

Board People & Remuneration Committee

The Board People & Remuneration Committee (RemCo) supports the Board in overseeing the Bank's people strategy, culture and remuneration governance. Its remit includes setting strategic objectives for people management, ensuring remuneration arrangements promote the long-term success and sustainability of the Bank, and overseeing compliance with regulatory requirements relating to senior manager accountability and material risk takers.

During the year, the RemCo maintained a structured programme of work aligned to the Bank's strategic priorities and regulatory obligations. The Committee received regular reporting from the Board and other senior leaders, enabling it to assess progress on culture, talent, capability and workforce priorities. The Committee also oversaw the review and application of the Bank's remuneration policy, ensuring reward decisions were fair, risk-aligned and supportive of sustainable performance.

RemCo comprises at least two independent Non-Executive Directors and is chaired by Paul Marston, an Independent Non-Executive Director with significant experience in people, culture and remuneration oversight from his time at FSE Group, Secure Trust Bank and NatWest Group. The Committee's membership ensures appropriate independence and expertise in the assessment of remuneration structures, succession planning and people-related risks.

A key area of focus during the year was ensuring remuneration arrangements remained appropriately aligned with the Bank's risk appetite and long-term strategic goals. This included oversight of remuneration for the Chair, Chief Executive Officer, Executive Directors and other individuals subject to the Senior Managers & Certification Regime and the material risk taker population. The Committee reviewed how remuneration outcomes reflected performance, culture, conduct and risk behaviour, and ensured that the structure of fixed and variable pay supported long-term value creation.

The Committee also continued its oversight of the Bank's culture and people strategy, including talent development, organisational capability and plans to support the long-term sustainability of the business. RemCo's activities during the year are summarised as follows:

People strategy and culture

- overseeing progress on culture initiatives and receiving regular updates on workforce engagement and people-related metrics. This included the review of staff 'pulse' survey results throughout 2025 and management's action plan to address key findings;
- reviewing and approving Allica's Gender Pay statement;

Remuneration policy and governance

- determining the remuneration policy for the Chair of the Board, the CEO, the Executive Directors, Senior Managers and Certification Regime roles, and the Bank's material risk takers;
- monitoring and agreeing the outcome of the 2024 Company Scorecard, including the end-of-year rating distribution;
- agreeing the bonus structure and Company Scorecard for 2025;
- assessing and agreeing the principles to salary reviews scheduled for early 2026;
- ensuring remuneration structures were aligned with the Group's risk appetite and long-term strategic objectives. This included the consideration of staff equity and other long-term incentive plans;

Regulatory compliance

- overseeing compliance with remuneration-related regulatory requirements, including considerations relating to malus, clawback, and material risk takers identification; and
- ensuring remuneration outcomes for regulated roles were consistent with regulatory expectations and good governance principles.

Board Risk Committee

The Board Risk Committee (BRC) supports the Board in fulfilling its responsibilities for overseeing the Bank's risk management framework, risk appetite and future risk strategy. The Committee provides robust challenge and advice to the Board on the Group's current and emerging risk profile, the adequacy of its risk management arrangements, and the effectiveness of its policies, systems and controls.

During the year, BRC operated to a structured programme of work aligned to the Bank's risk cycle, regulatory timetable and strategic priorities. The Committee received regular reporting from management, the Chief Risk Officer (CRO), the Compliance function and other senior leaders, ensuring that sufficient time was dedicated to areas requiring detailed consideration and challenge. This included close oversight of credit, liquidity, market, operational, conduct, and regulatory risks, as well as monitoring progress against the Bank's broader risk transformation and control improvement initiatives. BRC also worked closely with the Audit Committee in overseeing the effectiveness of the Bank's financial control environment, including monitoring progress on remediation of control issues and broader control enhancement activity.

The Committee is composed of independent Non-Executive Directors, each bringing relevant experience in banking, risk management or financial services. The Committee is chaired by Patrice McDonald, an experienced risk leader with extensive board-level and executive background in the financial services sector. Patrice currently chairs the Risk Committees at Brown Brothers Harriman Trustee Services and Coutts, and has previously held senior board and executive roles across major financial institutions.

A major focus during the year was the review and approval of the Bank's prudential and recovery planning documentation. The Committee oversaw the development of the ICAAP and ILAAP, ensuring that the

assessments were robust, comprehensive and reflective of the Bank's risk profile and strategic trajectory. The Committee also undertook detailed review of the Recovery and Liquidity Contingency Plan and the Solvent Wind Down Plan, providing challenge on the Bank's stress testing, scenario analysis and operational readiness to execute its contingency options if required.

The Committee continued to oversee the remit, resourcing and effectiveness of the Risk and Compliance functions, ensuring that both functions maintained the necessary expertise and independence to support the Bank's risk management framework. This included reviewing the Annual Compliance Plan and monitoring progress against planned activities.

BRC's activities during the year are summarised as follows:

Risk governance and risk strategy

- overseeing the Bank's overall risk management framework, including risk appetite, strategy, principles and policies;
- reviewing and monitoring the Bank's current and emerging risk profile, and advising the Board on future risk strategy;
- providing challenge on the Bank's risk culture, systems and controls, including oversight of the Bank's RCSA process;

Prudential risk and internal assessments

- reviewing and recommending the ICAAP to the Board for approval;
- reviewing and recommending the ILAAP to the Board for approval;
- overseeing the stress testing framework and the robustness of scenario analysis;

Recovery and contingency planning

- reviewing and recommending for Board approval the Recovery and Liquidity Contingency Plan;
- reviewing and recommending for Board approval the Solvent Wind Down Plan;

- challenging assumptions, triggers and operational readiness associated with the Bank's recovery options;

Risk and Compliance functions

- considering and approving the remit of the Risk and Compliance functions, ensuring they have adequate resources, capability and independence;
- reviewing and approving the Annual Compliance Plan, including key activities and required expertise;

Conduct and regulatory compliance

- reviewing the effectiveness of processes and policies for identifying and managing Conduct Risk;
- monitoring the Bank's adherence to regulatory requirements and compliance policies; and
- challenging management on remediation and control improvements where required.

Management Committees

Oversight of the Bank's day-to-day operations is managed through management committees, detailed below. The CRO and Chief Compliance Officer (CCO) are responsible for the Second Line of Defence with respective Executives responsible for risks within their domain as First Line of Defence.

Executive Committee (ExCo)

To assist in the delivery of the Group's strategy, the CEO maintains an Executive Committee. The purpose of ExCo is to allow the CEO to allocate responsibilities, liaise and co-ordinate with the leadership team, review projects, and keep abreast of the day-to-day management of the Bank. ExCo meet at least monthly, or sooner at the discretion of the CEO. The responsibilities of ExCo include:

- providing oversight of the Bank, including reviewing the key committee objectives and matters raised, accountable to the CEO;
- developing, implementing and communicating strategy, operational plans, policies, procedures and budgets;
- monitoring of operating and financial performance;
- responsibility for the Bank's culture, conduct and ethics;
- identifying, managing, monitoring and assessing the risks across the Bank;
- prioritising and allocating resources; and
- monitoring competitive forces in each area of operation.

Risk Management Committee (RMC)

The RMC is chaired by the CRO and the CCO and is responsible for the monitoring and management of the Bank's overall Enterprise-Wide Risk profile. Responsibilities also include:

- ensuring that all delegated risks are managed within risk appetite, including reporting and monitoring of Key Risk Indicators and Early Warning Indicators;

- monitoring of key trends and metrics;
- monitoring of any policy or lending guideline exceptions;
- monitoring and approval of any risks or incidents raised together with any associated action plans;
- responsibility for management and approval/recommendation of all policies under the remit of the committee; and
- assessing Allica's overall risk profile and articulation of the Group's key risks to Board Risk Committee and the Board.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Chief Financial Officer and is responsible for the prudential management of Allica's balance sheet, and for ensuring appropriate levels of liquidity, solvency, and capital adequacy. ALCO is responsible for the identification, management, monitoring and reporting of risks arising from asset and liability management, including the approval of related policies and controls. The Committee's responsibilities also include:

- managing Allica's liquidity and capital positions so that adherence to the Group's risk appetite and regulatory minima are maintained;
- managing prudential risks under the ALCO's control (capital, liquidity, market, funding, and interest-rate risk);
- monitoring and reporting of ALCO risks to evidence compliance with the risk appetite set by the Board;
- maintaining all treasury related policies;
- reviewing and monitoring the composition and growth of assets and liabilities of the Group;
- evaluating and assessing the impact of other potential drivers of earnings volatility, such as competitive pressures or non-interest rate related changes to market conditions; and
- developing and applying appropriate hedging strategies to control volatility of balance sheet and earnings.

Operations Committee (OpCo)

OpCo is chaired by the Chief Technology Officer and is responsible for the management and control of the operational activities of the Group and for the identification, management, monitoring and reporting of risks arising from people, processes, systems and external events. Responsibilities also include:

- reviewing and approving changes to operational processes, procedures, roles and responsibilities;
- monitoring and reporting of operational activity across operations, HR, marketing and technology;
- maintaining an effective and adequate operational resilience plan with appropriate testing and controls; and
- approving and recommending relevant policies and procedures.

Product Committee (ProdCo)

ProdCo is chaired by the Deputy Chief Executive Officer and is responsible for the approval of new products under Allica's New Product Approval Process, changes to existing products and for managing the operational performance of products. Responsibilities also include:

- recommending all proposed new products and material amendments to existing products to ExCo;
- approving all non-material product amendments, product reviews and withdrawals;
- reviewing existing products at agreed intervals;
- ensuring that the Group takes the interests of customers into consideration and that we comply with the FCA's principles of Treating Customers Fairly and Consumer Duty when developing and amending products; and
- making sure that product literature sets out all relevant information and that it is clear, concise and jargon free.

Pricing Committee (PricingCo)

PricingCo is chaired by the Chief Financial Officer and is responsible for reviewing and approving any changes to the pricing of loan book products. Responsibilities include:

- reviewing existing pricing and resultant financial returns;
- assessing the appropriateness of product pricing in meeting the Bank's commercial and financial objectives;
- reviewing the appropriateness of underlying pricing model assumptions; and
- approving any changes to product pricing or pricing of new product launches.

Credit Committee (CC)

The Credit Committee is chaired by the Deputy Chief Executive Officer and is responsible for reviewing individual lending transactions.

Responsibilities include:

- reviewing individual credit decisions of larger transactions to ensure they are within the Bank's risk appetite; and
- reviewing individual credit decisions to ensure they are within the Bank's concentration risk for such assets and/or sectors.

Functions and organisational structure

The Chair allocates prescribed responsibilities to Senior Management Functions (SMFs) among its own membership and that of the Executive Management. There are statements of responsibility for each SMF. The Bank has integrated standing agenda items and functional roles for these SMF individuals within its governance and organisational structure.

Allocated to Non-Executive Directors		Allocated to Senior Management	
Chair of the Board	SMF 9	Chief Executive Officer	SMF 1
Chair of the Risk Committee	SMF 10	Chief Financial Officer	SMF 2
Chair of the Audit Committee	SMF 11	Chief Executive Officer Chief Financial Officer Deputy Chief Executive Officer	SMF 3
Chair of the Remuneration Committee	SMF 12	Chief Risk Officer	SMF 4
Chair of the Nomination Committee	SMF 13	Chief Internal Auditor	SMF 5
Senior Independent Director	SMF 14	Deputy Chief Executive Officer	SMF 6
		Chief Compliance Officer	SMF 16
		Chief Compliance Officer	SMF 17
		Chief Product and Strategy Officer	SMF 18
		Deputy Chief Executive Officer Chief Technology Officer	SMF 24

Non-financial and sustainability information

This section constitutes the non-financial and sustainability information statement, prepared in order to comply with Sections 414CA and 414CB of the Companies Act. The information is provided by cross-reference to other sections in the Strategic report.

Companies Act Reference	Reporting requirements	Reference	Policies and standards which govern Allica's approach
414CB (A1)(1)(A)	Environmental matters	ESG review, page 43 Directors report, page 72	<ul style="list-style-type: none"> Climate risk policy
414CB (A1)(1)(B)	Employees	ESG review, page 43	<ul style="list-style-type: none"> Code of conduct Whistleblowing policy Bullying, anti-harassment and sexual harassment policy Equality, diversity and inclusion policy Grievance policy Remuneration policy Capability policy
414CB (A1)(1)(C)	Social matters	ESG review, page 43	<ul style="list-style-type: none"> Equality, diversity and inclusion policy Charity and community policy
414CB (A1)(1)(D)	Respect for human rights	ESG review, page 43	<ul style="list-style-type: none"> Data management policy Data retention policy Anti-bribery and corruption policy
414CB (A1)(1)(E)	Anti-corruption and anti-bribery matters	ESG review, page 43	<ul style="list-style-type: none"> Anti-bribery and corruption policy Fraud policy Anti-money laundering policy Market abuse policy Code of conduct
414CB (2A)	Climate-related financial disclosures	Climate-related financial disclosures, page 49	<ul style="list-style-type: none"> Climate risk policy
414CB (A1)(2)(A)	Description of business model	Strategic report from page 3 to 71	
414CB (A1)(2)(D)	Description of principal risk and impact of business activity	Risk report, page 32	
414CB (A1)(2)(E)	Non-financial key performance indicators	2025 at a glance, page 4 CFO's review, page 19 Climate-related financial disclosures, page 49	

Directors' report

The Directors of the Company present their report together with the audited financial statements for the year ended 31 December 2025.

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located as follows:

Page	Subject
15	Business review
19	Performance review
25	People
29	Section 172(1) statement
32	Risk management and exposures
43	Environment, social and governance
56	Directors and Executive biographies
73	Political and charitable donations
165	Related party transactions
172	Share-based payments
172	Events after the reporting period

Section 414 of the Companies Act 2006 requires the Directors to present a strategic report in the Annual Report and Accounts. The information can be found on pages 2 to 71.

Research and development

During the year, Allica continued investing in the development of its own platforms and products. This included enhancement of lending and deposit products.

Dividends

The Directors are not recommending a dividend in respect of the year ended 31 December 2025 (2024: £nil).

Appointment and retirement of Directors

The Bank's Articles of Association set out the process for the appointment and replacement of Directors.

The following persons were Directors of Allica Bank during the whole of the financial year and up to the date of this report, unless otherwise stated:

J Maltby
 R Davies
 J Heath
 R Kapoor (resigned 30 June 2025)
 P Marston
 P McDonald Pryer
 P Magee
 T Dunley-Owen
 A Ghatak (appointed 15 May 2025)
 N Subramanian (appointed 15 May 2025)

Powers of Directors

The Directors' powers are conferred on them by UK legislation and by the Bank's Articles of Association. Changes to the Bank's Articles of Association must be approved by the shareholders passing a special resolution and must comply with the provisions of the Companies Act 2006.

Directors' indemnities

Allica has indemnified all the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year.

Going concern

Allica's financial statements are prepared on a going concern basis as the Directors believe the Group has sufficient resources to continue its activities for 12 months from the date of the financial statements' approval, and that the Group has sufficient capital and liquidity to meet its regulatory capital requirements set by the Prudential Regulation Authority (PRA).

In assessing the appropriateness of preparing the financial statements on a going concern basis, the Directors considered a wide range of information relating to both current and future conditions. This included the Group and Company's present financial position, detailed projections of future profitability, expected cash flows, and capital resources and requirements. Together, these form the Group's base-case forecasts.

The base-case plan indicates that the Group is expected to remain profitable throughout the assessment period and to operate well within its minimum regulatory capital requirements. The Directors also note the successful completion of the Company's Series D capital raise in February 2026, with new and existing investors providing additional CET1-qualifying equity and Additional Tier 1 capital, further strengthening the Group's capital position.

In addition to reviewing the base case, the Directors have considered the impact of several adverse stress scenarios designed to test the resilience of the business. These scenarios include severe increases in credit losses, margin compression, and other stresses applied to the Group's capital runway. Across all stress cases, the Group and Company continue to maintain sufficient capital and liquidity resources to operate for the foreseeable future, with headroom above minimum regulatory requirements.

Based on this assessment, the Board is satisfied that the Group and Company can continue in business for at least 12 months from the date of approval of the financial

statements, and accordingly these financial statements have been prepared on a going concern basis.

Political and charitable donations

Allica has not made any donations to any registered UK political party or other EU political organisations. The Group has made donations to UK registered charities.

While it is our policy not to make political donations to, or campaign on behalf of, any political party, from time to time we engage with a range of government, regulators and public policy stakeholders, including cross-party / all-party parliamentary groups and third parties to provide our views on regulatory and policy issues relevant to our business and customers or engage in events organised by third parties at party conferences. These activities are not intended or considered to be political campaigning, activity, or support.

People

Please refer to page 28 for further information on employment of colleagues with disabilities.

Share capital

Details of the Bank's issued share capital and of its movement during the year, are shown in Note 21 of the Financial Statements. The Bank's share capital comprises one class of ordinary share with a nominal value of £0.01 each of which 369,676,286 were in issue as of 31 December 2025 (2024: 338,692,735).

Restrictions on the transfer of shares

Restrictions on the transfer of shares are set out in the Articles of Association and prevailing legislation.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make them aware of any relevant information and to establish that the Group's auditor is aware of that information.

Reappointment of the auditors

Independent auditors Ernst & Young LLP served as auditors throughout the year and based on recommendation by Directors have been reappointed by shareholders as auditors pursuant to section 487(2) of the Companies Act 2006.

This Directors' Report was approved by the board and signed on its behalf by:



James Heath
Chief Financial Officer

27 March 2026

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors must prepare the Group financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

Under Company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of Allica and of its profit or loss for the year. In preparing the financial statements, the Directors are required to: select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable an understanding of the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance. Finally, the Directors must assess Allica's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records which: are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy the financial position of the Company at any given time; and enable the Directors to ensure the financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Group's assets and hence, taking reasonable steps to prevent and detect fraud or other irregularities.

The Directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group.
- The Strategic report (on pages 3 to 71) and the Directors' Report (on pages 72 to 74) include a fair review of the business' development and performance, as well as the principal risks and uncertainties they face.
- The Annual Report and Accounts are fair, balanced, and understandable, and that they provide the information necessary for the shareholders to assess the Group's position and performance, business model, and strategy.

Approved by the Board and signed on its behalf by



James Heath
Chief Financial Officer

27 March 2026

Independent auditor's report

Independent auditor's report to the members of Allica Bank Limited

In our opinion:

- Allica Bank Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Allica Bank Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2025 which comprise:

Group	Parent company
Statement of profit and loss and other comprehensive income for the year then ended	Company Statements of financial position as at 31 December 2025
Group Statement of financial position as at 31 December 2025	Company Statement of changes in equity for the year then ended
Consolidated Statement of changes in equity for the year then ended	Company Statement of cash flows for the year then ended
Group Statement of cash flows for the year then ended	Related notes 1 to 34 to the financial statements including material accounting policy information
Related notes 1 to 34 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- We confirmed our understanding of management's going concern assessment process and engaged with management early to validate whether all key factors were considered in their assessment.
- We evaluated management's going concern assessment which included reviewing their evaluation of budget and business plans, regulatory capital requirements, liquidity and existing shareholder support.
- We considered the analysis of key relevant going concern assumptions, including those relating to financial performance, regulatory capital and liquidity, and performed independent reverse stress testing and sensitivity analysis, including considering the impact of ongoing macroeconomic uncertainty.
- We compared the historical budgeted financial information with historical actual results, in order to form a view on the reliability of management's forecasting process.
- We reviewed regulatory correspondence, relevant committee and board meeting minutes, and met with the Prudential Regulation Authority, in order to identify events or conditions that may impact the Group and Parent Company's ability to continue as a going concern.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

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 Group and Parent Company's ability to continue as a going concern over the twelve months from the date 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 Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of the Group and the Parent Company.
Key audit matters	<ul style="list-style-type: none"> • Measurement of the allowance for expected credit losses (ECL) • Risk of fraud in revenue recognition in the application of effective interest rate (EIR) accounting • Accounting for the acquisition of Kriya Finance Limited
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £1.8m (2024: £1.5m) which represents 5% of profit before tax (2024: 5% of profit before tax)

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

The Group is centrally managed and controlled from the UK. All audit work performed for the purposes of the audit was undertaken by a single audit team based in the UK. We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group and Parent Company financial statements and identified significant accounts and disclosures. When identifying the extent to which audit work needed to be performed to respond to the identified risks of material misstatement of the Group and Parent Company financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, applications and relevant internal audit results.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations lies in its financial instruments through its lending activities. These are explained in the Environment, Social and Governance section of the Strategic report which form part of the “Other information,” rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on “Other information”.

In planning and performing our audit we assessed the potential impacts of climate change on the Group’s business and any consequential material impact on its financial statements.

The Group has explained in Note 26 Financial Assets and Liabilities how climate change has been reflected in the financial statements, and the significant judgements and estimates relating to climate change.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management’s assessment of the impact of climate risk, physical and transition and the significant judgements and estimates and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and in the timing and nature of liabilities recognised, following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

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

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

Key audit matters

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

Risk

Measurement of the allowance for expected credit losses (ECL) (£42.6m, 2024: £33.0m)

Refer to the accounting policies and Note 26 of the Consolidated Financial Statements.

The ECL provision is a significant balance that carries a high degree of estimation uncertainty due to the assumptions used in its calculation. The calculation of such provisions under IFRS 9 requires a forward-looking assessment of expected losses, increasing the complexity and number of judgements used. The level of judgement and estimation remains heightened as a result of the current economic environment which leads to greater uncertainty in forecasting future economic scenarios, the weightings to be applied to these scenarios, the determination of significant increase in credit risk (SICR), and the use of judgemental overlays.

Key judgements and estimates in the timing and measurement of ECL include:

- Probability of default (PD).
- Loss given default (LGD).
- Exposure at default (EAD).
- Assessment of staging criteria and identification of loans that exhibit a SICR.
- Incorporation of forward-looking information, including multiple economic assumptions.
- Completeness and valuation of post model adjustments (PMAs).
- Collateral valuation.

Due to the degree of judgement that needs to be exercised by the directors in determining the key assumptions used in calculating the ECL provision, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.

Our response to the risk

- We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach.
- With the support of EY credit risk modelling specialists, we performed a model inherent risk assessment of models used to generate the ECL provision. Based on this risk assessment we tailored our procedures, which included:
 - Testing the appropriateness of the Bank's model methodology through inspection of model design documentation.
 - Independently replicating the Bank's modelled ECL calculation, including recalculation of PDs, LGDs, EADs and overall ECL.
 - Performing sensitivity analysis to determine the impact of changes in key assumptions to the ECL provision.
 - Benchmarking assumptions to observable market data where applicable.
- With the support of EY credit risk modelling specialists, we assessed whether the SICR criteria used by the Bank provided appropriate leading indicators of increased credit risk in the loan portfolio. We also independently tested whether the loan portfolio had been appropriately staged in line with the Bank's stated criteria.
- With the support of EY economists, we assessed the base case and alternative macroeconomic scenarios through comparison to other scenarios from external sources and EY internally developed forecasts. This testing also included benchmarking of the probability weightings used by the Bank.
- We assessed the completeness and appropriateness of PMAs using our knowledge and experience across the UK lending sector, and challenging the Bank's rationale for new PMAs recorded in the year.
- With the involvement of our credit risk modelling specialists we tested significant PMAs for reasonableness of estimation.
- We performed stand-back analysis to assess the overall adequacy of the ECL provisions. This included utilising our understanding of the Bank and the industry to perform analytical procedures, assessing whether any contradictory evidence had been obtained from other parts of the audit, and considering the Group provision coverage ratios in comparison to other lenders using available benchmarking data.
- For a sample of loans, we tested the existence and valuation of the collateral through review of the valuation reports of management's valuer and independently assessed the skills, competence and adequacy of the valuer.

Risk	Our response to the risk
Key observations communicated to the Audit Committee	
<p>We communicated that we are satisfied that the ECL provisions were reasonably estimated and materially in compliance with IFRS 9. We considered the model methodology and post model adjustments to be materially appropriate and that the models operated as designed. We considered the multiple economic scenarios, and associated weighting, incorporated in the ECL models to be materially appropriate.</p>	
<p>Risk of fraud in revenue recognition in the application of effective interest rate (EIR) accounting</p> <p>£8.2m adjustment (2024: £7.3m) to interest income £353.8m (2024: £273.9m)</p> <p>Refer to the accounting policies and Note 4 of the Consolidated Financial Statements.</p> <p>Auditing standards include a presumption that for all companies there is significant financial statement risk, including the risk of fraud, in relation to revenue recognition. The majority of interest and fee income recorded is low value and based on standard contractual terms. The risk of fraud in the recognition of revenue is focused on the application of management judgement in the accounting for income using the Effective Interest Rate. Key aspects of judgement include:</p> <ul style="list-style-type: none"> • The inclusion of material fee income and expense accounts as integral cash flows to the financial instrument. • Behavioural life and prepayment assumptions. 	<ul style="list-style-type: none"> • We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach. • We critically assessed the Group's revenue recognition policy and challenged its compliance with the requirements of accounting standards. • We scrutinised the material fee income and expense accounts to evaluate whether they are an integral part of the loan and are appropriately amortised through EIR. • We assessed the reasonableness of the behavioural assumptions that impact the calculation of EIR, such as the appropriateness of the estimated life and prepayment assumptions. • For a sample of loans, we verified the inputs to the underlying loan agreements and recalculated the EIR to establish accuracy.
Key observations communicated to the Audit Committee	
<p>Based on the procedures performed, we are satisfied that revenue recognised using the EIR method is reasonably stated.</p>	
<p>Accounting for the acquisition of Kriya Finance Limited (Goodwill recognised: £7.9m, 2024: £nil)</p> <p>Refer to the accounting policies and Note 31 of the Consolidated Financial Statements.</p> <p>During the year Group completed the acquisition of Kriya Finance Limited.</p> <p>There are judgements and estimates in accounting for acquisitions including the determination of the fair value of assets and liabilities acquired, the resulting goodwill and relevant contingent elements of the acquisition.</p>	<ul style="list-style-type: none"> • We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach. • We evaluated the appropriateness of management's methodology to determine the expected credit losses on the portfolio of loans acquired and other receivables. • With assistance of our valuation specialists, we assessed the reasonableness of the consideration transferred. • We assessed the appropriateness of the business combination accounting for compliance with IFRS 3 'Business Combinations'. • With assistance from valuations specialists, we evaluated the appropriateness of management's specialist's methodology to allocate the purchase price to net assets acquired including the fair values of the identifiable assets and liabilities and resulting goodwill at acquisition date.

Risk	Our response to the risk
Key observations communicated to the Audit Committee	
We concluded that the fair value of net assets acquired and the resulting goodwill are materially appropriate. We were satisfied that the related disclosures are materially correct and are in accordance with IFRS 3 'Business Combinations'.	

In the prior year, our auditor's report included a key audit matter in relation to internally developed software capitalisation and impairment. In the current year, we reassessed the key audit matters and concluded that this matter did not have a significant impact on the overall audit strategy or the allocation of resources and, accordingly, did not constitute a key audit matter.

Our application of materiality

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

Materiality

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

We determined materiality for the Group and Parent Company to be £1.8m (2024: £1.5m), which represents 5% of the Group's profit before tax (2024: 5% of profit before tax) at the time of our audit planning. We consider the users of the financial statements to be consistent between the Group and Parent Company, and as no income statement is shown for the Parent Company, we have judged that it is appropriate for the materiality of the Parent Company to be consistent with the Group.

We believe that profit before tax provides us with an appropriate basis for materiality given the users of the financial statements principally focus on pre-tax profit in assessing the Group's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2024: 50%) of our planning materiality, namely £900k (2024: £750k). We have based the percentage of performance materiality on a number of considerations, including the number and amount of identified misstatements in the prior year, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £90k (2024: £75k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement within the Directors' report, 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 Group and Parent Company'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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:
 - The regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
 - Companies Act 2006;
 - Financial Reporting Council ('FRC') reporting requirements; and
 - Tax legislation.
- We understood how the Group is complying with those frameworks by making enquiries of management, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and regulatory bodies; reviewed minutes of the Board and Risk Committees and gained an understanding of the Group's governance framework.
- Conducted a review of correspondence with and reports from the regulators, including the PRA and FCA, and met with the PRA in order to establish matters which may impact the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We also identified the risks of fraud in our key audit matters as described above and identified areas that we considered when performing our fraud procedures, including performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management, and those responsible for legal and compliance matters, as well as focused testing referred to in the Key Audit Matters section above.
- The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Company on 4 August 2017 to audit the financial statements for the year ending 31 July 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering the years ending 31 July 2017 to 31 December 2025.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company'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 Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:
Ernst & Young LLP
451D44ECCBE445C...

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

Financial statements

Statement of profit or loss and other comprehensive income

	Note	Group	
		Year ended 31/12/2025	Year ended 31/12/2024
		£m	£m
Interest income		404.2	320.3
Interest expense		(245.2)	(206.3)
Net interest income	4	159.0	114.0
Net fair value gains on financial instruments	4	6.5	11.8
Fee and commission income		7.5	3.7
Fee and commission expense		(14.4)	(9.1)
Net fee and commission expense	5	(6.9)	(5.4)
Total operating income		158.6	120.4
Operating expenses	6	(108.4)	(80.3)
Impairment losses	11	(13.3)	(10.2)
Profit before tax		36.9	29.9
Taxation charge	8	(9.6)	(0.1)
Profit after tax for the year		27.3	29.8

Statement of profit or loss and other comprehensive income (continued)

	Note	Group	
		Year ended 31/12/2025	Year ended 31/12/2024
		£m	£m
Other comprehensive income/(loss)			
<i>Items that may be recycled subsequently to profit or loss</i>			
Fair value gains/(losses) on debt securities	23	0.2	(0.2)
Exchange differences on translation of foreign operations	23	(0.1)	-
Cash flow hedges: (Losses)/gains arising during the year	25	(14.3)	31.8
Cash flow hedges: Amounts recycled to profit or loss during the year	25	(6.5)	(11.8)
Tax credit/(expense)	8	5.2	(5.0)
Other comprehensive loss for the year, net of tax		(15.5)	14.8
Total comprehensive income for the year		11.8	44.6

The results for the current and prior period are derived entirely from continuing operations.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 94–172.

Statements of financial position

	Note	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
Assets					
Cash and balances at central banks	9	1,104.3	1,378.0	1,104.3	1,377.9
Loans and advances to banks	9	183.8	124.6	153.0	116.8
Debt securities	10	1,154.0	301.4	1,154.0	301.4
Derivative financial instruments	25	9.1	23.5	9.1	23.5
Other assets	12	13.9	10.4	12.9	7.2
Loans and advances to customers	11	3,742.0	3,048.8	2,419.5	1,849.2
Amounts due from subsidiaries	13	-	-	1,302.4	1,214.9
Deferred tax asset	8	9.9	11.3	10.5	11.3
Investments		1.0	1.0	1.0	1.0
Tangible fixed assets		1.3	1.2	1.1	1.0
Investments in subsidiaries	16	-	-	14.7	7.6
Right-of-use assets	20	3.2	0.3	3.2	0.3
Intangible assets	14	30.0	25.4	27.8	25.4
Goodwill	15	16.4	8.6	-	-
Total assets		6,268.9	4,934.5	6,213.5	4,937.5
Liabilities					
Deposits from banks	9	0.3	16.8	0.3	16.8
Deposits from customers	17	5,719.9	4,428.1	5,719.9	4,428.1
Other liabilities	18	27.4	19.3	23.3	18.2
Derivative financial instruments	25	22.4	8.1	22.4	8.1
Leases	20	3.2	0.4	3.2	0.4
External borrowings	19	71.7	85.1	38.7	85.1
Total liabilities		5,844.9	4,557.8	5,807.8	4,556.7

Statements of financial position (continued)

	Note	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
Equity					
Share capital	21	3.7	3.4	3.7	3.4
Share premium	22	323.0	280.9	323.0	280.9
Perpetual notes (including convertible)	23	44.9	44.9	44.9	44.9
Other components of equity	23	(4.2)	11.3	(4.1)	11.3
Retained earnings	23	56.6	36.2	38.2	40.3
Total equity		424.0	376.7	405.7	380.8
Total liabilities and equity		6,268.9	4,934.5	6,213.5	4,937.5

As permitted by Section 408 of the Companies Act 2006, a separate income statement has not been presented in respect of the parent company, Allica Bank Limited. The profit after tax for the year ended 31 December 2025 was £4.8m (2024: Profit after tax of £21.6m). The results for the current and prior period are derived entirely from continuing operations.

The above statements of financial position should be read in conjunction with the accompanying notes on pages 94–172.

The financial statements were approved for issuance by the Board on 26 March 2026 and signed on its behalf by:



James Heath
Chief Financial Officer

27 March 2026

Consolidated statement of changes in equity

Group	Share capital	Share premium	Other components of equity	Perpetual notes (including convertible)	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2024	2.9	301.2	(2.9)	45.1	(67.1)	279.2
Profit after tax for the year	-	-	-	-	29.8	29.8
Other comprehensive income for the year, net of tax	-	-	14.8	-	-	14.8
Total comprehensive income for the year	-	-	14.8	-	29.8	44.6
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital and employee bonus shares	0.1	17.7	-	-	-	17.8
Capital reduction	-	(73.5)	-	-	73.5	-
Issue of perpetual convertible notes	-	-	-	35.0	-	35.0
Share warrants exercised	-	0.6	(0.6)	-	-	-
Conversion of perpetual convertible notes - net	0.4	34.9	-	(35.2)	-	0.1
Balance at 31 December 2024	3.4	280.9	11.3	44.9	36.2	376.7
Balance at 1 January 2025	3.4	280.9	11.3	44.9	36.2	376.7
Profit after tax for the year	-	-	-	-	27.3	27.3
Other comprehensive loss for the year, net of tax	-	-	(15.5)	-	-	(15.5)
Total comprehensive (loss)/income for the year	-	-	(15.5)	-	27.3	11.8
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital	0.3	42.1	-	-	-	42.4
Coupon paid on capital securities	-	-	-	-	(6.9)	(6.9)
Balance at 31 December 2025	3.7	323.0	(4.2)	44.9	56.6	424.0

Company statement of changes in equity

	Share capital	Share premium	Other components of equity	Perpetual notes (including convertible)	Retained earnings	Total equity
Company	£m	£m	£m	£m	£m	£m
Balance at 1 January 2024	2.9	301.2	(2.9)	45.1	(54.8)	291.5
Profit after tax for the year	-	-	-	-	21.6	21.6
Other comprehensive income for the year, net of tax	-	-	14.8	-	-	14.8
Total comprehensive income for the year	-	-	14.8	-	21.6	36.4
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital and employee bonus shares	0.1	17.7	-	-	-	17.8
Capital reduction	-	(73.5)	-	-	73.5	-
Issue of perpetual convertible notes	-	-	-	35.0	-	35.0
Share warrants exercised	-	0.6	(0.6)	-	-	-
Conversion of perpetual convertible notes - net	0.4	34.9	-	(35.2)	-	0.1
Balance at 31 December 2024	3.4	280.9	11.3	44.9	40.3	380.8
Balance at 1 January 2025	3.4	280.9	11.3	44.9	40.3	380.8
Profit after tax for the year	-	-	-	-	4.8	4.8
Other comprehensive loss for the year, net of tax	-	-	(15.4)	-	-	(15.4)
Total comprehensive (loss)/income for the year	-	-	(15.4)	-	4.8	(10.6)
Transactions with owners in their capacity as owners:						
Issue of ordinary share capital	0.3	42.1	-	-	-	42.4
Coupon paid on capital securities	-	-	-	-	(6.9)	(6.9)
Balance at 31 December 2025	3.7	323.0	(4.1)	44.9	38.2	405.7

Statement of cash flows

	Note	Group		Company	
		2025	2024	2025	2024
		£m	£m	£m	£m
Profit before tax		36.9	29.9	10.2	19.7
Adjustments for non-cash items:					
Depreciation	6	1.5	1.0	1.5	1.0
Amortisation	14	9.4	5.3	9.4	5.3
Fair value losses/(gains) on derivatives	25	-	-	5.0	(0.8)
Impairment losses	11	13.3	10.7	4.9	(2.7)
Net increase in interest income receivable		(17.2)	(14.7)	(11.5)	(9.1)
Net (decrease)/increase in interest expense payable		(9.9)	19.1	(9.9)	19.1
Other non-cash items		6.6	-	1.8	-
		40.6	51.3	11.4	32.6
Changes in operating assets and liabilities					
Net (increase)/decrease in balances at central banks	9	(0.1)	6.7	(0.1)	6.7
Net decrease in loans and advances to banks	9	3.6	41.7	3.6	41.7
Net increase in loans and advances to customers	11	(651.3)	(1,007.9)	(575.1)	(591.5)
Net increase in amounts due from subsidiaries		-	-	(87.5)	(405.1)
Net increase/(decrease) in deposits from banks	9	(16.5)	13.4	(16.5)	13.4
Net increase in deposits from customers	17	1,301.1	1,778.5	1,301.1	1,778.5
Net decrease in trade and other debtors	12	(2.5)	(2.8)	(5.7)	(1.3)
Net increase/(decrease) in trade and other creditors	18	(1.6)	6.6	4.5	7.3
Cash flows from operations		673.3	887.5	635.7	882.1
Tax paid		(3.7)	(3.4)	-	(2.0)
Net cash from operating activities		669.6	884.1	635.7	880.1

Statement of cash flows (continued)

	Note	Group		Company	
		2025 £m	2024 £m	2025 £'m	2024 £'m
Purchase of debt securities	10	(1,391.5)	(577.0)	(1,391.5)	(577.0)
Proceeds from sale and maturity of debt securities	10	554.4	402.2	554.4	401.2
Acquisition of a subsidiary, net of cash acquired	32	8.0	(6.1)	(0.4)	(6.7)
Purchase of property, plant and equipment		(0.9)	(0.8)	(0.9)	(0.7)
Purchase and development of intangible assets	14	(11.7)	(12.3)	(11.8)	(12.3)
Net cash from investing activities		(841.7)	(194.0)	(850.2)	(195.4)
Proceeds from issue of ordinary shares		35.0	17.6	35.0	17.6
Issue of subordinated debt		-	30.0	-	30.0
Issue of credit-linked notes		-	50.0	-	50.0
Payment of principal on credit-linked notes	32	(46.1)	(3.9)	(46.0)	(3.9)
Coupon paid on capital securities	23	(6.9)	-	(6.9)	-
Issue of perpetual convertible notes	32	-	35.0	-	35.0
Capital repayment of lease liabilities	32	(0.8)	(0.5)	(0.8)	(0.5)
Repayment of external debt	32	(19.3)	(73.8)	-	(73.8)
Net cash from financing activities		(38.1)	54.4	(18.7)	54.4
Exchange differences on translation of foreign operations		(0.1)	-	-	-
Net increase/(decrease) in cash and cash equivalents	9	(210.3)	744.5	(233.2)	740.0
Cash and cash equivalents at beginning of year	9	1,496.8	752.3	1,488.9	748.9
Cash and cash equivalents at end of year		1,286.5	1,496.8	1,255.7	1,489.0
Cash and cash equivalents comprise:					
Cash and balances at central banks	9	1,102.7	1,375.8	1,102.7	1,375.7
Loans and advances to banks	9	183.8	121.0	153.0	113.2
		1,286.5	1,496.8	1,255.7	1,489.0

Cash interest received during the year totalled £387.0m (2024: £305.6m) and cash interest paid totalled £255.1m (2024: £187.2m).

Note 1. Basis of preparation

General information

These consolidated financial statements comprise Allica Bank Limited (“the Company” or “the Bank”) and its subsidiaries as listed in Note 30 (together “the Group” or “Allica”). The consolidated financial statements are presented in pounds sterling, which is the Group’s functional and presentation currency.

Allica Bank Limited is a private company limited by shares and incorporated in England and Wales. Its registered office and principal place of business is:

15 Worship Street, London,
England, EC2A 2DT.

A description of the nature of the Group’s operations and its principal activities are included in the Strategic report on page 11.

Basis of preparation

The consolidated and Company financial statements have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Amounts in this report have been rounded to the nearest million pounds unless otherwise indicated. Due to rounding, numbers presented may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Comparative financial information has been prepared on a consistent basis.

Note 2. Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

a) New or amended Accounting Standards and Interpretations adopted

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

- Lack of exchangeability - Amendments to IAS 21.

The amendments did not have an impact on the Group’s consolidated financial statements as at 31 December 2025.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The impact of these forthcoming Accounting Standards or Interpretations is not expected to be material.

Future accounting developments

- ‘Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7’ is effective for accounting periods beginning on or after 1 January 2026.
- IFRS 18 ‘Presentation and Disclosure in Financial Statements’ is effective for accounting periods beginning on or after 1 January 2027.

The impact of these amendments is currently being assessed, although is not expected to have a significant impact on the Group’s financial statements.

Note 2. Material accounting policies (continued)

Future accounting developments (continued)

The IASB has also issued a number of other minor amendments to IFRSs that become effective for annual reporting periods beginning on or after 1 January 2025, some of which have not yet been endorsed for use in the UK. These amendments do not have a significant impact for the Group.

b) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company, its subsidiaries and one Special Purpose Vehicle ("SPV") over which the Company has control. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value. Acquisition related costs are expensed as incurred and included in administrative expenses. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. Goodwill is recognised where there is an excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired.

c) Going concern

These financial statements have been prepared on the going concern basis as the Board is satisfied that the Group and Company have adequate resources to continue in business for the foreseeable future, being at least 12 months from the date of approval of the financial statements.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the Group and Company's current financial position and projections of future profitability, cash flows and capital resources and requirements, which together form the Group's base case forecasts.

The base case plan forecasts that the Group and Company will remain profitable and operate well within its minimum capital requirements throughout the assessment period. It is noted that in February 2026, the Company completed a Series D capital raise from Ventura Capital, GLG, Sona AM and existing investors (TCV and Blue Owl). As part of this raise, the Company issued £10.0m of equity qualifying as CET1 and £47.0m of Additional Tier 1 Capital (AT1).

Several stress scenarios have also been applied to the base case plan and these scenarios have been reviewed by the Directors. The range of stresses include a significant increase in the credit losses, compression of margins as well as other stresses applied to Allica's capital runway. In all stress scenarios, the Group and Company continue to have sufficient capital and liquidity resources to continue in business for the foreseeable future and maintaining a surplus to our minimum regulatory requirements.

Based on this assessment, the Board is satisfied that the Group and Company can continue in business for at least 12 months from the date of approval of the financial statements, and as a result the going concern basis of accounting has been adopted to prepare these financial statements.

d) Material accounting policies

Revenue recognition

The Group recognises revenue as follows:

Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments and behavioural life).

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of

Note 2. Material accounting policies (continued)

Revenue recognition (continued)

the financial asset. When a financial asset becomes credit-impaired (and is therefore regarded as 'Stage 3'), the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired ('POCI') financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

Fees and commissions:

The Group recognises fees and commission income in accordance with IFRS 9 Financial Instruments or IFRS 15 Revenue from Contracts with Customers.

As above, fees paid or received that are considered integral to EIR are deferred and recognised through interest income or expense on an effective interest basis over the life of the underlying asset or liability.

Fees and commissions which are not an integral part of EIR are generally recognised at a point in time when the transaction occurs and the performance obligations are satisfied.

Employee benefits

Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits including any related payroll taxes are accounted for on an accrual basis over the period which employees have provided services. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are accounted for in accordance with the requirements of IAS 19, 'Employee benefits'. All expenses relating to employee benefits are recognised in the income statement in staff costs.

Share-based payment

The Group operates equity-settled, share-based remuneration plans for senior management. The schemes do not include any cash settlement features. The fair value of equity instruments granted is determined at the grant date and excludes the impact of non-market vesting conditions.

Where applicable, the fair value of share-based payments is recognised as an expense in profit or loss over the relevant vesting period, based on the best available estimate of the number of share options expected to vest.

Administrative expenses

Administrative expenses are recognised on an accrual basis over the period where the goods or services have been provided.

Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. The incremental borrowing rate of 4.4% has been used in the calculation of the lease liability.

Short-term and low value leases

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Material accounting policies (continued)

Financial assets and liabilities

The Group's business model is to hold assets to collect contractual cash flows, and it assesses whether the assets' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e.: interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is measured at fair value through profit or loss ("FVTPL").

Criteria for classification of assets

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows.
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Recognition

Financial assets and liabilities are initially recognised on the trade date i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Derecognition

Financial assets are derecognised only when the contractual rights to receive the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of the ownership of the assets.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Modification of financial instruments

The Group derecognises a financial instrument when the terms and conditions have been renegotiated to the extent that it becomes substantially a new instrument, with the difference recognised as a derecognition gain or loss in the income statement.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Classification of financial assets and liabilities

I. Cash and balances at central banks

Cash and balances at central banks in the statement of financial position comprise short term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. The central bank balance is the reserve account held with Bank of England, which is considered restricted along with accrued interest on this balance which is not available on demand until settled. Therefore, these amounts are not part of cash and cash equivalents.

II. Loans and advances to banks

Loans and advances to banks comprise cash on hand, deposits held at call with financial institutions, and cash collaterals held on derivative financial instruments; these assets are subject to an insignificant risk of changes in value. Cash and balances due from banks are initially recognised at fair value and subsequently at amortised cost.

III. Loans and advances to customers

Loans and advances to customers are measured at fair value on initial recognition and subsequently at amortised cost using the effective interest method. Detailed information about the judgements and estimates are set out in note 3.

IV. Derivatives

Derivatives, which are held for risk management purposes, are measured at fair value in the statement of financial position.

V. Other assets

Other assets, receivables and prepayments are recognised initially at fair value and subsequently measured at amortised cost.

VI. Investments

The Group has invested in equity instruments. These investments are classified as fair value through profit or loss and are recorded in the statement of financial position at their fair value, with any changes in fair value recorded in the profit or loss account.

Note 2. Material accounting policies (continued)

Financial assets and liabilities (continued)

VII. Capital instruments

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable, or where the instrument will or may be settled in the Group's own equity instruments but includes no obligation to deliver a variable number of the Group's own equity instruments, the instrument is treated as an equity instrument.

a) Subordinated liabilities (see note 20)

Subordinated loans are treated as debt instruments, at amortised cost, using the effective interest rate method.

b) Share capital (see note 22)

Ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds and charged against share premium.

c) Share premium (see note 23)

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of the shares issued.

d) Perpetual notes (including convertible) (see note 24)

Since these bonds are not redeemable at the option of the holder, and interest is due and payable only at the sole and absolute discretion of the Group, these notes have been classified as equity in accordance with IAS 32, Financial instruments: Presentation, at the total proceeds of the issue. Any coupon payments made relating to the issue are treated as a distribution when paid and disclosed as a distribution on other equity instruments within the Statement of Changes in Equity, as a debit to retained earnings.

e) Warrants (see note 24)

Share warrants not issued in exchange for goods or services are accounted for as financial instruments within the scope of IAS 32 and IFRS 9. Where the exercise price of the share warrant is different from the fair value of the underlying shares at the grant date, the difference is credited to equity, because it includes an obligation to issue a fixed number of shares, whilst the debit is treated as a distribution to existing shareholders and is therefore charged against retained earnings.

Measurement of financial assets and liabilities

Amortised Cost

Assets held at amortised cost (e.g., loans and advances to customers) are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss.

FVOCI

Debt securities are held to meet liquidity requirements and are classified as Fair Value Through Other Comprehensive Income ('FVOCI'). Debt securities are measured at fair value and changes in fair value are taken to other comprehensive income and on derecognition are recycled to the income statement.

FVTPL

Derivative assets and liabilities, and investments are measured at fair value, with changes in fair value recognised in income statement as they arise. Further details on derivative assets and liabilities is given in the policy on derivatives held for hedging purposes on page 100.

Note 2. Material accounting policies (continued)

Financial assets and liabilities (continued)

Impairment under IFRS 9

IFRS 9 requires loss provisioning to be based on expected future losses as well as incurred losses. The Group classifies its loans into Stage 1, Stage 2, Stage 3 and POCI as described below:

Stage 1: Financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECL") are recognised and interest income is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are expected within 12 months after the reporting date.

Stage 2: For financial assets that have experienced a significant increase in credit risk ('SICR') since initial recognition but that do not have objective evidence of impairment, lifetime ECL are recognised, and interest income is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset.

Stage 3: For assets that have objective evidence of impairment at the reporting date, lifetime ECL are recognised, and interest income is calculated on the net carrying amount.

POCI: Purchased or originated credit impaired ('POCI') assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The above model requires a number of key supporting policies and methodologies:

- **ECL model:** Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial asset. The impairment model calculates ECL at a customer level by multiplying probability of default ("PD"), exposure at default ("EAD") and the loss given default ("LGD") and discounting using the original EIR, under three economic scenarios. The economic scenarios are incorporated into the Bank's ECL calculation through a bespoke macroeconomic model. The scenario based ECL outcomes are weighted by their probability of occurrence to obtain a probability weighted ECL value.
 - *Probability of Default ('PD')* represents the likelihood of a customer defaulting on their loan over a time period. As a young Bank, Allica does not have sufficient historical data to build its PD models. The Bank derives its PDs from scores obtained from leading external credit rating agencies.
 - *Exposure at Default ('EAD')* is based on the amount expected to be owed at default at a future date. This considers the repayments of principal and interest, accrued interest due to missed payments and expected drawdowns. Committed undrawn loans are treated as fully drawn for the calculation of EAD and assigned to the same stage as the drawn component.
 - *Loss Given Default ('LGD')* represents Allica's expectation of the extent of loss on a defaulted exposure. It is expressed as a percentage of EAD.
- **Determining a SICR since initial recognition:** The impairment model utilises both relative and absolute criteria to identify significant increase in credit risk in its financial assets. This determines whether the financial asset would be subject to 12-month ECL or lifetime ECL. Allica Bank uses the criteria below to determine if there has been a SICR:
 - The borrower is more than 30 days past due on any material credit obligation;
 - A significant increase in a customer's PD at the reporting date compared to the expected PD when the account was originated. The Group segments its credit portfolios into PD bands and has determined a relevant threshold for each PD band, where a movement in excess of the threshold is considered to be a significant increase in credit risk; or
 - Other indicators of a SICR including qualitative factors such as probation accounts and customers on watchlist.

Note 2. Material accounting policies (continued)

Financial assets and liabilities (continued)

- The Bank continues to assess the effectiveness of its SICR criteria. Allica assesses a state of default in the portfolio which is defined at customer level and will include any of the following criteria:
 - The borrower is more than 90 days past due on any material credit obligation;
 - Allica Bank considers that the borrower is unlikely to pay its credit obligations in full without recourse, such as realising security;
 - Demand is made on the customer by the Bank for total outstanding due to a breach of lending terms including cross default with facilities provided elsewhere (and including any foreclosure process);
 - Notice of either inability or unwillingness to pay (including leading to the granting of forbearance which is likely to drive a reduction in future cash flows or a distressed restructuring); or
 - Notice of entering an insolvency process.
- **Forecast economic data.**
The key inputs into the forecast economic data are discussed in the Impairment: expected credit loss (ECL) section of Note 3 'Critical accounting judgements, estimates and assumptions'.
- **Write-off policy**
A loan is written-off (wholly or partially) when Allica has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery of the financial asset or a portion of it.

Derivatives held for hedging purposes

On initial designation of a hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. Management makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk if the portion is separately identifiable and reliably measurable.

Fair value hedges

Where a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, the change in fair value of the hedged item attributable to the hedged risk is also recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Note 2. Material accounting policies (continued)

Financial assets and liabilities (continued)

Cash flow hedges

The Group applies the requirements of IFRS 9 and IAS 39 in accounting for cash flow hedges. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and will be included in the 'other gains and losses' line item. There is no material ineffective portion for 2025.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified to profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Hire purchase agreements

A hire purchase agreement is a finance lease that transfers all the risks and rewards incidental to ownership of an asset to the lessee. Hire purchase agreements are recorded as loans. Lease income is recognised in interest income in the profit or loss account using the interest rate implicit in the lease. All of the Group's finance leases are hire purchase agreements (see note 11).

Property, plant and equipment

Items of tangible fixed assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

- IT equipment: 3 years
- Fixtures and fittings: 5 years
- Right-of-use asset: 3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss account.

Note 2. Material accounting policies (continued)

Goodwill and Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is measured at initial cost less any subsequent impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

The recoverable amount of an asset that does not generate cash flows that are independent from those of other assets or groups of assets, is determined as part of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to our cash-generating units or groups of cash-generating units expected to benefit from the combination.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell or its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been considered in estimating future cash flows.

The assessment of asset impairment is based upon value in use. This represents the value of future cashflows and uses our five-year revenue and cost forecasts and the expectation of long term economic growth beyond this period. The five-year forecast takes account of management's current expectations on competitiveness and profitability. The long term growth rate reflects external indicators which will include market expectations on climate risk. We do not consider any additional adjustments to this indicator.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

Intangible assets

Directly attributable costs associated with intangible assets are deferred and amortised on a straight-line basis over the period of their expected benefit, from the point in which they are ready for their intended use.

On 1 January 2025, the Group reassessed the nature of its intangible assets to distinguish between assets with varying useful economic lives and determined the following:

- Core banking platform: 7 years
- Other software costs: 5 years
- Trademarks: 10 years
- Customer relationships: 5 years

The legacy intangible assets are considered the Group's core banking platform, whereas all additions during the year are included in Other software costs.

Trademarks and customer relationships relate to intangible assets recognised following the acquisition of Kriya in accordance with IFRS 3 *Business Combinations*, as well as Kriya's technology platform, which is classified as a core banking platform asset.

Note 2. Material accounting policies (continued)

Goodwill and Intangible assets (continued)

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when Allica has demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it; Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits; The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Taxation

The tax expense or benefit for the period is the tax payable or recoverable on that period's taxable income based on the applicable corporation tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current tax

Current tax is expected tax payable or receivable and is based on the amount expected to be payable or receivable on the taxable profit or tax allowable losses at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 2. Material accounting policies (continued)

Deferred tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and it is the Group's intention to settle on a net basis.

Foreign exchange

The consolidated financial statements are presented in sterling, which is the Group's functional currency. Each Group entity prepares its financial statements using its own functional currency. Foreign currency transactions are translated into sterling at the exchange rates prevailing on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

On consolidation, the results and financial position of all foreign operations with functional currency different from that of the Group are translated into the Group's functional currency as follows:

- asset and liabilities are translated at the closing exchange rate prevailing on the date of the Statement of Financial Position;
- income and expenses are translated at the average exchange rates for the year, where these approximate actual rates;
- equity items are translated at historical rates; and
- exchange differences are recognised in other comprehensive income.

Loan commitments

Irrevocable customer loan commitments, which were undrawn at 31 December 2025 were £291.1m (2024: £181.5m) with ECL provisions of £0.8m (2024: £0.6m).

Loan commitments are recognised at the stage when they are in solicitor hands – the last step before the drawdown. These commitments represent agreements to lend in future subject to terms and conditions of the agreement, so the amount and timing of the future cash flows are uncertain.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events. The resulting accounting judgements and estimates may differ from those that arise from future events. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Policy	Judgement	Estimate
Expected credit loss (ECL)	Definition of default against which to apply PD, LGD and EAD models. Selection of multiple economic scenarios. Criteria for a significant increase in credit risk. Identification of risks not captured by the models.	ECL estimates contain a number of measurement uncertainties (such as the weighting of multiple economic scenarios) and disclosures include sensitivities to show impact on other reasonably possible scenarios.
Capitalisation of intangible asset development costs	None.	Capitalised internally generated intangible assets are sensitive to the assumptions used in the estimate, specifically around capitalisation rates of colleagues involved in the development stage.
Effective interest rate (EIR)	None.	The estimation of future cash flows over the expected life of the instrument contains a high degree of uncertainty, particularly in relation to assumptions on the behavioural life of the loan book and the prepayment curve.

Changes in judgements and assumptions could result in a material adjustment to those estimates in future reporting periods.

3.1 Expected credit loss (ECL)

The appropriateness of the ECL models is kept under constant review and certain empirical data is used to refine the key estimates and judgments. The Group is exposed to credit risk across all of its financial asset classes, however its principal exposure to credit risk arises on the Bank's loans and advances to customers.

Definition of default, PD, LGD and EAD

Management has judged that an account is regarded as being in default by reference to certain qualitative and quantitative criteria. See note 2 above for definition of default, and evaluation of PD, LGD and EAD.

Loss Given Default (LGD) is assessed with reference to the underlying security valuation and haircuts made to reflect various factors that are likely to impact the recovery amount at any point in time. These haircuts are based upon informed market opinion from external consultants, market data and the Group's internal assessment. Lower LGDs are recognised on loans supported by UK government-guaranteed lending schemes.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Forward-looking information and multiple economic scenarios including probability of impact

The Group incorporates forward-looking information into its assessment of measurement of ECL. The measurement of ECL is required to reflect an unbiased probability-weighted range of possible future outcomes. The time period over which the Group assesses forward-looking information is the maximum period over which the Group is exposed to credit risk. The Group determines a range of representative scenarios for the possible future direction of key economic variables. The scenarios are derived by reference to external information where this is publicly available and appropriate, together with internally generated views. A probability-weighting, based on management's judgement, is assigned to each scenario.

The Group has a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on market data and internal management experience and judgement. The process involves developing additional economic scenarios and considering the relative probabilities of each outcome. The Group considers external market data and its engagement with reputable economists to develop these scenarios. These scenarios include economic data and forecasts published by governmental bodies, such as the Bank of England's Monetary Policy Committee and selected private sector and academic forecasters.

The Bank's ECL model uses three economic forecasts (base, upside, and downside scenarios), which are provided by a reputable external company and are refreshed quarterly. The scenario forecasts have been fed into a macroeconomic model to produce PD scalars. The scalars are used in estimating scenario based ECL amounts with the weighted average of the three scenarios being the final ECL. Based on the economic scenario analysis conducted by the Bank, the weightings for each scenario were 40% Base, 30% Downside, and 30% Upside (2024: 55% Base, 35% Downside, and 15% Upside).

Economic Variable	Scenario	2026	2027	2028	2029	2030
UK GDP Growth, % Year on Year	Upside	3.4	2.8	2.2	1.7	1.5
	Base Case	1.0	1.4	1.5	1.5	1.5
	Downside	(2.7)	0.1	1.0	1.4	1.7
Bank Rate, % Year End	Upside	4.8	4.4	3.7	3.1	3.0
	Base Case	3.3	3.0	2.8	2.5	2.5
	Downside	2.4	1.8	1.8	1.8	1.8
ILO Unemployment Rate, % Year Average	Upside	4.6	3.9	3.6	3.6	3.6
	Base Case	5.0	4.8	4.5	4.4	4.2
	Downside	5.8	6.5	6.9	6.7	6.4

Note 3. Critical accounting judgements, estimates and assumptions (continued)

ECL sensitivity to economic assumptions

Assuming upside weighting stays at 30%, an increase/decrease of 10% in the weighting of the base scenario results in a decrease/increase of £2.4m in the ECL provision as at 31 December 2025.

The calculation of credit impairment provisions is sensitive to changes in chosen weightings. The following table summarises the ECL computed in each scenario. This table considers the impact on modelled impairment provisions only; post-model adjustments ('PMA') of £4.8m (2024: £0.8m) are excluded.

	Expected credit losses	
	As at 31/12/25	As at 31/12/24
	£m	£m
Scenario		
Upside	27.2	21.4
Base	32.2	25.0
Downside	55.8	51.1

The combined impact of the above results in a scenario weighted ECL of £37.8m at 31 December 2025 (2024: £32.3m) and has been calculated by applying the scenario weightings indicated above to the ECL for each scenario.

Significant increase in credit risk

IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the current probability of default over the remaining lifetime) with the equivalent lifetime PD as determined at the date of initial recognition. More information on how this criteria is applied is in Note 2.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Risks not captured by the model

Limitations in the impairment models used to calculate ECLs may be identified through the ongoing assessment and validation of the outputs from the models. Consequently, in certain circumstances, the Group makes PMAs to ensure the loss allowance recognised adequately reflects the expected outcome. These adjustments are generally modelled to take into account the particular attributes of loans with ECL estimates that have not been adequately captured by the models. PMAs are reviewed and approved on a periodic basis at the Risk Management Committee.

During the year ended 31 December 2025, PMAs were applied due to certain limitations in the existing models and the underlying data fields. As at 31 December 2025, specific PMAs added to the modelled loss allowance totalled £4.8m and are as follows:

- Sole Trader Data Limitation (£0.3m charge) - This PMA is being held to account for the current data limitations for Sole Traders within the Group's portfolios, which prevents the identification and flagging of SICR.
- Commercial Mortgages LGD (£0.8m charge) - This PMA is being held to account for the current data limitations for property-backed commercial loans, reflecting uncertainty in recovery outcomes and limited observed loss data.
- Severe Downside Macroeconomic Scenario (£3.3m charge) - This PMA is being held to account for the non-linear uplift in losses under severe macroeconomic stress that is not captured within the current three-scenario framework.
- SICR Rating Grade (£0.4m charge) - This PMA is being held to account for inconsistencies between the PDs previously used for the ECL and determining SICR.
- Asset Finance Depreciation Curve update - PMA previously held at the end of 2024 (£0.4m charge) to adjust the depreciation curves applied has been released as modelling now fully reflects this risk.

3.2 Capitalisation of costs

It is Allica's policy to capitalise software development expenditure which includes payroll costs in line with IAS 38. IAS 38 requires an entity to recognise an intangible asset, whether purchased or self-created if:

- It is probable that the future economic benefits that are attributable to the asset will flow to the Group; and
- The cost of the asset can be measured reliably.

The probability of future economic benefits must be based on reasonable and supportable assumptions about conditions that will exist over the life of the asset. The measurement of capitalised development costs involves the application of a capitalisation rate, which requires judgement in its determination. This rate reflects management's assessment of the proportion of costs that are directly attributable to qualifying development activities. A 1% increase/(decrease) in the capitalisation rate would result in an increase/(decrease) in capitalised development costs of approximately £0.1m, with a corresponding decrease/(increase) in operating expenses.

Internally incurred costs are expensed unless these are development costs which meet the capitalisation criteria outlined on page 107.

3.3 Effective interest rates

The Bank's EIR method, as explained in note 2, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments, penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to Bank of England base rate and other fee income/expense that are integral parts of the instrument.

Note 4. Net interest and other operating income

(a) Net interest income

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Interest income		
On loans and advances to customers	269.0	213.2
On loans and advances to banks	52.5	49.7
On debt securities	32.3	11.0
Interest income calculated using the effective interest rate method	353.8	273.9
On derivatives in hedge relationships	50.4	46.4
Total interest income	404.2	320.3
Interest expense		
On deposits from customers	(190.6)	(154.8)
On subordinated liabilities	(4.2)	(2.2)
On wholesale funding and other interest bearing financial instruments	(3.5)	(5.5)
Interest expense calculated using the effective interest rate method	(198.3)	(162.5)
On derivatives in hedge relationships	(46.9)	(43.8)
Total interest expense	(245.2)	(206.3)
Net interest income	159.0	114.0

Note 4. Net interest and other operating income (continued)

(b) Fair value gains and losses on financial instruments

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Fair value losses in fair value hedge relationship	(2.1)	(0.8)
Fair value gains in fair value hedge relationship	2.1	0.8
Other financial income/(expense)	6.5	11.8
	6.5	11.8

Fair value movements on interest rate swaps relate to the fair value hedge programme discussed in note 25. All fair value movements relate to interest rate swaps designated as hedges and deemed effective. Other financial income/(expense) comprises valuation gains and losses recycled from Other Comprehensive Income during the year.

Note 5. Net fee and commission expense

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Fee and commission income:		
Customer card transaction income	5.0	2.1
Fee income on loans and advances to customers	2.5	1.6
	7.5	3.7
Fee and commission expense:		
Servicing and transactional fees for loans and advances to customers	(8.3)	(7.6)
Servicing and transactional fees for deposits from customers	(5.2)	(0.8)
Other expenses on loans and advances to customers	(0.9)	(0.7)
	(14.4)	(9.1)
Net fee and commission expense	(6.9)	(5.4)

Note 6. Operating expenses

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Technology licence fees and subscriptions	8.9	6.8
Legal and professional fees	5.7	4.7
Marketing	7.0	5.5
Office, travel and entertainment expenditure	2.4	1.8
Depreciation of tangible fixed assets and right-of-use assets	1.5	1.0
Amortisation of intangible assets	9.4	5.3
Wages and salaries	50.0	38.0
Social security costs	7.6	5.5
Contributions to defined contribution pension plan	5.7	3.8
Other expenditure (see below)	10.2	7.9
	108.4	80.3

Other expenditure primarily consists of irrecoverable VAT.

The monthly average number of persons employed by the Group (including Directors) during the period was 750 (2024: 568). 415 of these were employed in management, administration and other back-office functions (2024: 312) and 335 were employed in customer operations (2024: 256). Details of directors' remuneration are provided in note 29.

In the financial statements for the year-ended 31 December 2024 office operating costs and travel & entertainment expenditure were disclosed as separate lines within the operating expenses note. In the current year, these have been combined into the office, travel and entertainment expenditure line to improve the clarity of presentation.

Note 7. Auditor remuneration

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Audit services:		
Audit of the consolidated financial statements	0.9	0.9
Audit of the financial statement of the subsidiaries	0.1	0.1
Non-audit services:		
Interim profit verification fees	0.1	0.1
Total audit and non-audit fees for the year	1.1	1.0

Note 8. Income tax

The components of income tax for the years ended 31 December 2025 and 2024 are as follows:

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Current tax charge		
Current tax charge on income for the year at statutory rate	3.6	3.5
Current tax adjustment in respect of prior years	(0.1)	(0.1)
Total UK tax	3.5	3.4
Foreign tax	0.1	0.1
Deferred tax charge/(credit)		
Current year	6.5	(3.6)
Prior year adjustment	(0.5)	0.2
Total deferred tax	6.0	(3.4)
Income tax charge	9.6	0.1

Note 8. Income tax (continued)

A reconciliation of the tax charge/credit to the standard rate of corporation tax is set out below:

	Group	
	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Profit before tax	36.9	29.9
Tax at the statutory tax rate of 25% (2024: 25%)	9.2	7.5
Effects of:		
Expenses not deductible for tax purposes	3.2	2.6
Non-taxable income	(2.4)	(2.2)
Deferred taxes not previously recognised	0.2	(6.9)
Tax losses/temporary differences for which no deferred taxes were recognised	-	(1.0)
Prior year adjustment	(0.6)	-
Income tax charge/(credit)	9.6	-

At the statement of financial position date, the Group had tax losses carried forward of £80.6m (2024: £58.2m), of which no deferred tax asset has been recognised on £40.9m (2024: £1.6m).

The Group has recognised a net deferred tax asset which is regarded as recoverable. This is on the basis of all available evidence including the Group's financial projections and forecasts, and can be regarded as probable that there will be suitable future taxable profits against which the unwinding of the asset can be offset.

Note 8. Income tax (continued)

The following table shows analysis of net deferred tax asset recorded in the statement of financial position and changes recorded for taxation:

	Group					
	Net deferred tax asset	Income statement	OCI	Net deferred tax asset	Income statement	OCI
	As at 31 Dec 2025	Year ended 31 Dec 2025	Year ended 31 Dec 2025	As at 31 Dec 2024	Year ended 31 Dec 2024	Year ended 31 Dec 2024
	£m	£m	£m	£m	£m	£m
Revaluation of fair value hedges	(0.9)	(1.4)	–	0.5	0.2	–
Revaluation of cash flow hedges	1.8	–	5.2	(3.3)	–	(5.0)
Utilisation of tax losses against future taxable profits	9.8	(4.4)	–	14.1	3.2	–
Temporary differences on intangible assets	(0.6)	–	–	–	–	–
Other temporary differences	(0.2)	(0.2)	–	–	–	–
	9.9	(6.0)	5.2	11.3	3.4	(5.0)

	Company					
	Net deferred tax asset	Income statement	OCI	Net deferred tax asset	Income statement	OCI
	As at 31 Dec 2025	Year ended 31 Dec 2025	Year ended 31 Dec 2025	As at 31 Dec 2024	Year ended 31 Dec 2024	Year ended 31 Dec 2024
	£m	£m	£m	£m	£m	£m
Revaluation of fair value hedges	(0.9)	(1.4)	–	0.5	0.2	–
Revaluation of cash flow hedges	1.8	–	5.2	(3.3)	–	(5.0)
Utilisation of tax losses against future taxable profits	9.8	(4.4)	–	14.1	3.2	–
Other temporary differences	(0.2)	(0.2)	–	–	–	–
	10.5	(6.0)	5.2	11.3	3.4	(5.0)

Note 9. Cash and balances with banks

Group	Cash and cash equivalents		Not considered cash and cash equivalents	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Assets				
Cash and balances at central banks	1,102.7	1,375.8	1.6	2.2
Loans and advances to banks	183.8	121.0	-	3.6
	1,286.5	1,496.8	1.6	5.8
Liabilities				
Deposits from banks	-	-	(0.3)	(16.8)

Company	Cash and cash equivalents		Not considered cash and cash equivalents	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Assets				
Cash and balances at central banks	1,102.7	1,375.7	1.6	2.2
Loans and advances to banks	153.0	113.2	-	3.6
	1,255.7	1,488.9	1.6	5.8
Liabilities				
Deposits from banks	-	-	(0.3)	(16.8)

The balances with central banks include the reserve account held with the Bank of England, which is not available for day-to-day liquidity management and are therefore excluded from cash and cash equivalents.

Cash collaterals paid against derivative financial instruments and cash collaterals received against derivative financial instruments are similarly restricted and not considered cash and cash equivalents. These balances are classified within loans and advances to banks and within liabilities, respectively.

Note 10. Debt securities

	Group & Company	
	As at 31/12/25	As at 31/12/24
	£m	£m
Issued by governments and supranational bodies	1,154.0	301.4

The Group has pledged assets as collateral against secured deposits from pension providers and fiduciary trusts. Where non-cash assets are pledged as collateral, these assets continue to be recognised in full, and a related liability is also recognised on the Statement of Financial Position. These secured deposits have no fixed maturity date and can be withdrawn at any time. At 31 December 2025, the Group held debt securities with a fair value of £3.1m (2024: £nil) against the deposits.

Note 11. Loans and advances to customers

	Group		Company	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Gross loans and advances to customers	3,781.2	3,083.8	2,435.6	1,861.1
Less: total impairment provisions	(42.6)	(33.0)	(16.1)	(11.9)
Net loans and advances to customers	3,738.6	3,050.8	2,419.5	1,849.2
Fair value adjustment for hedged risk	3.4	(2.0)	-	-
Loans and advances to customers	3,742.0	3,048.8	2,419.5	1,849.2

Refer to note 26-28 for further information on financial assets and liabilities.

The charge in the year for impairment provisions on loans and advances to customers was £13.3m (2024: £10.2m).

In addition to the total impairment provisions recognised above, provisions totalling £0.8m for the Group and £0.7m for the Company (2024: £0.6m for the Group and £0.5m for the Company) have been recognised in respect of irrevocable loan commitments which had not been drawn down as at year-end, and are categorised as stage 1.

Note 11. Loans and advances to customers (continued)

Finance lease receivables

Loans and advances to customers as at 31 December 2025 include the following finance leases where the Group is the lessor:

	Group & Company	
	As at 31/12/25	As at 31/12/24
	£m	£m
Gross investment in finance leases receivable:		
Less than one year	190.6	168.6
Between one and two years	172.6	141.9
Between two and three years	117.4	101.7
Between three and four years	62.8	53.0
Between four and five years	22.1	16.5
More than five years	5.6	3.2
	571.1	484.9
Unearned finance income	(66.5)	(60.8)
Net investment in finance leases	504.6	424.1
Net investment in finance leases receivable:	£m	£m
Less than one year	159.1	140.3
Between one and two years	152.5	123.2
Between two and three years	107.5	92.3
Between three and four years	59.1	49.6
Between four and five years	21.1	15.8
More than five years	5.3	2.9
Net investment in finance leases	504.6	424.1

The Group's Asset Finance business focuses on the provision of hire purchase agreements to customers. The accumulated allowance for uncollectable minimum lease payments receivable is £5.4m (2024: £2.9m). Due to the nature of the business undertaken, there are no material unguaranteed residual values for any of the finance leases at 31 December 2025 (2024: £nil).

Note 12. Other assets

	Group		Company	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Prepayments	7.6	4.1	7.2	4.0
Current tax receivable	-	-	2.4	-
Other assets	6.3	6.3	3.3	3.2
	13.9	10.4	12.9	7.2

Other assets include funds held in third party accounts, staff & related party loans (see note 29), termination clearing and repossession balances, secured receivables and other sundry debtors. Refer to notes 26-28 for further information on financial assets and liabilities.

Note 13. Amounts due from subsidiaries

	Company	
	As at 31/12/25	As at 31/12/24
	£m	£m
Intercompany loan	1,302.4	1,214.9

The intercompany loans represent amounts due to the Company from its subsidiaries, which are listed in Note 30. The loans are repayable on the earlier of (a) twelve months' written notice from the Company, and (b) two weeks' written notice from the borrower.

Interest is recharged either (i) on a matched maturity funding basis, where the rate reflects the cost of funding for instruments with a similar tenor, or (ii) based on the Bank's funds transfer pricing (FTP) rate applied to the average outstanding balance. In both cases, the charge reflects the cost of funding incurred by the Company and recharged to its subsidiaries.

The recoverability of amounts due from subsidiaries is assessed at each reporting date, having regard to the forecast future cash flows of the relevant subsidiary. Based on this assessment, the Directors are satisfied that any impairment on these loans is considered to be immaterial and, accordingly, no ECL provision has been recognised.

Note 14. Intangible assets

	Group	Company
	£m	£m
Cost		
As at 1 January 2024	26.0	26.0
Additions	12.3	12.3
As at 31 December 2024	38.3	38.3
On acquisition of subsidiary	2.3	-
Additions	11.7	11.7
Assets written off	(4.0)	(4.0)
As at 31 December 2025	48.3	46.0
Accumulated amortisation		
As at 1 January 2024	7.6	7.6
Amortisation expense	5.3	5.3
As at 31 December 2024	12.9	12.9
Amortisation expense	9.4	9.3
Assets written off	(4.0)	(4.0)
As at 31 December 2025	18.3	18.2
Net Book Value		
As at 31 December 2025	30.0	27.8
As at 31 December 2024	25.4	25.4

During the year, the Bank revised the presentation of the intangible assets note to combine work in progress and other intangible assets into a single column as shown above. This change relates solely to presentation and has no impact on the recognition, measurement or total carrying amount of intangible assets in either the current or prior year, and accordingly does not represent a change in accounting policy. The net book value of work in progress as at 31 December 2025 is £nil.

Included in intangible assets at year-end are costs relating to internally developed software assets, as well as intangible assets recognised on acquisition of Kriya relating to technology, trademarks and customer relationships. These assets are amortised in accordance with the accounting policy set out on page 102.

Note 15. Goodwill

	Group	
	As at 31/12/25	As at 31/12/24
	£m	£m
Goodwill	16.4	8.6

As at 31 December 2025, the carrying value of the Group's goodwill was £16.4m (2024: £8.6m).

In the prior year, £8.6m of goodwill was recognised on the acquisition of Tuscan Capital (Holdings) Limited and represents the excess of the fair value of the total consideration paid over the fair value of the net identifiable assets at the date of acquisition. During the current year, additional goodwill of £7.8m was recognised following the acquisition of 100% of the ordinary shares of Kriya Finance Limited ("Kriya"), further details are provided in Note 31. Business combinations.

Goodwill represents an asset reflecting the future economic benefits arising from assets acquired in business combinations that are not individually identified or separately recognised. For the purposes of impairment testing, goodwill is allocated to the Group's banking operations, which represent a single cash-generating unit ("CGU"). The CGU represents the smallest identifiable group of assets that generates cash inflows largely independent from other assets.

Goodwill is assessed annually for impairment by comparing the carrying value of the CGU with its recoverable amount. As the recoverable amount of the CGU exceeded the carrying value of goodwill, no impairment charge was recognised during the year (2024: £nil).

Key assumptions and sensitivity:

The recoverable amount of the Group's CGU has been determined using a value-in-use ("VIU") calculation based on forecast cash flows derived from the Group's approved business plan covering a five-year period. The VIU calculation is sensitive to the discount rate and long-term growth rate applied in the model. A discount rate of 15.0% (2024: 15.0%) and a long-term growth rate of 2.0% (2024: 2.0%) were applied.

Sensitivity analysis has been performed on the key assumptions used in the model. The analysis indicates that the CGU retains significant headroom and that no reasonably possible change in key assumptions would cause the carrying value of goodwill to exceed its recoverable amount. In particular, the discount rate would need to increase to approximately 137% for the VIU to equal the carrying value of the CGU.

Based on this assessment, no impairment of goodwill has been recognised.

Note 16. Investments in subsidiaries

	Company
	£m
Cost	
At 1 January 2024	-
Additions	7.6
At 31 December 2024	7.6
Additions	7.1
At 31 December 2025	14.7
Net book value	
At 31 December 2025	14.7
At 31 December 2024	7.6

During the year, the Company acquired the entire share capital of Kriya Finance Limited (“Kriya”). See Note 31. Business combinations.

In addition, the Company holds investments in its other subsidiaries, as listed in Note 30. Interests in subsidiaries. The carrying value of these other investments is immaterial in aggregate.

Note 17. Deposits from customers

	Group & Company	
	As at 31/12/25	As at 31/12/24
	£m	£m
Personal deposits	1,662.0	2,330.3
SME deposits	4,057.6	2,097.9
	5,719.6	4,428.2
Fair value adjustment for hedged risk	0.3	(0.1)
Total deposits from customers	5,719.9	4,428.1

Note 18. Other liabilities

	Group		Company	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Trade payables	2.4	1.3	2.3	1.2
Accruals	15.1	12.5	14.0	12.3
Social security and other taxes	1.7	1.5	1.7	1.4
Current tax payable	0.1	0.1	-	(0.3)
Other payables	2.7	2.6	3.9	2.5
Provisions (see below)	5.4	1.3	1.4	1.1
	27.4	19.3	23.3	18.2

Provisions were presented as a separate line item in the Statement of Financial Position for the year ended 31 December 2024, and has been presented with other liabilities this year for better presentation. Provisions have been recognised for the cost of restoring leased office space to its original condition at the end of the lease, indemnity obligations, the impairment of pipeline assets, potential customer remediation in respect of certain declined transactions where reimbursement may be required, and exposures relating to indirect tax matters.

Refer to notes 26-28 for further information on financial assets and liabilities.

Note 19. External borrowings

	Group		Company	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Subordinated liabilities	38.7	38.7	38.7	38.7
Wholesale funding	33.0	-	-	-
Credit-linked notes	-	46.4	-	46.4
	71.7	85.1	38.7	85.1

Subordinated liabilities

In July 2021, the Group borrowed £7.5m under a subordinated loan facility. Interest is payable on 30 June and 31 December each year, at a rate of 12% per annum. The loan is repayable on the eighth anniversary of drawdown, in July 2029.

In August 2024, the Group borrowed £30m under a separate subordinated loan facility. Interest is payable on 31 August and 28 February each year, at a rate of 11% per annum. The loan is repayable on the tenth anniversary of drawdown, in August 2034.

Wholesale funding

On 20 October 2025, the Group acquired Kriya Finance Limited (see Note 33). Kriya Finance Limited had control of three Special Purpose Vehicles (SPVs) and the identifiable net assets of Kriya Finance Limited and the SPVs were recognised on the Group's consolidated Statement of Financial Position at the acquisition date. The identifiable net assets included £28.9m of Senior Loan Notes, £15.8m of Subordinated Loan Notes and £6.3m of other borrowings payable to third party investors.

During the period from acquisition to 31 December 2025, wholesale funding reduced as a result of scheduled amortisation and the redemption of the Senior Loan Notes relating two of the SPVs. In addition, the £6.3m of other borrowings was also repaid on the 21 October 2025.

At 31 December 2025, the Group's wholesale funding comprises a Senior Note Agreement with Duomo Funding Plc for a facility with a maximum commitment amount equal to £126.9m and a Subordinated Note agreement with Arvo Investment Funding S.a.r.l with a maximum commitment of £40.0m. The Senior Note interest is calculated SONIA plus a margin of 1.7% and the Subordinated Note interest is fixed at 5%. The Senior Note and the Subordinated Note have a maturity date of 28 December 2029.

The Group was in compliance with its borrowing covenants at the reporting date.

Credit-linked notes

On 17 April 2025, the Group cancelled the credit-linked notes which it had held at 31 December 2024. The Group repaid the full outstanding principal and interest balance on these notes at the date of cancellation, and no further charge was incurred as a result of the cancellations.

In the financial statements for the year ended 31 December 2024, subordinated liabilities and credit-linked notes were presented as separate line items on the Group's Statement of Financial Position. In the current year, these balances have been reclassified and are presented within external borrowings to improve the clarity and consistency of presentation.

Note 20. Leases

	Group & Company	
	As at 31/12/25	As at 31/12/24
	£m	£m
Statement of financial position:		
Right-of-use asset	3.2	0.3
Lease liability	3.2	0.4
Statement of comprehensive income:		
Interest expense on lease liability	0.1	-
Depreciation expense on right-of-use asset	0.7	0.5

In the current year, the Group entered into a new office lease in connection with its relocation to a new premises. The lease commenced on 1 August 2025, resulting in the recognition of a right-of-use asset and corresponding lease liability of £3.6m at inception. The lease liability has been calculated using an incremental borrowing rate of 4.4%. During the year, £0.8m has been paid during the year on account of the Group's lease liabilities. There were no short-term leases not accounted for under IFRS 16 (2024: none). Further details on lease liabilities are provided in Note 28 'Contractual maturity of the financial assets and liabilities' and Note 32 'Financing activities'.

Note 21. Share capital

	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
Group & Company	Shares	Shares	£m	£m
Ordinary shares - fully paid of £0.01 each	369,676,286	338,692,735	3.7	3.4
			Shares	£m
As at 1 January 2024			287,181,979	2.9
Issued in 2024			51,510,756	0.5
As at 31 December 2024			338,692,735	3.4
Issued in 2025			30,983,551	0.3
As at 31 December 2025			369,676,286	3.7

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of shares held. The Group does not have a limited amount of authorised capital.

Note 22. Share premium

Group & Company	£m
As at 1 January 2024	301.2
On ordinary shares issued in 2024	53.2
Capital reduction	(73.5)
As at 31 December 2024	280.9
On ordinary shares issued in 2025	42.2
Capital transaction costs written off against share premium	(0.1)
As at 31 December 2025	323.0

Note 23. Other components of equity

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Group	Perpetual notes	Retained earnings	Other comprehensive income	Share warrants	FX translation reserve	Cash flow hedge reserve	Total
	£m	£m	£m	£m	£m	£m	
Balance at 1 January 2024	45.1	(67.1)	0.1	2.0	-	(5.0)	(24.9)
Profit after tax	-	29.8	-	-	-	-	29.8
Other comprehensive income for the year	-	-	(0.3)	-	-	-	(0.3)
Net fair value movements in cash flow hedges	-	-	-	-	-	20.1	20.1
Deferred tax expense on cash flow hedges	-	-	-	-	-	(5.0)	(5.0)
Capital reduction	-	73.5	-	-	-	-	73.5
Issue of perpetual convertible notes	35.0	-	-	-	-	-	35.0
Share warrants exercised	-	-	-	(0.6)	-	-	(0.6)
Conversion of perpetual convertible notes	(35.2)	-	-	-	-	-	(35.2)
Balance at 31 December 2024	44.9	36.2	(0.2)	1.4	-	10.1	92.4
Profit after tax	-	27.3	-	-	-	-	27.3
Other comprehensive income for the year	-	-	0.2	-	-	-	0.2
Exchange differences on translation of foreign operations	-	-	-	-	(0.1)	-	(0.1)
Net fair value movements in cash flow hedges	-	-	-	-	-	(20.8)	(20.8)
Deferred tax credit on cash flow hedges	-	-	-	-	-	5.2	5.2
Coupon paid on capital securities	-	(6.9)	-	-	-	-	(6.9)
Balance at 31 December 2025	44.9	56.6	-	1.4	(0.1)	(5.5)	97.3

Note 23. Other components of equity (continued)

Company	Perpetual notes	Retained earnings	Other comprehensive income	Share warrants	Cash flow hedge reserve	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2024	45.1	(54.8)	0.1	2.0	(5.0)	(12.6)
Profit after tax	-	21.6	-	-	-	21.6
Other comprehensive income for the year	-	-	(0.3)	-	-	(0.3)
Net fair value movements in cash flow hedges	-	-	-	-	20.1	20.1
Deferred tax expense on cash flow hedges	-	-	-	-	(5.0)	(5.0)
Capital reduction	-	73.5	-	-	-	73.5
Issue of perpetual convertible notes	35.0	-	-	-	-	35.0
Share warrants exercised	-	-	-	(0.6)	-	(0.6)
Conversion of perpetual convertible notes	(35.2)	-	-	-	-	(35.2)
Balance at 31 December 2024	44.9	40.3	(0.2)	1.4	10.1	96.5
Profit after tax	-	4.8	-	-	-	4.8
Other comprehensive income for the year	-	-	0.2	-	-	0.2
Net fair value movements in cash flow hedges	-	-	-	-	(20.8)	(20.8)
Deferred tax credit on cash flow hedges	-	-	-	-	5.2	5.2
Coupon paid on capital securities	-	(6.9)	-	-	-	(6.9)
Balance at 31 December 2025	44.9	38.2	-	1.4	(5.5)	79.0

Note 23. Other components of equity (continued)

Perpetual convertible notes

The Bank has an embedded option to redeem any extant perpetual convertible notes ('AT1 capital') at issue price after five years, subject to regulatory conditions being met. Since the AT1 Capital is not redeemable at the option of the holder, and interest is due and payable only at the sole and absolute discretion of the Group, these notes have been classified as equity in accordance with IAS 32 *Financial instruments: Presentation*. These notes are convertible to Common Equity Tier 1 ('CET1') on regulatory triggers, including capital metrics.

During the year, the Bank paid £6.9m in distributions to holders of AT1 capital. These distributions are recognised directly in equity.

Cash flow hedge reserve

This reserve relates to derivative instruments held by the Bank for hedging purposes. For details, refer Note 25 'Derivative financial instruments'.

Note 24. Dividends

There were no dividends paid, recommended or declared on ordinary share capital during the current or previous financial year.

Note 25. Derivative financial instruments

Group	As at 31/12/25			As at 31/12/24		
	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount
	£m	£m	£m	£m	£m	£m
Hedge accounting derivatives						
Fair value hedges - interest rate swaps	1.2	(7.2)	1,904.2	3.1	(1.6)	744.7
Cash flow hedges - interest rate swaps	7.9	(15.1)	2,056.4	20.4	(6.5)	1,515.0
Cash flow hedges - exchange rate forwards	-	(0.1)	5.1	-	-	-
Derivative assets/(liabilities) and notional	9.1	(22.4)	3,965.7	23.5	(8.1)	2,259.7

Company	As at 31/12/25			As at 31/12/24		
	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount
	£m	£m	£m	£m	£m	£m
Hedge accounting derivatives						
Fair value hedges - interest rate swaps	0.1	(2.7)	1,307.2	0.1	(0.6)	572.7
Cash flow hedges - interest rate swaps	7.9	(15.1)	2,056.4	20.4	(6.5)	1,515.0
Cash flow hedges - exchange rate forwards	-	(0.1)	5.1	-	-	-
Derivatives not in hedge accounting relationships						
Fair value hedges - interest rate swaps	1.1	(4.5)	597.0	3.0	(1.0)	172.0
Derivative assets/(liabilities) and notional	9.1	(22.4)	3,965.7	23.5	(8.1)	2,259.7

Derivatives are used primarily to mitigate the interest rate risk on the Group's fixed rate lending, fixed term deposits, debt instruments and floating rate funding. These derivatives are either designated in a hedge accounting relationship or remain undesignated. The Group also holds exchange rate swaps, used to manage the Group's short-term liquidity in Indian rupees. Undesignated derivatives only exist at Company level. The different types of hedges have been explained overleaf.

Note 25. Derivative financial instruments (continued)

Fair value hedges

The Group holds overnight index swaps where a fixed rate is either paid or received against a floating rate indexed to SONIA in order to protect the fair value of the assets (fixed rate mortgages classified under 'loans and advances to customers' or debt instruments classified under 'debt securities') or liabilities (fixed rate deposits classified under 'deposits from customers'). The Group enters into micro and portfolio fair value hedge relationships. The hedged risk is the risk of changes in the hedged item's fair value attributable to changes in the interest rate risk component of the hedged item. The interest rate identified as a risk component is SONIA and is typically the most significant component of the overall fair value change. The risk component is identified using risk management process. Fair value hedges of interest rate risk involve interest rate swaps. The Group establishes the existence of an economic relationship between the hedged item and the hedging instrument when the hedged exposure closely aligns with the designated interest rate swaps. This alignment is determined by closely matching the notional amounts in each time bucket, ensuring the reference benchmark interest rate and payment frequency are identical. The notional amounts of the interest rate swaps are designated against a proportion of mortgages or debt instruments. The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding hedged item, resulting in a hedge ratio of 1:1. The Group applies IAS 39 only for macro fair value hedge of interest rate risk and IFRS 9 to micro fair value hedges.

These swaps are designated as fair value hedges and changes in their fair values are included in the income statement. Changes in fair value are recognised at the same time as an adjustment to the hedged item to reflect their hedging nature. The amount of cumulative change in fair value of the hedged item due to the hedged risk is assessed by using a hypothetical derivative method. There has been no material hedge ineffectiveness on these derivatives during the year.

Cash flow hedges

The Group holds overnight index swaps where a fixed rate is paid against a floating rate indexed to SONIA in order to protect the variability of cash flows associated with future highly probable SONIA referenced funding for maturities between 5 and 6 years, as well as deposit funding with no fixed maturity dates. The variability in cash flows due to movements in the SONIA benchmark interest rate is hedged; this risk component is identified using the Group's risk management process and encompasses the majority of cash flow variability risk. The Group establishes the existence of an economic relationship between the hedged item and the hedging instrument when the hedged exposure closely aligns with the receive floating leg of designated interest rate swaps. This alignment is determined by closely matching the notional amounts in each time bucket, ensuring the reference benchmark interest rate and payment frequency are identical. The notional amounts of the interest rate swaps are designated against floating-rate deposits. The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding floating-rate notes, resulting in a hedge ratio of 1:1.

The Group also holds exchange rate swaps, designated as cash flow hedges, used to manage the Group's short-term liquidity in Indian rupees.

These swaps are designated as cash flow hedges under IFRS9 and IAS 39, and as no material ineffectiveness has occurred, all their changes in fair value are included in Other Comprehensive Income, in the Cash Flow Hedge Reserve. The amount of cumulative change in fair value of the hedged item due to the hedged risk is assessed by using a hypothetical derivative method.

Note 25. Derivative financial instruments (continued)

Hedging instruments

The following table sets out the maturity profile and average fixed interest rate of the interest rate risk hedging instruments used in the Group's hedge accounting strategies:

Group & Company	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
As at 31/12/25						
Fair value hedges:						
Notional (£'m)	495.0	325.2	768.0	81.0	235.0	-
Average Weighted Fixed Rate	3.8 %	3.7 %	3.7 %	3.7 %	3.7 %	- %
Cash flow hedges:						
Notional (£'m)	136.5	405.2	547.1	456.7	328.1	182.8
Average Weighted Fixed Rate	4.6 %	3.2 %	3.8 %	3.9 %	3.7 %	3.7 %
As at 31/12/24						
Fair value hedges:						
Notional (£'m)	572.7	30.0	101.0	10.0	31.0	-
Average Weighted Fixed Rate	4.8 %	1.7 %	3.8 %	4.5 %	3.8 %	- %
Cash flow hedges:						
Notional (£'m)	93.3	123.3	363.8	502.5	377.0	55.0
Average Weighted Fixed Rate	4.5 %	4.6 %	3.2 %	3.8 %	3.9 %	3.5 %

Note 25. Derivative financial instruments (continued)

The tables below provide further detail on the Group's fair value hedges and cash flow hedges used in hedge relationships:

	Notional amount	Fair value of assets ¹	Fair value of liabilities ¹	Changes in fair value recognised in income statement ²	Changes in fair value recognised in OCI ³	Amounts reclassified from OCI to income statement ⁴	Hedge ineffectiveness recognised in income statement ⁵
Group & Company	£m	£m	£m	£m	£m	£m	£m
As at 31/12/25							
Fair value hedges: Interest rate swaps	1,904.2	1.2	(7.2)	(2.0)	-	-	-
Cash flow hedges: Interest rate swaps	2,056.4	7.9	(15.1)	-	(14.1)	(6.5)	-
Cash flow hedges: Exchange rate forwards	5.1	-	(0.1)	-	(0.4)	(0.3)	-
As at 31/12/24							
Fair value hedges: Interest rate swaps	744.7	3.1	(1.5)	(0.4)	-	-	-
Cash flow hedges: Interest rate swaps	1,515.0	20.4	(6.5)	-	31.9	(11.8)	-

At 31 December 2025, there were 12 (2024: none) foreign exchange risk cash flow hedges with an average foreign exchange rate of 119.68 INR:1 GBP (2024: none) across the relationships.

¹ Included in the derivative financial instruments lines in the Statement of Financial Position. The fair value of assets and liabilities includes accrued interest of £(0.1m) and £0.3m, respectively for fair value hedges. For the cash flow hedges, the fair value of assets and liabilities includes accrued interest of £0.2m and £(0.1m), respectively.

² The clean fair value change during the year that was used as the basis for calculating hedge ineffectiveness and which was recognised in the income statement during the year in Fair value gains and losses on financial instruments in net interest income.

³ The clean fair value change during the year that was used as the basis for calculating hedge ineffectiveness and is recognised in Cash flow hedges: Gains/(losses) arising during the year line of other comprehensive income/(loss).

⁴ The amount reclassified from OCI to the income statement is recorded other financial income/(expense) in net interest income.

⁵ The amount of hedge ineffectiveness recognised in the income statement in the year. The income statement line that includes the hedge ineffectiveness recognised during the year is Fair value gains and losses on financial instruments in the net interest income.

Note 25. Derivative financial instruments (continued)

The tables below provide further detail on the Group's hedged items:

	Group			Company		
	Carrying amount of hedged item asset/(liability)	Accumulated fair value adjustment on hedged item asset/(liability)	Change in value of hedged item used to determine hedge ineffectiveness	Carrying amount of hedged item asset/(liability)	Accumulated fair value adjustment on hedged item asset/(liability)	Change in value of hedged item used to determine hedge ineffectiveness
	£m	£m	£m	£m	£m	£m
As at 31/12/25						
Fair value hedges						
Fixed rate loans and advances to customers	597.0	3.4	5.4	-	-	-
Debt securities	847.2	(3.1)	(3.1)	847.2	(3.1)	(3.1)
Fixed rate deposits	(460.0)	(0.3)	(0.3)	(460.0)	(0.3)	(0.3)
Total fair value hedges	984.2	-	2.0	387.2	(3.4)	(3.4)
Cash flow hedges						
Total cash flow hedges	2,061.5	-	(21.1)	2,061.5	-	(21.1)
As at 31/12/24						
Fair value hedges						
Fixed rate loans and advances to customers	172.0	(2.0)	(0.8)	-	-	-
Fixed rate deposits	(572.7)	0.1	1.2	(572.7)	0.1	1.2
Total fair value hedges	(400.7)	(1.9)	0.4	(572.7)	0.1	1.2
Cash flow hedges						
Total cash flow hedges	1,515.0	-	20.2	1,515.0	-	20.2

Note 25. Derivative financial instruments (continued)

The tables on the following pages summarise the financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements, as well as financial collateral received to mitigate credit exposures for these financial assets, and whether offset is achieved in the Statement of Financial Position:

Group & Company	Netting potential not recognised on the statement of financial position			Assets/ (Liabilities) not subject to netting arrangements	Maximum exposure to risk	
	Gross assets/ (liabilities) before offset ¹	Collateral received	Collateral paid	Assets/(Liabilities) recognised on the statement of financial position	Total assets/ (liabilities) recognised in the statement of financial position	After consideration of netting potential
As at 31/12/25	£m	£m	£m	£m	£m	£m
Derivative financial assets	9.1	(8.6)	-	0.5	-	0.5
Derivative financial liabilities	(22.4)	-	21.2	(1.2)	-	(1.2)
	(13.3)	(8.6)	21.2	(0.7)	-	(0.7)
As at 31/12/24						
Derivative financial assets	23.5	(25.4)	-	-	-	-
Derivative financial liabilities	(8.1)	-	8.7	-	-	-
	15.4	(25.4)	8.7	-	-	-

Details of how the hedging programme fits into the Group's approach to interest rate management are set out in Note 26 below. Further quantitative disclosures on the derivative assets and liabilities are also given in notes 26-28 on financial assets and liabilities.

Note 26. Financial assets and liabilities

Financial risk management objectives

Allica's operations expose it to a variety of financial risks: market risk (in the form of interest rate risk), credit risk and liquidity risk. A core objective of Allica is the effective management of risk. The responsibility for identifying and managing the key risks ultimately rests with Allica's Board of Directors. The Board has ultimate responsibility for setting Allica's strategy, risk appetite and control framework. Allica has developed its Risk Management Framework as the basis for a comprehensive internal governance and controls structure for the management and control of risks.

Risk Management Framework

The Board approved Risk Management Framework ("RMF") sets out how the Group manages risks and governs the approach to the management of all risks to which the Group is exposed, including, but not limited to, risks arising from financial, economic, operational and behavioural factors. The structure, processes, ownership, responsibilities and the risk oversight required to support its effective implementation across the Group are all identified within the framework. The risk management framework utilises the "three lines of defence" model, reinforcing the need for first line ownership and management of risk with second and third line oversight.

Risk Appetite Statement

The Board sets an overarching expression of Risk appetite which is articulated through the Group's Risk Appetite Statement that determines the level of risk the Group is willing to take in pursuit of its mission to build a profitable and sustainable business, even in times of stress. The Group uses a mix of qualitative and quantitative measures across principal risk types, reflecting its appetite and capacity for risk absorption through the cycle. Key Risk Indicators are set, allowing the Group to monitor its risk exposure, in conjunction with Early Warning Indicators which enable management action prior to any breach of appetite. The Group recognises that risk and its management lie at the centre of the Group's operations. It therefore identifies its principal risks in order that effective controls can be applied to them. Principal risks are monitored and reported each month to Risk Management Committee and to Board Risk Committee each quarter for challenge and debate.

Capital management

There is a risk that the Group fails to maintain adequate capital resources to meet its regulatory obligations, sustain the aims of the corporate plan or to absorb unexpected losses if they were to occur.

Causes of inadequate capital could include a high level of default on customer lending, large unexpected operational or credit losses, or the inability to raise additional capital in a timely manner.

Capital risk appetite is set by the Board so that the Group maintains sufficient capital in excess of regulatory requirements. Allica undertakes an assessment of its capital requirements through its Internal Capital Adequacy Assessment Process (ICAAP). This is refreshed annually, or more frequently if required, and is submitted to the PRA following Board approval. In their review of the ICAAP document the PRA advise the Group on its Total Capital Requirement based on the proposal detailed in the ICAAP, plus any appropriate additional buffers, which dictate the minimum level of regulatory capital that must be maintained. Allica follows the Standardised/ Basic Indicator approaches for respectively credit risk and operational risk capital. Allica has complied with all regulatory minimum requirements throughout the period.

The principal committee at which the Group's capital is scrutinised and managed is ALCO with key capital metrics being the current and projected surplus of capital resources over regulatory capital requirements and Capital Life Expectancy. The Board, Board Risk Committee and Executive Committee also receive reporting and commentary on capital risk and projections of capital usage and surplus.

Note 26. Financial assets and liabilities (continued)

Risks

Credit risk

Credit risk is the risk of a customer defaulting on its obligations under a Lending Facility and/or the value of any collateral held falling in value resulting in Allica suffering a financial loss. The Group also considers and manages concentration risk. This is defined as the risk of losses arising as a result of concentrations of exposures due to imperfect diversification. The imperfect diversification can arise with respect to a specific customer or other counterparty, industry sector, region or product.

Allica manages this risk through its Risk Appetite Statement which includes specific Risk Appetite and Early Warning Indicators for product lines, sectors, geographies and single name. Limits are set for Market Counterparties including nostro balances, deposit of surplus cash positions, investment of the Group's liquidity, and hedging activities.

The Group is exposed to credit risk across all of its financial asset classes, however its principal exposure to credit risk arises on customer lending balances. The maximum exposure to credit risk on financial assets, undrawn facilities and commitments is shown below:

	Group		Company	
	As at 31/12/25	As at 31/12/24	As at 31/12/25	As at 31/12/24
	£m	£m	£m	£m
Included in the Statement of Financial Position:				
Cash and balances at central banks	1,104.3	1,378.0	1,104.3	1,378.0
Loans and advances to banks	183.8	124.6	153.0	116.8
Debt securities	1,154.0	301.4	1,154.0	301.4
Derivative financial instruments	9.1	23.5	9.1	23.5
Loans and advances to customers	3,784.6	3,081.8	2,435.6	1,861.1
Other financial assets	6.3	6.3	3.3	3.2
Not included in the Statement of Financial Position:				
Commitments to lend	291.1	181.5	258.3	162.5
Gross credit risk exposure	6,533.2	5,097.1	5,117.6	3,846.5
Less: allowance for impairment losses on loans and advances	(42.6)	(33.0)	(16.1)	(11.9)
Less: allowance for impairment losses on loan commitments	(0.8)	(0.6)	(0.7)	(0.5)
Net credit risk exposure	6,489.8	5,063.5	5,100.8	3,834.1

Note 26. Financial assets and liabilities (continued)

Credit risk exposures

Given the relative significance of customer lending exposures to the overall Group's credit risk position the following assessment is principally focused on loans and advances to customers. These exposures exclude adjustments for EIR and other minor adjustments made to the principal balance of Loans and advances to customers.

i. Staging profile of customer lending

The following table provides additional information on the staging profile of the Group's customer lending:

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Group	£m	£m	£m
As at 31/12/25			
Loans and advances to customers			
Stage 1	2,515.5	793.0	3,308.5
Stage 2	292.9	94.2	387.1
Stage 3	63.7	36.5	100.2
POCI	3.4	2.9	6.3
Gross exposure	2,875.5	926.6	3,802.1
Expected credit loss			
Stage 1	6.0	7.1	13.1
Stage 2	4.1	7.3	11.4
Stage 3	5.4	12.7	18.1
POCI	-	-	-
Total impairment provision	15.5	27.1	42.6
Coverage			
Stage 1	0.2 %	0.9 %	0.4 %
Stage 2	1.4 %	7.8 %	2.9 %
Stage 3	8.4 %	34.8 %	18.1 %
POCI	0.9 %	- %	0.5 %
Coverage ratio	0.5 %	2.9 %	1.1 %

Note 26. Financial assets and liabilities (continued)

i. Staging profile of customer lending (continued)

Group	Credit exposure		
	Loans secured on property	Other loans and advances	Total
	£m	£m	£m
As at 31/12/24			
Loans and advances to customers			
Stage 1	1,950.6	759.5	2,710.1
Stage 2	217.7	90.9	308.6
Stage 3	32.3	27.2	59.5
POCI	13.6	8.6	22.2
Gross exposure	2,214.2	886.2	3,100.4
Expected credit loss			
Stage 1	4.5	8.6	13.1
Stage 2	2.3	3.8	6.1
Stage 3	4.7	8.3	13.0
POCI	0.8	-	0.8
Total impairment provision	12.3	20.7	33.0
Coverage			
Stage 1	0.2 %	1.1 %	0.5 %
Stage 2	1.1 %	4.2 %	2.0 %
Stage 3	14.5 %	30.6 %	21.8 %
POCI	5.2 %	0.4 %	3.8 %
Coverage ratio	0.6 %	2.3 %	1.1 %

Note 26. Financial assets and liabilities (continued)

i. Staging profile of customer lending (continued)

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Company	£m	£m	£m
As at 31/12/25			
Loans and advances to customers			
Stage 1	2,067.7	50.2	2,117.9
Stage 2	266.8	9.6	276.4
Stage 3	38.8	5.4	44.2
Gross exposure	2,373.3	65.2	2,438.5
Expected credit loss			
Stage 1	4.6	0.8	5.4
Stage 2	3.7	1.0	4.7
Stage 3	4.3	1.7	6.0
Total impairment provision	12.6	3.5	16.1
Coverage			
Stage 1	0.2 %	1.6 %	0.3 %
Stage 2	1.4 %	10.4 %	1.7 %
Stage 3	11.1 %	31.5 %	13.6 %
Coverage ratio	0.5 %	5.4 %	0.7 %

Note 26. Financial assets and liabilities (continued)

i. Staging profile of customer lending (continued)

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Company	£m	£m	£m
As at 31/12/24			
Loans and advances to customers			
Stage 1	1,601.8	41.4	1,643.2
Stage 2	187.1	7.3	194.4
Stage 3	25.3	5.4	30.7
Gross exposure	1,814.2	54.1	1,868.3
Expected credit loss			
Stage 1	2.1	0.3	2.4
Stage 2	4.0	0.9	4.9
Stage 3	10.0	1.8	11.8
Total impairment provision	16.1	3.0	19.1
Coverage			
Stage 1	0.1 %	0.7 %	0.1 %
Stage 2	2.1 %	12.3 %	2.5 %
Stage 3	39.5 %	33.3 %	38.4 %
Coverage ratio	0.9 %	5.5 %	1.0 %

Note 26. Financial assets and liabilities (continued)

ii. Stage 2 balances

The table below provides information on which triggers have caused loans held by the Bank to be classified as Stage 2. As each loan is only presented in a single row of the table below, where a loan satisfies more than one criteria, it is categorised depending on which trigger it satisfied first (in the order presented).

Stage 2 balances	Group						
	As at 31/12/25			As at 31/12/24			
	Credit exposure	Expected credit loss	Coverage	Credit exposure	Expected credit loss	Coverage	
	£m	£m	%	£m	£m	%	
Arrears trigger	14.0	0.8	5.7 %	15.1	0.7	4.6 %	
Qualitative factors	54.9	1.0	1.8 %	35.9	0.4	1.1 %	
Probation (cured)	17.4	0.3	1.7 %	12.4	0.1	0.8 %	
PD deterioration and other	206.7	2.1	1.0 %	154.3	1.1	0.7 %	
Loans secured on property	293.0	4.2	1.4 %	217.7	2.3	1.1 %	
Arrears trigger	7.3	1.8	24.7 %	5.2	0.6	11.5 %	
Qualitative factors	4.5	0.4	8.9 %	8.8	0.8	9.1 %	
Probation (cured)	2.2	0.2	9.1 %	1.6	0.1	6.3 %	
PD deterioration and other	80.1	4.8	6.0 %	75.2	2.3	3.1 %	
Other loans and advances	94.1	7.2	7.7 %	90.8	3.8	4.2 %	
Total stage 2	387.1	11.4	3.0 %	308.5	6.1	2.0 %	

Note 26. Financial assets and liabilities (continued)

iii. Stage 3 balances

The table below provides information on which triggers have caused loans held by the Bank to be classified as Stage 3. As each loan is only presented in a single row of the table below, where a loan satisfies more than one criteria, it is categorised depending on which trigger it satisfied first (in the order presented).

Group	Group					
	As at 31/12/25			As at 31/12/24		
	Credit exposure	Expected credit loss	Coverage	Credit exposure	Expected credit loss	Coverage
Stage 3 balances	£m	£m	%	£m	£m	%
Arrears trigger	21.2	1.6	7.5 %	8.6	1.1	12.8 %
Qualitative factors	42.5	3.8	8.9 %	23.7	3.6	15.2 %
Loans secured on property	63.7	5.4	8.5 %	32.3	4.7	14.6 %
Arrears trigger	4.7	1.9	40.4 %	4.5	0.9	20.0 %
Qualitative factors	31.8	10.8	34.0 %	22.7	7.4	32.6 %
Other loans and advances	36.5	12.7	34.8 %	27.2	8.3	30.5 %
Total stage 3	100.2	18.1	18.1 %	59.5	13.0	21.8 %

Note 26. Financial assets and liabilities (continued)

iv. Sectoral concentration

The table below provides information on the sectoral concentration of total drawn exposures. Concentration is important for understanding the asset quality of the Group's portfolio.

	Group					
	As at 31/12/25			As at 31/12/24		
	Credit exposure	Expected credit loss	Concentration	Credit exposure	Expected credit loss	Concentration
	£m	£m	%	£m	£m	%
Accommodation and food	221.9	3.3	5.8 %	191.7	2.2	6.2 %
Activities of households	29.0	0.2	0.8 %	22.6	0.2	0.7 %
Administrative and support	178.6	3.1	4.7 %	168.3	2.6	5.4 %
Agriculture, forestry and fishing	81.6	1.1	2.2 %	55.3	0.5	1.8 %
Arts, entertainment and recreation	19.6	0.7	0.5 %	21.4	0.5	0.7 %
Construction	317.0	5.2	8.3 %	261.1	4.5	8.4 %
Education	25.1	0.4	0.7 %	26.3	0.5	0.9 %
Financial and insurance	195.8	2.4	5.2 %	123.2	1.4	4.0 %
Human health and social work	144.3	2.7	3.8 %	122.5	1.8	4.0 %
Information and communication	47.3	1.4	1.2 %	48.4	1.0	1.6 %
Manufacturing	170.4	2.4	4.5 %	142.6	1.9	4.6 %
Professional, scientific and technical activities	93.7	2.2	2.5 %	94.8	1.9	3.1 %
Real estate (Buy-to-let)	268.1	0.7	7.1 %	288.4	0.6	9.3 %
Real estate activities	1,413.5	7.3	37.2 %	999.0	5.1	32.2 %
Transportation and storage	184.3	2.1	4.9 %	153.5	1.8	5.0 %
Water supply; sewerage and waste management	32.3	0.3	0.9 %	34.4	0.7	1.1 %
Wholesale and retail trade	279.5	5.1	7.4 %	269.9	4.3	8.7 %
Other	100.1	2.0	2.6 %	77.0	1.5	2.5 %
	3,802.1	42.6	100.0 %	3,100.4	33.0	100.0 %

Note 26. Financial assets and liabilities (continued)

v. Geographic concentration

The table below provides information on the geographic concentration of the loan book secured on property:

	Group					
	As at 31/12/25			As at 31/12/24		
	Credit exposure	Expected credit loss	Concentration	Credit exposure	Expected credit loss	Concentration
	£m	£m	%	£m	£m	%
East	196.5	1.4	7.0 %	159.9	0.9	7.2 %
London	691.8	2.6	24.0 %	534.6	1.9	24.1 %
Midlands	443.8	2.2	15.0 %	351.5	1.8	15.9 %
North & Scotland	502.4	2.7	17.0 %	383.5	1.7	17.3 %
South East	487.1	3.0	17.0 %	384.2	3.0	17.4 %
South West & Wales	356.4	2.3	12.0 %	252.6	1.4	11.4 %
Yorkshire & Humber	197.5	1.3	7.0 %	147.9	1.6	6.7 %
Outside UK	-	-	- %	-	-	- %
	2,875.5	15.5	100.0 %	2,214.2	12.3	100.0 %

Note 26. Financial assets and liabilities (continued)

vi. Collateral

Within loans and advances to customers, the Group obtains collateral for its exposures. Amounts may be secured by a first or second charge over property. The quality of the Group's property secured portfolio can be considered with reference to the average LTV, as set out in the tables below:

	Group							
	As at 31/12/25				As at 31/12/24			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
LTV	£m	£m	£m	£m	£m	£m	£m	£m
≤55%	531.4	43.8	6.7	0.7	448.8	21.7	5.9	1.9
>55%, ≤60%	255.9	23.8	8.9	-	169.6	15.2	1.1	0.1
>60%, ≤65%	354.2	25.8	6.7	0.2	236.5	29.2	1.5	0.5
>65%, ≤70%	378.3	55.3	3.7	0.4	221.6	34.1	5.3	1.6
>70%, ≤75%	422.5	49.1	13.7	-	321.8	28.3	2.2	1.3
>75%, ≤80%	271.5	44.0	6.3	0.2	287.2	47.8	7.7	5.9
>80%, ≤100%	216.3	38.4	14.8	-	216.2	38.7	6.9	1.8
>100%	85.4	12.7	2.9	1.9	48.9	2.7	1.7	0.5
Total	2,515.5	292.9	63.7	3.4	1,950.6	217.7	32.3	13.6

Note 26. Financial assets and liabilities (continued)

vii. Credit risk exposure and impairment provision by internal IFRS 9 PD rating and IFRS 9 stage allocation

The distribution of the Group's credit risk exposures by internal PD rating is analysed below:

		Group						
	PD range	Stage 1	Stage 2	Stage 3	POCI	Balance	Provisions	Coverage ratio
	%	£m	£m	£m	£m	£m	£m	%
As at 31/12/25								
Low	<1.59%	1,437.3	52.5	-	-	1,489.8	2.5	0.2 %
Medium	1.59%-6.95%	1,715.0	288.7	-	1.2	2,004.9	14.3	0.7 %
High	>6.95%	156.2	45.9	-	0.4	202.5	7.7	3.8 %
Default	100.00 %	-	-	100.2	4.7	104.9	18.1	15.1 %
Total		3,308.5	387.1	100.2	6.3	3,802.1	42.6	1.1 %
As at 31/12/24								
Low	<1.48%	854.8	39.4	0.1	0.1	894.4	2.5	0.3 %
Medium	1.48%-6.47%	1,742.0	223.4	1.4	5.9	1,972.7	11.8	0.6 %
High	>6.47%	113.3	45.7	3.8	7.6	170.4	6.2	3.6 %
Default	100.00 %	-	-	54.1	8.6	62.7	12.5	20.0 %
Total		2,710.1	308.5	59.4	22.2	3,100.2	33.0	1.1 %

Note 26. Financial assets and liabilities (continued)

viii. Movement in loans and advances to customers and impairment provision

The following table provides an analysis of movements during the year in the loss allowance associated with loans and advances to customers. The table is compiled by comparing the position at the end of the year to that at the beginning of the year. Transfers between stages are deemed to have taken place at the start of the year, with all other movements shown in the stage in which the asset is held at the end of the year.

Group	Stage 1		Stage 2		Stage 3		POCI	
	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31/12/23	1,797.7	13.8	171.8	3.9	30.1	4.3	-	-
Improvement in Credit Exposure								
Stage 2 to Stage 1	79.2	1.3	(79.2)	(1.3)	-	-	-	-
Stage 3 to Stage 2	-	-	1.0	0.1	(1.0)	(0.1)	-	-
Deterioration in credit exposure								
Stage 1 to Stage 2	(204.3)	(2.6)	204.3	2.6	-	-	-	-
Stage 1 to Stage 3	(16.4)	(0.4)	-	-	16.4	0.4	-	-
Stage 2 to Stage 3	-	-	(7.4)	(0.3)	7.4	0.3	-	-
Opening balance after transfers	1,656.2	12.1	290.5	5.0	52.9	4.9	-	-
Movements during the year								
Repayments of loans and advances	(290.5)	-	(59.7)	-	(24.4)	-	-	-
Movement in ECL due to model and exposure changes	-	(7.5)	-	(1.3)	-	-	-	-
Changes due to new business	1,344.4	8.5	77.8	2.5	29.7	6.8	22.2	0.8
Bad debts written off	-	-	-	-	1.3	1.3	-	-
As at 31/12/24	2,710.1	13.1	308.6	6.2	59.5	13.0	22.2	0.8

Note 26. Financial assets and liabilities (continued)

Group	Stage 1		Stage 2		Stage 3		POCI	
	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31/12/24	2,710.1	13.1	308.6	6.2	59.5	13.0	22.2	0.8
Improvement in Credit Exposure								
Stage 2 to Stage 1	169.8	2.4	(169.8)	(2.4)	-	-	-	-
Stage 3 to Stage 1	1.0	0.1	-	-	(1.0)	(0.1)	-	-
Stage 3 to Stage 2	-	-	6.2	1.0	(6.2)	(1.0)	-	-
Deterioration in credit exposure								
Stage 1 to Stage 2	(251.1)	(1.4)	251.1	1.4	-	-	-	-
Stage 1 to Stage 3	(51.3)	(1.2)	-	-	51.3	1.2	-	-
Stage 2 to Stage 3	-	-	(24.0)	(1.3)	24.0	1.3	-	-
Opening Balance after transfers	2,578.5	13.0	372.1	4.9	127.6	14.4	22.2	0.8
Movements during the year								
Repayments of loans and advances	(448.1)	-	(60.7)	-	(30.2)	-	1.1	-
Movement in ECL due to model and exposure changes	-	(5.2)	-	4.2	-	5.4	-	(0.8)
Changes due to new business	1,178.3	5.3	75.7	2.3	5.1	0.7	-	-
Bad debts written off	-	-	-	-	(2.4)	(2.4)	(17.0)	-
As at 31/12/25	3,308.7	13.1	387.1	11.4	100.1	18.1	6.3	-

Kriya Finance balances totalling £41.8m have been included within the changes due to new business line item.

Note 26. Financial assets and liabilities (continued)

Interest rate risk

There is a risk that the Group's expected capital and earnings are eroded due to movements in interest rates. This could be caused by timing mismatches in the maturity and repricing of assets and liabilities, exposures arising from hedge positions, or changes in the slope or shape of an anticipated yield curve. If this risk were to occur, it would adversely affect performance against the corporate plan and potentially result in a financial loss.

As of 31 December 2025, the Group shows a net asset position on the medium long part of the interest rate curve (above 12 months). Therefore, in terms of the change in the Economic Value (EV) of the banking book, it is exposed to an upward movement of the curve. This is driven by the origination of fixed rate assets with a repricing period of 3-5 years. The assets are funded by time deposits with a shorter repricing period of 12-24 months. The change in EV is limited and managed through interest rates swaps (IRS).

In line with regulatory reporting requirements, the Group evaluates the impact of a parallel 200 basis points movement in interest rates on the Group's economic value of the banking book as follows:

+200bps - £9.1m (negative)

-200bps - £12.3m (positive)

Hedging programme

When the Group originates fixed rate term deposits or fixed rate assets it becomes exposed to interest rate risk, as the fair value of those fixed rate assets and liabilities may change over time driven by the fluctuations of the OIS curve. Therefore, the Group enters into interest rate swaps, receiving or paying fixed rates and paying or receiving SONIA benchmark.

At the same time, when the Group assumes variable SONIA funding, it becomes exposed to interest rate risk, as the cash flows of interest to pay due to SONIA may change over time. Therefore, the Group enters into interest rate swaps, paying fixed rates and receiving SONIA benchmark.

The Group believes that there is a clear direct economic relationship between the hedged item and the hedging instrument, as the critical terms of the hedged item and the hedging instrument are very close in their terms: (a) the notional amount of the hedging instrument equals the notional amount of the hedged item, (b) the benchmark interest reference for both the hedged item and the hedging instruments are the same (SONIA), and observed on the same dates, although paid both on the same or in some cases, different dates, and (c) the maturity date of the Hedging instrument is usually only marginally beyond the maturity of the hedged item.

As per above, a hedging ratio of 1:1 is set by comparing the notional of the derivatives with the principal amount of the hedged items. Potential sources of hedge accounting ineffectiveness may include: (a) Credit risk of both counterparties under the swap (bilateral credit value adjustment), which is mitigated by collateralisation, (b) change in the timing of the occurrence of the cash flows being hedged, and (c) the hedged transactions being no longer highly probable (for instance if repaid prior to maturity), hence the notional of the hedging instrument being larger than the actual expected exposure. No sources of material hedge accounting ineffectiveness have been identified during the year. Further details of these hedges are set out in note 25 above.

The Group is exposed to foreign exchange risk through the costs incurred by its Indian subsidiary, Allica India Technology Services. The Group's colleagues who are employed by this entity are remunerated in Indian Rupees, while funding to this entity is provided in Great British Pounds by Allica Bank Limited. The Group enters into exchange rate forward contracts to mitigate risk from exchange rate fluctuations over time.

Note 26. Financial assets and liabilities (continued)

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to meet obligations as and when they become due and payable, which it manages under its internal liquidity adequacy assessment process (ILAAP).

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Note 28 'Contractual maturity of the financial assets and liabilities' below sets out this analysis.

The Group initially recognises all financial assets and liabilities it holds at fair value and subsequently at amortised cost. Loans to customers are held at amortised cost, net of provisions for expected credit losses.

Climate-related financial risks

The Group may be exposed to climate-related risks in relation to its financial instruments through its lending and other financial intermediary activities. The Group is committed to minimising its impact on the environment and ensuring that climate-related financial risks are well managed. The Group's approach to climate-related financial risk has been an important area of focus in 2025 as it continued to embed climate risk into its Risk Management Framework, with both physical and transitional risks being factored into its Credit Policy.

Note 26. Financial assets and liabilities (continued)

Financial assets and liabilities by measurement basis

Group	Held at amortised cost	Held at fair value through profit or loss	Held at fair value through other comprehensive income	Total
	£m	£m	£m	£m
As at 31/12/25				
Financial assets				
Cash and balances at central banks	1,104.3	-	-	1,104.3
Loans and advances to banks	183.8	-	-	183.8
Debt securities	-	-	1,154.0	1,154.0
Derivative financial instruments	-	9.1	-	9.1
Loans and advances to customers	3,742.0	-	-	3,742.0
Investments	-	1.0	-	1.0
Other financial assets	6.3	-	-	6.3
	5,036.4	10.1	1,154.0	6,200.5
Financial liabilities				
Deposits from banks	(0.3)	-	-	(0.3)
Derivative financial instruments	-	(22.4)	-	(22.4)
Deposits from customers	(5,719.9)	-	-	(5,719.9)
Trade creditors	(2.4)	-	-	(2.4)
Accruals	(15.1)	-	-	(15.1)
Other financial liabilities	(2.7)	(0.7)	-	(3.4)
External borrowings	(71.7)	-	-	(71.7)
Lease liability	(3.2)	-	-	(3.2)
	(5,815.3)	(23.1)	-	(5,838.4)

Note 26. Financial assets and liabilities (continued)

Company	Held at amortised cost	Held at fair value through profit or loss	Held at fair value through other comprehensive income	Total
	£m	£m	£m	£m
As at 31/12/25				
Financial assets				
Cash and balances at central banks	1,104.3	-	-	1,104.3
Loans and advances to banks	153.0	-	-	153.0
Debt securities	-	-	1,154.0	1,154.0
Derivative financial instruments	-	9.1	-	9.1
Loans and advances to customers	2,419.5	-	-	2,419.5
Investments	-	1.0	-	1.0
Amounts due from subsidiaries	1,302.4	-	-	1,302.4
Other financial assets	3.3	-	-	3.3
	4,982.5	10.1	1,154.0	6,146.6
Financial liabilities				
Deposits from banks	(0.3)	-	-	(0.3)
Derivative financial instruments	-	(22.4)	-	(22.4)
Customer deposits	(5,719.9)	-	-	(5,719.9)
Trade creditors	(2.3)	-	-	(2.3)
Accruals	(14.0)	-	-	(14.0)
Other financial liabilities	(3.9)	(0.7)	-	(4.6)
External borrowings	(38.7)	-	-	(38.7)
Lease liability	(3.2)	-	-	(3.2)
	(5,782.3)	(23.1)	-	(5,805.4)

Note 26. Financial assets and liabilities (continued)

Group	Held at amortised cost	Held at fair value through profit or loss	Held at fair value through other comprehensive income	Total
	£m	£m	£m	£m
As at 31/12/24				
Financial assets				
Cash and balances at central banks	1,378.0	-	-	1,378.0
Loans and advances to banks	124.6	-	-	124.6
Debt securities	-	-	301.4	301.4
Derivative financial instruments	-	23.5	-	23.5
Loans and advances to customers	3,048.8	-	-	3,048.8
Investments	-	1.0	-	1.0
Other financial assets	6.3	-	-	6.3
	4,557.7	24.5	301.4	4,883.6
Financial liabilities				
Deposits from banks	(16.8)	-	-	(16.8)
Derivative financial instruments	-	(8.1)	-	(8.1)
Credit-linked notes	(46.4)	-	-	(46.4)
Customer deposits	(4,428.1)	-	-	(4,428.1)
Trade creditors	(1.3)	-	-	(1.3)
Accruals	(12.5)	-	-	(12.5)
Other financial liabilities	(2.6)	-	-	(2.6)
External borrowings	(38.7)	-	-	(38.7)
Lease liability	(0.4)	-	-	(0.4)
	(4,546.8)	(8.1)	-	(4,554.9)

Note 26. Financial assets and liabilities (continued)

Company	Held at amortised cost £m	Held at fair value through profit or loss £m	Held at fair value through other comprehensive income £m	Total £m
As at 31/12/24				
Financial assets				
Cash and balances at central banks	1,377.9	-	-	1,377.9
Loans and advances to banks	116.8	-	-	116.8
Debt securities	-	-	301.4	301.4
Derivative financial instruments	-	23.5	-	23.5
Loans and advances to customers	1,849.2	-	-	1,849.2
Investments	-	1.0	-	1.0
Amounts due from subsidiaries	1,214.9	-	-	1,214.9
Other financial assets	3.2	-	-	3.2
	4,562.0	24.5	301.4	4,887.9
Financial liabilities				
Deposits from banks	(16.8)	-	-	(16.8)
Derivative financial instruments	-	(8.1)	-	(8.1)
Credit-linked notes	(46.4)	-	-	(46.4)
Customer deposits	(4,428.1)	-	-	(4,428.1)
Trade creditors	(1.2)	-	-	(1.2)
Accruals	(12.3)	-	-	(12.3)
Other financial liabilities	(2.5)	-	-	(2.5)
External borrowings	(38.7)	-	-	(38.7)
Lease liability	(0.4)	-	-	(0.4)
	(4,546.4)	(8.1)	-	(4,554.5)

Note 27. Financial assets and liabilities by levels of inputs

The fair value of financial assets and liabilities is the price that would be received or paid to transfer an asset or liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1, including balances held with third parties that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
Group & Company	£m	£m	£m	£m
As at 31/12/25				
Assets				
Debt securities	1,154.0	-	-	1,154.0
Derivatives financial assets	-	9.1	-	9.1
Investments	-	-	1.0	1.0
Total assets measured at fair value	1,154.0	9.1	1.0	1,164.1
Liabilities				
Derivatives financial liabilities	-	22.4	-	22.4
Other liabilities	-	-	0.7	0.7
Total liabilities measured at fair value	-	22.4	0.7	23.1

Note 27. Financial assets and liabilities by levels of inputs (continued)

	Level 1	Level 2	Level 3	Total
Group & Company	£m	£m	£m	£m
As at 31/12/24				
Assets				
Debt securities	301.4	-	-	301.4
Derivatives financial assets	-	23.5	-	23.5
Investments	-	-	1.0	1.0
Total assets measured at fair value	301.4	23.5	1.0	325.9
Liabilities				
Derivatives financial instruments	-	8.1	-	8.1
Other liabilities	-	-	1.0	1.0
Total liabilities measured at fair value	-	8.1	1.0	9.1

There were no transfers between levels during the financial year.

Debt securities: fair values of Bonds and Treasury Bills are obtained from quoted market prices in active markets.

Derivative financial instruments: these have been valued by discounting the future cash flows estimated to be paid or received under those contracts using a valuation technique that uses data inputs from short term rates, futures, and swap rates.

Investments: these are valued using appropriate valuation techniques such as discounted cash flow models.

Other liabilities: these relate to the fair value of the earnout on the acquisition of a subsidiary, as described in note 32. These are valued using appropriate valuation techniques such as discounted cash flow models and through management's review and assessment of forecasts.

Based on values as at 31 December 2025, a movement of +/- 0.25% in interest rates would have the following impact on the net carrying value of the derivative instruments, other comprehensive income and the income statement:

	2025			2024		
	Change in Fair Value	Other Comprehensive Income	Income Statement	Change in Fair Value	Other Comprehensive Income	Income Statement
	£m	£m	£m	£m	£m	£m
+0.25%	15.4	11.6	3.7	9.3	9.3	—
-0.25%	(15.5)	(11.7)	(3.8)	(9.4)	(9.4)	—

Note 27. Financial assets and liabilities by levels of inputs (continued)

Financial instruments held at amortised cost

The carrying amounts for financial instruments held at amortised cost are assumed to approximate their fair values. All the fair values of financial assets and liabilities carried at amortised cost are considered to be Level 2 valuations which are determined using directly or indirectly observable inputs other than unadjusted quoted prices, except for loans and advances to customers which are Level 3.

Cash at central banks, loans and advances to banks, funds held in client accounts, trade and other receivables and trade and other payables: these are assumed to approximate their fair values, as they are either short-term in nature or re-price frequently.

Loans and advances to customers: carrying amount is obtained by deducting expected credit losses from the gross carrying amount of loans and advances to customers. At the balance sheet date, the carrying values are assumed to approximate fair values (reflecting the impact of the fair value hedges on the fixed rate mortgages – see note 25).

Other assets: payment made in advance to client account and hence fair value approximates to carrying amount as there is minimal credit losses and short-term in nature.

Deposits from customers: at the balance sheet date the carrying values of deposits from customers are assumed to approximate fair values. For fixed rate deposits from customers, this reflects the impact of the fair value hedges, which hedge against material movements in the fair value of fixed rate deposits from customers – see note 25.

Other liabilities: payment to suppliers and hence fair value approximates to carrying amount as there is minimal credit losses and short-term in nature.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 28. Contractual maturity of the financial assets and liabilities

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
Financial assets and liabilities by maturity as at 31 December 2025 (Group)					
Financial assets					
Cash and balances at central banks	1,104.3	-	-	-	1,104.3
Loans and advances to banks	183.8	-	-	-	183.8
Debt securities	113.9	127.7	912.4	-	1,154.0
Derivative financial instruments	1.4	3.8	4.3	(0.1)	9.4
Loans and advances to customers	295.7	491.0	2,232.3	2,569.8	5,588.8
Other financial assets	2.6	2.7	0.9	-	6.2
	1,701.7	625.2	3,149.9	2,569.7	8,046.5
Financial liabilities					
Trade payables	(2.4)	-	-	-	(2.4)
Accruals	(15.1)	-	-	-	(15.1)
Derivative financial instruments	(0.2)	(7.2)	(16.0)	-	(23.4)
Deposits from customers	(5,137.2)	(501.6)	(111.1)	-	(5,749.9)
External borrowings	(5.8)	(9.6)	(43.8)	(43.2)	(102.4)
Other financial liabilities	(1.5)	(2.6)	(0.7)	-	(4.8)
Lease liability	(0.2)	(0.7)	(2.6)	-	(3.5)
	(5,162.4)	(521.7)	(174.2)	(43.2)	(5,901.5)
Loan commitments	291.1	-	-	-	291.1

Note 28. Contractual maturity of the financial assets and liabilities (continued)

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets and liabilities by maturity as at 31 December 2025 (Company)	£m	£m	£m	£m	£m
Financial assets					
Cash and balances at central banks	1,104.3	-	-	-	1,104.3
Loans and advances to banks	153.0	-	-	-	153.0
Debt securities	113.9	127.7	912.4	-	1,154.0
Derivative financial instruments	1.4	3.8	4.3	(0.1)	9.4
Loans and advances to customers	78.6	190.5	1,591.3	2,192.6	4,053.0
Other financial assets	2.6	0.2	0.6	-	3.4
	1,453.8	322.2	2,508.6	2,192.5	6,477.1
Financial liabilities					
Trade creditors	(2.3)	-	-	-	(2.3)
Accruals	(14.0)	-	-	-	(14.0)
Derivative financial instruments	(0.2)	(7.2)	(16.0)	-	(23.4)
Deposits from customers	(5,137.2)	(501.6)	(111.1)	-	(5,749.9)
External Borrowings	(1.7)	(2.6)	(23.0)	(43.2)	(70.5)
Other financial liabilities	(0.7)	(2.5)	(0.7)	-	(3.9)
Lease liability	(0.2)	(0.7)	(2.6)	-	(3.5)
	(5,156.3)	(514.6)	(153.4)	(43.2)	(5,867.5)
Loan commitments	258.3	-	-	-	258.3

Note 28. Contractual maturity of the financial assets and liabilities (continued)

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets and liabilities by maturity as at 31 December 2024 (Group)	£m	£m	£m	£m	£m
Financial assets					
Cash and balances at central banks	1,378.0	-	-	-	1,378.0
Loans and advances to banks	124.6	-	-	-	124.6
Debt securities	132.0	138.8	30.6	-	301.4
Derivative financial instruments	3.2	8.3	13.2	-	24.7
Loans and advances to customers	207.0	464.3	1,767.2	2,087.8	4,526.3
Other financial assets	6.3	-	-	-	6.3
	1,851.1	611.4	1,811.0	2,087.8	6,361.3
Financial liabilities					
Trade creditors	(1.3)	-	-	-	(1.3)
Accruals	(12.5)	-	-	-	(12.5)
Derivative financial instruments	(0.3)	(1.5)	(6.9)	-	(8.7)
Deposits from customers	(3,714.9)	(718.0)	(19.4)	-	(4,452.3)
Subordinated liabilities	(1.7)	(2.6)	(23.9)	(46.5)	(74.7)
Other financial liabilities	(2.6)	-	-	-	(2.6)
Lease liability	(0.1)	(0.2)	-	-	(0.3)
	(3,733.4)	(722.3)	(50.2)	(46.5)	(4,552.4)
Loan commitments	181.5	-	-	-	181.5

Note 28. Contractual maturity of the financial assets and liabilities (continued)

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets and liabilities by maturity as at 31 December 2024 (Company)	£m	£m	£m	£m	£m
Financial assets					
Cash and balances at central banks	1,378.0	-	-	-	1,378.0
Loans and advances to banks	116.8	-	-	-	116.8
Debt securities	132.0	138.8	30.6	-	301.4
Derivative financial instruments	2.7	7.0	11.9	-	21.6
Loans and advances to customers	74.0	159.2	1,067.2	2,060.4	3,360.8
Other financial assets	3.0	-	-	-	3.0
	1,706.5	305.0	1,109.7	2,060.4	5,181.6
Financial liabilities					
Trade creditors	(1.2)	-	-	-	(1.2)
Accruals	(12.3)	-	-	-	(12.3)
Derivative financial instruments	(0.3)	(1.3)	(6.1)	-	(7.7)
Deposits from customers	(3,702.8)	(709.0)	(16.4)	-	(4,428.2)
Subordinated liabilities	(1.7)	(2.6)	(23.9)	(46.5)	(74.7)
Other financial liabilities	(2.5)	-	-	-	(2.5)
Lease liability	(0.1)	(0.2)	-	-	(0.3)
	(3,720.9)	(713.1)	(46.4)	(46.5)	(4,526.9)
Loan commitments	162.5	-	-	-	162.5

Loan commitments represent the last stage of the loan offer process before drawdown and is deemed to be the stage of commitment from the Group when all the terms and conditions of the offer are met. The offers were assessed for ECL and a provision of £0.8m has been made as at 31 December 2025 (2024: £0.6m).

All cashflows above are shown on an undiscounted basis.

Note 29. Related party transactions

Allica Bank Limited is the parent company of the Group. No person or entity is considered to have control or joint control over the Company.

As at 31 December 2025 the Company's major shareholders (Blue Owl Capital, TCV XI AB Holdings and Warwick Capital Partners LLP) are deemed to have a significant influence over the Group and as a result are considered related parties.

Key management personnel compensation

The Group considers key management personnel to be the Board of Allica Bank Limited, as they have the power to exert influence over the Group. During the year, the Group paid compensation totalling £2.9m (2024: £2.0m) to these personnel.

The Board of the Group consists entirely of the directors of Allica Bank Limited. During the year, 1 director (2024: 1) accrued benefits under the defined contribution pension scheme. The highest paid director's aggregate remuneration was £1.3m (2024: £0.8m).

Included in Other assets (see note 12) are £0.1m of interest-free staff loans to directors (2024: £0.1m), for the acquisition of shares held in the joint share ownership plan (see note 33).

In accordance with IAS 24 *Related Party Transactions*, we have also considered whether the Group entered into any transactions with close family members of key management personnel, or entities controlled by these individuals. There were no such transactions during 2025 or 2024.

Transactions with related parties

During the year, the Group incurred interest expense of £0.9m on the subordinated loan (see note 19) provided by Warwick Capital Partners LLP via funds it controls.

The Group made distributions totalling £2.5m to Warwick Capital Partners LLP and £4.4m to Blue Owl Capital, via funds controlled by each of these entities. These distributions relate to perpetual convertible note held by these related parties.

During the year, the company incurred interest of £2.7m (2024: £5.4m) in relation to credit-linked notes in issuance with Blue Owl Capital. The principal and interest balances relating to these credit-linked notes were repaid in full during the year (see note 19).

Subsidiaries

Interest in subsidiaries are outlined in note 30. In accordance with IFRS 10 *Consolidated Financial Statements*, transactions and balances with subsidiaries have been eliminated on consolidation.

Note 30. Interests in subsidiaries

Information relating to subsidiaries related to the consolidated entity are set out below:

Subsidiary	Principal place of business / Country of incorporation	Ownership interest		Ownership
		As at 31/12/2025	As at 31/12/2024	
Allica Financial Services Limited	15 Worship Street, London, England, EC2A 2DT	100.00%	100.00%	Direct
Allica India Technology Services Private Limited	Golden Square No 102, Eden Park, Mahatma Gandhi Road, Bangalore, India	100.00%	100.00%	Direct
Kriya Finance Limited	15 Worship Street, London, England, EC2A 2DT	100.00%	0.00%	Direct
Tuscan Capital (Holdings) Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	100.00%	Direct
Allica Bridging Finance Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	100.00%	Indirect
Tuscan Capital Commercial Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	100.00%	Indirect
Tuscan Capital (Loans) 1 Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	100.00%	Indirect
Tuscan Capital (Loans) 2 Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	100.00%	Indirect
Tuscan Capital (Loans) 3 Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	100.00%	Indirect

Note 31. Business combinations

Acquisitions in 2025

On 20 October 2025, the Group acquired 100% of the ordinary share capital of Kriya Finance Limited ("Kriya"), a private company incorporated in England and Wales. Kriya is an award winning provider of SME lending and embedded payments. The acquisition strengthens the Group's SME lending proposition through Kriya's flexible working capital solutions and embedded finance product. The total consideration for the acquisition consists of initial consideration payable in a combination of Allica shares and cash, as well as deferred consideration contingent on the outcome of certain potential liabilities. The deferred consideration is also payable in a combination of Allica shares and cash.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Kriya Finance Limited as at the date of acquisition were:

	Note reference	Fair value recognised on acquisition £m
Assets		
Loans and advances to banks	9	8.3
Loans and advances to customers	11	44.4
Other assets	12	1.0
Intangible assets	14	2.3
		56.0
Liabilities		
External debt	19	(52.0)
Other liabilities	18	(3.7)
Deferred tax liability	8	(0.6)
		(56.3)
Total identifiable liabilities at fair value		(0.3)
Goodwill arising on acquisition	15	7.8
Purchase consideration transferred		7.5

The acquisition date fair values of loans and advances to customers amounts to £44.4m and the gross contractual amounts of loans and advances to customers is £47.3m. The acquisition fair value of loans and advances to customers includes an adjustment for credit risk of £1.5m, which represents the best estimate of amounts not expected to be collected.

Note 31. Business combinations (continued)

The goodwill of £7.8m comprises the value of expected revenue synergies arising from the transaction, as well as the acquired entity's workforce and customer relationships that have not met the recognition criteria as an intangible asset. Goodwill is not expected to be deductible for tax purposes.

Provisions with a total fair value of £1.6m were recognised in Kriya in accordance with IAS 37 in respect of potential exposures to tax authorities and other regulatory bodies, and are presented within other liabilities. These matters are expected to be subject to continued enquiry and assessment, and their ultimate resolution remains uncertain. The fair value recognised reflects management's current assessment of the likely outcomes and associated cash outflows. Management's estimate of the maximum amount to be paid in relation to these items totals £2.4m.

From the date of acquisition, Kriya Finance Limited contributed interest income of £1.3m and a loss before tax of £0.2m. If the acquisition had taken place at 1 January 2025, interest income would have been £8.3m and loss before tax would have been £4.6m. Transaction costs incurred of £0.9m were expensed and are included in operating expenses.

Purchase consideration transferred is measured as follows:

	Cash £m	Equity £m	Total £m
Purchase consideration			
Fair value of initial consideration	0.4	6.9	7.3
Fair value of deferred consideration	-	0.2	0.2
Total consideration	0.4	7.1	7.5

The Company issued 3,915,169 shares as the equity-settled component of the initial consideration. The fair value of these shares at the acquisition date was determined using the observable transaction price agreed in the purchase arrangement, which provided the best evidence of their fair value.

The deferred consideration recognised at the acquisition date amounted to £0.2m. The deferred consideration is contingent on the outcome of potential exposures to tax authorities and other regulatory bodies. Any consideration payable will be settled in a combination of cash and the issuance of ordinary shares of the Company at a fixed share price. The amount ultimately payable to the sellers will be determined upon the resolution of these matters and the extent to which any liabilities crystallise.

The fair value recognised reflects management's best estimate of the likely outcomes and the amount of consideration to be transferred. The maximum undiscounted amount of contingent consideration that is payable is £1.6m.

Note 31. Business combinations (continued)

Acquisitions in 2024

On 29 August 2024, the Group acquired 100% of the voting shares of Tuscan Capital (Holdings) Limited (TCHL), a non-listed company incorporated in England and Wales and specialising in Bridge financing, in exchange for a combination of cash consideration, as well as a contingent element consisting of further cash consideration and Allica shares.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of TCHL as at the date of acquisition were:

	Note reference	Fair value recognised on acquisition £m
Assets		
Loans and advances to banks	9	0.6
Loans and advances to customers	11	71.5
Tangible fixed assets	-	0.1
Right of use assets	20	-
Other assets	12	1.4
		73.5
Liabilities		
External debt	19	73.8
Provisions		-
Lease liabilities	20	-
Other liabilities	18	0.7
		74.5
Total identifiable net assets/(liabilities) at fair value		(1.0)
Goodwill arising on acquisition	15	8.6
Purchase consideration transferred		7.6

The acquisition date fair value of loans and advances to customers amounts to £71.5m. The gross amount of loans and advances to customers is £73.6m and it is expected that the full contractual amounts can be collected.

Goodwill of £8.6m on this transaction comprises the excess of purchase consideration over the net liabilities acquired upon acquisition. Goodwill recognised reflects the expected synergies from combining operations of the acquiree and the acquirer, primarily the acceleration of the acquirer into the bridging market with an established operation. All other intangible assets acquired by the group in this transaction are considered to have an immaterial fair value and therefore have not been recognised separately. None of the goodwill recognised is expected to be deductible for income tax purposes.

Note 31. Business combinations (continued)

From the date of acquisition, TCHL contributed £0.3m of revenue and £(0.6)m to profit before tax. If the combination had taken place at the beginning of the year, TCHL would have contributed revenue of £7.0m and £(0.8)m to profit before tax for the Group.

Purchase consideration	£m
Cash consideration	6.7
Contingent consideration liability	1.0
Total consideration	7.6
Analysis of cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	1.0
Net cash acquired with the subsidiary (included in cash flows from investing activities)	0.6
	1.6
Net cash outflow from acquisition included in investing activities	(6.1)
Net cash outflow from acquisition included in operating activities	(1.0)

Transaction costs of £1.0m were expensed and are included in administrative expenses.

Contingent consideration

TCHL was acquired from its previous owners, comprising management owners and investor owners. As part of the purchase agreement with the previous owner of TCHL, a contingent consideration has been agreed with management owners. There will be additional consideration paid to management owners of:

	Fair value	
	Undiscounted	Discounted
	£m	£m
<i>Contingent consideration</i>		
Management earn-out payable	1.5	1.0

As at the acquisition date, the fair value of the contingent consideration was estimated to be £1.0m. This consideration is contingent on certain performance targets being achieved in the years ending 31 December 2025, 2026 and 2027, and the fair value at the reporting date is based on forecasts for the Group which have been approved by the board. The contingent consideration is classified as an other financial liability, included in note 18. The impact of unwinding of discount on the contingent consideration is immaterial for 2024 and therefore has not been recorded.

Note 32. Financing activities

Movements in liabilities arising from financing activities

Group	Cash flow item?	Credit-linked notes	Subordinated liabilities	Lease liability	Wholesale funding
		£m	£m	£m	£m
As at 1 January 2024		-	7.5	0.9	-
Issued during the year	Yes	50.0	30.0	-	-
Interest charged during the year	No	5.4	2.1	-	-
Payment of principal	Yes	(3.9)	-	(0.5)	-
Payment of interest	Yes	(5.0)	(0.9)	-	-
As at 31 December 2024		46.5	38.7	0.4	-
Issued during the year	Yes	-	-	3.6	-
Acquired on acquisition of subsidiary	No	-	-	-	52.0
Interest charged during the year	No	-	0.9	0.1	0.5
Payment of principal	Yes	(46.1)	-	(0.8)	(19.3)
Payment of interest	Yes	(0.4)	(0.9)	(0.1)	(0.2)
As at 31 December 2025		-	38.7	3.2	33.0
Company					
As at 1 January 2024		-	7.5	0.9	-
Issued during the year	Yes	50.0	30.0	-	-
Interest charged during the year	No	5.4	2.1	-	-
Payment of principal	Yes	(3.9)	-	(0.5)	-
Payment of interest	Yes	(5.0)	(0.9)	-	-
As at 31 December 2024		46.5	38.7	0.4	-
Issued during the year	Yes	-	-	3.6	-
Interest charged during the year	No	-	0.9	0.1	-
Payment of principal	Yes	(46.1)	-	(0.8)	-
Payment of interest	Yes	(0.4)	(0.9)	(0.1)	-
As at 31 December 2025		-	38.7	3.2	-

Note 33. Share-based payments

Allica has a joint share ownership plan ("JSOP") and a company share option plan ("CSOP") under which selected senior employees and Executive Directors of the Group ("Participants") acquire and hold a beneficial interest in shares of the Bank.

Under the terms of the JSOP, during the year the participating shareholders transferred the legal title of nil (2024: nil) shares to the Allica Bank Employee Benefit Trust ("EBT") which was established to manage the plan on behalf of the Participants and the participating shareholders (known together as the "JSOP Holders"). The JSOP shares are beneficially owned by the JSOP Holders as tenants in common in undivided shares. During 2025, 325,000 shares were allocated to Participants (2024: 1,704,704).

The total number of shares held by the EBT at 31 December 2025 is 41,895,112 of which 39,741,232 have been allocated to Participants (2024: 41,895,112 of which 41,781,314 had been allocated to Participants).

On 15 October 2025, the Group granted 831,111 options under its CSOP scheme. These options vest on a straight line basis to 26 June 2029, with no options vesting until 26 June 2026. The strike price of the options are £1.35. Management have determined the fair value per option at the date of grant to be £0.04.

Note 34. Events after the reporting period

The following events have taken place between 31 December 2025 and the date of approval of these accounts which would require additional disclosure:

Series D capital raise

In February 2026 and in conjunction with the Bank's Series D capital raise (see page 10) the Company issued 4.7m ordinary shares and £47.0m of perpetual convertible notes qualifying as Additional Tier 1 Capital (AT1). As the issuance occurred after the reporting date, it is considered a non-adjusting event for the purposes of IAS 10 *Events after the Reporting Period*, and therefore does not impact the amounts recognised in the financial statements for the year ended 31 December 2025.

Conflict in the Middle East

Subsequent to 31 December 2025, the Group has monitored the escalation of the conflict in the Middle East. The Group has no direct credit exposure to the region. The primary risks to the Group are indirect, arising from the potential impact of the conflict on the UK macroeconomic environment and, in turn, on established SMEs. These developments are considered non-adjusting events. Given the high degree of uncertainty regarding the conflict and its potential impacts, it is not currently practicable to estimate the quantitative effect on the Group.

Additional information

Non-IFRS measures

Our Annual Report & Accounts includes certain financial reporting measures which are not defined under IFRS. These measures are consistent with those used by management to assess the Group's performance, and have been outlined below:

Gross revenue	See reconciliation below	Net interest margin (NIM)	Calculated as net interest income as a percentage of gross loans and advances to customers.
Gross profit after risk	See reconciliation below	New lending completed	Calculated as the total amounts advanced to customers in the year for new loans completed, including amounts advanced under forward flows arrangements.
Underlying profit before tax	See reconciliation below. In addition the nature of the adjustments to profit before tax are disclosed on page 20.	New organic lending completed	New lending completed, excluding amounts advanced under forward flow arrangements.

Reconciliation of certain non-IFRS measures

	Year ended 31/12/2025	Year ended 31/12/2024
	£m	£m
Gross revenue		
Interest income	404.2	320.3
Fair value gains on financial instruments	6.5	11.8
Fee and commission income	7.5	3.7
Interest expense on derivatives in hedge relationships	(46.9)	(43.8)
	371.3	292.0
Gross profit after risk		
Total operating income	158.6	120.4
Impairment losses	(13.3)	(10.2)
	145.3	110.2
Underlying profit before tax		
Statutory profit before tax	36.9	29.9
Acquisition costs	0.9	1.1
Accelerated amortisation on retired IT platforms	4.6	1.5
International expansion costs	1.3	-
	43.7	32.5

Abbreviations

AI	Artificial intelligence	ESME	Established small and medium sized entities	OCI	Other comprehensive income
ALCO	Asset and Liability Committee	ESG	Environmental, social and governance	OIS	Overnight index swap
API	Application Programming Interface	EU	European Union	OpCo	Operations Committee
AT1	Additional Tier 1	EV	Economic Value	PD	Probability of default
BAC	Board Audit Committee	EWC	Entrepreneurs Wellbeing Club	PHEV	Plug-in hybrid electric vehicles
BBB	British Business Bank	ExCo	Executive Committee	PCAF	Partnership for Carbon Accounting Financials
BEV	Battery electric vehicles	FCA	Financial Conduct Authority	PD	Probability of default
BBLS	Bounce Back Loan Scheme	FRC	Financial Reporting Council	PHEV	Plug-in hybrid electric vehicles
BoE	Bank of England	FVOCI	Fair value through other comprehensive income	PMA	Post model adjustment
BRA	Business Rewards Account	FVTPL	Fair value through profit or loss	POCI	Purchased or originated credit-impaired
BRC	Board Risk Committee	FSCS	Financial Services Compensation Scheme	PRA	Prudential Regulation Authority
CASS	Current Account Switch Service	FTE	Full-time equivalent	PricingCo	Pricing Committee
CBILS	Coronavirus Business Interruption Loan Scheme	FTP	Funds transfer pricing	ProdCo	Product Committee
CCO	Chief Compliance Officer	GHG	Greenhouse gases	RAS	Risk Appetite Statements
CEO	Chief Executive Officer	GHGP	Greenhouse Gas Protocol	RCSA	Risk Controls Self-Assessment
CET1	Common Equity Tier 1	GGS	Growth Guarantee Scheme	RLS	Recovery Loan Scheme
CFO	Chief Financial Officer	IAS	International Accounting Standards	RMC	Risk Management Committee
CGU	Cash generating unit	ICAAP	Internal Capital Adequacy Assessment Process	RMF	Risk Management Framework
CLO	Chief Lending Officer	ICM	Impact Classification Matrix	RemCo	People & Remuneration Committee
COO	Chief Operating Officer	IFRS	International Financial Reporting Standards	SDDT	Small Domestic Deposit Takers
CPSO	Chief Product and Strategy Officer	ILAAP	Internal Liquidity Adequacy Assessment Process	SECR	Streamlined Energy & Carbon Reporting
CRO	Chief Risk Officer	IRRBB	Interest rate risk in the banking book	SICR	Significant increase in credit risk
CC	Credit Committee	IRS	Interest rates swaps	SME	Small and medium sized entities
CSC	Client Selection Committee	JSOP	Joint share ownership plan	SMF	Senior Management Functions
CSOP	Company share option plan	KPI	Key performance indicator	SONIA	Sterling Overnight Index Average
EAD	Exposure at default	KRI	Key risk indicator	SPV	Special Purpose Vehicles
EBT	Employee benefit trust	LGD	Loss given default	SRT	Significant risk transfer
ECL	Expected credit losses	LTV	Loan to value	T&D	Transportation and distribution
EIR	Effective interest rate	NED	Non-Executive Director	TCFD	Task Force for Climate-related Financial Disclosures
EMEA	Europe, Middle East and Africa	NIM	Net interest margin	TCHL	Tuscan Capital (Holdings) Limited
EPC	Energy performance certificate	NPS	Net Promoter Scores	UK	United Kingdom
VAT	Value added tax	NomCo	Governance & Nomination Committee	VIU	Value-in-use
WTT	Well-to-tank	1LOD	First Line of Defence	2LOD	Second Line of Defence
3LOD	Third Line of Defence				