Turkish Bank (UK) Limited

Annual Report and Financial Statements

31 December 2024

Registered in England. Company No. 02643004

Turkish Bank (UK) Limited
Annual Report and Financial Statements
For the year ended 31 December 2024

Directors

Alper Akdeniz **
Erhan Raif
Gregory David Gould (appointed 1 January 2025)
Ibrahim Hakan Bortecene (Chairman)
John Coffey * (resigned 16 September 2024)
James Gillan
Murat Arig
Mustafa Kursat Asardag (resigned 16 April 2024)

* Chairman of the Board Audit and Risk Committee until 16 September 2024
** Chairman of the Board Audit and Risk Committee from 16 September 2024

Registered office

84/86 Borough High Street
London SE1 1LN

Auditor

Forvis Mazars LLP
Chartered Accountants
30 Old Bailey
London
EC4M 7AU

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Dear Stakeholders,

It is with immense pride and joy that I greet you all in this milestone year, marking our 50th anniversary of operations in the UK. Half a century is far more than a numerical achievement; it represents decades of dedication, commitment, and unwavering support from our employees, customers, shareholders, and communities. I extend my heartfelt gratitude to all who have contributed to this remarkable journey.

A Transformative Phase for TBUK

As we celebrate this important landmark, it is also an opportune moment to reflect upon our recent achievements and outline our vision for the future. The year 2024 marks the beginning of a transformative new phase for TBUK—a journey initiated with our payments project in 2016, and one which we anticipate will continue to evolve significantly over the coming years. This new phase is underpinned by the core pillars that define our bank: verticalization, digitization, simplification, and professionalism. These principles have guided our decision-making and continue to shape our roadmap for sustainable growth.

Investing in Our Future: Head Office Transformation

One of the most significant initiatives of this year is the planned comprehensive renovation of our Head Office due to start in spring. This project symbolizes our commitment not only to physical renewal but also to digital and cultural transformation. Our redesigned headquarters will embrace contemporary workplace practices, fostering increased collaboration, innovation, and employee well-being. The revitalization of our office space reflects our commitment to operational excellence and an enhanced customer experience.

Beyond our headquarters, we are also undertaking a strategic review of our branch network to ensure that our physical presence aligns dynamically with our customers' evolving needs. The merger of our Palmers Green and Haringey branches is a key part of this strategy, streamlining our operations while maintaining accessibility for our valued customers. Additionally, the reopening of our Mayfair branch, following a brief closure during the pandemic has reaffirmed our focus on serving our overseas high-net-worth (HNW) and ultra-high-net-worth (UHNW) clients. With an evolved mandate, the branch is already demonstrating the success of our flexible, needs-based approach to managing our footprint.

A Commitment to Sustainability

Sustainability remains a guiding principle, permeating every aspect of our transformation initiatives. Each decision and project we undertake is carefully evaluated through a sustainability lens, ensuring we contribute positively to our communities and environment. Whether through our physical infrastructure upgrades, digital transformation efforts, or customer engagement strategies, we remain deeply committed to responsible and forward-thinking practices.

Strengthening Community and Cultural Ties

Our commitment to community engagement continues robustly, highlighted by our successful partnership with Photo London. This year, we provided crucial support enabling eight Turkish galleries to participate in this prestigious international art fair held at Somerset House. The overwhelming success of this event strengthens our longstanding support for Turkish arts and culture in the UK and sets the foundation for a promising new phase in our cultural collaborations. The synergy between banking, the arts, and community engagement is something we value deeply, and we will continue to explore new ways to enhance these connections. Additionally, we proudly supported vibrant community events, including the 7th Annual Turkish Cypriot Festival, which welcomed an estimated 35,000 attendees, and the Children’s Day celebrations at the Ali Riza Değirmencioğlu Turkish School, reflecting our deep-rooted commitment to fostering cultural and educational growth.

Advancing Our Strategic Vision

The core elements of our bank’s strategy were reaffirmed at our annual strategy meeting in November, attended by a broad range of stakeholders. We remain steadfast in our commitment to:

- **Digitization** – enhancing our technological capabilities and service offerings,
- **Verticalization** – focusing on specialized banking solutions to serve our clients better,
- **Simplification** – streamlining operations for greater efficiency,
- **Professionalism** – ensuring that our governance and leadership structures support our long-term ambitions.

To support these strategic goals, we have strengthened our leadership team with the appointment of a new Chief Commercial Officer, who will play a key role in driving our growth initiatives. Furthermore, the finalization of the upgrades we plan around our core banking software Temenos; represents a cornerstone of our bank’s digital transformation strategy, ensuring that our systems remain robust, scalable, and aligned with the evolving demands of the financial services industry.

In 2024 and continuing into 2025, we experienced significant transitions at the Board level that are pivotal for our organization's future. John Coffey, who served as Chair of the Board Audit and Risk Committee (BARC), departed from the Board for personal reasons, and we welcome Greg Gould as his successor. Additionally, Jim Gillan will conclude his tenure on the Board at the upcoming Annual General Meeting in April 2025, after eight years of exemplary service. On behalf of the shareholders, I extend my heartfelt gratitude to both John and Jim for their dedication and contributions to TBUK.

These transitions have also prompted us to reassess and reorganize our Board committees. Given the increasing significance of conduct and operational resilience risks, we have decided to split the BARC into two distinct committees: a dedicated Board Risk Committee (BRC) and a Board Audit Committee (BAC). This restructuring will enhance our ability to address emerging market risks effectively. Greg Gould will chair the new BRC, while Alper Akdeniz, who previously chaired BARC, will lead the Board Audit Committee.

Furthermore, a new INED will join the Board in May 2025 to serve the BRC. Meanwhile we plan to increase the total number of Independent Non-Executive Directors (INEDs) to four through appointing an additional INED within the year. This expansion will bring in diverse experience and skill sets to better guide and oversee the risk and audit landscape of TBUK on behalf of the Board.

Celebrating 50 Years: A Legacy of Excellence

In celebrating this historic year, we have proudly hosted commemorative receptions at the British Consulate in Istanbul and at the parent's Head Office in Nicosia, bringing together stakeholders to mark this momentous occasion. These events serve as a testament to our resilience, adaptability, and enduring success in one of the world's most competitive financial markets.

This year is not only a time for celebration but also an opportunity to reflect on our core values and long-term vision. Over the last five decades, we have demonstrated resilience, adaptability, and an unwavering commitment to our customers and communities. Looking ahead, we remain focused on sustainable growth, operational excellence, and delivering value to all our stakeholders.

Looking to the Future

I have intentionally refrained from providing an economic outlook, as we find ourselves in one of the most challenging periods in recent history. The evolving approach taken by the United States appears to herald the beginning of a new world order, the outcomes of which will unfold in the coming years. In contrast, I am pleased to note that Türkiye's return to an orthodox economic program aimed at reducing chronic inflation has already yielded positive results. This is evidenced by stronger central bank reserves and a more stable currency in relation to principal reserve currencies. The steady performance of the London real estate market, coupled with the continued interest of Turkish investors in London properties, reinforces my optimism for TBUK's results in 2025.

In conclusion, our 50th anniversary is not only a celebration of our past achievements but also a confident step toward future successes. Our journey thus far has been characterized by a commitment to innovation, customer-centricity, and sound governance. As we continue to evolve and adapt, I am confident that we are well-positioned for a new era of growth and prosperity.

I would like to take this opportunity to express my deepest appreciation to our employees, customers, and shareholders for their unwavering trust and support. Your dedication is the cornerstone of our success and will continue to drive us forward in the years to come.

With gratitude and anticipation for what lies ahead,

I. Hakan Bortecene
Chairman of the Board
9 April 2025

Turkish Bank (UK) Limited ("the Bank") is a privately owned bank based in London and is part of the Turkish banking Group, established 123 years ago.

Our core purpose is to serve the banking needs of the Turkish speaking community in the United Kingdom ("UK"), as well as providing a gateway for investors from Turkey into the UK seeking superior banking services, in line with the Bank's history and values.

Strategic Objectives

The Bank is a niche bank serving high-net-worth resident and non-resident Turkish-speaking individuals, Turkish corporates with overseas operations in the UK, Turkish owned commercial companies and in particular Turkish technology companies wishing to establish a base in the UK.

The Bank's strategic priorities focus on:

- Increased vertical integration to focus on customer segments set out above.
- Delivering a superior quality service to its customers segments.
- Enhancing the business distribution capability and operating model.
- Delivering business transformation to underpin sustainability.
- Delivering our strategy through people.

In implementing the strategic priorities, the Bank is going through a transformation process embracing digital enhancements and efficiencies. The pillars of transformation are as follows:

- Lean Management
- Agility
- Resiliency
- Compliance

We differentiate ourselves by concentrating on the Turkish-speaking community's changing Banking requirements in the UK where our expert knowledge, guidance and personalised approach offer us a competitive edge and our customers a distinct experience.

Review of the Year

The outbreak of the war in Ukraine in 2022 with its associated effects on the UK and global economy entailed a period of high inflation and increased cost of living for individuals. This was shortly after followed by the conflict in the Gaza Strip between Israel and Palestine. These conflicts continue to provide instability in global markets. Though we have seen a return to stability in the UK markets as demonstrated by a 4.7% increase in UK property prices*, the outlook remains fragile. Nonetheless, there are increasing signs that demand for lending is increasing. This is largely fuelled by reductions in the Bank of England base rate which has fallen from its peak of 5.25% to 4.5% and is expected to fall further during 2025.

The Bank's high liquidity position with the Bank of England reserves have meant a negative impact on Net Interest Income following the cuts in the Bank of England base rate. As the Bank is funded by low-cost deposits, the impact of the decrease has been accentuated in that loan income is impacted more than deposit expense.

The Bank continued to take measures to manage its cost of funding to reflect the decrease in the base rate to the deposit rates.

As a result, net interest income decreased from £9,839k in 2023 to £9,663k in the year ended 31 December 2024.

The Balance Sheet size decreased from £185,039k in 2023 to £182,362k at 31 December 2024.

The Bank invested in new senior executives to build the team for growth and as a combined result wages and salaries increased from £3,078k in 2023 to £4,225k in 2024.

*Source: UK Housing Update January 2025 Savills Research

Key performance indicators	2024	2023
Profit before tax as % of equity	3.34%	12.33%
Return on Equity	2.61%	9.41%
Total operating expenses as a % of total operating income	90.21%	65.42%

The Bank reported a profit before tax of £1,019k in 2024 compared to a profit before tax of £3,721k in 2023.

The decrease in total balance sheet size has resulted largely from a decrease in deposits from banks from £10,894k in 2023 to £6,725k in 2024. Client deposits grew marginally from £141,429k to £142,973k as at 31 December 2024.

Bank owned properties were revalued in 2024 resulting in a reduction in value of properties from £7,621k to £6,540k.

During 2024, the Bank continued to invest in its IT and digital capabilities and the Bank will keep pace with changes in the financial services industry.

Looking forward, these investments, combined with the Bank's strong liquidity, robust capital base (see page 61) and an ongoing drive to improve customer service and efficiency, will position the Bank to take advantage of emerging opportunities. These opportunities include the potential for enhanced cooperation between the markets in which the Group operates.

Section 172(1) statement

Section 172 of the UK Companies Act 2006 sets out general duties for directors to adhere to, which are summarised below.

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and;
(f) the need to act fairly as between members of the company.

The Directors are fully aware of the factors set out above in discharging their duties under section 172. The key stakeholders of the Bank are our people, our customers, our business solution partners, our regulators, our shareholders and the community we serve and live in. The Board recognises that building strong relationships with our stakeholders is key in delivering our strategy to achieve sustainable growth for the benefit of all our stakeholders.

Directors are provided with an induction and development plan that covers their roles and responsibilities. They have access to resources from the Bank as well as external professional advice. Directors fulfil their responsibilities partly through the governance framework of the Bank and delegating the day-to-day Decision-making to the executive of the Bank. The following paragraphs summarise how the Directors fulfil their duties.

- **Long-term development**

The Directors are fully engaged in the long-term direction and considerations for the Bank, principally through approving the strategy. In 2016, the Bank became a member of Faster Payments, Bacs and Cheque and Credit Clearing (ICS) systems to ensure its long-term existence without needing correspondent banking services. The Bank developed systems in 2019 to adopt Open Banking with a view to serve its customers.

The Directors, in close liaison with the Group Office, are engaged in discussions about the digitalisation of banking services and the opportunities it brings. This has included investing in Business Process Management tools as well as Robotic Process Automation. The Bank started the process to upskill staff to enable effective use of such digital tools.

The Bank had taken steps to be part of the New Payments Architecture, a new way of processing payments in the UK. It was going to replace the existing Faster Payments scheme and laid out the framework for a replacement to the Bacs scheme. This change is currently on hold by Pay.UK and the Bank will continue to liaise with the Payment Services Regulator and Pay.UK to implement the requirements once finalised by the regulator. The Bank will be using its key business partner as the gateway to the new NPA.

The Directors had an off-site strategy meeting in Cyprus in December 2024 where the strategic priorities of the Bank were discussed and agreed. The initiatives that were decided to be considered for the long-term development of the Bank:

- Financial Crime Mitigation Framework Enhancement & Digitisation;
- Consumer Duty & Conduct;
- Operational Resilience;
- Transforming Customer Experience (CX);
- Re-organisation and HR;
- End to End Credit Excellence;
- Governance;
- Property Strategy;
- Cost Control, Opex and Capex Plans.

The Bank also held a strategy meeting in November 2024 with all key staff and directors where the execution of the strategy was discussed at an off-site strategy event. These execution action plans are now monitored. Please see section below for details.

The Board has been monitoring the development of these initiatives and has taken an active role in increasing the execution capacity of the Bank to realise these initiatives.

The Bank holds an Annual Strategy Meeting with its regulator, the Prudential Regulation Authority (the "PRA"), where long term development and strategy of the Bank are discussed. Directors consider regulatory developments and requirements when setting the strategy.

People

People are at the core of providing services to our customers. We manage our people's performance and development to make sure we operate effectively and efficiently, with high standards of conduct and regard for our customers. We also make sure that we share common values and seek to model the standards and values expected of all staff through day-to-day engagements.

An off-site strategy event was held with all staff in November 2024 and discussions were held on the following topics so that strategy is shared with all employees for inclusion:

- Growth and Growth Mindset;
- Digital and Operational Transformation;
- Customer Segmentation and Verticalisation;
- Customer Experience;
- Agility and Speed of Execution;
- Governance, Conduct and Professionalism;
- T-Gate Strategy in UK.

The Bank is a small bank with 4 branches located in Borough High Street, Mayfair, Haringey, and Palmers Green. Executive Directors keep in touch with staff through day-to-day activities and non-executive Directors through collaboration in various Committees of the Bank. Directors were able to join branch visits involving the employees and one Board meeting was held in Cyprus where a strategy session was held with interaction between Board members and staff. Some Board members were also present in the strategy days held in London in November 2024.

- **Business Partners**

We value all our business partners and have long-term relationships with key stakeholders. Key business partners operate in payment services, payment schemes connectivity, banking software solution, debit card services, open banking connectivity and infrastructure services.

The Directors encourage close cooperation with our solution partners. Individual meetings have been held with key business partners and Directors have engaged with our solution providers to discuss and progress key strategic initiatives involving our solution providers.

Directors place significant importance to operational resilience and third-party management and have monitored projects carried out with subject matter experts in 2023 to review and enhance frameworks around both these areas.

Forming strategic partnerships with the key business partners is an important part of the strategic goals of the Bank. Such partnerships are encouraged by the Directors and closely monitored. These developments are being realised in the payment schemes, payment services and remittances area working closely with our key partners.

- **Community and Customers**

Being a community bank, it is our purpose to serve the Turkish community and bring about change with the community with which we interact. We make a point of being at the heart of the community we serve and the Directors encourage that we provide services to our customers with more Face-to-face interaction.

- **Regulators**

The Bank is in regular contact with the Regulators and both executive and non-executive directors proactively and regularly liaise with the Bank's regulators. During 2024, the Bank liaised with the regulators on matters including cyber security, operational resilience, deposits, liquidity and capital assurance, credit MI, recovery plan, ILAAP, ICAAP, and held an annual strategy meeting.

- **Shareholders**

The Bank has close relationship with its Shareholder and has two Directors who serve both in the Bank's Board as well as the Parent's Board. The Parent supports the growth of the Bank by reinvesting the profits made by the Bank.

Principal risks and uncertainties

The Directors are involved in the oversight of the risk management framework through setting the risk appetite of the Bank and overseeing this via Board Audit and Risk Committee.

The Bank's activities expose it to a number of financial risks including credit risk, interest rate and currency risk, operational risk, reputational risk, liquidity risk, funding risk and IT-related risks including cyber risks. The Bank occasionally uses only "plain vanilla" currency swaps and does not enter into any exotic contracts. Such swaps are used to hedge the Bank's currency positions and are not used for trading purposes. Risk policies have been disclosed in Notes 32-37 of the financial statements, which also provides greater detail of how risk is managed.

Impact of Russia-Ukraine Conflict

The Bank has considered the potential risks that may arise from the ongoing conflict that developed into a war between Russia and Ukraine. The Bank has no direct exposure to Russia, Ukraine or Belarus, also involved in the conflict, and has taken immediate action to comply with restrictions and sanctions on all these countries. Based on the current assessment of the Bank, no material impact is expected on the liquidity, capital position and the operations of the Bank.

Israel-Palestine War

The Bank has considered the effects of the recent conflict between Israel and Palestine on its operations. The Bank has no direct exposure to Israel or Palestine and has taken immediate action to monitor the situation closely.

Climate Change

The financial risks from climate change are classified as physical or transition risks, as defined in the PRA's Supervisory Statement 3/19 (SS3/19) and FCA's Feedback Statement on Climate Change and Green Finance (FS19/6). These risks are manifested in the form of credit, market and operational risks for banks.

Physical Risks:

Physical risks from climate change arise from a number of factors and relate to specific weather events (such as floods, fires, droughts, cyclones) and longer-term shifts in the climate (such as rising sea levels, changing temperatures). These arise from increasing severity and frequency of climate- and weather-related events and have the potential to severely damage property and other infrastructure, disrupt supply chains and more broadly can lead to loss of life and migration. Direct impact of the physical risks on UK banks can be in the form of decline in the collateral values under mortgage exposures on properties that are in flood risk zones, and hence may translate into higher credit risks for banks.

Transition Risks:

These risks arise from the process of adjustment towards a low-carbon or carbon-neutral economy, which will require significant structural changes to the economy. The UK Government has set a target of achieving net-zero greenhouse gas emissions by 2050 to respond to the risks posed by the climate change.

Review of the potential physical risks on the Bank's Head Office and branches through the publicly available Flood Data published by the Environment Agency shows that physical risks (particularly flood risks) on the Bank's Head Office building and its two branches in North London have been assessed as Low.

The Bank had conducted in 2022 a quantitative analysis on the potential impact of physical risks on the mortgage portfolio of the Bank under the loan book with a particular focus on flood risks and other relevant environmental risks. The Bank then analysed sensitivity of the collateral properties based on postcodes based on the publicly available Flood Data published by the Environment Agency. Accordingly, Credit Department have completed a study by collecting and analysing flood risk data on the existing collateral book with 410 properties charged to the Bank as security under outstanding mortgages for each postcode. All new loans require an evaluation of environment and flood risk from an independent adviser.

For new originations, climate-change-related risks, particularly flood risks, are being reviewed as part of the credit application process through independent valuers' comments on the flood risk sensitivity of the properties and sufficient building insurance cover is ensured to be in place to protect the Bank's collateral.

The Bank has little to no exposure to financial market risks through climate change due to no equity risk or trading portfolio in its balance sheet and absence of other counterparty risks through financial derivatives.

The Bank does not currently have a distinct long-term scenario to stress test for the impact of the climate change as the nature of the business and strategy is such that balance sheet exposures are of relatively short maturities. However, operating with a portfolio of average LTV of 46%, which would reach a level of 77% when stressed against a worst case scenario of 40% drop in property prices in UK (where London market remains as the most relevant one as per the Bank's risk appetite and target market), it can be concluded that the Bank has room to manage and absorb a fall in property prices through materialization of physical and transitional climate change related risks; this, however, will be reviewed regularly.

Interest rate and currency risk

The Bank's activity exposes it primarily to the financial risk of changes to the interest rate environment and to a lesser extent to foreign currency exchange rate movements. With regard to interest rate risk the Bank has only a very small part of its loan portfolio on fixed interest rates, and the majority is on variable rates, reducing the Bank's exposure to interest rate fluctuations. Money market placements are at fixed rates but these are typically for a short period, up to three months to minimise risks.

Credit risk

The Bank has no significant concentration of credit risk, with lending mainly against UK property and LTVs

(Loan- to-Value) which are at the lower end of the UK mortgage market. The average LTVs for resident and non-resident customers are 55% and 62% respectively. Regular stress testing of the Bank's collateral security is carried out and the Directors are satisfied with the levels of equity where lending is against majority freehold and very little Long-dated leasehold property which is itself restricted to the London market.

Liquidity and funding risk

In order to maintain liquidity and funding to ensure that sufficient funds are available for ongoing operations and future developments, the Bank has set a cautious risk appetite with a significant proportion of total assets held mainly in short-term money market instruments and some in medium-term assets. The Directors believe that the Bank has a strong liquidity and funding position that meets with their Policy guidelines, which are set at the higher end of the market in line with the Bank's values and culture.

The Bank operates a risk management policy and has set quantifiable risk appetite limits and uses financial instruments based on the operations it undertakes. This risk management policy, which includes a description of how financial instruments are used, is disclosed in Note 36 to the financial statements.

Operational Risk and Resilience

Operational risk can arise from internal or external factors. These include attempted fraud, cyber-attacks, terrorist activities, systems failures and legal risk. The Bank's risk appetite is to mitigate these as far as is practical. Various techniques are used including firewall protection, security controls, back up procedures and recovery plans. The Board has approved the Bank's operational resilience risk framework and the third-party supplier management as required by the regulations and is continuing to monitor and enhance the framework to stay in full compliance going forward.

Future developments

The directors aim to maintain the policies that have resulted in the Bank's historic growth, with a focus on enhancing customer service and driving efficiency through a program of digital transformation. The Bank continues to invest to enhance its digital and IT infrastructure and is also reviewing its options to expand the current product portfolio for the benefit of its customers. Other future activities are covered in the Chairman's Report.

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

Erhan Raif
Executive Director

9 April 2025
84/86 Borough High Street
London SE1 1LN
United Kingdom

The Directors present their report together with the audited financial statements for the year ended 31 December 2024. Certain disclosures are given in the Chairman's statement, Strategic Report and the financial statements and are incorporated here by cross-reference. Specifically, these incorporate the following disclosures:

Future developments in the business – page 9 in the Strategic Report and page 2 and 3 in the Chairman's Statement

Activity Report

The principal activities of Turkish Bank (UK) Limited ("The Bank") are twofold, namely:

- To provide a superior community banking service to the Turkish-speaking people of London in particular and the UK in general; and
- Meet the UK banking needs of corporate clients and high-net-worth individuals who are customers of our parent or sister organisations within the Turkish Bank Group.

The Bank is a subsidiary of Turkish Bank Limited and a member of the Turkish Bank Group (the "Group") headquartered in Istanbul. The Chairman of the Group also performs the role of Chairman of the Bank. The Bank operates within and is guided by the overall strategic objectives of the Group. These focus on providing quality customer service at a competitive price to our clients and to provide a reasonable return on capital to our shareholders. More information regarding the Bank's activities can be obtained by accessing the Bank's website at **www.turkishBank.co.uk** or the Group website at **www.turkishBankgroup.com**.

Review of the Year

Information regarding the Bank's financial performance and position during the year ended 31 December 2024 is presented in the Strategic Report on pages 4 and 5.

Principal risks and uncertainties

Information regarding the exposure of credit risk, interest rate and currency risk, liquidity and funding risk are included in the Strategic Report on pages 7 to 9.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for at least 12 months from the date of issuing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the Bank's going concern basis of preparation can be found in the statement of accounting policies in these financial statements on pages 24 and 25.

Post Balance Sheet Events

There are no post balance sheet events.

Results and dividends

The profit for the year after taxation amounted to £795k (2023: £2,840k). The Directors do not recommend the payment of a dividend (2023: Nil).

Political and charitable contributions

The Bank does not make political contributions but does support registered charities that operate in the same community. The Bank made no charitable contributions in 2024 (2023: Nil).

Directors and their interests

Directors

Alper Akdeniz **
Erhan Raif
Gregory David Gould (appointed 1 January 2025)
Ibrahim Hakan Bortecene (Chairman)
John Coffey * (resigned 16 September 2024)
James Gillan
Murat Arig
Mustafa Kursat Asardag (resigned 16 April 2024)

* Chairman of the Board Audit and Risk Committee until 16 September 2024
** Chairman of the Board Audit and Risk Committee from 16 September 2024

Directors' indemnities

The Bank has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' remuneration

Directors' remuneration is set out in Note 10 of the financial statements 2024.

Board Audit and Risk Committee

The Board Audit and Risk Committee had seven meetings in 2024 (2023: seven meetings). The committee comprised three independent non-executive directors from 1 January 2024 and two from September to December 2024, all of whom are experienced Bankers or Subject Matter Experts in their respective fields. One new independent non-executive director was recruited from January 2025.

Disclosure of information to the auditor

Each of the Directors of the Bank holding office at the date of approval of this report confirms that so far as each of the Directors is aware, there is no relevant audit information of which the Bank's auditor is unaware; and so far as each of the Directors are aware they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information. This confirmation is given and shall be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Forvis Mazars LLP will therefore continue in office.

Erhan Raif
Executive Director

9 April 2025

84/86 Borough High Street
London SE1 1LN
United Kingdom
Registered in England. Company No. 02643004

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Turkish Bank (UK) Limited

Opinion

We have audited the financial statements of Turkish Bank (UK) Limited (the "Bank") for the year ended 31 December 2024 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) 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 audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance;
- Challenging the appropriateness and reasonableness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included the Bank's latest 4 Year Business Plan, latest Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"), and its reverse stress testing;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Performing a sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Bank;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation, levels and interest rates;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Reviewing the correspondence with the prudential regulators to identify and assess the impact of matter related to going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern

Independent auditor's report to the members of Turkish Bank (UK) Limited (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Impairment of loans and advances to customers: Impairment provisions in relation to loans and advances to customers £104k (2023: £81k) *Refer to Notes 4 Use of judgements and estimates, 6 (b) Accounting policies – Financial assets and financial liabilities, 17 Loans and advances to customers and 18 Provision for impairment losses for the disclosures in the financial statements.* Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires the Bank to recognise expected credit losses ("ECL") on financial instruments which involve significant judgement and estimates. The most significant areas where we identified greater levels of management judgement are: • Model estimations – Inherently judgemental modelling is used to estimate ECLs, particularly in determining Probabilities of Default ("PD") and Loss Given Default ("LGD"), including collateral valuations. The LGD assumption used in the model is the key driver of the ECL and is therefore the significant judgemental aspect of the Bank's ECL modelling approach; • Macroeconomic scenarios – The key macroeconomic variables ("MEV") and scenarios used in the model that form part of	Our audit procedures included, but were not limited to: <u>Control testing</u> • Assessing the design and implementation, and testing operating effectiveness of key controls in relation to credit processes (loan origination and approval, loan redemptions, arrears monitoring and approval of impairment provision). <u>Substantive testing</u> • Considering the appropriateness and reasonableness of the methodology used by management; • With the assistance of our Credit specialist, developing independent ECL challenger model incorporating forward looking information as per requirements of IFRS 9; • Engaging our property valuation experts to check on a sample basis the Bank's collateral valuation which is a key input for LGD calculation; • Challenging the appropriateness and reasonableness of key assumptions applied in identifying and determining probability of default, MEV weightings and LGD, including the reasonableness of external data used in the ECL model and check relevance of the data based on the understanding of the Bank's portfolio; • Testing the completeness and accuracy of the loan portfolio subject to the ECL calculation; • Checking mathematical accuracy of the ECL provision;

Key Audit Matter	How our scope addressed this matter
the modelling of default rates and house price values, and their impact on ECL; • Staging of loans and the identification of significant increase in credit risk ("SICR"); and • LGD – the Bank's ECL provision is sensitive to the LGD which comprise of collateral valuation and haircuts applied in their model Considering the effect of the above matters, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	• Performing an independent credit file review and challenging management on the application of SICR for a sample of customers to identify indicators of deterioration in credit quality and assess the appropriateness of the staging and associated ECL estimate; • Challenging appropriateness and reasonableness of ECL provision with respect to Stage 3 loans and agreeing the underlying inputs to the supporting documentation; and • Assessing the adequacy of the impairment provision disclosures in relation to the degree of estimation involved in arriving at the provision for impairment of loans and advances to customers. **Our observations** Based on the audit procedures performed, we found the provision of impairment of loans and advances to customers as at 31 December 2024 to be reasonable and the disclosures in the financial statements have been prepared in accordance with IFRS 9.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£305,000 (2023: £291,000)
How we determined it	Based on 1% of Net Assets (2023: Based on 1% of Net Assets).
Rationale for benchmark applied	Due to the volatility of profits, net assets are considered to more appropriately reflect the scale of the Bank's operations. Furthermore, net assets is deemed to be the main focus for the users of the financial statements due to being an approximation of regulatory capital resources and the importance of regulatory capital to the Bank's solvency.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £168,000 (2023: £175,000) , which represents 55% (2023: 60%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal

	controls and the history of misstatements, and concluded that an amount toward the lower end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £9,200 (2023: £8,700) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items

Other information

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

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

We have nothing to report 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 light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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 Bank, or returns adequate for our audit have not been received from branches not visited by us; or

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

Responsibilities of Directors

As explained more fully in the directors’ responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: anti-money laundering regulation, and regulatory and supervisory requirements of the Prudential Regulation Authority (the “PRA”) and the Financial Conduct Authority (the “FCA”).

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and the FCA;
- Reviewing of minutes of Board of directors’ meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance throughout our audit.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors’ and management’s incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment on loans and advances to customers, and fraud risk in revenue recognition (which we pinpointed to the accuracy due to the manual calculation process of some parts of the revenue).

Independent auditor's report to the members of Turkish Bank (UK) Limited (continued)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Inspecting the Bank's regulatory and legal correspondence and reviewing minutes of the Board of Directors meetings in the year;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Being skeptical to the potential of management bias through key judgements and assumptions in significant accounting estimates;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Board Audit Committee, we were appointed by the Bank's Board of Directors on 20 September 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ending 31 December 2018 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting our audit.

Our audit opinion is consistent with our additional report to the Board Audit and Risk Committee.

Use of the audit report

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

PProborespati

Poppy Proboresрati (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
9 April 2025

Turkish Bank (UK) Limited
Annual Report and Financial Statements
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2024

	Notes	2024	2023
Interest income	7	12,623	12,411
Interest expense	7	(2,960)	(2,572)
Net interest income		**9,663**	**9,839**
Fees and commissions receivable	8	651	663
Fees and commissions payable	8	(158)	(146)
Net fee and commission income		**493**	**517**
Net trading income	9	266	409
Total operating income		**10,422**	**10,765**
ECL (charge) / release on financial instruments	11,18	(35)	60
Personnel expenses	10	(5,010)	(3,625)
Premise expenses		(517)	(564)
Administrative expenses		(3,359)	(2,463)
Depreciation and amortisation	20, 21	(455)	(449)
Other expenses		(26)	(2)
Total operating expenses		**(9,402)**	**(7,043)**
Finance Cost		(1)	(1)
Profit before taxation		**1,019**	**3,721**
Income tax expense	13	(224)	(881)
Profit after taxation		**795**	**2,840**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		501	252
Deferred tax effect of net change in fair value of equity investments		(125)	(63)
(Loss) / gain on revaluation of properties		(961)	94
Deferred tax on property revaluation		109	14
Total other comprehensive (expense) / income		**(476)**	**297**
Total comprehensive income		**319**	**3,137**

The notes on pages 24 to 63 form an integral part of these financial statements. All activities relate to continuing operations

Turkish Bank (UK) Limited
Annual Report and Financial Statements
Statement of Financial Position
For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Assets			
Cash and cash equivalents	14	43,449	71,933
Loans and advances to banks	16	50,170	31,369
Loans and advances to customers	17	76,518	69,249
Investment securities	19	2,133	1,631
Swap derivative assets	36	15	-
Other assets	22	2,192	1,830
Current tax assets	13	163	-
Property and equipment	21	6,903	8,043
Intangible assets	20	819	984
Total assets		**182,362**	**185,039**
Liabilities			
Deposits from banks	23	6,725	10,894
Deposits from customers	24	142,973	141,429
Current tax liabilities	13	-	180
Deferred tax liabilities	26	462	480
Swap derivative liabilities	36	-	40
Lease liabilities	25	44	81
Other liabilities	25	1,659	1,755
Total Liabilities		**151,863**	**154,859**
Equity			
Called up share capital	27	12,000	12,000
Retained earnings		11,654	10,859
OCI reserve		749	387
Revaluation reserve		6,096	6,934
Total equity		**30,499**	**30,180**
Total liabilities and equity		**182,362**	**185,039**

The Board of Directors approved these financial statements and authorised for issue on 9 April 2025.

Signed on behalf of the Board of Directors

Erhan Raif
Executive Director

Registered company number: 02643004
The notes on pages 24 to 63 form an integral part of these financial statements.

Turkish Bank (UK) Limited
Annual Report and Financial Statements
Statement of Cash Flows
For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit after taxation		795	2,840
Adjustments for:-			
Depreciation of property plant and equipment	21	255	261
Amortisation of intangible assets	20	200	188
Net interest income	7	(9,663)	(9,839)
Interest paid on lease liabilities	25	1	1
Income tax expense	13	224	881
		(8,188)	**(5,668)**
Changes in:-			
Loans and advances to customers	17	(7,269)	5,951
Loans and advances to banks	16	(18,801)	(15,876)
Other assets	22,36	(540)	(340)
Deposits from banks	23	(4,169)	(2,153)
Deposits from customers	24	1,544	(12,913)
Other liabilities	20, 25, 36	(215)	1,221
		(29,450)	**(24,110)**
Interest received	7	12,623	12,411
Interest paid	7	(2,960)	(2,572)
Income tax paid	13	(374)	(669)
Net cash outflow from operating activities		**(28,349)**	**(20,608)**
Cash flows from investing activities			
Additions to property and equipment	21	(61)	(186)
Additions to intangible assets	20, 25	(35)	(493)
Net cash used in investing activities		**(96)**	**(679)**
Cash flows from financing activities			
Payment for lease liabilities	25	(38)	(43)
Interest paid on lease liabilities	25	(1)	(1)
Net cash used in financing activities		**(39)**	**(44)**
Net decrease in cash and cash equivalents		**(28,484)**	**(21,331)**
Cash and cash equivalents at 1 January*	14	**71,933**	**93,264**
Cash and cash equivalents at 31 December*	14	**43,449**	**71,933**

The carrying amounts of lease liabilities and the movement during the year is provided in Note 25. Total addition to equipment lease liabilities amounted to £17k, of which £3k was paid as lease payments in 2024. There are no other non-cash movements in lease liabilities.

The notes on pages 24 to 63 form an integral part of these financial statements.

*Includes restricted cash as detailed in Note 14.

Turkish Bank (UK) Limited
Annual Report and Financial Statements
Statement of Changes in Equity
For the year ended 31 December 2024

	Called up Share Capital £'000	OCI Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2023	**12,000**	**198**	**6,826**	**8,019**	**27,043**
Profit for the year	-	-	-	2,840	2,840
Other comprehensive income	-	189	108	-	297
Total comprehensive income	-	189	108	2,840	3,137
At 31 December 2023	**12,000**	**387**	**6,934**	**10,859**	**30,180**
At 1 January 2024	**12,000**	**387**	**6,934**	**10,859**	**30,180**
Profit for the year	-	-	-	795	795
Other comprehensive income / (expense)	-	376	(852)	-	(476)
Total comprehensive income / (expense)	**-**	**376**	**(852)**	**795**	**319**
At 31 December 2024	**12,000**	**763**	**6,082**	**11,654**	**30,499**

OCI reserve relates to the gain/loss on the fair valuation of investment securities which are classified as fair value assets through other comprehensive income. Please see Note 19.

Revaluation reserve relates to the revaluation of freehold land and buildings. Please see Note 21.

Retained earnings reserve relates to accumulated prior year profits which have not been distributed to shareholders.

The notes on pages 24 to 63 form an integral part of these financial statements.

1. Reporting Entity

Turkish Bank (UK) Limited (the "Bank") is domiciled in the United Kingdom. The Bank's registered office is 84/86 Borough High Street, London SE1 1LN. The Bank is a regulated bank, in the retail Banking sector. The Bank has four branches located in Borough High Street, Mayfair, Haringey, and Palmers Green.

2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and in conformity with the requirements of the Companies Act 2006. The financial statements have been authorised for issue by the Bank's Board of Directors on 9 April 2025.

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of equity investments, derivatives and properties owned by the Bank, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

These financial statements are presented in pound sterling which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

These financial statements have been prepared on the going concern basis.

In making the assessment of the Bank's ability to continue on the going concern basis for the three-year period after the end of the reporting period, the Directors evaluated all information at their disposal and considered possible future events and conditions and how the Bank may reasonably respond to these events and conditions. The Directors also considered the financial position of the Bank, its liquidity and capital position, the Bank's financial forecasts and applied stress testing to the financial forecasts to take into account potential risks affecting them.

The Bank makes use of stress testing in reviewing its forecasts as part of the annual Internal Capital Adequacy Assessment Process (hereinafter referred to as "ICAAP"), where testing considered the impact of a number of severe but plausible scenarios. The key stresses considered were:

- The Bank experiences an increase as much as 1% in funding costs covering both market wide stress on the banking sector as well as an idiosyncratic stress on the Bank arising from reputational or political events causing a run on the Bank.
- A scenario where the Bank of England base rate is assumed to fall by an additional 1% compared to the base case where the Bank of England base rate is assumed to reduce to 2.75% by 2027.
- In the property stress scenario, the Bank applied the assumption of residential property prices falling by 31% until the end of 2025 then recovering to minus 20% by 2027 while commercial property prices dropping by 45% until the end of 2025 and then recovering to minus 20% by 2027.

Under all scenarios, the Bank had the ability to meet its obligations over the forecast period and maintain a surplus over its regulatory requirements for both capital and liquidity through normal balance sheet management activities.

As part of the ICAAP process, the Bank also assessed the potential operational risks it could face. This was done through the analysis of the impact and cost of a series of severe but plausible scenarios. This analysis did not highlight any factors which cast doubt on the Group's ability to continue as a going concern.

The latest liquidity and contingent liquidity positions and forecasts were assessed against the Internal Liquidity Adequacy Assessment Process (ILAAP) stress scenarios with the Bank maintaining sufficient liquidity throughout the going concern assessment period.

The Bank considered reverse stress testing scenarios based on property price declines since the Bank's main business concentrates on secured lending collateralised by commercial and residential property. Such stresses would have direct effect on capital position due to the effect on its ECL provision on the loan book as well as the revaluation deficit on branches and Head Office owned by the Bank. A decline in property prices of 80% combined with an increase in the average probability of default to 45%, which is considered to be an extreme and highly unlikely event, would cause the Bank to have used up all CRD IV and PRA Buffers with just enough capital to keep the Total Capital Requirements. Any further decline would cause capital deficiency. The Bank considers that in this reverse stress scenario KRIs would have triggered management action to improve the capital position. The Bank has considered the key assumptions for its 2025 Budget in a prudent manner and applied stress testing to its financial forecasts.

2. Basis of preparation (continued)

In conclusion, even under severe stress scenarios the Bank's strong liquidity position, robust capital base and focus on secured lending at cautious margins of collateral and debt serviceability give comfort to the Directors that the Bank has the resources to continue in business for at least 12 months from the date of issuing these financial statements and that there is no material uncertainty regarding the going concern assumption. The Directors concluded as a result of this assessment that it was appropriate for the Bank to adopt the going concern basis to prepare these financial statements.

3. New and amended standards and interpretations

The Bank has consistently applied the accounting policies as set out in Note 6 to the financial statements to all the periods presented in these financial statements. There are no new standards or amendments published by the IASB effective from 1 January 2024 that would be applicable to the Bank.

The following standards and amendments have been issued by the IASB but they are not yet effective.

- Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7. (The impact has yet to be determined.)
- IFRS 18 Presentation and Disclosure in Financial Statements. (The impact has yet to be determined.)
- Lack of exchangeability – Amendments to IAS 21 (This is not expected to be relevant to the Bank's financial statements)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures. (The Bank does not have any subsidiaries and therefore it is not expected to be relevant to the Bank's financial statements.)

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 are included in the notes.

Estimates

Note 18: impairment of financial instruments, determining inputs into the ECL measurement model, including incorporation of forward-looking information, estimates of probability of default and loss given default.

With the easing of inflation and interest rate pressures, the Bank has revisited its estimation of probability of default (PDs) for retail mortgage customers as well as the macro scenarios related to the estimation of loss given default (LGDs) for retail customers. The following key changes have been made to the estimations.

- The probability of default of the base case has been determined for different portfolios separately and overall average increased from 1.87% to 2.18%. The PDs for the different macro scenarios have been adjusted similarly. Due to low LTV of the portfolio of retail mortgage loans in Stage 1, the effect of changes in the PDs does not materially affect the output of the ECL model.
- The macro scenario weightings for the better case, base case and worse case have remained the same as 5%, 75% and 20% in both 2023 and 2024. These scenarios do not have a significant effect on the ECL for retail customers.
- Stress on property valuations has been estimated for different portfolios separately and the average has decreased marginally from 47.5% to 47.2% for the worst-case macro scenario.

4. Use of judgements and estimates (continued)

A summary of LGDs, PDs and Property Stress estimations is set out below.

2024

LGDs	Expansion	Through the cycle	Stress	Scenario testing
Regulated Mortgages	6.16%	20.91%	46.77%	51.77%
Residential BTL	5.41%	18.34%	44.59%	49.59%
Other Secured Loans (Inc. Commercial BTL)	7.49%	22.34%	50.31%	55.31%

PDs	Better case	Base case	Worst case	Scenario testing
Regulated Mortgages	1.42%	1.92%	2.42%	3.42%
Residential BTL	1.85%	2.35%	2.85%	3.85%
Other Secured Loans (Inc. Commercial BTL)	1.76%	2.26%	2.76%	3.76%

2023

LGDs	Expansion	Through the cycle	Stress	Scenario testing
Regulated Mortgages	6.24%	21.17%	47.15%	52.15%
Residential BTL	5.44%	18.46%	44.80%	49.80%
Other Secured Loans (Inc. Commercial BTL)	7.50%	22.40%	50.40%	55.40%

PDs	Better case	Base case	Worst case	Scenario testing
Regulated Mortgages	1.18%	1.68%	2.18%	3.18%
Residential BTL	1.31%	1.81%	2.31%	3.31%
Other Secured Loans (Inc. Commercial BTL)	1.63%	2.13%	2.63%	3.63%

The PDs for exposures to banks are estimated based on the ratings of the institutions and the increase in ECL for bank exposures result from increase treasury exposures rather than higher default rates for the rated banks.

The total ECL provision as of 31 December 2024, amounts to £197k (2023: £162k) which may be subject to significant risk of adjustment within the next financial year. The carrying value of assets subject to ECL risk and related ECL provision is set out below.

	Cash and cash equivalents	Loans and advances to banks	Loans and advances to customers	Total
2024	**£'000**	**£'000**	**£'000**	**£'000**
Gross Exposure	43,471	50,237	77,093	170,801
ECL Loss Allowance	(22)	(67)	(108)	(197)
Unamortised portion of loan fees	-	-	(467)	(467)
Net Carrying amount	**43,449**	**50,170**	**76,518**	**170,137**
2023				
Gross Exposure	71,953	31,416	69,605	172,974
ECL Loss Allowance	(20)	(47)	(95)	(162)
Unamortised portion of loan fees	-	-	(261)	(261)
Total financial assets	**71,933**	**31,369**	**69,249**	**172,551**

5. Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank has an established control framework with respect to the measurement of fair values.

Significant valuation issues are reported to the Bank's Board Audit and Risk Committee.

When measuring the fair value of an asset or liability the Bank uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognises transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6. Accounting Policies

a. Revenue recognition

i. Interest income

Effective interest rate

Interest income and expense are recognised in the Statement of profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

6. Accounting Policies (continued)

a. Revenue recognition (continued)

i. Interest income (continued)

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost.

ii. Rendering of services and commissions

Fees that are an integral part of generating an involvement with a resulting financial instrument together with the related direct costs are deferred and recognised using an alternative method that has a high correlation with the effective interest rate method.

If a specific lending arrangement is entered into, the administration fee received is deferred based on the expected life of the asset. If the commitment expires without making the loan, the fee is recognised as revenue on expiry. If it is unlikely that a specific lending arrangement will be entered into, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Estimating the expected life of the loan assets is significant in determining the recognition of administration fee income. The average loan life is estimated to be 36 months.

Fees earned for banking services provided are recognised as revenue as the services are provided.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when performance obligations are met.

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank. Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Trading income

Trading income relate to:

- foreign exchange commissions earned from customer transactions and are recognised as income at the point transactions are realised;
- dividend income declared; or
- sale of loan assets, recognised when agreement is unconditionally signed.

iii. Other operating income

Other operating income includes net realisable gain from repossessed property used as collateral for loans. These are recognised as the net realisable gain after allowing for legal and selling costs of property.

b. Financial assets and financial liabilities

i. Recognition and initial measurement

The Bank initially recognises loans and advances and deposits on the date on which they are settled. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

6. Accounting Policies (continued)

b. Financial assets and financial liabilities (continued)

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated At FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated At FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

6. Accounting Policies (continued)

b. Financial assets and financial liabilities (continued)

ii. Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI) (continued)

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated At FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

6. Accounting Policies (continued)

b. Financial assets and financial liabilities (continued)

iv. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any third party costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

v. Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a bank of similar transactions such as in the Bank’s trading activity.

6. Accounting Policies (continued)

b. Financial assets and financial liabilities (continued)

vi. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. Impairment of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

6. Accounting Policies (continued)

b. Financial assets and financial liabilities (continued)

vii. Impairment of financial assets (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Stage 3 exposures are credit-impaired assets and they are also categorised as exposures in default or vice versa.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

The definition of default for internal credit risk management purposes, the accounting definition of default and the regulatory definition of default are consistent. The definition of default is where a retail loan is overdue for 90 days.

A 3-month probation period is applied to a defaulted stage 3 account. If a customer is in default and ceases to fulfil any of the stage 3 criteria, then the default flag shall not be removed until 3 months of consecutive non-default behaviour is observed.

Stage 2 Staging criteria indicate a significant increase in credit risk from the date of loan origination and include the following:

Covenant breach

For Stage 2 accounts, where the risk that manifested to warrant allocation to Stage 2 has receded, the account can be reclassified as Stage 1 after a two-month period of satisfactory performance. Satisfactory performance means there has been no payment default and the exposure has operated within covenants.

6. Accounting Policies (continued)

b. Financial assets and financial liabilities (continued)

vii. Impairment of financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a deduction from the carrying amount of loans and advances;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in ‘impairment losses on financial instruments’ in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank’s procedures for recovery of amounts due.

c. Loans and advances

‘Loans and advances’ captions in the statement of financial position include:

- Loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

In previous accounting periods the Bank presented the breakdown of maturity dates for Loans and advances to customers assuming the full loan principal amount will be repaid upon the contractual maturity date of the facilities. However, the correct presentational format of the disclosure is to present this information based on the specific repayment schedule of the outstanding principal amounts. Therefore, the relevant Notes to the accounts comparatives for 2023 have been restated accordingly. This has impacted notes 17, 35 and 38 only. As this change is presentational in nature there has been no impact to the any of the amounts presented within the face of the financial statements.

d. Investment securities

The ‘investment securities’ caption in the statement of financial position includes:

- Equity investment securities designated At FVOCI.

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss.

Dividends are recognised in profit or loss. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

e. Pension schemes

Contributions to a defined contribution scheme are charged to profit or loss so as to reflect the amounts payable to the pension schemes in respect of the accounting period.

6. Accounting Policies (continued)

f. Foreign currency translation

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates of exchange ruling at the reporting date. All differences arising are taken to profit or loss.

g. Derivatives

Derivative contracts consist of foreign currency swap contracts which are outstanding at the reporting date. Derivatives are measured at fair value, with changes in the fair value recognised in the profit and loss account. The Bank does not use derivative financial instruments for speculative or trading purposes. The Bank has not designated any of the derivative contracts in hedging relationships for hedge accounting purposes.

h. Property and equipment

Depreciation is provided on all property and equipment, except freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	Over 50 years
Fixtures, fittings and equipment	5% to 20%
Right-of-use assets – IT equipment	20%
Right-of-use assets – branch network	Individual Lease Terms 2-5 years
Motor vehicle	20%

The accounting policy for freehold land and buildings is to revalue to market value every three years unless there is evidence that the value has changed materially. Please see Note 21 - Property and Equipment.

i. Current and deferred taxation

Current tax including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

j. Leases

The Bank as a lessee

For any new contract the Bank considers whether a contract is or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Bank has the right to direct the use of the identified asset throughout the period of use.

The Bank assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

6. Accounting Policies (continued)

j. Leases (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included as a separate line item.

k. Intangible assets – Software licences and software purchased.

Software licences are included at cost and amortised in equal annual instalments over a period of five years which is their estimated useful economic life. These software licence amortisations coincide with hardware depreciation over a period of five years. Provision is made for any impairment loss. Costs relating to the core banking system, and external costs relating to self-developed software are amortised over ten years. Costs relating to payment projects are amortised over ten years. Self-developed software is only recognised where the Bank can demonstrate that the resultant software has been tested and loaded onto the operative platform without significant fault and that the value of benefits brought by the software exceeds its development cost.

l. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Any restriction to cash are detailed in Note 14.

m. Other Assets

Properties repossessed to recover receivable from loans and advances are classified as other assets and measured at the net realisable value after allowing for legal and selling costs of property.

7. Net interest income

	2024	2023
	£'000	£'000
Interest income		
Cash and cash equivalents	2,356	4,105
Loans and advances to banks	346	1,338
Loans and advances to customers	7,442	5,732
Debt securities	2,479	1,236
Total interest income	**12,623**	**12,411**
Interest expense		
Deposits from banks	(331)	(567)
Deposits from customers	(2,629)	(2,005)
Total interest expense	**(2,960)**	**(2,572)**
Net interest income	**9,663**	**9,839**

8. Net fee and commission income

	2024	2023
	£'000	£'000
Major service lines		
Remittances	240	241
Account charges	411	422
Total fee and commission income from contracts with customers	**651**	**663**
Fee and commission expense	(158)	(146)
Net fee and commission income	**493**	**517**

9. Trading income and other operating income

	2024	2023
	£'000	£'000
Trading income		
Dividends from Visa Shares	23	10
Profit on sale of loans to related party	100	209
Net foreign exchange gain	143	190
Total trading income	**266**	**409**

10. Personnel expenses

	2024 £'000	2023 £'000
Personnel expenses during the year (including Directors)		
Wages and salaries	4,225	3,078
Social security costs	521	344
Pension costs	140	110
Other staff costs	124	93
Total personnel expense	**5,010**	**3,625**

The average monthly number of employees during the year was made up as follows:

	2024 No.	2023 No.
Commercial banking activities	**76**	**67**

Directors' remuneration during the year consisted of:	2024 £'000	2023 £'000
Emoluments	**386**	**437**

The emoluments of the highest paid Director were £161,755 (2023: £133,545). Total pensions contributions for the Directors and the pension contribution for the highest paid Director were £2,340 and £1,755 respectively (2023: £2,632 and £1,755 respectively).

The Bank operates a stakeholder pension arrangement, whereby the staff contribute, and the Bank makes a contribution with reference to current National Insurance rates.

11. ECL (charge) / release on financial instruments

	2024 £'000	2023 £'000
ECL (charge) / release for the year	(35)	60
Net ECL (charge) / release	**(35)**	**60**

12. Profit on ordinary activities before taxation

	2024 £'000	2023 £'000
Profit is stated after charging / (crediting):		
Foreign currency gains	(143)	(190)
Depreciation and amortisation	455	449
Fees payable to the Bank's auditor		
Audit of the Bank's annual accounts*	400	205
Audit-related service fee	-	15

The Bank does not have short term leases.

*Excluding disbursements.

13. Income taxes

	2024 £'000	2023 £'000
Tax paid in respect of current year	(374)	(669)
Tax recoverable from prior years	(86)	(73)
United Kingdom corporation tax at 25% (2023: 23.50%) based on taxable profit	297	922
Current tax (asset) / liability	**(163)**	**180**
United Kingdom corporation tax at 25% (2023: 23.50%) based on taxable profit	297	922
Adjustment in respect of prior years	(39)	11
Deferred tax movements	(34)	(86)
Total current tax	**224**	**881**

Deferred tax asset and liabilities have been calculated at 25% in 2024 (2023: 25%) of the temporary differences.

The UK corporation tax rate increased from 19% to 25% from 1 April 2023. The current tax charge for the year can be reconciled to the standard rate of corporation tax at 25% (2023: 23.5%) as explained below:

Current tax	2024 £'000	2023 £'000
Accounting profit before tax	**1,019**	**3,721**
Tax at the statutory rate of 25% (2023: 23.50%)	255	874
Depreciation lower / (in excess) of capital allowances	50	(8)
Income not subject to tax	(6)	(2)
Non-deductible expenses	(2)	58
Adjustment in respect of current income tax of prior years	(39)	11
Deferred tax movements	(34)	(52)
Total income tax expense	**224**	**881**

The effective income tax rate for 2024 is 22.0% (2023: 23.7%).

14. Cash and cash equivalents

	2024	2023
	£'000	£'000
Cash held at branches	562	478
Deposits at the Bank of England	25,996	39,871
On demand from other banks	9,385	21,940
Within three months from other banks	7,528	9,664
ECL Allowance	(22)	(20)
Total cash and cash equivalents	**43,449**	**71,933**

All gross exposures in cash and cash equivalents are Stage 1 exposures both in 2023 and 2024.

Included within cash and cash equivalents is an amount of £40k in respect balances placed with Group companies (2023: £3,030k). The interest received from Group companies during the year was £67k (2023: £19k).

Included in cash and cash equivalents is £984k (2023: £937k) which is restricted.

Geographical analysis of cash and cash equivalents is as follows:

	2024	2023
UK:	£'000	£'000
Cash held at branches	562	478
Deposits at the Bank of England	25,986	39,871
On demand from other banks	1,026	9,063
Outside UK:		
On demand from other banks	8,356	12,877
Within three months from other banks	7,519	9,644
Total cash and cash equivalents	**43,449**	**71,933**

	2024	2023
By Credit rating:	£'000	£'000
Cash held at branches	562	478
AA- to AAA	36,349	58,219
B	6,498	4,508
Not rated	40	8,728
Total cash and cash equivalents	**43,449**	**71,933**

15. Financial assets and financial liabilities

See accounting policies in Note 6. The following table provides reconciliation between line items in the statement of financial position and categories of financial instruments.

2024

Financial Assets	**Note**	**Mandatorily at FVPL**	**Equity instruments at FVOCI**	**Amortised cost**	**Total carrying amount**
			£'000	**£'000**	**£'000**
Cash and cash equivalents	14	-	-	43,449	43,449
Loans and advances to banks	16	-	-	50,170	50,170
Loans and advances to customers	17	-	-	76,518	76,518
Investment securities – equity	19	-	2,133	-	2,133
Derivative assets	36	15	-	-	15
Total financial assets		**15**	**2,133**	**170,137**	**172,285**
Financial liabilities					
Deposits from banks	23	-	-	6,725	6,725
Deposits from customers	24	-	-	142,973	142,973
Total financial liabilities		**-**	**-**	**149,698**	**149,698**

2023

Financial Assets	**Note**	**Mandatorily at FVPL**	**Equity instruments at FVOCI**	**Amortised cost**	**Total carrying amount**
		£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	14	-	-	71,933	71,933
Loans and advances to banks	16	-	-	31,369	31,369
Loans and advances to customers	17	-	-	69,249	69,249
Investment securities – equity	19	-	1,631	-	1,631
Total financial assets		**-**	**1,631**	**172,551**	**174,182**
Financial liabilities					
Deposits from banks	23	-	-	10,894	10,894
Deposits from customers	24	-	-	141,429	141,429
Derivative liabilities	36	40	-	-	40
Total financial liabilities		**40**	**-**	**152,323**	**152,363**

Certain debt securities are held by the Bank's Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are exceptional. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9. Certain equity investments held by the Bank for strategic purposes have been designated under IFRS 9 at FVOCI.

16. Loans and advances to banks

	2024	2023
	£'000	£'000
Loans to Turkish banks original maturity less than and equal to one year	7,968	2,356
Bonds original maturity less than and equal to one year	42,269	29,060
ECL allowance	(67)	(47)
Total loans and advances to banks	**50,170**	**31,369**

17. Loans and advances to customers

	2024	2023
		Restated
Loans are repayable as follows:	£'000	£'000
On demand	3,228	2,547
Within three months	2,482	3,318
Between three months and one year	6,246	3,890
Between one and five years	44,521	46,034
Five years or more	20,616	13,816
Unamortised portion of loan fees	(467)	(261)
ECL Allowance		
Specific	(68)	(35)
Collective	(40)	(60)
Total loans and advances to customers	**76,518**	**69,249**

As a result of the restatement of the principal maturity allocation of Loans and advances to customers the impact on the restated prior year numbers is an increase in Loans and advances to customers repayable within three months by £350k, an increase in between three months and one year by £904k, a decrease in between one and five years by £1,113k and a decrease in five years or more by £141k.

Loans and advances are classified as non-performing if repayments are not made within 90 days of the due date. Non-performing loans and advances totalled £966,940 at the year-end (2023: £1,020,530). Such loans are subject to Stage 3 impairment.

Loans and advances to customers includes £633,866 (2023: £962,029) which has been in the watch list Stage 3. The following information is given in respect of the nature and type of loans and advances to customers:

	2024				
	Fixed Rate Loan		Floating Rate Loan		Total
	£'000		£'000		£'000
	Secured	Unsecured	Secured	Unsecured	
Overdraft	-	-	3,099	130	**3,229**
Fixed term					
- Retail	500	-	51,323	32	**51,855**
- Corporation	-	-	21,804	205	**22,009**
	500	**-**	**76,226**	**367**	**77,093**
ECL Allowance	-	-	(40)	(68)	**(108)**
Unamortised portion of loan fees	-	-	(467)	-	**(467)**
	500	**-**	**75,719**	**299**	**76,518**

17. Loans and advances to customers (continued)

	2023				
	Fixed Rate Loan £'000		Floating Rate Loan £'000		Total £'000
	Secured	Unsecured	Secured	Unsecured	
Overdraft	-	-	2,526	22	**2,548**
Fixed term					
- Retail	500	-	49,304	25	**49,829**
- Corporation	-	-	17,216	12	**17,228**
	500	**-**	**69,046**	**59**	**69,605**
ECL Allowance	-	-	(60)	(35)	**(95)**
Unamortised portion of loan fees	-	-	(261)	-	**(261)**
	500	**-**	**68,725**	**24**	**69,249**

The following information is given in respect of origin and currency of loans and advances.

	2024 £'000	2023 £'000
UK	45,149	43,128
Non-UK:		
- Turkey	30,101	24,195
- Others	1,735	2,187
Unamortised portion of loan fees	(467)	(261)
Total	**76,518**	**69,249**

All loans and advances to customers are denominated in pound sterling.

18. Provision for impairment losses

The following table shows reconciliations from the opening to the closing balance of the loss allowance.

	Stage 1	Stage 2	Stage 3	Total
Loss allowance 2024	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January	**93**	**2**	**67**	**162**
Net re-measurement of loss allowance	2	(2)	-	**-**
Derecognition of loans and advances	(38)	1	18	**(19)**
New financial assets	54	-	-	**54**
At 31 December	**111**	**1**	**85**	**197**

	Stage 1	Stage 2	Stage 3	Total
Loss allowance 2023	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January	**165**	**-**	**57**	**222**
Net re-measurement of loss allowance	(15)	2	11	**(2)**
Derecognition of loans and advances	(137)	-	(1)	**(138)**
New financial assets	80	-	-	**80**
At 31 December	**93**	**2**	**67**	**162**

18. Provision for impairment losses (continued)

The movement in the ECL provision by asset class is provided below;

	2024	2023	Change
	£'000	£'000	£'000
Cash and cash equivalents	22	20	**2**
Loans to banks	67	47	**20**
Loans to customers	104	81	**23**
Commitments	4	14	**(10)**
Total ECL	**197**	**162**	**35**

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 6.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

The Bank uses a maximum of a 12-month PD for Stage 1 financial assets. For Stage 2 and Stage 3 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For portfolios in respect of which the Bank has limited historical data, external benchmark information such as Moody's Default Rates and Loss Recovery Rates are used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of PD and ECL are as follows:

- Corporate Loans;
- Loans to banks; and
- Money Market Deposits to banks.

The Bank considers three macro scenarios with accompanying PD and LGDs and arrives at the ECL based on the weighted average of the three scenarios with attached probabilities. For these scenarios, the LGD for mortgage portfolio is based on the assumptions about the following variables:

- Costs of recovery;
- Costs of repossession;
- Recovery period;
- Property haircuts pertinent to the macro scenario;

18. Provision for impairment losses (continued)

- Forced sale discounts relevant to the property type;
- Any expected valuation declines over recovery period; and
- Discount rate EIR.

The summary of the key probability of default and loss given default assumptions are as follows:

	Average Probability of Default for Loans	Average collateral Stress	ECL provision	Scenario Weighting	Weighted ECL Provision Base Case
2024			**£'000**		**£'000**
Better Case	1.68%	6.35%	162	5%	8
Base Case	2.18%	20.53%	162	75%	122
Worst Case	2.68%	47.22%	337	20%	67
Total ECL Provision				**100%**	**197**
2023					
Better Case	1.37%	6.39%	126	5%	6
Base Case	1.87%	20.68%	126	75%	95
Worst Case	2.37%	47.45%	305	20%	61
Total ECL Provision				**100%**	**162**

The ECL analysis for exposures secured by property is as follows, excluding cash backed loans and unsecured loans.

	2024		
	Exposure	**Average LTV**	**ECL Total**
LTV Band	**£'000**		**£'000**
Less than 50%	44,750	36.12%	**5**
50% to 59%	15,424	54.12%	**17**
60% to 69%	11,870	63.18%	**10**
70% to 79%	4,550	70.00%	**5**
Total	**76,594**	**45.95%**	**37**

	2023		
LTV Band	**Exposure**	**Average LTV**	**ECL Total**
	£'000		**£'000**
Less than 50%	44,582	31.18%	1
50% to 59%	14,940	54.04%	13
60% to 69%	8,271	62.78%	7
Total	**67,793**	**40.07%**	**21**

The exposures set out in the table above are before reflecting unamortised portion of loan fees in 2024 of £467k (2023: £261k).

18. Provision for impairment losses (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort.

The Bank has not experienced significant losses in the past and has a very highly collateralised loan portfolio with very low loan-to-value. Loans with less than 30 days overdue are classified as Stage 1, 30-90 days are classified as Stage 2 and over 90 days are classified as Stage 3. The methodology of estimating the PDs and LGDs is provided above and in Note 6.

Accounts that are in excess of agreed limits are discussed at the monthly care lending meetings and escalated to the Credit Committee if appropriate. Provision is made on the advice of Credit Committee if an exposure is deemed to be at risk of non-recovery. All the provisions are approved by the Board of Directors.

19. Investment securities

	2024 £'000	2023 £'000
Preference Shares in Visa Inc. / Visa Europe	2,133	1,631
Total investment securities	**2,133**	**1,631**

During 2016 there was a reorganisation of the Visa network which included the sale of Visa Europe to Visa Inc. As a result the Bank received 743 preference shares valued at £325,000 at the time of the transaction. The investment in securities is treated as FVOCI. The Bank values these shares through other comprehensive income.

In 2020 and 2022, Visa made "Conversion Adjustments" to the Class A Common Equivalent Numbers separately for the B and C Series Preferred Stock. On the deposit date, Visa's transfer agent, EQ Shareowner Services, deposited Series A Preferred Stock proportional to the release amounts into the account for the stockholders based on their ownership as of the record date.

As described in the Certificates of Designations, the number of shares of Series A Preferred Stock issued to each holder was equal to the Liability Coverage Reduction Amount divided by the number of shares of the applicable series of Preferred Stock then outstanding divided by the per-share Fair Market Value of the Class A Common Stock as of 21 June 2020 and 5 July 2022, divided by 100. After the issuance of Series A Preferred Stock, the Class A Common Equivalent Numbers for each series of Preferred Stock were commensurately reduced to reflect the Conversion Adjustments that took place.

As a result of these transactions, the Bank was given as a stock dividend 69 Visa A preference shares. The third release assessment of the Series B Preferred Stock occurred on June 21, 2024, the eighth anniversary of the closing of the Visa Europe transaction. As required by the Litigation Management Deed (the "LMD"), at each release assessment, Visa, in consultation with the Litigation Management Committee comprising representatives of former Visa Europe members (the "LMC"), performed a conservative assessment of the ongoing risk of liability to Visa and its subsidiaries arising from certain existing and potential litigation relating to the setting of multilateral interchange fee rates in the Visa Europe territory. The final determination of the release amount was announced on 10 July 2024 through which the Bank received 12 newly issued "A" Preference shares. As a result, the Bank holds the following shares in Visa.

81 "A" Preference shares valued at £1,122,000 at the time of issuance on 24 September 2020, 29 July 2022 and 10 July 2024.

743 "B" Preference shares valued at £325,000 at the time of the original transaction in 2016.

Analysis by currency of origin is as follows:

Origin of investment securities

	2024		2023	
	USD $'000	Total £'000	USD $'000	Total £'000
USA	2,677	2,133	2,077	1,631
Total investment securities	**2,677**	**2,133**	**2,077**	**1,631**

20. Intangible fixed assets

Computer software

	2024 £'000	2023 £'000
Cost		
At 1 January	4,235	4,167
Additions	35	68
At 31 December	**4,270**	**4,235**
Amortisation		
At 1 January	3,251	3,063
Charge for the year	200	188
At 31 December	**3,451**	**3,251**
Net book value		
At 31 December	**819**	**984**

The intangible fixed assets comprise software purchased, and external costs relating to developed systems. The additions represent extension of the banking software license and other purchased software licenses. Payment project costs as well as the licence for the core banking system are being amortised over 10 years. Other software is amortised over 5 years.

21. Property and equipment

	Freehold land and buildings £'000	Right of use assets Branch network £'000	Right of use assets Lease equipment £'000	Fixtures fittings and equipment £'000	Total £'000
At 1 January 2024	**8,556**	**222**	**40**	**3,220**	**12,038**
Additions	-	-	17	44	**61**
Revaluation	(946)	-	-	-	**(946)**
At 31 December 2024	**7,610**	**222**	**57**	**3,264**	**11,153**
At 1 January 2024	**935**	**175**	**6**	**2,879**	**3,995**
Charge for the year	135	36	9	75	**255**
At 31 December 2024	**1,070**	**211**	**15**	**2,954**	**4,250**
Net book value					
At 31 December 2024	**6,540**	**11**	**42**	**310**	**6,903**
At 31 December 2023	**7,621**	**47**	**34**	**341**	**8,043**

The land and buildings are occupied by the Bank for its own activities. Freehold land and buildings are revalued to fair value at 31 December 2024 and 31 December 2023.

The Bank conducted a full professional valuation by London's Surveyors & Valuers Ltd, a chartered surveyor external to the Bank, at 31 December 2024 which resulted in a decrease in net book value of £1,081k, which has been reflected in these financial statements. The Bank had received a valuation update at 31 December 2023 as well from the same chartered surveyor which had resulted in an increase in net book value of £94k which had been reflected in financial statements for the year ended 31 December 2023.

21. Property and equipment (continued)

The valuation conducted was carried out separately for each of the three properties held by the Bank. Market values were obtained assuming vacant possession. The valuation was carried out in accordance with the latest edition of the Royal Institution of Chartered Surveyors [RICS] Valuation – Global Standards [The Red Book] Global Standard 2022. The property was inspected on 19 December 2024 by a valuer, accredited by the RICS Valuer Registration Scheme.

The significant input in valuing the properties was the yield rate of properties used for similar purpose in the local area. The valuer established a reasonable rental value per square foot as a significant unobservable input and then applied it against yield factor to obtain a reasonable market value. In the case of the Bank's most valuable property in Borough High Street, the valuer assumed a rental yield of £300k per annum discounted at a rate of 6% to obtain a market valuation of £5m. The building was then considered to be vacant resulting in a devaluation to £4.5m.

An increase / decrease of 0.5% in the yield percentage used would have meant a devaluation of (£532k) / a revaluation of £625k respectively (2023: (£605k) / £720k). A 5% increase / reduction in rental yield would have meant a revaluation of £366k / a devaluation of (£359k) respectively (2023: £389k / (£381k))

The hierarchy of the fair value measurement is Level 3.

The carrying value of freehold buildings if they were carried at historical cost would be £1,971k (net of depreciation) (2023: £2,106k). It is intended to next revalue these assets at 31 December 2025.

Branch Network refers to a single lease contract for one branch location, which has a remaining contract length of three months.

22. Other assets

	2024 £'000	2023 £'000
Items in the course of collection	57	361
Prepayments	422	450
Interest and business charge accruals	1,526	773
Other assets	187	246
Total other assets	**2,192**	**1,830**

Items in the course of collection relate to Faster Payments in transit. Other assets include accrued interest income and business charges.

23. Deposits from banks

	2024 £'000	2023 £'000
Deposits from banks are repayable as follows:		
On demand		
- Group	5,409	9,367
- Non-Group	1,316	1,527
Total deposits from banks	**6,725**	**10,894**

The interest paid to Group companies during the year was £ 527k (2023: £599k).

All bank deposits mature the next day. Geographical analysis of deposit by banks is as follows:

Outside UK:	2024 £'000	2023 £'000
On current account	6,725	10,894
Total deposits from Banks	**6,725**	**10,894**

24. Deposits from customers

	2024 £'000	2023 £'000
Customer deposits are repayable as follows:		
On demand	51,449	80,860
Within three months	67,063	35,820
Between three months and one year	24,000	24,000
Between one year and five years	461	749
Total deposits from customers	**142,973**	**141,429**

The following information is given in respect of the nature and type of customer deposits:

	2024			2023		
	Fixed rate interest £'000	Floating rate interest £'000	Total £'000	Fixed rate interest £'000	Floating rate interest £'000	Total £'000
Current account	-	51,442	51,442	-	58,286	58,286
Notice account	-	25,843	25,843	-	22,574	22,574
Fixed deposit	65,688	-	65,688	60,569	-	60,569
Total	**65,688**	**77,285**	**142,973**	**60,569**	**80,860**	**141,429**

The following information is given in respect of currency and origin of customer deposits:

2024	GBP £'000	USD £'000	EUR £'000	TRY £'000	Total £'000
United Kingdom	27,558	6,635	1,513	46	35,752
Turkey	46,151	24,913	6,018	-	77,082
TRNC	21,557	4,200	3,028	-	28,785
Others	497	74	783	-	1,354
Total	**95,763**	**35,822**	**11,342**	**46**	**142,973**

2023	GBP £'000	USD £'000	EUR £'000	TRY £'000	Total £'000
United Kingdom	26,417	5,389	1,370	41	33,217
Turkey	43,534	27,260	6,254	-	77,048
TRNC	21,838	3,680	3,088	-	28,606
Others	560	743	1,255	-	2,558
Total	**92,349**	**37,072**	**11,967**	**41**	**141,429**

TRNC refers to the Turkish Republic of Northern Cyprus.

25. Lease liabilities and other liabilities

Other liabilities	2024 £'000	2023 £'000
Other taxes and social security costs	223	101
Items in the course of transmission	21	14
Other liabilities	1,415	1,640
Total other liabilities	**1,659**	**1,755**

Lease liabilities	2024 £'000	2023 £'000
Equipment	33	33
Branch network	11	48
Total lease liabilities	**44**	**81**

	2024 £'000	2023 £'000
Within one year	18	45
One to three years	26	36
Total lease liabilities	**44**	**81**

The "one to three years" portion of the lease asset relates to one lease contract which expires in April 2025.

The carrying amounts of lease liabilities and the movement during the year are provided below.

Lease liabilities	2024 £'000	2023 £'000
Opening balance	**81**	**84**
Additions	17	39
Interest charge	1	1
Total cash outflows	(55)	(43)
Closing balance	**44**	**81**

26. Deferred tax liabilities

Deferred tax liabilities	**Revaluation of land and buildings**	**Fair valuation of VISA shares**	**Other short term timing differences**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2023	**123**	**65**	**295**	**483**
Charge to income	-	-	(52)	**(52)**
(Credit) / charge to comprehensive income	(14)	63	-	**49**
At 31 December 2023	**109**	**128**	**243**	**480**
At 1 January 2024	**109**	**128**	**243**	**480**
Charge to income	-	-	(34)	**(34)**
(Credit) / charge to comprehensive income	(109)	125	-	**16**
At 31 December 2024	**-**	**253**	**209**	**462**

Deferred tax assets	**Deferred tax on tax losses £'000**	**Total £'000**
At 1 January 2023	**86**	**86**
(Credit) to income	(86)	(86)
At 31 December 2023	**-**	**-**
At 1 January 2024	**-**	**-**
(Credit) to income	-	-
At 31 December 2024	**-**	**-**

Deferred tax asset and liabilities have been calculated at 25% for 2024 (2023: 25%) timing differences.

27. Called up share capital

	Called up, allotted and fully paid	
	2024	**2023**
	£'000	**£'000**
12,000,000 Ordinary shares of £1 each	**12,000**	**12,000**

All shares have the same rights. There are no restrictions on the distribution of dividends and the repayment of capital subject to regulatory capital adequacy restrictions.

28. Commitments

The amounts shown below are intended to provide an indication of the volume of business transacted and not of the underlying credit or other risks.

	2024	2023
	£'000	£'000
Total commitments	**3,361**	**10,367**

29. Assets and liabilities in foreign currencies

The aggregate amounts of assets and liabilities denominated in foreign currencies were as follows:

	2024	2023
	£'000	£'000
Assets	**47,998**	**52,625**
Liabilities	**49,740**	**50,896**

There were open foreign exchange swaps At 31 December 2024 with net receivable value of £15k (2023: Net payable of £40k).

30. Transactions with directors and managers

At 31 December 2024 £1,590 was outstanding by way of loans to managers of the Bank (or persons connected with them) (2023: £2,227). During the year, £1,662 (2023: £4,564) was paid back and £1,025 was drawn by the managers or persons connected to them (2023: Nil). There were no transactions with parties related to directors in 2024 (2023: Nil). The transactions with related parties are on standard commercial terms.

Ultimate parent company

The ultimate parent and controlling company is Ozyol Holding A.S., which is incorporated in Turkey at the registered address:- Macka Polat Apartmani, 10 V, Alaaddin Yavasca Sokak, Istanbul. The parent company of the largest and smallest groups of which the Bank is a member and for which consolidated accounts are prepared is Turkish Bank Limited, incorporated in Cyprus, registered address 92 Girne Cad, Lefkosa, Cyprus. Copies of its financial statements can be obtained from 84/86 Borough High Street, London SE1 1LN.

31. Related party transactions

Transactions with senior managers and staff are described in Note 30. The only other related party transactions are described below. All the transactions below were at "arm's length" prices:

	2024	2023
	£'000	£'000
Placements with affiliated companies	40	3,030
Deposits from parent company	751	553
Deposits from affiliated companies	4,658	8,814
Sales of loans to affiliated companies	19,984	34,396
Profit made on sale of loans	100	209
Charges from affiliated companies	231	74
Interest received from affiliated companies	67	19
Interest paid to affiliated companies.	467	599

32. Credit Risk

Key Risk Indicators ("KRIs") are in place to identify, at an early stage, credit risk for which there may be a risk of loss. The objective of this early warning system is to address potential problems both for the individual loans and for the portfolio in its entirety while various options may still be available. All loans that have been moved from stage 1 to stage 2 or 3 are individually monitored at Credit Committee as are the development of KRIs specific to Credit. The Bank has a formal procedure for escalating any breach of KRI threshold or material-non performing loan such that the Bank's credit risk profile is kept consistent with its formally approved Risk Appetite.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI investments. Unless specifically indicated, the amounts in the table for financial assets represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Please see definitions of defaulted and credit-impaired financial assets on page 33.

	Stage 1	Stage 2	Stage 3	Unamortised portion of loan fees	2024 Total	2023 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to banks at amortised cost	50,237	-	-	-	**50,237**	**31,416**
Loss allowance	(67)	-	-	-	**(67)**	**(47)**
Carrying amount	**50,170**	**-**	**-**	**-**	**50,170**	**31,369**
Loans and advances to customers at amortised cost	73,783	2,343	967	-	**77,093**	**69,605**
Unamortised portion of loan fees	-	-	-	(467)	**(467)**	**(261)**
Loss allowance	(36)	-	(68)	-	**(104)**	**(81)**
Carrying amount	**73,747**	**2,343**	**899**	**(467)**	**76,522**	**69,263**
Equity investment securities at FVOCI	2,133	-	-	-	**2,133**	**1,631**
Loss allowance	-	-	-	-	**-**	**-**
Carrying amount	**2,133**	**-**	**-**	**-**	**2,133**	**1,631**
Off balance sheet Loan commitments	3,361	-	-	-	**3,361**	**10,367**
Loss allowance	(4)	-	-	-	**(4)**	**(14)**
Carrying amount	**3,357**	**-**	**-**	**-**	**3,357**	**10,353**

All gross exposures in relation to loans and advances to banks, equity instruments and loan commitments have been classed as Stage 1 exposures in both 2024 and 2023.

32. Credit Risk (continued)

The analysis of the movement in the staging of exposures in relation to the gross exposures of loans and advance to customers totalling £76,626k (2023: £69,344k) is set out below.

Gross exposure of loans and advances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Unamortised portion of loan fees £'000	Total £'000
At 1 January 2024	**65,178**	**3,406**	**1,021**	**(261)**	**69,344**
Movement from Stage 1 to Stage 2	(1,639)	1,639	-	-	-
Movement from Stage 1 to Stage 3	(425)	-	425	-	-
Movement from Stage 2 to Stage 1	2,287	(2,287)	-	-	-
Movement from Stage 2 to Stage 3	-	(172)	172	-	-
Movement from Stage 3 to Stage 1	-	-	-	-	-
Movement from Stage 3 to Stage 2	-	-	-	-	-
New loans and advances	14,908	-	-	-	14,908
Loans and advances redeemed in 2024	(4,694)	(146)	(590)	-	(5,430)
Capital repayments and other movements	(1,812)	(134)	(44)	-	(1,990)
Unamortised portion of loan fees	-	-	-	(206)	(206)
At 31 December 2024	**73,803**	**2,306**	**984**	**(467)**	**76,626**

The analysis of the movement in the staging of ECL provision to loans and advance to customers totalling £108k (2023: £95k) is set out below.

ECL of loans and advances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2024	**25**	**2**	**68**	**95**
Movement from Stage 1 to Stage 2	(1)	1	-	-
Movement from Stage 1 to Stage 3	(8)	-	8	-
Movement from Stage 2 to Stage 1	2	(2)	-	-
Movement from Stage 2 to Stage 3	-	-	-	-
Movement from Stage 3 to Stage 1	-	-	-	-
Movement from Stage 3 to Stage 2	-	-	-	-
New loans and advances	13	-	-	13
Loans and advances redeemed in 2024	(14)	-	(35)	(49)
Capital repayments and other movements	7	-	42	49
At 31 December 2024	**24**	**1**	**83**	**108**

The Bank also monitors, as part of its credit risk assessment, its concentration risk in various sectors.

The Bank's maximum exposure to credit risk at the year-end is £172 million (2023: £174 million). Credit risk exposure of £77 million (2023: £69 million) is secured against the first charge on properties and lien on customers' deposits.

Collateral in the form of cash, freehold or bank guarantees are accepted by the Bank as credit risk mitigating factors.

Total collateral held at 31 December	**2024 £'000**	**2023 £'000**
Cash	500	508
Freehold properties	194,333	191,484
Total collateral held	**194,833**	**191,992**

32. Credit Risk (continued)

All collateral is held by the Bank in its original form until the debt has been repaid. The Bank holds collateral and is permitted to sell in the event of default by the owner. Collateral of freehold properties is valued by independent professional valuers on inception of a loan. Upon refinancing of the loan and re-mortgaging, property valuations are kept up to date.

All the above collateral is held against the loans and advances to customers as follows:

	2024 Loans £'000	2024 Collateral £'000	2023 Loans £'000	2023 Collateral £'000
Loans and advances to customers	76,522	194,333	69,263	191,484

The collateral value in the above table excludes the value of such collateral which the Bank may accept to manage its risks more effectively such as second charge on assets, other liens and corporate guarantees and related support undertakings from the borrower bank entities.

Mortgages: The loan-to-value ratio of lending for the whole portfolio secured against property is as follows:

LTV Ratio	**2024 £'000**	**2023 £'000**
Less than 50%	44,751	44,582
Between 51% and 70%	27,294	23,211
Between 71% and 90%	4,550	-
Total	**76,595**	**67,793**

The loan-to-value ratio of lending for the portfolio in Stage 3 secured against property is as follows:

LTV Ratio	**2024 £'000**	**2023 £'000**
Less than 50%	248	653
Between 51% and 70%	719	368
Total	**967**	**1,021**

The exposures set out in the LTV ratio tables above are before reflecting unamortised portion of loan fees in 2024 of £467k (2023: £261k).

32. Credit Risk (continued)

The Bank assigns internal credit ratings to each of its counterparties. The rating structure is kept under regular review to ensure that the ratings are appropriate.

Sectoral distribution of exposures	**2024**	**2023**
	£'000	**£'000**
Individuals	58,922	54,675
Real Estate	12,950	9,110
Hotels & Restaurants	229	488
Retail & Wholesale	2,658	2,750
Construction	881	1,138
Other Sectors	1,453	1,444
Unamortised portion of loan fees	(467)	(261)
Total	**76,626**	**`69,344**
Provision for impairment losses	(108)	(95)
Total	**76,518**	**69,249**

The Bank's policy on forbearance is to consider each loan on a case-by-case basis. All such cases are discussed and approved by the Credit Committee. During the year £Nil credit or interest was foregone (2023: £Nil).

	2024				
	Cash equivalents £'000	**Loans and advances to customers £'000**	**Loans and advances to banks £'000**	**Investment securities £'000**	**Lending commitments £'000**
Maximum exposure to credit risk	**43,471**	**77,093**	**50,237**	**2,133**	**3,361**
At amortised cost					
Performing	43,471	76,126	50,237	2,133	3,361
Watch list	-	967	-	-	-
Unamortised portion of loan fees	-	(467)	-	-	-
Total Gross amount	**43,471**	**76,626**	**50,237**	**2,133**	**3,361**
Impairment provisions	(22)	(104)	(67)	-	(4)
Net carrying amount	**43,449**	**76,522**	**50,170**	**2,133**	**3,357**

	2023				
	Cash equivalents £'000	**Loans and advances to customers £'000**	**Loans and advances to banks £'000**	**Investment securities £'000**	**Lending commitments £'000**
Maximum exposure to credit risk	71,953	69,605	31,416	1,631	10,367
At amortised cost					
Performing	71,953	68,584	31,416	1,631	10,367
Watch list	-	1,021	-	-	-
Unamortised portion of loan fees	-	(261)	-	-	-
Total Gross amount	**71,953**	**69,344**	**31,416**	**1,631**	**10,367**
Impairment provisions	(20)	(81)	(47)	-	(14)
Net carrying amount	**71,933**	**69,263**	**31,369**	**1,631**	**10,353**

33. Currency and Foreign Exchange Risk

The Bank's assets are typically funded in the same currency as that of the business transacted to minimise foreign exchange exposure. However, the Bank does incur small open positions in various currencies resulting from the trade related transactions handled by the Bank.

Foreign exchange risks are controlled and monitored through the limits monitored by ALCO and notified to the PRA. The regulatory limit for foreign exchange is relatively small compared to the size of the Bank; hence the risk generated through foreign exchange activities is not significant. End-of-day positions are marked to market according to the IFRS and sensitivity is conducted in line with the internal market risk policy of the Bank. The intra-day positions are managed by Treasury.

	2024	2023
	£'000	£'000
US dollar	249	1,414
Euro	32	180
Turkish Lira	(7)	(12)
Total	**274**	**1,582**

The above table sets out those currency exposures that the Bank had at the year end. The amounts shown in the table take into account the effect of any currency swaps and forward contracts entered into to manage these currency exposures and are consistent with the position throughout the year. The disclosures include all monetary assets and liabilities including short-term debtors and creditors. Those assets and liabilities denominated in sterling have been excluded. For the purposes of the net currency disclosure above, sterling has been used as the Bank's functional currency. A 10% movement in the exchange rates would cause £27k gain or a loss for the Bank (2023: £158k). The Bank enters into short-term foreign exchange currency swap transactions for funding purposes. These currency swap transactions are utilised purely for economic hedging purposes. The Bank does not apply hedge accounting.

34. Interest Rate Risk

Interest rate risk is the risk that an investment value will change due to a change in the absolute level of interest rates i.e. the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

A substantial part of the Bank's assets and liabilities are subject to floating rates hence are re-priced simultaneously. However, the Bank is exposed to interest rate risk as a result of mismatches on a relatively small portion of its assets and liabilities. The major portion related to this risk is reflected in the banking book owing to the retail activities and investments. The overall potential impact of the mismatches on the earnings in the short-term and economic value of the portfolio in the longer term is not material and is being managed within the tolerance limits approved by the Board. Exposure to interest rate movements arise where there is an imbalance between rate sensitive assets and liabilities. The tables on pages 62 and 63 reflect management's estimate of the interest rate sensitivity gap for the Bank as at 31 December 2024 and 31 December 2023. Assets and liabilities are included at the earliest date at which the applicable interest rate can change.

35. Liquidity risk

The Bank is regulated in the United Kingdom by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), which, from time-to-time, sets required liquidity mismatch parameters. The Bank manages the liquidity structure of its assets, liabilities and commitments so that cash flows are appropriately balanced to ensure that all funding obligations are met when due and the required mismatch parameters are not exceeded. The policy of the Bank is to match to maturity as far as is practicable and the Treasury Department will not take on large exposures or placements that cannot easily be matched in the market as to currency or maturity.

As a result of the restatement of the allocation of Loans and advances to customers the impact on the prior year numbers is an increase in Loans and advances to customers repayable on demand by £95k, an increase in less than 3 months by £1,820k, an increase in between three months and one year by £1,968k, a decrease in between one and five years by £178,010k and a decrease in over 5 years by £237,586k.

35. Liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below shows the remaining undiscounted contractual maturities for assets and liabilities.

	2024					
	Total Undiscounted Contractual Maturities	Demand	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	**43,500**	35,921	7,579	-	-	-
Loans and advances to banks	**52,920**	-	7,811	40,271	4,838	-
Loans and advances to customers	**103,193**	3,228	4,009	10,825	58,857	26,274
Investment securities	**2,133**	-	-	-	-	2,133
Overdraft facilities and loan commitments	**3,361**	-	-	3,361	-	-
Other assets	**2,355**	-	-	2,355	-	-
Total assets	**207,462**	**39,149**	**19,399**	**56,812**	**63,695**	**28,407**
Derivative assets	**15**	**-**	**15**	**-**	**-**	**-**
Deposits from banks	**6,725**	6,725	-	-	-	-
Deposits from customers	**143,524**	51,449	67,308	24,293	474	-
Other liabilities	**2,165**	-	1,659	18	26	462
Total liabilities	**152,414**	**58,174**	**68,967**	**24,311**	**500**	**462**

	2023 Restated					
	Total Undiscounted Contractual Maturities	Demand	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	**72,248**	62,527	9,721	-	-	-
Loans and advances to banks	**32,857**	-	16,600	16,257	-	-
Loans and advances to customers	**94,043**	2,547	4,804	8,145	60,583	17,964
Investment securities	**1,631**	**-**	**-**	**-**	**-**	1,631
Overdraft facilities and loan commitments	**10,367**	-	-	10,367	-	-
Other assets	**1,830**	-	-	1,830	-	-
Total assets	**212,976**	**65,074**	**31,125**	**36,599**	**60,583**	**19,595**
Deposits from banks	**10,894**	10,894	-	-	-	-
Deposits from customers	**141,667**	80,860	36,034	24,003	770	-
Other liabilities	**2,496**	-	1,936	44	36	480
Total liabilities	**155,057**	**91,754**	**37,970**	**24,047**	**806**	**480**
Derivative liabilities	**40**	**-**	**40**	**-**	**-**	**-**

36. Financial instruments

The Bank maintains a proprietary investment portfolio whereby capital funds are invested in fixed and floating interest rate Corporate Bonds. Additionally, the Bank has financial assets in the form of cash, loans and advances to banks and loans and advances to customers. The Bank also has financial liabilities in the form of deposits by banks and customer accounts and derivatives.

The Bank does not assume in the normal course of business any significant foreign exchange exposures. The Bank is exposed to movements in interest rates and manages this exposure on a continuous basis within limits set by the Board. Short-term foreign exchange currency swaps are utilised, where cost-efficient, as a funding mechanism, principally to convert sterling capital funds to US dollars. The Bank does not utilise derivatives to assume any form of credit or market risk. The Bank utilises derivatives for economic hedging purposes.

The Directors of the Bank have established policies relating to large exposures, interest rate gaps, foreign exchange exposure, liquidity management and credit provisioning. In addition, the Bank operates within limits set by the Directors relating to country exposure, credit exposure and risk asset maturities. These policies and limits are reviewed on a regular basis, and any amendment to these policies and limits require the consent of the Board of Directors.

The Bank uses widely-recognised valuation models to determine the fair value of common and simple financial instruments that use only observable market data and require little management judgement and estimation. Fair values of financial assets that are traded in active markets are based on quoted market prices which reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

The table below analyses financial assets measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which measurement is categorised.

Levelling disclosure

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Derivative assets	-	-	15	**15**
Equity Instruments FVOCI	-	-	2,133	**2,133**
	-	**-**	**2,148**	**2,148**
Financial liabilities				
Derivative liabilities	-	-	-	-
	-	-	-	-

	2023			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Equity Instruments FVOCI	-	-	1,631	**1,631**
	-	**-**	**1,631**	**1,631**
Financial liabilities				
Derivative liabilities	-	-	40	**40**
	-	**-**	**40**	**40**

36. Financial instruments (continued)

Equity investment consists of preferred shares convertible into ordinary shares in the future. Valuation has been made using the market value of converted shares at December 31, 2024 with a 50% haircut applied to the share price in respect of "B" Preference shares. "A" preference shares are convertible into ordinary shares with no restrictions and therefore no haircut is applied to these shares. A 10% change in the haircut applied to the "B" preference shares, value would go up or down by £9k (2023: £38k).

The VISA share valuation involves obtaining detail from VISA as to adjustment to the convertible rate of series A and series B shares. This information is located on a publicly available website https://investor.visa.com/stock-information/quote-chart/default.aspx. The convertible rates are then used to ascertain the number of equivalent shares which are then valued using the publicly quoted rate of VISA Inc.

There were no transfers of assets between levels during 2023 or 2024 and no significant changes in valuation techniques. The Bank has not separately disclosed the fair values for financial instruments such as loans and advances and customer accounts because carrying amounts are a reasonable approximation to fair value.

Derivative financial instruments:

	Notional amount	**Fair value assets**	**Fair value liabilities**
	£'000	**£'000**	**£'000**
2024			
Foreign currency swap contracts	**2,015**	**15**	**-**
2023			
Foreign currency swap contracts	**13,560**	**-**	**40**

The swaps were over-the-counter plain vanilla foreign currency short term swaps with a non-connected third party.

No collateral was given in respect of the swap contracts (2023: € 230k). The cash flows associated with the swap are that on maturity, the Bank will exchange currency amounts equivalent to the notional amount above with the contracted counterparty.

The valuation of these swaps is based on the foreign exchange rates prevalent at the reporting date.

37. Capital risk management

The Bank's lead regulator is the Prudential Regulatory Authority "PRA". The PRA sets and monitors capital requirements for the Bank. The Bank has been in compliance with the capital requirements set by the PRA throughout the period.

The Bank's policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the years ended 31 December 2024 and 2023 capital has been maintained at a level above minimum PRA requirements. Such levels have been established by reference to an Internal Capital Adequacy Assessment Process (''ICAAP'') assessment. The Bank's capital resources consist of share capital, retained earnings, and other reserves.

The Bank holds their cash with a number of reputable financial institutions. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash. Any restrictions to cash and cash equivalents are detailed in Note 14.

The Bank's regulatory capital position was as follows:

	2024	2023
	£'000	£'000
Share capital	12,000	12,000
Retained earnings	11,654	10,859
Fair value reserve	763	387
Revaluation reserve	6,082	6,934
Less Credit Value Adjustment	(2)	-
Less intangible assets	(819)	(984)
Total regulatory capital	**29,678**	**29,196**

Note the figures above include changes in fair value and revaluation reserves, as it has been audited. The actual capital returns submitted would have excluded these items at the time of submission.

The information in the table below does not form part of the audited financial statements.

	2024	2023
	£'000	£'000
Capital surplus taking into account buffers	**15,241**	**15,622**

	2024	2023
Risk weighted assets are:	**£'000**	**£'000**
Credit risk	96,508	86,227
Operational risk	14,332	10,869
FX risk	280	1,741
Credit valuation adjustment	115	679
Total risk weighted assets	**111,235**	**99,516**

The Bank's main risk is credit risk arising from its loans to customers and placements in the money market. The Bank's main mitigation of credit risk is to secure the lending against real estate. The Bank does not use any risk models for regulatory risk, it adopts the standardised approach to determine risk weighted assets.

38. Interest rate sensitivity gap analysis

As a result of the restatement of the principal maturity allocation of Loans to advance to customers the impact on the restated prior numbers is an increase in Loans and advances to customers repayable within three months by £351k, a decrease in between three months and six months by £664k, an increase in between six months and one year by £1,567k, a decrease in between 1 year and 5 years by £1,113k and a decrease in five years or more by £141k.

	2024						
	Less than 3 months	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets							
Cash and cash equivalents	42,887	-	-	-	-	562	43,449
Loans and advances to banks	7,463	14,985	23,231	4,558	-	(67)	50,170
Loans and advances to customers	5,711	570	5,676	44,521	20,616	(576)	76,518
Investment securities	-	-	-	-	-	2,133	2,133
Other assets	-	-	-	-	-	10,092	10,092
Total assets	**56,061**	**15,555**	**28,907**	**49,079**	**20,616**	**12,144**	**182,362**
Liabilities							
Deposits by banks	6,725	-	-	-	-	-	6,725
Customer accounts	118,512	9,061	14,939	461	-	-	142,973
Derivative liability	-	-	-	-	-	-	-
Other liabilities	1,495	-	18	26	463	163	2,165
Shareholders' funds	-	-	-	-	-	30,499	30,499
Total liabilities and equity	**126,732**	**9,061**	**14,957**	**487**	**463**	**30,662**	**182,362**
Interest rate sensitivity gap	**(70,671)**	**6,494**	**13,950**	**48,592**	**20,153**	**(18,518)**	
Cumulative gap	**(70,671)**	**(64,177)**	**(50,227)**	**(1,635)**	**18,518**	**-**	

The table above provides only an indication of the sensitivity of the Bank's earnings to movements in interest rates and is consistent with the position throughout 2024.

Other assets are classified as non-interest bearing in the above table and have contractual maturities of less than three months.

A liability (negative) gap position exists when liabilities re-price more quickly than assets during a given period and tends to benefit net interest income in a declining interest rate environment. An asset (positive) gap position exists when assets re-price more quickly than liabilities during a given period and tends to benefit interest income in a rising interest rate environment. The Bank's off-balance sheet items carry no interest rate risk. Loans and advances to customers are shown net of provisions totalling £108k (2023: £95k).

38. Interest rate sensitivity gap analysis (continued)

	2023 Restated						
	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and cash equivalents	71,455	-	-	-	-	478	71,933
Loans and advances to banks	16,130	6,194	9,092	-	-	(47)	31,369
Loans and advances to customers	5,866	2,303	1,586	46,034	13,816	(356)	69,249
Investment securities	-	-	-	-	-	1,631	1,631
Other assets	-	-	-	-	-	10,857	10,857
Total assets	**93,451**	**8,497**	**10,678**	**46,034**	**13,816**	**12,563**	**185,039**
Liabilities							
Deposits by banks	10,894	-	-	-	-	-	10,894
Customer accounts	116,680	10,163	13,837	749	-	-	141,429
Derivative liability	40	-	-	-	-	-	40
Other liabilities	1,936	-	44	36	480	-	2,496
Shareholders' funds	-	-	-	-	-	30,180	30,180
Total liabilities and equity	**129,550**	**10,163**	**13,881**	**785**	**480**	**30,180**	**185,039**
Interest rate sensitivity gap	**(36,099)**	**(1,666)**	**(3,203)**	**45,249**	**13,336**	**(17,617)**	
Cumulative gap	**(36,099)**	**(37,765)**	**(40,968)**	**4,281**	**17,617**	**-**	

Interest rate sensitivity analysis

The weighted average interest rates are as follows: 4.63% (2023: 4.99%) for the money market placements with banks; 9.84% (2023: 9.11%) for the loans and advances to customers; 6.17% (2023: 5.28%) for debt securities with banks; 3.36% (2023: 4.78%) for the deposits by banks; and 1.88% (2023: 1.33%) for the customer accounts.

The sensitivity analysis has been determined based on the exposure to interest rate fluctuation for both derivative and non-derivative instruments at the balance sheet date. At reporting date, if interest rate had been 200 basis points higher/lower and all other variables were held constant the Bank's net profit would decrease/increase on average by £428,435. At 31 December 2023 the average impact of 200 basis point movement in interest rates was £348,000. However, management believes that Bank interest rate risk is limited since the majority of customers' deposits are repriced within three months as per the terms of their issue.

39. Post Balance Sheet Events

There are no post balance sheet events.