

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2024

Pension scheme registration number 10173483

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

CONTENTS

	Page
Trustees and advisors	1 - 2
Trustees' report	3 - 5
Report on actuarial liabilities	6
Trustees' responsibilities statement	7
Independent auditor's report	8 - 10
Independent auditor's statement about contributions	11
Fund account	12
Net assets statement	13
Notes to the financial statements	14 - 19
Compliance statement	20

Appendices

Recovery Plan
Schedule of contributions
Actuarial certificate of contributions
Statement of Investment Principles
Implementation Statement

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

TRUSTEE AND ADVISORS AS AT 30 APRIL 2024

Corporate Trustee	PAN Trustees UK LLP (Represented by A Firbank & C D J Goddard) The Annex, Oathall House 68-70 Oathall Road Hayward's Heath West Sussex RH16 3EN
Principal Employer	Habib Bank Limited 9th floor, HBL Tower Jinnah Avenue Blue Area Islamabad Pakistan
Scheme Actuary	P Pritchard, Atkin Pensions
Investment Managers	Aviva Life & Pensions UK Limited Wellington Row York YO90 1WR Legal & General Investment Managers (from September 2023) One Coleman Street London EC2R 5AA
Annuity Providers	Aviva Life Service Limited Canada Life
Independent Auditor	Sumer AuditCo Limited The Beehive Beehive Ring Road London Gatwick Airport Gatwick RH6 0PA
Legal Adviser	M Collins, Gateley Legal 111 Edmund Street Birmingham B3 2HJ
Banker	Nat West Bank 4 High Street Solihull B91 3TF

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

TRUSTEE AND ADVISORS AS AT 30 APRIL 2024

Enquiries

Atkin Pensions
Cornwall House
Blythe Gate
Blythe Valley Park
Solihull
B90 8AF
Email: email@atkin.uk.com

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

TRUSTEE'S ANNUAL REPORT

The trustee of the Habib Bank Limited Pension & Life Assurance Scheme presents its annual report and the financial statements for the year ended 30 April 2024.

SCHEME MANAGEMENT

The trustee that served during the year and up to the date of signature of the financial statements is listed at the front of this report.

Habib Bank Limited Pension & Life Assurance Scheme is governed under English law by a definitive trust deed and rules dated as amended by a supplementary deed dated 21 March 1997.

The trustee is responsible for the administration and investment policy of the scheme. The trustee meets periodically to discuss reports received from the pensions manager and to assess the overall investment policy.

The principal employer has the power to appoint and remove trustees. The current trustee is a professional corporate trustee, represented by Andrew John Firbank and Charles Donald James Goddard.

Scheme membership

The membership of the scheme at the end of the year is as follows:

	2024 No.	2023 No.
Annuitants		
At 1 May 2023	117	116
New annuities purchased	-	2
Deaths and adjustments	(6)	(1)
	<u>111</u>	<u>117</u>
Number at 30 April 2024	<u>111</u>	<u>117</u>
Deferred members		
At 1 May 2023	40	44
Deaths, adjustments and transfers out	(1)	-
Retirements	(4)	(4)
	<u>35</u>	<u>40</u>
Number at 30 April 2024	<u>35</u>	<u>40</u>
Pensioners		
At 1 May 2023	26	26
Retirements	4	2
Deaths, adjustments and annuities purchased	(1)	(2)
	<u>29</u>	<u>26</u>
Number at 30 April 2024	<u>29</u>	<u>26</u>

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

TRUSTEE'S ANNUAL REPORT

Financial development of the scheme

The financial statements have been prepared and audited in compliance with regulations made under sections 41 (1) and (6) of the Pensions Act 1995.

During the year there were no significant changes in membership.

As no contributions were received from the employer, uninsured benefits and expense payments were funded by withdrawals from the with-profit investment fund.

Employer

Deficit funding contributions	606,000
	<hr/>
Total Contributions Due	606,000
	<hr/> <hr/>

Contributions of £50,500 per month were due from 1 September 2020 to 31 August 2023. The contributions due in the current and three previous years have not been paid as the payments have not been authorised by the State Bank of Pakistan. The Trustee continues to work with the employer to find a solution to obtaining clearance so that the scheme can receive the outstanding contributions due. The Pensions Regulator has been notified.

Following the 1 May 2022 Actuarial Valuation and the funding update as at 28 February 2023, contributions are now required to continue at the above rate from 1 September 2023 to 31 July 2024.

Transfers at less than cash equivalents

No transfer values were paid during the year.

Other

GMP equalisation

In the judgment in the High Court on 26 October 2018 involving the defined benefit pension schemes of the Lloyds Banking Group, it was concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits earned between May 1990 and April 1997.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

On 20 November 2020 the High Court made a further judgment that the review should extend to past transfers out of defined benefit schemes relating to benefits earned in the above period, to establish whether a top-up payment is due.

The Trustee is aware that the issue will affect the Scheme and calculations have been completed to assess the amounts involved. The preliminary calculations show that back payments in the region of £234,000 will be payable. The calculations are expected to be finalised and paid in the next Scheme year, where the Trustee will recognise the final amount in the financial statements.

INVESTMENT MANAGEMENT

Investment managers

The assets of the scheme at the year end consist of a unitised With-Profits arrangement held with Aviva, Liability Driven Investment Funds, corporate bond funds and sterling liquidity cash funds held with Legal & General Investment Managers and annuity policies with both Aviva and other third parties. The annuity policies are valued annually for inclusion in the Statement of Net Assets. Management and custody of the assets of the With-Profits Fund is the responsibility of Aviva.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

TRUSTEE'S ANNUAL REPORT

Investment principles

The Trustee has produced a statement of investment principles (SIP) in accordance with Section 35 of the Pensions Act 1995 and subsequent legislation. A copy of the SIP is available on request and can also be accessed here: <https://members.pensionpal.co.uk/habibbankpensions>

Review of investment performance

Legal & General Investment Managers

The Portfolio's assets are managed by investing in the pooled funds shown in the table below.

Fund	Market Index
Matching Core Fixed Short Fund (Series 1)	Markit iBoxx (Fixed short)
Matching Core Fixed Long Fund (Series 1)	Markit iBoxx (Fixed long)
Matching Core Real Long Fund (Series 1)	Markit iBoxx (Real long)
AAA-AA-A Corporate Bond All Stocks Index Fund	Markit iBoxx (GBP Non-Gilts exBBB All Sk)
Sterling Liquidity Fund	SONIA

Over the period since the initial investment into Legal & General Investment Managers on 15 September 2023 the portfolio return has been -2%.

Aviva

One of the main features of a With-Profits investment is that it aims to grow in value smoothly from year to year rather than being affected by the significant ups and downs of the stock market. Two different types of bonus are applied to the scheme's investment:

Regular bonuses are applied, which are designed to provide steady growth over time in the value of the scheme's investments. Regular bonus rates are decided at least once a year:

31 December	2023	2022	2021	2020	2019	2018
Regular bonus rate (p.a.)	4.00%	3.00%	2.25%	2.25%	2.75%	2.75%

A final bonus is designed to pay the balance between the regular bonus already added and the performance of the underlying funds over the whole period of the scheme's investments. The final bonus can vary and is not guaranteed.

A market value reduction could also be applied, but as the units were all purchased in 2003 this is not expected to happen. At 30 April 2024, the final bonus rates for units bought in 2003 was 54% (2023: 58%).

Employer-related investments

There are no employer-related investments held by the Scheme.

Approval

The Trustee's Report was approved by the Trustee on 20/11/2024 2024 and signed on its behalf by:

Andrew Firbank
Member, PAN Trustees UK LLP

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

REPORT ON ACTUARIAL LIABILITIES

ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to scheme members on request.

Actuarial valuation

The most recent full actuarial valuation was performed by Paul Pritchard as at 1 May 2022 that showed on that date:

	2022	2019
	£	£
Value of technical provisions	30,674,000	31,216,000
Value of assets available to meet technical provisions	26,362,000	28,110,000
as a percentage of technical provisions	85.94%	90.05%

However, in the light of the changes in financial market conditions, a funding update as at 28 February 2023 showed a reduced funding shortfall of £2,539,000 and the valuation, Schedule of Contributions and Recovery Plan were agreed, based on the updated funding position.

Method

The actuarial calculations were made using the Projected Unit Method. The projected amount of each potential future benefit payment for each member is calculated, allowing for future increases, in line with the assumptions set out below.

Significant actuarial assumptions

Discount interest rate

Expected future benefit payments are discounted back to the valuation date to calculate the technical provisions. At 1 May 2022 the discount rate was 2.10% p.a. for periods prior to retirement and 2.10% for periods after retirement.

Future Retail Price inflation

A future RPI inflation rate of 3.65% pa was used at 1 May 2022.

Future Consumer Price inflation

Future CPI inflation was assumed to be 3.25% p.a.

Pension increases

At 1 May 2022, future pension increases that are linked to CPI subject to a minimum of 3% and a maximum of 5% were assumed to be 3.25% p.a.

Mortality

The mortality assumptions used are 100% S3P(m/f)A tables, Continuous Mortality Investigation 2021 (1.5%) long term improvement trend.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

TRUSTEE'S RESPONSIBILITIES STATEMENT

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and
- contain the Information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The trustee is also responsible for making available certain other information about the scheme in the form of an Annual Report.

The trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The trustee is responsible under pension legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the trustee is required by the Pensions Act 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

Qualified opinion on the financial statements

We have audited the financial statements of Habib Bank Limited Pension & Life Assurance Scheme for the year ended 30 April 2024 which comprise the fund account, the net assets statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the key audit matters paragraph, the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 30 April 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements specified in Regulation 3 and 3A of the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996; and

Basis for Qualified 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 Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 scheme'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 trustee with respect to going concern are described in the relevant sections of this report.

Key audit matters

- The Financial Reporting Council (FRC) Practice note 15 (Page 55) Reporting on contributions. £2,222,000 of contributions have not in all material respects been paid at least in accordance with the schedule of contributions as certified by the scheme actuary on 28 July 2020 & 25 September 2023 for the Four years ended from 30 April 2021 to 30 April 2024
- Statements of Recommended Practice (SORP) 3.8.4 Employer normal contributions, the ongoing contributions paid into the scheme by the employer was not in accordance with the Schedule of Contributions and the Actuary's recommendations as certified on 28 July 2020 & 25 September 2023 for the Four years ended from 30 April 2021 to 30 April 2024

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEE OF HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and 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.

Responsibilities of trustee's

As explained more fully in the trustee's responsibilities statement, the trustee is 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 trustee determines 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 trustee is responsible for assessing the scheme'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 trustee either intends to liquidate the scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- testing the overall accounting records, in particular those that were significant or unusual;
- reviewing the financial statements disclosures and determining whether accounting policies have been appropriately applied;
- assessing the extent of compliance, or lack of, with the relevant laws and regulations;
- documenting and verifying all significant transactions;
- test on membership eligibility to the scheme;
- reviewing an assessment of investment values at the year end and after; and
- verification of material bank balances

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEE OF HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

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

Use of our report

This report is made solely to the trustee, as a body, in accordance with (Regulation 3(c) of The Occupational Pension Schemes (requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996). Our audit work has been undertaken so that we might state to the trustee 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 pension scheme and the pension scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Sumer Auditco Limited

**Chartered Accountants
Statutory Auditor**

The Beehive
Beehive Ring Road
London Gatwick Airport
Gatwick
United Kingdom
RH6 0PA

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

We have examined the summary of contributions to the Habib Bank Limited Pension & Life Assurance Scheme for the Scheme year ended 30 April 2024, which is set out in the trustees' report.

Statement about contributions payable under the schedule of contributions

In our opinion, contributions for the Scheme year ended 30 April 2024 as reported in the trustees' report have not in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 25 September 2023 (See Key Audit Matters within the Independent Auditor's Report for further details).

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the trustees' report have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of trustee and auditor

As explained more fully in the Trustees' responsibilities statement, the Scheme's trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This report is made solely to the trustee, as a body, in accordance with (Regulation 3(c) of The Occupational Pension Schemes (requirement to obtain Audited Accounts and a statement from the Auditor) Regulations 1996). Our audit work has been undertaken so that we might state to the trustee 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 pension scheme and the pension scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Sumer Auditco Limited

**Chartered Accountants
Statutory Auditor**

The Beehive
Beehive Ring Road
London Gatwick Airport
Gatwick
United Kingdom
RH6 0PA

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 30 APRIL 2024

	Notes	2024 £	2023 £
Contributions and benefits			
Employer contributions	3	606,000	606,000
Total contributions		<u>606,000</u>	<u>606,000</u>
Benefits paid or payable	4	(1,213,531)	(1,158,206)
Payments to and on account of leavers	5	-	(315,816)
Administrative expenses	6	(149,990)	(135,065)
		<u>(1,363,521)</u>	<u>(1,609,087)</u>
Net withdrawals from dealings with members		<u>(757,521)</u>	<u>(1,003,087)</u>
Returns on investments			
Investment income	7	956,000	1,001,000
Change in market value of investments	9	(1,903,546)	(3,238,825)
Investment management expenses	8	(5,653)	-
Net returns on investments		<u>(953,199)</u>	<u>(2,237,825)</u>
Net decrease in the fund during the year		<u>(1,710,720)</u>	<u>(3,240,912)</u>
Net assets of the Scheme at 30 April 2023		<u>23,120,697</u>	<u>26,361,609</u>
Net assets of the Scheme at 30 April 2024		<u><u>21,409,977</u></u>	<u><u>23,120,697</u></u>

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30 APRIL 2024

	Notes	£	2024 £	£	2023 £
Investment assets	9				
Pooled investment vehicles	10		6,587,594		7,305,792
Insurance policies	11		12,600,000		14,141,000
			<u>19,187,594</u>		<u>21,446,792</u>
Total net Investments			19,187,594		21,446,792
Current assets	15	2,239,731		1,696,812	
Current liabilities	16	<u>(17,348)</u>		<u>(22,907)</u>	
Net current assets			2,222,383		1,673,905
Net assets of the scheme at 30 April 2024			<u>21,409,977</u>		<u>23,120,697</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The actuarial position of the Scheme, which takes into account the defined benefit obligations to pay pensions and benefits which fall due after the end of the Scheme year, is dealt with in the report of actuarial liabilities and these financial statements should be read in conjunction with that report.

These financial statements were approved by the trustee on 20/11/2024.

Signed on behalf of the trustee:

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2024

1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised July 2018) ("the SORP").

The financial statements are presented in sterling, which is also the functional currency of the Scheme. Monetary amounts in these financial statements are rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2 Accounting policies

The following principal accounting policies have been adopted in the preparation of the financial statements.

Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and trustee.

Payments to members

Pensions in payment are accounted for in the period to which they relate.

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Transfers to and from other schemes

Transfer values have been included in the financial statements when paid. They do not take account of members who have notified the scheme of their intention to transfer.

Expenses

Expenses are accounted for on an accruals basis.

Investment income

Receipts from annuity policies held by the trustee are accounted for as investment income on an accruals basis.

Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2024

2 Accounting policies

(Continued)

Valuation of investments

Investments are included at fair value as described below:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

In accordance with FRS102 annuities are valued on a basis that reflects the circumstances and purpose for which they are held. As the annuities are held in the scheme are with a view to moving to a buyout, they have been valued by the Scheme Actuary using an estimate of the cost of buying out the benefits. The valuation of the annuitant policies has been carried out using the illustrative buyout basis of the Trustee's actuarial valuation as at 1 May 2022 with allowance for changes in market conditions.

With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

3 Contributions

	2024 £	2023 £
Employer contributions		
Deficit funding	606,000	606,000

4 Benefits paid or payable

	2024 £	2023 £
Pensions	127,927	121,720
Annuities paid to members	956,000	1,001,000
Commutation of pensions and lump sum retirement benefits	129,604	35,486
	<u>1,213,531</u>	<u>1,158,206</u>

5 Payments to and on account of leavers

	2024 £	2023 £
Individual transfers out to other schemes	-	315,816

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2024

6 Administration expenses

	2024 £	2023 £
Administration and actuarial fees	56,625	43,872
Trustee fees	70,139	43,337
Legal fees	8,827	12,393
Other professional fees	5,400	23,400
Audit and accountancy fees	7,260	9,700
Bank charges	1	2
Levies	1,704	2,326
Sundry expenses	34	35
	<u>149,990</u>	<u>135,065</u>

7 Investment income

	2024 £	2023 £
Annuity income	<u>956,000</u>	<u>1,001,000</u>

8 Investment management expenses

	2024 £	2023 £
Administration and management	<u>5,653</u>	<u>-</u>

9 Reconciliation of investments

	Value at 1 May 2023 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 30 April 2024 £
Pooled investment vehicles	7,305,793	4,990,080	(5,545,762)	(162,517)	6,587,594
Insurance policies	14,141,000	200,029	-	(1,741,029)	12,600,000
	<u>21,446,793</u>	<u>5,190,109</u>	<u>(5,545,762)</u>	<u>(1,903,546)</u>	<u>19,187,594</u>

The changes in market value of investments during the year comprises all increases and decreases in the market value of investments held during the year, including profits and losses realised on the sale of investments during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2024

	2024	2023
	£	£
Bonds	1,035,634	-
Unitised with-profits insurance policy	2,189,672	7,305,792
Liability Driven Investments	2,338,401	-
Cash	1,023,887	-
	<u>6,587,594</u>	<u>7,305,792</u>

	2024 £	2023 £
Aviva annuities	12,600,000	14,141,000

	Level 1	Level 2	Level 3	2024 Total
	£	£	£	£
Pooled investment vehicles	-	4,397,922	2,189,672	6,587,594
Insurance policies	-	-	12,600,000	12,600,000
	<hr/>	<hr/>	<hr/>	<hr/>
	-	4,397,922	14,789,672	19,187,594
	<hr/>	<hr/>	<hr/>	<hr/>
	-	4,397,922	14,789,672	19,187,594
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
				2023
	£	£	£	£
Pooled investment vehicles	-	-	7,305,792	7,305,792
Insurance policies	-	-	14,141,000	14,141,000
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	21,446,792	21,446,792

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2024

13 Investment risk disclosure

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or the future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The scheme's assets are all denominated in sterling, therefore the scheme is not exposed to direct currency risk.
- **Interest rate risk:** this is the risk that the fair value or the future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or the future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Scheme invests in pooled investment vehicles and is therefore indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Direct Credit and Market Risk

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Trustee recognises that the Scheme's liabilities are exposed to a significant level of interest and inflation risk and for this reason it is desirable for the assets to be exposed to an appropriate level of interest/inflation rate risk. The Trustee has therefore invested in LDI funds to manage these risks, with the LDI strategy set so as to provide an acceptable level of hedging against the interest rate and inflation risks inherent within the Scheme's liabilities.

The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and have therefore invested the Scheme's return seeking assets in a unitised with-profits fund in order to achieve a diversified exposure to different investment markets and manage this risk.

Indirect Credit and Market Risk

Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios and in respect of the LDI funds is managed by the investment manager's counterparty management and collateralisation procedures.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2024

14 Concentration of investments

Investments (other than in UK Government securities) accounting for more than 5% of the net assets of the Scheme were as follows:

	2024 £	2024 %
Liability Driven Investments	2,338,401	11
Corporate Bond Fund	1,035,634	5
Sterling liquidity Fund	1,023,888	5
With profit policy	2,189,671	10
Insurance policies	12,600,000	59

15 Current assets

	2024 £	2023 £
Contributions due from employer in respect of:		
- Employer	2,222,000	1,616,000
Prepayments	8,993	12,337
Cash at bank and in hand	8,738	68,475
	<u>2,239,731</u>	<u>1,696,812</u>

16 Current liabilities

	2024 £	2023 £
Accruals	<u>17,348</u>	<u>22,907</u>

17 Contingencies and commitments

The Trustee is aware that GMP equalisation will affect the Scheme and calculation have been completed to assess the amounts involved. The preliminary calculations show that back payments in the region of £234,000 will be payable. The calculations are expected to be finalised and paid in the next Scheme year, where the Trustee will recognise the final amount in the financial statements.

18 Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

HABIB BANK LIMITED PENSION & LIFE ASSURANCE SCHEME

COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 APRIL 2024

The purpose of this compliance statement is to disclose some additional information required by law but which is not considered to be of such significance to scheme members that it requires the more prominent disclosure afforded by inclusion in the Trustee's Report.

Tax status of scheme

The scheme is an exempt approved scheme and in the trustees' knowledge, there is no reason why such approval should be prejudiced or withdrawn.

Pension increases

Pensions in payment in respect of benefits accrued after 5 April 1997 are subject to annual increase based on increases in the Consumer Price Index, subject to a minimum of 3% and a maximum of 5%.

APPENDIX V – RECOVERY PLAN

HABIB BANK LIMITED PENSION AND LIFE ASSURANCE SCHEME

STATUS

This Recovery Plan has been prepared by the Trustee after obtaining the advice of Paul Pritchard, the Scheme Actuary.

The actuarial valuation of the Scheme as at 1 May 2022 revealed a funding shortfall (technical provisions minus value of assets) of £5,378,000.

A funding update as at 28 February 2023 based upon assumptions derived consistently with the Statement of Funding Principles dated 25 September 2023 showed an updated funding shortfall of £2,539,000.

The Recovery Plan has been based on the updated funding position.

The overall funding position is expected to have improved since the funding update.

STEPS TO BE TAKEN TO ENSURE THAT THE STATUTORY FUNDING OBJECTIVE* IS MET

To eliminate the funding shortfall, the Trustee and the Employer have agreed that the Employer will pay contributions at a rate of £606,000 per annum, payable at the rate of £50,500 per month from 1 September 2023 to 31 July 2024. Outstanding contributions due under any previous Schedule of Contributions are payable in addition. The timing of contributions being received by the Scheme is subject to Pakistan regulators approval to remit.

The Scheme will meet the PPF levy and all other expenses associated with running the Scheme as they fall due.

This Recovery Plan replaces all previous versions and will be effective from 1 September 2023 to 31 August 2028 but will be subject to review following future actuarial valuations.

PERIOD IN WHICH THE STATUTORY FUNDING OBJECTIVE SHOULD BE MET AND PROGRESS TOWARDS MEETING THE STATUTORY FUNDING OBJECTIVE

The funding shortfall is expected to be eliminated by 31 July 2024.

This expectation is based on the following assumptions:

- Technical provisions are calculated according to the method and assumptions set out in the Statement of Funding Principles dated 25 September 2023;
- The experience of the Scheme during the period, including return on existing assets and the return on new contributions is in line with the financial and demographic assumptions made as set out in the Statement of Funding Principles dated 25 September 2023 for the calculation of technical provisions and applicable to that period.

* The statutory funding objective is defined in section 222 of the Pensions Act 2004. Every scheme must have sufficient and appropriate assets to cover its technical provisions.



This Recovery Plan has been agreed by the Trustee.

Signed on behalf of the Trustee of the Habib Bank Limited Pension and Life Assurance Scheme

Name:
Position: Trustee
Date:

This Recovery Plan has been agreed by the Employer.

Signed on behalf of Habib Bank Limited

Name:
Position: *[Director/Company Secretary]*
Date:

This Recovery Plan has been agreed by the Trustee of the Habib Bank Limited Pension and Life Assurance Scheme after obtaining actuarial advice from me:

Sign:

Name: Paul Pritchard
Position: Scheme Actuary
Date:

APPENDIX VI – SCHEDULE OF CONTRIBUTIONS

HABIB BANK LIMITED PENSION AND LIFE ASSURANCE SCHEME

STATUS

This Schedule of Contributions has been prepared by the Trustee, after obtaining the advice of Paul Pritchard, the Scheme Actuary.

EMPLOYER CONTRIBUTIONS

The Employer will pay contributions at a rate of £606,000 per annum, payable at the rate of £50,500 per month from 1 September 2023 to 31 July 2024. Thereafter, for the balance of the 5 years for which this Schedule must apply, no contributions will be paid (i.e. up to 31 August 2028).

Contributions must be received by the 19th day of each month. Should the 19th fall on a non-working day or public holiday, contributions must be received by the next working day.

The timing of contributions being received by the Scheme is subject to Pakistan regulators approval to remit.

The Scheme will pay the PPF levy and all other expenses.

The Employer may also make additional contributions from time to time as agreed with the Trustee.

For the avoidance of doubt, outstanding contributions due under any previous Schedule of Contributions are payable in addition.

Signed on behalf of Habib Bank Limited Pension and Life Assurance Scheme

Position: [Director/Company Secretary]
Date:

Signed on behalf of the Trustee of the Habib Bank Limited Pension and Life Assurance Scheme

Name:
Position: Trustee
Date:

This schedule of contributions has been agreed by the Trustee of the Habib Bank Limited Pension and Life Assurance Scheme after obtaining actuarial advice from me.

Name: Paul Pritchard
Position: Scheme Actuary
Date:
Signed:

Habib Bank Limited Pension and Life Assurance Scheme
Actuarial Valuation Report at 1 May 2022
September 2023

APPENDIX VI – ACTUARY’S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

HABIB BANK LIMITED PENSION AND LIFE ASSURANCE SCHEME

ADEQUACY OF RATES OF CONTRIBUTIONS

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions, which are based on a valuation as at 1 May 2022, are such that the statutory funding objective could have been expected on 1 May 2022 to be met by the end of the period specified in the recovery plan dated 25 September 2023.

ADHERENCE TO STATEMENT OF FUNDING PRINCIPLES

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 25 September 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme’s liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signed:

Name: Paul Pritchard
Position: Scheme Actuary
Qualification: Fellow of the Institute & Faculty of Actuaries
Company: Atkin Pensions
Date: 25 September 2023

Habib Bank Limited Pension and Life Assurance Scheme STATEMENT OF INVESTMENT PRINCIPLES

December 2023

TABLE OF CONTENTS

1. Introduction		3
2. Investment Objectives		4
3. Investment Responsibilities		5
3.1 Trustee's Duties and Responsibilities	5	
3.2 Investment Adviser's Duties and Responsibilities	5	
3.3 Arrangements with Investment Managers	6	
3.4 Summary of Responsibilities	6	
4. Investment Strategy		7
4.1 Setting Investment Strategy	7	
4.2 Investment Decisions	7	
4.3 Types of Investments to be Held	8	
4.4 Social, Environmental and Ethical Policy	8	
4.5 Corporate Governance, Voting Policy and Stewardship	9	
5. Risk		10
6. Monitoring of Investment Adviser and Managers		12
6.1 Investment Adviser	12	
6.2 Investment Managers	12	
6.3 Portfolio Turnover Costs	12	
7. Best Practice		13
8. Compliance		14
Appendix 1: Asset Allocation Benchmark		15
Appendix 2: Cashflow and Rebalancing Policy		16
Appendix 3: Investment Manager Information		17
Appendix 4: Responsibilities of Parties		18
Trustee	18	
Investment Adviser	18	
Scheme Actuary	18	
Administrator	19	

1 INTRODUCTION

This Statement of Investment Principles (the "Statement") has been prepared by PAN Trustees UK LLP, the Trustee of the Habib Bank Limited Pension and Life Assurance Scheme (the "Scheme"), in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment adviser, Atkin Trustees Limited ("Atkin"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee's investment policy for the Scheme.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the Statutory Funding Requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy or if there is a material change in the circumstances of the Scheme or its investments which means such a review is appropriate. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustee's primary investment objective for the Scheme is to achieve a long-term overall rate of return to ensure that sufficient assets are available to meet all liabilities as and when they fall due whilst maintaining an appropriate risk balance.

The Trustee also aims to materially reduce the historic level of funding volatility within the Scheme due to changes in gilt yields. The Trustee notes the difficulties the Sponsoring Employer has in releasing funds from Pakistan and, therefore, aims to select an investment strategy where, as far as possible, the impact of movements in gilt yields on the Scheme's liabilities is matched by a corresponding movement in the value of the Scheme's assets to reduce the frequency and amount of any future contribution requirements from the Sponsoring Employer.

The Trustee has received confirmation from the Scheme Actuary during the process of revising the investment strategy that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 Trustee's Duties and Responsibilities

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The choice of appropriate funds to implement the agreed investment strategy
- The assessment and review of the performance of each investment manager
- The assessment of the risks assumed by the Scheme at total scheme level and on a manager by manager basis
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 Investment Adviser's Duties and Responsibilities

The Trustee has appointed Atkin as the investment adviser to the Scheme. Atkin provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which the Trustee will seek Atkin's advice include the following:

- Setting of Investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Monitoring the investment managers to ensure their continuing appropriateness to the mandates given and performance against their benchmarks
- Setting cashflow management (investment and disinvestment) and rebalancing policies (see Appendix 2)

The Trustee may seek advice from Atkin with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows.

3.3 Arrangements with Investment Managers

The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis.

The Trustee, after considering appropriate investment advice, has invested around 65% of the Scheme's assets previously held in a Unitised With-Profits policy, in the Aviva Life & Pensions UK Limited ("Aviva") Old and New With-Profits Sub-Fund, into a pooled pension policy with Legal & General Assurance (Pensions Management) Limited ("PMC"), whose appointment foregoes the need for a custodian. The Trustee will only invest in pooled investment funds through the policy with PMC. The Trustee therefore cannot specify the risk profile and return targets of the pooled funds, but the funds are chosen with appropriate characteristics to align with the overall investment strategy.

Aviva and PMC are authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. PMC has delegated investment management to Legal & General Investment Management Limited ("LGIM"). LGIM is authorised and regulated by the FCA.

The investment manager is responsible for all decisions concerning the selection of the individual securities within the portfolios they manage. In the case of a multi-asset mandate, the investment manager is responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The investment managers are remunerated by charges based on the value of the assets that they manage on behalf of the Scheme.

None of the funds in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustee therefore considers that the method of remunerating the investment managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment manager to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee is satisfied that the charges for the different funds are reasonable and are clear and consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this is an appropriate basis for remunerating the investment managers and is consistent with the Trustee's policies as set out in this Statement.

3.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the administrators, so far as they relate to the Scheme's investments, is set out in Appendix 4.

4 INVESTMENT STRATEGY

4.1 Setting Investment Strategy

The Trustee has determined its investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, an appropriate appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustee has also received written advice from its investment adviser.

Taking these factors into consideration, the Trustee has determined that the benchmark asset allocation, as set out in Appendix 1, is suitable for the Scheme.

In making this decision, the Trustee is satisfied that it is consistent with its investment objectives.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach as set out in Appendix 2.

4.2 Investment Decisions

The Trustee distinguishes between four types of investment decision: strategic, manager selection, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustee takes all such decisions itself. It does so after receiving written advice from its investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting Investment objectives
- Determining the split between the growth and the hedging portfolios
- Determining the allocation to asset classes within the growth and hedging portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Manager Selection Decisions

Having determined the Scheme's investment strategy, the Trustee then selects suitable investment managers to deliver that strategy. In selecting investment managers the Trustee considers:

- the advice received from its investment adviser
- the manager's track record in delivering the performance in line with the benchmark set;
- the security and liquidity of the investments; and
- the managers' approach to responsible investment.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into,

or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment manager of the pooled funds in which the Scheme is invested.

4.3 Types of Investments to be Held

The Trustee is permitted to invest across a wide range of asset classes.

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is as permitted by the guidelines that apply to the relevant pooled fund.

The Trustee notes that the actuarial value of the Scheme's future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations. The Trustee has decided to invest in Liability Driven Investment ("LDI") funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Scheme's funding position. This is referred to as hedging.

4.4 Social, Environmental and Ethical Policy

The Trustee believes that its main duty, reflected in the Scheme's investment objectives, is to protect the financial interests of the Scheme's members. The Trustee understands that it must consider all financially relevant factors in making investment decisions on behalf of the Scheme. However, it may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Scheme's investments over the duration of the Scheme, if it believes that such factors reflect the views of members.

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustee believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

The Trustee recognises its investment managers' approaches to social, environmental and ethical factors with respect to their selection of investments and are satisfied that a responsible approach, which is consistent with the long-term financial interests of the Scheme and its members, is undertaken.

As noted earlier, the Scheme's assets are invested in pooled investment funds. The Trustee has identified that the influence it can have on the social, environmental and ethical policies and practices of the companies in which their managers invest is limited to its manager selection processes. The Trustee will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

4.5 Corporate Governance, Voting Policy and Stewardship

The Scheme is invested solely in pooled investment funds. The Trustee therefore has no direct ability to engage with, monitor investee companies or exercise voting rights. These are the responsibility of the pooled fund investment managers and the Trustee expects the investment managers to use their discretion to act in the long term financial interests of investors.

The Trustee considers the investment managers' corporate governance and stewardship policies part of its selection and monitoring processes. These are available on request and on the managers' respective websites.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee will exercise its right in accordance with what they believe to be the best financial interests of the Scheme's membership as a whole.

5 RISK

Under the Pensions Act 2004, the Trustee is required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process and by appointing Atkin to monitor and advise on the replacement of any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies can be provided to the Trustee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustee.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but works closely with its investment adviser and will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Scheme invests in pooled investment vehicles and is therefore indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios and in respect of the LDI funds is managed by the investment manager's counterparty management and collateralisation procedures.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, it may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest and Inflation Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest and/or expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustee recognises that the Scheme's liabilities are exposed to a significant level of interest and inflation risk and for this reason it is desirable for the assets to be exposed to an appropriate level of interest/inflation rate risk. The Trustee has therefore invested in LDI funds to manage these risks, with the LDI strategy set so as to provide an acceptable level of hedging against the interest rate and inflation risks inherent within the Scheme's liabilities.

Other Price Risk

- This is the risk of volatility that principally arises in relation to the return seeking assets.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and have therefore invested the Scheme's return seeking assets in a unitised with-profits fund in order to achieve a diversified exposure to different investment markets and manage this risk.

ESG Risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets. The Trustee manages this risk by investing in well-respected investment managers where ESG principles are an established part of the investment decision making process and by regularly reviewing the ESG scoring of the investment adviser's scoring of the Scheme's managers.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 Investment Adviser

The Trustee assesses and reviews the performance of its adviser in a qualitative way. In doing so, the Trustee sets objectives for its investment adviser and monitors performance against these .

6.2 Investment Managers

The Trustee receives quarterly monitoring reports on the performance of the investment manager from LGIM which present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. They also provide returns of market indices so that these can be used to help inform the assessment of the manager's performance.

The Trustee receives an annual report from Aviva that provides information on the reversionary bonus added over the year and the final bonus that applied at the end of the Scheme year.

Separate reporting reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark.

In conjunction with advice and information from its investment adviser, the Trustee has the role of replacing the investment managers where appropriate. It takes a long-term view when assessing whether to replace the investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by advice from Atkin that the investment manager is unlikely to be able to perform in line with their fund's mandate over the long term.

Changes will also be made to the managers if there is a strategic change to the overall strategy and therefore the Scheme no longer requires exposure to that asset class or manager.

6.3 Portfolio Turnover Costs

The Trustee reviews the performance monitoring reports which it receives which are net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

Given that the Scheme invests in a range of pooled funds, the Trustee does not consider it appropriate to have an overall portfolio turnover target for the Scheme.

7 BEST PRACTICE

The Trustee notes that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustee is satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

The Trustee meets with its investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

9 COMPLIANCE

This Statement is available to members online.

A copy of this Statement is also supplied to the Sponsoring Employer, the Scheme Auditor and the Scheme Actuary.

This Statement supersedes all others and was approved by the Trustee.

APPROVED by the Trustee after employer consultation, on 12 January 2024

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's current strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation (%)
Growth Assets	35
Unitised With-Profits fund	35
Matching Assets	65
Corporate Bonds	15
LDI – Nominal and Real	35
Cash	15
Total	100

The policy for rebalancing and investment/ disinvestment of cashflows is set out in Appendix 2.

NB:

There are no guideline ranges as the actual asset allocation percentages will change as investment market conditions change. The Trustee, along with its advisor, will assess the allocations on an ongoing basis and make adjustments as, and when, they see fit based on the strategic allocations set out above and the magnitude of any deviations from above.

The proportions held in corporate bonds, fixed and index-linked gilts and liability driven investment (nominal and real) holdings are designed to hedge 85% - 90% of the value placed on the 'funded' liabilities, measured on the Long Term Objective (LTO) basis. Hence, like the liabilities, their values will float as interest and expected inflation rates change. Alterations to the actual percentage allocation may take place from time to time which will be driven by the actual interest and inflation hedge ratios relative to their targets (rather than simply the percentage held).

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Rebalancing Policy

The Trustee is satisfied that there should be no automatic rebalancing policy in place. Instead the Trustee will use the reporting provided by Atkin to determine if any funds' values have moved significantly enough to consider taking appropriate action.

The Trustee notes that the LDI funds can move significantly in value in response to changing economic conditions (i.e. changing interest and expected inflation rates) and that buying or selling LDI funds would change the level of liability hedging.

Cashflow Policy

All investment and disinvestment requirements will be given specific consideration by the Scheme's investment adviser, who will advise the Trustee in writing via email. For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

LDI Recapitalisation/Distribution

The Trustee notes that the LDI manager may require additional cash from time to time in order to support the operation of the LDI funds, or, may distribute cash from time to time. The Trustee has put in place a policy regarding this recapitalisation/distribution procedure.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The current managers and their funds are set out below.

The Trustee may, after receiving advice from Atkin, replace a manager/fund with a suitable alternative as soon as is practicable.

Growth Assets

Manager/Fund	Benchmark	Objective	Dealing Frequency
Aviva Life & Pensions UK Limited Old and New With-Profits Sub-Fund	N/a	To provide a steady capital growth over the medium to long term by investing in a broad range of assets, while smoothing out some of the fluctuations of investment markets.	Daily

Matching Assets

Manager/Fund	Benchmark	Objective	Dealing Frequency
LGIM AAA-AA-A Corporate Bond All Stocks Index Fund	Markit iBoxx £ Non-Gilts (ex-BBB) Index	To achieve a return that is consistent with the benchmark	Weekly
LGIM Nominal Dynamic LDI Funds	Cashflows for a typical pension scheme	To track a set of nominal cashflows resembling a typical scheme	Weekly
LGIM Real Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of real cashflows resembling a typical scheme	Weekly
LGIM Sterling Liquidity Fund	Sterling Overnight Index Average (SONIA)	To provide diversified exposure and a competitive return in relation to SONIA	Weekly

The Scheme also holds annuity policies with Aviva in respect of those members who have retired and are in receipt of pensions paid by Aviva.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

Trustee

The Trustee's responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the investment adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and Scheme Actuary
- Appointing the investment manager(s), platform provider and custodian (if required)
- Assessing the quality of the performance and processes of the investment manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the investment adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

Investment Adviser

The investment adviser's responsibilities include the following:

- Participating with the Trustee in reviews of this Statement
- Production of performance monitoring reports
- Advising the Trustee, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the investment managers' organisation could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians
- Advising the Trustee on an appropriate overall cashflow and rebalancing process
- Providing advice in relation to specific cashflows and rebalancing as appropriate

Scheme Actuary

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

Administrator

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Liaising with the investment managers according to the Trustee's instructions in relation to investments and disinvestments.

Habib Bank Limited Pension & Life Assurance Scheme

Implementation Statement

Introduction

This Implementation Statement covers the period to 30 April 2024 and has been prepared by the Trustee of the Habib Bank Limited Pension & Life Assurance Scheme (the "Scheme") to set out:

- How the Trustee's policies on stewardship and engagement have been followed.
- The voting behaviour of the Trustee, or that undertaken on their behalf.

Statement of Investment Principles ("SIP")

The Trustees' policies on stewardship and engagement are included in the Scheme's SIP, which is available on request and can also be accessed here:

<https://members.pensionpal.co.uk/habibbankpensions>.

The SIP has been reviewed by the Trustee during the period.

How voting and engagement policies have been followed

The Scheme invests in a unitised With-Profits arrangement held with Aviva, Liability Driven Investment Funds, corporate bond funds and sterling liquidity cash funds held with Legal & General Investment Managers and annuity policies with both Aviva and other third parties.

As the scheme invests in Liability Driven Investment Funds, corporate bond funds, sterling liquidity funds and an "insured arrangement" with Aviva it does not hold any equity investments and consequently does not cast any votes either directly or via the Scheme's fund managers.

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustee receives reporting on the engagement policies of the fund managers and considers this as part of manager appointment and review processes.

The Trustees consider it to be part of their investment manager's role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Scheme.

The Trustee has received information from their investment manager on their stewardship and engagement activities during the period of this Implementation Statement. The Trustee is satisfied that the managers' policies were reasonable and no further remedial action was required during the period. Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the investment manager are in alignment with the Scheme's stewardship policies.

Statement of compliance with Regulations

Over the period, the Trustee is pleased to report that it has in its opinion adhered to the policies set out in its SIP and have complied with the Regulations.