The Scottish National Investment Bank plc

Annual Report and Accounts 2026

Company number SC677431

Our Ambition

Transforming Scotland through our insight, investment and impact.

At the Bank we are ambitious for the positive impact our investments and market insights can deliver.

Scottish National Investment Bank plc is wholly owned by Scottish Ministers

Registered in Scotland with Company number SC677431

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Performance Highlights

Financial highlights

Investment income

£32.3m

▼ FY24/25: £34.5m

Total investment committed since launch

£1.2bn

▲ FY24/25: £785m

Total additional capital crowded in* since launch

£1.9bn

▲ FY24/25: £1.4bn

Mission delivery highlights

Improving lives and living standards

325,739 people

Since launch, our investments have positively impacted 325,739 people through regeneration, high quality housing and connectivity.

▲ 2024: 207,042

Supporting the delivery of affordable housing

983 new homes

Since launch, our investment has supported the building of 983 Scottish homes, available for mid-market rent.

▲ 2024: 742

Helping to create and safeguard employment opportunities

3,330 jobs supported

In 2025, our investment portfolio directly supported 2,361 jobs, with a further 699 jobs supported by indirect and induced impacts from the Bank's investments.

▲ 2024: 3,091

Reducing harmful emissions

235,429 tCO_2e

Since launch, our investment portfolio has avoided, reduced or removed the equivalent of 125,106 cars from UK roads for a full year.

▲ 2024: 135,531 tCO_2e

Creating a positive supply chain spend

£411m

Supply chain spend in Scotland reported by portfolio companies since launch.

▲ 2024: £277m

Powering innovative research and development

£149.2m

Spend on Research & Development activity reported by innovation-focused businesses since launch.

▲ 2024: £94m

* 'Crowded in' refers to £1.8 billion of private and £0.1 billion of public sector capital invested alongside the Bank's investments.

Chairman's Statement

2025/26 was a year of progress and change. With our first five years behind us, Scottish National Investment Bank plc (the Bank) is at a clear inflection point: we are no longer simply establishing ourselves as an institution, we are growing and maturing as an investor in Scotland.

We have now committed over £1.2 billion of investment into Scottish businesses and projects and crowded in over £1.9 billion alongside our capital. This has been our strongest year so far for committed and deployed investment.

Scotland needs investors with a long term view. As a multi-asset investor focused exclusively on Scotland we will continue to make operationally independent decisions, crowd in private capital and recycle returns over time.

We should also be clear about our remit to deliver against our missions. As a development bank investing across asset classes, we can calibrate our risk appetite to work alongside and provide additionality to typical investors in those asset classes. At times we will incur significant losses with a young portfolio that is exposed to difficult markets. The realised and unrealised losses we have seen in this financial year reflect that and are not where we want to be. While these figures are painful for the Bank, they are particularly so for the businesses which failed and of course for their teams.

In a tough environment with tighter financial conditions, cautious sentiment and more challenging fundraising and exits, careful risk management and discipline remain central. We have learned a lot over the past five years and continue to improve and tighten our investment processes along with stricter criteria for potential investments as set out in our Investment Strategy.

As Chair, my focus is on ensuring the Bank has the leadership and governance required for the next phase and, to this end, I am delighted David Ritchie has taken up the role of CEO, bringing a strong track record and a clear focus on delivery against our missions.

At this point, I would like to give my thanks to Al Denholm, our former CEO, and Nick Moon a Non-Executive Director since launch, both of whom retired this year, for their service on the Board as they step down from their roles. I would also like to thank Michael Robertson, who has now stepped down as Chief Financial Officer. Their commitment, insight and guidance have made a significant contribution to the Bank's work, and I am grateful for the support they have provided to me, the Board and the Executive team during their tenure.

Looking ahead

As a mission-led investor we are funding projects and businesses that can help to build new industries. In our **Net Zero** mission, we are developing our market perspective as the market is shifting towards energy security and resilience.

In **Place**, we are taking a more prominent role in housing and mobilising additional capital to support delivery at scale. Housing is central to our financial model and well-structured investments can generate durable cash returns which can allow us to recycle capital while delivering positive outcomes for people, places and the broader economy.

In **Innovation**, we are already backing digital technology and hardware businesses with the potential to scale in Scotland. Going forward, we will also look to broaden our definition of innovation to encompass a wider set of sectors.

Partnerships will remain central to delivery. Working with our co-investors and partners including National Wealth Fund (NWF) and Great British Energy (GBE) will strengthen transactions and bring more private capital alongside our own. We have significant opportunities, including launching a Scottish Universities Fund where we expect to commence third party capital raising in 2026/27.

We will continue to work constructively with the Scottish Government and HM Treasury to find a funding solution that ensures the Bank's longevity and provides the confidence needed to plan for the long term beyond 2030.

It is essential that the Scottish National Investment Bank becomes a perpetual development bank that recycles its capital and grows its balance sheet.

Over the next five years, the Bank must become self-sustaining. This requires the right mechanisms and financial model, including a more flexible 'perpetual' approach to retain, recycle and reinvest capital as funds return.

I look forward to the Scottish National Investment Bank building on this momentum and to the impact we can continue to achieve for Scotland in the years ahead.

Willie Watt
Chair

Chief Executive Officer's Review

I began my role as Chief Executive at a pivotal moment for the Scottish National Investment Bank. We've moved carefully to build scale and momentum, backing a range of investments and committing over £1.2 billion of capital to date. Our portfolio has been built on the steady foundations of supporting Scotland's long-term priorities, combining economic opportunity with measurable social and environmental outcomes.

Since our launch five years ago, the Bank has received nearly 1,700 enquiries, resulting in our current portfolio of 53 investees, £1.2 billion committed and £1.9 billion crowded in from third parties.

With the benefit of five years' experience, we will sharpen our focus on deploying capital in a more targeted and consistent way.

We will concentrate our efforts on opportunities where the Bank can add real value with clear expectations on governance and impact, and the ability to invest patiently alongside partners to help businesses and projects reach scale.

We will always invest with a clear public purpose: to accelerate a sustainable, innovative and inclusive economy in Scotland. By deploying capital in line with our three missions – Innovation, Place and Net Zero – our long-term ambition is to operate as a permanent, scalable business, building a portfolio of more than £2 billion in investments and generating economic, social and environmental value alongside financial returns.

Strong governance, rigorous decision-making and transparent reporting will continue to sit behind every investment. We will continue to invest on market-based terms, crowding in private finance and taking a patient approach suited to building a resilient, impact-focused portfolio.

These principles have been key to the Bank's stewardship of public capital since our launch and are critical as we pursue opportunities to attract third-party capital and to help unlock new markets and technologies that can strengthen Scotland's long-term competitiveness. Awareness and understanding of the Bank's distinct role has grown, but this has been hard-won and will require ongoing reinforcement.

As a patient-capital investor working across innovation, infrastructure and scaling markets, we expect to see losses within the portfolio. This is particularly true against the backdrop of a more volatile economic environment. In 2025/26 the Bank recorded realised losses of £65.1 million and an unrealised loss of £84.7 million. The realised losses include write-downs and investment losses associated with a small number of investments, including insolvency or cessation of trading.

These outcomes are regrettable and disappointing. An element of loss, however, is consistent with the mandate we hold, the risk we accept in pursuit of impact, and the macroeconomic conditions in which we are operating.

These results underline the importance of being explicit about the level of risk we take, why we take it, and the safeguards we apply when deploying public capital. The macroeconomic conditions in recent years have challenged the risk appetite and investment capacity of investors across the private and public sectors. This has restricted the capital available in the market for young companies, meaning that only the most competitive businesses will successfully raise capital.

In response to these challenges, we are strengthening our risk framework and portfolio oversight as we grow, ensuring that ambition is underpinned by disciplined delivery. Our experience in the market supports us to continually improve calibration of our investments, best identifying an appropriate level of risk for a development bank to take relative to the wider market. This is a continuous process, particularly as the market itself recalibrates to reflect macroeconomic and geopolitical uncertainty in its operating environment.

Given that challenging environment I am pleased by the progress the Bank has made in deployment of its capital in 2025/26, our most active year for commitment to date. Reflecting its growing maturity, the Bank concluded a number of significant investments alongside high-reputation, institutional co-investors. This progressing of our position in the market will be beneficial as we seek to deliver on our third party capital ambitions in the coming year.

Our three missions are the organising framework for our approach.

For **Innovation**, we will continue to back high-potential businesses with credible pathways to growth, working alongside co-investors to strengthen the wider ecosystem. Investing in projects like *Bioliberty* is helping to support the businesses emerging from our Scottish universities.

Increasing the supply of homes across all tenures is a headline objective for our **Place** mission and will be a strategic priority for the coming year. The Bank has scaled its housing investment capability, resulting in commitment of over £110 million to housing opportunities in the last financial year and development of an active and exciting investment pipeline.

For **Net Zero**, we are prioritising investments that accelerate the energy transition while improving resilience across Scotland's energy system. We are helping to deliver energy security through investments like *Highview* – delivering crucial grid stability services.

We are taking stock of how our missions will evolve over time to reflect Scotland's changing needs, new market opportunities and the lessons we are learning as the portfolio matures.

Against this backdrop, our mission-led approach provides consistency and focus. Our missions are deliberately long dated and high level: they guide investment strategy, provide a clear point of differentiation in the market, and support recruitment and retention of specialist talent.

They also give us the flexibility to respond to new opportunities.

Our commitment to commercial investing helps our capital work harder: recycling returns where possible, sharing risk with co-investors, and building a portfolio that can deliver impact over the long term. We have continued to see income generation from the portfolio this year despite the challenges experienced.

Looking ahead, we are focused on strengthening the Bank's long-term capability: improving our ability to retain and recycle capital to sustain investment over time; entering the market to raise and manage third party capital and continuing to build and retain a highly performing team.

With sustained support, we will seize the opportunities we see across housing, innovation and energy resilience - and will aim to demonstrate that a mission-led, commercially disciplined development bank can deliver for Scotland.

Finally, I would like to give my thanks to both Michael Robertson and Al Denholm. Michael, who stepped down as Chief Financial Officer earlier this year, played a central role in building the Bank's financial foundations from the outset. I am pleased that we have now appointed Craig Wood, an experienced Chief Financial Officer, to replace Michael on a permanent basis, having initially joined as interim CFO. Al, our outgoing CEO, retired earlier this year and we recognise the important contribution he has made to the Bank, and wish him well in the next chapter.

David Ritchie
Chief Executive Officer

Strategic Priorities

The Scottish National Investment Bank has achieved many milestones as it looks ahead to the coming years. The Bank has built its portfolio, reaching £1.2 billion in commitments to date in the last year and having a further £1.9 billion committed alongside our capital by aligned investors across the private and public sectors. In 2025 we secured an initial set of FCA authorisations, and our Audit Scotland review in May of the same year concluded that the Bank had made “good progress establishing its position in the Scottish investment financing landscape”.

The Bank is clear on its purpose and on how we deliver against our missions and the Bank’s most recent Investment Strategy sets out our view of the opportunities present in the Scottish market.

The coming years will reflect the Bank’s growing maturity and increasingly established role in the Scottish investment ecosystem. We will continue to operate in a challenging investment landscape that is impacted substantively by a complex and uncertain economic environment, and which is also impacting upon our investment partners and potential co-investors.

Going forward, we can see that only the most compelling businesses and opportunities will succeed in gaining investment. Evidence of the ability to generate market traction will be key. As Scotland’s development bank, we exist to provide commercial, impact-based investments and where required will invest patient capital, over longer time frames. We want to take a strategic role in supporting our investees and share our insight and experience in service of their long-term growth.

While the Bank seeks a route to a commercial financial return in each of its investments, we do recognise that realised losses are an inevitable aspect of investing in young and emergent businesses and projects. Operating with a risk appetite appropriate to our role as a development bank, ensuring that we operate additionally to the market, will also expose the Bank to a further degree of risk relative to other investors, and regrettably we have seen losses within our portfolio this year.

> We want to take a strategic role in supporting our investees and share our insight and experience in service of their long-term growth.

As commercial investors, and as stewards of public capital, we continue to reflect on the challenges faced by investee businesses and evolve our approach to best mitigate these issues. We now place greater emphasis on aligned co-investment in opportunities, on skills and expertise within the management team, and on proximity to market.

We are also evolving our approach to asset management and looking for opportunities to drive value in our portfolio. As our portfolio matures, we expect to see more opportunities to realise returns and recycle capital – across scaling businesses, refinancing or well-timed exits – and creating greater long-term impact.

In the next financial year, we are also taking key steps towards securing and managing third party capital in areas where Scotland has genuine competitive advantage. There are a number of exciting opportunities emerging which could see us realise this ambition in the near-term.

These priorities are articulated in detail in our refreshed Business Plan and Investment Strategy. We are highly ambitious for the progress we can make against them in the coming years, and the benefits we can deliver for Scotland.

Balanced Scorecard

In addition to the financial performance presented elsewhere in these accounts, we also report our performance against a balanced scorecard, made up of both strategic and operational priorities we set out in our Business Plan. This balanced scorecard sets out the outcomes we articulated for each strategic priority and shows our progress against these. This section provides our analysis of this performance, giving a concise commentary on how we performed against the targets we set for ourselves.

For each area of the balanced scorecard, we defined thresholds against these targets, for what we considered 'Below expectation', 'Good', 'Strong' and 'Excellent'. We have used these ratings, to summarise our progress in each area of the scorecard.

Strategic Priority 1: Demonstrating and enabling impact	Performance against outcomes: GOOD
Outcomes 25/26 Deliver measurable, positive impact in line with our missions. ◆ Quantified progress in line with our 2030 plan towards our Impact Ambitions and Mission Objective KPIs, with detailed reporting set out in our Impact Report. Maintain and develop excellence in impact management practices, including driving equality outcomes, across all stages of our investment process. ◆ Best-in-class impact management practices from new enquiry stage through to portfolio (as determined through an external, independent, verification exercise). Enhance our practices for managing and reinforcing impact and equality outcomes through our growing investment portfolio. ◆ Embed and evolve impact practices in our portfolio through continued focus on our communities of learning programme, support for investees and ongoing review of impact and equalities performance management in the portfolio. With results set out in our Impact Report.	**Progress 25/26** ◆ The Bank has delivered continued progress in line with our missions and Impact Ambitions, as detailed in our 2026 Impact Report. ◆ We continued to review and strengthen our impact management practices, including ensuring processes aligned with our external EDI reporting commitments. In FY25/26, the Bank's Impact Management practices were externally verified by BlueMark who scored the Bank as operating as 'Advanced' across 7 of the 8 pillars within the Operating Principles for Impact Management (OPIM), placing the Bank on their global Practice Leaderboard in 2025 and 2026. ◆ During FY25/26 we supported portfolio companies in developing ESG practice and delivering impact through delivering a range of bespoke engagements. This included focus on building knowledge and confidence in carbon and environmental reporting, supporting board effectiveness and sharing good practice in integrating equalities considerations alongside commercial performance. ◆ The Bank has published impact insight demonstrating how impact investment can support Scotland's energy transition, help address the housing crisis, and reduce inequalities. The benefits of impact investment and the Bank's expertise have been promoted across a range of events and articles including the annual Bank conference and key industry events.

Strategic Priority 1: Demonstrating and enabling impact	Performance against outcomes: GOOD
Outcomes 25/26 Demonstrate market-leading impact investing and mission-related expertise, insight and capability – to support crowding in of mission-aligned capital to Scotland. ◆ Delivery of the plan to support continued development of the impact investing ecosystem in Scotland, in collaboration with partners. Continue to share our insight and expertise relating to impact investing, our missions and the Scottish economy.	**Progress 25/26** ◆ We collaborated with the Impact Investing Institute to co-host a workshop in Aberdeen bringing together over 50 investors, industry leaders and strategic stakeholders to explore the role of impact investing in Transition Finance, followed by a programme of engagement activity to progress this topic. The second cohort from our Impact Investor Readiness programme in partnership with Strathclyde Business School graduated, with the programme having been developed to involve other investors, and 100% of graduates saying they would recommend the programme. We partnered again with the Hunter Foundation to deliver the Scale Up 2.0 programme, providing business leaders with mentoring and expert advice to support their growth ambitions.

Strategic Priority 2: Delivering investment	Performance against outcomes: GOOD
Outcomes 25/26 Building a pipeline of new investment opportunities that enable us to continue to build and develop a diverse portfolio of investments that reflects our missions and the significant potential across Scotland. We will actively identify opportunities that could deliver the greatest impact both commercially and for our missions. ◆ Invest up to the £204 million allocated to the Bank across our three missions and in line with key sectors. ScotWind and the associated supply chain will continue to be a driving force in our net zero deployment strategy, alongside alternative fuels and climate tech, industrial decarbonisation and the circular economy. ◆ In addition to the above, to deploy up to £68 million of capital into ScotWind specific projects.	**Progress 25/26** ◆ The Bank has had a strong year of deployment in terms of quantum of investment committed, strength of opportunities realised and the quality of our counterparties. At the same time the performance of previous investments has been challenged with realised losses of £65.1 million and an unrealised loss of £84.7 million. On balance, a rating of 'Good' was assigned based on the progress made on deployment and commitment, and the quality of opportunities invested in and of our investment counterparties in this financial year, but the Bank remains focussed on driving value from its portfolio going forward and on reflecting on portfolio performance and learning from failures. ◆ We have committed £373.9 million of core impact investment in FY25/26. We deployed £205.5 million of capital including £49.6 million follow on into our portfolio businesses. We exceeded our capital allocation for the first time and made use of the financial flexibility provisions previously agreed with our Shareholder. Up to date portfolio information can be found on our website (www.thebank.scot/portfolio).

Balanced Scorecard continued

Strategic Priority 2: Delivering investment

Performance against outcomes: GOOD

Outcomes 25/26	Progress 25/26
In line with our Equality Strategy, we will seek to increase access to investment finance for groups within our society who have typically been underserved. ◆ Deliver our annual Equality Action Plan, and report outcomes against this in our Mainstreaming Equality Report. Support our portfolio companies to scale, including through the provision of follow-on investment, and to deliver against agreed milestones that align with ambitious value creation targets. ◆ Progress towards delivery of the Bank's Target Rate of Return (TRR) of 3-4% and Impact Ambitions through new investments and growth in our portfolio. Close, collaborative working relationships with our portfolio businesses, as evidenced by independent survey feedback.	◆ The Bank committed £60 million into offshore wind opportunities, including our investment into the Pentland Floating Offshore Wind Demonstrator project. The Bank committed a further £95 million into energy storage opportunities, supporting further decarbonisation and resilience of Scotland's energy system. ◆ We published our Equality Strategy for 2025-29 in May 2025. This included an update on mainstreaming the equality duty. We successfully delivered our annual Equality Action Plan. ◆ Our actions this year included working with partners who deliver programmes to support the growth of an early stage pipeline of female-led and scalable businesses, and delivery of our Pathways Forward pledges. ◆ We have worked closely with investees across our portfolio, particularly those who are not performing in line with their business plans. As part of this we have sought to ensure that businesses have the right Executive teams and Boards. ◆ We have recorded £65.1 million of realised losses over the financial year. The realised losses are regrettable, and driven by a combination of the development of our risk appetite across the Bank's life, our macroeconomic context, and that we have young portfolio that is continuing to develop. ◆ We have also built on the existing support provided to our portfolio including running a portfolio event focusing on themes we see across our investees and supporting them by through market engagement and network events. Our independently conducted stakeholder survey found positive recognition for the Bank among investees, with benefits reported beyond investment. ◆ Progress towards delivery of the TRR has been negatively impacted by the reported losses in this financial year. The TRR is a long-term measure, driven by performance of the Bank's investments over time. The Bank has already taken action to strengthen its risk management framework.

Strategic Priority 3: Building insights, partnerships and our reputation

Performance against outcomes: GOOD

Outcomes 25/26	Progress 25/26
Build on the Market Creation function we established in FY24/25. Continuing to develop our capabilities to establish investable opportunities in scaling businesses, for us and the market more broadly, building on our experience, insights and networks. ◆ Identified distinct, new investment opportunities across our missions. Publish and seek feedback on insights we develop from our investment experience and market engagement. ◆ Insights will be valued by stakeholders in the markets in which we operate, as evidenced by representative feedback. Continue to work with teams across the public sector to support the creation of a policy and regulatory landscape that enables the delivery of our missions. ◆ Public sector engagement work will enable the evolution of policy to support the delivery of our missions, as evidenced through our stakeholder survey. Private sector engagement work will build relationships across the business and investment sectors, including key industry groups, to support both market creation and pipeline development. ◆ Strong relationships and firm reputation across the private sector, as evidenced by representative feedback from the markets in which we operate. Use our investments and insights to continue to build positive relationships with the media to ensure that the role and activities of the Bank are accurately understood across the ecosystem. ◆ Growing strength of our reputation, as evidenced by representative feedback from the markets in which we operate.	◆ Both Market Creation functions across our Net Zero and Place missions have fully bedded in. They are actively engaging with key stakeholders to identify target opportunities and have contributed to development of pipeline opportunities and the Bank's view of market opportunities. ◆ We have continued to share key insights over the year and engage across the market. In a survey of key stakeholders 57% agreed the Bank provides valuable thought leadership (flat from 2024/25), demonstrating a solid response but with clear room to improve. ◆ We have maintained positive relationships across the public sector, providing input and engagement in key areas that align with our missions. This included contribution to the Housing Investment Taskforce and engagement as the commercial partner to the planned More Homes Scotland agency. ◆ We have also continued to constructively build on the relationships we have in the private sector. ◆ 85% of respondents rated the overall experience of seeking investment from the Bank as positive. ◆ In our stakeholder survey, 98% of respondents had heard about the Bank in the last 12 months. Awareness of our missions has improved for Place (85% aware up from 44%), Innovation (83% aware up from 60%), and remained steady for Net Zero (95% aware).

Balanced Scorecard continued

Strategic Priority 4: Enabling private sector investment	Performance against outcomes: STRONG
Outcomes 25/26	**Progress 25/26**
Continue to enable the private sectors to invest alongside us, extending our network beyond Scotland, by displaying a positive portfolio return, leading impact credentials and deep insights to the Scottish market to provide a compelling co-investor case. ◆ To facilitate the same or higher levels of investment from private sector sources as we commit through our own investments. To continue to pursue our plan to advise and/or manage private sector capital. ◆ To have made demonstrable progress against our plan to advise and/or manage private sector capital.	◆ The Bank facilitated £445 million of investment alongside our own commitments of £374 million. This brings the total investment 'crowded in' since launch to over £1.9 billion, comprising £1.8 billion of private capital and £0.1 billion of public capital, in addition to the Bank's own £1.2 billion of committed capital. ◆ We have built relationships with key institutional investors as part of delivering our strategy to manage the capital of third parties. ◆ We have progressed our third party capital strategy. We developed propositions on which we expect to engage with the market in the coming year, the Scottish Universities Fund being an early example.

Strategic Priority 5: Targeting financial self-sustainability	Performance against outcomes: BELOW EXPECTATIONS
Outcomes 25/26	**Progress 25/26**
Build on agreements around flexibility of capital funding to create a clear path toward becoming a perpetual fund. ◆ Demonstrable progress in adding the Bank to the discussions regarding Public Financial Institutions and the use of Financial Transactions. This affords entities more control over recycling returns and approaches the original stated aim of the Bank being a perpetual institution. Continue to invest in a mix of debt, equity and funds to ensure a balanced income profile over the year which is greater than our operational costs. ◆ Our portfolio of investments is forecast to have a commercial return that reflects our development bank risk appetite and is forecast to be in line with our Target Rate of Return (TRR). Continue to embed our 'value for money' culture considering and challenging ourselves around the cost, resource and quality requirements for our operational delivery. ◆ Ensure our income and costs are in line with our agreed budget so that we have no operational resource requirement from the Scottish Government.	◆ The Bank has continued to progress development of its financial capability, consistency in income generation and ensuring a balanced portfolio of commercial investments but these remain ongoing priorities with a long-term position to be established. Portfolio losses have affected financial performance. ◆ During the year the Bank has worked with Scottish Government regarding increased financial flexibilities. The Government agreed that undeployed capital of FY24/25 up to £25 million could be carried into FY25/26 – the Bank drew on this carried over capital within 2025/26, demonstrating the value of this flexibility. This capacity is important and recognises the challenges in commercial investment where investment may straddle a fiscal year end. ◆ We are also continuing to engage with UK and Scottish Governments regarding the Financial Transaction Control Framework which proposes the ability to recycle proceeds and profits and is broadly aligned to our stated aim of becoming a perpetual institution. Scottish Government set out its ambition for the Bank to secure further flexibilities under this Framework in March 2026. ◆ The Bank's portfolio mix has continued to develop with significant provision of debt in 2025/26, primarily in housing and infrastructure. We continue to aim to deliver against our TRR over the long-term. ◆ Income has exceeded budget and costs are within budget, generating an operating profit (pre investment losses) and building on our performance from FY24/25. ◆ This meant we did not require any operational (resource) budget in FY25/26. ◆ Regrettably, our portfolio has experienced some large individual losses during the year. There continues to be wider economic challenges and continued pressure on portfolio performance more generally. The Bank's risk appetite must be calibrated accordingly. We will continue to work with our investee companies over the medium to long term.

Balanced Scorecard continued

Strategic Priority 6: Realising the potential of our people	Performance against outcomes: GOOD
Outcomes 25/26 Embed our learning proposition and career pathways that were introduced in the past financial year, supporting the continued development of our people. ◆ Our Career Path Framework and learning proposition is embedded, evidenced by continued progression of our people, and supported by people survey responses. Further build on this to develop our Investment Associates through a structured step progression programme. ◆ A structured step progression programme for Investment Associates has been developed. Continued commitment to our plan for improving diversity of the Bank team, improving gender diversity of senior roles and continuing to deliver against our plan that will lead to the reduction of our gender pay gap. ◆ Progression has been made towards our gender diversity ambitions – improved gender diversity in senior roles and our gender pay gap has reduced by year end (31 March 2026). Continued development of our leaders, embedding the leadership practices and insights introduced in FY24/25. ◆ Continued positive culture and motivated team evidenced through feedback from our people surveys and Team Voice channels. Review our approach towards performance and reward. ◆ A refreshed reward strategy and plan agreed, informed by benchmarking exercise.	**Progress 25/26** ◆ 57% internal promotions in the last 12 months were female. ◆ 31.8% of vacancies filled with internal candidates in last 12 months. ◆ 74% positive score on our December 2025 People Survey for *"I am developing in my role"*. ◆ 63% score on our People Survey for *"I am satisfied with the opportunities for career advancement available to me"*. ◆ 95% of the team have performance goals in place. ◆ Career path framework launched across the Bank with a specific framework in place for investment roles. Plan has been developed to embed this further in 2026. ◆ Median Gender Pay Gap reduced to 28.2% over the period meeting the minimum target set for the year. ◆ % of senior females has increased to 40% which is on track to achieve our Women in Finance charter commitment of 40-50% senior females by December 2026. ◆ 75% engagement score on our most recent People Survey Upskilling for our leaders on good performance management; workshop on leading difficult conversations. ◆ Extended Leadership Group (ELG) has been established which engages senior leaders across the Bank to drive empowerment, clarity and accountability in delivering against the Bank's strategic priorities. The ELG will develop its work over the coming year. ◆ Refreshed reward strategy and reward proposals developed to enable a performance culture. These will progress further in 2026.

Impact Investing

Impact Investing

The Bank's approach to investing for impact

In its first five years, the Bank has established a best-in-class approach to managing, enabling and reporting investment impact, as verified by our BlueMark verification. Our missions respond to major trends and challenges that many economies – including Scotland's – are facing. We have 53 investees in our portfolio at the end of the Financial Year 2025/26, and £1.2 billion of the Bank's commercial capital committed to businesses and projects, delivering social, economic and environmental benefits in Scotland. The Bank has made significant progress in formalising the frameworks and practices that promote effective delivery of impact. We share details of our approach to investment in our Investment Strategy, and we report our non-financial impact in our Impact Report, both published on the Bank's website.

Our missions directly relate to global challenges across energy transition, inequality, and demographic and technological change. Through our commercial investment we seek to address these long-term trends while realising future economic and social opportunities for the people of Scotland. Our investments create commercial and economic value alongside non-financial impact – by identifying investment opportunities that capitalise on Scotland's expertise in old and new energies; in changing global industries; and which address the needs and assets of local communities. At a simplistic level, an investment needs to be commercially successful in order to generate impact.

We seek to drive change in the market, from ensuring minimum standards for fair work and carbon management, to working in partnership across sectors to crowd in capital, identify catalytic solutions and drive economic growth in Scotland. Our impact model (below) describes the range of ways in which we have an impact as a development bank:

Impact Model

Within the context of its Place mission, the Bank is helping to address Scotland's housing emergency. We are investing in housing of all tenures, both directly and through funds. Our investment targets key challenges in the market including support for SME housebuilders, investment in large-scale, mixed-tenure regeneration sites, and increasing rural and island housing.

Case Study: Growing SME housebuilders across Scotland

Housing is a strategic priority within our Place mission, "to transform communities, making them places where everyone thrives." It is central to supporting local economies, helping people thrive and tackling place-based inequality.

One focus of our housing strategy is supporting small and medium-sized (SME) housebuilders, which face constrained access to finance, rising development costs and a challenging macroeconomic environment. SME housebuilders play an important role in the market, delivering an outsized proportion of rural and island housing units, and taking forward redevelopment of brownfield sites in urban centres. The number of SME housebuilders in Scotland is at its lowest in 20 years and this is constraining delivery of housing across Scotland.

We work closely with SME housebuilders to understand and help overcome these barriers, supporting delivery of private and affordable homes while strengthening local supply chains and the wider housing ecosystem in Scotland.

Strathcarron

A £3.9 million Bank commitment has supported Strathcarron Homes to regenerate a brownfield site by Nitshill Station. The site was on Glasgow's Vacant and Derelict Land register, but will now host 25 family homes, targeted for sale to local social housing tenants and first-time buyers, creating a clearer route into home ownership within the community.

The development provides energy-efficient first homes with strong public transport links and under the loan terms, homes must first be offered locally, helping people stay in the area while getting onto the property ladder, and opening up social housing units elsewhere for new tenants to access.

DITT

The Bank loaned DITT £730,000 to deliver Shetland's first mid-market rental homes for key workers. The homes are now complete, the loan has been repaid, and Shetland Islands Council has acquired the properties for rental and management through a new arm's-length organisation.

Employee-owned since 2024 and one of the longest-standing construction companies in Shetland, DITT is using projects like this, alongside its own £400,000 investment, to help retain construction skills on the islands while addressing acute local housing need.

Whiteburn

The Bank committed £6.56 million in Edinburgh-based Whiteburn Projects Limited, an independent housebuilder, to support 50 private homes and 12 affordable homes in Peebles.

The development is also backed by £2.04 million of equity from the Housing Growth Partnership's Regional Growth Initiative. Together, Bank and HGP funding is regenerating a former industrial site in the Scottish Borders and accelerating delivery of much-needed mixed-tenure housing, including affordable homes managed by Scottish Borders Housing Association.

Impact Investing continued

Sustainability

Direct mission-led investment is only part of our role. Collaborating to tackle systemic challenges – such as the housing emergency, energy transition and barriers to scaling companies – and help our investees become more sustainable is vital to help realise Scotland's economic potential and improve social, health and wellbeing outcomes.

We work with our investees on areas such as carbon management and employment practices, because we believe it helps develop sustainable, successful businesses who are well positioned to meet the needs and expectations of larger investors as they scale, by hard-wiring good management systems and practices for the longer-term.

Climate disclosure

Across the 2025/26 Financial Year, the Bank has further strengthened its approach to climate change, including:

- Developing and issuing an 'Adaptation Checklist' to new investees.
- Established an internal Climate Action Network (CAN).
- Improving our climate risk assessment process for prospective investments.
- Expanding our scenario analysis, strategy and governance in line with the TCFD framework.
- Continuing to provide direct engagement and support to portfolio companies, including developing Carbon Management Plans, measuring their emissions, and delivering climate literacy sessions.

The engagement and support provided to our portfolio companies has also been externally recognised, with the Bank receiving a Scottish Green Apple Environment Gold Award from the Green Organisation, as well as the Net Zero & Sustainability Initiative of the Year at the Scottish Ethnic Minority Festival Awards.

The Bank's specialist Impact team delivers this broad-ranging programme of work, with climate oversight sitting with the Risk Management and Conflicts Committee and strategic oversight of TCFD reporting provided by the Board.

Our Pathway to Net Zero: Carbon Management Plan 2023/24-2028/29, sets out the key metrics for how we measure emissions across the Bank's operations and investments.

Operational carbon emissions

During FY25/26, the Bank's operational emissions have reduced from 84.30 tCO_2e (FY24/25) to 62.29 tCO_2e. This equates to a 26% decrease when compared to the previous year, however we remain 6% above our 2022/23 baseline (58.66 tCO_2e).

- Changes in greenhouse gas reporting conversion factors.
- Overall reduction in electricity consumption.
- Improved data collection, with less reliance on assumptions or estimates.
- A reduction in emissions from business travel and hotel stays.

The table below provides a breakdown of our emissions by source and scope.

Operational Carbon Footprint

Source	Emissions Scope[1]	Metric	2022/23	2023/24	2024/25	2025/26	Percentage change from previous year
Gas	Scope 1	tCO_2e	6.49	6.65	10.80	10.79	-0.09%
Electricity[2]	Scope 2	tCO_2e	10.98	12.45	9.32	6.88	-26.18%
Water[3]	Scope 3	tCO_2e	0.18	0.17	0.19	0.12	-36.84%
Waste	Scope 3	tCO_2e	0.22	0.05	0.03	0.03	0.00%
Business Travel	Scope 3	tCO_2e	8.54	12.99	29.38	11.72	-60.11%
Hotel	Scope 3	tCO_2e	1.12	3.08	6.53	3.73	-42.88%
Commute Travel	Scope 3	tCO_2e	23.63	11.32	9.58	11.72	22.34%
Home Working	Scope 3	tCO_2e	7.50	15.07	18.47	17.30	-6.33%
Total Emissions		**tCO_2e**	**58.66**	**61.78**	**84.30**	**62.29**	**-26.11%**

Percentage change from the previous year is calculated using figures rounded to two decimal places.

1. Emissions Scopes have been classified using the GHG Protocol Corporate Standard. 2. Includes Scope 3 - Electricity transmission and distribution. 3. Combined Supply & Treatment of Water.

In the next Financial Year, the Bank will continue to implement the projects set out in its plan and, where possible, pursue additional emissions reductions across its operations to support delivery of its reduction ambitions by 2028/29, as outlined in the Carbon Management Plan.

Impact Investing continued

Our investment portfolio's emissions

Our impact reporting period runs on a calendar year basis rather than a financial year, as such our portfolio emissions are reported in line with this timeframe.

At the end of calendar year 2025, total portfolio emissions were 23,374 tCO_2e. We will report our proportional share of these emissions in our next annual TCFD report. The table below sets out portfolio emissions by primary mission alignment, with the accompanying graph comparing emissions across the last four calendar years.

Emissions by Primary Mission 2025

Source	Scope 1	Scope 2	Total	Metric
Net Zero	19,270	1,576	20,846	tCO_2e
Place	1,381	816	2,197	tCO_2e
Innovation	157	174	331	tCO_2e
Total Scope 1 and 2 Emissions	**20,808**	**2,566**	**23,374**	tCO_2e

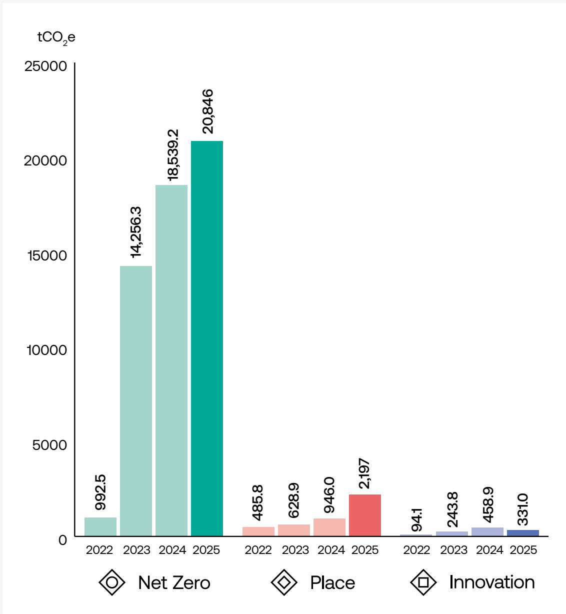
Investment impact is measured and reported on a calendar-year basis. Emissions data is subject to the Bank's internal control processes and assurance by outsourced internal audit; however, reported figures are dependent on the accuracy and completeness of information provided by investee companies and are not independently assured. Investee companies are generally required to provide impact data only after the first six months of investment and may therefore be excluded from certain reporting metrics until data becomes available.

In alignment with the Greenhouse Gas (GHG) Protocol, and the set out in the Bank's Carbon Management Plan, Scope 1 and Scope 2 emissions reported by investee companies are included within the Bank's Scope 3 emissions under Category 15, Investments. Further information on the Bank's portfolio emissions, reporting methodology, organisational and operational boundaries, and related disclosures is available in the Bank's TCFD Report.

The increase in reported investment emissions primarily reflects portfolio growth and the scaling of investee operations. New investments within the Net Zero and Place missions have expanded the number of companies within scope, while existing investees in these areas have matured into more operational phases, resulting in higher associated emissions.

We work with all our portfolio companies to develop robust carbon management plans and to manage transition risks. Our TCFD Report outlines our approach.

tCO_2e of Scope 1 and Scope 2 Emissions by Mission



Task Force on Climate Related Financial Disclosures (TCFD) – Summary FY25/26

Since 2023, the Bank has voluntarily aligned its climate reporting with the TCFD framework. This alignment supports consistency with other financial institutions and demonstrates our commitment to transparent and robust climate risk management.

The Bank has now published its third TCFD aligned disclosure, highlighting progress in how climate related risks and opportunities are identified, assessed and understood across our functions. Disclosures across the four TCFD pillars are summarised below:

Governance

This section describes the Bank's governance arrangements for overseeing climate related risks and opportunities.

The Risk Management and Conflicts Committee (RMCC) has specific responsibility for the oversight of climate related risk on behalf of the Board.

Strategy

This section discloses the actual and potential impacts of climate related risks and opportunities on the Bank's strategy and financial planning.

The Bank's approach to managing climate related risks and opportunities, both physical and transitional, is structured around three strategic focus areas:

- Investing for a sustainable future;
- Understanding and managing climate risks across the investment portfolio; and
- Ensuring responsible business practices within the Bank's own operations.

An assessment of strategy resilience under different climate-related scenarios is summarised across the short, medium and long term.

In the short term, climate-related risks to investments are more likely to be transition related, rather than physical, although exposure to acute physical risks may occur. Sustained net zero policy ambition presents significant growth opportunities across the Bank's portfolio.

Over the medium to long term, physical climate risks begin to diverge significantly between low and high emissions scenarios. Under higher emissions pathways, the acute impacts of climate change, such as flooding, storms and heatwaves, become increasingly material. The Bank's close alignment with Scotland's net zero objectives also increases exposure to transition risk; future changes in climate policy could increase the risk of asset stranding for certain investments.

Risk Management

This section describes how the Bank identifies, assesses and manages climate related risks.

Climate change risk is captured within the Bank's strategic risk management framework and is given due consideration across all investments to protect and support delivery of the Bank's missions.

Pre investment, a Climate Risk Assessment is undertaken for all prospective investments covering both physical and transition risks, with escalation procedures in place for risks assessed as high. Surface water flooding presents the most material physical risk. Heat and storm risks are also identified as key risks, with the severity of impact varying by sector, sectors such as housing and supply chains are assessed as more vulnerable.

The Bank has taken a range of proactive steps to strengthen the understanding of potential climate related risks, with new investees being supported to consider relevant risks and appropriate adaptation measures. The approach to identifying and managing climate risks within the Bank's own operations is also outlined, including links to the Business Continuity Plan.

Metrics and Targets

This section discloses the metrics and targets used to assess and manage climate related risks and opportunities, where material.

Greenhouse gas emissions are reported as a key metric, across two reporting boundaries: operational emissions and investment (portfolio) emissions. Within the TCFD report it was noted that operational emissions increased relative to the baseline, reflecting growth in the Bank's activities.

The disclosure also notes that portfolio emissions have increased in line with expanded investment deployment and a growing number of reporting portfolio companies. This includes significant investment in net zero projects which, while generating some emissions, have also delivered a net positive impact through emissions avoided, reduced, or removed.

Financial Performance

This report summarises the Bank's financial performance for the year ended 31 March 2026. The Bank's audited financial statements have been prepared in accordance with UK adopted international accounting standards as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (FReM), the Companies Act 2006 and directions made by the Scottish Ministers under the Public Finance and Accountability (Scotland) Act 2000. The detailed financial statements are presented from page 123.

Key drivers of the Bank's financial performance

As an investment business focused on generating both mission impact and commercial returns, the Bank's reported financial performance continues to reflect the profile, performance and valuation of its investment portfolio, alongside disciplined cost management illustrated below.

Key drivers to our financial performance

Investment profile

The level, timing and structure of investment commitments and drawdowns, together with the mix of equity and debt instruments, directly influence income recognition, cash flows and valuation outcomes. Debt investments generate recurring interest income, while equity investments are primarily realised through capital appreciation over longer time horizons.

Investment performance

The performance of the Bank's investments and their ability to meet performance targets and maintain liquidity, along with their ability to generate interest, make capital repayments and capital appreciation on exit.

Cost management

The Bank's ability to manage its operating cost base efficiently while supporting a growing portfolio remains central to achieving and sustaining operational financial self-sufficiency.

Journey to self-sustainability

A portfolio and third party capital structure, generating a diverse income stream that provides commercial returns that support the continued growth of the Bank and covers the associated operational costs.

Macro-economic environment

External factors – including interest rate movements, inflationary pressures, capital market conditions and wider geopolitical developments – continue to influence portfolio performance and valuation outcomes.

Financial review

During FY25/26, the Bank continued to make progress towards its financial objectives, maintaining its focus on committing new capital, supporting deployment and delivering value for money. At the same time, the economic environment in which we are operating has remained challenging and uncertain, and this has contributed to the reported losses in the portfolio. Total portfolio losses of £149.8 million (of which £65.1 million realised and £84.7 million unrealised) have been recognised. Whilst the losses are associated with a small number of investments from the Bank's early years, they are in excess of expectations. Action has already been taken to strengthen the Bank's Risk Management Framework and portfolio oversight.

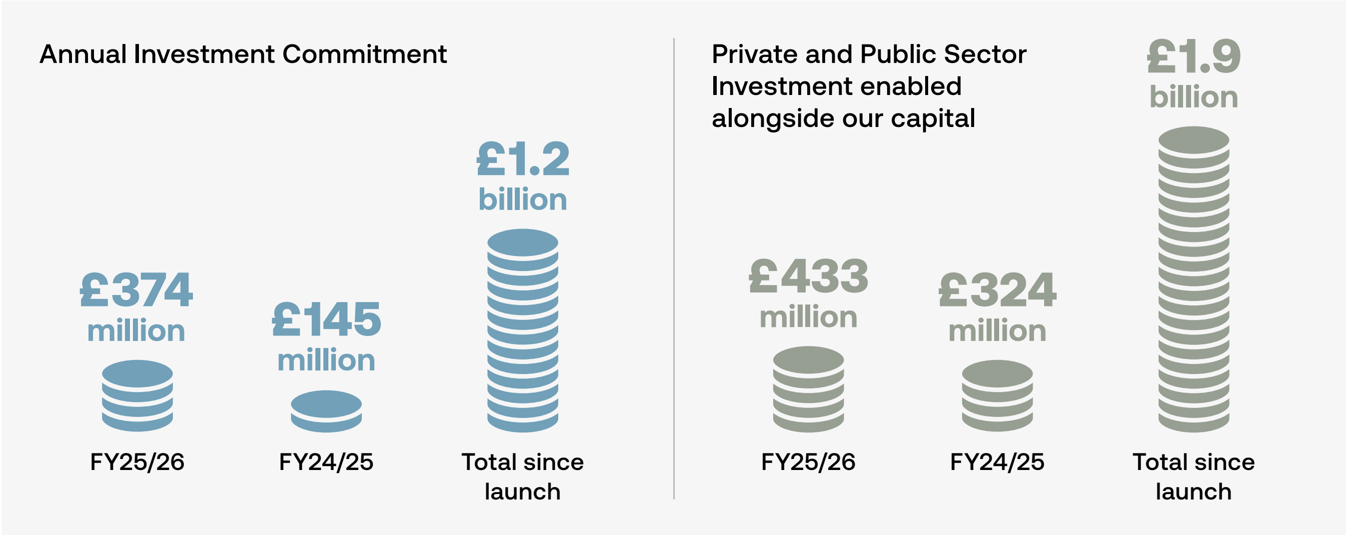
Following the Scottish Government's budget settlement for the year, capital available for new investment was £225 million, supporting a continued pace of deployment across the Bank's three missions. The Bank continued to mature operationally from a workforce perspective, with targeted recruitment undertaken to support portfolio growth while maintaining tight control over operating costs.

As in prior years, the expanding portfolio – together with the ongoing impact of convertible loan note investments remaining in debt form for longer than initially forecast – supported continued investment income. This, alongside prudent cost control, enabled the Bank to remain operationally self-sustaining on an accounting basis (before investment gains and losses). A significant proportion of the income continues to be from capitalised interest on our loans which does not immediately generate cash flow. The next step on our journey remains to be fully self-sustaining and generate further income in cash terms to cover our costs.

Committed investment
£373.9m
▲ 157.7%
increase year-on-year
2025: £145.1m

Investment income
£32.3m
▼ 6.4%
decrease year-on-year
2025: £34.5m

Investment drawdown
£205.5m
▲ 30.5%
increase year-on-year
2025: £157.5m



Financial Performance continued

2025/26 Financial highlights

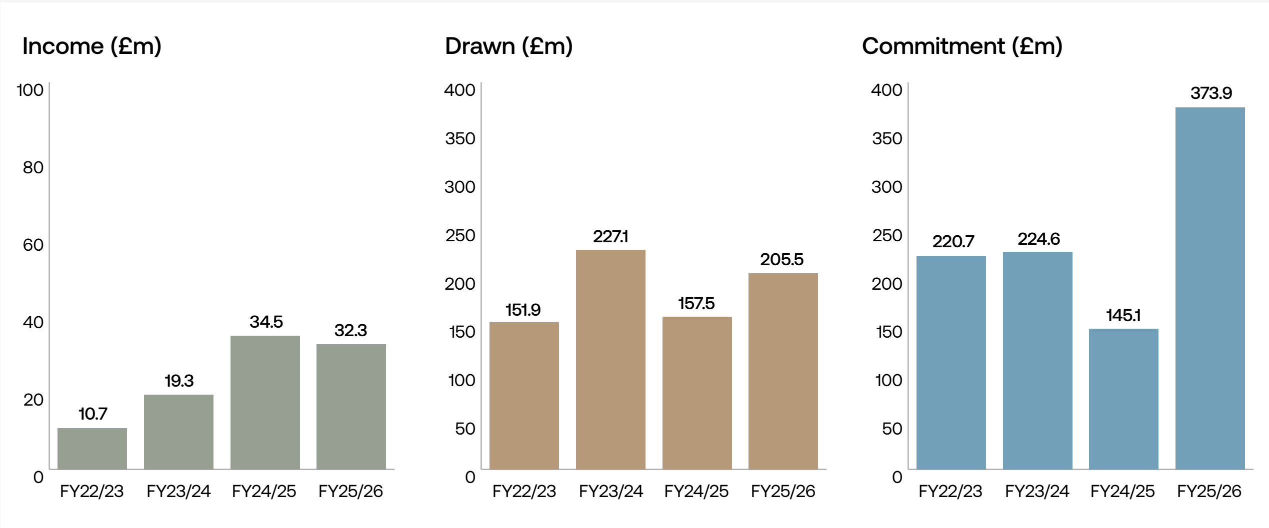
1. Growing investment portfolio

During the year, the Bank committed a further £373.9 million (2025: £145.1 million) of investment across 15 new and 24 follow on investments.

Against our capital available in FY25/26, we deployed £205.5 million (2025: £157.5 million) through our investments. Commitments are typically drawn down over a multi-year period, with deployment reflecting the value of funding drawn down in the current Financial Year.

Our investments were across all three missions and are diverse both in instrument – debt, equity and fund – and, importantly, geographical location with the Bank continuing to invest in businesses and projects that span across Scotland. The mix of the investment portfolio between debt and equity is largely consistent year-on-year and in line with our plans over the longer term. Moreover, the Bank's investment was made alongside £433 million of investment from private and public investment, thereby crowding in additional capital.

Investment Profile



2. Portfolio income generation

The Bank's investment portfolio generated income of £32.3m in FY25/26 (2025: £34.5 million), comprising a combination of interest income (cash and capitalised), arrangement and monitoring fees, and dividend income.

As in previous years, a proportion of income recognised relates to capitalised interest, which supports accounting income but does not immediately convert to cash inflows.

Our income in FY25/26 was £32.3 million. This was ahead of the £23.5 million we forecast in last year's Business Plan. There were several factors influencing this, but a significant contribution was that a number of our investments were made via 'Convertible Loan Notes' where loans convert to equity at a certain point. These conversions are happening later than originally forecast due to market fundraising conditions and investment performance, which contributes to the higher income in FY25/26.

As the investment portfolio grows cash income is also increasing, reducing the Bank's reliance on Shareholder funding to support operating costs. This represents continued progress towards the Bank's objective of becoming fully self-sustaining in cash terms over time.

While the portfolio is growing and is supported by a strong pipeline, the Bank's track record remains relatively short and income has the potential to vary year on year. However, we expect to continue progressing towards sustained cash self-sustainability in future periods (excluding investment-related gains and losses).

3. Movement in fair value of investments

At the end of FY25/26 we had a portfolio of 53 investments (2025: 42). We monitor the performance of our investments on a regular basis. This includes a formal valuation process every quarter, which provides analysis of the performance of individual portfolio companies. This is in accordance with the Bank's documented valuation policy and industry guidance, including the International Private Equity and Venture Capital (IPEV) guidelines.

As a development finance institution, we will typically invest with a higher risk appetite than private investors, and therefore the Bank expects volatility in reported fair values over the life of the portfolio. During the year, changes in fair value primarily reflected:

- underlying operating performance within certain investee businesses;
- broader market and macro-economic conditions affecting valuation assumptions; and
- movements in capitalised interest and discount rates applied to debt instruments.

As at 31 March 2026 our portfolio was valued at £670.3 million. This includes the deployment of £205.5 million during the year into a mixture of existing and new investments. As a long-term investor, we target the delivery of a commercial return over a multi-year investment period. In FY25/26 the portfolio recorded realised losses of £65.1 million and unrealised losses of £84.7 million, a total of £150.9 million (2025: total loss of £76.9 million) which represents 22.5% of the year end portfolio value.

FY25/26 unfortunately saw the crystallisation of losses on three of the Bank's portfolio investments: M Squared Lasers Limited, R3 IoT Limited and Trojan Energy Limited. In each case, the investee companies were unable to achieve a sustainable turnaround in performance, resulting in company failure.

The Bank engages actively with investee companies through ongoing monitoring, oversight and the provision of strategic guidance; however, responsibility for operational delivery and business performance rests with the management teams of the investee entities.

In addition, Orbital Express Launch Limited and PneumoWave Limited both entered administration during FY25/26. These will crystallise in FY26/27 so are recorded as unrealised in this year's accounts. Alongside these, the Bank has also recorded fair value provisions against a further seven of its investee companies, some of whose value it does not expect to recover.

Financial Performance continued

The level of early-stage losses is very disappointing. A degree of business losses is consistent with the inherently higher-risk profile of parts of the Bank's portfolio, particularly within earlier-stage and scaling investments. These outcomes reflect the Bank's historic risk appetite in supporting innovative and developing businesses.

Performance across a number of investee companies has been impacted by challenging market conditions, including a more constrained fundraising environment, cost inflation and associated supply chain pressures. As a result, some businesses have not achieved the milestones originally set out in their business plans at the point of investment, affecting cash flow, delivery timelines and valuation.

In response, the Bank continues to work closely with affected businesses to stabilise performance and support a return to plan. This has included actions such as reassessing business plans, strengthening governance, and supporting changes to management or board structures. In certain cases, the challenges faced are driven by macroeconomic and other factors outside the control of both the Bank and the investee companies. In such circumstances the Bank assesses what additional support it can provide while acknowledging that a successful outcome may not always be within the control of either the Bank of the investee company.

The Bank has increasingly refined its approach to risk to remain consistent with its remit as a development bank, while also reflecting the changing market in which we and our investment partners are operating. Our experience in the market has informed our revised investment criteria as set out in our Investment Strategy.

Fair value movements to an extent also relate to market economic variances over the year, which have resulted in a change to the fair value of debt investments that are valued under the International Private Equity and Venture Capital guidelines (IPEV). These movements are largely a result of macro-economic factors rather than being a specific reflection on our individual debt investments, though we continue to monitor this closely as part of our quarterly valuation process. Fair value is also impacted by foreign exchange movements for our non-sterling denominated investments.

While we recognise that as a development bank it is likely that not all of our investments will deliver a positive return, particularly at the early stage of investment, we continue to work towards a positive commercial return across our portfolio as a whole. Our ability to take higher risk positions where we consider it appropriate remains critical in enabling other investors in the ecosystem to deploy their capital.

Movement in Fair Value of Investments

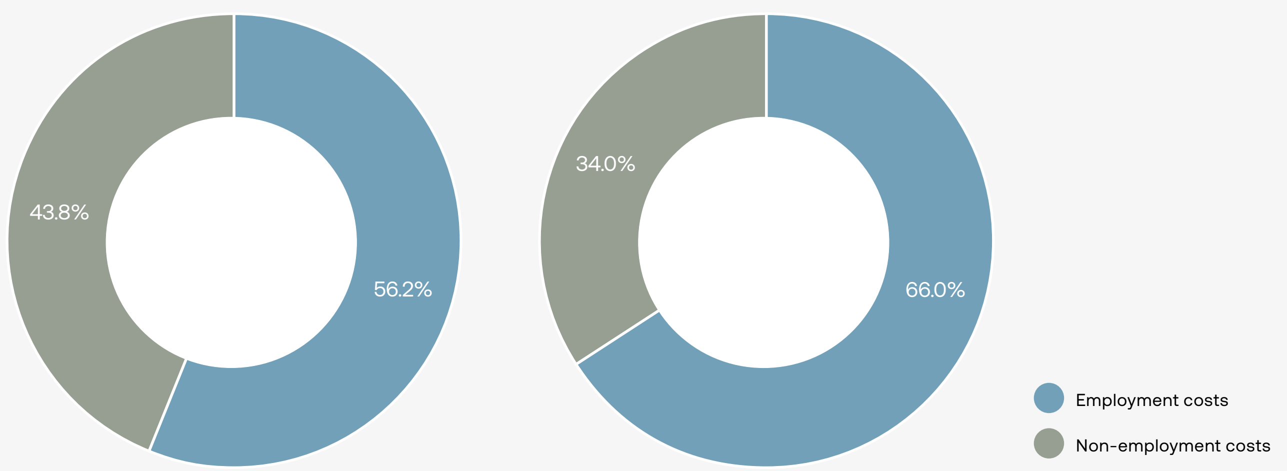
4. Operating expenses and cost discipline

Total operating expenses for the year were £20.0 million (2025: £16.2 million), remaining 6.4% below budget and reflecting continued financial discipline in a period of ongoing inflationary pressure.

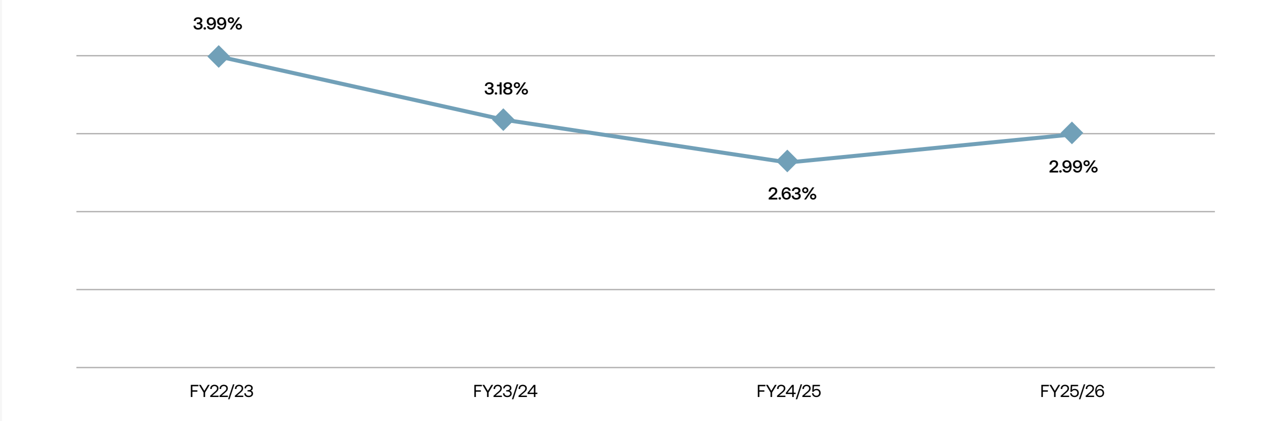
Our operating expenses as a proportion of the portfolio of investments has increased to 2.99% at March 2026 (2025: 2.63%). We continue to make efficient use of our resources and to challenge ourselves around the cost base, resource and quality requirements for our operational delivery, ensuring we have a value for money culture.

The budgeted increase in operating expenses is reflective of maturing operations and a larger portfolio of investments.

Operational Expenditure FY25/26 / Operational Expenditure FY24/25



Operating Expenses / AUM



Financial Performance continued

Summary

The Bank's statutory result for the year is a loss before tax of £137.5 million (2025: £58.4 million). This loss is primarily driven by realised and unrealised losses on investments as set out. Our income of £32.3 million (2025: £34.5 million) was ahead of forecast, and our costs of £20.0 million were below budget.

Excluding realised and unrealised gains and losses, the Bank generated an operational profit of £12.3 million, demonstrating continued progress in maintaining operational financial self-sustainability. Net assets as at 31 March 2026 increased to £702.7 million (31 March 2025: £626.2 million), reflecting ongoing capital investment by the Shareholder and portfolio growth, offset by the losses in the period.

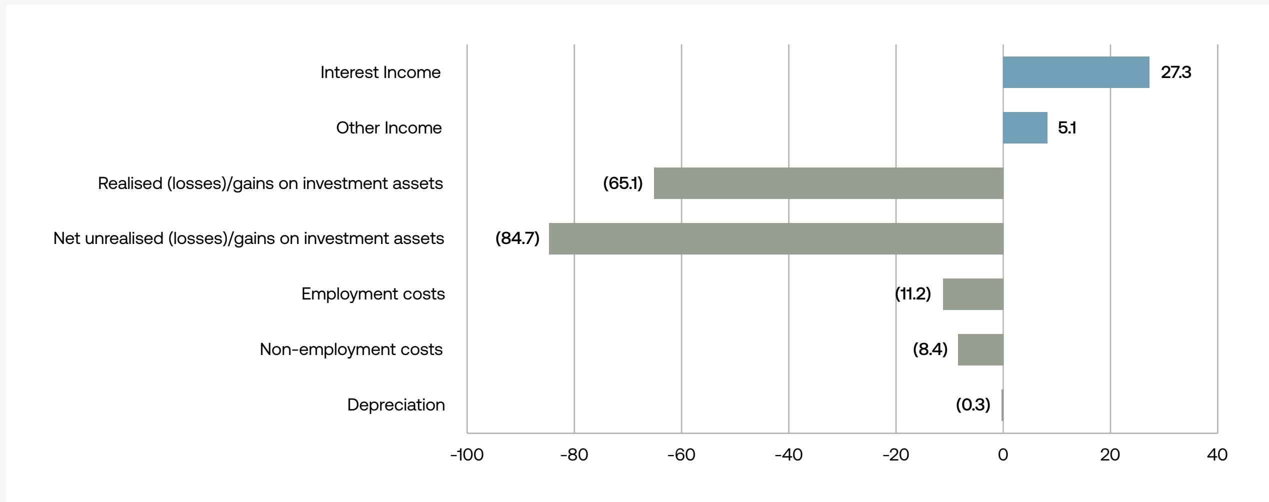
We recognise that as a mission led development bank, we have multiple objectives in addition to financial and commercial outcomes. Our commercial outcomes are influenced by the performance of our portfolio and, particularly in the Bank's early years, may be materially affected by the timings of gains and losses on individual investments.

For the year 1 April 2025 to 31 March 2026	£'000
Investment income	32,330
Gross operating income	**32,330**
Realised loss on investments	(65,096)
Net unrealised losses on revaluation of investments	(84,745)
Net operating expense	**(117,511)**
Operating expenses incl. interest	(19,991)
Loss before tax	**(137,502)**
Tax credit	-
Loss for the year after tax	**(137,502)**

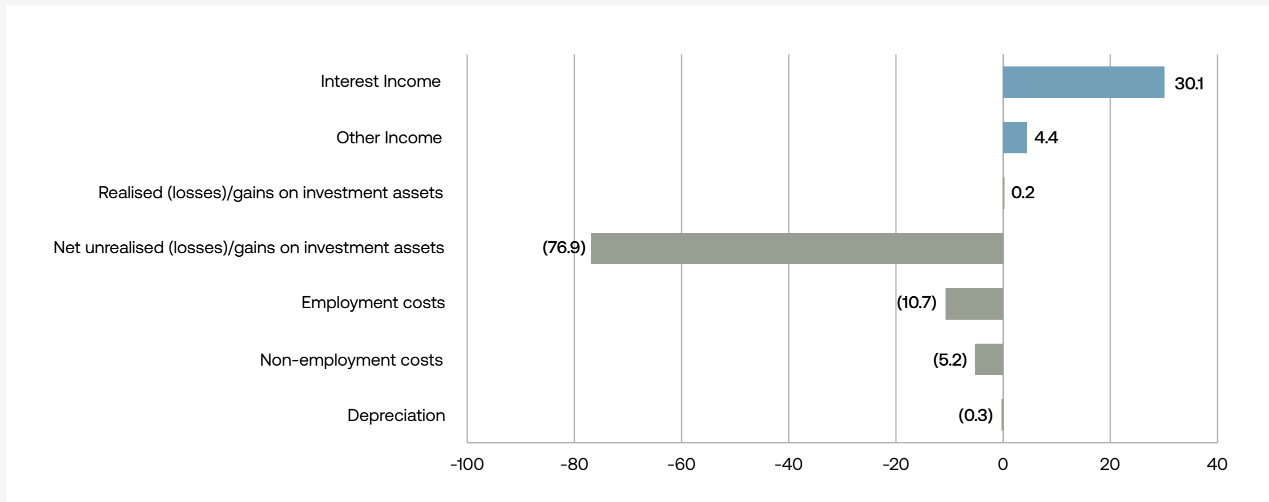
Financial position as at 31 March 2026	£'000
Investments	670,314
Property, plant and equipment	2,757
Deferred tax asset	8,500
Other assets/(liabilities)	
Cash and cash equivalents	24,517
Trade and other receivables	2,924
Trade and other payables	(6,332)
Total net assets	**702,680**
Equity	
Share capital	796,800
General fund	(94,120)
Total equity	**702,680**

The graphs below show the movement by category of the Statement of Comprehensive Income for the current and previous Financial Year, as described in the sections above.

FY25/26 analysis by category of Statement of Comprehensive Income (£m)



FY24/25 analysis by category of Statement of Comprehensive Income (£m)



Financial Performance continued

Investment portfolio

The Bank's investment portfolio is structured to support long-term mission delivery while building a resilient and sustainable financial platform for Scotland. As a patient, impact led investor, the Bank invests through economic cycles, deploying capital where it can unlock additional investment, support system changes and deliver returns over extended holding periods.

The portfolio comprises a diversified mix of equity and debt investments, made both directly and through funds. This mix has remained broadly stable, reflecting the Bank's strategy and the phased deployment of commitments made in prior years. Portfolio construction is intentionally designed to balance risk, income and long-term value creation, recognising that different instruments contribute at different stages of the investment lifecycle.

Portfolio behaviour and deployment

Capital deployment continues to reflect the nature of long-term investing. Commitments are often made ahead of full deployment, with drawdowns occurring over several years depending on the structure of the investment. As a result, activity in FY25/26 continues to be driven by:

- deployment against commitments made in earlier years; and
- selective new investments aligned to the Bank's missions.

This deployment profile supports disciplined investment decision making, provides investees with confidence over the availability of capital, and enables the Bank to act consistently through periods of market volatility.

Investment momentum strengthened through the course of FY25/26, underpinned by a maturing pipeline and increased deployment from prior year commitments. In a challenging economic environment, the Bank continues to play a counter cyclical role by maintaining investment activity where private sector risk appetite is constrained, while working alongside partners to crowd in additional sources of capital.

Debt portfolio

Debt investments play a complementary role within the portfolio, supporting income generation, capital recycling and risk diversification. Development of the debt portfolio also reflects the increasing importance of housing within the Bank's Investment Strategy and within its Place mission, with debt a key instrument in lending directly to businesses, housing providers and infrastructure projects across Scotland.

The debt portfolio generally demonstrates more stable performance characteristics than equity, reflecting shorter investment durations and defined repayment profiles. Income generation from debt investments provides an important foundation for the Bank's overall financial sustainability, helping to offset the longer time horizons associated with equity investments.

While debt investments are less volatile in nature, they remain subject to economic conditions and borrower performance. Ongoing portfolio management focuses on maintaining credit discipline, supporting investees where appropriate, and ensuring capital is recycled efficiently to support new investment activity.

The Bank's debt portfolio spans two distinct segments with different risk-return profiles and roles within the overall strategy:

- **Venture debt** supports earlier-stage, high-growth companies alongside equity investors. It is typically used to extend funding runway, provide support to future investment rounds and enable companies to reach key commercial milestones, with repayment dependent on future growth and value creation.
- **Infrastructure-led debt** is deployed into capital-intensive, asset-backed projects – particularly in sectors such as energy transition, transport and utilities – where returns are underpinned by contracted or forecast cashflows from physical infrastructure assets.

As a result, venture debt is more closely aligned to equity-style growth risk, while infrastructure debt reflects a more stable, long-duration profile tied to asset performance and delivery of core mission outcomes.

Direct equity portfolio

The equity portfolio is pivotal to the Bank's role as a long term, mission driven investor. It comprises investments across a range of sectors, stages and regions, aligned to strategic priorities and designed to support transformational growth.

In line with the portfolio's maturity profile, direct equity investments remain largely in the seed and value building phase. Returns are therefore primarily unrealised and driven by the performance and development of underlying businesses rather than cash generation. This is consistent with expectations for a patient equity portfolio and reflects the long time horizons required to deliver both commercial outcomes and mission impact. The market as a whole has seen anticipated 'hold' periods for investors extend in recent years.

Direct equity investments are expected to exhibit volatility through the cycle, particularly in response to wider macro-economic conditions. However, over the longer term, the portfolio is designed to generate value through business growth, successful exits and the crowding in of private capital into areas where the Bank can demonstrate early conviction.

Fund equity portfolio

The Bank invests in fund equity as part of its diversified, multi-asset portfolio, enabling delivery of its missions while maintaining a scalable and balanced investment approach. Fund investments provide access to specialist expertise, sector exposure and smaller or early-stage opportunities that may be less efficiently delivered directly, enhancing the Bank's ability to deploy capital effectively. They also support the Bank's objective of catalysing and crowding in private capital, including institutional and pension fund co-investment, consistent with its role as a commercial, patient, impact investor. As such, fund equity complements direct investment by extending market reach and supporting long-term, mission-aligned portfolio construction.

Risk and portfolio oversight

The Bank accepts a higher level of investment risk than many traditional investors in order to address market gaps and deliver its missions. This higher risk profile is deliberate and is managed through diversification, active portfolio oversight and regular performance monitoring.

Portfolio behaviour is reviewed on an ongoing basis, with a focus on trends, underlying business performance and emerging risks rather than short-term fluctuations. Where investees deviate from expectations, the Bank works with them to support improved performance and protect long-term value.

Valuation movements and portfolio volatility are therefore considered an inherent part of delivering long term impact and are monitored within the Bank's agreed risk appetite.

Key role and market impact

One of our key roles is to work alongside private, public and third-sector partners. This is to help accelerate investment from all sources into businesses and projects in support of our missions. The Bank seeks to amplify its impact well beyond its own balance sheet.

Through this partnership led approach, the portfolio supports:

- increased investment into priority sectors and regions;
- improved market confidence; and
- the development of investable, commercial opportunities that might otherwise be inhibited in their progress.

Financial Performance continued

The Bank's capital, liquidity and funding

The Bank continues to be capitalised by the Scottish Government in line with its commitment to provide £2 billion of capital over its first 10 years. Capital funding received is invested in line with the Bank's mandate. It is envisaged this capital will be recycled and reinvested, creating a perpetual investment fund for Scotland. In the financial year covered by these accounts, £150.9 million of shares were issued.*

While our portfolio income now exceeds operating costs, some of this income is in the form of capitalised interest, so we continue to require cashflow funding to run our operations. As our investment portfolio grows and the income we generate continues to increase, this will – over time - reduce the requirement for the Shareholder to support our operational costs. Our income generation remains sensitive to our investment profile. We closely monitor our liquidity position through cashflow forecasting and reporting, taking into consideration all financial and operational commitments.

At 31 March 2026 funding received and not yet deployed (for investment or operational expenditure) of £24.5 million is recorded on the balance sheet within the general fund and held within the Government Banking Service to ensure that there is minimal cost to the Scottish Government. Resource funding received and utilised, together with the profit or loss retained for the year, is recorded in the general fund.

There is no commitment to repay government operational funding. Income derived from the Bank's investment activity will cover our operational costs (excluding investment losses), together with proceeds on exit of investments. We aim for these resources to be invested alongside our public capital in businesses and projects to support the delivery of our missions.

Forward outlook

Looking ahead, the Bank expects to remain operationally financially self-sustaining, supported by a growing, diversified investment portfolio and disciplined cost management. Maintaining this position remains a key priority for us, enabling the Bank to continue delivering its missions while operating responsibly within public sector constraints.

Economic conditions are expected to remain challenging, with ongoing uncertainty in capital markets and a more cautious approach to risk among private investors. In this context, the Bank's role in supporting investment into the Scottish economy is increasingly important. The Bank will continue to deploy patient, long term capital selectively, focusing on opportunities where it can address market gaps, crowd in private sector investment and support sustainable value creation aligned to our missions, while managing financial risk within its approved appetite.

In parallel, the Bank aims to develop its portfolio and third party capital management strategy, with the objective of delivering positive commercial returns alongside measurable economic, environmental and societal impact.

By increasing and diversifying income and returns over the medium term, the Bank continues to work towards strengthening its financial sustainability, enabling it to continue supporting investment, innovation and inclusive growth across the Scottish economy.

*The difference between this and the investment amount drawn in the year relates to £16 million of investments made after 20 March 2026 for which shares will be issued after year end.

The Bank's investment portfolio is structured to support long-term mission delivery while building a resilient and sustainable financial platform for Scotland.

Risk Management

As a development bank, we recognise our pipeline of potential and committed investments carry a high degree of risk. We achieve our overall purpose not by avoiding risks, but through identifying and managing an acceptable level of risk.

We make informed choices regarding the risks that we want to take to deliver our overall strategy. A wide range of risk types are inherent to our business model and operations, and in delivering our mission impact investments on a multi-asset basis. We aim to effectively identify, manage and mitigate these risks and recognise that excessive and poorly managed risk taking can lead to financial losses, and non-financial impacts, negatively impacting the delivery of our missions over time and causing reputational damage.

Our governance structures are critical. They define decision-making processes and clarify roles and responsibilities, leading to a well-controlled and agile business. Our Risk Management Framework, supported by related processes, seeks to enable and support the delivery of our strategy. It does so by ensuring material risks are identified, monitored, and managed effectively and reported appropriately. The strong control environment we have put in place has effectively supported the management of risks connected with our business activities throughout a period of economic volatility and geopolitical instability.

We recognise the elevated losses within the portfolio are not where we want to be. The Bank continues to operate within its established risk framework. The maturing nature of the portfolio and the evolving external environment have resulted in more pronounced risk dynamics, requiring increased focus on portfolio performance and active management along with more stringent investment criteria as shared in our recent Investment Strategy.

Risk governance

The Board is accountable for effective risk management. This accountability is delegated to the Chief Executive Officer supported by the Executive team for the day-to-day running of the Bank. In particular, the Board retains responsibility for approval of Risk Management Framework (including risk appetite), and for putting in place a governance structure that supports effective risk management alongside delivery of corporate objectives. Aspects of this responsibility have been delegated to the Risk Management and Conflicts Committee. In addition, the Board is assisted in its risk management role by the Audit Committee, which monitors and reviews the financial internal controls framework.

We continue to operate a 'three lines of defence' model which makes clear the delegated responsibilities of the Board, Committees, the Executive team and our teams across all areas of the Bank:

- **The first line of defence (management and employees with investment and operational responsibilities)** has primary responsibility for the identification, management and reporting of the risks incurred in the execution of strategic and operational plans on a day-to-day basis and adopting appropriate controls and activities.
- **The second line of defence (the internal control and oversight functions)** is responsible for the design of risk policies and methodologies, supporting the first line in identifying risks, monitoring performance and compliance, delivery of risk reporting and providing objective independent review and appropriate challenge to the first line of defence.
- **The third line of defence (internal audit)** provides independent and objective assurance on the robustness and appropriateness of the overall system of internal control including periodic assessment of the overall risk governance framework. We operate an outsourced internal audit model. BDO LLP were engaged by the Bank as our outsourced internal auditor through FY25/26, providing risk assurance on the effectiveness of our internal control framework, including first and second-line controls.

The identification, assessment, management, and reporting of risks is carried out across the three lines of defence through management to our Board and relevant Committees.

Risk culture

The Board considers a strong risk management culture to be essential in enabling effective, informed, risk-based decision-making at all levels of the Bank.

The Board is committed to fostering a robust risk management culture by ensuring the Executive team regularly reviews and updates our risk policies and risk profile. This process is supported through effective communication, employee engagement, and comprehensive training initiatives.

The Board conducted a review of the Bank's risk appetite statements during the reporting period. In conjunction with this review, the Bank's Key Risk Indicators were also examined, and select amendments were implemented to enhance the early identification and management of emerging risk issues.

It is the day-to-day responsibility of the Executive team to ensure that the risk management processes are cascaded and consistently embedded in the organisational culture of the Bank.

In particular:

- **Tone from the top:** The Bank's management contributes to the communication of core values and expectations to staff. This includes the promotion of an environment of open communication and effective challenge. The Board and Executive team promote, monitor and assess the risk culture of the Bank.
- **Accountability:** There is clear ownership of risks and controls across the Bank. Employees at all levels are expected to know and understand the core values of the Bank, and their role in managing risk.
- **Incentives:** Incentives play a key role in aligning the risk-taking behaviour with the Bank's risk profile and long-term interest. The Board and the Executive team seek to reward and encourage all employees to demonstrate the right behaviours and culture as reflected in the Remuneration Policy.

Risk Management Framework

We have an established framework of policies, procedures and structures to manage risk. These are described in the Risk Management Framework (RMF), which is itself subject to regular review and approval by the Risk Management and Conflicts Committee and the Board. The RMF applies across the Bank's group of companies including our subsidiaries, Scottish Investments Limited (SIL) and Scottish Investments Services Limited (SISL). A full copy of the RMF can be found on our website.

The RMF defines our approach to risk management, from ensuring that our risk strategy reflects the organisation's overall corporate strategy, to defining the methodology for assessment and measurement of risk.

The Governance, Legal, Risk and Compliance function maintains a Policy Framework and the related suite of risk policies. The Policy Framework is available to all employees and is reviewed by the Board annually.

Using the Risk Management Framework in practice

The RMF is well embedded in the Bank. It is used to manage our principal risks. We have seven principal risks ('Level 1' Risk type) and, within these, a larger number of more specific risks ('Level 2' risks) of particular relevance to the current and future plans of the Bank, as shown overleaf.

Risk Management continued

Risk Classification

Mission Risk	Investment Risk	Financial Risk	Operational Risk	Environmental, Social & Governance (ESG) Risk	Culture Risk	Stakeholder Risk
Mission Alignment	Equity Investment Risk	Financial Management	Technology and Cyber Risk	Corporate Governance	People Risk	Shareholder Engagement
Mission Reporting	Debt Investment Risk	Financial Reporting	Business Continuity	Regulatory Compliance	Equality, Diversity, and Inclusion	Media, Marketing and Communications
Mission Delivery	Portfolio Risk	Funding Risk	Outsourcing and Third Party Risk	Legal Compliance		Public Sector Stakeholders (excl. Shareholder)
Third Party Capital	Ethical Investment Risk	Tax Risk	Health and Safety	Financial Crime		Private Sector Stakeholders (excl. Media)
	Subsidy Control		Information and Data Governance	Climate Related Risk		
			Execution Delivery and Process Management			
			Model Risk			

Key
- Level 1 Risk Type
- Level 2 Risk Type

In prior years, risk management efforts centred on further developing and embedding the RMF. As the RMF is now firmly established, the focus for FY25/26 has shifted to leveraging the framework to strengthen the management of key risk types and enhance decision-making across the Bank.

As the portfolio has grown, the application of the RMF has increasingly focused on supporting investment decision-making and portfolio management. This includes enhanced monitoring of portfolio performance, earlier identification of underperformance, and more structured approaches to intervention where required.

Key examples of the RMF being used effectively in practice include:

Risk appetite: The Bank has reviewed its risk appetite across all risks for FY25/26, including Level 1 risk statements and Level 2 appetite levels. Key definitions and statements for Level 1 risks are outlined in the section 'The Bank's Principal Risks' below, with comprehensive details available in the RMF on our website. Our risk appetite continues to be refined in response to external influences such as economic conditions, policy changes, and emerging risks including artificial intelligence, enabling the Bank to proactively manage areas of heightened risk exposure.

Investment risk and Operational risk: Investment risk is managed through robust assessments during investment origination and ongoing active monitoring of the portfolio. The Investment Risk team conducts independent analysis of all proposals prior to Investment Committee review, ensuring effective risk identification and mitigation. The Operational Risk team work with the business to carry out lessons learned reviews in the event of portfolio failures and the outcomes of those reviews are shared with the Executive and Board and the learnings embedded within the business. These processes enable the Bank to differentiate between acceptable losses aligned with its development mandate and those resulting from operational shortcomings and be satisfied that the losses are not resulting from operational failures.. Experience gained from portfolio losses and periods of stress has reinforced the importance of active portfolio management, timely intervention, aligned co-investors and disciplined capital allocation.

This year, particular attention has been given to portfolio concentration and sector exposure as the Bank scales deployment and increases activity in specific sectors, including housing. This includes balancing the portfolio in response to areas of increased strategic focus, while maintaining discipline in relation to follow-on support, cash runway consideration and capital allocation.

Funding risk: The Bank continues to manage the funding risk arising from its reliance on the Scottish Government. We are committed to becoming a perpetual investment fund for Scotland, aiming for a mission-aligned portfolio exceeding £2 billion. In collaboration with the Scottish Government and HM Treasury, we are pursuing pathways to perpetual fund status. Additionally, we continue to develop third party capital propositions to diversify funding sources and further stimulate investment in Scotland. The development of third party capital propositions requires the Bank to continue enhancing its governance, operational and risk management capabilities as propositions move towards market and institutional investor engagement.

Mission risk: Risks to mission delivery and impact are embedded within the Bank's RMF. Impact considerations are integrated into investment decision making through our impact thesis and Theory of Change, with performance monitored at both portfolio and investee level. During the year, we enhanced our reporting and monitoring of mission delivery and impact risk, including clearer portfolio level metrics and more structured assessment of investee impact performance. These improvements support better visibility of emerging risks to mission delivery and enable timely escalation and informed decision making in line with the Bank's strategic objectives. The observed increase in certain impact risk indicators reflects that impact has not, in all cases, been delivered in line with expectations. This arises from the underlying performance, timing of investments, reflecting market level dynamics, rather than any misalignment with the Bank's missions or impact objectives at the point of investment.

Risk Management continued

The status of each of the Bank's principal risks is shown below.

The Bank's Principal Risks

Risk trend from 2026 reporting year
▼ Decreased risk ▶ No change to risk ▲ Increased risk

Level 1 Risks	Definition	Risk appetite statement	Controls and Mitigants	Trend
Mission	The risk that the type, kind, or number of investments or loans originated or held by the Bank are not sufficiently aligned to a mission or fail to deliver the impact ambitions.	The Bank has a medium appetite for failing to meet its stated impact ambitions due to the inherent uncertainty of investing in early-stage and under-invested businesses and new and unproven business models. The Bank has a very low appetite for investing in businesses which are not aligned to the Bank's missions.	◆ Impact thesis created for each investment considered throughout investment governance process. ◆ Impact related covenants included in Investment Agreements. ◆ Key Risk Indicators and risk reports assess mission concentration. ◆ Active portfolio management and reporting processes. Quarterly consideration at Investment Oversight and Valuations Committee and six-monthly Board reporting against mission-aligned Impact ambitions.	▲ Increased
Investment	The risk of losses or write-downs due to failed loans, investments or inadequate portfolio management.	The Bank has a high appetite for investment risk. As a development Bank, the Bank seeks out underinvested risk which by its nature will be high risk. There is a low appetite for losses due to inadequate controls over the investment process or inadequate portfolio management.	◆ Robust investment governance process, which reviews the commercial, financial and impact cases for investment. ◆ Independent second line risk analysis for each investment and at portfolio level. ◆ Investment management process oversees ongoing financial and non-financial performance.	▲ Increased
Financial	The risk of unstable capital or liquidity arising from fluctuations in funding streams, investment returns, financial performance, or external factors.	The Bank has a medium risk appetite for the funding risk associated with relying solely on the Scottish Government for its funding. The Bank has a low risk appetite for all other elements of financial risk, including the effectiveness of internal budgetary processes, financial reporting and tax compliance.	◆ Bank Executive Committee (ExCo) have regular engagement with the Shareholder to discuss financial performance and funding model and continue to push for solutions on financial flexibility over budget periods and multiyear budget settlements. ◆ Annual budget approved by ExCo and Board and regularly monitored throughout the financial year. ◆ Segregation of duties and review controls in place for all key financial processing and reporting processes.	▲ Increased
Operational	The risk of direct or indirect losses resulting from inadequate or failed internal processes, people, and systems or from external events.	The Bank has a low appetite for operational risk.	◆ Risk and Control Self-Assessments undertaken for each Business Area on a six-monthly basis. ◆ Business continuity management framework (business impact analysis, Business Continuity plans, disaster recovery process, incident management process, etc.). ◆ Policy Framework in place to provide coverage over all key risk types.	▶ Unchanged

Risk Management continued

The Bank's Principal Risks

Risk trend from 2026 reporting year
▼ Decreased risk ▶ No change to risk ▲ Increased risk

Level 1 Risks	Definition	Risk appetite statement	Controls and Mitigants	Trend
Environmental, Social and Governance (ESG)	The risk that the Bank fails to protect the environment, enable strong social outcomes and embed strong corporate governance practices, including compliance with laws and regulations.	The Bank has a low appetite for risks arising from a failure to establish, maintain and develop frameworks for the management of ESG risk, including a low appetite for compliance errors and breaches. The Bank also has a low appetite for investing in businesses which are not aligned to the Bank's standards on ESG.	◆ Robust Board-level oversight of conduct and compliance culture. ◆ Compliance and Financial Crime checks embedded in investment process. ◆ Contract reviews by Legal function and (on a risk-basis) external firms. ◆ Regular training for all staff on compliance topics, including at induction. ◆ SME support for investees to enable them to embed ESG practices.	▶ Unchanged
Culture	The risk that the Bank's culture does not align to the desired values, impeding the achievement of business objectives.	The Bank has a low appetite for any behaviour that goes against the Bank's values and for failure to deliver against the Bank's Equality Strategy.	◆ Culture and values development programme. ◆ Regular employee engagement surveys. ◆ Performance and behaviour management process aligned to corporate goals/ risks. ◆ Learning and development programme, including induction. ◆ Culture of transparent staff communication. ◆ Diversity policies, training, and reporting.	▶ Unchanged
Stakeholder	The risk that the Bank fails to meet stakeholder expectations due to strategic decisions, the business strategy and delivery, or actions by its staff, partners, third parties or invested companies.	The Bank has a medium appetite for stakeholder risk due to strategic decisions and/or business strategy and delivery. The Bank has a low appetite for stakeholder risk due to actions by its staff, partners, third parties or invested companies or from failing to proactively manage reputation.	◆ Reputational risk monitoring report regularly presented to ExCo and Board, and proactive actions taken. ◆ Balanced scorecard with reporting format and frequency agreed with Shareholder. ◆ Engagement and communications strategy.	▶ Unchanged

Risk Management continued

Emerging risks

What are 'emerging risks'?

The Executive Committee and the Risk Management and Conflicts Committee regularly consider the principal risks and emerging risks to the Bank. These can be either internal to the Bank or those that occur externally. Where relevant, these risks are escalated to the Board for agreement on approaches for management and mitigation.

How we identify emerging risks to the Bank

Our key risks are assessed through the Risk and Control Self-Assessment (RCSA) process undertaken on a six-monthly basis. This is undertaken for each business area and captures the key risks facing the Bank in the next 12 months. Controls are documented and additional actions captured where the risk level exceeds our tolerance level.

This is supplemented by a regular assessment of emerging risks. Emerging risks are those whose effects have not yet been substantially felt by the Bank and/or those beyond the 12-month time horizon of RCSA. The emerging risks are assessed and actions implemented where required to protect the Bank.

Summary of emerging risks

Many of the emerging risks identified by industry publications are already being addressed directly as part of our strategy and missions. These include climate change, lack of economic opportunity and energy security (through our involvement in supporting the offshore wind industry and battery storage solutions).

Additional emerging risks that we have considered in addition to those articulated above include:

- **Geopolitical and economic uncertainty:** Rising global tensions and the unpredictability of international trade policy, including the potential for trade and tariff wars, alongside persistent inflation, are currently contributing to a heightened level of economic uncertainty. These factors may also impede the growth prospects of our portfolio companies, as they are likely to face increasingly challenging trading conditions. Furthermore, the availability of capital for further fundraising rounds may be constrained, limiting opportunities for expansion and investment.
- **Cyber and AI resilience:** The accelerated integration of artificial intelligence within the Bank and our portfolio companies introduces new operational risks as well as potential opportunities for the Bank and our portfolio companies to benefit from artificial intelligence. These risks encompass potential cyberattacks and data management failures, which may adversely affect decision-making processes or operational efficiency.
- **Policy changes:** The Bank operates within a multi-layered policy and funding environment. Changes in policy direction, funding support, or regulatory frameworks – whether at a national or UK-wide level – can materially influence the commercial outlook and funding pathways of portfolio companies, particularly in emerging sectors aligned to the Bank's missions. This is particularly relevant where sectors rely on coordinated and sustained policy support over time.

The Risk Management and Conflicts Committee maintains active oversight of these and other emerging risks through dedicated deep-dive sessions, frequent updates from management, and regular review of key risk indicators. Particular attention has been paid to the evolving stakeholder landscape, with specific monitoring of how coordination with institutions like the National Wealth Fund can maximise collective impact while preserving our distinct mandate.

Looking ahead

Looking ahead, the Bank expects elements of the portfolio to remain under pressure given the macroeconomic environment and funding conditions. In this context, the focus must continue to evolve beyond process and monitoring towards forward-looking risk identification, enhanced portfolio insight, and timely, decisive intervention. This will support more informed decision-making on capital allocation and ensure the Bank remains well-positioned to respond to emerging risks and opportunities.

S172 Statement by the Directors

The Board has considered the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 ("s172") and confirms in good faith that the Directors have acted in a way that they consider would most likely promote the success of the Company over the long term for the benefit of the shareholder.

This s172 statement discloses how the Directors carried out this duty.

The Board recognises the importance of strong relationships with the Bank's wider stakeholders and carefully considers the interests of those stakeholders in its decision making. Not only is this a legal obligation but it makes good business sense to do so; it is unlikely that the Bank would be sustainable in the medium to long term if it did not adequately consider stakeholder interests.

This year, to support the Board's understanding of stakeholders' interests, the Bank carried out its fourth stakeholder survey. This survey combines both qualitative and quantitative input from stakeholders across the Bank's ecosystem, including the public sector, the business community and from other Financial Services providers.

The quality of reporting to support the Board in its decision making is an area of continuous improvement and this includes information to support s172 considerations. A dedicated discussion on stakeholder engagement is included at every scheduled Board meeting, with a deeper dive on an annual basis reporting on the survey results. This reporting highlights interactions and engagement with our key stakeholders and insights into their views, in turn, helping to inform the Board's decision-making.

Stakeholders

The Bank operates in a complex stakeholder landscape across the public, private and third sectors. A variety of activities have taken place in FY25/26 that further support the Board's understanding of what matters most to our key stakeholders. This statement provides examples of (direct and indirect) engagement by the Board in respect of key stakeholder groups.

S172 Statement by the Directors continued

Investee businesses

As Scotland's development bank, we were created to provide capital investment into businesses and projects that support our missions, and 'unlock' additional investment. We seek to have successful relationships, built on trust and transparency, with all our investee businesses.

Examples of how we have engaged:

- As routine business, members of the Board regularly engage with our growing portfolio of businesses, for example to report on impact as part of their business strategies and plans.
- We carried out our fourth survey of our investee businesses. This has provided insight into how our portfolio businesses perceive the Bank and will inform how we can make meaningful improvements.
- We delivered an Investing with Impact event in collaboration with Energy Voice, focussed on energy transition businesses. This event was attended by a selection of our Non-Executive Directors, providing an opportunity to meet with investee businesses and partners across the wider ecosystem and hear feedback directly, as well as sharing their insights and experience.
- We hosted a 'portfolio day', bringing together our investee businesses to share learnings and best practice on board governance. Bank Non-Executive Directors participated in discussions and led sessions, sharing their expertise directly with investees.
- Regular reporting on our investment activity and portfolio, providing an opportunity for our Board and relevant Committees to ask questions about our portfolio, and understand the interests and challenges faced by those businesses.
- During FY25/26, some members of our Board also took part in site visits.

Business community

As both a development bank and an impact investor we engage widely with the business community. This engagement supports us in identifying strategic opportunities, building relationships with potential co-investors and the professional advisory community and ultimately in introducing us to potential businesses and projects in which we can invest.

Examples of how we have engaged:

- We regularly engage with potential co-investors, the advisory community, and representative bodies. For example, we are a member of Scottish Financial Enterprise, the representative body for Scotland's financial services industry, UK Private Capital (formerly the British Private Equity & Venture Capital Association), the representative body for private capital in the UK, UK Sustainable Investment and Finance Association (UK SIF) and Scottish Renewables, the industry body for the renewables sector in Scotland. This year we also became members of Homes for Scotland.
- Our Board recognises the value of sharing leading insights to generate a positive impact. The financial year has seen our profile grow in the ecosystem through increased engagement, including several successful hosted or co-hosted events. We partnered with Prosper to deliver their report 'Housing Supply for a Growing Economy', informed by a series of sector-led and business roundtables.
- We also hosted our flagship conference in March 2026 in partnership with The Press and Journal and Energy Voice, focusing on "Investing with Impact – Unlocking Potential". At this event we brought together industry leaders, experts, and founders of businesses in Scotland.
- Our Non-Executive Directors and senior leaders across the Bank regularly attend, and speak at, conferences and events.
- We carried out our fourth 'stakeholder survey' with input sought from representatives across both the public and private sector.

Shareholder

The Bank has a sole Shareholder, Scottish Ministers. This relationship is hugely important to us and the Board is committed to understanding their interests, priorities and expectations and fulfilling its duties as a NDPB.

Within the financial year Kate Forbes MSP, Deputy First Minister and Cabinet Secretary for Economy and Gaelic, held lead Ministerial responsibility for the Bank. Following the Scottish Parliament elections on 7 May 2026, lead Ministerial responsibility is held by Stephen Flynn MSP, Cabinet Secretary for Economy, Tourism and Transport.

Examples of how the Board has engaged directly:

- The Chair, Senior Independent Director, members of the Executive Committee and other senior leaders from across the Bank, interact and meet regularly with the Scottish Government's Shareholder team.
- The Chair and members of the Executive leadership team have quarterly meetings with Ministers. The Bank was represented at the Ministerial announcement of the establishment of More Homes Scotland. Deputy First Minister participated in the announcement of the Bank's total commitment of £1 billion of investment.
- The Shareholder's representative attends scheduled Board meetings as an observer in order to gain an understanding and insight of our governance and operations, whilst not influencing any Board decisions.
- The Board meets with the Shareholder at the Annual General Meeting (AGM). We hosted our AGM in August 2025, which was attended by members of the Executive Committee, the Company Secretary, the Chair of the Board, and the Chairs of each of our Committees. The AGM provides an opportunity for direct engagement and for the Shareholder to ask questions.

S172 Statement by the Directors continued

Regulators, policymakers, government, and other bodies

We actively continue to build strong relationships with those representing the Scottish Government, policymakers, and other bodies, to support our awareness and understanding of relevant policy development and to act as a conduit between our investees and government, and to share expertise and insight.

Examples of how we have engaged:

- We have partnered and worked with several organisations in respect of Equality, Diversity, and Inclusion, helping us to shape our own ambitions in this area, and learn from others' experiences. We are a member of the Non-Departmental Public Bodies Equalities Forum, a Scotland wide group.
- Meetings with key partners in the policy landscape, including non-governmental organisations, to inform the Bank's understanding of developing policy and the views and perspectives of the wider ecosystem. Our priorities for engagement have been housing investment, renewable energy supply chains including for offshore wind, and innovation and scale up support.
- Audit Scotland's performance audit of the Bank concluded, and the final report was published. Audit Scotland concluded that the Bank had made good progress in establishing its place in the market and had developed good governance arrangements.
- The Bank met with Parliamentary Committees, including in 2025/26 when the Chair and CEO met with the Public Audit Committee and the Chair and CFO met with the Economy and Fair Work Committee.
- Through a programme of ministerial engagement and political engagement, aligned to the Bank's strategic priorities, including development of the offshore wind supply chain and support for scaling innovative businesses. These programmes provide a valuable opportunity for two-way communication on key issues, as well as allowing the Bank to share its strategy and insights. They also support the Bank's awareness of policy and regulatory developments.
- Meetings with other public sector partners, including National Wealth Fund, Great British Energy, the Development Bank of Wales, and enterprise agencies.

Communities and environment

The Bank invests on behalf of the people of Scotland. The Scottish community is at the heart of our missions. We are extremely ambitious about our role to create insight, deliver investment and generate positive impacts for Scotland's communities, society, environment, and the economy. Naturally, mission alignment and the impact of our investments on Scotland are critical considerations for our investment team, our Executive Committee, and the Board.

Examples of how we have engaged:

- Our Board and Committees receive regular reports on the non-financial impact of the Bank's investments.
- Jacqueline Redmond, Chair of the Risk Management and Conflicts Committee, is our Non-Executive Director with designated responsibility for climate risk matters and opportunities. The Board continues to support the recommendations from the Task Force on Climate Related Financial Disclosures (TCFD). We engage with peer organisations in relation to TCFD and with the Scottish Government and other organisations (such as the Sustainable Scotland Network) to discuss future policy direction and reporting requirements on climate risk.
- We are a member of the Public Sector Environmental Managers Forum. This Forum shares best practice across Scotland in relation to the environment, including carbon reporting.
- The Board is supported by the Risk Management and Conflicts Committee which receives an annual deep dive on progress against its carbon management plan and other environmental matters and reviews progress made against the Bank's ambitions in this area.
- A more detailed explanation of how we approach 'Sustainability' is included at page 22.

We are extremely ambitious about our role to create insight, deliver investment and generate positive impacts for Scotland's communities, society, environment, and the economy.

S172 Statement by the Directors continued

People and culture

Our team is our greatest asset. We want to continue to be a positive place to work. The wellbeing, skills, expertise, and motivation of our team are vital to the successful delivery of our strategic ambitions. In the past year we have also set out a new 'People Promise' supported by clearly articulated values, to help set direction for our culture.

The Board remains committed to understanding what matters to our People and has appointed an independent Non-Executive Director, Carolyn Jameson, with designated responsibility for workforce engagement. Carolyn's role helps to inform the Board and Committee decision making by creating an additional channel through which the voice of our team is heard.

We recognise that creating the right culture is essential to the Bank's success, supported by our Values. The Board has a "reflection point" at the beginning of each meeting to discuss culture and values. These discussions are led by Carolyn. The Board will continue to keep under review the way in which workforce engagement is delivered.

Examples of how we have engaged:

- Through Team Voice, our employee representative forum. This Forum provides a platform for our team to share their interests and influence change. Team Voice met twice with our workforce engagement Non-Executive Director directly in FY25/26.
- The Chair of the Board and Non-Executive Directors are invited to attend "Town Hall" sessions, from time to time, where the Bank team come together in person, hosted by the Chief Executive Officer.
- The Chief People and Culture Officers, report regularly to the Board, and the Remuneration and Nominations Committee, on workforce matters, covering topics raised by our People, employee-related trends, and employee sentiment.
- Our Board and the Remuneration and Nominations Committee review biannual People engagement surveys, providing insights into the views of our team.
- Representatives from across the Bank attend Board and Committee meetings, on a formal basis, to present and discuss reports.
- Less formal interactions also take place from time to time with our Non-Executive Directors, including at employee events held in the financial year.
- Whistleblowing procedures are in place to allow our team to raise matters of concern in confidence. The Chair of the Risk Management and Conflicts Committee is the Bank's whistleblowing champion and is responsible for overseeing the integrity, independence, and effectiveness of our whistleblowing procedures. More information can be found in the Risk Management and Conflicts Committee report on pages 90 to 92.

Business partners and suppliers

We have continued to establish a broad range of business partners and suppliers to support the delivery of our business effectively. These relationships are important to us achieving our ambitions.

Examples of how we have engaged:

- Supplier activity is managed in line with the Procurement and Outsourcing Policy, ensuring that supplier risk is managed appropriately. We frequently engage with government Frameworks in Scotland and at a wider UK level.
- Engage with our supply chain on matters related to fair work practices and equality, diversity and inclusion.
- Management information on material procurement activity is reported to the Audit Committee quarterly.

We have continued to establish a broad range of business partners and suppliers to support the delivery of our business effectively. These relationships are important to us achieving our ambitions.

Corporate Governance Report

"Good corporate governance adds confidence in the delivery of our strategic ambitions and performance and is essential for the long-term sustainable success of the Bank."

Willie Watt
Chair

Chair's Governance Introduction

On behalf of the Board, I am pleased to introduce our Corporate Governance Report for the year ended 31 March 2026. The Corporate Governance Report sets out our approach to effective corporate governance. It also outlines key areas of focus for the Board in the financial year as we continue to drive long-term value and delivery of our strategy.

Board and Committee appointments

There have been the following changes to the composition of the Board during the year:

As noted in last year's ARA, Candida Morley stepped down from the Board and her role as Senior Independent Director (SID) in August 2025 and Carolyn Jameson assumed the role of SID.

Al Denholm retired as CEO in January 2026, and I am delighted that David Ritchie was appointed as CEO in January 2026. Michael Robertson resigned as CFO in February 2026, and Craig Wood was appointed as interim CFO. Since the end of the Financial Year, I am pleased that Craig has now been appointed as CFO on a permanent basis.

After the year end, Nicholas Moon has resigned as independent non-executive in order to be able to devote more time to his other interests.

I would like to thank Candida, Al, Michael and Nick for all their contributions to the Bank during their tenure and wish them the best for their future endeavours.

The Remuneration and Nominations Committee (Rem Co) and the Board regularly review the long-term succession planning for the Board and key roles within the Bank.

In November 2026, two of our Non-Executive Directors, Jacqueline Redmond and Jonathan Taylor, will retire and the succession planning for those appointments has commenced, with recommendations from the Board to the Scottish Ministers' Public Appointments team.

Our governance framework

Good corporate governance adds confidence in the delivery of our strategic ambitions and performance and is essential for the long-term sustainable success of the Bank. One of my roles as Chair is to ensure high standards of corporate governance are maintained and that the Board is equipped to carry out its duties, spending sufficient time on key areas that support the delivery of our strategy. While we continue to make enhancements to our governance, I am satisfied that the Board and the Bank's management continue to strive to ensure, uphold, and maintain sound corporate governance practices.

The Corporate Governance Report provides further details on how the Board has operated during the reporting period and our governance arrangements. The reports from each of the committees are included on pages 79 to 97 and the Bank's statement of compliance with the UK Corporate Governance Code 2024 on page 66.

Board strategy

More than anything our missions shape what we do. The Board wholeheartedly supports the focus on strategic priorities that will enable the Bank to drive action around the grand and inter-related societal challenges in Scotland, these are: the journey to net zero, place-based inequality, and innovation challenges. We are also determined to continue to learn and improve on what we already have in place, particularly in a year where the Bank is reporting significant losses. The Board has therefore continued to devote considerable time to the strategic drivers in the business and the challenges and opportunities of the Bank. For strategic focus, I am pleased the Board came together with members of the Executive Committee at our annual strategy off-site day in September 2025. The key drivers of the long-term strategy are more fully set out on pages 76 to 77.

The Board calendar has also seen consideration and oversight of important strategic initiatives, including steps towards implementation of the Bank's third party capital strategy. The ambition for the Bank to be a perpetual institution is important to the Board and progress was made on that during the year. The Bank also regularly reviews its key strategies for their continued alignment to the Bank's missions and operational priorities; during the year, the Board reviewed: the Investment Strategy, and the Bank's Equality Strategy and equality, diversity, and inclusion outcomes for 2025-29. We have continued to support and challenge the delivery of these strategies. The year has also seen the Board engage in several deep dives into areas including stakeholder engagement, risk management, including risks and opportunities relating to new market entrants, so that our deeper understanding of these matters informs the implementation of our strategy. More information on implementation of our Investment Strategy can be found on pages 20 to 21 and pages 85 to 89.

Impact

Delivery of the Bank's mission impact and our sustainability ambitions have continued to be a Board and Committee focus. Our most recent annual Impact Report was published in June 2026. Approved by the Board, this report demonstrates how we are delivering impact for Scotland through our investments. I am personally proud of the impact we are having and would encourage you to read the report.

The Bank's climate-related monitoring and reporting has continued to develop throughout the year. In terms of our governance framework, the Risk Management and Conflicts Committee has the allocated responsibility for climate-related matters, and climate-related risk is a key component of the Risk Management Framework.

The Board continues to support disclosure against the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) framework and voluntarily adopts this reporting. The Bank's third TCFD Report was published earlier this year, with climate-related disclosure integrated within it.

As a Board, we recognise that delivering impact is a material issue for our business and it is important to acknowledge that our approach, and our associated methodologies, will undoubtedly continue to evolve and enhance in the years to come, particularly with the growth of our portfolio. Oversight and consideration of our impact and sustainability ambitions will continue to be on the Board's agenda. In that context, it remains reassuring that external verification of our impact management practices by BlueMark has again confirmed that we are demonstrating leading practice, while offering opportunities for us to benchmark our performance against, and learn from, peer organisations.

More information on the Bank's approach to impact and climate risk can be found on pages 19 to 25, and more generally on the activities carried out by the Board during the year on pages 72 to 73.

Chair's Governance Introduction continued

Engagement

Positive relationships with our key stakeholders continue to be essential to the long-term success of the Bank and, this year, we have continued to see improvement and strengthening in our stakeholder engagement processes. You can read more about our stakeholder engagement activities on pages 47 to 53.

Our People make the Bank what it is, and we recognise that engagement with our team is vital, particularly during the challenging times we have seen in the external environment in the year. Our two-way communication with the Bank's team continued to be supported by the appointment of a designated Non-Executive Director for workforce engagement, Carolyn Jameson. This engagement continues to benefit the Board in its oversight of matters related to our People and provides a clear channel for the voice of our team in Board decision-making. We were encouraged by the excellent overall engagement score in our independent People Survey (75%, which is higher than the industry average). The Bank's annual conference was well attended, with opportunity for face-to-face engagement with Non-Executive Directors. The conference was held in Aberdeen for the first time, building on the broad presence we have already established in the region and evidencing our commitment to be an investor for the whole of Scotland.

Final thoughts

I would like to take this opportunity to thank our Bank team for their continued professionalism and my colleagues on the Board for their ongoing commitment. I would also like to thank, on behalf of the Board, our business partners and wider stakeholders for their support.

The Bank is entering a new phase of its development, and one that brings critical opportunities to realise our ambitions for the Bank to be a strategic, at-scale investor, leveraging institutional capital and our deep knowledge of the market opportunity in Scotland, to deliver transformational investment against our missions.

Willie Watt
Chair of the Board

Directors' Report

The Directors present their annual report on the affairs of the Bank, together with the Audited Financial Statements and Independent Auditor's Report for the year ended 31 March 2026.

The following information required by the Companies Act 2006, and incorporated by reference in this section, can be found in the following sections of the annual report:

- A description of the principal activities of the Scottish National Investment Bank Plc and its subsidiaries (the Group) during this year is included in the Strategic Report on pages 7 to 53.
- The Group's risk management disclosures are set out in the Strategic Report on pages 38 to 47.
- Information on our employment disability policies, gender pay gap, and our actions on colleague engagement is in the Annual Report of Remuneration on pages 98 to 109.
- Details of significant post balance sheet events are contained in Note 27 to the financial statements.
- Information about the use of financial instruments by the Bank and its subsidiaries is given in Note 2 to the financial statements.
- Details on the Bank's approach to sustainability and ESG, including how the Bank meets its statutory and voluntary reporting requirements, is included in the Task Force on Climate-Related Financial Disclosures (TCFD) section on page 25.

The Bank has chosen to include information regarding future activities within the Strategic Report.

Dividends

The Board recognises the importance of delivering value for money to the Shareholder and there are a number of ways this can be delivered, including through the medium to long term return on the investments in our portfolio and delivery of impact for Scotland over the longer term. For the year ended 31 March 2026, the Board does not recommend payment of a dividend (2025: nil).

Gifts

No gifts were made by the Bank during the financial year. The cumulative value of gifts received by employees was de minimis (2025: de minimis).

Directors' Report continued

Ownership and Shareholder governance

The Bank is wholly owned by Scottish Ministers on behalf of the people of Scotland. During the year, 150,947,121 ordinary shares of £1.00 each were issued to Scottish Ministers (2025: 153,144,034). As at 31 March 2026, 796,800,446 (2025: 645,853,325) shares were held in issue. The Bank did not purchase its own shares in the relevant period (2025: nil).

Directors' indemnities

The Bank and its Directors have made qualifying third party indemnity provisions which operate to support them in the event of claims against them in relation to their responsibilities as Directors.

Accounts direction

The Annual Report and Accounts have been prepared in accordance with a direction given by Scottish Ministers in pursuance of Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, as attached as an appendix to the Annual Report and Accounts.

The Annual Report and Accounts shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the period for which the report and accounts are prepared. The Annual Report and Accounts shall be prepared to give a true and fair view of the income and expenditure and cash flows for the financial period and of the state of affairs as at the end of the financial year.

Going concern

The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for a period of at least 12 months from date of signing of the Annual Report and Accounts. The Directors have made an assessment of going concern, considering both current performance and the Bank's outlook together with funding arrangements from its shareholder, using the information available up to the date of issue of these financial statements.

This assessment is dependent on the Scottish Government providing additional financial support during that period. The Scottish Government has indicated its intention to continue to make available such funds as are needed by the Bank for at least 12 months from the date of approval of these Annual Report and Accounts. The Directors are confident that this financial support will continue and, at the date of approval of these Annual Report and Accounts, they have no reason to believe that it will not do so. Further details of the Directors' assessment are included in the notes to the financial statements.

As a result of this assessment, the Directors consider that it is appropriate to adopt a going concern basis of accounting in preparing the Bank's financial statements.

Long-term viability statement

The Bank's continuation as an entity is ultimately at the discretion of the Scottish Government.

The Board considered that the Bank has and will continue to have Scottish Government support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Bank's business plan which is updated and approved annually by the Board.

To be a viable business, the Bank must successfully fund its balance sheet and hold adequate capital and liquidity over the entire period covered by its viability statement.

The Directors have determined that a four-year period from the year end of assessment is an appropriate period over which to provide its viability statement.

This is the period over which the Board considers that it can form a reasonable view of the key drivers of the Bank's performance including likely investment profile and value, together with operational costs until the next phase of the Bank's evolution in managing third party capital. With limited historical data and history of evolution of the pipeline, given the early stage of the Bank, further forecasting assumptions become less reliable until these are in place.

The Bank's liquidity and capital positions are described in the financial performance section. The Bank produces a Business Plan which incorporates a four-year financial forecast. The key considerations made for the long-term viability of the Bank relate to the likelihood of continued provision of funding from the Scottish Government. In addition, the Board has considered the requirement for renewal of the Bank's subsidy control (formerly State aid) arrangements during the assessment period and has a reasonable expectation that the necessary approvals and support framework will remain in place. The Board considers, amongst others, key person risk and operational risk, particularly given the infancy of the Bank and reliance on key individuals. The Bank is operationally resilient with critical functions operating effectively to date as intended. The businesses and projects that the Bank invests in are appraised individually with risks including the impact of economic and geopolitical headwinds in each instance. The Board is cognisant that the current economic uncertainty and heightened volatility is expected to persist, including inflationary pressures and a period of higher interest rates, and will continue to impact the Scottish economy. The Bank regularly monitors its exposure and the effect of these events on the investment landscape. We are mindful that these events may mean that the need for the Bank will be even greater.

As a result of this assessment, the Directors have a reasonable expectation that the Bank will continue in operation and meet its liabilities as they fall due over the four-year period.

Statement of disclosure of information to auditor

So far as each Director is aware at the date of approving this report, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. All the Directors have taken the necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

KPMG LLPs were appointed as External Auditor by the Auditor General for Scotland in accordance with the Public Finance and Accountability (Scotland) Act 2000 in March 2022 for a period of five years (ending FY26/27). The Bank's policy on the provision of non-audit services applies (see page 83).

The Strategic Report and Directors' Report were approved by the Board and signed on its behalf by:

David Ritchie
Chief Executive Officer
21 July 2026

Board of Directors

Willie Watt

Chair

Chair Designate July 2019 and Appointed as Chair in November 2020. Term expiry November 2027.

Willie has over 40 years' experience in investment management. He retired from Martin Currie, an equities investment management firm, after 19 years as its Chief Executive and Chairman. Prior to that, Willie spent 16 years with the 3i Group, latterly as Managing Director responsible for the company's Scottish and Irish businesses. He was also a Trustee of the National Galleries of Scotland and the National Galleries of Scotland Foundation.

Willie is currently a Non-Executive Director of Jupiter Fund Management plc, a member of the Advisory Board of Scottish Equity Partners LLP, and a member of the Investment Committee of SCI Ventures, a venture philanthropy company focused on commercialising therapies related to spinal cord injuries. He was educated at the University of Aberdeen.

David Ritchie

Chief Executive Officer

Appointed Chief Executive Officer in January 2026.

David was one of the first employees of the Bank, joining in June 2020 as Head of Partnerships and Engagement. He was appointed to the new role of Chief Strategy Officer at the Bank in October 2024 and was appointed as CEO in January 2026.

An economist by training, before joining the Bank David was employed by the Scottish Government and advised ministers in several roles, including Head of the Energy Industries. He also undertook Economic Adviser roles.

Carolyn Jameson

Senior Independent Director

Appointed to the Board in November 2020. Term expiry November 2027.

Carolyn is an experienced leader of technology businesses and is currently Chief Legal Officer at Airalo, an international eSIM company. She has particular exposure to scaling businesses to exit events. She was previously Chief Trust Officer at Trustpilot at IPO, and prior to that, Chief Legal Officer at Skyscanner, where she led the sale of the business for £1.46 billion, and subsequently became Head of International M&A for Ctrip.

Carolyn is currently a member of the Advisory Board of Scottish Equity Partners LLP and acts as a Non-Executive Director on AIM listed Ten Lifestyle Group, and flights comparison website, Dohop.

She was educated at the University of Edinburgh.

Craig Wood

Chief Financial Officer

Appointed as interim Chief Financial Officer in February 2026 and as CFO on a permanent basis in June 2026.

Craig joined initially as Interim Chief Financial Officer in February 2026, bringing over 25 years' experience in banking, consumer finance and asset management. Before joining the Bank, Craig was Finance Director, Embark Group, within Lloyds Banking Group and has previously held a wide variety of board and executive roles across financial services including within RBS and Alliance Trust Savings.

He was educated at the University of Dundee and is a member of the Chartered Institute of Management Accountants and an associate member of the Association of Corporate Treasurers.

Tracey Ashworth-Davies

Chair of Remuneration and Nominations Committee

Appointed to the Board in November 2020. Term expiry November 2028.

Tracey is a highly experienced financial services professional having held senior roles with Legal & General, Toronto Dominion Bank Group, Royal London Group and Scottish Provident. She understands the challenges of scaling businesses as she co-founded and went on to lead Bright Grey, a life insurance company start-up. She also has experience in sectors outside financial services: health and care, FMCG, manufacturing, construction, and real estate. She is Chair of St George's School Edinburgh, a Trustee of Edinburgh Children's Hospital Charity and served as a member of the Court of Heriot-Watt University for eight years.

She was educated at the University of Leeds and is a Chartered Fellow of CIPD.

Gary Page

Chair of Scottish Investments Limited

Appointed to the Board in February 2024. Term expiry November 2027.

Gary is an experienced banker having worked in the City of London for over 20 years in a range of Investment and Commercial Banking roles primarily with ABN AMRO. He has subsequently built a non-executive portfolio and is currently Non-Executive Chair of Triodos Bank UK (TBUK), the UK Subsidiary of Triodos Bank NV, one of Europe's leading sustainable banks. Gary helped TBUK secure its banking license from the Bank of England in 2018 when it became a subsidiary.

Gary is also currently a Non-Executive Chair of the Student Loans Company and sits as a Lay Member on Employment Tribunals. He has a degree from Cambridge University.

Key to appointments

- Audit Committee
- Remuneration and Nominations Committee
- Risk Management and Conflicts Committee
- Investment Oversight and Valuations Committee
- Senior Independent Director
- Independent Non-Executive Director

Board of Directors continued

Peter Knott

Chair of Audit Committee

Appointed to the Board in November 2020. Term expiry November 2027.

Peter is highly experienced in impact investing and is currently the Chief Risk Officer for the National Wealth Fund (previously UK Infrastructure Bank). He held the role of Managing Director in the Edinburgh office of the Green Investment Group, part of Macquarie, having previously been the Chief Risk Officer and then Chief Financial Officer of the UK Green Investment Bank. He has broader investment experience through positions with Standard Chartered Bank, JPMorgan Chase, and Robert Fleming.

Peter is a member of the Advisory Board at the Centre for Climate Finance and Investment at Imperial College, London and a Trustee of The Royal Society for Blind Children. He is a Chartered Accountant, educated at the University of Reading.

Jason McGibbon

Chair of Investment Oversight and Valuations Committee

Appointed to the Board in November 2020. Term expiry November 2028.

Jason is a specialist within the investment industry. He has spent most of his career as a partner at the global private equity firm Bridgepoint, where he led their Consumer Investment team, living and working in the UK, Germany, Turkey and the Nordic region.

He currently has a number of Non-Executive Director roles for Palladium Digital, Liftango, Phlo Technologies and Fable Data, and acts as a mentor for several early-stage start-ups. He is a Trustee of The Entrepreneurial Scotland Foundation.

He was educated at the University of Strathclyde Business School and qualified as a Chartered Accountant with Ernst & Young in Scotland.

Nicholas Moon

Appointed to the Board in November 2020. Resigned from the Board in April 2026.

Nick is an experienced senior executive specialising in impact investment management and is currently the Chair of Circulate Capital LLC, a circular economy PE fund operating in Asia. He was formerly a Partner at LeapFrog Investments, a leading international private equity impact investor and an Executive Director of Strategy for the Development Bank of Wales. Nick was also a founding advisory board member for the World Bank IFC operating principles for global impact and has previously been a board member of Northern Arc Investments, an Indian gender lens credit investment manager, as well as a senior advisor to private equity and venture capital funds. He advises Novastar Ventures, a venture capital firm partnering with impactful entrepreneurs in Africa.

He holds an MBA from Imperial College London, specialising in advanced strategy and private equity.

Jacqueline Redmond

Chair of Risk Management and Conflicts Committee

Appointed to the Board in November 2020. Term expiry November 2026.

Jacqueline is a champion of sustainable innovation and delivering a just net zero transition. She is currently the Executive Chair of CENSIS, the SME Innovation Centre for sensing, imaging, and IoT technologies. Previously, she led Strathclyde University's PNDC industrialisation centre delivering decarbonisation solutions through whole energy solutions. Her experience includes roles as Chief Risk Officer at the Green Investment Bank, and executive roles at Shell and Scottish Power. A Chartered Engineer, Jacqueline holds degrees from both Strathclyde University and Paisley College of Technology.

Jonathan Taylor

Appointed to the Board in November 2020. Term expiry November 2026.

Jonathan brings extensive international development bank experience from his term as Vice President and Management Committee Member of the European Investment Bank (EIB). He led on the EIB Green agenda. Prior to this he was Director General of Financial Services and Stability at HM Treasury, and he was Director General of the London Investment Banking Association. Jonathan was educated at the University of Oxford and Birkbeck, University of London.

Key to appointments

- Audit Committee
- Remuneration and Nominations Committee
- Risk Management and Conflicts Committee
- Investment Oversight and Valuations Committee
- Senior Independent Director
- Independent Non-Executive Director

Our Governance Approach

Compliance with the UK Corporate Governance Code 2018 (the "Code")

The Board confirms that the Bank has complied with the provisions of the Code during the financial year, other than those set out on page 83 of this Annual Report. Details of how we have applied the principles of the Code are set out in this Corporate Governance report, the Committee Chair reports, and the Annual Report on Remuneration. Details of areas of partial or full non-compliance are set out in the Audit Committee report. We also describe how the Board fulfils its s.172(1) Companies Act 2006 obligations in our Strategic Report on page 47.

Our governance approach

We are both a public limited company (PLC) and a Non-Departmental Public Body (NDPB) and follow best practice corporate governance as appropriate for an organisation of our size and structure.

We seek to apply the Financial Reporting Council (FRC) UK Corporate Governance Code 2024 and set out an explanation of where we have not complied due to our unique position as an NDPB, having the Scottish Ministers as our sole Shareholder. The FCA listing rules are not applicable.

Funded by the taxpayer, we also comply with the principles of the Public Finance and Accountability (Scotland) Act 2000.

Board members

The Board comprised ten independent Non-Executive Directors and two Executive Directors (the Chief Executive Officer, and interim Chief Financial Officer) at end Financial Year. Current Director biographies are set out on pages 62 to 65.

The composition of the Board and Directors' terms of appointment meet the requirements of the Company's articles of association.

Board appointments

The Non-Executive Director appointments are public appointments by Scottish Ministers, overseen by the Commissioner and in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

The Bank's Executive Directors are appointed by the Board with the consent of the Scottish Ministers for a period specified by the Scottish Ministers on appointment.

The Remuneration and Nominations Committee is responsible for making recommendations to the Board and the Shareholder on appointments having regard to the skills, experience and diversity of the Board as a whole and its committees. More detail on its role is set out in the committee's terms of reference and its report on page 93.

As members of an NDPB Board, the Directors are not subject to annual re-election; however, the Non-Executive Directors are subject to rotation under the Public Appointment process at the end of an initial four-year term. The Remuneration and Nominations Committee has recommended the reappointment of the CEO and the CFO during the year as set out in its report on pages 93 to 109 of this Annual Report.

Section 10(2) of the Act sets out the grounds for termination of a Director appointment. An appointment may also come to a natural expiry or due to a removal from office by the Ethical Standards Commissioner under the Ethical Standards in Public Life etc. (Scotland) Act 2000.

Commitment

All Directors are expected to attend each Board and Committee meeting of which they are members, unless there are exceptional reasons preventing them from attending. A table showing the Directors' attendance at meetings is shown on page 78.
The Directors' time commitment and frequency of meetings are reviewed as part of the Board and Committee Effectiveness section below. Non-Executive Directors are expected to devote up to 25 days per year, each day being more than 7.5 hours and their time logs are reviewed by the Chair on a quarterly basis. All of our Non-Executive Directors have exceeded that time commitment during the year, and the Board is satisfied that they continue to devote sufficient time to fulfil their obligations.

The Board does not have an over-boarding policy, but Directors' time commitment is considered as part of their individual performance appraisal. New external appointments are subject to the conflicts of interest and Code of Conduct policies and require the prior approval of the Chair.

Board diversity and inclusion

The Board's commitment to equality, diversity, and inclusion (EDI) has been a cornerstone of the Bank's activity since inception and we aim to be a positive leader in advancing equality. We also seek talent, knowledge and experience relevant to each individual role. A Diversity Delivers strategy published by the Ethical Standards Commissioner applies to all public appointments. Diversity search specialists are used to actively encourage a diverse field of applicants. In addition, stakeholders, including Changing the Chemistry, Women on Boards and Women's Enterprise Scotland took part in early work to develop an approach to Board recruitment to encourage diversity in applicants.

The Scottish Government consulted Scottish businesses and Trade Unions on the skills criteria for the Board, prior to the launch of the Bank. The skills criteria for the Board were shaped by our missions, and to ensure that the Board is appropriately placed to oversee the highest standards in the financial and public sectors. The Bank benefits greatly from the depth and breadth of expertise of the Board, including in respect of impact and private capital investment, ethical investment, private, public and third sectors, SME scale-up, and financial and public sector governance. The breadth of the Board's experience can be seen from the Directors' biographies on page 62 to 65. The expertise and range of perspectives and insight around the Board table contributes to constructive debate on key matters vital to the Bank's success and means that the committee compositions are appropriately balanced with the relevant skills and experience to fulfil their responsibilities.

The Board monitors its own diversity and inclusion through a range of measures. We are pleased that, at 31 March 2026:

- 30% of the Board are women, including three women in what we consider to be senior Board positions (Senior Independent Director ("SID"), Chair of the Risk Management and Conflicts Committee and Chair of the Remunerations and Nominations Committee). 50% of the Executive Committee are women as at 31 March 2026.
- More than half of our Directors attended a non-selective state school, more than half of our Directors have work experience from both public and private sectors and four of those also have work experience from the third sector.

That said, we are not complacent and recognise that there is room for improvement; importantly, we are mindful that the Board figures have not improved since the previous year and, for example, there is no ethnic diversity on our Board. For future Board vacancies, we are committed to working proactively with the Scottish Government on the search and selection process. We aim to attract appointments based on merit and objective criteria with a process that protects against discrimination of those with protected characteristics.

Further detail on the Bank's diversity and inclusion can be found in the Remuneration and Nominations Committee report on pages 93 to 97.

Our Governance Approach continued

Board independence

The Board has agreed a clear division of responsibilities between the Chair and the Chief Executive Officer and these roles as well as those of other Directors and the Company Secretary are clearly defined, in writing, so that no one individual has unfettered powers of decision. More than half of the Board's Non-Executive Directors (excluding the Chair), and the Chair, were considered to be independent on appointment. The Board confirms that they continue to be free from any relationship or circumstance that could affect or appear to affect, their independent judgement. Any actual or potential conflicts that may arise are managed in accordance with the Bank's conflict of interest and Code of Conduct policies. Please see below for further detail.

The Chair is tasked with effective leadership of the Board, setting its agenda, enabling the Board's effectiveness, fostering a constructive and appropriate challenge of the performance and strategic initiatives of the Executive by the Board. It is also the Chair's responsibility to maintain external relationships with key stakeholders, including the Scottish Ministers.

The Board meets regularly without management in line with best practice, to allow for independent debate and discussion, holding the Executive Directors to account.

The role of the SID is to provide a sounding board for the Chair and to serve as an intermediary for the other Directors where necessary. The SID also acts as an intermediary between the Bank and the Shareholder where there are concerns that cannot be resolved through normal channels, or when such channels would be inappropriate. The SID also leads and oversees the annual review of the Chair's performance.

The Chief Executive Officer is tasked with ensuring the Bank delivers its missions. More generally, the Chief Executive Officer has responsibility for embedding the Bank's culture and values, leading the Executive team.

The Chief Executive Officer is also accountable for the day to day running of the Bank, working collaboratively with the Chair, the Board, the Executive team, Scottish Ministers and with partners and stakeholders across the private, public and third sectors. During the reporting period, Al Denholm and subsequently David Ritchie have been the Chief Executive Officer. As the senior executive of the Bank, the Chief Executive Officer has carried out these responsibilities and had overall accountability for the implementation of the Bank's business strategy in line with policies and plans agreed by the Board. During the year, the Chief Executive Officer was the Accountable Officer and, therefore, personally accountable to the Scottish Parliament in relation to governance, internal controls, and the stewardship of the Bank's resources. The Accountable Officer's report is set out on pages 110 to 111.

Directors' conflicts of interest

The Board has established policy and procedures to identify and disclose potential and actual conflicts of interest. A Code of Conduct is also in place.

On appointment, and on an ongoing basis, Directors are required to notify the Board of any actual or potential conflicts of interest and any changes to the facts and circumstances surrounding such conflicts. The Company Secretary monitors and notes any potential conflicts of interest that each Director may have. Each Board meeting begins with a reminder of Directors continuing obligations in relation to potential or actual conflicts of interest. A register of Directors' interests is available at www.thebank.scot.

While Non-Executive Directors have declared potential conflicts of interest, the Board considers that all Non-Executive Directors remain independent in character and judgement for the purposes of the Code. In particular, during the year, the Board continued to carefully consider any potential conflicts of interest in relation to all Non-Executive Directors. This includes the Peter Knott's role as Chief Risk Officer of the National Wealth Fund. It determined that no actual conflicts existed at the time of appointment, and that any conflicts that may later arise would be managed in accordance with the Bank's conflict of interest and Code of Conduct policies.

Executive leadership

During the year, the Chief Executive Officer led the management and operation of the Bank and was accountable to the Board, supported by an experienced Executive Committee (EC). During the reporting period, the EC was made up of the Chief Financial Officer, Chief Investment Officer, Chief Strategy Officer, the Chief People Officers, and the Chief Risk Officer and General Counsel.

There are terms of reference to clarify the role of the EC, and its primary role is to support the Chief Executive Officer, making and implementing operational decisions while running the Group's day to day business. It also makes recommendations to the Board on strategic matters. It is not a Board Committee. The EC meets frequently including in advance of each Committee and Board cycle to discuss operational matters within its remit.

Board and committee structure

The Board has a Schedule of Matters Reserved, set out within a Board Charter. Led by the Chair, it is collectively responsible (among other matters) for:

- Promoting the Bank's long-term, sustainable success for the Shareholder and stakeholders.
- Providing effective leadership, direction, support and guidance to maximise value for the Shareholder through delivery of the Bank's missions, setting the overall strategic direction and risk appetite for the Bank.
- Promoting the Bank's values and culture ensuring that they are aligned with the Bank's strategic objectives and missions.
- Monitoring the implementation of strategy and agreed operating plans for achieving strategic objectives and reviewing the performance of the management in meeting agreed goals.

The Shareholder Relationship Framework Document (SRFD) and Financial Memorandum establish authorities that have been agreed with the Scottish Ministers. While the Bank is operationally independent, certain matters related to public policy are specifically reserved for shareholder approval, either in general meeting or under the shareholder engagement framework. Generally, authority has been delegated to the Board, which in turn has delegated responsibility for the day to day running of the business to the Chief Executive Officer, as supported by the EC.

The Board has also established clearly defined responsibilities for four independent Board Committees. Each of these Committees support the Board in its oversight of the day to day running of the Bank: the Audit, Remuneration and Nominations, Risk Management and Conflicts, and Investment Oversight and Valuations Committees. Each independent Non-Executive Committee Chair reports to the Board after a Committee meeting (at least quarterly).

See overleaf for a Committee overview. The Terms of Reference for each Committee can be found on our website www.thebank.scot.

A Shareholder representative attends Board meetings regularly as an observer. This role is clearly defined, and the observer is not entitled to a vote in law.

In line with the Code, all Directors have access to the advice and services of the Bank's Company Secretary in relation to the discharge of their duties on the Board and any Committees they serve on including on all matters related to the Bank's governance. Any Director may also, at any time, take independent professional advice at the Bank's expense.

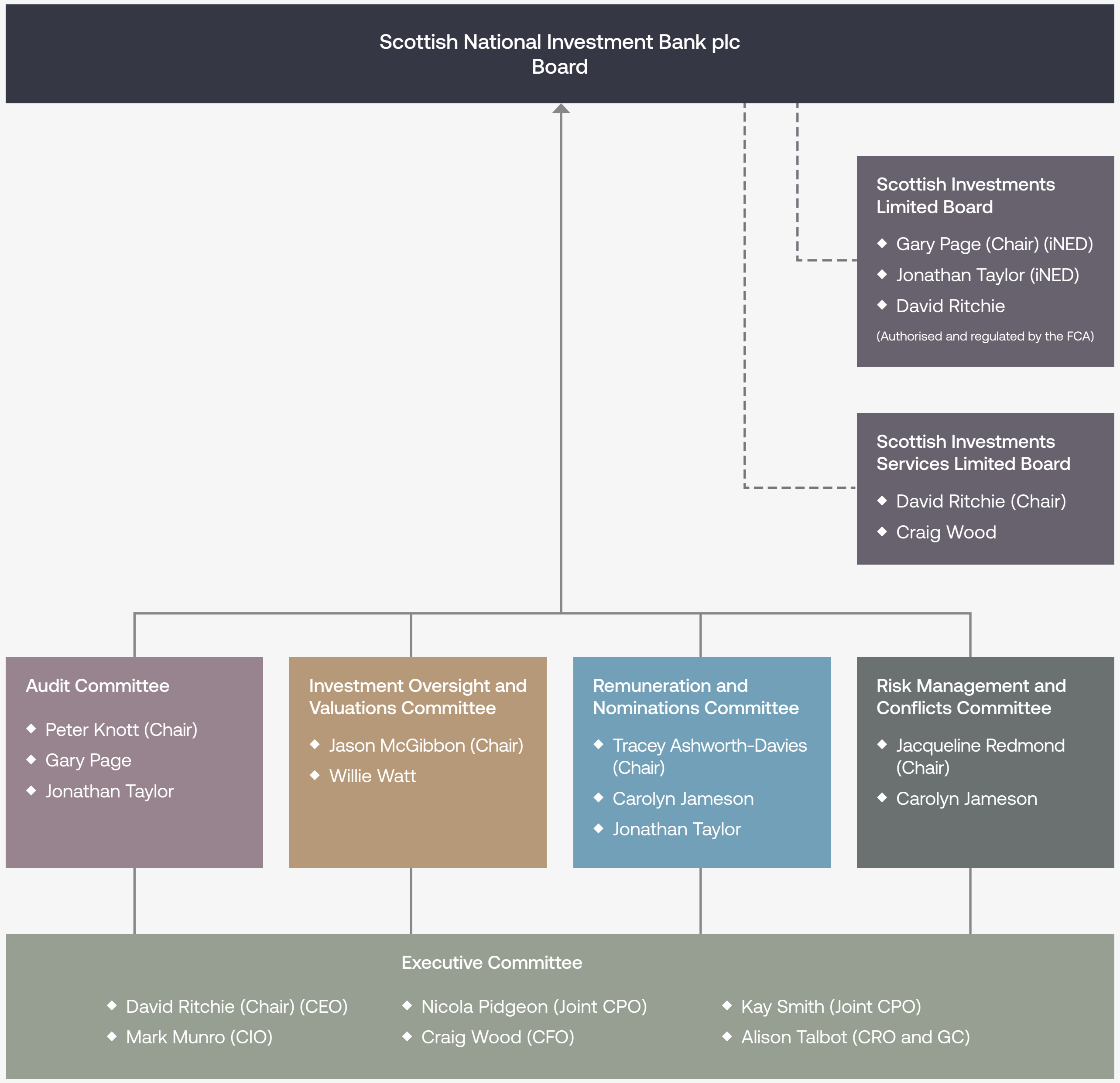
The Company Secretary is a standing attendee at each Board meeting. Members of the EC also attend meetings regularly, as well as other Bank employees as appropriate from time to time.

The Board uses an electronic portal to distribute Board reports and other information securely, increasing efficiency, confidentiality and sustainability.

Our Governance Approach continued

An overview of the governance structure as at the date of publication is shown in the diagram below.

Governance structure chart



Board and committee effectiveness

Each year the Board undertakes a formal and rigorous evaluation of its performance, as well as the performance of its committees and appraisal of individual Directors. This process is viewed as an important opportunity to reflect on progress to date and to test that the Board is well placed to support the long-term success of the Bank. The Board is committed to an independent evaluation of its effectiveness at least once every three years in line with best practice for large to medium sized companies. The last external evaluation was completed and reported in last year's Annual Report.

This year, the Chair, with the support of the SID and Company Secretary, led an internal evaluation. This process involves:

- circulation and collation of a board and committee effectiveness questionnaire by the Company Secretary;
- individual director appraisals (which are one to one interviews with the Chair);
- analysis of results (which are discussed between the Chair, SID and Company Secretary prior to open discussion in a Board meeting); and
- agreement of an action plan with the Board.

Separately, as part of this internal process, the SID led a review of the Chair's performance in consultation with the other Directors and key stakeholders, including the Shareholder. The results of the Chair's effectiveness review are documented in a report that is shared with the Scottish Ministers and the Company Secretary. The Board believes that the Chair continues to fulfil his role expertly, with independent judgement and experience that benefits the Bank.

The strengths and areas of focus that were identified and discussed for the Board and committee effectiveness are outlined below.

Strengths:

- Good Board and committee dynamics with high standards of behaviour that reflect values and principles of public life.
- Strong understanding of the Bank's strategic priorities, performance and principal risks.
- Inclusion of representatives from the Bank in Board meetings for presentations and insights on business matters.

Areas of focus for FY26/27:

- Continue to evolve the agendas to ensure an appropriate balance of strategic and operational matters.
- Continue to improve the Directors' training programme, to look ahead at training that supports the continued evolution of the Bank.
- Review of the investment pipeline. Review of the performance of the investment portfolio with particular reference to investment risk and risk appetite.

The review concluded that the composition of the Board and each of its Committees provides the appropriate mix of skills, diversity and expertise for fulfilment of their respective duties and to avoid group think.

The review of Executive Directors' performance can be found in the Annual Report of Remuneration on pages 98 to 109.

Our Governance Approach continued

Board development

On appointment, each of the Directors received an induction covering aspects of the Bank's governance and public body duties. The Board reviews its training requirements on an annual basis and builds training sessions into the Board schedule.

Board activity 2025/26

During the year, the Board met for nine Board meetings, with an offsite Strategy Day in September 2025. The Board agenda includes routine reporting from each of the EC members with summaries from their respective business areas; there is also an annual planner of matters reserved for approval of the Board, including but not limited to investment strategy, budget approval, business plan and key publications (such as this Annual Report and the annual Impact Report).

Director attendance at Board meetings is provided on page 78. There were also a number of non-scheduled meetings held with a sub-group of the Board for a specific purpose delegated by the Board. The Board receives reporting on the key matters discussed at all of its committee meetings and additional unscheduled Board meetings.

This spotlight provides a summary of some of the activities carried out by the Board during the year but does not represent all items considered. For example, the following activities have been carried out by the Board during the financial year:

- Monitored implementation of strategy and progress against the Bank's strategic objectives.
- Discussed engagement and communications with the Bank's key stakeholders, including output from the survey.
- Received regular reports, including the Balanced Scorecard, on the Bank's performance metrics.
- Reviewed management information in respect of the Bank's financial performance, its People and culture, and investment activity.
- Reviewed the Equality Strategy including the Bank's EDI outcomes.
- Considered the output of the People Survey.
- Oversight of the Bank's Risk Management Framework and internal control system, with regular review of the key risk indicators, risk appetite and internal controls.

Spotlight: Strategy Day

The Board and Executive leadership met in person in September 2025 for the Board's annual strategy offsite day. Led by the Chair of the Board and David Ritchie, then CSO and current CEO, the agenda was based on a series of mini-workshop sessions, covering:

- A review of the first five years of operations and development, to support the Bank's continued progress in the next five years.
- The Bank's approach to delivery of commercial investment against our missions.
- How the Bank has built its reputation with key partners and the steps we have taken to establish our place in the market.
- How we have built a diverse, engaged and high performing team, considering the Bank team's capabilities and capacity as we look ahead to future business development.
- Trends in the Scottish investment ecosystem, and how the Bank's approach can respond.

Spotlight: Board Activities in the Year

April 2025
- Considered the Impact Report
- Considered the Business Plan

June 2025
- Considered the Annual Report and Accounts and Financial Statements
- Considered the Group strategic initiative to support third party capital strategy

August 2025
- Held Annual General Meeting

September 2025
- Dedicated Strategy Day
- Considered the output of the RCSA process

October 2025
- Reviewed the Risk Management Framework, including risk appetite statements and key risk indicators
- FY25/26 Budget
- Considered the Group strategic initiative to support third party capital strategy
- Reviewed the Risk Management Framework, risk appetite and KRIs
- Considered FY26/27 Performance Conditions

December 2025
- FY25/26 Budget and Business Plan
- Deep dive on investments and portfolio
- Considered the Group strategic initiative to support third party capital strategy

January 2026
- FY25/26 Budget and Business Plan
- Responsible and Ethical Investment Policy

March 2026
- FY26/27 Performance Conditions
- Considered the Mission Report
- Considered the TCFD Report
- Considered the Investment Strategy
- Considered the Impact Report

Our Governance Approach continued

Internal controls

The Board is ultimately responsible for establishing and reviewing the effectiveness of the Bank's systems of internal control and risk management. It delegates responsibility to the Audit Committee and Risk Management and Conflicts Committee for overseeing the Bank's internal controls, including the effectiveness of the internal audit function. The systems of internal control are compliant with the provisions of the Code and are based on an ongoing process designed to identify risks, to evaluate those risks and to manage them effectively.

The chair of the Audit Committee and chair of the Risk Management and Conflicts Committee report to the Board following each of their meetings.

A more detailed report on the Bank's internal control systems and Risk Management Framework and processes is provided on pages 38 to 47.

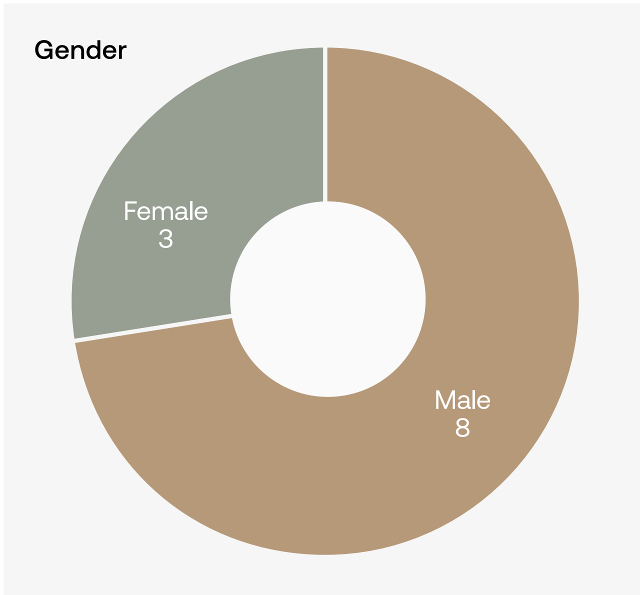
Public Services Reform (Scotland) Act 2010

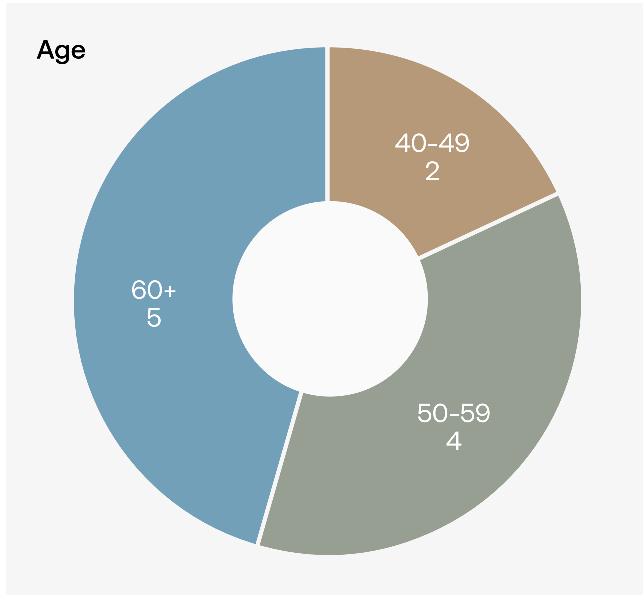
We are required under the Public Services Reform (Scotland) Act 2010 to publish information on expenditure and certain other matters as soon as reasonably practicable after the end of each financial year. This information will be made available at www.thebank.scot.

Corporate Governance Snapshot

Our Board diversity

In addition to details set out in Our Governance Approach, this section provides some highlights about our governance. Please note that the figures in this section are based on Board composition as at 31 March 2026.





Currently there is no ethnic diversity at an Executive Director and Non-Executive Director level; however, the Bank will continue to seek opportunities to improve diversity and inclusion across the Bank's Board.

Corporate Governance Snapshot continued

Key priorities for the Board FY26/27

Priority	2030 Ambition	Outcomes
Invest for value and impact	Accelerating economic growth and meaningful impact in Scotland's economy through catalysing commercial investment at scale.	◆ Invest in high potential businesses and projects, delivering financial returns and long-term benefit for the people of Scotland. ◆ Generate sustained impact across Scotland, through investing with purpose – in support of our Mission Objectives, Equality Strategy and Market Creation priorities. ◆ Create a diverse portfolio across debt, equity and fund investments, maximising impact and financial returns. ◆ Develop enduring relationships with credible investment partners – demonstrating the Bank's commercial expertise and catalysing private sector investment.
Drive value from the portfolio	Recognised as a market-leading investment partner and portfolio manager, driving value creation for our businesses and for the Bank.	◆ Build a best-in-class portfolio management function with the ability to influence asset performance. ◆ Enhance the Bank's value-add proposition through proactive engagement with our portfolio and wider ecosystem to enable growth. ◆ Facilitate our portfolio companies to attract further investment at scale from external sources of capital. ◆ Prioritise realising financial returns and the recycling of capital through exits and re-financing – ensuring delivery of impact 2030 objectives.
Diversify our capital source	Established as a credible fund manager, within the public and private sector investment ecosystem.	◆ Demonstrate expertise through the quality and efficiency of our investment decisions, showcasing our track record as a commercial investor. ◆ Forge valuable relationships, with investors in all sectors seeing the Bank as a trusted investment partner. ◆ Obtain additional regulatory authorisations to enable the Bank to manage third party capital – developing best practice among Public Finance Institutions. ◆ Establish the required infrastructure and capability to raise and manage funds in line with industry best practice.

Priority	2030 Ambition	Outcomes
Achieve financial self-sustainability	A self-sustaining institution that enables all of the Bank's economic and societal ambitions to be met whilst growing the value of the Bank.	◆ Generate sustainable, growing and recurring profits and returns aligned with the Bank's investment, income and cost strategy. ◆ Demonstrate best-in-class capital management and planning, including optimal capital, funding and liquidity resources. ◆ Cultivate a consistent track record of financial discipline as a trusted steward of capital, through financial risk management, control and alignment with Government finance controls. ◆ Achieve the transition from annual finance funding model to standalone perpetual funding model aligned with UK peers.
Grow our reputation	Respected as a leading investment institution enabling growth across the Scottish economy. Scotland feels proud of the Bank and its remit.	◆ Forge new and emergent market opportunities in collaboration with key public and private stakeholders. ◆ The Bank is recognised as a centre of excellence in commercial investment within its priority investment sectors, with a proven track record. ◆ Maintain an open and supportive relationship with Scottish and national media networks and all stakeholders across business and finance communities. ◆ Foster a culture where colleagues are clear on, and are ambassadors for, the Bank's role, remit and progress.
Enable a high-performance culture	Recognised as one of Scotland's leading employers, and most successful institutions within the public and private sector ecosystem.	◆ Inspire colleagues through effective communication of the Bank's ambition and purpose, with a clear thread to individual objectives. ◆ Achieve engagement metrics which are above industry benchmark through ensuring teams are motivated, passionate and delivering on our purpose. ◆ Drive excellent business performance, through excellent individual and team performance. ◆ Develop resilient, capable people who embody a growth mindset and learning culture.

Corporate Governance Snapshot continued

Board and committee attendance

	Chair	Non–Executive Directors									Executive Directors			
	Willie Watt	Candida Morley[1]	Carolyn Jameson	Peter Knott	Jacqueline Redmond	Jason McGibbon	Tracey Ashworth –Davies	Nick Moon	Gary Page	Jonathan Taylor	Al Denholm[2]	Michael Robertson[3]	David Ritchie[4]	Craig Wood[5]
Board	9/9	3/3	9/9	9/9	9/9	9/9	9/9	7/9	9/9	9/9	5/6	7/7	4/4	3/3
Audit Committee	–	–	–	8/8	–		–	–	8/8	8/8				–
Remuneration and Nominations Committee	–	–	7/7	–	–	–	7/7	–	–	7/7		–		–
Risk Management and Conflicts Committee	–	–	6/6	–	6/6	–	–	2/6	–	–	–	–		–
Investment Oversight and Valuations Committee	9/9	3 /3	–	–	–	9/9	–	6/9	–	–				
Overall	18/18	6/6	22/22	17/17	15/15	18/18	16/16	15/24	17/17	24/24	5/6	7/7	4/4	3/3

1. Resigned 8 August 2025. 2. Resigned 7 January 2026. 3. Resigned 28 February 2026. 4. Appointed on 6 January 2026. 5. Appointed on 27 February 2026.

Our key governance documents

Document	Document Purpose
Scottish National Investment Bank Act 2020 (the Act)	Establishes the Bank, setting out our objects; powers; ownership; governance; operational matters (such as our strategic missions and reporting requirements) and applicability of certain public body legislation to the Bank.
Articles of Association	Outlines the rules for the running, governing and ownership of the Bank, including the responsibilities and powers of the Directors.
Shareholder Relationship Framework Document (SRFD) (and Financial Memorandum)	Agreed between the Bank and the Scottish Ministers, the SRFD outlines the relationship between the Bank and the Shareholder, including measures to ensure the appropriate financial controls and to administrative and operational independence. You can find the SRFD and Financial Memorandum at www.thebank.scot.
Board Charter	Sets out the role of the Board and a schedule of matters reserved for the Board.

Audit Committee Report

I am pleased to introduce the Audit Committee report for the period ended 31 March 2026.

The Audit Committee has three members:

- **Peter Knott (Chair)**
- **Jonathan Taylor**
- **Gary Page**

The Board is satisfied that the Committee has significant and recent knowledge and experience of financial services with financial and investment experience relevant to a mission-driven impact development bank.

The Committee invites and holds regular meetings with the External Auditor, Head of Internal Audit, Chief Financial Officer, Chief Executive Officer and Chief Risk Officer. The Bank's Company Secretary is Secretary to the Committee.

Committee meetings and activities during the year

The Committee meets at least four times a year, with meetings coordinated with external reporting timetable requirements. In FY25/26, the Committee met eight times, meeting quarterly and having additional meetings to support the Budget process, and to review the draft Annual Report and Accounts.

During the year, the Committee continued to provide oversight of the Group's internal controls in financial reporting, challenging management on the integrity of the Bank's financial forecasts and budgets, considering recommendations from the IOVC on valuations for the purpose of the Bank's financial statements, and advising the Board on those matters. As well as the routine financial reporting activities, the Committee focused on, inter alia, the following matters:

- Budget submissions and forecasting, overseeing engagement with the Shareholder on our understanding of matters related to the fiscal framework and potential consequences for the capital available for future investment.
- Worked with the Risk Management and Conflicts Committee to monitor the effectiveness of the internal control environment and consider Internal Audit reports and related actions across our control environment.
- Obtained assurance on the integrity of the Bank's financial and non-financial disclosures.
- Assessed the effectiveness of the work of the external auditors and internal audit functions.
- Considered Group financial plans and external reporting including year-end Audit timetable and fees.
- Reviewed the Bank's policies in relation to financial reporting and internal financial controls.
- Reviewed the Bank's Procurement Strategy.
- Reviewed the Bank's financial performance, including performance against conditions in the long term incentive plan (LTIP), as relevant to the Committee's remit and advised on the drafting of LTIP conditions for the next financial year.
- Reviewed the transfer of the business of the Scottish Investments Services Limited to the Bank.
- Conducted an annual review of the Committee's effectiveness and its terms of reference.

Audit Committee Report continued

More details on the significant matters considered during the year by the Committee are below. You can also find a copy of the Committee's Terms of Reference at www.thebank.scot.

Area of governance	Purpose and Responsibility
Financial reporting	◆ Monitor the integrity of the financial statements and review critical accounting policies ◆ Assess and challenge key accounting judgements and significant estimates ◆ Confirm the financial statements are fair, balanced and understandable ◆ Review compliance with Shareholder reporting requirements
Internal control	◆ Review the adequacy and effectiveness of internal financial controls and systems and financial risk management and reporting ◆ Review and approve the internal control, going concern and viability statements in the financial statements ◆ Review and approve financial reporting policies and procedures ◆ Confirm the Bank has appropriate processes in place in relation to preparation of the annual budget
Internal audit	◆ Approve the appointment of Head of Internal Audit and monitor the effectiveness of the Bank's outsourced Internal Audit function ◆ Review and approve the Internal Audit Charter ◆ Assess and approve the Internal Audit work plan with recommendations from other Board Committees as appropriate ◆ Assess the findings of Internal Audit and management responsiveness to recommendations ◆ Meet independently from management with the Internal Auditor
External audit	◆ Oversee the relationship with the External Auditor, including remuneration, terms of engagement and consider the effectiveness, independence and objectivity of the team ◆ Develop, implement and keep under review a policy for non-audit services supplied ◆ Review the external audit plan including approach to significant audit risks ◆ Review audit findings, key accounting and audit judgements and management's response to recommendations ◆ Meet independently from management with the External Auditor

Financial reporting

Our financial statements are prepared in accordance with UK-adopted international accounting standards and in accordance with a direction given by Scottish Ministers in pursuance of Section 19 (4) of the Public Finance and Accountability (Scotland) Act 2000. In monitoring the preparation of the financial statements of the Group, the Committee reviewed and concluded that suitable accounting policies had been adopted and appropriate key accounting judgements and estimates had been made by management.

Areas of key accounting judgement and significant estimates

The key accounting judgements and estimates of the Bank relate to the valuation of investments which are accounted for in accordance with IFRS. In fair valuing the Bank's unquoted investments, International Private Equity and Venture Capital (IPEV) guidelines are applied. The fair values of unquoted investments are inherently subjective as they are based on several forward-looking estimates and judgements. Further details are found in Note 20 to the financial statements.

Given the material and subjective nature of investment fair values, the Board has a Investment Oversight and Valuations Committee to review the valuations policy, process, and results on a quarterly basis. All Committee members see management's reporting to the Investment Oversight and Valuations Committee and the Chair of the Audit Committee is invited to observe the interim and year-end valuations meetings.

On behalf of the Board, the Committee evaluated the findings of the Investment Oversight and Valuations Committee and external audit on the year end valuations and challenged management's application of the IPEV guidance. The Committee concluded that valuation policies and accounting guidelines, including disclosure requirements in the financial statements, had been appropriately applied.

Fair, balanced and understandable

Following a review of the disclosures, the Committee recommended to the Board that the Annual Report and Accounts for the year ended 31 March 2026, taken as a whole, were fair, balanced and understandable. In addition to their own review, the Committee requested an independent review from the Internal Auditors to verify that, in their view, the Annual Report and Accounts were fair, balanced and understandable.

Going concern

After the financial year end, the Committee has considered management's approach to, and its conclusions on, the Group's ability to continue as a going concern. The assessment considered the shareholder's letter of support, the current capital position of the Group and liquidity requirements to deliver its mission-led investment objectives and to manage associated operational costs over a four-year forecast.

It is intended that the Bank will achieve continued operational financial self-sustainability in the medium term through generating income from the investments it makes and closely monitoring and controlling its costs.

In the financial year ended 31 March 2026, income of £32.3 million was generated from the investment portfolio with operational expenditure of £20.0 million. The Bank remains reliant on Scottish Government funding for investment activity including potential cover for investment losses in our early years of operation. The Scottish Government remains committed to providing £2 billion of capital to the Bank for investment over 10 years and specific assurances have been given to continue to fund the Bank's operational expenditure for 12 months from the signing of the financial statements.

The Committee recommended that the Board support the conclusion to prepare these financial statements on a going concern basis. Having considered analysis and reporting from the Bank's Finance team and the findings of the External Auditor in relation to financial reporting considerations, the Committee recommended to the Board the approval of the financial statements.

Audit Committee Report continued

Internal controls

The Committee provides oversight of the systems of internal controls over financial management and reporting, financial risks, treasury, and tax. There is an ongoing process to review and approve any material changes to relevant policies. During the year, the Committee carried out reviews and approved updates to several of those key policies. Were any instances to arise, the Committee would be notified as part of the Bank's regular risk management reporting of any matters of concern raised regarding financial reporting, the integrity of financial management, or any allegations related to fraud. No such instances were notified.

At each meeting the Committee received, challenged and considered scheduled finance updates on business performance and significant reporting and accounting matters from the Chief Financial Officer and the Financial Controller. It also continued to have regular dialogue with both internal and external auditors. This internal control framework has again supported the Accountable Officer in ensuring compliance with their duties. The Committee has, for this year, concluded that the internal control framework in the Bank is effective.

Internal audit

BDO LLP remained engaged as the outsourced provider for the Bank's internal audit function, continuing their service from their appointment in the prior financial year.

As part of our annual cycle, the Committee agreed the Internal Audit Charter. This describes the purpose and role of internal audit, authority and responsibility of the Head of Internal Audit and the scope, nature and oversight of the internal audit function. The Committee also approved the Internal Audit Plan, ensuring that it delivers comprehensive and appropriate coverage of the Bank's principal risks.

At each quarterly meeting the Committee reviewed reports from the Internal Auditor evaluating progress against the Internal Audit Plan, the effectiveness of the Bank's controls and any system failings or weaknesses. For example, in the year, the Committee considered specific internal audit reviews on the Bank's investment governance processes; the Investment Risk function; reputational risk; IT security and cyber risk management; and data protection.

It also considered an advisory review on the Bank's supplier management processes. In performing its review of the internal audit reviews, the Committee considered the judgements and conclusions of management. No control weaknesses were reported that could have a material impact on the Group's financial or non-financial performance. Actions and recommendations for improvement are agreed with management and effectively tracked and monitored by the Committee quarterly.

During the year, the Committee continued to challenge and support enhancements to the effectiveness of the internal audit framework. As part of that, the Committee and the Internal Auditor monitored key metrics, including the timely delivery of management responses and timely closure of audit actions.

The Committee monitored the delivery of the FY25/26 internal audit plan and budget and received the Internal Auditor's Annual Report. In turn, this report supported the Committee's annual report to the Board on the effectiveness of the internal control framework.

The Head of Internal Audit has direct access to the Chair of the Committee. In addition to private meetings with the Committee members without management present, the Committee Chair also meets the Head of Internal Audit outside formal Committee meetings.

The Committee remains satisfied with the performance and effectiveness of the Internal Auditor for the financial year and that the function has appropriate resource and scope to discharge its duties effectively. It is also satisfied that the function is operationally independent from management.

External audit

The Committee has primary responsibility for overseeing the relationship with the Group's external auditor.

As we are a public body subject to the Public Finance and Accountability (Scotland) Act 2000, it is for the Auditor General of Scotland (and not the Board per the Code) to appoint our external auditor. KPMG LLP (KPMG) was appointed by the Auditor General for Scotland as the Bank's External Auditor for a period of five years in March 2022. KPMG is also appointed auditor to the subsidiaries of the Bank.

The Committee has reviewed the level of auditor remuneration to assess whether it is competitive and represents value for money and approved engagement terms.

In addition, the Committee reviewed KPMG's external audit approach, including materiality, assessment of significant audit risks, being valuation of unlisted investments and the risk of management override of controls, and scope of the audit.

The Committee agreed with the audit approach and focus of work.

The Committee met with KPMG to discuss and review audit findings and the results of testing in key areas of focus. Discussion was focused on the valuation of investments, which are inherently subjective in nature and contain management assumptions. Audit findings that required addressing or resolution were resolved to the satisfaction of the Committee.

The Committee is responsible for setting, reviewing, and monitoring the appropriateness of non-audit services by the external auditor. KPMG cannot carry out any non-audit work for the Bank without the prior approval of the Committee and must comply with the Bank's policy on provision of non-audit services. The Committee monitored the operation of the policy on provision of non-audit services. No non-audit services were carried out by the External Auditor during the year. The Committee did not request any specific areas of review from the External Auditor beyond the normal audit activity.

The external audit partner has direct access to the Chair of the Committee and has met privately, during the year, with the Committee without management present. In addition, the Committee Chair met the external audit partners outside formal meetings.

The Committee is satisfied that KPMG has remained independent of the Bank and is satisfied with the External Auditor's performance and effectiveness for the financial year.

Full and Partial Non-Compliance with the Code Explained

1. Provision 18, relating to the annual re-election of Directors for the reasons set out on page 66 of our Corporate Governance Report
2. Provision 20, relating to the advertising process for a new Chair/Non-Executive Directors. The Bank's process is governed by the regulated public appointments process, led by the Shareholder.
3. Provisions 25 and 26, relating to compliance with the 'Audit Committees and the External Audit: Minimum Standard'. The partial non-compliance relates to the appointment or reappointment of the External Auditor, which is (in the Bank's case) appointed by the Auditor General of Scotland.
4. Provisions 36 and 37, as relating to executive share awards and remuneration schemes and policies: the Bank is required to operate within a pay and reward framework agreed with the Scottish Ministers so does not issue share awards; however, there is alignment with the relevant principles of the Code, for example, the reward framework does promote long-term sustainable success of the Bank and remuneration is aligned to the Bank's Missions and values.

Audit Committee Report continued

UK Corporate Governance Code 2024 (the "Code")

During the year, the Committee considered our governance practices as compared to the Code, on behalf of the Board. See the box above for areas of full or partial non-compliance, which all relate to aspects of the Code that relate to the Bank's set up as an NDPB and unique relationship with the Scottish Ministers as our sole shareholder.

Provision 29 of the 2024 Code will apply to the Bank from FY26/27. The Committee has reviewed the compliance plan and is satisfied it will be implemented by next year-end. The Bank remains fully compliant with the 2018 internal control provision for this Annual Report.

Summary

The Committee has continued to build upon the strong foundations and governance that were put in place following the launch of the Bank. Supported by a robust internal and external audit function, the Committee will continue to oversee and monitor reform to the UK audit and associated regulatory frameworks to ensure the Board remains effectively supported in the integrity of the Group's financial systems, processes, statements, and other reporting.

Peter Knott
Chair of the Audit Committee

Investment Oversight and Valuations Committee Report

I am pleased to present my report as chair of the Committee. This report provides information on the make-up of the Committee, the process that is undertaken for it to perform its duties and outlines its duties over the reporting year.

The Committee's primary responsibility is to advise the Board on the oversight of the Bank's investment and portfolio strategy, alongside its valuation processes. Through independent challenge, the Committee considers the specific performance and valuations of individual investments and of the portfolio, overseeing the consistency of our approach.

The Committee's role in the oversight of the development and implementation of a strong investment framework and discipline in application of investment-related policies, processes and methodology across the Group is critical. It, therefore, has oversight of the Group's investment processes. Members of the Committee together with other independent Non-Executive Directors participate in the stages of investment decision-making through membership of the Investment Committee.

Core to its purpose, the Committee also supports the Board in advising on development and oversight of the implementation of the Bank's strategic initiatives and Business Plan as they relate to the Bank's investment activity.

As a mission-led commercial investor, the Group is clear in its ambition to build a portfolio of impactful and transformative mission-focused investments. As such, during the year, the Committee continued to enhance its role in the oversight of the impact of our investments. That means the generation of positive, measurable social and environmental impact alongside a financial return. Impact and progress relative to our target rate of return will continue to be a key focus area for the Committee in the year ahead.

We have previously reported that the investment landscape was challenging with both business confidence and investor appetite negatively impacted by geopolitical risks, and dampened consumer and business demand. These conditions have perpetuated with further geopolitical instability and energy crises deepening challenges for both investors and businesses. The Bank's portfolio businesses have been impacted by this difficult operating environment, and we have seen realised losses within this Financial Year.

Against this backdrop the Committee's role in monitoring and supporting the Bank's approach to investments and driving value across our growing portfolio remains critical. Importantly, the Committee also oversees the Bank's approach to measuring and reporting on capital 'crowded in' from other investors to improve the scope of the Bank's interventions and the resilience of our portfolio.

Investment Oversight and Valuations Committee Report
continued

The Committee's key responsibilities include:

1. Reviewing the valuation policies of the Bank and reviewing and challenging the appropriateness of the valuation methodology and practices in relation to investment assets.
2. Validating and recommending to the Audit Committee and Board the valuations to be placed on investment assets for the purpose of financial reporting.
3. Oversight and review of the effectiveness of the investment process and the operational arrangements for the Bank's investment decision making and the process by which it assesses investment propositions.
4. Oversight and review of the portfolio management process and ensuring appropriate action is taken to address underperformance and/or monitor outperformance of investee companies.
5. Reviewing and, where appropriate, challenging management's judgements about any unrealised gains or losses relating to the investments.
6. Working with the Risk Management and Conflicts Committee to identify, assess and monitor risks inherent in the investment process and portfolio.
7. Advising the Board on the Investment Strategy and reviewing related policies such as ethical investment and investment risk.
8. Monitoring the specific financial and non-financial impact of the Bank's investments and portfolio, including considering the Bank's annual Mission Report and Impact Report and recommending these to the Board for approval.
9. Oversight of the portfolio company exit process, making recommendations to ensure the exit maximises the return to the Bank in financial and non-financial impact terms and is transacted in a responsible and orderly manner.
10. Annual review of the Committee's effectiveness and its Terms of Reference.

You can find a copy of the Committee's Terms of Reference at www.thebank.scot.

Membership

As Chair of the Committee, I have been supported during the year by other Non-Executive Directors, who also have extensive experience in delivering impact and investment management and in the markets in which we invest:

- **Nicholas Moon**
- **Willie Watt**

Nicholas Moon resigned as Non-Executive Director after the end of the year. The process is underway to recruit replacement Non-Executive Directors as detailed in the report from the Remuneration and Nominations Committee on page 96. In the meantime, we have coopted other Non-Executive Directors on a rolling basis to attend the Committee to ensure diversity of thought and challenge.

After these changes, the Board is still satisfied that the Chair and the Committee members have recent knowledge and experience of financial services and accounting as relevant to a mission impact development bank.

The Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and Chief Risk Officer have a standing invite to attend Committee meetings, with other invitations as appropriate. The Committee also welcomes the Chair of the Audit Committee, and external auditor, to observe the interim and year end valuations.

The Bank's Company Secretary is Secretary to the Committee.

Committee meetings and activities during the year

The Committee meets at least four times a year, with meetings coordinated to support quarterly valuation cycles. In the year, the Committee met nine times, including additional meetings to review performance and set new performance conditions. A joint session was held with the Risk Management and Conflicts Committee, strengthening our collaborative oversight approach.

More specifically, in addition to carrying out the activities already outlined, a key focus for the Committee during the reporting period has been:

Portfolio management and performance

The Committee oversees and advises the Bank's Investment team on its portfolio management activities and processes taking account of investee company growth and development and the overall portfolio construction. Senior management from the Impact Assessment and Reporting and Portfolio Management teams attend Committee meetings to provide insight and report on the financial and non-financial performance of the Bank's investments and portfolio. There are inevitable challenges with managing a growing portfolio and, during the year, the Committee's oversight responsibility has been supported by continuous improvement to portfolio management processes, and reporting dashboards and metrics from the Portfolio, Impact and Investment Risk teams.

Given ongoing macroeconomic challenges, fundraising has been difficult for young and growing businesses, and this has also affected the Bank's portfolio companies. This has weighed on the financial performance of a number of companies in the portfolio and we have seen realised losses in the Financial Year. Losses are to be expected given our role as a development bank, but these are each regrettable and are most challenging for our investees and of course for their teams.

Recognising ongoing market difficulties, the Bank is further tightening its focus on driving value in its portfolio as set out in our Business Plan for the coming year. The Committee supported development of that Business Plan and will have an important role in supporting its delivery.

Realised and unrealised losses on investments were £149.8 million for the year, reflecting underlying performance challenges in the investee companies. Fair value movements, to a lesser extent, also reflect market variances over the year, which have resulted in a change to the fair value of debt investments that are valued under the International Private Equity and Venture Capital Valuation (IPEV) guidelines. These movements are largely a result of macro-economic factors rather than being a specific reflection on our individual debt investments, though we continue to monitor this closely as part of our quarterly valuation process.

As a risk-taking development bank, it is expected that not all of our investments will record a positive return, particularly at the early stage of investment. At this stage of the Bank's development, we continue to have a 'young' portfolio overall in respect of the time period since the Bank's initial investment. As a long-term, strategic investor we are working towards a positive net return across our portfolio as a whole. With this in mind, it is pleasing to see some portfolio companies growing revenue which we expect to be recognised in future years' valuations. In this year we also saw our first 'exit' with the conclusion of our agreed debt facility with DITT Construction, and the successful delivery of the first mid-market rental units in Shetland.

Investment Oversight and Valuations Committee Report
continued

Impact

All our investments have clearly defined impact expectations, and the Bank works closely with our portfolio businesses to support them in understanding, measuring, and reporting on impact. The impact of our investments and across the Bank's portfolio continues to be a key focus for the Committee. Through the year, the Committee has considered the mission alignment of the Bank's investments and the Bank's annual Mission and Impact Reports are available to view at www.thebank.scot/about-us/key-publications.

The Committee regularly monitors and challenges the development of the Bank's leading impact investment processes in line with the Operating Principles for Impact Management (OPIM). As a signatory to OPIM the Bank is obligated to provide an annual Disclosure Statement to the Global Impact Investing Network (GIIN) setting out how the Bank aligns with the Impact Principles.

As part of our OPIM assurance process, the Bank underwent an external evaluation in 2025 of its impact management approach by the internationally recognised leader in impact verification, BlueMark. They assessed the Bank as being industry leading, evaluating us as achieving 'Advanced' practice status across seven of the eight principles reviewed. These scores place the Bank on their global Practice Leaderboard, making the Bank one of only 21 impact investors across the world to have achieved this status in 2025.

Target Rate of Return

The Bank aims to deliver a positive financial return on its investments over the longer term to support the objective of becoming financially self-sustaining and to support the crowding in of private capital. The 3-4% Target Rate of Return (TRR), agreed with the Shareholder in FY23/24 as an initial medium-term target, complements the Bank's mission impacts by setting out the rate of financial return we aim to deliver over time, across our investment portfolio. It takes account of a broad range of factors, including our role as a development bank and a patient investor, the sectors in which the Bank is likely to invest, and the anticipated mix of equity, debt and fund investments. Progress towards delivery of the TRR has been negatively impacted by the reported losses in this financial year. The TRR is a long-term measure, driven by performance of the Bank's investments over time. The Bank has already taken action to strengthen its risk management framework.

The Committee continues to be actively involved in providing scrutiny of the methodology and analysis, on behalf of the Board, and is regularly monitoring performance against the TRR with increased challenge and focus around the FY25/26 review date.

Investment activity

At each of its meetings, the Committee received reports from relevant members of the Executive Committee and of the investment team on the Bank's investment activity to assess progress at a portfolio level and the Bank's investment pipeline. These reports support the Committee's identification of discernible trends and/or risks associated with the Bank's investment activity. The Committee oversees the deployment pipeline and planned activity to assess and report to the Board on the appropriateness of the portfolio construction needed to meet the Bank's business plan and performance targets.

Investment strategy

During the year, the Committee considered, and recommended to the Board, a revised investment strategy to reflect the investment needed to drive performance further focusing investment activity to where the Bank believes it can have the greatest impact and commercial returns while seeking to appropriately manage the risk. The Committee has benefited from mission lead reporting to gain deeper insight and to oversee and advise on plans for delivering each of the Bank's missions while responding to our evolving market context.

Diversify the Bank's capital source

Over FY25/26, two of the other Non-Executive Directors and I have been providing strategic guidance and support to members of the Executive team in developing their approach to diversifying the sources of capital that the Bank has to invest, creating additional funding options beyond the £2 billion initial capitalisation commitment from the Scottish Government. These plans have now moved from the strategic development stage into delivery. While these plans operate over a multi-year period, oversight of performance against the plans will now fall into the remit of this committee.

Key policies

It is imperative that the Bank's key investment policies remain "future fit" and support the Bank's investment ambitions and risk appetite. In addition to the review of the Investment Strategy, the Committee carried out its annual review of the Investment Risk Policy, Valuations Policy and Ethical Investment Policy. There were no material changes.

Summary

As we end the Bank's fifth financial year, the Committee has been reflecting on the evolution of the Bank's portfolio and investment strategy and advising the Board on the portfolio's positioning and construction for delivery of the Bank's missions and TRR.

The focus on appropriateness and consistency in application of the valuations policy and methodology will remain into the year ahead. Alignment with the commercial market is key, as the Bank looks to build on its track record of partnering with high-reputation and institutional co-investors, and ultimately diversify its sources of capital. We will drive value from our growing portfolio and ensure appropriate portfolio diversification as we continue to pursue portfolio-level positive returns. The Committee will also continue to oversee and monitor the agreed mission-aligned impact targets to ensure that the Bank's capital is making the greatest possible impact from its commercial investments.

As our portfolio continues to grow, we expect to record greater capital returns from debt repayments, re-financing opportunities and exits including partial realisations. The Committee will play an instrumental role in supporting value creation and realisation, scrutinising proposals as and when opportunities develop. In tandem with increased financial flexibilities, we have the opportunity to return realised value back into our portfolio and new pipeline opportunities, increasing our impact against our missions and progressing the Bank towards financial self-sustainability for the long-term.

Jason McGibbon
Chair of the Investment Oversight and Valuations Committee

Risk Management and Conflicts Committee Report

I am pleased to present the Risk Management and Conflicts Committee Report for the year ending 31 March 2026. Over the past year, the Committee has focused on ensuring that the Bank's risk framework continues to support effective decision-making in an increasingly complex and dynamic environment.

The Committee has an overall responsibility to support the Board in relation to the oversight of risk-related matters, such as the effectiveness and robustness of the Group's risk management systems and processes. The Committee is responsible for scanning the horizon for potential risks, ensuring our systems are robust, and helping the Board steer a course through uncertainty. Its key responsibilities include:

1. Overseeing and advising the Board on all risk-related matters.
2. Advising the Board on the attitude to and appetite for risk, risk policies and risk limits.
3. Reviewing and monitoring the effectiveness of the Group's Risk Management Framework and systems, including internal controls (other than internal financial controls overseen by the Audit Committee).
4. Monitoring how risks are reported, assessed and quantified.
5. Reviewing and monitoring the management of conflicts of interest.
6. Overseeing the Group's processes for compliance with laws, regulations, and codes of practice (including compliance with freedom of information) and approach to conduct, and prevention of fraud and other financial crime.
7. Reviewing the position in relation to subsidy control.
8. Receiving the annual report from the Money Laundering Reporting Officer on behalf of the Bank.
9. Review and approve the adequacy and security of the Bank's whistleblowing policy and process.
10. An annual review of the Committee's effectiveness.

You can find a copy of the Committee's Terms of Reference at www.thebank.scot.

Membership

As Chair of the Committee, I am supported by two Non-Executive Directors:

- **Carolyn Jameson**
- **Nicholas Moon**

Nicholas sat on the Investment Oversight and Valuations Committee and Carolyn sits on the Remuneration and Nominations Committee.

Nicholas Moon resigned as Non-Executive Director after the end of the year. The process is underway to recruit replacement Non-Executive Directors as detailed in the report from the Remuneration and Nominations Committee on page 96.

After these changes, the Board is still satisfied that the Chair and the Committee members have recent knowledge and experience of financial services as relevant to a mission impact development bank.

Our meetings benefit from the presence of the Chief Risk Officer and General Counsel and the Chief Executive Officer, alongside specialist teams. These frontline perspectives ensure our discussions are grounded in operational reality.

The Committee meets at least four times during the year and furthermore had two joint committee meetings this year. Joint meetings were held with the Audit Committee during the year, and an additional joint session was held with the Investment Oversight and Valuations Committee, strengthening our collaborative oversight approach. Additionally, the Committee held private meetings with the Chief Executive Officer and Chief Risk Officer following scheduled Committee meetings. I also meet separately with the Chief Risk Officer and General Counsel and with the Head of Compliance outside of our formal meetings – these conversations provide valuable insights that help shape our agenda. The Bank's Company Secretary is Secretary to the Committee.

Risk framework

The Committee has overseen ongoing development of the Bank's risk and control framework, including enhancements to risk identification, escalation, and reporting processes. Particular attention has been given to ensuring that emerging risks – whether financial, operational, reputational, or arising from changes in the broader policy environment – are identified early and managed proactively.

The Committee's focus ensures that the Bank's risk framework remains robust and appropriate to its evolving mandate and portfolio. Over the past year, the Committee has reviewed and challenged risk governance, risk appetite, and reporting, and considers that they provide a strong foundation for decision-making in a complex and dynamic operating environment.

Throughout the year, the Committee assessed updates to risk appetite, taxonomy, and Key Risk Indicators ("KRIs") prior to Board approval. Particular emphasis was placed on refining the metrics for investment and portfolio performance reporting, resulting in more detailed and actionable insights aligned with the Committee's broader strategic objectives.

Risk Management and Conflicts Committee Report continued

Investment and portfolio risk

As the Bank's portfolio has grown and matured, the nature of risk has evolved. In particular, portfolio performance and risk dynamics have become more pronounced, reflecting both the early-stage nature of certain investments, wider macroeconomic conditions, and, in some cases, changes in the external policy and funding landscape. This has resulted in increased volatility in parts of the portfolio and a higher level of active monitoring and intervention in specific cases, including in a small number of investments facing material financial pressure.

The Committee has maintained close oversight of these developments. A key focus during the year has been the Bank's approach to portfolio management, including the timeliness and effectiveness of interventions, the strength of underlying business plans, and the balance between supporting portfolio companies and maintaining discipline in capital allocation. In this context, the Committee has placed particular emphasis on distinguishing between losses that are consistent with the Bank's mandate and risk appetite, and those that may arise from execution or decision-making, with a view to strengthening learning and continuous improvement across the investment lifecycle.

The continued development of enhanced asset management processes, including more structured oversight of higher-risk investments, represents an important step in strengthening the Bank's response capability. The Committee has also encouraged greater clarity in the Bank's approach to intervention, including when to provide further support and when to limit exposure, recognising this as a critical component of long-term portfolio performance.

The Committee has considered the implications of portfolio concentration and sector exposure as the Bank scales its activity, including areas such as housing where exposure has increased. These developments are being actively reflected in risk appetite discussions and forward investment strategy, with a focus on ensuring that concentration is deliberate, understood, and appropriately governed.

The Committee recognises that delivering the Bank's missions requires operating within a higher-risk environment than traditional financial institutions, and that outcomes will be influenced not only by individual investment performance but also by wider market and policy conditions. This makes clarity of risk appetite, quality of execution, and strength of governance all the more critical. The Committee is satisfied that the Bank is taking appropriate steps to strengthen these areas as it continues to scale.

Looking ahead

Looking ahead, the Committee will continue to focus on portfolio performance, concentration risk, and the Bank's ability to respond decisively to a changing external environment, including shifts in market conditions and the wider funding and policy landscape. Ensuring that risk management evolves in line with the Bank's growth and ambition will remain a central priority.

Summary

Over the past year, the Committee has focused on strengthening the Bank's ability to manage a maturing and increasingly complex portfolio. By refining oversight processes, clarifying risk appetite, and strengthening governance, the Bank has bolstered its capability to operate in a higher-risk environment and deliver on its strategy. The Committee's ongoing focus on robust risk identification, reporting, and governance ensures that the Bank is well-positioned to adapt to evolving market conditions and policy landscapes, with a clear commitment to maintaining strong foundations for future growth.

Jacqueline Redmond
Chair of the Risk Management and Conflicts Committee

Remuneration and Nominations Committee Report

I am pleased to present the Directors' Report on Remuneration for the period ended 31 March 2026, which is made up of two key sections: this Committee report, and secondly, the Annual Report on Remuneration on pages 98 to 109.

The Committee assists the Board in respect of two primary areas, to oversee (a) the management of pay and reward practices across the Bank and making recommendations to the Board (and Scottish Ministers), in relation to the development and implementation of pay and reward framework, policies and practices that align with the Bank's long-term strategy and values, and (b) (where applicable, with the agreement of the Scottish Ministers) Board composition, Board and Executive succession planning, and talent management. Its key responsibilities, therefore, include:

1. Advising and making recommendations to the Board and Scottish Ministers on succession planning and nominations processes for appointments to the Board and the Committees.
2. Overseeing succession planning and development plans for the Executive Committee and other key roles within the Bank, and the Board (with agreement of the Scottish Ministers as applicable).
3. Overseeing the Group's hiring and resource planning.
4. Overseeing the development and implementation of remuneration policy and practices, including approving the remuneration for members of the Executive Committee.
5. Setting of performance conditions and evaluating associated reward.
6. Overseeing the operation of the Bank's Long Term Incentive Plan (LTIP) and Mission Contribution Reward Scheme (MCRS) including allocations made in accordance with agreed rules.
7. Overseeing and monitoring Equality, Diversity, and Inclusion initiatives related to our People.
8. Overseeing design and implementation of employee benefits and employment policies, taking account of the Fair Work Framework and Equality, Diversity and Inclusion principles.
9. Consideration of matters related to the Bank's People, Culture and the well-being of our people
10. An annual review of the Committee's effectiveness and review of its Terms of Reference.

You can find a copy of the Committee's Terms of Reference at www.thebank.scot.

Remuneration and Nominations Committee Report continued

Membership

I continue to be supported by two highly experienced Non-Executive Directors with diverse backgrounds, skills and experience:

- **Carolyn Jameson**
- **Jonathan Taylor**

Jonathan brings valued development bank experience to the Committee from his prior role as Vice President and Management Committee Member of the European Investment Bank. Carolyn continues to hold the position of Non-Executive Director for workforce engagement and met with the employee-representative group (Team Voice) twice during the year. This appointment supports the Committee's insight into the culture of the Bank.

The Chief Executive Officer and Chief People and Culture Officer(s) have been invited to attend Committee meetings, except for matters related to their own remuneration or development. The Bank's Company Secretary is Secretary to the Committee.

Committee meetings and activities during the year

The Committee meets at least four times a year, with meetings coordinated to support key times in the pay and reward cycle. In the year, the Committee met seven times, which included three ad hoc meetings to address specific matters, such as equality initiatives and setting performance conditions. The Committee also held a joint session with the Investment Oversight and Valuation Committee to seek their input into the investment related Performance Conditions for the FY26/27 LTIP.

Supporting our team

This has been another year of evolution and learning for the Bank, during which it has further developed frameworks and processes (including its pay and reward processes and People plans). The Bank has continued to develop its strategy to deliver on the Bank's missions and the Investment team has continued to add to its investment portfolio whilst managing a growing portfolio of companies through a period of significant economic and social challenges.

The Committee continues to recognise the impact of these challenges both in terms of delivery of the Bank's Business Plan objectives and the engagement, well-being, and retention of our People. The ability to attract and retain a talented and skilled workforce is clearly critical to achieving our missions with employee engagement surveys and views of Team Voice providing key insights.

In May 2025, the Bank was recognised in the Sunday Times Best Places to Work in response to the 2024 People Survey feedback. The Bank engaged WorkL, for a second year, in December 2025 to carry out an independent People Survey to continue to improve our understanding of how we compare to industry benchmarks. The response rate was 76% with an overall engagement score of 75% which is 3% higher than the industry average. The survey results continue to reflect the strong, positive, organisational culture built since launch and reinforce the need that it be continuously developed given the highly competitive market for skills and experience essential to the Bank's success.

The Bank previously introduced people 'promises' that centred around our purpose and missions, developed to reflect employee feedback. Over the year, the Committee has monitored the delivery of the Bank's people plan which has included action in the following areas:

Learning

During the year, the Bank continued to embed its learning proposition and career path frameworks, providing access to resources and support, promoting continuous learning and growth. The 2025 people survey reported a 78% positive response to the team having the tools and training to do their job well with 74% responding positively that they are being developed in their role. 31.8% of vacancies were filled by internal candidates which demonstrates our focus on career development.

Leadership

Building on the Purposeful Leadership programme from early 2025, there has been continued focus on developing people leaders across the Bank including upskilling on performance management and the establishment of an extended leadership group to drive engagement, clarity and empowerment to deliver the Bank's strategic priorities.

Flexible working

The Bank previously introduced 'Balance' guidance on flexible and hybrid working to embed the Bank's approach to providing a flexible and inclusive place to work. This approach has been monitored through the year to ensure it continues to operate effectively. It continues to be positively received by teams across the business, reflected in our People Survey results.

A key focus for the Committee has been to monitor and oversee the Bank's Equality, Diversity and Inclusion reporting and initiatives directed towards achieving a better understanding and response to some of the societal challenges. Other priorities during the year included a review of the Bank's reward and benefits strategy, an impact readiness assessment for the Employment Rights Act 2025 and a strategic review of the capabilities and behaviours required for the Bank's next stage of growth.

Remuneration

Oversight of remuneration across the Bank remains at the forefront of the Committee's agenda. In the period, the Committee took the following decisions or recommended them for approval to the Board:

- The payout level of the FY25/26 LTIP for eligible employees based on assessing performance against the Performance Conditions agreed by the Bank with the Shareholder (performance period: 1 April 2025 to 31 March 2026).
- Setting the Performance Conditions for the FY26/27 LTIP and agreeing those with the Shareholder.
- Approving the FY25/26 MCRS award for eligible employees.
- Implementing the Public Sector Pay Review effective 1 April 2025.
- Remuneration proposals for staff members.

Full details of the LTIP and MCRS awards can be found in the Annual Report on Remuneration. The Committee continues to benefit from the valuable input from other Board Committees in both setting Performance Conditions and critically evaluating evidence of delivery for the performance period, including that assessed by independent auditors. It works closely with other committees on matters relevant to their respective remits. I would like to record my formal thanks to those Committees.

The Committee also approved the Bank's pay award and pay progression for FY25/26, providing an overall average increase of 4.64 % for eligible employees. Within the context of public sector ownership, our Pay and Reward Framework aims to motivate and reward individual and corporate performance, as well as attract and retain highly skilled and experienced people across the Bank. The Committee will continue in FY26/27 to review the Bank's remuneration policies and practices and make appropriate recommendations to the Board and Scottish Ministers to ensure the stated aims continue to be met.

People policies

The Committee considered amendments to some of the key people policies during the year.

Employee benefits

In response to employee feedback and external benchmarking the Bank reviewed its reward and benefits strategy and has developed proposals in some key areas that are currently under consideration.

Remuneration and Nominations Committee Report continued

Succession planning

Board succession planning remained an important focus for the Committee during FY25/26. The Committee supports the Board, and the Scottish Ministers, advising on the composition and nomination processes of the Board and the Committees. During the year, the Committee has been involved in the following matters.

As noted in last year's ARA, Candida Morley stepped down from the Board and her role as Senior Independent Director (SID) in August 2025 and Carolyn Jameson assumed the role of SID.

Al Denholm retired as CEO in January 2026, and David Ritchie was appointed as CEO in January 2026. Michael Robertson resigned as CFO in February 2026, and Craig Wood joined as interim CFO. Craig was appointed as CFO on a permanent basis following the year end.

Post the year end, Nicholas Moon has resigned as Independent Non-Executive Director in order to be able to devote more time to his other interests.

In October 2026, two of our Non-Executive Directors, Jacqueline Redmond and Jonathan Taylor, will retire and the succession planning for those appointments has commenced. In due course the Committee will make recommendations on appointments and these recommendations will take account of Directors' tenures, Board diversity and Director development.

The Board's succession plan is reviewed regularly and will continue to be a key focus for FY26/27. In the year, the Committee reviewed the succession plans for members of the executive committee and other key roles within the Bank. It continually reviews the Bank's internal talent development framework to develop a pipeline of potential future leaders.

Equality, diversity and inclusion

We are focused on ensuring an inclusive and equitable culture. In May 2025, the Bank published a renewed Equality Strategy with equality outcomes for the period 2025-2029.

The Committee has monitored the annual Equality, Diversity and Inclusion Plan which underpins delivery of the Equality Strategy.

The Bank continues to create important employment and mentoring opportunities working in partnership with Career Ready, Black Professionals Scotland and Women in Banking & Finance.

Gender pay gap

The Bank has remained committed to improving gender diversity at all levels and reducing the gender pay gap. The Committee was encouraged that progress was made over the year with the mean gender pay gap reducing to 19.9% (March 2025 26.5%), and the median gender pay gap reducing to 28.2% (March 2025 30.5%).

The Committee supports the focus and significant action the Bank continues to take to improve this gap; however, many of these measures are longer term in nature and it will take some time to reflect tangible progress. For example, the Bank has focused on creating and promoting more flexible working opportunities and developing internal talent with 57 % of promotions being female in the period. Other actions have included improving the Bank's approach to inclusive recruitment and adopting best practice recommendations to maximise the diversity of candidate pools.

We continue to proactively manage the gap through use of internal targets which will ensure long-term focus and progress. The Committee will continue to assess whether the targets set are sufficiently stretching whilst realistic and that we are not complacent about the time and effort that it will take to materially reduce the gap.

The Bank is a signatory to the Women in Finance Charter which includes our commitment to a target of 40-50% of women in senior executive roles by 31 December 2026. The Committee is pleased to report that progress has been made over the last year with 40% of women in senior executive positions as at the end of March 2026.

Ensuring that the pay of the senior executive team is linked to delivery against these gender diversity targets is also a requirement of the charter. Each Executive Committee member will have a specific performance objective in relation to progress towards the Bank's published equality outcomes and gender diversity targets.

In the year ahead, the Committee will monitor the progress against the annual Equality, Diversity and Inclusion Action Plan with a continued objective of improving gender balance in senior positions and reducing the gender pay gap.

FY26/27 performance conditions

For the year ending 31 March 2027, Performance Conditions reflect the following strategic themes as set out in the Business Plan:

- Invest for value and impact
- Drive value from our portfolio
- Diversify our capital source
- Achieve financial sustainability
- Grow our reputation
- Enable a high-performance culture

The Committee will pay close attention to the Bank's progress in achieving the objectives which underpin these themes.

Tracey Ashworth-Davies
Chair of the Remuneration and Nominations Committee

Annual Report of Remuneration

Non-Executive Director remuneration

The appointment and remuneration of the Chair of the Bank and Non-Executive Directors is agreed by Scottish Ministers in line with the daily fee framework of the Scottish Government's Pay Policy for Senior Appointments. Fees paid reflect the time commitment anticipated for each role:

Component	Operation and Implementation
Base Fee	Non-Executive Directors are entitled to receive from the Bank a fee of £850 for every day committed to performing their functions, on a pro rata basis, up to a maximum total fee of £21,250 per year (25 working days).
Committee Chair Fees	The daily fee rate for the Senior Independent Director and Committee chairs is £850 per day, up to a maximum total fee of £25,500 per year (30 working days).
Chair Fees	The Chair is entitled to receive from the Bank a fee of £1,250 for every day committed to performing their function on a pro rata basis, up to a maximum total fee of £60,000 per year (48 working days).

Non-Executive Directors do not receive any pension, benefits or long-term incentives.

Non-Executive Director Fees paid in period to 31 March 2026 (Audited)

Name	Role	No. Days Paid	Total Payment FY25/26	Total Payment FY24/25
Willie Watt	Chair of the Board	48	£60,000	£60,000
Candida Morley[1,3]	Senior Independent Director, Non-Executive Director	11	£9,095	£25,500
Carolyn Jameson[2,3]	Senior Independent Director, Non-Executive Director	28	£24,055	£21,250
Tracey Ashworth-Davies	Chair of the Remuneration and Nominations Committee, Non-Executive Director	30	£25,500	£25,500
Peter Knott	Chair of the Audit Committee, Non-Executive Director	30	£25,500	£25,500
Jacqueline Redmond	Chair of the Risk Management and Conflicts Committee, Non-Executive Director	30	£25,500	£25,500
Gary Page	Chair of Scottish Investments Limited, Non-Executive Director	30	£25,500	£23,375
Jason McGibbon	Chair of Investment Oversight & Valuations Committee, Non-Executive Director	30	£25,500	£23,372
Nicholas Moon[4]	Non-Executive Director	25	£21,250	£21,250
Jonathan Taylor	Non-Executive Director	25	£21,250	£21,250

1. Candida Morley resigned as a Director of the Company on 8 August 2025
2. Carolyn Jameson appointed as Senior Independent Director from 8 August 2025
3. Candida Morley was paid for 10.7 days, and Carolyn Jameson was paid for 28.3 days rounded to the nearest day above.
4. Nicholas Moon has resigned post year end.

Annual Report of Remuneration continued

Executive Director remuneration

Executive Directors receive remuneration in the form of an annual salary and receive 12% employer's pension contribution. The pay and reward framework for the Bank was developed with the input of reward specialists, Korn Ferry, and underpinned using Hay job evaluation methodology. Executive Directors received the public sector pay award and pay progression in line with that applied for all Bank employees, as described below. The pay ranges for Executive Directors were reviewed in financial year 25/26 to take into account public sector pay award where appropriate (i.e. where they had not been reviewed in the previous 12 months). Following approval from our Remuneration Committee, eligible executive pay ranges were increased by 2.5% on 1 April 2025.

The Committee reviews and approves individual salaries for Executive Directors based on the pay and reward framework which has been agreed.

On a discretionary basis, Executive Directors are eligible to participate in the Bank's Long Term Incentive Plan (LTIP) which is directly linked to delivery of the Bank's missions and objectives. Performance conditions are 100% corporate and agreed for each new LTIP performance period, as part of the annual business planning approval process.

The LTIP scheme encourages long-term sustainable performance by deferring a proportion of allocations and making them subject to sustained future performance in accordance with LTIP scheme rules.

Remuneration for the Period from 1 April 2025 to 31 March 2026 (Audited)

Name	Period	Annual salary	Salary paid	Employer's pension paid	Total fixed pay	LTIP	Total
Al Denholm Chief Executive Officer	01/04/2025 to 06/01/2026	£240,000	£186,000[1]	£22,320	£208,320	£0[1]	£208,320
David Ritchie Chief Executive Officer	07/01/2026 to 31/03/2026	£214,347	£53,280	£6,334	£59,614	£33,996[2]	£93,610
Michael Robertson Chief Financial Officer	01/04/2025 to 28/02/2026	£184,945	£173,090	£20,771	£193,861	£0[3]	£193,861
Craig Wood Interim Chief Financial Officer	23/02/2026 to 31/03/2026	£210,000	£21,538	£2,585	£24,123	£0[4]	£24,123

1. Al Denholm voluntarily forewent an annual salary increase in 25/26 and LTIP payments due for payment post-retirement.
2. David Ritchie's LTIP amount includes payment due in August 2026 (£16,998) deferred payment due August 2027 (£8,499) and August 2028 (£8,499) subject to sustained performance conditions.
3. Michael Robertson was not eligible to receive a 25/26 LTIP award.
4. Craig Wood, as interim Chief Financial Officer, was not eligible for LTIP or the Bank's Mission Contribution Reward Scheme in 25/26.

Remuneration for the Period from 1 April 2024 to 31 March 2025 (Audited)

Al Denholm retired from his position of Chief Executive Officer on 6 January 2026. Michael Robertson resigned from the position of Chief Financial Officer on 28 February 2026.

Name	Period	Annual salary	Salary paid	Employer's pension paid	Total fixed pay	LTIP	Total
Al Denholm Chief Executive Officer	01/04/2024 to 31/03/2025	£240,000[1]	£240,000	£28,800	£268,800	£75,000[2]	£343,800
Michael Robertson Chief Financial Officer	01/04/2024 to 31/03/2025	£176,138	£174,900	£20,988	£195,888	£43,724[3]	£239,612

1. Al Denholm voluntarily forewent an annual salary increase in FY24/25 and any LTIP payments due for payment post-retirement.
2. Al Denholm's LTIP amount included payment due in August 2025 (£37,500), deferred payment due August 2026 (£18,750) and August 2027 (£18,750) were waived.
3. Michael Robertson's LTIP amount included payment due in August 2025 (£21,862), deferred payment due August 2026 (£10,931) and August 2027 (£10,931) were forfeit due to resignation.

Payments to past Directors (Audited)

There are no payments to former Directors (2025: nil).

Payments for loss of office (Audited)

No payments were made for loss of office during the period (2025: nil).

Annual Report of Remuneration continued

Principles of Remuneration Policy

The Bank has adopted a transparent, inclusive and sustainable approach to reward. Our pay and reward framework links individual and corporate contributions to delivery of the missions. Key components of our reward framework include:

Base Salary	The Bank's pay ranges have been developed on the basis of the following principles: ◆ A 10-grade structure covering all Bank roles. ◆ Grades based on job size using Hay job evaluation methodology. ◆ Target salaries were derived from the Korn Ferry 'All Organisations Scotland' median and reviewed annually in accordance with public sector pay awards. ◆ A minimum and maximum salary is set 15% either side of the target salary for each pay range ◆ Individual and job family pay ranges are adopted for Executive team and specialist risk and investment job families. Premia applied to these ranges are based on UK market differentials.
Performance Management	Individual objectives are directly linked to Bank corporate goals to allow every individual to contribute directly to delivering the Bank's missions.
Mission Contribution Reward Scheme (MCRS)	The MCRS allows employees the opportunity to be recognised for their contribution to the achievement of the Bank's missions. The MCRS is a discretionary, non-contractual scheme, open to all permanent and fixed term employees of the Bank who are not eligible to participate in the Long-Term Incentive Plan (LTIP) scheme. As a prerequisite for any award to be made, the Bank must have delivered on its corporate mission aligned objectives. The Bank's Remuneration and Nominations Committee pays out a total allocation for awards subject to affordability and achievement of the Bank's mission aligned objectives. Payments are differentiated based on individual performance and values ratings. The maximum award that any individual can receive under the scheme is capped at one month's salary.
Long Term Incentive Plan (LTIP)	The LTIP is a key component of the Bank's Total Reward approach to pay and reward. The LTIP is designed to ensure that compensation for members of the Bank's Executive team and eligible roles in the Investment job family is directly linked to delivery of the Bank missions and objectives. The LTIP scheme encourages long-term sustainable performance by deferring a proportion of allocations and making them subject to sustained future performance in accordance with LTIP scheme rules. The key features of the LTIP are set out below: ◆ Performance conditions are 100% corporate and agreed between the Bank Board Chair and Ministers for each new LTIP performance period, as part of the annual business planning approval process. ◆ Maximum percentage pay-out opportunity defined by grade and role. ◆ 75% of maximum set as the percentage for on-target performance. ◆ A one-year performance measurement period and a further sustained performance period of two years. ◆ Awards are paid out in three instalments (50% at the end of the initial performance period and 25% each after a further 12 months and 24 months, subject to satisfactory sustained performance).

Long Term Incentive Plan (LTIP) continued	◆ Malus and clawback provisions apply and are contained in the LTIP Rules. The malus and clawback provisions are as follows:
	- the Award Holder participating in or being responsible for conduct which resulted in significant losses;
	- the Award Holder failing to meet appropriate standards of fitness and propriety;
	- where there is reasonable evidence of fraud or material dishonesty;
	- the Group becoming aware of material winding on the part of the Award Holder;
	- the Award Holder has acted in any manner which in the opinion of the Board has brought or is likely to bring the Group into material disrepute or is materially adverse to the interests of the Group or has led to or is likely to lead to the Group being censured by a regulatory authority;
	- there is reasonable evidence of a serious breach of any applicable policy of the Group by the Award Holder;
	- if the Award Holder has not met or exceeded an acceptable standard of performance and behaviours as determined through the annual performance review process or there is a performance improvement plan (or equivalent) in place relating to such Award Holder;
	- there is a breach of the Award Holder's employment contract that is a potentially fair reason for dismissal;
	- the Award Holder is in breach of any fiduciary duty owed to the Group;
	- an Award Holder who has ceased to be an Employee was in breach of their employment contract or fiduciary duties in a manner that would have prevented the grant or Release of the Award and/or an Allocation had the Group been aware (or fully aware) of that breach, and of which the Group was not aware (or not fully aware) until after both:-
	  - the Award Holder's ceasing to be an Employee; and
	  - the time (if any) when the Board decided to permit the Release of the Allocation;
	- where there was a material error in:-
	  - determining whether the Award and or Allocation should be made;determining the size and nature of the Award and/or Allocation; or
	  - assessing the extent to which any Performance Condition was satisfied and/or Sustained Performance was achieved on the Performance Measurement Date or Sustained Performance Measurement Date.
	- If the Board makes a determination in relation to malus and clawback, it must do so prior to the earlier of 12 months of its becoming aware of the circumstances above or three years of the Release Date of the Allocation. This has been considered as an appropriate time period.
	◆ The malus and clawback provisions were not exercised in FY25/26.
	◆ Granting of awards and allocations is at the discretion of the Bank's Remuneration and Nominations Committee.

Pension	12% employer pension contribution to a defined contribution pension scheme subject to the minimum employee contribution of 1%.
Loss of office payments	The Bank does not offer any contractual terms for loss of office. The Bank reserves the right to make payment in lieu of notice where this is deemed to be in the interest of the Bank. Any termination payments would be in accordance with the Scottish Public Finance Manual.
New Executive Director Remuneration	Remuneration for any new Executive Director appointment is in accordance with the Bank's Pay and Reward framework and within the pay ranges determined for each role. Executive Director remuneration is approved by the Remuneration and Nominations Committee.

Annual Report of Remuneration continued

LTIP performance conditions Financial Year 25/26

Performance conditions for the performance period from 1 April 2025 through to the end March 2026 were approved by the Board and Ministers. The performance conditions set were challenging targets reflecting the high ambitions of the Bank's Board and stakeholders.

In assessing whether the performance conditions had been met for this initial period, the Remuneration and Nominations Committee considered the performance indicators below.

Eligible employees in role by 1 January 2026 in the Executive and Investment team family participated in the FY25/26 LTIP scheme. Employees who joined the scheme part way through the year received a pro-rated award.

Measurement	Performance Indicator Target Measure
Demonstrating and enabling Impact (25%)	
Projected mission impact performance is in line with forecasted 2030 ambition targets (15%).	Projected mission impact performance is in line with forecasted 2030 Ambition targets (medium end of target range).
Progress towards achieving the Bank's published Equality Outcomes (5%).	On track to achieve most of the Bank's published Equality Outcomes as demonstrated through delivery of most of the actions in the annual Equality Action Plan.
Progress towards the Bank's gender diversity commitments (5%).	Gender Pay Gap reduced in accordance with agreed annual target. Increase female representation in senior roles to 35-40% by 31st March 2026.
Delivering investment (40%)	
Investment core capital deployed in FY25/26 (15%).	80% of £204m core capital deployed.
Scotwind Capital deployed in FY25/26 (5%).	80% of £68m capital deployed.
Projected investment performance to 31 March 2027 is in line with forecast returns (20%).	Projected investment performance of the portfolio to 31 March 2027 is 3.25 < 4.25%.
Targeting financial self-sustainability (10%)	
Net operating profit delivered.	Net operating profit delivered >£0 - £2.1m range.
Enabling private sector investment and partnerships (20%)	
Crowd-in ratio of investment commitments made in year (10%).	Bank investment as a % of total investment round 1 : 1.25.

Measurement	Performance Indicator Target Measure
Demonstrating and enabling Impact (25%)	
Implementation of 3rd Party Capital Strategy leading to formal arrangement with targeted institutional investors (10%).	Key milestones in 3rd Party Capital Plan met.
People and culture (5%)	
Strong culture and motivated Bank team.	People Survey feedback > 70% positive.

Based on careful consideration of performance against the 2025-2026 LTIP performance conditions, and in accordance with the scheme rules, the Remuneration and Nominations Committee concluded that a pay-out of 45.6% (24/25 62.5%) of maximum would be awarded to eligible participants. This was based on performance in year against agreed performance conditions. The conditions represented a range of financial and non-financial metrics; there has been zero reward allocated to some of the financial targets. Where other targets have been met this has been recognised accordingly.

The Remuneration and Nominations Committee also approved the release of sustained performance payments relating to previous years LTIP schemes in accordance with scheme rules. These included a reduced allocation at 60.4% (vs initial allocation 80.7%) relating to FY23/24 and a reduced allocation at 26.2% (vs initial allocation 62.5%) in relation to FY24/25 to reflect the position on portfolio losses over the sustained performance period. The Bank's performance against FY25/26 corporate objectives is included in the Balanced Scorecard section on pages 12 to 18.

Mission Contribution Reward Scheme (MCRS)

Employees in role by 1 January 2026 with qualifying performance and values assessment were paid under the MCRS for the period 1 April 2025 to 31 March 2026. The table below summarises payments under the scheme for the FY25/26. Please note the MCRS is not open to those eligible for LTIP.

Number of Eligible Employees	Average % Award	Average Payment
46	6%	£3,807

Annual Report of Remuneration continued

Employee remuneration

The Bank's pay ranges, split by gender of employees in position effective 31 March 2026:

	No. Employees Base Salary		No. Employees Total Compensation	
Compensation	Female	Male	Female	Male
£200,001 - £250,000	1	2	1	3
£150,001 - £200,000	1	3	3	5
£100,001 - £150,000	9	17	9	16
£50,001 - £100,000	30	14	29	13
£0 - £50,000	12	3	11	2

As at 31 March 2026:

Employee Contract Basis	Number of Employees
Permanent	80
Fixed Term Contract	12

The median remuneration of the Bank's employees based on annualised, full-time equivalent remuneration of all staff including LTIP and MCRS as at 31 March 2026 was £86,260. The range of full-time equivalent employee remuneration including LTIP and MCRS was £26,000 to £248,343 at 31 March 2026, and the ratio between the median employee remuneration and the mid-point of the banded remuneration of the highest paid Director including LTIP and MCRS was 3.11.

612 days were lost to sickness absence in the period, 7.7 days lost per employee (FTE). Staff turnover excluding consultants and secondees but including fixed term contractors in the period was 11%. Regretted turnover for the period was 9%.

In the year the Bank engaged eight temporary contractors for specific short-term requirements; costs totalled £594,509 (2025: £238,416). Consultant costs increased compared to the previous year. However, consultants are engaged only on an exceptional basis where specialist skills are required and the need is short term or time critical; the Bank continues to minimise the use of consultants and only engages them where necessary. At 31 March 2026, three consultants were engaged by the Bank; one of whom was engaged on a full-time basis, one for four days per week and one for ad hoc support. In addition, the Bank works with two inward secondees from our legal partners to provide additional support on a temporary basis.

Gender pay

In previous years, we reported our gender pay gap using the UK Government's guidance for companies employing over 250 people. As a small organisation, with less than 250 employees, small movements in headcount (and technical adjustments such as the treatment of salary sacrifice and colleagues not in receipt of full pay) can have a disproportionate impact on the reported figures. From this year, we have therefore also calculated our gender pay gap using a simplified approach on base salary only as is standard for smaller organisations and public sector bodies, reporting under the Public Sector Equality Duty (PSED), like the Bank. For transparency and comparability, we present both measures for 31 March 2026; we will use the base salary method for reporting going forward.

This reporting change supports clearer, more stable year on year comparisons, while retaining transparency through dual reporting for 2025/26.

Government Guidance GPG for companies over 250 employees:

The mean gender pay gap as at 31 March 2026 was 19.9% in favour of males (2025: 26.5% in favour of males), the median gender pay gap as at the same date was 28.2% (2025: 30.5%).

Here is how we compare externally:

	Mean	Median
Bank	19.0%	28.2%
UK – financial services	27.9%	27.2%
Scotland – financial services	21.4%	24.6%
Scotland – all occupations	10.0%	9.4%

Source: Gender pay gap – Office for National Statistics.

Base salary gender pay gap:

The mean gender pay gap as at 31 March 2026 was 19.1% in favour of males and the median gender pay gap as at the same date was 30.0%.

Our gender pay gap reflects:

- A higher number of females in more junior positions at Grades 7-9.
- A higher number of males in our most senior roles at Grades 1-4.

Overall, the Bank has a good gender balance with females representing 58% of the Bank-wide team and 46% women in roles graded Director and above and 40% women in our most senior roles.

Annual Report of Remuneration continued

Improving our gender pay gap

Closing our gender pay gap requires gender balance across all grades, particularly in our most junior roles where women are represented in a higher proportion than males. Our focus is developing all talent, and we are proud of the representation of women in senior roles across the Bank due to our commitment and continued focus on achieving gender balance. We will work with an external provider in FY26/27 to provide external analysis and recommendations on closing the gender pay gap in a small organisation like ours with strong representation of women and no known equal pay issues.

We are a signatory to the Women in Finance Code and set a target for 40–50% of senior roles to be held by women by 2026. We are proud to have reached 40% representation of women in senior roles as at the end of March 2026.

In the Bank's first five years, we have prioritised building an inclusive culture and workplace conditions that enable colleagues to succeed and thrive in a sector where women have historically been under-represented. This includes flexible working, inclusive recruitment practices, supporting women to access development opportunities, and creating networks for colleagues to share experiences and help drive change. Progress is also reinforced through our senior management performance and reward framework, with corporate objectives and annual reward arrangements including actions that support our equality outcomes and gender diversity commitments. We are proud that our people continue to tell us through our people surveys that the Bank is an inclusive place to work.

These actions provide a strong foundation. We will continue to challenge ourselves on where we can go further to improve gender balance across the organisation and, in turn, reduce our gender pay gap.

Our representation as at 31 March:

	Female	Male
Board (Executive & Non-Executive Directors)	30%	70%
Executive Committee	50%	50%
Executive Leadership (Grade 3+)	40%	60%
Executive Leadership and Senior Management (Grade 4+)	46%	54%
All Employees	58%	42%

Percentage changes in CEO and colleague pay

Pay awards were made to eligible employees, in line with Public Sector Pay Policy, effective 1 April 2025. Eligible employees received a basic pay increase of 2.5%. Employees in seat prior to 1 October 2024 also received pay progression – progression through pay ranges specific to the Bank. Those in place prior to 1 October 2024 received an increase effective 1 April 2025 (excluding those who saw an in-year increase e.g. if promoted in year). Pay progression was made on the basis of a matrix system, taking into account both individual performance and relative position within the associated pay range.

Progression for those who met expectations was capped at band range target, while progression for those who exceeded or consistently exceeded expectations was capped at the band maximum.

Public Sector Pay Policy and Pay Progression for FY26/27 will be implemented effective 1 April 2026 for eligible employees subject to governance approvals.

Pay ratio of the CEO's total remuneration compared to other colleagues at 31 March 2026

Under the Government Financial Reporting Manual (FReM), in scope public sector bodies are required to disclose the CEO pay ratio. The table below sets out the ratio between the CEO's total single figure of remuneration and the total remuneration at the lower quartile position, median and upper quartile position for all other employees, when ranked lowest to highest.

There are three permitted methods for calculating the CEO pay ratio (Options A–C). The Bank has applied Option A, which is regarded as the most statistically robust approach because it compares the CEO's total remuneration with the total remuneration of the full UK employee population, calculated on a full-time equivalent (FTE) basis (rather than using pro rated figures or a statistical sample of employee groups).

The elements of remuneration used for this calculation were as follows:

- Full-time-equivalent (FTE) salary as at 31 March 2026.
- Total Mission Contribution Reward Scheme awarded or total LTIP awards payable in respect of the year ended 31 March 2026.
- Total employer pension contribution (calculated as the % in payment as at 31 March 2026 and applied to FTE salary).

Upon ranking from lowest to highest, the lower quartile, median, and upper quartile employees were identified. The CEO total remuneration was divided by the total remuneration of each of these employees to obtain the below pay ratios:

Year	Method	Lower Quartile Pay Ratio	Median Pay Ratio	Upper Quartile Pay Ratio
2022	Option A	1:6	1:4	1:2
2023	Option A	1:5	1:3	1:2
2024	Option A	1:4	1:3	1:2
2025	Option A	1.5	1.3	1.2
2026	Option A	1:2.0	1:2.8	1:3.9

In FY25/26, we have seen a reduction in the lower and median quartile of the CEO pay ratios compared to FY24/25, However, the upper quartile pay ratio has increased from 1:2 to 1:3.9 – this is due to a proportionally larger increase in headcount in lower grades, in addition to our intake of three modern apprentices.

Statement of Directors' and Accountable Officer Responsibilities in respect of the Annual Report and the Financial Statements

The Directors and Accountable Officer are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors and accountable officer to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK adopted international accounting standards and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2025/26 FReM) and in accordance with the requirements of the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

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 Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors and Accountable Officer are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- State whether they have been prepared in accordance with UK adopted international accounting standards and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2025/26 FReM).
- Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic and Directors' Report that complies with that law and those regulations.

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

The Scottish Government has appointed the Chief Executive Officer as Accountable Officer of the Scottish National Investment Bank group.

The Accountable Officer is personally responsible for the propriety and regularity of the body's public finances and ensuring that its resources are used economically, efficiently and effectively. This includes compliance with relevant guidance issued by Scottish Ministers, in particular the Scottish Public Finance Manual, and the Framework Document defining the key roles and responsibilities which underpin the relationship between the body and the Scottish Government.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

David Ritchie
Chief Executive Officer
21 July 2026

Independent Auditor's Report

Independent Auditor's Report

Independent auditor's report to the members of Scottish National Investment Bank plc, the Auditor General for Scotland, and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Scottish National Investment Bank plc (the "Company") for the year ended 31 March 2026 under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2020. The financial statements comprise the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Taxpayers' Equity, the Consolidated and Company Cash Flow Statements 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 as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (the "2025/26 FReM").

In our opinion:

- the accompanying financial statements give a true and fair view of the state of affairs of the Company and its Group as at 31 March 2026 and of the Group loss for the year then ended;
- the accompanying Group financial statements have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by the 2025/26 FReM;
- the accompanying parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 and as interpreted and adapted by the 2025/26 FReM; and
- the accompanying financial statements have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) ("ISAs (UK)"), as required by the Code of Audit Practice approved by the Auditor General for Scotland. 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 were appointed by the Auditor General on 14 April 2023. Our period of appointment is five years covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment is six years. We are independent of the Company and its Group 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 Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Group. Allowable audit related non-audit services provided in the period relate to the CASS audit for Scottish Investments Limited, the Company's FCA regulated subsidiary. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the assessment by the Accountable Officer and directors of the ability of the Company and its Group to continue to adopt the going concern basis of accounting included using our knowledge of the Group, industry and the general economic environment to identify the inherent risks to the business model, and analysed how those risks might affect the ability to continue operations over the period of at least 12 months from the approval of the financial statements. Since the Company and Group require financial support from the Scottish Government, we assessed the risk of this support being withdrawn. We inspected a letter received by the directors indicating the Scottish Government's intention to provide support and assessed the business reasons for and against continuing support. We considered whether the going concern disclosure in Note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern. Based upon the work we have performed, we found the going concern disclosure in Note 2 to be acceptable.

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 ability of the Company or its Group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting by the Company on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the statement by the Accountable Officer and directors in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the Company or its Group. However, we report on the Company's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Independent Auditor's Report continued

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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. In arriving at our audit opinion above, the key audit matter was as follows:

Valuation of certain unlisted investments excluding fund investments held at NAV (key audit matter)

As at 31 March 2026, 68% (2025: 78%) of the Group's total assets (by value) are debt and/or equity investments where no quoted market price is available, excluding fund investments held at net asset value (NAV) which are considered subject to lower estimation uncertainty.

These assets are typically early-stage investments which may not be profitable nor revenue generating at the balance sheet date.

Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines, by using measurements of value such as:

- price of recent orderly funding rounds. This requires the Group to make significant estimates for discounts or premiums based on performance against business plans or other pre-defined milestones; or
- discounted cash flow analyses. Significant estimates are made, notably with respect to forecast cash flows, discount rate, and credit rating; or
- earnings multiples analyses. This requires significant judgement in the identification of comparable companies and estimates for future maintainable earnings and any adjustments to the multiple applied for non-comparability.

How our scope addressed this matter

We performed the detailed tests below rather than seeking to rely on any of the Group's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed substantive procedures prescribed:

- **Portfolio understanding:** We obtained an understanding of the investments within the portfolio through inquiry (including of the valuation committee) and through our own independent research.
- **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation methods selected.
- **Our valuation experience:** We challenged the directors on key judgements affecting investee company valuations as follows:
  - For investments held at the price of recent investment, we obtained an understanding of the circumstances surrounding the transaction and assessed whether the transaction price represented fair value at the transaction date. We challenged whether this remains an appropriate basis on which to value the investment as at the year end, including by assessing the investee company's performance against relevant milestones since the transaction. These factors drive the discount/premium applied to the transaction value.

Key audit matter continued

Valuation of certain unlisted investments excluding fund investments held at NAV (key audit matter)

The effect of these matters is that, as part of our risk assessment, we determined that certain of the unlisted investments are subject to significant estimation uncertainty in determining their valuation with a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The primary factors considered in assessing which unlisted investments were subject to significant risk included the quantum of the individual investment, cash runway and short-term funding requirements, time since funding round, performance of the investment and sensitivity to changes in enterprise value.

The financial statements Note 20 discloses the sensitivity estimated by the Group in respect of all the unlisted investments held.

We additionally identify a fraud risk associated with the valuation of certain unlisted investments excluding fund investments held at NAV. As these assets are unquoted and illiquid, they are valued using valuation techniques that are subjective and involve the exercise of judgement. In addition, the valuation of these investments and the performance of the portfolio is expected to be important to the Bank's ability to execute on its third-party fund management strategy and is a factor considered in remuneration arrangement. Due to this fact, the highly judgemental nature of the valuations and the reliance on unobservable inputs, we consider there to be an increased risk of fraud associated with them.

How our scope addressed this matter

- For assets measured on a discounted cash flow basis we challenged the reasonableness of forecast cash flows and engaged KPMG valuation and credit risk specialists to support in the assessment of discount rates and credit ratings as appropriate.
- For assets measured on an earnings multiple basis, we challenged the choice of benchmark and the basket of comparable companies included in the analyses. We assessed the assumptions around maintainability of revenue or earnings based on the forecasts for the investee companies using investee company management information or audited accounts where available, and evaluated any adjustments applied to the multiple for non-comparability.

- **Our Corporate Finance expertise:** We utilised the expertise of KPMG Corporate Finance specialists to assist the audit team in assessing specific areas on certain assets, such as discounted cashflow input assumptions.
- **Assessing transparency:** We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments excluding fund investments held at NAV and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Independent Auditor's Report continued

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

Materiality for the Group financial statements as a whole was set at £17,300k (2025: £14,900k), determined with reference to a benchmark of total assets, of which it represents 2.4% (2025:2.4%). Materiality for the parent company financial statements as a whole was set at £17,100k (2025: £14,600k), which is the component materiality for the parent company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to parent company total assets, of which it represents 2.4% (2024: 2.4%). In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2025: 75%) of materiality for the financial statements as a whole, which equates to £12,900k (2025: £11,100k) for the Group and £12,800k (2025: £10,900k) for the parent company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk. We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £865k (2025: £745k) for the Group and £855k (2024: £291k) for the parent company, in addition to other identified misstatements that warranted reporting on qualitative grounds. We identified Group level risks of material misstatement at both of the Company's reporting subsidiaries.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

Responsibilities of the Accountable Officer and directors for the financial statements

As explained more fully in the Statement of Directors' and Accountable Officer's Responsibilities, the Accountable Officer and directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as they 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 Accountable Officer and directors are responsible for assessing the ability of the Company and its Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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 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. Procedures include:

- Using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006 are significant in the context of the Company and its Group;
- inquiring of the Accountable Officer, Directors and senior management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Company and its Group;
- inquiring of the Accountable Officer, Directors and senior management concerning the Company's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Company's and Group's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion, in all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the reporting on the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Independent Auditor's Report continued

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Annual Report of Remuneration

We have audited the parts of the Annual Report of Remuneration described as audited. In our opinion, the audited parts of the Annual Report of Remuneration have been properly prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

Other information

The Accountable Officer and directors are responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report and accounts other than the financial statements, the audited parts of the Annual Report of Remuneration and our auditor's report thereon.

Our responsibility is to read all 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Strategic Report and the Corporate Governance Statement to the extent explicitly stated in the following paragraphs.

Opinion prescribed by the Auditor General for Scotland on the Strategic Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Corporate governance statement

We have reviewed the statement by the Accountable Officer and directors in relation to going concern, longer-term viability and that part of the Corporate Governance Report relating to the Company's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken in the course of the audit, we have concluded that the Corporate Governance Report for the financial year for which the financial statements are prepared has been prepared in accordance with the directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers, and that each of the following elements of the Corporate Governance Report is materially consistent with the financial statements or our knowledge obtained during the audit:

- The statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified.
- The explanation by the Accountable Officer and directors as to their assessment of the prospects of the Group, the period this assessment covers and why they consider this period is appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.
- The statement by the Accountable Officer and directors on fair, balanced and understandable.
- The confirmation from the Accountable Officer and directors that they have carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report and accounts that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated.
- The section of the annual report and accounts that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Annual Report of Remuneration are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our separate Annual Audit Report available from the Audit Scotland website.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Hannah Walsh, for and on behalf of KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

21 July 2026

Audited Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2026

	Notes	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Income			
Investment income	4	32,330	34,541
Gross operating income		**32,330**	**34,541**
Net realised (losses)/gains on investments	9	(65,096)	200
Net unrealised losses on revaluation of investments	9	(84,745)	(76,939)
Net operating loss		**(117,511)**	**(42,198)**
Administrative expenses	5	(19,950)	(16,197)
Operating loss		**(137,461)**	**(58,395)**
Interest payable and similar expenses		(41)	(33)
Loss before taxation		**(137,502)**	**(58,428)**
Tax credit	8a	-	2,875
Loss for the year		**(137,502)**	**(55,553)**

Notes to the Financial Statements form an integral part of the accounts. There is no other comprehensive income during the reporting period.

Consolidated Statement of Financial Position

As at 31 March 2026

	Notes	31 March 2026 £'000	31 March 2025 £'000
Assets			
Non-current assets			
Investments	9	670,314	604,547
Property, plant and equipment	10	2,757	698
Deferred tax asset	8b	8,500	8,500
Total non-current assets		**681,571**	**613,745**
Current assets			
Trade and other receivables	11	2,924	926
Cash and cash equivalents	12	24,517	15,450
Total current assets		**27,441**	**16,376**
Total assets		**709,012**	**630,121**
Liabilities			
Current liabilities			
Trade and other payables: amounts falling due within one year	13	3,622	2,961
Provisions	13	67	-
Total current liabilities		**3,689**	**2,961**
Non-current liabilities			
Trade and other payables: amounts falling due after one year	14	2,643	928
Total non-current liabilities		**2,643**	**928**
Total liabilities		**6,332**	**3,889**
Equity			
Share capital	16	796,800	645,853
General fund	18	(94,120)	(19,621)
Total equity		**702,680**	**626,232**
Total equity and liabilities		**709,012**	**630,121**

Notes to the Financial Statements form an integral part of the accounts.

The accounts of the Group, parent company registration number SC677431, were approved by the members of the Board and authorised for issue on 21 July 2026 and were signed on their behalf by:

David Ritchie
Chief Executive Officer

Consolidated Statement of Changes in Taxpayers' Equity

Year ended 31 March 2026

	Notes	Share capital £'000	General fund £'000	Total equity £'000
Total equity at the start of the year		645,853	(19,621)	626,232
Loss for the year		–	(137,502)	(137,502)
Transactions with owners, recorded directly in equity				
Issue of shares	16	150,947	-	150,947
Grant in aid	17	-	63,003	63,003
Total equity at the end of the year		**796,800**	**(94,120)**	**702,680**

Year ended 31 March 2025

	Notes	Share capital £'000	General fund £'000	Total equity £'000
Total equity at the start of the year		492,709	23,447	516,156
Loss for the year		–	(55,553)	(55,553)
Transactions with owners, recorded directly in equity				
Issue of shares	16	153,144	-	153,144
Grant in aid	17	-	12,485	12,485
Total equity at the end of the year		**645,853**	**(19,621)**	**626,232**

Notes to the Financial Statements form an integral part of the accounts.

Consolidated Cash Flow Statement

For the year ended 31 March 2026

	Notes	Year Ended 31 March 2026 £'000	Year Ended 31 March 2025 £'000
Cash flows from operating activities			
Loss for the year before tax		(137,502)	(58,428)
Adjustments for:			
Depreciation, amortisation and impairment	10	290	326
Provisions and bad debt	13	552	-
Net realised loss on investments	9	(65,065)	-
Net unrealised fair value movement on investments	9	84,745	76,939
Interest income	4	(14,285)	(9,528)
Capitalised income	4	(14,862)	(21,091)
Increase in trade and other receivables	11	(1,998)	(66)
Increase / (decrease) in trade and other payables	13, 14	808	639
Net cash flow from operating activities		**(17,156)**	**(11,209)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(424)	-
Purchase of investments	9	(205,461)	(157,491)
Repayment of debt	9	4,039	3,172
Interest income	4	14,285	9,528
Net cash from investing activities		**(187,561)**	**(144,791)**
Cash flows from financing activities			
Issue of new shares	16	150,947	153,144
Net grant in aid received in period	17	63,003	12,485
Payments of lease liability	15	(166)	(288)
Net cash from financing activities		**213,784**	**165,341**
Net movement in cash and cash equivalents		9,067	9,341
Cash and cash equivalents at start of the year		15,450	6,109
Cash and cash equivalents at end of the year	12	**24,517**	**15,450**

Notes to the Financial Statements form an integral part of the accounts.

Company Statement of Financial Position

As at 31 March 2026

	Notes	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Assets			
Non-current assets			
Investments	9	670,314	604,547
Investment in subsidiaries	9	–	–
Deferred tax asset	8b	8,500	8,500
Property, plant and equipment	10	2,757	–
Total non-current assets		**681,571**	**613,047**
Current assets			
Trade and other receivables	11	2,924	403
Cash and cash equivalents	12	15,989	7,822
Total current assets		**18,913**	**8,225**
Total assets		**700,484**	**621,272**
Liabilities			
Current liabilities			
Trade and other payables: amounts falling due within one year	13	3,622	316
Provisions	13	67	–
Total current liabilities		**3,689**	**316**
Non-current liabilities			
Trade and other payables: amounts falling due after one year	14	2,643	–
Total non-current liabilities		**2,643**	**-**
Total liabilities		**6,332**	**316**
Equity			
Share capital	16	796,800	645,853
General fund	18	(102,648)	(24,897)
Total equity		**694,152**	**620,956**
Total equity and liabilities		**700,484**	**621,272**

Notes to the Financial Statements form an integral part of the accounts.

The accounts of The Scottish National Investment Bank plc, Company registration number SC677431 were approved by the members of the Board and authorised for issue on 21 July 2026 and were signed on their behalf by:

David Ritchie
Chief Executive Officer

Company Statement of Changes in Taxpayers' Equity

Year ended 31 March 2026

	Notes	Share capital £'000	General fund £'000	Total equity £'000
Total equity at the start of the year		645,853	(24,897)	620,956
Loss for the year		–	(140,754)	(140,754)
Transactions with owners, recorded directly in equity				
Issue of shares	16	150,947	–	150,947
Grant in aid	17	–	63,003	63,003
Total equity at the end of the year		**796,800**	**(102,648)**	**694,152**

Year ended 31 March 2025

	Notes	Share capital £'000	General fund £'000	Total equity £'000
Total equity at the start of the year		492,709	24,792	517,501
Loss for the year		–	(62,173)	(62,173)
Transactions with owners, recorded directly in equity				
Issue of shares	16	153,144	–	153,144
Grant in aid	17	–	12,484	12,484
Total equity at the end of the year		**645,853**	**(24,897)**	**620,956**

Notes to the Financial Statements form an integral part of the accounts.

Company Cash Flow Statement

For the year ended 31 March 2026

	Notes	Year Ended 31 March 2026 £'000	Year Ended 31 March 2025 £'000
Cash flows from operating activities			
Loss for the year before tax		(140,754)	(70,673)
Adjustment for:			
Depreciation, amortisation and impairment	10	49	–
Provisions and bad debt	13	552	–
Net realised fair value movement on investments	9	65,096	–
Net unrealised fair value movement on investments	9	84,745	76,939
Interest income	4	(14,285)	(5,797)
Capitalised income	4	(14,862)	(13,452)
(Increase) / decrease in trade and other receivables	11	(2,521)	2,889
Increase in trade and other payables	13	3,704	316
Net cash from operating activities		**(18,276)**	**(11,790)**
Cash flows from investing activities			
Purchase of PPE	10	(421)	–
Loan to subsidiaries		–	(43,639)
Purchase of investments	9	(205,461)	(111,548)
Payment for transfer of investments		–	(3,292)
Repayment of debt	9	4,039	2,362
Interest income	4	14,285	5,797
Net cash from investing activities		**(187,558)**	**(150,320)**
Cash flows from financing activities			
Issue of new shares	16	150,947	153,144
Grant in aid received	17	63,003	12,485
Recognition of RoU and Interest	15	52	–
Net cash from financing activities		**214,002**	**165,629**
Net increase / (decrease) in cash and cash equivalents		8,167	3,519
Cash and cash equivalents at start of year		7,822	4,303
Cash and cash equivalents at end of the year	12	**15,989**	**7,822**

Notes to the Financial Statements form an integral part of the accounts.

Notes to the Financial Statements

1. Corporate information

Scottish National Investment Bank plc (the Company) is a public limited company incorporated and domiciled in Scotland under the Companies Act 2006 whose shares are not publicly traded.

The Company registration number is SC677431. The registered address is Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG. The nature of the Bank's operations and its principal activities are set out in the Strategic and Directors' Reports.

The consolidated Financial Statements of the Bank for the year ended 31 March 2026 comprise the Financial Statements of the Company and its consolidated subsidiaries (collectively, the Group and interchangeably referred to as the Bank) in the Strategic and Governance Reports.

2. Significant accounting policies

Basis of preparation

The Financial Statements of the Group and Company have been prepared in accordance with UK-adopted international accounting standards and as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (the 2025/26 FReM) and in accordance with the requirements of the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

The Company has taken advantage of section 408 of the Act and consequently the Statement of Comprehensive Income (including the profit and loss account) of the parent Company is not presented as part of these accounts. The loss before tax of the parent Company for the financial period was £140,754k (2025: £70,673k).

The Financial Statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value or revalued amounts at the end of each reporting period in accordance with relevant accounting standards. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These Financial Statements are presented in pound sterling, which is the currency of the primary economic environment in which the Group operates.

The preparation of Financial Statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is reassessed.

The principal accounting policies adopted, which have been applied consistently in the current financial year are set out below.

Going concern

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months from the approval of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

In making this assessment, the Directors considered the Group's current performance, financial position and cash flows, together with its financial and operational outlook, which included consideration of the impact of the prevailing global economic environment, including high inflation. The assessment also took account of the Group's funding arrangements with its Shareholder, the Scottish Government, using information available up to the date of approval of the Financial Statements.

As part of this assessment the Directors considered:

- The £2 billion of capital committed to the Company for investment over 10 years from the Scottish Government.
- The continued commitment from Scottish Government to support the Group's operational expenses in the medium term.

Notes to the Financial Statements

- The Group's strategic objectives, its capacity and resources to deliver those objectives, and the operational infrastructure in place to support delivery; and
- The operational resilience of the Company's critical functions including its investment, governance, regulatory and IT systems.

This assessment is dependent on the Scottish Government providing additional financial support during that period. The Scottish Government has indicated its intention to continue to make available such funds as are needed by the Group and Company for at least 12 months from the date of approval of these Financial Statements. The Directors are confident that this financial support will continue and, at the date of approval of these Financial Statements, they have no reason to believe that it will not.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

Restructure of Group

During the year, the Bank undertook a corporate restructure. Prior to the restructure, Scottish Investments Services Limited (SISL) employed the staff and incurred operational expenses on behalf of the Group. As part of the reorganisation all rights and obligations relating to employees and contracts were transferred to the Company.

Transfer rationale: The restructure formed part of a strategic reorganisation to simplify the Group structure and deliver long term efficiencies and savings in Group administration and operating costs.

Transaction details

- The transfer was completed on 30th March 2026
- All assets and liabilities were transferred at book value, on a nil gain nil loss basis to both entities.
- Assets transferred included right-of-use lease assets, property, plant and equipment, and trade receivables.
- All liabilities relating to the transferred contracts were transferred to Scottish National Investment Bank plc as part of the transaction.
- SISL is dormant following the transfer and it is intended that the entity will be wound up in the coming months.

Following the restructure, Scottish National Investment Bank plc operates as the principal operating entity within the Group. The Company is a patient capital impact investor and development finance institution, it holds the Group's investments, employs the Bank's staff, and is responsible for the Group's operating activities and expenditure.

Adoption of new and revised standards

Certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group. These include IFRS 18 Presentation and Disclosure in Financial Statements, effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 introduces new presentation and disclosure requirements, including specified subtotals in the statement of profit or loss and enhanced disclosure requirements. The Group is assessing the impact of adoption; however, no material impact on reported profit or net assets is currently expected.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2026.

Control for accounting purposes exists when the Company:

- Has power over the investee (voting rights and shareholding).
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns (through strategic and management control and influence).

The Company reassesses whether or not it controls an investee for accounting and consolidation purposes if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Determining whether a Company has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over relevant activities. This judgement may involve assessing the purpose and design of the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Subsidiaries are held at cost in the Financial Statements.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed in full to the owners of the Company in the absence of non-controlling interests. Total comprehensive income of the subsidiaries is also attributed in full to the owners of the Company in the absence of non-controlling interests.

Income

Income represents arrangement fees, monitoring fees, interest income, dividends and administration fee income. Income is measured based on the consideration specified in a contract with the investee business or project.

Income is recognised to the extent that it is probable that economic benefits will flow to the Group and that the amount can be measured reliably, in accordance with the relevant accounting standards.

Distributions from underlying funds are recorded based on the nature of the distribution as provided by the underlying fund manager which includes realised gains on investments and investment income. Investment income and realised gains are recognised on the value date of the notice received from the underlying fund manager.

Interest income

Interest income on financial assets measured at fair value through profit or loss is recognised using a time apportioned effective yield, reflecting the passage of time on the underlying contractual cash flows.

For performing assets, interest income reflects the contractual coupon and represents the portion of the change in fair value attributable to the unwinding of time value.

Where assets are assessed to be distressed or credit impaired, and recognition of contractual interest income would not provide a faithful representation of performance, interest income is determined using an adjusted effective yield derived from the relationship between the asset's fair value and capital deployed. This approach represents a management judgement applied in accordance with IAS 8.

Any remaining change in fair value, including movements arising from credit risk and other valuation factors, is recognised within net unrealised gains or losses on revaluation. As a result, interest income in the current year may not be directly comparable to prior periods, as amounts previously presented separately as interest income and fair value movements are now presented on a net basis. This presentation does not affect total profit or loss on these instruments.

Interest income is recognised in the accounting period to which it relates.

Notes to the Financial Statements

Arrangement fee income

Fees are received for providing services relating to a specific transaction, such as when an investment is bought, sold or refinanced. These fees are generally of a fixed nature, and the income is recognised in full at the point of transaction completion.

Monitoring fee income

Fees are received for providing services relating to quarterly monitoring of investments. These fees are generally of a fixed nature, and the income is recognised as set out in the contract.

Dividend income

Dividend income relates to dividends receivable on investments. Income is recognised when it is contractually due and payable as per contractual terms.

Administration fee income

Administration fee income relates to administration fees for oversight of a third party mandate. Income is recognised when it is contractually due and payable as per contractual terms.

Expenses

All expenses, interest payable and interest receivable are recognised in the Consolidated Statement of Comprehensive Income on an accrual's basis.

VAT

Input VAT that relates to exempt supplies on purchases is partially recoverable. As the rate of recovery is immaterial, irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Income as incurred.

Tax

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss, accounted for using the reporting date liability method.

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

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any legal restrictions on the utilisation of available taxable profits are also considered, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Property, plant and equipment

Property, plant and equipment are shown in the Statement of Financial Position at their historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the asset.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is provided to write off the initial cost of each asset to its residual value on a straight-line basis over its estimated useful life of:

Right of use property assets	Life of lease
Furniture, fixtures and fittings	Over 5 years
Computer equipment	Over 3 years

The Group applies a de minimis capitalisation threshold of £5,000.

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and adjusted prospectively if appropriate.

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition, being the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the Consolidated Statement of Comprehensive Income in the period in which the asset is derecognised.

Leases

At contract inception, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and
- The Group has the right to direct the use of the asset. This occurs when the Group has decision making rights that are most relevant to determining how and for what purpose the asset is used. In rare cases where these decisions are predetermined, the Group is considered to direct the use of the asset if it either has the right to operate the asset or has designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a right of use asset and a corresponding lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

Subsequently, right of use assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the lease term or the end of the useful life of the underlying asset, unless ownership of the underlying asset transfers to the Group at the end of the lease term or the cost of the right of use asset reflects that a purchase option will be exercised. In such cases, depreciation is charged over the useful life of the underlying asset, determined on the same basis as property, plant and equipment.

Right of use assets are also subject to impairment and are adjusted for certain remeasurements of the related lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate / HM Treasury discount rates.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Financial Statements

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for any short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments

(i) Recognition and initial measurement

Financial assets and liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument in accordance with IFRS 9.

Financial assets and liabilities are initially measured at fair value less transaction costs directly attributable to the acquisition of those financial assets or liabilities except for transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss (FVTPL) which are recognised immediately in the Consolidated Statement of Comprehensive Income.

(ii) Classification of financial instruments

Financial instruments, other than those held at amortised cost, are held at FVTPL. In particular, the Group classifies groups of financial instruments at FVTPL when they are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments are reported to management on that basis. As such the Group holds investments at FVTPL and all other financial assets and liabilities at amortised cost.

(iii) Investments

On initial recognition, the Group classifies its loan, fund and equity investments, including investments in investment entities and financial guarantees as FVTPL. Investments of the Company in subsidiaries are measured at cost.

These assets at FVTPL are subsequently measured at fair value. Net gains and losses are recognised in profit or loss in 'net unrealised gains or losses on revaluation' in the Statement of Comprehensive Income.

Fair value is the price that would be received to sell an asset 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 Group has access at that date.

The Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines (December 2025). Valuations of the investment portfolio are performed quarterly.

The Group invests in unquoted investments referencing observable market data wherever available. The fair value methodology applied to each investment is driven by the specific characteristics of the investments.

The approach used to calculate the fair value is as follows:

- Investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities.
- Direct debt investments. The primary valuation methodology used for these investments is the discounted cash flow method (DCF). Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector. The price at which a debt investment was made or the loan was issued may be a reliable indicator of fair value at that date, depending on facts and circumstances. Where the investment is a convertible loan note (CLN) probability weighted cash flows are considered including a default scenario, the conversion option (which has yet to be exercised) and the potential future equity value.
- Fair values for unquoted direct equity investments are established by using various valuation techniques. These may include recent arm's-length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis, milestone analysis, net assets valuation, multiples and reference to similar quoted companies. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised.
- Fair value for combined debt/equity instruments where the Bank holds both debt and equity in an investee company, and the instruments are economically linked, these are valued under a single unit of account. This reflects the market participant perspective that the instruments would be transacted together. In such cases, the combined investment is valued holistically, with fair value allocated across the debt and equity components, including assessment of any hybrid instruments such as convertible loan notes.

These techniques seek to calculate the enterprise value (the value of the business as a whole at the measurement date) of the investee company using a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable assumptions and estimates. Enterprise value is commonly derived using a comparable multiple basis. Companies with maintainable revenues, profits or cash flows are valued on a multiple basis using an appropriate multiple from companies in similar sectors and markets.

The key judgements include selecting an appropriate multiple, which is derived from comparable listed companies or relevant market transaction multiples. Companies in the same geography and sector are selected and then adjusted for factors including liquidity risk, growth potential and relative performance.

The enterprise value is then adjusted for surplus assets or liabilities or any other relevant factor. Higher-ranking financial instruments are deducted taking into account any financial structuring that may dilute the investment holding. The attributable enterprise value is apportioned between the financial instruments held according to their ranking. The amounts derived are allocated according to the holding in each financial instrument, representing their fair value.

- Realisations in process are valued at the expected realisation proceeds, although discounts are applied to reflect the level of certainty of the transaction completion.
- If there has been a recent investment in the company, the price of the recent investment, less any impairment charge, is used to determine fair value.
- Early-stage companies and projects without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value.
- Companies and projects in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value.
- Companies and projects whose cash flows can be forecast with confidence are valued using future cash flows discounted at the appropriate risk-adjusted discount rate. This method requires management to make certain assumptions about the model inputs, including forecast cash flows, future currency exchange rates and the discount rate.
- Where available, valuations prepared by third party experts are used as an input to the Bank's valuation process. These external assessments are considered alongside internal modelling and judgement to ensure a robust and market-aligned valuation outcome.
- In exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

Notes to the Financial Statements

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous Statement of Financial Position date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amounts of cash and are subject to an insignificant risk of changes in value. There is no material difference between the fair value and book value of the Group's cash and cash equivalents.

Trade and other receivables

Trade and other receivables are non-interest bearing and are recognised when the Group becomes party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently measured at amortised cost less an allowance for impairment.

Impairment of trade and other receivables is measured on the expected credit loss basis and reflects the maturity profile of the exposures.

Trade and other payables

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the period end date. There are no material differences between the fair value and book value of the Group's trade and other payables.

Derecognition of financial instruments or liabilities

The Group derecognises a financial asset or financial liability only when the contractual rights to the cash flows from the asset or the contractual obligations relating to the liability expire, or when the financial asset or liability is transferred and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been accumulated in equity is recognised in profit or loss.

Impairment of assets

The carrying amounts of non financial assets, other than deferred tax assets and financial instruments measured at fair value through profit or loss, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

Ordinary share capital

The ordinary share capital on the Statement of Financial Position relates to the number of shares in issue.

Grant in aid

Capital funding for investments and resource funding for the Group's operational costs is provided through grant in aid from the Scottish Government. Grant in aid is received throughout the period in accordance with budgets agreed annually with the Scottish Government.

Grant in aid is received and taken to the general fund until such time as it is applied to investment or operational expenditure.

General fund

Scottish Ministers, acting through the Scottish Government, have provided funds for investment and operating purposes. Share capital equal to the value of investments drawn in each period is issued to Scottish Ministers as ordinary share capital. Funding from Scottish Government that is received and not yet invested or not yet used for operating expenses remains in the general fund on the Statement of Financial Position as grant in aid. There is no obligation to repay either the capital or resource funding balance and no interest is payable.

Provisions, contingent liabilities and contingent assets

Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation depends on the outcome of future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

The Group and Company had no contingent assets or contingent liabilities at the reporting date.

Employee benefits

All eligible employees are enrolled into an externally administered defined contribution (DC) pension plan. The Group pays fixed contributions and has no legal or constructive obligation to pay further amounts. The Group recognises the costs of providing defined contribution pensions as an expense in the Statement of Comprehensive Income when employees have rendered services entitling them to the contributions.

The cost of the Long-Term Incentive Plan (LTIP), a cash settled performance related compensation programme, is charged to the Statement of Comprehensive Income over the period of the scheme taking into account service and sustained performance periods and accrued on the Statement of Financial Position in accordance with IAS 19 'Other long-term employee benefits'.

Payment of each period's award scheme is settled in cash over a three year period to incentivise long-term sustainable performance (50% payable at the end of the initial performance period and 25% payable in each subsequent year, subject to satisfactory sustained performance).

The maximum award can be reliably estimated, and the timing of payment is known. The amount recognised is measured using the estimated cash flows required to settle the present obligation, and where the effect of the time value of money is material, the liability is measured at the present value of those cash flows.

Related party transactions

The Group has taken advantage of the exemption conferred by paragraph 25 of IAS 24 'Related Party Disclosures' and has not disclosed transactions with its wholly owned subsidiaries.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires management to make estimates, assumptions and judgements in applying relevant accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving higher degree of judgement or complexity or areas where assumptions are significant to the individual and consolidated Financial Statements are highlighted below:

(i) Fair value measurement

The Group's financial assets held at fair value through profit or loss (FVTPL) represent investments in private companies where market quotes are not available for these instruments.

The key accounting estimates are the carrying value of investments which are stated at fair value. Asset valuations for unquoted investments are inherently subjective and have a high degree of judgement and complexity. They are made on the basis of assumptions which may not prove to be accurate such as trading multiples, discount rates and assumptions on expected cash flows, etc. The Group's investments are valued in accordance with IFRS and IPEV valuation guidelines. Where relevant, different valuation approaches may be used in arriving at and calibrating an estimate of fair value for an individual asset. Given the importance

Notes to the Financial Statements

of this area, the Group has an Investment Oversight and Valuations Committee to review valuation policies, process and application to individual investments.

For more details on the fair value methodology refer to Note 2.

(ii) Deferred tax

The recognition of deferred tax assets requires management judgement in assessing the extent to which it is probable that taxable profits will be available against which deductible temporary differences and tax losses can be utilised.

At the reporting date, the Group has tax losses of £164.9 million (2025: £43.7 million) available for offset against future taxable profits. Management judgement is required to determine the amount of deferred tax assets that can be recognised. This is based upon assumptions as to the future profitability of the companies in the Group and the timing of when such profits arise.

A deferred tax asset has been recognised only to the extent that it is considered probable, based on available evidence, that sufficient taxable profits will arise to allow recovery of the recognised tax losses. Where utilisation of tax losses is not considered probable within the foreseeable future, no deferred tax asset is recognised.

(iii) Income recognition and the impairment of financial assets under IFRS 9

The Group's financial assets measured at FVTPL generate contractual income due from investees. In line with IFRS 9, fair value movements are recognised in the income statement, with interest income presented separately. For performing assets, interest income is recognised using contractual coupon rates. Where assets become distressed or credit impaired, management applies a Stage 3 equivalent presentation, as continued recognition of contractual interest may no longer provide a faithful representation of performance. In such cases, interest income is recognised by applying a discount to calculate the estimated recoverable amount. The assessment of whether assets are credit impaired, and the determination of the applicable discount, requires significant judgement and is based on a combination of quantitative indicators and qualitative factors, including investee performance and recovery prospects.

For financial assets measured at amortised cost, the Group applies the simplified IFRS 9 approach and recognises lifetime ECLs from initial recognition. For FVTPL assets, the general three stage ECL model is applied. ECL estimates incorporate historical experience, forward looking information and asset specific considerations. Due to inherent uncertainty in these assumptions, changes in economic conditions or investee performance could result in material adjustments to the carrying values of financial assets and the income recognised in future periods.

4. Investment income

A breakdown of the Group's revenue, all of which arises in the UK, is as follows:

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Arrangement fees income	2,197	1,999
Arrangement fees income - capitalised	677	-
Interest income – capitalised	12,985	20,626
Interest income – received	14,285	9,528
Dividends – capitalised	1,200	465
Dividends – received	-	1,200
Monitoring fees	734	533
Other income	114	18
Administration fee income	138	172
Total investment income	**32,330**	**34,541**

Income capitalised in the year was £14.9 million (2025: £21.1 million) with £9.1 million (2025: £0.0 million) of cumulative capitalised income, including amounts recognised in prior periods, converting to equity and debt principal following a refinance post CLN conversion.

5. Administrative expenses

	Note	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Employee costs	6	11,216	10,416
Auditor's remuneration – audit of Financial Statements	7	438	395
Other administrative costs		8,296	5,386
Total administrative expenses and auditor remuneration		**19,950**	**16,197**

Notes to the Financial Statements

6. Employee numbers and costs

Aggregate remuneration of employees and Directors was as follows:

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Wages and salaries	8,271	7,553
Social security costs	1,246	1,063
Pension	946	857
Amounts payable under long term incentive schemes	753	943
Total employee costs	**11,216**	**10,416**

More detail on this information is included in the Directors' Remuneration Report on pages 100 to 101. The average number of Directors' and employees during the period was 89 (2025: 81) and the average number of Non-Executive Directors during the period was 9 (2025: 10).

7. Auditor's remuneration

Fees payable to the Group's auditor for the audit of the Group and subsidiaries' financial statements:

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Audit of Group accounts	354	272
Audit of subsidiaries	26	71
KPMG LLP - auditor fee	**380**	**343**
Audit Scotland – audit support costs	58	52
Total auditor remuneration	**438**	**395**

Auditor's remuneration is stated net of VAT and represents the total fee payable by the Group for all statutory audit services. The auditor also completed audit-related assurance relating to a subsidiary for £20,000 plus £4,000 VAT (2025: £20,000 plus £4,000 VAT). Non-audit service fees represent 6% of the Group audit fee and remain well within the cap of 70% of the average audit fee over the previous three years as per the Bank's policies.

8. Tax

a. Tax on profit on continuing activities

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Current tax		
Current tax on income for the period	-	-
Total current tax	**-**	**-**
Deferred tax	-	(2,875)
Total deferred tax	**-**	**(2,875)**
Total tax	**-**	**(2,875)**
Reconciliation of effective tax rate:		
Loss before taxation	(137,502)	(58,428)
Tax using the UK corporation tax rate of 25% (2025: 25%)	(34,376)	(14,607)
Effect of:		
Expenses not deductible	29	27
Income not taxable	(300)	(739)
Prior year adjustment	-	-
Unrealised losses not relievable / taxable	2,234	4,617
Deferred tax asset – not recognised	32,413	7,827
Total tax credit	**-**	**(2,875)**

Notes to the Financial Statements

b. Reconciliation of deferred tax asset

	Accelerated capital allowances	Tax losses	Corporate interest restrictions	Unrealised investment gain	Total
	Group 31 March 2026 £'000	Group 31 March 2026 £'000	Group 31 March 2026 £'000	Group 31 March 2026 £'000	Group 31 March 2026 £'000
At 1 April	23	(1,515)	(7,023)	15	**(8,500)**
Income Statement charge/(credit)	(8)	1,515	(1,492)	(15)	-
Total deferred tax asset	**15**	**-**	**(8,515)**	**-**	**(8,500)**

	Accelerated capital allowances	Tax losses	Corporate interest restrictions	Unrealised investment gain	Total
	Company 31 March 2026 £'000	Company 31 March 2026 £'000	Company 31 March 2026 £'000	Company 31 March 2026 £'000	Company 31 March 2026 £'000
At 1 April	–	(1,477)	(7,023)	–	(8,500)
Income Statement charge/(credit)	15	1,477	(1,492)	–	-
Total deferred tax asset	**15**	**-**	**(8,515)**	**-**	**(8,500)**

	Accelerated capital allowances	Tax losses	Corporate interest restrictions	Unrealised investment gain	Total
	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000
At 1 April	22	(5,647)	-	-	**(5,625)**
Income Statement charge/(credit)	1	4,132	(7,023)	15	**(2,875)**
Total deferred tax asset	**23**	**(1,515)**	**(7,023)**	**15**	**(8,500)**

	Accelerated capital allowances	Tax losses	Corporate interest restrictions	Unrealised investment gain	Total
	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000
At 1 April	–	–	–	–	–
Income Statement charge/(credit)	–	(1,477)	(7,023)	–	**(8,500)**
Total deferred tax asset	**-**	**(1,477)**	**(7,023)**	**-**	**(8,500)**

Deferred tax relates to the Group's Corporate Interest Restriction and accumulated losses. It is calculated at 25% (2025: 25%) of the available losses incurred to date. Management judgement is required to determine the amount of deferred tax assets that can be recognised. This is based upon assumptions as to the future profitability of the companies in the Group and the timing of when such profits arise. It is recognised that the Group is currently loss making, however this is in line with management expectations in the initial years of developing the investment portfolio. It is expected that the tax losses will offset against the profits forecast to be made as a result of further investments made by the Bank, which in turn, will increase the income generated by the portfolio, as demonstrated by the Bank's current Business Plan and projections beyond the business plan period. While it is expected that the Group will continue to be loss making in the short term, it is estimated the deferred tax asset will be recovered over the next five years.

At 31 March 2026 there were £73.4 million (2025: £32.4 million) of losses for which a deferred tax asset is not recognised in the Statement of Financial Position as it is not envisaged these capital losses would be utilised in the medium term. Of this loss, £7.2 million relates to losses covered by the substantial shareholding exemption and hence are permanent differences with £66.2 million assessed as temporary losses. Additionally, there was £130.9 million (2025: £37.6 million) of trading losses for which a deferred tax asset is not recognised in the Group Statement of Financial Position. Of this, £130.9 million relates to the Company. Finally, there was a deductible temporary difference of £0.4 million (2025: £0.4 million) in respect of deferred employee remuneration for which no deferred tax has been recognised. There is no expiry date for the deductible temporary differences and unused tax losses for which no deferred tax asset is recognised.

Notes to the Financial Statements

9. Investments

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Opening fair value	604,547	506,076	604,547	–
Additions / transfer	219,647	178,582	219,647	681,836
Repayments	(4,039)	(3,172)	(4,039)	(2,362)
Net unrealised fair value losses	(84,745)	(76,939)	(84,745)	(74,927)
Net realised losses	(65,096)	-	(65,096)	-
Closing fair value	**670,314**	**604,547**	**670,314**	**604,547**

Interest bearing loans accrue interest which is either settled in cash or capitalised on a regular basis and included as part of the principal loan balance. The capitalisation of accrued interest and dividend is treated as part of investment additions during the year.

The holding period of the Group's investment portfolio is on average greater than one year. For this reason, the portfolio is classified as non-current. Additions in the year included cash investment of £205.5 million (2025: £157.5 million), capitalised dividend of £1.2 million (2025: £0.5m) and £13.0 million (2025: £20.6 million) of capitalised interest with £9.1 million (2025: £0.0 million) converting to equity and debt principal following a refinance post CLN conversion.

The net unrealised loss of £84.7 million (2025: loss of £76.9 million) and the realised loss of £65.1 million (2025: gain of £0.2 million) includes fair value movement adjustments reflecting underlying performance of investee companies resulting from the higher risk nature of some of the Bank's investments. Fair value movements to a lesser extent also relate to market variances over the year, which have resulted in a change to the fair value of debt investments that are valued under the IPEV guidelines. These movements are largely a result of macro-economic factors rather than being a specific reflection on our individual debt investments, though we continue to monitor this closely as part of our quarterly valuation process. Fair value is also impacted by foreign exchange movements for our non-sterling denominated investments.

During the year ended 31 March 2025 the investment portfolio was transferred from a wholly owned subsidiary to the Company. The Company also has investments in wholly-owned subsidiaries which are held at cost of £2 (2025: £2).

10. Property, plant and equipment

	Computer, Equipment & Furniture	Land & Buildings	Total	Computer, Equipment & Furniture	Land & Buildings	Total
	Group 31 March 2026 £'000	Group 31 March 2026 £'000	Group 31 March 2026 £'000	Company 31 March 2026 £'000	Company 31 March 2026 £'000	Company 31 March 2026 £'000
Cost						
At start of year	293	954	1,247	–	–	–
Additions	–	2,393	2,393	43	2,763	2,806
Derecognition	(8)	(36)	(44)	–	–	–
At end of year	**285**	**3,311**	**3,596**	**43**	**2,763**	**2,806**
Depreciation and impairment:						
At start of year	200	349	549	–	–	–
Depreciation charge for the year	40	250	290	–	49	49
At end of year	**240**	**599**	**839**	**-**	**49**	**49**
Net book value:						
At start of year	93	605	698	–	–	–
At end of year	**45**	**2,712**	**2,757**	**43**	**2,714**	**2,757**

During the year a right-of-use (ROU) asset addition was recognised relating to leases for £1,969k (2025: £96k) in the Group and the corresponding lease liability for this is disclosed in Note 15. Other additions of £424k were recognised in the Group. During the year, the assets and leases were transferred from the subsidiary during the restructure, which led to the Company recognising £2,385k of ROU asset additions and other additions of £421k. The corresponding lease liability for the ROU assets is disclosed in Note 15.

Notes to the Financial Statements

10. Property, plant and equipment continued

	Computer, Equipment & Furniture	Land & Buildings	Total	Computer, Equipment & Furniture	Land & Buildings	Total
	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000
Cost						
At start of year	197	1,070	1,267	-	-	-
Additions	96	-	96	-	-	-
Derecognition	-	(116)	(116)	-	-	-
At end of year	**293**	**954**	**1,247**	**-**	**-**	**-**
Depreciation and impairment:						
At start of year	143	80	223	-	-	-
Depreciation charge for the year	57	269	326	-	-	-
At end of year	**200**	**349**	**549**	**-**	**-**	**-**
Net book value:						
At start of year	54	990	1,044	-	-	-
At end of year	**93**	**605**	**698**	**-**	**-**	**-**

11. Trade and other receivables

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Trade receivables	345	403	345	403
Prepayments	470	512	470	-
Other debtors	2,109	11	2,109	-
Total trade and other receivables	**2,924**	**926**	**2,924**	**403**

12. Cash and cash equivalents

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Cash and cash equivalents	24,517	15,450	15,988	7,822
Total cash and cash equivalents	**24,517**	**15,450**	**15,988**	**7,822**

These comprise cash in hand and short-term cash deposits held at call. Cash and cash equivalents are financial instruments and include cash at bank.

13. Trade and other payables: amounts falling due within one year

	Note	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Trade payables		239	568	239	106
Other taxes and social security		382	206	382	36
LTIP accrual		844	911	844	-
Accruals		1,774	879	1,774	-
Deferred revenues		152	174	152	174
Lease liability	15	231	223	231	-
Total current liabilities		**3,622**	**2,961**	**3,622**	**316**

The Directors consider that the carrying amount of trade payables approximates their fair value. There are no trade payables past due and the trade payables and accruals will be settled within the credit period offered by the counterparty. During the year £67k of provisions was recognised in relation to Expected Credit Losses (2025: nil). In addition, £486k of bad debt was recognised in the Consolidated Statement of Comprehensive Income (2025: nil).

14. Trade and other payables: amounts falling due after one year

	Note	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Non-current					
Other taxes and social security		53	60	53	-
LTIP accrual due within one to two years		273	310	273	-
LTIP accrual due within two to three years		76	86	76	-
Lease liability	15	2,205	454	2,205	-
Other liabilities		36	18	36	-
Total non-current liabilities		**2,643**	**928**	**2,643**	**-**

Notes to the Financial Statements

15. Leases

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Right-of-use (ROU) assets				
Net carrying amount at start of year	671	977	–	-
Additions to ROU assets	1,969	96	2,385	-
Derecognition to ROU assets	(31)	(116)	–	-
Depreciation charge for the year	273	286	49	-
Balance at end of year	**2,336**	**671**	**2,336**	**-**
Amounts recognised in Comprehensive income				
Depreciation expense on ROU assets	273	286	49	-
Lease liabilities				
Amounts due for settlement within 12 months (Current liabilities)	231	223	231	-
Amounts due for settlement after 12 months (Non-current liabilities)	2,205	454	2,205	-
Total lease liabilities	**2,436**	**677**	**2,436**	**-**
Maturity analysis				
Not later than one year	348	243	348	-
Later than one year and not later than five years	1,381	490	1,381	-
Later than five years	1,204	-	1,204	-
Total lease liabilities	**2,933**	**733**	**2,933**	**-**

Total finance cost on leases was £41,256 for the year ended 31 March 2026 (2025: £33,158). The average lease term for computers is three years. The life of the property lease asset is lease specific.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases where the underlying asset is of low value. The expenses for these leases for the year ended 31 March 2026 were £nil (2025: £nil).

16. Share capital

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Called up and allotted				
Brought forward	645,853	492,709	645,853	492,709
Ordinary shares of £1 each – issued in the year	150,947	153,144	150,947	153,144
Share capital at 31 March	**796,800**	**645,853**	**796,800**	**645,853**

The Group and Company have one class of ordinary share which carries no right to a fixed income. All shares have equal rights in terms of voting and dividends. All shares have been issued at nominal value and are fully paid.

17. Grant in aid

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Grant in aid received in period	213,950	165,629	213,950	165,629
Investment drawn and converted to shares	(150,947)	(153,144)	(150,947)	(153,144)
Total grant in aid	**63,003**	**12,485**	**63,003**	**12,485**

18. General fund

	Group 31 March 2026 £'000	Group 31 March 2025 £'000	Company 31 March 2026 £'000	Company 31 March 2025 £'000
Balance at 1 April	(19,621)	23,447	(24,897)	24,792
Grant in aid received in period	63,003	12,485	63,003	12,485
Retained earnings	(137,502)	(55,553)	(140,754)	(62,173)
Other	–	–	–	(1)
Balance at 31 March	**(94,120)**	**(19,621)**	**(102,648)**	**(24,897)**

The General fund reflects the grant in aid received by the Group from Scottish Ministers yet to be invested or used for operating expenses in the period.

Notes to the Financial Statements

19. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in Note 2.

The Group's financial instruments comprise investments, trade receivables and trade payables arising from its operations.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The accounting policy note describes how the classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the Consolidated Statement of Financial Position in accordance with the categories of financial instruments in IFRS 9.

At 31 March 2026 Carrying value	Financial assets and liabilities at fair value through profit and loss £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Assets			
Investments	670,314	-	670,314
Other debtors	-	345	345
Cash and cash equivalents	-	24,517	24,517
Total assets	**670,314**	**24,862**	**695,176**
Liabilities			
Trade and other payables excl. LTIP	-	(5,072)	(5,072)
Total liabilities	**-**	**(5,072)**	**(5,072)**
Net assets	**670,314**	**19,790**	**690,104**

At 31 March 2025 Carrying value	Financial assets and liabilities at fair value through profit and loss £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Assets			
Investments	604,547	-	604,547
Other debtors	-	414	414
Cash and cash equivalents	-	15,450	15,450
Total assets	**604,547**	**15,864**	**620,411**
Liabilities			
Trade and other payables excl. LTIP	-	(2,582)	(2,582)
Total liabilities	**-**	**(2,582)**	**(2,582)**
Net assets	**604,547**	**13,282**	**617,829**

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

The Group classifies financial instruments measured at fair value according to the following hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2026 and 31 March 2025:

31 March 2026	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Investments	-	-	670,314	670,314
Total	**-**	**-**	**670,314**	**670,314**

31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Investments	-	-	604,547	604,547
Total	**-**	**-**	**604,547**	**604,547**

The Group's investment portfolio consists of assets carried at fair value. The Group's financial assets are all classified as Level 3 assets. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Group has used valuation techniques in accordance with the IPEV guidelines with reference to the most appropriate information available at the time of measurement to derive the fair value. Level 3 valuations are reviewed on a quarterly basis by the Investment Oversight and Valuations Committee which reports to the Board of Directors. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using valuation methods and techniques generally recognised as standard within the industry. During the period ended 31 March 2026 the fair value of investments held at FVTPL decreased by £84.7 million (2025: £76.9 million). Details of these can be found in the Financial Performance section of the Strategic Report on pages 26 to 36 – this movement is reflected in the Consolidated Statement of Comprehensive Income.

Notes to the Financial Statements

20. Financial risk management

Details of the Group's risk management structure, Group's objectives and policies and processes for managing and monitoring risk are set out in the Risk Management section of the Strategic Report on pages 38 to 47.

The Group has exposure to a variety of financial risks through the conduct of its operations. This note presents information about the nature and extent of risks arising from the financial instruments.

The Group's financial instruments comprise of investments in Scottish businesses and projects in the form of loans and/or equity, fund investments, receivables, payables arising and cash resources which arise directly from its operations and from Scottish Government to support the Group's objectives and missions.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Credit risk

Credit risk is the risk of a loss due to the failure of a counterparty to financial instrument to meet its contractual obligations to pay the Group in accordance with agreed terms, or due to the risk of loss due to inappropriate investment decisions. Credit risk also includes settlement risk when a counterparty fails to settle their side of a transaction and concentration risk. The Group's credit risk is also influenced by general macroeconomic conditions.

Credit risk may arise in any of the Group's assets where there is the potential for default including the Group's investments, bank deposits and loans and receivables.

The credit quality of unquoted investments, which are held at fair value and include debt elements, is based on the financial performance of the individual portfolio companies, funds and projects. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Group's portfolio management process. The Group will invest in a variety of sectors thereby reducing the concentration of credit risk but accepts a level of credit risk due its higher concentration of projects and businesses in Scotland and that the impact of concentration risk will be inherently higher in the early years of the Bank while the portfolio grows.

Bank deposits are held by the Government Banking Service with an AA credit rating therefore are subject to minimal credit risk.

As at the reporting date, there are no overdue or impaired receivables.

The Group is cognisant that recent global events will continue to impact the economy and is mindful of the implications of these events. This is reflected in the assessment of new investments, and the Group continues to closely monitor its portfolio.

The carrying amount of financial assets in the Consolidated Statement of Financial Position represents the maximum credit exposure. The maximum exposure to credit risk as at 31 March 2026 is:

	Maximum exposure	Maximum exposure
	31 March 2026 £'000	**31 March 2025 £'000**
Debt investments	465,104	382,218
Other debtors	345	414
Cash and cash equivalents	24,517	15,450
Total	**489,966**	**398,082**

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources in the short term to meet its obligations as they fall due, or its strategy is constrained by inadequate or inappropriate funding sources.

The Group manages its liquidity risk as part of its cash and operational risk management processes and ensures that sufficient funds in liquid form are maintained at all times to meet liabilities as they fall due. The Group operates within a budget agreed with the Scottish Government and as part of the Government Banking Service, as a result liquidity risk is not deemed significant to the Group.

Liquidity risk exposure of the Group as at 31 March 2026:

31 March 2026	Within 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Trade and other payables	(239)	-	-
Other liabilities excl. LTIP	(2,539)	(1,203)	(1,093)
Total	**(2,778)**	**(1,203)**	**(1,093)**

31 March 2025	Within 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Trade and other payables	(568)	-	-
Other liabilities excl. LTIP	(1,482)	(532)	-
Total	**(2,050)**	**(532)**	**-**

Market risk

Market risk is the risk of a loss of earnings or economic value due to adverse changes in financial market prices, such as interest rates, foreign exchange rates or market price movements.

Notes to the Financial Statements

Interest rate risk

The Group's investments comprise fixed and variable interest rate loans. The Group has no borrowings subject to interest, holds cash balances to meet payments as they fall due and does not hold significant amounts of cash on deposit for significant periods of time. The Group's exposure to net interest rate risk is not significant for the period FY25/26 and the Group does not use derivatives to hedge interest rate risk.

The impact of a 100-basis point increase / (decrease) in effective interest rate applicable to loan investments would be an approximate increase / (decrease) in interest income for the period of £0.7 million (2025: £0.5 million).

The above impact has been calculated by applying a 100-basis point sensitivity to the effective interest rate applicable to each interest income deriving investment instrument. Investments based on a floating rate of interest only have been factored into the sensitivity calculation and note that the relationship between the basis points and interest income is linear. We assume that a fixed rate investment would not be impacted by a change in interest rate.

Interest rate sensitivity can also affect valuation of the Bank's debt instruments through the fair value calculation. Interest rate risk is monitored to ensure that the sensitivity of the Group's returns to market interest rate movements are understood and managed within risk appetite. As at 31 March 2026, £381.4 million (2025: £323.4 million) of the Group's financial assets are subject to fixed rate and £83.7 million (2025: £58.8 million) are subject to variable rate interest arrangements.

Foreign exchange risk

The Group primarily invests in its functional currency, pound sterling, but does hold an international investment denominated in Euros and US Dollars. A condition of investment is that they invest into Scotland at a level larger than our financial investment. Approximately 4.5% (2025: 3.9%) of the Group's portfolio is in non-pounds sterling denominated investments. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2026 was £(0.5) million (2025: £(0.5) million). There is no policy to hedge this currency risk. A movement of +/- 5% in GBP-USD and GBP-EUR exchange rates would result in a movement of £(1.4) million / £1.6 million in fair value (2025: £(1.3) million / £1.3 million).

Valuation risk

The Group values its portfolio according to the Group's valuation policy. The Group's valuation policy has been developed in accordance with the IPEV guidelines (December 2025). Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. Valuation risks are partly mitigated by portfolio and individual investment reviews of the Group's investments quarterly.

As part of this process, valuations are reviewed by the Investment Oversight and Valuations Committee. For more details on the valuation methodology refer to Note 2.

The fair value of unquoted investments is influenced by the estimates, assumptions and judgements made in the fair value process (disclosed in Note 2) – including interest rate risk. A sensitivity analysis is provided below which recognises their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed as stated below.

Key unobservable inputs of unquoted investments

Estimated sustainable financial or trading performance

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last 12 months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact future earnings, then forward estimated revenue or earnings may be used instead. Where financial performance is not considered an appropriate basis then alternative industry standard metrics may be used.

Discounted cash flow

Future cash flows are discounted using reasonable assumptions, the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the investment or market sector.

Convertible loan notes

Convertible loan notes are categorised as hybrid instruments as the equity conversion feature represents an embedded derivative. Valuation models consider probability weighted cash flows including a default scenario, the conversion option (which has yet to be exercised) and the potential future equity value.

Net asset value

Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS and IPEV.

Selection of comparable companies

Management determines comparable companies individually for each investment to derive a comparator set of multiples at the point of investment, and the relevance of the comparable companies is evaluated quarterly. The key criteria used in selecting appropriate comparable companies are the industry size, the sector in which they operate, the geography of a company's operations, its development stage, the respective revenue and earnings growth rates, strategy and operating margins.

The multiple is calculated by dividing the enterprise value of the comparable company by either its earnings before interest, taxes, depreciation and amortisation (EBITDA), revenue or book value. The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Notes to the Financial Statements

Milestone analysis

Early-stage or pre-revenue investments may require additional judgement in determining fair value. Such investees may be valued using a milestone approach, comparing current financial and non-financial performance against plan, to determine whether fair value has increased, decreased or stayed the same.

The following table summarises the various valuation methodologies used by the Group to fair value Level 3 instruments, the inputs and the sensitivities (Variable input sensitivity) applied and the impact of those sensitivities to the unobservable inputs. A case-by-case review of our portfolio companies informs the overall discussion on fair value and these risks are captured in the sensitivity analysis. All numbers in the table below are on an investment basis.

As at 31 March 2026	Fair value of unquoted investments	Variable input sensitivity	Impact		
Valuation basis	£'000		£'000	£'000	% of net assets
Combined Debt and Equity (multiple basis)	26,401	+/- 10%	1,384	(1,355)	5%
Combined Debt and Equity (milestones basis)	75,331	+/- 10%	4,213	(4,213)	6%
Combined Debt and Equity (discounted cash flows basis)	74,833	+/- 10%	4,630	(4,754)	6%
Direct Equity (multiple basis)	6,146	+/- 10%	803	(812)	13%
Direct Equity (milestone basis)	91,739	+/- 10%	4,088	(2,608)	4%
Direct Equity (discounted cash flows basis)	7,812	+/- 1%	(69)	71	-1%
Debt Investments (discounted cash flows)	199,408	+/- 1%	(9,015)	9,622	-5%
Direct Debt (other)	2,916	+/- 10%	292	(292)	10%
Funds – Net Asset Value	185,728	+/- 5%	9,286	(9,286)	5%
Total unquoted investments	**670,314**				

As at 31 March 2025	Fair value of unquoted investments	Variable input sensitivity	Impact		
Valuation basis	£'000		£'000	£'000	% of net assets
Combined Debt and Equity (multiple basis)	82,451	+/- 10%	1,245	(1,271)	2%
Combined Debt and Equity (milestones basis)	100,496	+/- 10%	1,191	(1,255)	1%
Direct Equity (multiple basis)	19,287	+/- 10%	888	(888)	5%
Direct Equity (milestone basis)	73,730	+/- 10%	4,523	(2,451)	5%
Debt Investments – Discounted cash flow	212,612	+/- 1%	(7,521)	7,948	4%
Funds – Net Asset Value	115,971	+/- 10%	11,597	(11,597)	10%
Total unquoted investments	**604,547**				

Additional notes

A non-specific additional probability of default of 10% applied across the debt instruments would result in a fair value write down of £19.9 million (2025: £21.2 million) or 10% of the debt portfolio.

£282 million of investments, as at the reporting date, were valued using a discounted cash flow model, with discount rates used in the respective models ranging between 7% to 20%. £32.5 million of the investments were valued on a revenue multiples basis, where the key unobservable inputs in these models are the comparable company multiples. These multiples range from 1 to 5.

The sensitivities presented above do not capture all valuation inputs for each individual investment. The portfolio is largely comprised of early stage investees, where valuations are inherently subject to significant estimation uncertainty and a broad range of reasonably possible alternative assumptions. To provide meaningful disclosure, investments have been grouped into categories based on investment type and valuation approach, and sensitivities have been assessed on this basis. Given the diversification across a large number of investments and valuation inputs, individual investment variances within these groupings are unlikely to have a material impact on the overall fair value. Similarly, applying a range of reasonable possible alternative assumptions is unlikely to result in a material change to the fair value of the portfolio as a whole. On this basis, no additional portfolio level sensitivity disclosure is considered necessary under IFRS 13 paragraph 93(h)(ii). In addition, note that where investments are valued at nil there may be prospects of business recovery in the longer term, or value realised in an administration event, which cannot currently be reflected in fair value.

Capital management

The capital structure of the Group consists of cash and cash equivalents and equity directly attributable to equity holders of the parent, comprising issued capital and general fund balances as disclosed in the Statement of Changes in Taxpayers' Equity.

The Group considers its capital to be the total equity shown in the Statement of Changes in Taxpayers' Equity. The Group's objectives when managing capital are:

- To comply with the capital requirements set by Scottish Government regarding investing in eligible countries and sectors.
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders.
- To maintain a strong capital base to support the development of the Group's missions and operations. The Board regularly monitors the results of the Group and its financial position.

21. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £254.3 million (2025: £96.1 million) for investment commitments.

Notes to the Financial Statements

22. Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 25 of IAS 24 'Related party disclosures' and has not disclosed transactions with its wholly owned subsidiaries. Transactions between the Company and its subsidiaries have been eliminated on consolidation. Certain investee companies with a shareholding of greater than 20% are classified as related parties, however all transactions relating to the investment into these entities are disclosed in the accounts under investment income and activity.

The Group's key management personnel comprise the members of the Board including the Chief Executive Officer and Chief Financial Officer. Key management personnel are remunerated on the basis outlined in the Annual Report of Remuneration on pages 100 to 101.

23. Subsidiaries and other significant undertakings

The Group has the following significant holdings in undertakings other than subsidiaries, where the ownership percentage or partnership interest exceeds 20% but is below 50%. These are held at fair value through profit or loss in the Statement of Financial Position.

Significant undertaking	Country of Incorporation	Nature of Holding	Share Class	Percentage held
Highland Broadband Networks HoldCo Limited	United Kingdom	Equity Investment	Ordinary Shares	41.8%
ForEV Limited	United Kingdom	Equity Investment	A Ordinary Shares	41.0%
Forrit Technology Limited	United Kingdom	Equity Investment	Preferred Ordinary Shares	28.6%
Cyacomb Limited	United Kingdom	Equity Investment	Preferred Ordinary Shares	27.6%
Cumulus Oncology Limited	United Kingdom	Equity Investment	Preferred Ordinary Shares	27.3%
Industrial Nature Ltd	United Kingdom	Equity Investment	C Ordinary Shares	26.1%
PneumoWave Limited	United Kingdom	Equity Investment	Preferred Ordinary Shares	21.2%
EnteroBiotix Limited	United Kingdom	Equity Investment	Preferred Ordinary Shares	20.8%
Quantum Leap Technologies (Holdings) Limited	United Kingdom	Equity Investment	Preferred Ordinary Shares	20.1%
PFPC MMR 1 LP	United Kingdom	Equity Fund Investment	Limited Partner	34.3%
Corran Environmental LP	United Kingdom	Equity Fund Investment	B Shares	26.0%
Social and Sustainable Housing II LP	United Kingdom	Equity Fund Investment	Limited Partner	24.1%

24. Related undertakings

The principal subsidiary undertakings of the Group are shown below.

Company and registered address	Class of share	Percent held by Scottish National Investment Bank plc	Principal activity
Scottish Investments Limited Waverley Gate, 2-4 Waterloo Place, Edinburgh, United Kingdom, EH1 3EG	Ordinary	100%	Non-trading subsidiary
Scottish Investments Services Limited Waverley Gate, 2-4 Waterloo Place, Edinburgh, United Kingdom, EH1 3EG	Ordinary	100%	Group operational and administration services

The Group had no acquisitions in the year (2025: nil).

25. Defined contribution plan

The Company contributes to an externally administered defined contribution (DC) pension plan for all eligible employees. The Bank pays fixed contributions and will have no legal or constructive obligation to pay further amounts. The total expense in the current period was £945,921 (2025: £856,691).

26. Ultimate parent company

The ultimate parent and controlling party and the smallest and largest group in which the results of Scottish National Investment Bank plc are included is headed by Scottish Ministers. The consolidated Financial Statements of Scottish Ministers may be obtained from their registered address: Scottish Government, St. Andrew's House, Regent Road, Edinburgh EH1 3DG. No other Group Financial Statements include the results of the Company or Group.

27. Subsequent events

There have been no material adjusting or non-adjusting events since the reporting date that would require adjustment to these financial statements.

Scottish National Investment Bank

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.

2. The statement of accounts for the financial period ended 31 March 2021, and for subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared, and with the Companies Act 2006.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period.

4. This direction shall be reproduced as an appendix to the statement of accounts.

On behalf of the Scottish Ministers 31 March 2021

The
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Bank

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Scottish National Investment Bank plc is wholly owned by Scottish Ministers
Registered in Scotland with Company number SC677431

SNIB145.0726