



AIB Mortgage Bank Unlimited Company

Annual Financial Report
for the financial year ended 31 December 2025

Contents

Directors and other information	2
Directors' report	3
Corporate governance statement	6
Risk management report	8
Statement of Directors' responsibilities	10
Independent auditors' report	11
Income statement	19
Statement of comprehensive income	19
Statement of financial position	20
Statement of changes in shareholders' equity	21
Notes to the financial statements	22

Directors and other information

Directors at date of signing	Eamonn Quinn	Independent Non-Executive Director and Chair
	Padraig Brosnan	Non-Executive Director
	Gerry Gaffney	Executive Director
	Kevin Gahan	Managing Director
	Yvonne Hill	Independent Non-Executive Director
	Andy Maguire	Non-Executive Director
	Paul Owens	Independent Non-Executive Director

Company secretary Diane Lumsden

Registered office 10 Molesworth Street
Dublin 2
Ireland

Registered number 404926

Registered auditor PricewaterhouseCoopers
Chartered Accountants
One Spencer Dock
North Wall Quay
Dublin 1

Banker Allied Irish Banks, p.l.c.
10 Molesworth Street
Dublin 2
Ireland

Cover-asset monitor Forvis Mazars
Harcourt Centre
Block 3
Harcourt Road
Dublin 2
Ireland

Directors' report

The Directors of AIB Mortgage Bank Unlimited Company (the Bank) present their report and the audited financial statements for the financial year ended 31 December 2025. The Statement of Directors' responsibilities is on page 10.

Principal activities

The Bank's principal activities include the issuance of securities in accordance with the Asset Covered Securities Acts, 2001 and 2007 (as amended, the ACS Acts) and the provision of Irish residential mortgages. The Bank, a public unlimited company, obtained an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the Asset Covered Securities Act, 2001 on 8 February 2006.

The Bank is a wholly owned subsidiary of Allied Irish Banks, p.l.c. (AIB). The ultimate parent company of the Bank and AIB is AIB Group plc (AIB Group).

The Bank's debt securities are listed on the main securities market of Euronext Dublin. In accordance with the ACS Acts, the Cover-Assets Monitor, Forvis Mazars, monitors compliance with the ACS Acts and reports independently to the Central Bank of Ireland (the Central Bank).

All of the Bank's activities are outsourced to AIB under an Outsourcing and Agency Agreement. AIB, as Service Agent for the Bank, originates residential mortgage loans through its retail branch network and other distribution channels in Ireland, services the mortgage loans, and provides treasury services in connection with financing as well as a range of other support services, including but not limited to Finance, Operations, IT, Risk and Compliance.

Results for the financial year

The profit before taxation (PBT) for 2025 amounted to €25m (2024: €24m), as set out in the income statement on page 19.

The pricing agreements between AIB and the Bank reflect the OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and which take account of the functions, risks and assets involved. For 2025, this required a payment by AIB to the Bank of €62m (2024: €264m).

Net interest income increased to €181m for 2025 from €111m in 2024 as lower customer rates were more than offset by higher loan balances and reduction in funding costs, due to lower market rates.

Total other expense of €18m in 2025 compares to total other income of €47m in 2024, a reduction of €65m. There is a reduction in net trading expense of €136m in 2025 to €84m (2024: €220m), that represents the movement in the fair value of derivatives which economically hedge interest rate risk on loans and advances to customers and which are not designated in a hedging relationship under IAS 39. This reduction in net trading expense is offset by a lower amount receivable from AIB of €62m (2024: €264m) as determined by the transfer pricing agreement between the Bank and AIB.

Operating expenses decreased to €155m in 2025, from €157m in 2024, a decrease of €2m, driven by a decrease in amounts payable to AIB (2025: €153m; 2024: €158m), offset by a higher expense on provisions for liabilities and commitments reflected in Other administrative expenses/ (writeback) (2025: expense €2m; 2024: writeback €1m).

Net credit impairment writeback in 2025 was €17m (2024: €23m), a reduction of €6m. The net credit impairment writeback for 2025 reflected a net remeasurement of expected credit loss (ECL) allowance writeback of €14m (2024: €20m) and recoveries of amounts previously written-off of €3m (2024: €3m).

Business review

Mortgage market drawdowns amounted to €14.5bn in 2025 (2024: €12.6bn), the increase is largely driven by increased supply and house price inflation.

House price inflation moderated slightly in 2025. The latest CSO data shows prices were up by 7% year-on-year in December 2025, compared to 8.9% at end-2024. In terms of supply, housing completions totalled 36,300 in 2025, compared to 30,200 in 2024, and 32,500 in 2023. Meanwhile, official government data shows housing commencements slowed to 16,400 in 2025, following a surge in 2024 of c. 69,000 which reflected the expiration of Government policy incentives in that year. However, the main factor influencing house prices remained the mismatch between supply and demand. Despite increases in housing supply during the year, the number of new units built per annum to meet pent-up demand needs to be higher.

Policy changes by the Government to boost construction, including the National Development Plan and Infrastructure Taskforce, were also announced throughout 2025. In this regard, the latest forecast from the Central Bank of Ireland indicates that housing completions could amount to 37,000 in 2026 and 40,500 in 2027. At the same time, household savings were maintained at a very high level in 2025. This manifested itself in a further rise in levels of Irish household deposits. These stood at €170bn in December, up from €159bn in December 2024. Real income growth and high levels of savings contributed to the robust rise in residential property prices in 2025.

The impact of the above factors on the Bank's financial performance, contributed to an increase in the Bank's loans and advances to customers before loss allowance of €607m (+3%) to €19,320m as new business exceeded redemptions and disposals during the year (2024: increase of 3%).

Directors' report

Asset quality

Non-performing loans at 31 December 2025 were €—m (2024: €217m). Non-performing loans as a percentage of gross loans and advances to customers was —% at 31 December 2025 compared to 1.2% at 31 December 2024 as new business exceeded repayments. In addition the Bank disposed of a non-performing exposure (NPE) portfolio with a carrying value of €37m. See note 8 for further details.

ECL allowance at 31 December 2025 was €57m (2024: €92m). The reduction in ECL balance in 2025 is driven mainly by utilisation as part of loan disposals and remeasurement of ECL.

Funding activities

At 31 December 2025, the carrying value of mortgage covered securities issued was €12,075m (2024: €10,609m), of which €26m was held by external debt investors (2024: €27m) and €12,049m by AIB (2024: €10,582m).

In 2025, the Bank issued €3,000m (2024: €2,250m) of covered bonds to AIB plc with a weighted average tenor of 6.88 years (2024: 6.17 years). In 2025, covered bonds with a nominal value of €1,500m held by AIB were redeemed (2024: €1,500m held by AIB).

During 2025, covered bonds spreads performed positively, tightening over the course of the year, and benchmark issuance exceeded €150bn, in line with 2024 volumes. In 2026, market issuance is expected to increase versus 2025 due to higher redemptions and increased mortgage lending.

The ratings as at 31 December 2025 for the Bank's Covered Bond Programme are Aaa from Moody's and AAA from Standard & Poor's with no change since 31 December 2024.

In addition to covered bonds the Bank is funded by borrowings from its parent, AIB. The balance at 31 December 2025 was €5,670m (2024: €6,560m), a decrease of €890m. The decrease is primarily driven by the €3,000m new issues, offset by redemption of bonds in issue of €1,500m and an increase in total assets of €592m.

Capital resources and regulatory capital ratios

The objectives of the Bank's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Bank has sufficient capital to cover the current and future risk inherent in its business and to support its future development. Detail on the management of capital and capital adequacy risk can be found in note 26.

The Bank's capital requirement at 31 December 2025 is a minimum own funds requirement of 12%, comprised of a Pillar 1 requirement of 8%, Capital Conservation Buffer (CCB) of 2.5% and a Countercyclical Capital Buffer (CCyB) for Irish exposures of 1.5%.

At 31 December 2025, the fully loaded CET1 ratio was 20.0% (2024: 19.4%). The fully loaded total capital ratio was 24.4% (2024: 23.8%).

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

At 31 December 2025, the Bank has an MREL ratio of 24.4% (2024: 23.8%) of Total Risk Exposure Amount (TREA).

The Single Resolution Board (SRB) has set the minimum MREL requirement on both a TREA and Leverage Ratio Exposure measure (LRE) basis under the Bank Recovery and Resolution Directive (BRRD II) legislative framework. The binding requirement at 31 December 2025 is 19.7% of TREA including the combined buffer requirement.

Leverage ratio

The leverage ratio at 31 December 2025, was 6.8% (2024: 7.0%) on a fully loaded basis. The regulatory requirement at 31 December 2025 is 3% (2024: 3%).

Risk management

The Bank adopts the same risk management framework and risk mitigation initiatives as AIB Group. The risk management framework provides an AIB Group-wide definition of risk and lays down principles of how risk is to be identified, assessed, measured, monitored and controlled/mitigated, and the associated allocation of capital against same. Further information in relation to risk management, including the principal risks and uncertainties facing the Bank, is set out in the Risk management report on page 8.

Outlook for 2026

Irish economic growth is expected to continue at a robust pace, albeit with risks tilted to the downside amid elevated levels of uncertainty, most notably owing to current geopolitical tensions and the potential for further volatility in US trade and economic policy. The Bank's forecasts to 2028 show that the Bank will continue to grow its loan book and to generate profits over the period.

Sustainability and climate change

As a subsidiary of AIB Group, the Bank continues to integrate climate risk into its overall risk management approach and broader sustainability strategy. In support of AIB's sustainability strategy the Bank has a number of green mortgage product offerings, available to new and existing owner-occupier customers whose property has a Building Energy Rating (BER) between A1-B3 inclusively. New lending in respect of properties with a BER of A1 to B3 accounted for 64% of the Bank's new lending in 2025 (2024: 49%). Further information is available in the Sustainability Reporting section of the AIB Group plc Annual Financial Report 2025

Going concern

The Directors are satisfied that it continues to be appropriate to prepare the financial statements of the Bank on a going concern basis, having concluded there are no material uncertainties related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern over the period of assessment. The considerations assessed by the Directors are set out in the Going concern section of note 1.2.

Directors' report

Directors

At 31 December 2025, the Board of Directors of the Bank comprised of Eamonn Quinn, Pdraig Brosnan, Gerry Gaffney, Kevin Gahan, Yvonne Hill, Andy Maguire and Paul Owens.

The following Board changes occurred during the year:

- Carol Meehan resigned from the Board on 8 September 2025

Unless otherwise stated above, the Directors and Company Secretary, as set out on page 2, served for the entire financial year.

Directors' and Secretary's interests in shares

The Directors and Company Secretary did not hold any interests in the Bank's shares or debentures at the beginning of the year, during the year or at the year end, pursuant to Section 267 and 329 of the Companies Act 2014.

Shares held by the Directors and Company Secretary in the ultimate parent company, AIB Group plc, were below 1% of the issued share capital and not disclosable pursuant to Section 260 of the Companies Act 2014.

There were no changes in the Directors' and Secretary's interests between 31 December 2025 and 2 March 2026.

Dividends

No dividends were paid during 2025 (2024: nil).

Political donations

The Directors have satisfied themselves that there were no political contributions during the year that require disclosure under the Electoral Act 1997.

On behalf of the Board,



Eamonn Quinn

Chair

Corporate Governance

The Directors' Corporate governance statement on pages 6 to 7 forms part of this report.

Accounting records

The Directors have complied with the Bank's obligation to keep adequate accounting records by ensuring that AIB allocates adequate resources with appropriate expertise to the Finance function under the Outsourcing and Agency Agreement, for the provision of accounting and other financial services to the Bank. The accounting records of the Bank are maintained at 10 Molesworth Street, Dublin 2, Ireland.

Events after the reporting period

There have been no significant events affecting the Bank since the reporting date which require amendment to or disclosure in the financial statements.

Statement of relevant audit information

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

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

Independent auditor

The auditor, PricewaterhouseCoopers (PwC) have indicated a willingness to continue in office under Section 383(2) of the Companies Act 2014, their continued appointment is subject to approval by the shareholder.



Kevin Gahan

Managing Director

2 March 2026

Corporate governance statement

Corporate governance

The Bank's corporate governance practices are designed to ensure compliance with applicable legal and regulatory requirements including Irish company law, the 2015 Requirements (as defined below) and the Listing Rules applicable to debt listings of the Main Securities Market of Euronext Dublin.

The Bank is a credit institution and is subject to the provisions of the 2015 Requirements (as defined below), including compliance with requirements specifically relating to 'high impact institutions'. Acknowledging the Bank's position as part of the wider AIB Group, derogations have been granted to the Bank by the Central Bank of Ireland in respect of specified provisions of its Corporate Governance Requirements for Credit Institutions 2015 (the 2015 Requirements). The Bank was materially compliant with the provisions of the 2015 Requirements throughout 2025.

Governance structure

The Bank has robust governance arrangements, which include (i) a clear organisational structure with well defined, transparent, and consistent lines of responsibility, (ii) effective processes to identify, manage, monitor and report the risks to which it is or might be exposed to, and (iii) adequate internal controls, including sound administrative and accounting procedures, IT systems and controls. The governance and organisational structure is sufficient to ensure that no one individual has unfettered powers of decision or exercises excessive influence. Key roles and responsibilities are clearly defined, documented and communicated.

The Board of Directors

The Board is responsible for corporate governance encompassing leadership, direction and control of the Bank and is responsible for financial performance to its shareholder and ultimate parent, AIB Group plc.

The Board ensures a clear division of responsibilities between the Chair, who is responsible for the overall leadership of the Board and for ensuring its effectiveness, and the Managing Director, who manages and leads the Bank. The Chair leads the Board, setting its agenda, ensuring the Directors receive adequate and timely information, facilitating the effective contribution of Non-Executive Directors, ensuring the ongoing training and development of all Directors, and reviewing performance of individual Directors. The Chair ensures meetings are structured to facilitate open discussion, constructive challenge and debate.

Independent Non-Executive Directors provide a key layer of oversight and they bring an independent viewpoint to the deliberations of the Board that is objective and independent of the activities of management and of the Bank. They constructively challenge proposals on strategy and other key matters.

Board committees

The Board is supported in discharging its duties by its Audit Committee and AIB Group's Board Risk, Remuneration and Nomination and Corporate Governance Committees.

While arrangements have been made by the Directors for the delegation of the management, organisation and administration of the Bank's affairs, certain matters are reserved specifically for decision of the Board. The effectiveness of the Board and its Audit Committee is reviewed annually.

Frequency of meetings

The Board met on ten occasions during 2025. The Board receives a comprehensive executive management report at each of its scheduled quarterly meetings. The remainder of the agenda is built from the Board's indicative annual work programme, and includes strategic items for consideration, any activities out of the ordinary course of business, requested in depth reviews and scheduled updates on key projects.

Internal control and financial reporting process

The Board is responsible for ensuring that appropriate systems of internal controls and risk management are maintained. The Board sets the Risk Appetite Statement (RAS) and approves the Bank's strategy and financial plans.

The Bank benefits as a subsidiary of AIB from the wider AIB governance and operating structure, such as oversight of audit and risk related activities. AIB provides services to the Bank through an Outsourcing and Agency Agreement, updates in respect of the performance against agreed service levels are provided to the Board regularly.

The Board, supported by its Audit Committee, rely on AIB's system of internal control which is designed to manage the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board, through established processes regarding internal control and risk management systems ensures effective oversight of the financial reporting process. The Bank's control system around the financial reporting process includes:

- a clearly defined organisation structure and authority levels with reporting mechanisms to the Board;
- a comprehensive set of policies and procedures, in line with AIB, relating to the controls around financial reporting and the process of preparing the financial statements; and
- ensuring the integrity of the financial statements and the accounting policies therein.

The Board receives regular updates on the Bank's risk profile in addition to updates from the Audit Committee on the Bank's internal control system.

Corporate governance statement

Audit Committee

The Board is assisted in the discharge of its duties by its Audit Committee, which operates under its Terms of Reference as set by the Board and is annually reviewed and approved by the Board. The Audit Committee complies with the 2015 Requirements and section 1551 of the Companies Act 2014.

The Audit Committee is chaired by Yvonne Hill and the other members of the Audit Committee are Paul Owens, independent Non-Executive Director, and Pdraig Brosnan, Non-Executive Director. They each possess the requisite degree of independence so as to be able to contribute effectively to the Audit Committee's functions. The Chair ensures meetings are structured to facilitate open discussion, constructive challenge and debate. The Audit Committee also completes an annual effectiveness evaluation as part of the overall Board effectiveness review.

During 2025, the Audit Committee met on seven occasions and, amongst other activities, it reviewed the Bank's annual financial statements, and related accounting policies and judgemental matters; the effectiveness of internal controls; and the findings, conclusions and recommendations of the Auditor and Internal Auditor. The Audit Committee satisfied itself through regular reports from the Internal Auditor and the Auditor that the system of internal controls was effective.

The Audit Committee ensures that appropriate measures are taken into consideration and addresses control issues identified by Internal Audit and the Auditor.

Access to advice

The Directors have access to the advice and services of the Company Secretary, who advises the Board on governance matters ensuring that Board procedures are followed and that the Bank is in compliance with applicable rules and regulations.

Code of Conduct and Conflicts of Interest

The Board approved Code of Conduct and Conflicts of Interest Policy for Directors sets out how actual, potential or perceived conflicts of interest are to be evaluated, reported and managed to ensure that the Directors act at all times in the best interests of the Bank. Executive Directors are also subject to AIB Group's Code of Conduct and Conflicts of Interest Policy for employees.

Attendance at Board and Audit Committee meetings during 2025

Directors' attendance at Board meetings during 2025		
	Eligible to attend	Attended
Eamonn Quinn	10	10
Pdraig Brosnan	10	10
Gerry Gaffney	10	10
Kevin Gahan	10	10
Yvonne Hill	10	10
Andy Maguire	10	8
Carol Meehan	6	5
Paul Owens	10	9

Members' attendance at Audit Committee meetings during 2025		
	Eligible to attend	Attended
Yvonne Hill	7	7
Pdraig Brosnan	7	7
Paul Owens	7	6

Risk management report

Introduction

All the Bank's activities involve evaluating and managing risk, consistent with AIB Group's enterprise-wide risk assessment. The Bank's risks are mitigated through safeguards, systems, and actions defined in AIB Group's Risk Management Frameworks and Policies. The management and reporting of the Bank's risks are outsourced to AIB under an Outsourcing and Agency Agreement.

Individual risk types

This section and note 26 to the financial statements provide details of the exposure to, and risk management of, the individual risk types. The Bank faces eleven Principal Risks split between financial risks and non-financial risks which are key areas of management focus:

Financial risks

1. Credit risk (see section 26.1 of note 26);
2. Market risk (see section 26.2 of note 26);
3. Liquidity and funding risk (see section 26.3 of note 26); and
4. Capital adequacy risk (see section 26.4 of note 26).

Non-financial risks

1. Information security (including cyber) risk;
2. Business model risk
3. Operational and resilience risk;
4. Climate and environmental risk;
5. Model and AI risk;
6. Culture risk and conduct risk; and
7. Regulatory compliance risk.

1. Information security (including cyber) risk

Information security (including cyber) risk is the risk of harm being caused to the Bank or its customers as a result of a loss of the confidentiality, integrity and availability of information in all its forms.

Identification and assessment

From 1 January 2025, information security (including cyber) risk was deemed a principal risk for the Bank as an outcome of the Material Risk Assessment (MRA) process. The Risk and Control Assessment (RCA) process ensures risks are identified, monitored, reported and appropriately mitigated.

Management and measurement

AIB Group's Information Security (including Cyber) Risk Framework outlines the governance and management of the risk and sub-risks, assigning clear accountability for governance and oversight to the Board, ensuring compliance with applicable regulation, and aligning to recognised industry standards.

Monitoring, escalating and reporting

The risk is measured using Board-approved risk appetite metrics, with key indicators monitored monthly and reported quarterly to the Board. Information security (including cyber) risk is routinely monitored through AIB Group's risk governance committees ensuring the Board receives timely updates of the risk profile.

2. Business model risk

Business model risk is the risk that the robustness of the entire business model or key components will prove to be vulnerable to internal or external factors which impact its viability. This also covers the inherent risks in ensuring the implementation of strategy is appropriately aligned to the Bank's capabilities.

Identification and assessment

Business model risk is identified annually through the Bank's MRA process and assessed during integrated financial planning, which includes strategic, business, and financial planning. Each year, the Bank develops a three-year plan based on macroeconomic and market forecasts. The plan includes an evaluation of planned performance against a suite of key metrics, supported by detailed analysis and commentary on underlying trends and drivers, across the income statement, balance sheet and business targets. It undergoes rigorous governance review, including independent challenge by AIB Group Risk before Board approval.

Management and measurement

Business model risk is managed within risk appetite via limits on financial performance, capital, portfolio concentration, and risk-adjusted returns. Operationally, it is mitigated through monitoring variances to plans and implementing corrective actions when needed.

Monitoring, escalating and reporting

Business model risk is measured using Board-approved risk appetite metrics, with key indicators monitored monthly and reported quarterly to the Board.

3. Operational and resilience risk

Operational and resilience risk is the risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes model risk, information and communication technology (ICT) risk, legal risk, the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings but excludes strategic risk. This also includes resilience risk including the failure to identify and prepare for, respond, and adapt to, recover, and learn from operational disruptions which may result in a failure to deliver critical services. Model risk forms part of the operational risk definition, as defined by Basel IV requirements. However, within the AIB Group, Model risk is covered under the AIB Group Model and AI Risk Management Framework and AIB Group Model and AI Risk Management Policy.

Identification and assessment

Operational and resilience risk is identified through the Bank's MRA and the RCA process, ensuring proactive identification, assessment, and mitigation.

The Bank conducts periodic operational and resilience risk self-assessments focused on its specific activities, such as funding operations and ACS Act compliance, to evaluate operational risks and the effectiveness of related controls. This complements the annual risk-based internal audit process.

Risk management report

3. Operational and resilience risk *continued*

Management and measurement

Operational and resilience risk management is governed by AIB Group's Operational Risk Management Framework, which outlines principles, policies, roles, and governance. Key systems, personnel, and processes are provided by AIB under an Outsourcing and Agency Agreement, supported by service level agreements. The Bank's operational risk management key focus is the oversight of outsourced services, especially those tied to ACS Act compliance and the full mortgage origination and servicing lifecycle.

Monitoring, escalating and reporting

Operational and resilience risk is measured using Board-approved risk appetite metrics, with key indicators monitored monthly and reported quarterly to the Board.

4. Climate and environmental risk

Climate and environmental (C&E) risk encompasses the financial and non-financial impacts on the Bank arising from climate change, environmental change and the transition to a sustainable economy. These risks can affect the Bank directly through its operations or indirectly through relationships with customers and third-party suppliers.

Identification and assessment

C&E impacts, risks, and opportunities are identified and assessed via processes such as MRA, RCA, Transmission Channel Analysis, Business Environment Scans, sector 'House Views', Heatmaps, C&E Stress Testing and regulatory horizon scanning.

Management and measurement

C&E risk is actively managed under AIB Group's C&E Risk Framework and Policy, which define principles, roles, governance, and processes.

Monitoring, escalating and reporting

C&E risk is measured using Board-approved risk appetite metrics, with key indicators monitored monthly and reported quarterly to the Board.

5. Model and AI risk

Model and AI risk is the potential harm that the Bank, as well as its customers and communities, may incur due to decisions primarily based on the outputs of models or AI systems. These risks arise from errors in development, implementation, or use of models or AI systems.

Identification and assessment

The Bank's MRA and RCA forms the basis for identifying the key elements of the risk.

Management and measurement

AIB Group manages model risk through its Model and AI Risk Management Framework and supporting policies, which define controls across the model lifecycle, from development to implementation, use, and monitoring.

Monitoring, escalating and reporting

Models are developed, validated, and monitored by qualified analysts, supported by business and finance teams, using the best available internal and external data. Industry-

standard techniques are applied where appropriate. All material models are independently validated, and issues are addressed. Materiality is defined in the Model and AI Risk Management Policy, and performance monitoring of key models is reported regularly to management and quarterly to the Board.

6. Culture risk and conduct risk

Culture risk is the risk that the Bank's behaviours, actions, and/or decisions are not aligned to the Bank's values impacting how the Bank delivers on the strategy, purpose and ambition. Conduct risk is the risk that inappropriate actions or inactions by the Bank cause poor and unfair customer outcomes or negatively impact market integrity.

Identification and assessment

Culture risks and conduct risks are identified through the MRA and RCA processes, which documents risk assessments and informs risk profiles, action plans, and key risk indicators.

Management and measurement

AIB Group's Culture Risk and Conduct Risk Framework and Conduct Risk Policy apply to the Bank. This Framework and Policy, as well as other supporting policies, are in place to drive consistent management of culture risk and conduct risk. The AIB Group Head of Culture and Conduct and team provides independent oversight and governance of conduct risk across AIB Group and is a mandatory approver of product/propositions proposals.

Monitoring, escalating and reporting

The regular reporting to the Board, provides risk oversight of culture and conduct risks of the Bank, ensures compliance with risk appetite, and reviews relevant risk policies.

7. Regulatory compliance risk

Regulatory compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with principal laws, regulations, rules, related self-regulatory codes and related supervisory expectations which relate to the Bank's regulated banking and financial service activities, i.e., those activities which the Bank is licenced to conduct business.

Identification and assessment

The Bank identifies regulatory compliance risk through its MRA and RCA processes.

Management and measurement

AIB Group's Regulatory Compliance Risk Management Framework, applies to the Bank, defines principles, roles, governance, and is supported by key policies.

Monitoring, escalating and reporting

The regulatory compliance risk lifecycle is reviewed annually by the Compliance function. A combined top-down and bottom-up risk assessment identifies key threats to the Bank, culminating in the Compliance & Risk Assurance Plan. The Bank's Risk Appetite metrics are reported to the Board quarterly.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Bank's financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 101 *Reduced Disclosure Framework* and Irish law), the European Communities (Credit Institutions: Financial Statements) Regulations 2015 and the Asset Covered Securities Acts 2001 and 2007.

Under Irish law, the Directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Bank's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Bank for the financial year.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies for the Bank's financial statements and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;

- State whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- Correctly record and explain the transactions of the Bank;
- Enable, at any time, the assets, liabilities, financial position and profit or loss of the Bank to be determined with reasonable accuracy; and
- Enable the Directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

For and on behalf of the Board,



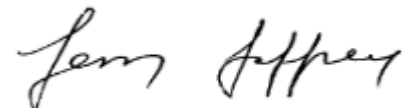
Eamonn Quinn

Chair



Kevin Gahan

Managing Director



Gerry Gaffney

Executive Director

2 March 2026

Independent auditors' report

Independent auditors' report to the members of AIB Mortgage Bank Unlimited Company

Report on the audit of the financial statements

Opinion

In our opinion, AIB Mortgage Bank Unlimited Company's (the "Bank") financial statements:

- give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Financial Report (the "Annual Report"), which comprise:

- the Statement of financial position as at 31 December 2025;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a description of the accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that other services prohibited by IAASA's Ethical Standard were not provided.

We have provided no non-audit services to the Bank in the period under audit.

Our audit approach

Overview

Audit scope

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the activities of the Bank. We performed a full scope audit of the Bank's financial statements, based on materiality levels.

Key audit matters

- Expected credit loss
- IT (Privileged User Access)

Materiality

- Overall materiality: €14.0 million (2024: €14.0 million) based on c.1% (2024: c.1%) of net assets.
- Performance materiality: €10.5 million (2024: €10.5 million).

Independent auditors' report

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss</p> <p>Refer to Note 1.12 "Impairment of financial assets" within Note 1 "Accounting policies", "Impairment of financial assets" within Note 2 "Critical accounting judgements and estimates", Note 11 "Net credit impairment writeback", Note 15 "Loans and advances to customers" and "26.1 Credit risk" within Note 26 "Financial risk management".</p> <p>At 31 December 2025, the Bank reported total gross loans to customers classified at amortised cost of €19.3bn and €57m of expected credit loss (ECL).</p> <p>The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. Complex models and significant judgements are used to estimate the probability of default (PD), loss given default (LGD) and exposure at default (EAD) as well as in applying the staging criteria under IFRS 9.</p> <p>The calculation of ECL requires a high degree of judgement to reflect recent developments in credit quality and emerging macroeconomic risks.</p> <p>The area where we identified greater level of management judgement and therefore increased levels of audit focus was the completeness of post model adjustments (PMAs). PMAs may be required to address known methodology or data limitations or emerging risk not sufficiently captured in the modelled outcomes.</p> <p>Management makes other assumptions which impact on ECL. These include:</p> <ul style="list-style-type: none"> • Conceptual soundness of the modelling methodologies; • Quantitative and qualitative criteria used to assess significant increases in credit risk which drives the allocation of assets to Stage 1, 2, or 3 using criteria in accordance with the accounting standards; and • Inputs and assumptions used to reflect the impact of multiple economic scenarios, including any changes to the forward looking scenarios. 	<p>Controls:</p> <ul style="list-style-type: none"> • In conjunction with our credit modelling specialists, we performed end-to-end process walkthroughs to understand and identify the key systems, applications and key controls used in the ECL processes. • We tested the design and operating effectiveness of key controls across the processes relevant to management's ECL calculation, including those relating to the key judgements and estimates involving our credit modelling specialists where appropriate. We also tested the design and operating effectiveness of key controls over the governance of the estimation of ECL. We attended key executive finance and risk committee meetings of AIB Group where the inputs, assumptions and adjustments to the ECL were discussed and approved. We observed management's review and challenge in these governance forums including the assessment of model limitations and the requirement (if any) for judgemental post model adjustments. <p>Conceptual Soundness</p> <ul style="list-style-type: none"> • We involved credit modelling specialists to assist us in testing the ECL models by testing the assumptions, inputs and implementation of model formulae. This included a combination of assessing the appropriateness of model design and model outcomes. <p>Quantitative and Qualitative criteria in determining specific increases in credit risk</p> <ul style="list-style-type: none"> • We challenged the appropriateness and application of the quantitative and qualitative criteria used to assess significant increases in credit risk (SICR) which determine the allocation of an asset to Stage 1, 2 or 3 in accordance with IFRS 9. • For a selection of performing loans, we critically assessed, by reference to the underlying documentation and through inquiries with management, whether the trigger for credit impaired classification had occurred.

Independent auditors' report

Key audit matter	How our audit addressed the key audit matter
	<p>Economic Scenarios</p> <ul style="list-style-type: none"> • In conjunction with our credit modelling specialists, we considered the base case and alternative economic scenarios. We challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios which we determined to be unemployment and residential property prices by comparing to independent and observable economic forecasts, leveraging a number of external data points. We assessed whether forecasted macroeconomic variables were reasonable and supportable. • With the support of our credit modelling specialists, we evaluated the overall impact of the macroeconomic factors to the ECL. This assessment considered the sensitivity of ECL to variations in the probability weighting of the economic forecasts. • We challenged the reasonableness of management's forward-looking information (FLI) upside / downside scenario weightings, having regard to relevant available information. <p>Post Model Adjustments</p> <ul style="list-style-type: none"> • In conjunction with our credit modelling specialists, we challenged management's process to identify model or data limitations which could necessitate a post model adjustment. We used management's own assessment of novel risks within the portfolio to inform our assessment. <p>Overall standback</p> <ul style="list-style-type: none"> • We performed an overall assessment of ECL provision levels by IFRS 9 stage to determine if they were reasonable by considering the overall credit quality of the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment to which the Bank is exposed. We performed peer benchmarking where available to assess overall staging and provision coverage levels. <p>Disclosures</p> <ul style="list-style-type: none"> • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and the process and controls management had in place to prepare and approve the disclosures. <p>Conclusion</p> <p>On the basis of the work performed we have concluded the stock of Expected Credit Loss reserves at year end is within the range of acceptable outcomes.</p>

Independent auditors' report

Key audit matter	How our audit addressed the key audit matter
<p>IT (Privileged User Access)</p> <p>The IT environment is complex and pervasive to the operations of the Bank due to the multiplicity of systems and the large volume of transactions processed and its reliance on automated and IT dependent manual controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in a controlled manner.</p> <p>Our audit approach includes reliance on automated and IT dependent manual controls and therefore on the effectiveness of controls over IT systems impacting financial reporting. Privileged user access management controls are an integral part of the IT environment to ensure both system access and changes made to systems are authorised and appropriate. An integral part of our audit testing is therefore on the effectiveness of privileged user access management controls.</p> <p>In the context of our audit scope, we consider privileged user access management controls at the application layer to be critical to ensuring that only appropriately authorised changes are made to IT systems deemed relevant to our audit. Moreover, appropriate privileged user access management controls contribute to mitigating the risk of potential fraud or error.</p> <p>We considered this to be a key audit matter owing to the high level of reliance on IT operations within the Bank as well as the risk that key IT Dependencies such as automated controls and system generated reports are not designed and operating effectively.</p>	<p>Through inquiries with management and the inspection of internal governance documents, we obtained an understanding of the Bank's IT environment.</p> <p>In conjunction with our Digital Audit specialists, we:</p> <ul style="list-style-type: none"> • Tested the design, implementation and where relevant, the operating effectiveness of preventative and detective IT General Controls (ITGC) over privileged user access management (i.e. those relating to privileged user access provisioning, revocation, recertification and authentication). • Inquired of AIB Group Internal Audit (GIA) and inspected IT related GIA reports produced during the period to understand the nature of findings, if any, and consider the impact on our audit. • Where control deficiencies were identified at the design level, we considered the compensating controls in place and sought to obtain additional evidence for the in-scope IT Dependencies to obtain reasonable assurance that there were no unauthorised changes made to these during the financial year. • Our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan and designed and executed additional procedures where required. <p>Conclusion</p> <p>Having completed the additional audit procedures we concluded that we have obtained sufficient evidence for the purposes of our audit.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€14.0 million (2024: €14.0 million).
How we determined it	c. 1% (2024: c. 1%) of net assets.
Rationale for benchmark applied	AIB Mortgage Bank Unlimited Company is a wholly owned banking subsidiary of AIB Group plc which issues mortgage covered securities for the purpose of financing mortgage loans secured on residential properties. Having considered the key users of the financial statements, we believe that net assets provides us with the most appropriate basis for determining materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to €10.5 million (2024: €10.5 million).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.70 million (2024: €0.70 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment;
- Performing a risk assessment to identify factors that could impact the going concern assessment;
- Considering the Bank's Business and Financial Plan approved by the Board in November 2025. In evaluating management's base case forecasts and alternative stress scenarios we considered the Bank's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact on financial performance, capital and liquidity, for a period of 12 months from the date on which the financial statements are authorised for issue;
- Assessing the ability of Allied Irish Banks, p.l.c. to provide support if required during the period of assessment;
- Reading relevant correspondence from the Central Bank of Ireland and the ECB Joint Supervisory Team with regards to regulatory capital and liquidity requirements of the Bank; and
- Considering the adequacy of relevant disclosures made in the financial statements.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Bank's ability to continue as a going concern.

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

Independent auditors' report

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Bank and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.
- In our opinion, based on the work undertaken in the course of the audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and have been prepared in accordance with section 1373(2)(c).
- Based on our knowledge and understanding of the Bank and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also 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.

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

Auditors' 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 auditors' 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 (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditors' report

Based on our understanding of the Bank and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for management bias through judgement and assumptions in significant accounting estimates and manual journal entries being recorded in order to affect performance. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management and AIB Group Legal including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Reading the meeting minutes of the Board of Directors and Audit Committee;
- Discussions with AIB Group Internal Audit and consideration of internal audit reports in so far as they related to the financial statements;
- Evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud;
- Inspection of relevant regulatory correspondence from the Central Bank of Ireland and the ECB Joint Supervisory Team;
- Challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the matters set out in our key audit matter on ECL;
- Applying risk-based criteria to journal entries posted in the audit period to determine journal entries for testing purposes; and
- Designing audit procedures to incorporate elements of unpredictability around the nature and extent of audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://iaasa.ie/wp-content/uploads/docs/media/IAASA/Documents/audit-standards/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Bank's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
 - In our opinion the accounting records of the Bank were sufficient to permit the financial statements to be readily and properly audited.
 - The financial statements are in agreement with the accounting records.
-

Independent auditors' report

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 12 May 2023 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2023 to 31 December 2025.

Emma Scott
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
3 March 2026

Income statement

for the financial year ended 31 December 2025

	Note	2025 €m	2024 €m
Interest and similar income	3	646	830
Interest and similar expense	4	(465)	(719)
Net interest income		181	111
Fee income	5	62	264
Net trading expense	6	(84)	(220)
Net gain on other financial assets measured at FVTPL	7	2	2
Net gain on derecognition of financial assets measured at amortised cost	8	1	1
Other income		1	—
Total other (expense)/income		(18)	47
Total operating income		163	158
Operating expenses	9	(155)	(157)
Operating profit before credit impairment writeback		8	1
Net credit impairment writeback	11	17	23
Operating profit before taxation		25	24
Income tax charge	12	(3)	(3)
Profit for the year		22	21

Statement of comprehensive income

for the financial year ended 31 December 2025

	2025 €m	2024 €m
Profit for the year	22	21
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	22	21

Statement of financial position

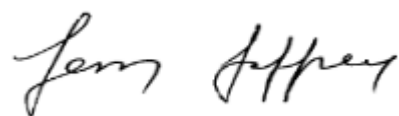
as at 31 December 2025

	Note	2025 €m	2024 €m
Assets			
Derivative financial instruments	13	29	113
Loans and advances to banks	14	123	121
Loans and advances to customers	15	19,263	18,621
Other assets	16	40	3
Current taxation		—	2
Prepayments and accrued income	17	31	34
Total assets		19,486	18,894
Liabilities			
Deposits by banks	18	5,670	6,560
Debt securities in issue	19	12,075	10,609
Accruals and deferred income	20	21	24
Tier 2 subordinated liabilities	21	300	300
Provisions for liabilities and commitments	22	10	13
Total liabilities		18,076	17,506
Shareholders' equity			
Issued share capital presented as equity	23	436	436
Capital reserves	24	580	580
Revenue reserves		394	372
Total shareholders' equity		1,410	1,388
Total liabilities and shareholders' equity		19,486	18,894



Eamonn Quinn

Chair



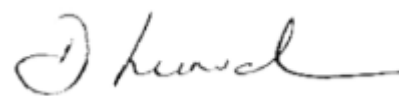
Gerry Gaffney

Executive Director



Kevin Gahan

Managing Director



Diane Lumsden

Company Secretary

Statement of changes in shareholders' equity

for the financial year ended 31 December 2025

	Share capital	Capital reserves	Revenue reserves	Total shareholders' equity
	€m	€m	€m	€m
At 1 January 2025	436	580	372	1,388
Profit for the year	—	—	22	22
At 31 December 2025	436	580	394	1,410
At 1 January 2024	436	580	351	1,367
Profit for the year	—	—	21	21
At 31 December 2024	436	580	372	1,388

Notes to the financial statements

1	Accounting policies	23
2	Critical accounting judgements and estimates	33
3	Interest and similar income	34
4	Interest and similar expense	34
5	Fee income	34
6	Net trading expense	34
7	Net gain on other financial assets measured at FVTPL	35
8	Net gain on derecognition of financial assets measured at amortised cost	35
9	Operating expenses	35
10	Auditor's remuneration	36
11	Net credit impairment writeback	36
12	Taxation	36
13	Derivative financial instruments	37
14	Loans and advances to banks	39
15	Loans and advances to customers	40
16	Other assets	40
17	Prepayments and accrued income	41
18	Deposits by banks	41
19	Debt securities in issue	41
20	Accruals and deferred income	43
21	Tier 2 subordinated liabilities	43
22	Provisions for liabilities and commitments	44
23	Issued share capital presented as equity	44
24	Capital reserves	45
25	Contingent liabilities and commitments	45
26	Financial risk management	46
27	Classification and measurement of financial assets and financial liabilities	65
28	Fair value of financial instruments	66
29	Related party transactions	69
30	Segmental information	71
31	Regulatory compliance	71
32	Ultimate parent company	71
33	Non-adjusting events after the reporting period	71
34	Approval of the financial statements	71

Notes to the financial statements

1. Accounting policies

The material accounting policies that the Bank applied in the preparation of these financial statements are set out in this section. The Bank has considered both quantitative and qualitative factors in its assessment of which accounting policies to disclose as material.

1.1. Reporting entity

AIB Mortgage Bank Unlimited Company (the Bank) is a public unlimited company domiciled in Ireland. The address of the Bank's registered office is 10 Molesworth Street, Dublin 2, Ireland. The Bank is registered under the company number 404926. The Bank operates under the Irish Central Bank Act, 1971 (as amended) and as a designated mortgage credit institution under the Asset Covered Securities Acts 2001 and 2007 (ACS Acts).

The Bank is a wholly owned subsidiary of Allied Irish Banks, p.l.c. (AIB) which is a wholly owned subsidiary of AIB Group plc, and is regulated by the Single Supervisory Mechanism (SSM). Its principal purpose is to issue Mortgage Covered Securities for the purpose of financing loans secured on residential property in accordance with the ACS Acts. Such loans may be made directly by the Bank to customers through the AIB branch network in the Republic of Ireland or may be purchased from AIB and other members of AIB or third parties.

1.2. Basis of preparation

The financial statements have been prepared in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 101 *Reduced Disclosure Framework* and Irish law), the European Communities (Credit Institutions: Financial Statements) Regulations 2015 and the ACS Acts. The financial statements have been prepared under the historical cost basis, with the exception of derivative financial instruments which are stated at their fair value.

In preparing these financial statements, the Bank applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2014 and has set out below where the Bank has availed of the FRS 101 disclosure exemptions.

In these financial statements, the Bank has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a statement of cash flows and related notes (IAS 7 *Statement of Cash Flows*);
- the effects of new but not yet effective IFRS (IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*);
- disclosures required by IAS 24 *Related Party Disclosures* in respect of transactions with wholly owned subsidiaries of AIB Group; and
- disclosures required by IAS 24 *Related Party Disclosures* in respect of the compensation of key management personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Functional and presentation currency

The financial statements are presented in Euro, which is the functional currency of the Bank rounded to the nearest million.

Change in presentation for certain notes to the financial statements

(i) Tier 2 subordinated liabilities

The Bank has renamed 'Subordinated liabilities' as 'Tier 2 subordinated liabilities' to better describe the nature of subordinated liabilities in this line item.

(ii) Derivative financial instruments

The Bank has changed the presentation of certain tables in note 13 Derivative financial instruments. For further information refer to note 13.

Use of judgements and estimates

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement may involve making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate to impairment of financial assets.

A description of these judgements and estimates is set out in note 2.

Notes to the financial statements

1. Accounting policies *continued*

1.2. Basis of preparation *continued*

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change on the Bank's financial reporting judgements and estimates and no material impact has been identified. As a subsidiary of AIB Group, the Bank continues to integrate climate risk into its overall risk management approach and broader sustainability agenda and will participate as appropriate in AIB Group's commitment to be Net Zero by 2030.

Going concern

The financial statements for the year ended 31 December 2025 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Bank, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is at least 12 months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered a wide range of information relating to present and future conditions. This includes capital forecasts and internally generated macroeconomic scenarios that take account of geopolitical risks, the impacts of tariffs, inflation, interest rates and related impacts on unemployment and property prices.

The Bank is dependent on AIB for continued funding and is therefore dependent on the going concern status of the parent. The financial statements of AIB have been prepared on a going concern basis.

There is no intention to liquidate the Bank or cease trading. The Bank's parent, AIB, continues to support the Bank operationally through an outsourced arrangement. In addition, AIB has provided a letter of financial support to the Bank.

Conclusion

On the basis of the above factors, the Directors are satisfied that it continues to be appropriate to prepare the financial statements of the Bank on a going concern basis, having concluded there are no material uncertainties related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern over the period of assessment.

Adoption of new accounting standards and amendments to standards

There were no new standards and amendments to standards effective for annual periods beginning 1 January 2025 which had an impact on the reported results or disclosures of the Bank. The Bank has not early adopted any standard or amendment that has been issued but is not yet effective.

1.3. Interest income and expense recognition – Notes 3 and 4

Effective interest rate

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

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

The application of the method has the effect of recognising income receivable and expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate for financial instruments, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding expected credit losses (except in the case of purchased or originated credit impaired (POCI) financial assets where expected credit losses are included in the calculation of a credit-adjusted effective interest rate). The calculation takes into account all fees, including those for any expected early redemption, and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, as well as transaction costs and all other premiums and discounts.

All costs associated with mortgage incentive schemes are included in the effective interest rate calculation. Fees and commissions payable to third parties in connection with lending arrangements, where these are direct and incremental costs related to the issue of a financial

instrument, are included in interest income as part of the effective interest rate.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and interest expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

For financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, the calculation of interest income reverts to the gross basis.

Notes to the financial statements

1. Accounting policies *continued*

1.3. Interest income and expense recognition *continued*

Calculation of interest income and interest expense *continued*

However, for financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

When a financial asset is no longer credit impaired or has been repaid in full (i.e. cured without financial loss), the Bank presents previously unrecognised interest income as a

reversal of credit impairment/recovery of amounts previously written-off.

Presentation

Interest income and expense presented in the income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis; and
- Net interest income and expense on qualifying hedge derivatives designated as fair value hedges which are recognised in interest income or interest expense.

1.4. Fee income – Note 5

The measurement and timing of recognition of fee income is based on the core principles of IFRS 15 *Revenue from Contracts with Customers*.

Fee income is recognised when the performance obligation in the contract has been performed, either at a ‘point in time’ or ‘over time’ if the performance obligation is performed over a period of time unless the income has been included in the effective interest rate calculation.

The pricing agreements between AIB and the Bank reflect revised OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and which take account of the functions, risks and assets involved. For 2025 and 2024 this resulted in a net receipt by the Bank from AIB, which is reported as fee income.

1.5. Net trading income – Note 6

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realised and unrealised fair value changes. Interest income on trading assets is shown in ‘interest income’.

1.6. Income tax, including deferred income tax – Note 12

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Income tax relating to items in equity is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes that exist at the balance sheet date. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the reporting date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences will be utilised. The deferred tax asset is reviewed at the end of each reporting period and the carrying amount will reflect the extent that it

is probable that sufficient taxable profits will be available to allow all of the asset to be recovered.

The tax effects of income tax losses available for carry forward are recognised as an asset to the extent that it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle the current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

The Bank adopted the amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules*. The amendments provide a mandatory temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Accordingly, the Bank has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two.

Notes to the financial statements

1. Accounting policies *continued*

1.7. Financial assets – Notes 6, 7, 8, 14, 15, 16, 17 and 27

Recognition and initial measurement

The Bank initially recognises financial assets on the trade date, being the date on which the Bank commits to purchase the assets. Loan assets are recognised when cash is advanced to borrowers. In a situation where the Bank commits to purchase financial assets under a contract which is not considered a regular-way transaction, the assets to be acquired are not recognised until the acquisition contract is settled. In this case, the contract to acquire the financial asset is a derivative that is measured at fair value through profit or loss (FVTPL) in the period between the trade date and the settlement date.

Financial assets measured at amortised cost or at fair value through other comprehensive income (FVOCI) are recognised initially at fair value adjusted for direct and incremental transaction costs. Financial assets measured at FVTPL are recognised initially at fair value and transaction costs are taken directly to the income statement.

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Profits or losses are only recognised on the initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and subsequently measured at amortised cost, FVOCI or FVTPL.

The classification and subsequent measurement of financial assets depend on:

- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset (for assets in a 'hold-to-collect' or 'hold-to-collect-and-sell' business model).

Based on these factors, the Bank classifies its financial assets into one of the following categories:

- Amortised cost

Assets that are held within a 'hold-to-collect' business model whose objective is to hold assets to collect contractual cash flows; and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). The carrying amount of these assets is calculated using the effective interest rate method and is adjusted on each measurement date by the expected credit loss allowance for each asset, with movements recognised in profit or loss.

- Fair value through other comprehensive income (FVOCI)

Assets that have not been designated as at FVTPL and are held within a 'hold-to-collect-and-sell' business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and whose contractual terms give rise on specified dates to cash flows that are SPPI. Movements in the carrying amount of these assets are taken through other comprehensive income (OCI), except for the recognition of credit impairment gains or losses, interest revenue or foreign exchange gains and losses, which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss other than in the case of equity instruments designated at FVOCI.

- Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Gains or losses (excluding interest income or expense) on such assets are recognised in profit or loss on an ongoing basis.

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

Business model assessment

The Bank makes an assessment of the objective of the business model at a portfolio level, as this reflects how portfolios of assets are managed to achieve a particular objective, rather than management's intentions for individual assets.

The assessment considers the following:

- The strategy for the portfolio as communicated by management;
- How the performance of the portfolio is evaluated and reported to senior management;
- The risks that impact the performance of the business model, and how those risks are managed;
- How managers of the business are compensated (i.e. based on fair value of assets managed or on the contractual cash flows collected); and
- The frequency, value and timing of sales in prior periods, reasons for those sales, and expectations of future sales activity.

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVTPL because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and-sell contractual cash flows.

Notes to the financial statements

1. Accounting policies *continued*

1.7. Financial assets *continued*

Characteristics of the contractual cash flows

An assessment (SPPI test) is performed on all financial assets at origination that are held within a 'hold-to-collect' or 'hold-to-collect-and-sell' business model to determine whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding, for other basic lending risks and costs (i.e. liquidity, administrative costs), and profit margin.

The SPPI test requires an assessment of the contractual terms and conditions to determine whether a financial asset contains any terms that could modify the timing or amount of contractual cash flows of the asset, to the extent that they

could not be described as solely payments of principal and interest. In making this assessment, the Bank considers:

- Features that modify the time value of money element of interest (e.g. tenor of the interest rate does not correspond with the frequency within which it resets);
- Terms providing for prepayment and extension;
- Leverage features;
- Non-recourse features;
- Contingent events that could change the amount and timing of cash flows;
- Terms that limit the Bank's claim to cash flows from specified assets; and
- Contractually linked instruments.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

1.8. Financial liabilities – Notes 6, 18, 19, 20, 21 and 27

The Bank categorises financial liabilities as at amortised cost or as at FVTPL.

The Bank recognises a financial liability when it becomes party to the contractual provisions of the contract.

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Bank having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the

obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost, with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest rate method.

1.9. Determination of fair value of financial instruments – Note 28

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

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received). If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is determined by a quoted price in an active market for the same financial instrument, or by a valuation technique which uses only observable market inputs, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss. If the fair value is calculated by a valuation technique that features

significant market inputs that are not observable, the difference between the fair value at initial recognition and the transaction price is deferred. Subsequently, the difference is recognised in the income statement on an appropriate basis over the life of the financial instrument, but no later than when the valuation is supported by wholly observable inputs; the transaction matures; or is closed out.

Subsequent to initial recognition, the methods used to determine the fair value of financial instruments include quoted prices in active markets where those prices are considered to represent actual and regularly occurring market transactions. Where quoted prices are not available or are unreliable because of market inactivity, and in the case of over-the-counter derivatives, fair values are determined using valuation techniques.

Notes to the financial statements

1. Accounting policies *continued*

1.9. Determination of fair value of financial instruments *continued*

The fair values of financial instruments are classified according to the following fair value hierarchy that reflects the observability of significant market inputs:

Level 1 – financial assets and liabilities measured using quoted market prices from an active market (unadjusted);

Level 2 – financial assets and liabilities measured using valuation techniques which use quoted market prices from an active market or measured using quoted market prices unadjusted from an inactive market; and

Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market inputs.

Quoted prices in active markets

Valuations for negotiable instruments such as debt and equity securities are determined using bid prices for asset positions and ask prices for liability positions.

Where securities are traded on an exchange, the fair value is based on prices from the exchange. The market for debt securities largely operates on an ‘over-the-counter’ basis which means that there is not an official clearing or exchange price for these security instruments. Therefore, market makers and/or investment banks (contributors) publish bid and ask levels which reflect an indicative price that they are prepared to buy and sell a particular security. The Bank’s valuation policy requires that the prices used in determining the fair value of securities quoted in active markets must be sourced from established market makers and/or investment banks.

Valuation techniques

Valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair value may be estimated using quoted market prices for similar instruments, adjusted for differences between the quoted instrument and the instrument being valued. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the greatest extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates. In addition, the Bank considers the impact of its own credit risk and counterparty risk when valuing its derivative liabilities.

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- The likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed

by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and

- Selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument. Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments will be based on some market observable inputs even where the non-observable inputs are significant. All unobservable inputs used in valuation techniques reflect the assumptions market participants would use when fair valuing the financial instrument.

The Bank tests the outputs of the valuation model to ensure that it reflects current market conditions. The calculation of fair value for any financial instrument may require adjustment of the quoted price or the valuation technique output to reflect the cost of credit risk and the liquidity of the market, if market participants would include one, where these are not embedded in underlying valuation techniques or prices used. The choice of contributors, the quality of market data used for pricing and the valuation techniques used are all subject to internal review and approval procedures.

Notes to the financial statements

1. Accounting policies *continued*

1.10. Derivatives and hedge accounting – Note 13

Derivatives, such as interest rate swaps, are used for risk management purposes.

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into and subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and from valuation techniques using discounted cash flow models and option pricing models as appropriate. Derivatives are included in assets when their fair value is positive and in liabilities when their fair value is negative, unless there is the legal ability and intention to settle an asset and liability on a net basis.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Profits or losses are only recognised on initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs.

Hedging

The Bank avails of the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) as adopted by the EU, until Dynamic Risk Management is addressed by the IASB, as permitted as an accounting policy choice under IFRS 9 *Financial Instruments* (IFRS 9).

All derivatives are carried at fair value and the accounting treatment of the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where derivatives are held for risk management purposes, and where transactions meet the criteria specified in IAS 39, the Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge).

When a financial instrument is designated as a hedge, the Bank formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items.

The Bank discontinues hedge accounting when:

- a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;

- b) the derivative expires, or is sold, terminated or exercised;
- c) the hedged item matures or is sold or repaid; or
- d) a forecast transaction is no longer deemed highly probable.

To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item, ineffectiveness arises. The amount of ineffectiveness, provided that it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

In certain circumstances, the Bank may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedge.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For micro fair value hedges, the hedge adjustment is presented as an adjustment to the carrying amount of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the fair value hedging adjustment, for items carried at amortised cost, is amortised to profit or loss using the effective interest rate method over the remaining maturity of the hedged item for micro hedges and on a straight-line basis over the relevant repricing period for portfolio hedges.

When a hedged item held at amortised cost that is designated in a micro fair value hedge or included in the repricing time-period of a portfolio hedge is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement. Derivatives used to manage interest rate risk arising on mortgage covered securities have been designated as micro fair value hedges.

Derivatives used to manage interest rate risk arising on mortgage loans to customers are eligible for portfolio fair value hedging, however, the Bank has decided not to avail of this option. Changes in the fair value of these derivatives are recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative contracts entered into as economic hedges do not qualify for hedge accounting and are classified as trading derivatives. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

Notes to the financial statements

1. Accounting policies *continued*

1.11. Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Relevant costs incurred with the disposal of a financial asset are deducted in computing the gain or loss on disposal.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank may retain the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate or is less than adequate for performing the servicing.

The write-off of a financial asset constitutes a derecognition event. Where a financial asset is partially written-off, and the portion written-off comprises specifically identified cash flows, this will constitute a derecognition event for that part written-off.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Any gain or loss on the extinguishment or remeasurement of a financial liability is recognised in profit or loss.

1.12. Impairment of financial assets – Notes 11, 15, 22 and 26

The Bank recognises loss allowances for expected credit losses at each balance sheet date for the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost; and
- Loan commitments issued.

Expected credit losses (ECLs) are the weighted average of credit losses. When measuring ECLs, the Bank takes into account:

- Probability weighted outcomes;
- The time value of money so that ECLs are discounted to the reporting date; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of ECLs recognised as a loss allowance depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items as long as there is no significant deterioration in credit quality since initial recognition; and
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The 12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

In the case of Stage 2, credit risk on the financial instrument has increased significantly since initial recognition but the instrument is not considered credit impaired. For a financial instrument in Stage 3, credit risk has increased significantly since initial recognition and the instrument is considered credit impaired.

Financial assets are allocated to stages dependent on credit quality relative to when the asset was originated.

A financial asset can only originate in either Stage 1 or as a POCI. The ECL held against an asset depends on a number of factors, one of which is its stage allocation. Assets allocated to Stage 2 and Stage 3 have lifetime ECLs. Collateral and other credit enhancements are not considered as part of stage allocation. Collateral is reflected in the Bank's loss given default models (LGD).

Notes to the financial statements

1. Accounting policies *continued*

1.12. Impairment of financial assets *continued*

Purchased or originated credit impaired

POCI financial assets are those that are credit impaired on initial recognition. The Bank may originate a credit impaired financial asset following a substantial modification of a distressed financial asset that resulted in derecognition of the original financial asset.

POCIs are financial assets originated credit impaired that have a discount to the contractual value when measured at fair value. The Bank uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted EIR. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition.

POCIs remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCIs is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative changes in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

At each reporting date, the Bank recognises the amount of the change in lifetime expected credit losses as a credit impairment gain or loss in the income statement. Favourable changes in lifetime expected credit losses are recognised as a credit impairment gain, even if the favourable changes exceed the amount previously recognised in profit or loss as a credit impairment loss.

Modification

From time to time, the Bank will modify the original terms of a customer's loan either as part of the ongoing relationship or arising from changes in the customer's circumstances, such as when that customer is unable to make the agreed original contractual repayments.

A modification refers to either:

- A change to the previous terms and conditions of a debt contract; or
- A total or partial refinancing of a debt contract.

Modifications may occur for both customers in distress and for those not in distress. Any financial asset that undergoes a change or renegotiation of cash flows and is not derecognised is a modified financial asset.

When modification does not result in derecognition, the modified assets are treated as the same continuous lending agreement and a modification gain or loss is taken to profit or loss immediately. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

The stage allocation for modified assets which are not derecognised is by reference to the credit risk at initial recognition of the original, unmodified contractual terms, i.e. the date of initial recognition is not reset.

Where renegotiation of the terms of a financial asset leads to a customer granting equity to the Bank in exchange for any loan balance outstanding, the new instrument is recognised at fair value with any difference to the loan carrying amount recognised in the income statement.

Derecognition occurs if a modification or restructure is substantial on a qualitative or quantitative basis. Accordingly, certain forbore assets are derecognised. The modified/restructured asset (derecognised forbore asset (DFA)) is considered a 'new financial instrument' and the date that the new asset is recognised is the date of initial recognition from this point forward. DFAs are allocated to Stage 1 on origination and follow the normal staging process thereafter.

If there is evidence of credit impairment at the time of initial recognition of a DFA, the asset is deemed to be a POCI. POCIs are not allocated to stages but are assigned a lifetime probability of default (PD) and ECL for the duration of the obligation's life. Where the modification/restructure of a non-forbore credit obligation results in derecognition, the new loan is originated in Stage 1 and follows the normal staging process thereafter.

Collateralised financial assets - Repossessions

The ECL calculation for a collateralised financial asset reflects the cash flows that may result from foreclosure, costs for obtaining and settling the collateral, and whether or not foreclosure is probable.

For loans that are credit impaired, the Bank may repossess collateral previously pledged as security in order to achieve an orderly realisation of the loan. The Bank will then offer this repossessed collateral for sale. However, if the Bank believes the proceeds of the sale will comprise only part of the recoverable amount of the loan with the customer remaining liable for any outstanding balance, the loan continues to be recognised and the repossessed asset is not recognised. However, if the Bank believes that the sale proceeds of the asset will comprise all or substantially all of the recoverable amount of the loan, the loan is derecognised and the acquired asset is accounted for in accordance with the applicable accounting standard. Any further impairment of the repossessed asset is treated as an impairment of that asset and not as a credit impairment of the original loan.

Write-offs and debt forgiveness

The Bank reduces the gross carrying amount of a financial asset either partially or fully when there is no reasonable expectation of recovery.

Notes to the financial statements

1. Accounting policies *continued*

1.12. Impairment of financial assets *continued*

Write-offs and debt forgiveness *continued*

Where there is no formal debt forgiveness agreed with the customer, the Bank may write off a loan either partially or fully when there is no reasonable expectation of recovery. This is considered a non-contracted write-off. In this case, the borrower remains fully liable for the credit obligation and is not advised of the write-off.

Once a financial asset is written-off either partially or fully, the amount written-off cannot subsequently be recognised

on the balance sheet. It is only when cash is received in relation to the amount written-off that income is recognised in the income statement as a 'recovery of bad debt previously written-off'.

Debt forgiveness arises where there is a formal contract agreed with the customer for the write-off of a loan.

1.13. Collateral

The Bank obtains collateral in respect of customer advances where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities. The collateral is, in general, not recorded on the statement of financial position.

1.14. Loan commitments – Note 25

A loan commitment is a contract with a borrower to provide a loan or credit on specified terms at a future date. The contract may or may not be cancelled unconditionally at any time without notice depending on the terms of the contract.

The origination date for loan commitment contracts is the date when the contracts become irrevocable. The credit risk at this date is used to determine if a significant increase in credit risk has subsequently occurred.

Loan commitments are initially recognised in the financial statements at fair value on the origination date. Subsequent to initial recognition, the Bank applies the impairment provisions of IFRS 9 and calculates an ECL allowance for loan commitment contracts (i.e. those that are not measured at FVTPL).

The ECL allowance calculated on loan commitment contracts is reported within 'Provisions for liabilities and commitments'.

1.15. Non-credit risk provisions – Note 22

Provisions are recognised for present legal or constructive obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and the amount can be reliably estimated.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Payments are deducted from the present value of the provision, and interest at the relevant discount rate is charged annually to interest expense using the effective interest rate method. These are reported within 'Provisions for liabilities and commitments' in the statement of financial position.

1.16. Share capital and reserves – Notes 23 and 24

Share capital

Share capital comprises the ordinary shares of the Bank. Share capital represents funds raised by issuing shares in return for cash or other consideration.

Dividends and distributions

Final dividends on ordinary shares are recognised as a liability in the Bank's financial statements in the period in which they are approved by the shareholders of the Bank. Proposed dividends that are declared after the end of the reporting date are not recognised as a liability.

Capital reserves

Capital reserves represent a cash contribution from AIB.

Revenue reserves

Revenue reserves include the following:

- Retained earnings of the Bank; and
- Amounts arising from the capital reduction undertaken by the Bank in June 2019.

Notes to the financial statements

2. Critical accounting judgements and estimates

The accounting judgements that have the most significant effect on the amounts recognised in the financial statements, and the estimates that have a significant risk of material adjustment in the next year are set out below.

Significant judgements

The significant judgements made by the Bank in applying its accounting policies are in relation to the impairment of financial assets.

The application of some of these judgements also involves estimations which are discussed separately.

Impairment of financial assets

The Bank's accounting policy for impairment of financial assets is set out in accounting policy 1.12 in note 1. Details of the Bank's net credit impairment writeback are set out in note 11 and ECL allowance on loans and advances to customers are set out in note 15.

The calculation of the ECL allowance is complex and requires the use of a number of accounting judgements.

The most significant judgements applied by the Bank in determining the ECL allowance are as follows:

- Determining the criteria for a significant increase in credit risk and for being classified as credit impaired; and
- Determining the need for and an appropriate methodology for post model adjustments.

Details of the management judgement and the governance process, relating to ECL, are set out in note 26.

Critical accounting estimates

The accounting estimates with a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year were in relation to the impairment of financial assets.

Impairment of financial assets

The Bank's accounting policy for impairment of financial assets is set out in accounting policy 1.12 in note 1. Details of the Bank's ECL allowance are set out in note 15.

The key estimates and assumptions that the Bank has used in determining the ECL allowance are as follows:

- Establishing the number and relative weightings for forward looking scenarios;
- The assumptions for measuring ECL (e.g. probability of default (PD), loss given default (LGD) and exposure at default (EAD) and the parameters to be included within the models for modelled ECL); and
- The estimation of post model adjustments where required.

The calculation of the ECL allowance is complex and therefore the Bank must consider large amounts of information in its determination. This process requires significant use of estimates and assumptions, some of which by their nature are highly subjective and very sensitive to risk factors such as changes to economic conditions. Changes in the ECL allowance can materially affect net income.

On an ongoing basis, the various estimates and assumptions are reviewed in light of differences between actual and previously calculated expected losses. These are then recalibrated and refined to reflect current and evolving economic conditions. The ECL allowance is, in turn, reviewed and approved by AIB Group Credit Committee on a quarterly basis with the final Bank levels being recommended by the Bank's Audit Committee and approved by the Bank's Board. Further detail on the ECL governance process is set out on pages 52 to 53.

The macroeconomic variables used in models to calculate ECL allowance are based on assumptions, forecasts and estimates against a backdrop of an evolving economic landscape. Accordingly, developments in local and international factors could have a material bearing on the ECL allowance within the next financial year. The Bank's sensitivity to a range of macroeconomic factors under the (i) base forecast; (ii) upside; and (iii) downside scenarios is set out on page 54.

The Bank has developed a standard approach for the measurement of ECL for the majority of the Bank's exposures where each ECL input parameter (e.g. PD, LGD and EAD) is developed in line with standard modelling methodology. These are discussed further on page 51. When considering changes in these assumptions collectively, there is a significant risk of a material adjustment to the Bank's ECL allowance within the next financial year.

Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes, or where there is a significant degree of uncertainty, management may consider it appropriate for an adjustment to ECL. These are referred to as post model adjustments and are set out in detail on page 55.

The sensitivity of the carrying amounts of the ECL to changes in the assumptions for measuring ECL, and the estimation of post model adjustments where required have not been provided given their diverse nature, their interrelationship and the number of estimates and assumptions involved.

Notes to the financial statements

3. Interest and similar income

	2025	2024
	€m	€m
Interest on loans and advances to banks	—	1
Interest on loans and advances to customers	612	614
Interest earned from AIB	34	215
Interest income calculated using the effective interest rate method	646	830

Interest income calculated using the effective interest rate method relates to financial assets measured at amortised cost.

4. Interest and similar expense

	2025	2024
	€m	€m
Interest on debt securities in issue (external)	1	1
Interest on debt securities in issue to AIB	261	370
Interest payable to AIB	203	348
Interest expense calculated using the effective interest rate method	465	719

Interest expense calculated using the effective interest rate method relates to financial liabilities measured at amortised cost.

5. Fee income

	2025	2024
	€m	€m
Income received from AIB	62	264
	62	264

The pricing agreements between AIB and the Bank reflect the OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and which take account of the functions, risks and assets involved.

6. Net trading expense

	2025	2024
	€m	€m
Interest rate contracts	84	220
	84	220

The net trading expense reflects a movement in the fair value of derivatives used to manage interest rate risk arising on mortgage loans to customers and which are not designated in a hedging relationship under IAS 39. Changes in their fair value are recognised immediately in the income statement. The decrease in the fair value of derivatives, which provide an economic hedge for interest rate risk on loans and advances to customers, is due to lower long term Euro interest rates and shorter swap duration in 2025.

Notes to the financial statements

7. Net gain on other financial assets measured at FVTPL

	2025	2024
	€m	€m
Loans and advances to customers	2	2
	2	2

8. Net gain on derecognition of financial assets measured at amortised cost

	2025		2024	
	Carrying value of derecognised financial assets measured at amortised cost	Gain from derecognition	Carrying value of derecognised financial assets measured at amortised cost	Gain from derecognition
	€m	€m	€m	€m
Loans and advances to customers	37	1	—	1

Derecognition in 2025 relates to the sale of a portfolio of non-performing loans (for credit management purposes) where credit deterioration had occurred. There were no loan disposals in 2024. The gain of €1m in 2024 relates to price adjustments on loans disposed of in 2022.

9. Operating expenses

	2025	2024
	€m	€m
Amounts payable to AIB	153	158
Other administrative expenses/(writeback)	2	(1)
	155	157

Amounts payable to AIB are for services provided to the Bank under the Outsourcing and Agency Agreement. For 2025 this required a payment of €153m (2024: €158m) in respect of allocated costs.

Other administrative expenses/(writeback) increased by €3m in 2025 due to a reduction in writeback on provisions for liabilities and commitments of €1m (2024: €4m). See note 22 for further information.

For the financial year ended 31 December 2025 the monthly average number of employees was nil (2024: nil). As at 31 December 2025, the Bank had no employees (2024: nil).

A small number of AIB employees maintain a parallel employment relationship with the Bank in order to facilitate delivery of outsourced service activities under the Outsourcing and Agency Agreement with AIB. These parallel employments are unremunerated. These employees of AIB in the Republic of Ireland have a primary employment relationship with AIB which maintains day-to-day control over them and remains responsible for the payment of their remuneration as well as accounting for tax and other payroll deductions.

Personnel expenses

Personnel expenses capitalised during the financial year were nil (2024: nil). Personnel expenses borne by AIB are allocated to the Bank under an Outsourcing and Agency Agreement.

Notes to the financial statements

10. Auditor's remuneration

The disclosure of Auditor's remuneration is in accordance with Section 322 of the Companies Act 2014. This mandates disclosure of remuneration paid/payable to the Bank's Auditor (PricewaterhouseCoopers) for services relating to the audit of the Bank's financial statements in the categories set out below.

	2025 €'000	2024 €'000
Auditor's remuneration (excluding VAT)		
Audit of financial statements	145	145
Other assurance services	—	—
Other non-audit services	—	—
	145	145

The amounts in the table above relate to fees payable to the Bank's statutory auditor PricewaterhouseCoopers.

The Bank's policy on the provision of non-audit services includes the prohibition on the provision of certain services and the pre-approval by the AIB Group Board Audit Committee of the engagement of the Auditor for non-audit work.

11. Net credit impairment writeback

The following table analyses the income statement net credit impairment writeback on financial instruments for the years ended 31 December 2025 and 2024:

	2025		2024	
	Measured at amortised cost	Total	Measured at amortised cost	Total
	€m	€m	€m	€m
Net measurement of ECL allowance				
Loans and advances to customers	13	13	21	21
Loan commitments	1	1	(1)	(1)
Net remeasurement of ECL allowance	14	14	20	20
Recoveries of amounts previously written-off	3	3	3	3
Net credit impairment writeback	17	17	23	23

12. Taxation

	2025 €m	2024 €m
Current tax		
Current tax on income for the year	(3)	(3)
Current tax charge for the year	(3)	(3)
Total tax charge for the year	(3)	(3)
Effective income tax rate	12.5 %	12.5 %

Notes to the financial statements

12. Taxation *continued*

Factors affecting the effective tax rate

The following table sets out the difference between the tax charge that would result from applying the standard corporation tax rate in Ireland of 12.5% and the actual tax charge for the year:

	2025		2024	
	€m	%	€m	%
Profit before tax	25		24	
Tax charge at standard corporation tax rate in Ireland of 12.5%	(3)	12.5	(3)	12.5
Tax charge	(3)	12.5	(3)	12.5

AIB Group, together with its subsidiaries (the Group) is within the scope of the global minimum top-up tax under Pillar Two tax legislation from 1 January 2024, however the Group is not liable to any additional top-up tax expense for the period in Ireland nor in any of the other jurisdictions in which it operates. This is because the Pillar Two effective tax rate in each of those jurisdictions is above 15% or transitional exemptions apply.

13. Derivative financial instruments

The Bank uses two different types of interest rate swaps to hedge interest rate risk. The first type is used to hedge interest rate risk on mortgage loan accounts both within the Cover Assets Pool and outside the Cover Assets Pool, effectively converting interest receivable from a fixed rate basis to a floating rate basis. Although these swaps are considered to be an effective hedge in economic terms, the Bank has not applied Macro Fair Value hedging relationship under IAS 39 with the mortgage loan accounts and consequently, they are classified as “held for trading”. There is an option for the Bank to terminate the swaps without cost on any reset date.

The Bank also uses interest rate swaps to hedge the externally issued mortgage covered securities, converting interest payable from a fixed rate basis to a floating rate basis. Effective fair value hedging relationships have been

established between these swaps and the underlying covered bonds and consequently the change in fair value of the swaps is largely offset by fair value movements in the covered bonds themselves.

All hedging instruments are included within derivative financial instruments on the statement of financial position and ineffectiveness is included within net trading income in the income statement. AIB is the counterparty to all derivative contracts noted below.

The following table shows the notional principal amount and the fair value of derivative financial instruments analysed by product and purpose at 31 December 2025 and 2024. A description of how the fair values of derivatives are determined is set out in note 28.

	2025			2024		
	Notional principal amount €m	Fair values		Notional principal amount €m	Fair values	
		Assets €m	Liabilities €m		Assets €m	Liabilities €m
Derivatives held for trading						
Interest rate swaps	19,382	27	—	18,806	110	—
Derivatives held for hedging						
Interest rate swaps	25	2	—	25	3	—
Total derivative financial instruments	19,407	29	—	18,831	113	—

Notes to the financial statements

13. Derivative financial instruments *continued*

Nominal values and average interest rates by residual maturity

At 31 December 2025 and 2024, the Bank held the following hedging instruments of interest rate risk in fair value hedges. The Bank has disclosed, by risk category, tabular information in relation to the hedging instrument for fair value hedges in line with the requirements of IFRS 7. In 2024, additional voluntary disclosures were provided in relation to hedged items. The comparatives have been re-presented to align with the disclosure in 2025.

	2025				
	Up to 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Fair value hedges - Interest rate risk					
Liabilities					
Interest rate swaps - nominal principal amount (€m)	—	—	25	—	25
Average interest rate (%)	—	—	5.12	—	5.12
					2024
	Up to 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Fair value hedges - Interest rate risk					
Liabilities					
Interest rate swaps - nominal principal amount (€m)	—	—	5	20	25
Average interest rate (%)	—	—	5.58	5.00	5.12

Fair value hedges of interest rate risk

The tables below set out the amounts relating to items designated as (a) hedging instruments and (b) the hedged items in fair value hedges of interest rate risk together with the related hedge ineffectiveness at 31 December 2025 and 2024. The Bank has disclosed, by risk category, tabular information in relation to the hedging instrument for fair value hedges in line with the requirements of IFRS 7. In 2024, additional voluntary disclosures were provided in relation to hedged items. The comparatives have been re-presented to align with the disclosure in 2025.

	2025				
	Nominal amount of hedging instrument	Carrying amount of hedging instrument		Change in fair value used for calculating hedge ineffectiveness for the year	Hedge ineffectiveness recognised in the income statement
Hedging instrument	€m	Assets €m	Liabilities €m	€m	€m
Interest rate swaps	25	2	—	—	—

	2025					
	Carrying amount of hedged item recognised in the statement of financial position		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value of hedged item used for calculating hedge ineffectiveness for the year	Remaining adjustments for discontinued hedges
Line item in statement of financial position where hedged item is included	Assets €m	Liabilities €m	Assets €m	Liabilities €m	€m	€m
Debt securities in issue	—	(26)	—	(1)	—	—

Notes to the financial statements

13. Derivative financial instruments *continued*

Fair value hedges of interest rate risk *continued*

Hedging instrument	Nominal amount of hedging instrument €m	Carrying amount of hedging instrument		Change in fair value used for calculating hedge ineffectiveness for the year €m	Hedge ineffectiveness recognised in the income statement €m
		2024			
		Assets €m	Liabilities €m		
Interest rate swaps	25	3	—	—	—

Line item in statement of financial position where hedged item is included	Carrying amount of hedged item recognised in the statement of financial position		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value of hedged item used for calculating hedge ineffectiveness for the year €m	Remaining adjustments for discontinued hedges €m
	2024		2024			
	Assets €m	Liabilities €m	Assets €m	Liabilities €m		
Debt securities in issue	—	(27)	—	(2)	—	—

14. Loans and advances to banks

	2025 €m	2024 €m
At amortised cost		
Funds placed with banks	6	121
Funds placed with AIB	117	—
	123	121
ECL allowance	—	—
	123	121
Analysed by remaining maturity:		
3 months or less	123	121

The funds placed with banks of €6m (2024: €121m) (held by Barclays Bank Ireland PLC) and the funds placed with AIB of €117m (2024: nil) represent cash substitution pool assets and are restricted cash balances. Cash substitution pool assets are an ACS Act 2001 (section 6) concept whereby certain non-mortgage assets can be held as part of the Cover Assets Pool in addition to the mortgage credit assets. Covered Asset Monitor (CAM) consent is required to be obtained before cash can be taken out of the Substitution Bank Accounts held by Barclays Bank Ireland PLC and AIB.

The Barclays Bank Ireland PLC and AIB credit rating at 31 December 2025 with Standard & Poor's were both A+.

Notes to the financial statements

15. Loans and advances to customers

	2025	2024
	€m	€m
At amortised cost		
Loans to customers	19,320	18,713
ECL allowance	(57)	(92)
Total loans and advances to customers	19,263	18,621
Analysed by remaining maturity:		
Repayable on demand	84	123
3 months or less	1	1
1 year or less but over 3 months	16	17
5 years or less but over 1 year	447	457
Over 5 years	18,772	18,115
Gross carrying amount	19,320	18,713
ECL allowance	(57)	(92)
Total loans and advances to customers	19,263	18,621

For details of credit quality of loans and advances to customers, refer to section 26.1 Credit risk of note 26.

Amounts repayable on demand include instances where customers have failed to meet specified repayment terms, and are therefore, classified as repayable on demand in accordance with their lending conditions. Loans and advances to customers comprise AIB branch and intermediary originated residential mortgages in the Republic of Ireland. This portfolio is well diversified by borrower and geographical location within the Republic of Ireland.

ECL allowance on loans and advances to customers

The following table shows the movements on the ECL allowance on loans and advances to customers. Further information is disclosed in the Gross loans and ECL movement tables in note 26.

	2025	2024
	€m	€m
At 1 January	92	115
Net remeasurement of ECL allowance - customers	(13)	(21)
Changes in ECL allowance due to write-offs	—	(2)
Changes in ECL allowance due to disposals	(22)	—
At 31 December	57	92

16. Other assets

	2025	2024
	€m	€m
Proceeds due from disposal of loan portfolio ⁽¹⁾	40	3
	40	3

⁽¹⁾ECL: nil (2024: nil)

Notes to the financial statements

17. Prepayments and accrued income

	2025	2024
	€m	€m
Accrued interest	31	34
	31	34

18. Deposits by banks

	2025	2024
	€m	€m
Bank borrowings - due to AIB	5,670	6,560
	5,670	6,560
Analysed by remaining maturity:		
Repayable on demand	5,670	6,560
	5,670	6,560

The Bank has a borrowing facility with its parent company, AIB, under which the parent company provides the balance of funding after the Bank has availed of other sources of funds. The reduction in deposits by banks of €890m is primarily driven by an increase in debt securities in issue, partially offset by growth in assets during 2025.

19. Debt securities in issue

	2025	2024
	€m	€m
Mortgage covered securities in issue to external investors and internal issuances at nominal value:		
External investors	25	25
AIB	12,000	10,500
	12,025	10,525
Mortgage covered securities in issue to external investors and internal issuances at carrying value:		
External investors	26	27
AIB	12,049	10,582
	12,075	10,609
Analysed by remaining maturity:		
3 months or less	—	—
1 year or less but over 3 months	752	1,506
5 years or less but over 1 year	7,572	6,831
Greater than 5 years	3,751	2,272
Carrying value of debt securities in issue	12,075	10,609

The carrying value of the mortgage covered securities includes €49m in unamortised premiums on issue (2024: €82m) and €1m in hedged item fair value on the external issuances (2024: €2m).

Notes to the financial statements

19. Debt securities in issue *continued*

Analysis of movements in debt securities in issue

	2025	2024
	€m	€m
At 1 January	10,609	9,900
Issued during the year	3,000	2,250
Repurchased	(1,500)	(1,500)
Amortisation	(33)	(41)
Other	(1)	—
At 31 December	12,075	10,609

The Bank is an issuer of mortgage covered securities under the ACS Acts. The ACS Acts require that mortgage covered securities are secured by assets that are included in a Cover Assets Pool maintained by the issuer and that a register of mortgage covered securities business is kept.

At 31 December 2025, the Cover Assets Pool amounted to €15,931m (2024: €15,282m), comprising of €15,808m (2024: €15,161m) of mortgage credit assets (mortgage loan accounts) and €123m (2024: €121m) of substitution assets (cash on deposit with suitably rated credit institutions).

Section 40(2) of the ACS Acts requires that the following information be disclosed in respect of mortgage credit assets that are recorded in the register of mortgage covered securities business.

(a) Mortgaged properties and principal loan balances outstanding in the cover assets pool

From	To	2025		2024	
		Total loan balances ⁽¹⁾⁽²⁾ €m	Number of mortgaged properties	Total loan balances ⁽¹⁾⁽²⁾ €m	Number of mortgaged properties
€0	€100,000	2,020	38,358	2,054	38,988
€100,000	€200,000	5,408	37,045	5,519	37,875
€200,000	€500,000	7,344	25,817	6,643	23,726
Over €500,000		1,036	1,523	945	1,392
		15,808	102,743	15,161	101,981

⁽¹⁾The total loan balances are categorised by the total loan balance outstanding per mortgaged property, including principal and interest charged to the loan accounts, but excluding interest accrued but not charged to the loan accounts.

⁽²⁾There could be one or more loan accounts per mortgaged property. The Cover Assets Pool contains 112,649 loan accounts (2024: 112,217) secured on 102,743 properties (2024: 101,981).

(b) Geographical location of mortgaged properties in the cover assets pool

	2025		2024	
	Number of mortgaged properties		Number of mortgaged properties	
Dublin	25,388	25 %	25,915	25%
Outside Dublin	77,355	75 %	76,066	75%
	102,743	100 %	101,981	100%

(c) Mortgage loan accounts in default in the cover assets pool

As at 31 December 2025, there were no mortgage loan accounts (2024: nil) in default in the Cover Assets Pool (in default being defined as impaired mortgage loan accounts).

(d) Mortgage loan accounts in default in the cover assets pool with arrears greater than €1,000

Loans with arrears in excess of €1,000 are removed from the Cover Assets Pool as they arise throughout the year. As at 31 December 2025 there were no loans in the Cover Assets Pool with arrears greater than €1,000 (2024: nil)

Notes to the financial statements

19. Debt securities in issue *continued*

(e) Replacement of non-performing mortgage loan accounts from the cover assets pool

During the financial year ended 31 December 2025, non-performing mortgage loan accounts which were removed from the Cover Assets Pool were not replaced with other assets as the Cover Assets Pool continued to meet all regulatory requirements.

(f) Amount of interest in arrears on mortgage loan accounts in the cover assets pool not written off

The total amount in arrears (including principal and interest) in respect of 776 accounts (2024: 834) as at 31 December 2025 was €769,332 (2024: €910,155), of which €307,147 (2024: €316,009) represented non-payment of interest. None of the accounts in question were written off as at 31 December 2025.

(g) Total principal and interest payments on mortgage loan accounts

The total amount of repayments (principal and interest) made by customers on mortgage loan accounts in the Cover Assets Pool during the year ended 31 December 2025 was €2,117m (2024: €2,010m), of which €1,609m (2024: €1,494m) represented repayment of principal and €508m (2024: €516m) represented payment of interest. The repayments of principal include the repayment of mortgage loan accounts by customers closing their existing accounts when opening a new account with the Bank.

(h) Number and amount of mortgage loans in the cover assets pool secured on commercial property

As at 31 December 2025, there were no loan accounts (2024: nil) in the Cover Assets Pool that were secured on commercial properties.

20. Accruals and deferred income

	2025	2024
	€m	€m
Accrued interest	19	22
Other accrued expense	2	2
	21	24

21. Tier 2 subordinated liabilities

		2025	2024
	Notes	€m	€m
Dated capital note	(a)	100	100
Perpetual capital note	(b)	200	200
		300	300

(a) €100,000,000 Dated Subordinated Capital Note

The loan to which this note relates was received from the parent company, AIB, on 13 February 2006. The Note has a fixed maturity date of 12 February 2031. Early repayment may occur at the option of the Bank with the prior consent of the Central Bank of Ireland on any interest payment date falling any time after five years and one day from the date of issuing the Note. Interest on the outstanding principal amount is calculated on a year of 360 days at a rate of 53 basis points over Euribor payable monthly in arrears.

The two capital notes are unsecured and all rights and claims of AIB shall be subordinated to the claims of all creditors who are depositors or other unsubordinated creditors of the Bank and creditors of the Bank whose claims are subordinated to the claims of depositors and other unsubordinated creditors of the Bank but excluding *pari passu* Subordinated Creditors and those creditors of the Bank whose claims rank or are expressed to rank junior to the claims of AIB.

(b) €200,000,000 Subordinated Perpetual Capital Note

The loan to which this note relates was received from AIB on 13 February 2006. The Note is undated and has no final maturity date but may be redeemed at the option of the Bank with the prior consent of the Central Bank of Ireland at any time after the fifth anniversary of its issue. Interest on the outstanding principal amount is calculated on a year of 360 days at a rate of 100 basis points over Euribor payable monthly in arrears.

Notes to the financial statements

22. Provisions for liabilities and commitments

	2025	2024
	€m	€m
At 1 January	12	17
Charged to income statement	—	2
Released to income statement	(1)	(6)
Provisions utilised	(1)	(1)
31 December	10	12
ECLs on loan commitments		
At 1 January	1	—
Net (writeback)/charge to income statement	(1)	1
At 31 December	—	1
Total provisions for liabilities and commitments	10	13

The total provisions for liabilities and commitments expected to be settled within one year amount to €10m (2024: €13m).

Provisions for liabilities and commitments at 31 December 2025 and 2024 represent provisions for customer redress and other costs.

The ECL allowance on loan commitments is presented as a provision in the balance sheet (i.e. as a liability under IFRS 9) and separate from the ECL allowance on financial assets.

Provisions for customer redress and other costs

Customer redress relates to remediation payments to customers and associated costs for certain legacy matters such as the 2020 Financial Services and Pensions Ombudsman decision and other customer redress provisions. The provision represents the Bank's best estimate of the costs of remediation of any remaining impacted customers, addressing customer appeals and closing out other related matters. Due to the complex nature of these legacy matters, they can take some time to resolve and the final outcome may be higher or lower depending on the finalisation of all associated matters.

23. Issued share capital presented as equity

	2025		2024	
	Number of shares m	€m	Number of shares m	€m
Authorised:				
Ordinary share capital				
Ordinary shares of €0.25 each	3,000	750	3,000	750
Issued and fully paid up:				
Ordinary share capital				
Ordinary shares of €0.25 each	1,745	436	1,745	436

All AIB Mortgage Bank Unlimited Company ordinary shares in issue confer identical rights, including in respect of capital, dividends and voting.

There were no movements in issued share capital during 2025 and 2024.

Notes to the financial statements

24. Capital reserves

	2025	2024
	€m	€m
At 1 January	580	580
At 31 December	580	580

Capital reserves represent a cash contribution from AIB.

25. Contingent liabilities and commitments

(i) Off balance sheet commitments

The following table gives the nominal or contract amounts of loan commitments:

	2025	2024
	€m	€m
Loan commitments		
Less than 1 year	793	812
1 year and over	25	28
	818	840

At 31 December 2025, the Bank had €818m (2024: €840m) of approved mortgage loan applications that had not been drawn down as at the year end.

(ii) Legal proceedings

The Bank, in the course of its business, is frequently involved in litigation cases. However, it is not, nor has been, involved in, nor are there, so far as the Bank is aware, pending or threatened by or against the Bank, any legal or arbitration proceedings, including governmental proceedings, which may have, or have had during the previous twelve months, a material effect on the financial position, profitability or cash flows of the Bank.

Notes to the financial statements

26. Financial risk management

This section provides details of the exposure to, and risk management of, the following individual financial risk types which have been identified through the Bank's Material Risk Assessment (MRA) process.

- 26.1 Credit risk;
- 26.2 Market risk;
- 26.3 Liquidity and funding risk; and
- 26.4 Capital adequacy risk.

26.1 Credit risk

Definition of credit risk

Credit risk is the risk that the Bank will incur losses as a result of a customer or counterparty being unable or unwilling to meet their contractual obligations and associated bank credit exposure in respect of loans or other financial transactions.

Based on the annual risk identification and materiality assessment process, credit risk is grouped into the following two sub-categories:

- i. Credit default risk: The risk of losses arising as a result of the counterparty not meeting their contractual obligations in full and on time and the resulting credit default risk/risk of loss leading to a risk to capital including residual risk (which is the risk that credit risk mitigation techniques used by the Bank prove less effective than expected); and
- ii. Concentration risk: The risk of excessive credit concentration including to an individual, counterparty, group of connected counterparties, a type of collateral or a type of credit facility.

The most significant credit risks assumed by the Bank arise from mortgage lending activities to customers in the Republic of Ireland. Credit risk also arises on funds placed with other banks, derivatives relating to interest rate risk management and 'off-balance sheet' commitments.

Credit Risk Framework

The Bank implements and operates policies to govern the identification, assessment, approval, monitoring and reporting of credit risk. The AIB Group Credit Risk Framework is the overarching AIB Group Board approved document which sets out the principles of how AIB Group identifies, assesses, approves, monitors and reports credit risk to ensure that robust credit risk management is in place. This document contains the minimum standards and principles that are applied across AIB Group to provide a common, robust and consistent approach to the management of credit risk. The AIB Group Credit Risk Framework is supported by a suite of credit policies, standards and guidelines which define in greater detail the minimum standards and credit risk metrics to be applied for specific products, business lines and market segments.

Credit risk management

Credit risk, as an independent risk management function, monitors key credit risk metrics and trends, including policy exceptions and breaches, reviews the overall quality of the loan book, challenges variances to planned outcomes and tracks portfolio performance against agreed credit risk indicators. This allows the Bank, if required, to take early and proactive mitigating actions for any potential areas of concern.

Credit approval overview

The Bank operates credit approval criteria which:

- Include a clear indication of the Bank's target market(s), in line with its RAS;
- Require a thorough understanding and assessment of the borrower or counterparty, as well as the purpose and structure of credit, and the source of repayment; and
- Enforce compliance with minimum credit assessment standards and facility structuring standards.

Credit risk approval is undertaken by professionals operating within a defined delegated authority framework. AIB Group Board is the ultimate credit approval authority. The AIB Group Board has delegated credit authority to various credit committees and to the Chief Credit Officer (CCO). The CCO is permitted to further delegate this credit authority to individuals within AIB Group on a risk appropriate basis. Credit limits are approved in accordance with the Bank's risk policies and guidelines.

All exposures above certain levels require approval by the AIB Group Credit Committee (GCC) and/or AIB Group Board. Other exposures are approved according to a structure of tiered individual authorities which reflect credit competence, proven judgement and experience. Depending on the borrower/connection, grade and the level of exposure, limits are sanctioned by the relevant credit authority. Material lending proposals are referred to credit units for independent assessment/approval or formulation of a recommendation and subsequent adjudication by the applicable approval authority.

AIB Group also has in place an Interbank Exposure Policy which establishes the maximum exposure for each counterparty bank, depending on credit grade rating. Each bank is assessed for the appropriate maximum exposure limit in line with the policy. Risk generating business units in each segment are required to have an approved bank and country limit prior to granting any credit facility, or approving any obligation or commitment which has the potential to create interbank or country exposure.

Credit risk organisation and structure

The Bank's credit risk management structure operates through a hierarchy of lending authorities. All customer mortgage applications are subject to a credit assessment process. The role of the AIB Group Credit Risk function is to provide direction, independent oversight and challenge of credit risk-taking.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Internal credit ratings

One of the objectives of credit risk management is to accurately quantify the level of credit risk to which the Bank is exposed through the initial credit approval and ongoing review process. All relevant exposures are assigned to a rating model and within that to an internal risk grade (rating). A grade is assigned on the basis of rating criteria within each rating model from which estimates of probability of default (PD) are derived.

Internal credit grades are fundamental in assessing the credit quality of loan exposures, and for assessing capital requirements for portfolios where prior regulatory approval has been received. Internal credit grades are key to management reporting, credit portfolio analysis, credit quality monitoring and in determining the level and nature of management attention applied to exposures. Changes in the objective information are reflected in the credit grade of the borrower/loan with the resultant grade influencing the management of individual loans. In line with the Bank's credit management lifecycle, heightened credit management and special attention is paid to lower quality performing loans or 'criticised' loans and non-performing/defaulted loans' which are defined below.

Using internal models, the Bank utilises a credit grading masterscale that gives it the ability to categorise credit risk across different rating models and portfolios in a consistent manner. The masterscale consolidates complex credit information into a single attribute, aligning the output from the risk models with the Bank's Forbearance and Definition of Default and Credit Impairment policies. The masterscale grades are driven by grading model appropriate through-the-cycle PDs combined with other asset quality indicators such as default, forbearance and arrears in order to provide the Bank with a mechanism for ranking and comparing credit risk associated with a range of customers.

The masterscale categorises loans into a broad range of grades which can be summarised into the following categories: strong/satisfactory grades, criticised grades and non-performing/default loans. The profile of the Bank's loan portfolio under each of the above grade categories is set out on page 58.

The IFRS 9 PD modelling approach uses a combination of rating grades and scores obtained from these credit risk models along with key factors such as the current/recent arrears status or the current/recent forbearance status and macroeconomic factors to obtain the relevant IFRS 9 12 month and Lifetime PDs (i.e. point-in-time). The Bank has set out its methodologies and judgements exercised in determining its expected credit loss under IFRS 9 on pages 49 to 55.

Strong/satisfactory

Accounts are considered strong/satisfactory if they have no current or recent credit distress and the probability of default is typically less than 6.95%, they are not in arrears and there are no indications that they are unlikely to repay:

- Strong (typically with a PD less than 0.99%): Strong credit with no weakness evident.
- Satisfactory (typically with a PD greater than or equal to 0.99% and less than 6.95%): Satisfactory credit with no weakness evident.

Criticised

Accounts of lower quality and considered as less than satisfactory are referred to as criticised and include the following:

- Criticised watch: The credit is exhibiting weakness in terms of credit quality and may need additional management attention; the credit may or may not be in arrears.
- Criticised recovery: Includes forbore cases that are classified as performing including those which have transitioned from non-performing forbore, but still require additional management attention to monitor for re-default and continuing improvement in terms of credit quality.

Non-performing/default

The Bank's definition of default is aligned with the EBA's 'Guidelines on the application of the definition of default' under Article 178 of the Capital Requirements Regulation and the ECB Banking Supervision 'Guidance to banks on non-performing loans'.

The Bank has aligned the definitions of 'non-performing', 'classification of default' and IFRS 9 Stage 3 'credit impaired', with the exception of loans measured at fair value through profit and loss, and those loans which have been derecognised and newly originated in Stage 1 or POCI (purchased or originated credit impaired) which are no longer classified as credit impaired but continue to be classified as non-performing and in default. This alignment ensures consistency with the Bank's internal credit risk management and assessment practices.

Loans are identified as non-performing or defaulted by a number of characteristics. The key criteria resulting in a classification of non-performing are:

- Where the Bank considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount, or
- The borrower is 90 days or more past due on any material loan. Day count starts when any material amount of principal, interest or fee has not been paid by a borrower on the due date.

The criteria for the definition of financial distress and forbearance are included in the AIB Group Forbearance policy. Criteria for the identification of non-performing exposures and unlikelihood to pay are included in AIB Group's Definition of Default and Credit Impairment policy.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit risk monitoring

The Bank has developed and implemented processes and information systems to monitor and report on individual credits and credit portfolios in order to manage credit risk effectively. There was significant investment by AIB Group during 2025 as part of the annual review of the AIB Group Credit Management Policy. This review incorporated material changes to reflect the introduction of the revised Credit Management Lifecycle. It is the Bank's practice to ensure that adequate up-to-date credit management information is available to support the credit management of individual account relationships and the overall loan portfolio. Credit risk, at a portfolio level, is monitored using key risk indicators and early warning indicators which are reported regularly to senior management of the Bank and to the AIB Group Board Risk Committee. Credit managers proactively manage credit risk exposures at a transaction and relationship level. Monitoring includes credit exposure and excess management, regular review of accounts, being up-to-date with any developments in customer circumstances, obtaining updated financial information and monitoring of covenant compliance. This is reported on a regular basis to senior management and includes information and detailed commentary on loan book growth, quality of the loan book and expected credit losses including individual large non-performing exposures.

Significant resources are allocated to ensure ongoing monitoring and compliance with approved risk limits. Credit risk, including compliance with key credit risk limits, is monitored monthly and is periodically reported to senior management. Once an account has been placed on a watch list, the exposure is carefully monitored and where appropriate, exposure reductions are effected.

Borrowers may be subject to an 'unlikely to pay' test at the time of annual review, or earlier if there is a material adverse change or event in their credit risk profile.

Through a range of forbearance solutions, a dedicated approach to loan workout, monitoring and proactive management of non-performing loans is employed. A specialised recovery function focuses on managing the majority of criticised loans and deals with customers in default, collection or insolvency. Their mandate is to support customers in difficulty while maximising the return on non-performing loans.

Credit risk mitigants

The perceived strength of a borrower's repayment capacity is the primary factor in granting a loan. However, the Bank uses various approaches to help mitigate risks relating to individual credits, including transaction structure, collateral and guarantees. The main types of collateral for loans and advances to customers are described under the following section on collateral. Credit policy and credit management standards are controlled and set centrally by the Credit Risk function.

Collateral

Collateral and/or guarantees are generally taken as a secondary source of repayment in the event of borrower default, in accordance with AIB Group lending policies.

The principal collateral types for loans and advances are mortgage or legal charge over residential property.

Methodologies for valuing collateral

Details on the valuation rule methodologies applied and processes used to assess the value of property assets taken as collateral are described in AIB Group's Property Valuation Policy and are subject to an annual review.

As the Bank's loans and advances portfolio is composed of mortgage loans, some key principles have been applied in respect of the valuation of property collateral held by the Bank.

The value of property collateral is assessed at loan origination and at certain stages throughout the credit lifecycle in accordance with the AIB Group Property Valuation Policy, e.g. at annual review, where required.

In accordance with the AIB Group Property Valuation Policy, the valuation approaches follow Global International Valuation Standards for secured lending purposes. All valuations undertaken by the Bank's panel of valuers must adhere to the valuation approaches outlined in these standards. The Bank employs the following method to assist in reaching appropriate valuations for property collateral held:

- External valuation firms on AIB Group's Valuers Panel, are engaged by the Bank to undertake valuations of immovable property collateral in accordance with the rules set out in the AIB Group Property Valuation Policy.

Collateral and ECLs

Applying the above methodologies, in line with the AIB Group Property Valuation Policy, has resulted in an appropriate range of adjustments to original collateral valuations, influenced by the nature, status and year of purchase of the asset. The frequency and availability of such up-to-date valuations remain a key factor within ECL determination. Additionally, relevant costs likely to be associated with the realisation of the collateral are taken into account in the cash flow forecasts. The spread of discounts is influenced by the type of collateral, e.g. buy-to-let, residential and also its location. The valuation arrived at is therefore, a function of the nature of the asset.

When undertaking an ECL review for individually assessed cases that have been deemed unlikely to pay, the present value of future cash flows, including the value of collateral held, and the likely time required to realise such collateral is estimated. An ECL allowance is raised for the difference between this present value and the carrying value of the loan.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit risk mitigants *continued*

Summary of risk mitigants by selected portfolios

Set out below are details of risk mitigants used by the Bank in relation to financial assets detailed in the 'Maximum exposure to credit risk' table on page 56.

Measurement, methodologies and judgements

Introduction

The Bank has set out the methodologies used and judgements exercised in determining its ECL allowance for the year to 31 December 2025.

The Bank, in estimating its ECL allowance does so in line with the expected credit loss impairment model as set out by IFRS 9 *Financial Instruments* (the standard). This model requires a timely recognition of ECL across AIB Group. The standard does not prescribe specific approaches to be used in estimating ECL allowance, but stresses that the approach must reflect the following:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- Underlying models should be point-in-time and forward looking – recognising economic conditions;
- The ECL must reflect the time value of money;
- A lifetime ECL is calculated for financial assets in Stages 2 and 3 and Purchased or Originated Credit Impaired (POCI); and
- The ECL calculation must incorporate reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The standard defines credit loss as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (EIR) or an approximation thereof.

ECLs are defined in the standard as the weighted average of credit losses across multiple macroeconomic scenarios, with weights assigned based on the probability of each scenario occurring, and are an estimate of credit losses over the life of a financial instrument.

The ECL model applies to financial instruments measured at amortised cost or at fair value through other comprehensive income. In addition, the ECL approach applies to loan commitments that are not measured at fair value through profit or loss.

A key principle of the ECL model is to reflect any relative deterioration or improvement in the credit quality of financial instruments occurring (e.g. change in the risk of default). The ECL amount recognised as a loss allowance or provision depends on the extent of credit deterioration since initial

Residential mortgages

For residential mortgages, the Bank takes collateral in support of lending transactions for the purchase of residential property. Collateral valuations are required at the time of origination of each residential mortgage.

recognition together with the impact on credit risk parameters.

Bases of measurement

Under the standard, there are two bases of measurement:

1. 12-month ECL (Stage 1), which applies to all financial instruments from initial recognition as long as there has been no significant increase in credit risk; and
2. Lifetime ECL (Stages 2 and 3 and POCI), which applies when a significant increase in credit risk has been identified on an account (Stage 2), an account has been identified as being credit-impaired (Stage 3) or when an account meets the POCI criteria.

Staging

Financial assets are allocated to stages dependent on credit quality relative to when assets were originated. A financial asset can only originate in either Stage 1 or POCI.

Credit risk at origination

Credit risk at origination (CRAO) is a key input into the staging allocation process. The origination date of an account is determined by the date on which the Bank became irrevocably committed to the contractual obligation and the account was first graded on an appropriate model.

For undrawn credit facilities, the Bank uses the date of origination as the date when it becomes party to the irrevocable contractual arrangements or irrevocable commitment.

The Bank uses best available information for facilities which originated prior to a credit risk rating model or scorecard being in place.

For accounts that originated prior to 1 January 2018, a neutral view of the macroeconomic outlook at the time is used, i.e. where macroeconomic variables are used in the Lifetime PD models, long-run averages are used instead of historical forecasts.

Stage 1 characteristics

Obligations are classified Stage 1 at origination, unless POCI, with a 12 month ECL being recognised. These obligations remain in Stage 1 unless there has been a significant increase in credit risk.

Accounts can also return to Stage 1 if they no longer meet either the Stage 2 or Stage 3 criteria, subject to satisfaction of the appropriate probation periods, in line with regulatory requirements.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

Stage 2 characteristics

Obligations where there has been a 'significant increase in credit risk' (SICR) since initial recognition but do not have objective evidence of credit impairment are classified as Stage 2. For these assets, lifetime ECLs are recognised.

The Bank assesses at each reporting date whether a significant increase in credit risk has occurred on its financial obligations since their initial recognition. This assessment is performed on individual obligations, however where appropriate, a collective assessment at a portfolio level can be undertaken. If the increase is considered significant, the obligation will be allocated to Stage 2 and a lifetime ECL will apply to the obligation. If the change is not considered significant, a 12 month ECL will continue to apply and the obligation will remain in Stage 1.

SICR assessment

The Bank's SICR assessment is determined based on both quantitative and qualitative measures:

Quantitative measure: This measure reflects an arithmetic assessment of the change in credit risk arising from changes in the probability of default. The Bank compares each obligation's annualised average probability weighted residual origination lifetime probability of default (LTPD) (see 'Credit risk at origination') to its current estimated annualised average probability weighted residual LTPD at the reporting date. If the difference between these two LTPDs meets the quantitative definition of SICR, the Bank transfers the financial obligation into Stage 2. Increases in LTPD may be due to credit deterioration of the individual obligation or due to macroeconomic factors or a combination of both. The Bank has determined that an account had met the quantitative measure if the average residual LTPD at the reporting date was at least double the average residual LTPD at origination, and the difference between the LTPDs was at least 85bps. The appropriateness of this threshold is kept under review by the Bank.

Qualitative measure: This measure reflects the assessment of the change in credit risk based on the Bank's credit management and the individual characteristics of the financial asset. This is not model driven and seeks to capture any change in credit quality that may not be already captured by the quantitative criteria.

The qualitative assessment reflects proactive credit management including monitoring of account activity on an individual or portfolio level, knowledge of client behaviour and cognisance of industry and economic trends.

The criteria for this qualitative trigger include, for example:

- A downgrade to watch grade of the borrower's/facility's credit grade reflecting the increased credit management focus on these accounts; and/or

- Forbearance has been provided and the account is within the probationary period and the forbearance treatment does not result in Stage 3 classification.

Backstop indicators: The Bank has adopted the rebuttable presumption within IFRS 9 that loans greater than 30 days past due represent a significant increase in credit risk.

Where SICR criteria are no longer a trigger, the account can exit Stage 2 and return to Stage 1.

Stage 3 characteristics

Defaulted obligations (with the exception of newly originated loans that are in Stage 1 or POCI) are classified as credit impaired and allocated to Stage 3. Where default criteria are no longer met, the borrower exits Stage 3 subject to a probation period in line with regulatory requirements.

The key criteria resulting in a classification of default are:

- Where the Bank considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount; or
- The borrower is 90 days or more past due on any material loan (day count starts when any amount of principal, interest or fee has not been paid by a borrower at the date it was due).

Identification of non-performing exposures and unlikelihood to pay are included in the AIB Group Definition of Default and Credit Impairment policy.

Purchased or originated credit impaired (POCI)

POCIs are assets originated credit impaired and that have a discount to the contractual value when measured at fair value. The Bank uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted effective interest rate. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition.

POCI obligations remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCI obligations is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative change in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

Measurement of expected credit loss

The measurement of ECL is estimated through one of the following approaches:

- i. Standard approach: This approach is used for the majority of exposures where each ECL input parameter (Probability of Default - PD, Loss Given Default - LGD, Exposure at Default - EAD, and Prepayments - PP) is developed in line with standard modelling methodology. The Bank's IFRS 9 models have been developed and approved in line with AIB Group's Model Risk Management Framework.
- ii. Simplified approach: For portfolios not on the standard approach, the Bank has followed a simplified approach. This approach consists of applying portfolio level ECL averages, drawn from similar portfolios, where it is not possible to estimate individual parameters. These generally relate to portfolios where specific IFRS 9 models have not been developed due to immateriality, low volumes or where there are no underlying grading models. As granular PDs are not available for these portfolios, a non-standard approach to staging is required with more reliance on the qualitative criteria (along with the 30 days past due backstop).
- iii. Management judgement: Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes or where there is a significant degree of uncertainty, management judgement may be considered appropriate for an adjustment to ECL. The management adjustment must consider all relevant and supportable information, including but not limited to, historical data analysis, predictive modelling and management experience. The methodology to incorporate the adjustment should consider the degree of any relevant over collateralisation (headroom) and should not result in a zero overall ECL unless there is sufficient headroom to support this. The key post model adjustments (PMAs) in the 2025 year-end ECL estimates are outlined on page 55.

IFRS 9 ECL Credit risk models

The IFRS 9 ECL models provide the risk parameters which are the inputs into the model driven estimate of ECL which is used across all exposures on the standard approach to ECL.

Probability of default

Probability of default (PD) is the likelihood that an account or borrower defaults over an observation period, given that they are not currently in default for each year of the expected contractual lifetime of the exposure. The PD is a point-in-time estimate which is reflective of the current and expected economic conditions.

In order to capture the appropriate risk dynamics across the lifetime of the exposure the development process considers:

- Macroeconomic effects captured through factors such as unemployment rate and GDP;

- Cross-sectional risk discriminators, in particular the internal rating model outputs plus other factors such as forbearance and days past due; and
- Seasoning factors such as product type, delinquency and forbearance status.

Loss given default

Loss given default (LGD) is a current assessment of the amount that will not be recovered in the event of default, taking account of future conditions. It can be thought of as the difference between the amount owed to the Bank (i.e. the exposure) and the net present value of future cash flows less any relevant costs expected to be incurred in the recovery process. If an account returns to performing from default (excluding any loss making concession) or if the discounted post-default recoveries are equal to or greater than the exposure, the realised loss is (close to) zero.

The LGD modelling approach generally depends on whether the facility has underlying security and, if so, the nature of that security.

The value of underlying property collateral is estimated at the forecasted time of disposal (taking into account forecasted market price growth/falls and haircuts on market values that are expected at the date of sale plus associated relevant costs) in order to calculate the future recovery amount.

Exposure at default

Exposure at default (EAD) is defined as the exposure amount that will be owed by a customer at the time of default. This will comprise changes in the exposure amount between the reporting date and the date that the customer defaults. This may be due to repayments, interest and fees charged and additional drawdowns by the customer.

Prepayments

For term credit products, prepayment occurs where a customer fully prepays an account prior to the end of its contractual term.

Prepayment is used in the lifetime ECL calculation for Stage 2 loans to account for the proportion of the facilities/customers that prepay each year.

Determining the period over which to measure ECL

Both the origination date and the expected maturity of a facility must be determined for ECL purposes. The origination date is used to measure credit risk at origination.

The expected maturity is used for assets in Stage 2, where the ECL must be estimated over the remaining life of the facility.

The expected maturity approach for term credit products is the contractual maturity date, with exposure and survival probability adjusted to reflect behaviour i.e. amortisation and prepayment.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

Forward looking indicators in models

For ECL calculations reliant on models in the standard and simplified approaches, forward looking indicators are incorporated into the models through the use of macroeconomic variables. These have been identified statistically as the key macroeconomic variables that drive the parameter being assessed (e.g. PD or LGD). The final model structure incorporates these as inputs with the 12 month and lifetime calculations utilising the macroeconomic forecasts for each scenario. See the Macroeconomic scenarios and weightings section for more detail on the process for generating scenarios and associated key macroeconomic factors relevant for the models. In circumstances where there is a risk that the modelled output fails to capture the appropriate response to changes in the macroeconomic environment such as inflation and interest rate changes, these risks are captured through the use of post model adjustments.

Effective interest rate

ECLs are discounted to the reporting date using the effective interest rate (EIR) set at initial recognition, or a suitable approximation. The Bank applies an account-level interest rate as an approximation for both drawn and undrawn commitments. This approach is reviewed annually to ensure it remains appropriate and does not materially misstate ECL. Testing has confirmed that using current interest rates provides an appropriate approximation for ECL discounting.

Policy elections and simplifications

Low credit risk exemption

The Bank utilises practical expedients, as allowed by IFRS 9, for the stage allocation of particular financial instruments which are deemed 'low credit risk'. This practical expedient permits the Bank to assume, without more detailed analysis, that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have 'low credit risk' at the reporting date. The Bank allocates such assets to Stage 1.

Under IFRS 9, the credit risk on a financial instrument is considered low if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic business conditions in the longer term may, (but will not necessarily), reduce the ability of the borrower to fulfil its contractual cash flow obligations.

This low credit risk exemption is applied to loans and advances to banks, specifically, assets which have an internal grade equivalent to an external investment grade (BBB-) or higher.

The Bank applies a quantitative backstop trigger of a tripling of the probability of default subject to a minimum threshold movement of 30bps to determine whether assets subject to the low credit risk exemption should be allocated to Stage 2.

Additionally, if any of such assets are on a watch list based on agreed criteria, they are allocated to Stage 2.

Write-offs

When the prospects of recovering a loan, either partially or fully, do not improve, a point may come when it will be concluded that as there is no realistic prospect of recovery, the loan and any related ECL will be written-off. The Bank determines, based on specific criteria, the point at which, there is no reasonable expectation of recovery. When the following criteria exist (or comparable circumstances arise), the loan can be subject to a partial or full write-off:

- A decision has been taken to enforce on a loan, due to no agreement with the customer for a restructure/settlement and all customer engagement with the Bank regarding their loan agreement has ceased;
- Inception of formal insolvency proceedings has commenced or is about to commence;
- Receivership or other formal recovery action (e.g. where expectation of recovery of collateral is expected through enforcement activity but no additional recoveries above the collateral value are anticipated) has commenced or is about to commence; and
- A loan is substantially provided for or no material repayments have been received for a period of time (minimum 12 months) and all customer engagement with the Bank regarding their loan agreement has ceased.

Debt forgiveness may subsequently arise where there is a formal contract with the customer for the write-off of the loan. In addition, certain forbearance solutions and restructuring agreements may include an element of debt write-down (debt forgiveness).

The contractual amount outstanding of loans written off during the year that are still subject to enforcement activity are outlined on page 61 and relate to non-contracted write-offs, both full and partial. The Bank recognises cash received from the customer in excess of the carrying value of the loan after a non-contracted write-off as 'recoveries of amounts previously written-off' in the income statement.

ECL governance

The Board of AIB Group has put in place a framework, incorporating the governance and delegation structures commensurate with a material risk, to ensure credit risk is appropriately managed throughout AIB Group.

The key governance points in the ECL approval process during 2025 were:

- Model Risk Committee;
- Asset and Liability Committee;
- Business level ECL Forum;
- Group Credit Committee; and
- Board Audit Committee.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

ECL governance *continued*

For ECL governance, the Bank's management employs its expert judgement in assessing the adequacy of the ECL allowance. This is supported by detailed information on the portfolios of credit risk exposures, and by the outputs of the measurement and classification approaches, coupled with internal and external data provided on both the short-term and long-term economic outlook. The Bank's management are required to ensure that there are appropriate levels of cover for all of its credit portfolios and must take account of both accounting and regulatory compliance when assessing the expected levels of loss.

Assessment of the credit quality of each business segment and subsidiaries is initially informed by the output of the quantitative analytical models but may be subject to management adjustments.

This ECL output is then subject to approval at an individual business unit level (ECL Forum), which also includes subsidiaries, prior to onward submission to the GCC.

GCC reviews and challenges ECL levels for onward recommendation to the AIB Group Board Audit Committee as the final approval authority.

In addition, the Bank's senior management reviews and challenges the ECL levels prior to recommendation to the Bank's Audit Committee. The Bank's Audit Committee then recommends the Bank's financial results to the Bank's Board for ultimate final approval, including ECLs.

Macroeconomic scenarios and weightings

The Bank has applied four scenarios in the calculation of ECL that, in its view, reflect ongoing uncertainty regarding the economic outlook, as at the reporting date. These four scenarios consist of a base case scenario and three alternative scenarios (consisting of one upside and two downside scenarios). These alternative scenarios encompass a range of outcomes due to heightened geopolitical tensions, compared to Base (Downside 1), a global trade war and a severe correction in financial markets, leading to a credit crunch (Downside 2) and the impact of a de-escalation of geopolitical tensions on global economic activity (Upside). Non-linear effects are captured in the development of the respective risk parameters.

The table below sets out the five year average forecast for the key macroeconomic variables under (i) Base, (ii) Downside 1, (iii) Downside 2 and (iv) Upside scenarios at 31 December 2025 (average over 2026-2030) and at 31 December 2024 (average over 2025-2029).

Macroeconomic factor (%)	December 2025 5 year (2026-2030) average forecast				December 2024 5 year (2025-2029) average forecast			
	Base	Downside 1 (Escalating geopolitical tensions)	Downside 2 (Global trade war/ Irish FDI shock)	Upside (Easing geopolitical tensions)	Base	Downside 1 (Geopolitical tensions)	Downside 2 (Credit crunch)	Upside (Quick recovery)
Republic of Ireland								
GDP growth	3.0	2.4	0.9	3.8	3.0	1.8	0.7	3.8
Residential property price growth	2.1	0.1	(4.1)	4.2	2.5	(0.1)	(4.7)	4.2
Unemployment rate	5.0	8.3	10.7	4.4	4.5	7.4	10.1	3.9
Employment growth	1.8	0.9	(0.5)	2.2	1.5	1.0	(0.6)	1.9
Average disposable income growth	5.0	3.6	2.6	6.3	4.4	4.0	3.0	6.5
Inflation	2.0	1.9	1.7	3.1	2.0	2.9	1.9	3.1

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

Macroeconomic scenarios and weightings *continued*

The weightings that have been applied to the macroeconomic scenarios used by the Bank for the ECL calculation as at 31 December 2025 and 2024 are:

Scenario	Weighting	Scenario	Weighting
	31 December 2025		31 December 2024
Base	50%	Base	50 %
Downside 1 (Escalating geopolitical tensions)	40%	Downside 1 (Geopolitical tensions)	40 %
Downside 2 (Global trade war/Irish FDI shock)	5%	Downside 2 (Credit crunch)	5 %
Upside (Easing geopolitical tensions)	5%	Upside (Quick recovery)	5 %

Sensitivities

The Bank's estimates of expected credit losses are responsive to varying economic conditions and forward looking information. These estimates are driven by the relationship between historic experienced loss and the combination of macroeconomic variables. Given the co-relationship of each of the macroeconomic variables to one another and the fact that loss estimates do not follow a linear path, a sensitivity to any single economic variable is not meaningful. As such, the following sensitivities provide

an indication of ECL movements that include changes in model estimates, and quantitative 'significant increase in credit risk' (SICR) staging assignments, with a single 100% weighting applied individually.

Relative to the 100% Base scenario, the ECL allowance in the 100% Downside 1 and 2 scenarios increases by 31% (€15m) and 80% (€39m), respectively, and declines by 6% (€3m) in the 100% Upside scenario.

ECL allowance at 31 December 2025

	Reported	100% Base	100% Downside 1 (Escalating geopolitical tensions)	100% Downside 2 (Global trade war/Irish FDI shock)	100% Upside (Easing geopolitical tensions)
Loans and advances to customers	€m	€m	€m	€m	€m
Residential mortgages	57	49	64	88	46
Total	57	49	64	88	46
Off-balance sheet loan commitments	—	—	—	—	—
	57	49	64	88	46

ECL allowance at 31 December 2024

	Reported	100% Base	100% Downside 1 (Geopolitical tensions)	100% Downside 2 (Credit crunch)	100% Upside (Quick recovery)
Loans and advances to customers	€m	€m	€m	€m	€m
Residential mortgages	92	85	100	120	80
Total	92	85	100	120	80
Off-balance sheet loan commitments	1	1	1	1	1
	93	86	101	121	81

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

Post model adjustments

PMAs are applied where management believe that they are necessary to ensure an adequate level of ECL provision and to address known model limitations and/or novel risks not captured in the models. They may also be used where models are being redeveloped but are not yet deployed, where the impact of introducing the new models can be accurately quantified.

PMAs are approved through the ECL governance process within which the appropriateness of PMAs is considered against:

- The backdrop of the risk profile of the loan book;
- Recent loss history or changes in underlying resolution strategies not captured in the models; and
- Management's view of novel risks.

At 31 December 2025, the Bank continued to consider all PMAs in light of the current economic environment and continued geopolitical tensions. The calculation of PMAs and ECL adjustments requires a high degree of judgement, particularly in relation to emerging macroeconomic and sectoral risks. PMAs were reviewed within this context to

ensure an appropriate level of protection against potential vulnerabilities amid ongoing economic uncertainty. Release of PMAs will occur as new models are deployed or where the risk has been judged by management to be captured in the modelled outcomes or to have passed.

The PMAs for 31 December 2025 which were nil (and 2024 comparison, where applicable), are set out below and are categorised as follows:

- **Non-performing exposure (NPE) resolution** – ECL adjustments where the current model does not consider all potential downside risks or a range of outcomes that should be incorporated into the final loss estimate for defaulted assets. As at 31 December 2025, management concluded that no additional PMAs were required in respect of defaulted assets.
- **Emerging risks** – ECL adjustments which reflect novel risks within the portfolio for which there has not been time to embed an adjustment within the related models. This also refers to ECL adjustments for which time is needed for events to evolve or impacts to crystallise. Novel risks were considered for 31 December 2025, where it was agreed that no additional PMAs are required.

Post model adjustments	2025				
	ECL allowance before PMAs	NPE resolution	Total PMAs	Total ECL allowance	Proportion of PMAs to total ECL allowance
	€m	€m	€m	€m	%
Residential mortgages	57	—	—	57	—
Total loans and advances to customers	57	—	—	57	—
Loan commitments issued	—	—	—	—	—
Total ECL allowance	57	—	—	57	—

Post model adjustments	2024				
	ECL allowance before PMAs	NPE resolution	Total PMAs	Total ECL allowance	Proportion of PMAs to total ECL allowance
	€m	€m	€m	€m	%
Residential mortgages	77	15	15	92	17
Total loans and advances to customers	77	15	15	92	17
Loan commitments issued	1	—	—	1	—
Total ECL allowance	78	15	15	93	17

NPE resolution

A PMA of €15m was in place at 31 December 2024 on Stage 3 mortgages, primarily to address potential ECL underestimation from higher yields in the current interest rate environment impacting portfolio sale assumptions within the mortgage model and uncertainty of the timing to transact NPE mortgage portfolio sales. During 2025, €4m of this PMA was utilised as part of NPE deleveraging and the remaining €11m was released.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit exposure overview

Maximum exposure to credit risk

Maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments is presented before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). For financial assets recognised on the statement of financial position, the maximum exposure to credit risk is their carrying amount. For loan commitments that are irrevocable over the life of the facility, it is generally the full amount of the committed facility.

Credit risk exposure derives from standard on-balance sheet products such as mortgages. In addition, credit risk arises

from other products and activities including 'off-balance sheet' commitments.

The Bank manages and reduces its net exposure to credit risk through the use of collateral. Further information on credit risk mitigants is provided on pages 48 and 49.

The following table sets out the maximum exposure to credit risk that arises within the Bank and distinguishes between those assets that are carried in the statement of financial position at amortised cost and those carried at fair value at 31 December 2025 and 2024:

	2025			2024		
	Amortised cost ⁽¹⁾	Fair value ⁽²⁾	Total	Amortised cost ⁽¹⁾	Fair value ⁽²⁾	Total
	€m	€m	€m	€m	€m	€m
Derivative financial instruments	—	29	29	—	113	113
Loans and advances to banks	123	—	123	121	—	121
Loans and advances to customers	19,263	—	19,263	18,621	—	18,621
<i>Included elsewhere:</i>						
Accrued interest	31	—	31	34	—	34
Other assets	40	—	40	—	—	—
	19,457	29	19,486	18,776	113	18,889
Loan commitments ⁽³⁾	818	—	818	840	—	840
Maximum exposure to credit risk	20,275	29	20,304	19,616	113	19,729

⁽¹⁾All amortised cost items are loans and advances which are in a 'held-to-collect' business model.

⁽²⁾All items measured at fair value are classified as 'fair value through profit or loss'.

⁽³⁾A commitment is an off-balance sheet product, where there is an agreement to provide an undrawn credit facility.

The following table summarises financial instruments in the statement of financial position at 31 December 2025 and 2024:

	2025				2024			
	Statement of financial position			Income statement	Statement of financial position			Income statement
	Exposure	ECL allowance	Carrying amount	Net credit impairment writeback	Exposure	ECL allowance	Carrying amount	Net credit impairment writeback/ (charge)
	€m	€m	€m	€m	€m	€m	€m	€m
Loans and advances to banks	123	—	123	—	121	—	121	—
Loans and advances to customers	19,320	(57)	19,263	16	18,713	(92)	18,621	24
	19,443	(57)	19,386	16	18,834	(92)	18,742	24
Loan commitments	818	—	818	1	840	—	840	(1)
Total	20,261	(57)	20,204	17	19,674	(92)	19,582	23

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit profile of the loan portfolio

The following table analyses loans and advances to customers at amortised cost by ECL staging at 31 December 2025 and 2024:

At amortised cost

	2025			2024		
	Owner- occupier	Buy-to-let	Total	Owner- occupier	Buy-to-let	Total
	€m	€m	€m	€m	€m	€m
Gross loans and advances to customers						
Total gross carrying amount	18,628	692	19,320	17,914	799	18,713
Analysed by ECL staging						
Stage 1	17,708	599	18,307	16,944	669	17,613
Stage 2	773	73	846	773	96	869
Stage 3	136	19	155	184	32	216
POCI	11	1	12	13	2	15
Total	18,628	692	19,320	17,914	799	18,713
ECL allowance - statement of financial position						
Stage 1	3	—	3	2	—	2
Stage 2	21	2	23	23	3	26
Stage 3	27	4	31	54	10	64
POCI	—	—	—	—	—	—
Total	51	6	57	79	13	92
ECL allowance cover percentage						
	%	%	%	%	%	%
Stage 1	—	—	—	—	—	—
Stage 2	2.7	2.7	2.7	3.0	3.0	3.0
Stage 3	19.3	21.1	19.5	29.5	30.2	29.6
POCI	—	—	—	—	—	—
Income statement						
	€m	€m	€m	€m	€m	€m
Net remeasurement of ECL allowance	(9)	(4)	(13)	(15)	(6)	(21)
Recoveries of amounts previously written-off	(3)	—	(3)	(2)	(1)	(3)
Net credit impairment writeback	(12)	(4)	(16)	(17)	(7)	(24)

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit profile of the loan portfolio *continued*

Internal credit grade profile by ECL staging

The table below analyses the internal credit grading profile by ECL staging for loans and advances to customers at 31 December 2025 and 2024:

At amortised cost

					2025
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
Strong	16,419	48	—	7	16,474
Satisfactory	1,855	458	—	2	2,315
Total strong/satisfactory	18,274	506	—	9	18,789
Criticised watch	33	295	—	1	329
Criticised recovery	—	45	—	1	46
Total criticised	33	340	—	2	375
Non-performing	—	—	155	1	156
Gross carrying amount	18,307	846	155	12	19,320
ECL allowance	(3)	(23)	(31)	—	(57)
Carrying amount	18,304	823	124	12	19,263

At amortised cost

					2024
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
Strong	15,611	30	—	7	15,648
Satisfactory	1,968	438	—	3	2,409
Total strong/satisfactory	17,579	468	—	10	18,057
Criticised watch	34	358	—	1	393
Criticised recovery	—	43	—	3	46
Total criticised	34	401	—	4	439
Non-performing	—	—	216	1	217
Gross carrying amount	17,613	869	216	15	18,713
ECL allowance	(2)	(26)	(64)	—	(92)
Carrying amount	17,611	843	152	15	18,621

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit profile of the loan portfolio *continued*

Gross loans⁽¹⁾ and ECL movements

The following tables set out the movements in the gross carrying amount and ECL allowances for loans and advances to customers at amortised cost by ECL staging between 1 January 2025 and 31 December 2025 and the corresponding movements between 1 January 2024 and 31 December 2024.

Amounts that triggered movements between Stage 1 and Stage 2 as a result of failing/curing a quantitative measure only (as disclosed on page 50) and that subsequently reverted within the year to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2' and 'Transferred from Stage 2 to Stage 1'. The Bank believes this presentation aids the understanding of underlying credit migration.

Gross carrying amount movements

	2025				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
At 1 January	17,613	869	216	15	18,713
Transferred from Stage 1 to Stage 2	(638)	638	—	—	—
Transferred from Stage 2 to Stage 1	554	(554)	—	—	—
Transferred to Stage 3	(9)	(56)	65	—	—
Transferred from Stage 3	—	31	(31)	—	—
New loans originated/top-ups	2,541	—	—	—	2,541
Redemptions/repayments	(2,345)	(112)	(41)	(3)	(2,501)
Interest credited	581	30	4	—	615
Write-offs	—	—	—	—	—
Derecognised due to disposals	—	(1)	(57)	—	(58)
Impact of model, parameter and overlay changes	—	—	—	—	—
Other movements	10	1	(1)	—	10
At 31 December	18,307	846	155	12	19,320

	2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
At 1 January	16,940	975	222	16	18,153
Transferred from Stage 1 to Stage 2	(682)	682	—	—	—
Transferred from Stage 2 to Stage 1	664	(664)	—	—	—
Transferred to Stage 3	(10)	(67)	77	—	—
Transferred from Stage 3	1	36	(37)	—	—
New loans originated/top-ups	2,283	—	—	—	2,283
Redemptions/repayments	(2,162)	(133)	(45)	(2)	(2,342)
Interest credited	569	35	6	—	610
Write-offs	—	—	(2)	—	(2)
Derecognised due to disposals	—	—	—	—	—
Impact of model, parameter and overlay changes	(1)	1	—	—	—
Other movements	11	4	(5)	1	11
At 31 December	17,613	869	216	15	18,713

⁽¹⁾The gross carrying amount movement is recorded at each month end with movements calculated versus the position at previous month end. The sum of all 12 months movement is then presented.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit profile of the loan portfolio *continued*

Gross loans and ECL movements *continued*

ECL allowance movements

					2025
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
At 1 January	2	26	64	—	92
Transferred from Stage 1 to Stage 2	—	17	—	—	17
Transferred from Stage 2 to Stage 1	1	(13)	—	—	(12)
Transferred to Stage 3	—	(4)	7	—	3
Transferred from Stage 3	—	1	(3)	—	(2)
Net remeasurement (within stage)	1	(3)	(4)	—	(6)
New loans originated/top-ups	—	—	—	—	—
Redemptions/repayments	—	(1)	—	—	(1)
Impact of model changes ⁽¹⁾	—	—	—	—	—
Impact of overlay changes ⁽¹⁾	—	—	(12)	—	(12)
Impact of credit or economic risk parameters	(1)	—	1	—	—
Net remeasurement of ECL allowance	1	(3)	(11)	—	(13)
Write-offs	—	—	—	—	—
Derecognised due to disposals	—	—	(22)	—	(22)
At 31 December	3	23	31	—	57

					2024
	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m
At 1 January	8	29	77	1	115
Transferred from Stage 1 to Stage 2	(1)	22	—	—	21
Transferred from Stage 2 to Stage 1	2	(17)	—	—	(15)
Transferred to Stage 3	—	(6)	8	—	2
Transferred from Stage 3	—	2	(4)	—	(2)
Net remeasurement (within stage)	(3)	(2)	(5)	(1)	(11)
New loans originated/top-ups	1	—	—	—	1
Redemptions/repayments	—	(1)	—	—	(1)
Impact of model changes ⁽¹⁾	—	—	—	—	—
Impact of overlay changes ⁽¹⁾	(5)	—	(8)	—	(13)
Impact of credit or economic risk parameters	—	(1)	(2)	—	(3)
Net remeasurement of ECL allowance	(6)	(3)	(11)	(1)	(21)
Write-offs	—	—	(2)	—	(2)
Derecognised due to disposals	—	—	—	—	—
At 31 December	2	26	64	—	92

⁽¹⁾For further clarity, the ECL allowance movements regarding the impact of model and overlay changes have been reported as separate categories for 2025 and 2024 comparatives.

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Credit profile of the loan portfolio *continued*

Gross loans and ECL movements *continued*

Stage transfers are a key component of ECL allowance movements (i.e. Stage 1 to Stage 2 to Stage 3) being the primary driver of a higher income statement charge (and vice versa) in addition to the net remeasurement of ECL due to change in risk parameters within a stage.

Transfers from Stage 1 to Stage 2 of €638m represent the underlying credit activity where a significant increase in credit risk occurred at some point during the year through either the quantitative or qualitative criteria for stage movement. The main driver of movements to Stage 2 was the doubling of PD since loan origination, subject to a minimum 85bps increase.

Similarly, transfers from Stage 2 to Stage 1 of €554m represent those loans where the triggers for significant increase in credit risk no longer apply or loans that have fulfilled a probation period. These transfers include loans which have been upgraded through normal credit management processes.

Transfers to Stage 3 of €65m represent those loans that defaulted during the period. These arose in cases where it was determined that the customers were unlikely to pay their credit obligations in full without the realisation of collateral regardless of the existence of any past-due amount or the number of days past due. In addition, transfers also include all borrowers that are 90 days or more past due on a material obligation.

Transfers from Stage 3 to Stage 2 of €31m were mainly driven by resolution activity with the customer, through either restructuring or forbearance previously granted and which subsequently adhered to default probation requirements. As part of the credit management practices, active monitoring of loans and their adherence to default probation requirements is in place.

The contractual amount outstanding of loans written-off during the year that are subject to enforcement activity amounted to nil (2024: €1m) which includes both full and partial write-offs. Total cumulative non-contracted loans written-off at 31 December 2025 amounted to €20m (2024: €36m).

Notes to the financial statements

26. Financial risk management *continued*

26.1 Credit risk *continued*

Loans and advances to customers - residential mortgages

Indexed loan to value ratios of residential mortgages

The following table profiles the residential mortgage portfolio by the indexed loan-to-value (LTV) ratios at 31 December 2025 and 2024:

	2025					2024				
	At amortised cost					At amortised cost				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Less than 80%	17,114	818	143	10	18,085	16,484	844	196	13	17,537
81% – 100%	1,144	26	8	—	1,178	1,076	20	15	—	1,111
100% – 120%	12	—	2	1	15	15	1	1	—	17
Greater than 120%	36	1	1	—	38	37	3	3	—	43
Total LTVs	18,306	845	154	11	19,316	17,612	868	215	13	18,708
Unsecured	1	1	1	1	4	1	1	1	2	5
Total	18,307	846	155	12	19,320	17,613	869	216	15	18,713

Of which:

Owner-occupier

Less than 80%	16,521	746	128	10	17,405	15,823	750	170	12	16,755
81% – 100%	1,140	25	6	—	1,171	1,071	21	11	—	1,103
100% – 120%	11	1	1	—	13	14	—	1	—	15
Greater than 120%	35	1	1	—	37	35	2	2	—	39
Total LTVs	17,707	773	136	10	18,626	16,943	773	184	12	17,912
Unsecured	1	—	—	1	2	1	—	—	1	2
Total	17,708	773	136	11	18,628	16,944	773	184	13	17,914

The weighted average indexed LTV of the stock of residential mortgages at 31 December 2025 was 46% (2024: 47%), new residential mortgages issued during the year was 67% (2024: 69%) and Stage 3 residential mortgages was 43% (2024: 46%).

26.2 Market risk

Interest rate sensitivity

The table below shows the sensitivity of the Bank's banking book to an immediate and sustained +/- 100 basis point movement in interest rates, in terms of the impact on net interest income on a forward looking basis over a 12 month period, assuming no change in the balance sheet.

	2025	2024
Sensitivity of projected net interest income to interest rate movements	€m	€m
+ 100 basis point parallel move in all interest rates	12	12
– 100 basis point parallel move in all interest rates	(12)	(12)

The above sensitivity table is computed under the assumption of a 'static' balance sheet and that all market rates (Risk Free Rates/Euribor/Swaps) move up/down in parallel.

Notes to the financial statements

26. Financial risk management *continued*

26.3 Liquidity and funding risk

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is the risk that the Bank cannot meet its actual or potential financial obligations as they fall due in the short term.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the current or prospective risk that the Bank cannot meet financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs to unacceptable levels.

The Bank's liquidity risk is managed as part of the overall AIB Group liquidity management. In accordance with the Capital Requirements Regulation, the Bank has appointed AIB as its liquidity manager to fulfil daily cash flow management, oversee any changes required in liquidity management or reporting and manage the Bank's liquidity risk as part of the overall AIB Group liquidity risk management process. Under this centralised approach the management of liquidity and related activities for the Bank is integrated with its parent AIB which is a wholly owned subsidiary of AIB Group.

The means by which these liquidity management activities are performed, and the procedures by which AIB ensures the Bank complies with the AIB Group Funding and Liquidity Risk Policy are provided by AIB Group under an Outsourcing and Agency Agreement and supported by service level agreements.

Identification and assessment

An annual MRA is undertaken to determine the significant risks to which the Bank is exposed and ensure that these risks are being appropriately managed.

Liquidity and funding risk for the Bank is evaluated through the annual financial planning and Group internal liquidity adequacy assessment process (ILAAP) where the level of liquidity and funding required to support growth plans and meet regulatory and internal requirements is assessed over the three year planning horizon.

Monitoring, escalating and reporting

The Bank's Board reviews and approves the Bank's Financial Plan confirming it is satisfied with the liquidity and funding adequacy of the Bank. Quarterly reporting of the risk profile including performance against risk appetite is also presented to the Bank's Board.

Financial liabilities by undiscounted contractual maturity

The table below analyses, on an undiscounted basis, financial liabilities by remaining contractual maturity at 31 December 2025 and 2024. The balances include the undiscounted cash flows relating to principal and interest and as such will not agree directly with the balances on the financial statements.

						2025
	On demand	<3 months but not on demand	3 months to 1 year	1-5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Deposits by banks	5,670	—	—	—	—	5,670
Debt securities in issue	2	53	992	8,409	3,945	13,401
Tier 2 subordinated liabilities	200	1	2	12	100	315
Other financial liabilities	21	—	—	—	—	21
Total	5,893	54	994	8,421	4,045	19,407
Off-balance sheet loan commitments	818	—	—	—	—	818

Notes to the financial statements

26. Financial risk management *continued*

26.3 Liquidity and funding risk *continued*

Financial liabilities by undiscounted contractual maturity *continued*

						2024
	On demand	<3 months but not on demand	3 months to 1 year	1-5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Deposits by banks	6,560	—	—	—	—	6,560
Debt securities in issue	—	64	1,726	7,410	2,334	11,534
Tier 2 subordinated liabilities	200	1	2	11	106	320
Other financial liabilities	24	—	—	—	—	24
Total	6,784	65	1,728	7,421	2,440	18,438
Off-balance sheet loan commitments	840	—	—	—	—	840

26.4 Capital adequacy risk

Capital adequacy risk is the risk that the Bank breaches or may breach regulatory capital ratios and internal targets, measured on a forward looking basis across a range of scenarios, including a severe but plausible stress.

Identification and assessment

An annual MRA is undertaken to determine the significant risks to which the Bank is exposed and ensure that these risks are being appropriately managed.

Capital adequacy risk for the Bank is evaluated through the annual financial planning and internal capital adequacy assessment process (ICAAP) where the level of capital required to support growth plans and meet regulatory and internal requirements is assessed over the three year planning horizon. Plans are assessed across a range of scenarios ranging from base case and moderate downside scenarios to a severe but plausible stress using AIB Group's stress testing methodologies.

Monitoring, escalating and reporting

The impact of changing regulatory requirements, changes in the risk profile of the Bank's balance sheet and other internal factors, and changing external risks are regularly assessed by first line of defence and second line of defence teams via regular monitoring of performance against the Financial Plan and Strategy.

The Bank's Board reviews and approves the Bank's Financial Plan and the supporting stress tests on an annual basis, confirming it is satisfied with the capital adequacy of the Bank. Quarterly reporting of the risk profile including performance against risk appetite is also presented to the Bank's Board.

Notes to the financial statements

27. Classification and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policy for financial assets in note 1.7 and financial liabilities in note 1.8, describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses at 31 December 2025 and 2024 the carrying amounts of the financial assets and financial liabilities by measurement category and by statement of financial position heading.

			2025
	At fair value through profit and loss	At amortised cost	Total
	Mandatorily		
	€m	€m	€m
Financial assets			
Derivative financial instruments	29	—	29
Loans and advances to banks	—	123	123
Loans and advances to customers	—	19,263	19,263
Other financial assets	—	71	71
	29	19,457	19,486
Financial liabilities			
Deposits by banks	—	5,670	5,670
Debt securities in issue	—	12,075	12,075
Tier 2 subordinated liabilities	—	300	300
Other financial liabilities	—	21	21
	—	18,066	18,066
2024			
	At fair value through profit and loss	At amortised cost	Total
	Mandatorily		
	€m	€m	€m
Financial assets			
Derivative financial instruments	113	—	113
Loans and advances to banks	—	121	121
Loans and advances to customers	—	18,621	18,621
Other financial assets	—	37	37
	113	18,779	18,892
Financial liabilities			
Deposits by banks	—	6,560	6,560
Debt securities in issue	—	10,609	10,609
Tier 2 subordinated liabilities	—	300	300
Other financial liabilities	—	24	24
	—	17,493	17,493

Notes to the financial statements

28. Fair value of financial instruments

The Bank's accounting policy for the determination of the fair value of financial instruments is set out in accounting policy 1.9.

All valuations are carried out within the Finance function of AIB and valuation methodologies are validated by the Risk function within AIB.

Readers of these financial statements are advised to use caution when using the data in the following tables to evaluate the Bank's financial position or to make comparisons with other institutions. Fair value information is not provided for items that do not meet the definition of a financial instrument.

Methodologies used for the calculation of fair value

The methods used for calculation of fair value are as follows:

Financial instruments measured at fair value in the financial statements

Derivative financial instruments

Where derivatives are traded on an exchange, the fair value is based on prices from the exchange. The fair value of over-the-counter derivative financial instruments is estimated based on standard market discounting and valuation methodologies which use reliable observable inputs including yield curves and market rates. Where there is uncertainty around the inputs to a derivative's valuation model, the fair value is estimated using inputs which provide the Bank's view of the most likely outcome in a disposal transaction between willing counterparties in a functioning market. Where an unobservable input is material to the outcome of the valuation, a range of potential outcomes from favourable to unfavourable is estimated.

Financial instruments not measured at fair value but with fair value information presented separately in the notes to the financial statements

Loans and advances to banks

The fair value of loans and advances to banks is estimated using discounted cash flows applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics.

Loans and advances to customers

The Bank provides lending facilities of varying rates and maturities to personal customers. Valuation techniques are used in estimating the fair value of loans, primarily using discounted cash flows and applying market rates where practicable and taking into account market risk and the changes in credit quality of its borrowers.

The fair value of mortgage products, including tracker mortgages, is calculated by discounting expected cash flows using discount rates that reflect the interest rate/credit risk in the portfolio.

Deposits by banks

The fair value of deposit liabilities which are repayable on demand, or which re-price frequently, approximates to their book value. The fair value of all other deposits and other borrowings is estimated using discounted cash flows and applying applicable market rates as appropriate.

Debt securities in issue and tier 2 subordinated liabilities

The estimated fair value of debt securities in issue and tier 2 subordinated liabilities, is based on quoted prices where available, or where these are unavailable, are estimated using valuation techniques using observable market data for similar instruments. Where there is no market data for a directly comparable instrument, management judgement, on an appropriate credit spread to similar or related instruments with market data available, is used within the valuation technique. This is supported by cross referencing other similar or related instruments.

Other financial assets and other financial liabilities

This caption includes accrued interest receivable and payable and other receivables (including amounts awaiting settlement and accounts payable). The carrying amount is considered representative of fair value.

Notes to the financial statements

28. Fair value of financial instruments *continued*

The following table sets out the carrying value of financial instruments across the three levels of the fair value hierarchy at 31 December 2025 and 2024:

	2025				
	Carrying amount	Fair value			Total
		Fair value hierarchy			
		Level 1	Level 2	Level 3	
€m	€m	€m	€m	€m	
Financial assets measured at fair value					
Derivative financial instruments					
Interest rate swaps	29	—	29	—	29
	29	—	29	—	29
Financial assets not measured at fair value					
Loans and advances to banks	123	—	—	123	123
Loans and advances to customers	19,263	—	—	19,892	19,892
Other financial assets	71	—	—	71	71
	19,457	—	—	20,086	20,086
Financial liabilities not measured at fair value					
Deposits by banks	5,670	—	—	5,670	5,670
Debt securities in issue	12,075	11,679	—	—	11,679
Tier 2 subordinated liabilities	300	—	274	—	274
Other financial liabilities	21	—	—	21	21
	18,066	11,679	274	5,691	17,644

Notes to the financial statements

28. Fair value of financial instruments *continued*

	2024				
	Carrying amount	Fair value			Total
		Fair value hierarchy			
		Level 1	Level 2	Level 3	
€m	€m	€m	€m	€m	
Financial assets measured at fair value					
Derivative financial instruments					
Interest rate swaps	113	—	113	—	113
	113	—	113	—	113
Financial assets not measured at fair value					
Loans and advances to banks	121	—	—	121	121
Loans and advances to customers	18,621	—	—	18,137	18,137
Other financial assets	37	—	—	37	37
	18,779	—	—	18,295	18,295
Financial liabilities not measured at fair value					
Deposits by banks	6,560	—	—	6,560	6,560
Debt securities in issue	10,609	10,236	—	—	10,236
Tier 2 subordinated liabilities	300	—	251	—	251
Other financial liabilities	24	—	—	24	24
	17,493	10,236	251	6,584	17,071

Significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the years ended 31 December 2025 and 2024.

Notes to the financial statements

29. Related party transactions

(a) Transactions with Directors and Key Management Personnel

The information in (i) to (iv) is presented in accordance with the Companies Act 2014. For the purposes of the Companies Act disclosures, a Director means a current member of the Board of Directors and an individual who was a Director during the relevant period.

(i) Directors' remuneration

	2025	2024
	€'000	€'000
Directors' fees	205	205
	205	205

The Non-Executive Directors' fees are non-pensionable.

The remuneration of Non-Executive Directors (Carol Meehan and Padraig Brosnan), Executive Director (Gerry Gaffney) and the Managing Director (Kevin Gahan) is borne by AIB. No additional remuneration has been made to these Directors who are employed directly by AIB, for roles discharged as directors of the Company.

The Directors do not participate in share option plans, therefore there were no gains on exercise of share options during the financial year in accordance with Section 305(1) of the Companies Act 2014.

There were no amounts paid (2024: nil) to persons connected with a Director in accordance with Section 306(1) of the Companies Act 2014.

(ii) Loans to Directors

There were 8 Directors in office during the year, none of whom had availed of credit facilities with the Bank during 2025 (2024: 1).

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of nil, or a balance of less than €500. 'Balances' and 'repayments' include principal and interest.

Details of transactions with Directors for the year ended 31 December 2025 and 2024 are as follows:

	2025				2024			
	Balance at 1 January 2025	Amounts advanced during 2025	Amounts repaid during 2025	Balance at 31 December 2025	Balance at 1 January 2024	Amounts advanced during 2024	Amounts repaid during 2024	Balance at 31 December 2024
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Eamonn Quinn								
Loans	—	—	—	—	175	—	(175)	—
Interest charged during the year				—				2
balance during the year*				—				175
Total loans to Directors	—	—	—	—	175	—	(175)	—

*The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

All loans to Directors and their connected persons are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Bank and of similar financial standing and do not involve more than normal risk of collectability. All facilities performed to their terms and conditions.

There was no ECL allowance held in respect of the facilities disclosed in the table above at 31 December 2025 (2024: nil).

Notes to the financial statements

29. Related party transactions *continued*

(a) Transactions with Directors and Key Management Personnel *continued*

(iii) Connected persons

The aggregate of loans to connected persons of Directors in office during the year ended 31 December 2025 and 2024 are set out in the table below.

	2025				2024			
	Balance at 1 January 2025	Amounts advanced during 2025	Amounts repaid during 2025	Balance at 31 December 2025	Balance at 1 January 2024	Amounts advanced during 2024	Amounts repaid during 2024	Balance at 31 December 2024
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Padraig Brosnan								
Loans	104	—	(7)	97	110	—	(6)	104
Interest charged during the year				4				6
Maximum debit balance during year*				104				110
Andy Maguire								
Loans	23	—	(3)	20	25	—	(2)	23
Interest charged during the year				1				1
Maximum debit balance during year*				23				25

*The maximum debit balance is calculated by aggregating the maximum debit balance drawn on each facility during the year.

An ECL allowance is held for all loans and advances. A total ECL allowance of less than €500 was held on the facilities disclosed in the table above at 31 December 2025 (2024: less than €500).

(iv) Aggregate balance of loans held by Directors and their connected persons

The aggregate balance of loans held by Directors and their connected persons as at 31 December 2025 in accordance with Section 307 of the Companies Act 2014, represents less than 0.01% of the net assets of the Bank (2024: 0.01%).

(v) Transactions with Key Management Personnel

The following disclosures are made in accordance with the provisions of IAS 24 *Related Party Disclosures*. Under IAS 24, Key Management Personnel (KMP) are defined as comprising Executive Directors, Non-Executive Directors and Senior Executive Officers. As at 31 December 2025 the Bank had 11 KMP (2024: 11 KMP).

The Bank has availed of the exemption under FRS 101 not to disclose key management personnel remuneration.

Loans to KMP and their close family members are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar standing not connected with the Bank, and do not involve more than the normal risk of collectability or present other unfavourable features. Loans to Executive Directors and Senior Executive Officers are made on terms available to other employees in the Bank generally, in accordance with established policy, within limits set on a case by case basis.

The following table shows the aggregate amounts outstanding, in respect of all loans and credit transactions between the Bank and KMP, as defined above, together with members of their close families and entities influenced by them:

	2025				2024			
	Balance at 1 January 2025	Balance at 31 December 2025	Total number of relevant KMP at 1 January 2025	Total number of relevant KMP at 31 December 2025	Balance at 1 January 2024	Balance at 31 December 2024	Total number of relevant KMP at 1 January 2024	Total number of relevant KMP at 31 December 2024
	€'000	€'000			€'000	€'000		
Loans	—	563	—	1	175	—	1	—

Notes to the financial statements

29. Related party transactions *continued*

(a) Transactions with Directors and Key Management Personnel *continued*

(v) Transactions with Key Management Personnel continued

An ECL allowance is held for all loans and advances. A total ECL allowance of less than €500 was held on the facilities disclosed in the table above at 31 December 2025 (2024: nil).

(b) Summary of relationship with the Irish Government

The Irish Government ceased to be a related party under IAS 24 *Related Party Disclosures* in July 2025 following the reduction of its shareholding of the ordinary shares of AIB Group to zero and the execution of a deed of release. This deed released AIB Group from the undertakings, covenants and commitments contained in certain agreements, including the Relationship Framework.

30. Segmental information

The Bank's income and assets are entirely attributable to mortgage lending activity in the Republic of Ireland.

31. Regulatory compliance

The Bank's policy is that the Bank must comply at all times with its externally imposed capital ratios.

32. Ultimate parent company

The Bank is a wholly owned subsidiary of AIB. The ultimate parent company of the Bank is AIB Group plc, a company registered in the Republic of Ireland.

The ultimate parent company is the largest and smallest group of which the Bank is a member, for which consolidated financial statements are prepared. The financial statements of AIB Group plc are available from its registered address at AIB Group plc, 10 Molesworth Street, Dublin 2, Ireland. Alternatively, information can be viewed by accessing AIB's website at www.aib.ie/investorrelations.

33. Non-adjusting events after the reporting period

No significant non-adjusting events have taken place since 31 December 2025.

34. Approval of the financial statements

The financial statements were approved by the Board of Directors on 2 March 2026.