



AIB Group (UK) p.l.c.

Annual Financial Report
for the year ended 31 December 2025

Company number: NI018800

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Strategic report

Results

Financial performance

Profit before tax

£249m



Profit before tax of £249m

Sale of equity investment and lower ECL charge partially offset by impact of declining interest rate environment.

Net interest margin

3.1%



Reducing NIM in a declining interest rate environment

Increased interest expense due to higher yielding deposit accounts.

Net impairment charge

£1m



Net impairment charge of £1m

Driven by improved loan stage composition and successful resolution of non-performing loans.

New lending

£1.7b



Continued focus on core sectors

Strong growth in key corporate lending sectors.

Net loans

£5.3b



13% increase in net loans

Higher net loans due to increased lending volumes.

Non-performing loans

£95m



1.8% of gross loans

Decrease due to strong repayments and strategic exit of individual loans in 2025.

Customer accounts

£7.6b



Customer balances up 4%

Growth in higher interest yielding deposit accounts.

CET1 ratio

26.8%



Strong and robust capital base

Strong capital base, ensuring well positioned for sustainable growth.

Total costs

£134m



Ongoing cost management focus

Increase reflective of legacy costs on the defined benefit pension scheme.

Non-financial and sustainability performance

Green and transition new lending¹

41%



18% increase in green and transition new lending

£692m new lending to support the transition to a lower carbon economy.

Net promoter score²

+55



Improved customer satisfaction

Investment in customer journey improvements reflected in a +7 increase against 2024.

Gender balance³

54%



Increase in women as a % of senior management

We remain committed to fostering an inclusive and diverse workplace.

¹ Green and transition lending describes any form of financial product or lending to fund activities listed in Appendix 1 of AIB plc's Sustainable Lending Framework (<https://www.aib.ie/sustainability>).

² Aggregated average score for AIB NI for 7 transactional customer journeys.

³ Female senior management employees (Level 5 and above).

Strategic report

Business model and strategy

Principal activities and business model

AIB Group (UK) plc (the Company) is a wholly owned subsidiary of Allied Irish Banks, p.l.c. which is a direct subsidiary of the ultimate parent, AIB Group plc.

Since 2025, the Company has reported operationally within the AIB Group Retail Banking segment. Within this structure, the Company continues to operate both its corporate banking and retail banking businesses.

Corporate banking

Our corporate banking business is comprised of a team of specialists who have a deep understanding of the specific sectors they support. Using their expertise, they partner with customers across both Great Britain and Northern Ireland, offering a range of lending, deposit and treasury products.

Retail banking

The retail banking business operates in Northern Ireland, where we offer a full banking service to personal and business customers, including mortgage lending.

Economic environment

The UK economy recorded modest growth in 2025, with Gross Domestic Product (GDP) rising by 1.3%, broadly in line with 2024. Overall, the economy has been underpinned by lower inflation, supporting real incomes, while cumulative interest rate reductions of 1.0% by the Bank of England (BOE) provided additional support.

Looking ahead, increased government investment may provide a short-term uplift to growth, however, recent budget tax measures have weighed on consumer and business confidence while ongoing global geopolitical uncertainty presents downside risk. As a result, the outlook for UK economic growth remains subdued in the medium term.

Our strategic priorities

Our purpose is to empower people to build a sustainable future, supported by a strategy that focuses on three interconnected priorities: Customer first, Greening our business and Operational efficiency and resilience. Two years into our three-year strategic cycle, we are progressing at pace across each priority.

Customer first

We are focused on building deeper, more enduring customer relationships by delivering an enhanced experience across all channels. Our Customer first ethos is being amplified across the organisation and we are deepening our understanding of our customers' needs and wants.

Supported by enterprise-wide transformation programmes, we are simplifying customer journeys, leveraging digital technologies, and strengthening our collaborative impact in how we bring expertise from across the AIB Group to deliver better customer outcomes.

Looking ahead, we aim to continue to use customer insights and research to better understand evolving needs, enabling more personalised experiences and enhanced service delivery.

Greening our business

AIB Group's ambition is to activate capital to support climate action and accelerate positive, sustainable change, building on its strong sustainability leadership. During 2025, the Company further strengthened its green and transition offering and customer propositions in collaboration with other AIB Group business units, advancing this strategic priority on from the transfer of a green energy and infrastructure portfolio to AIB Group's newly established Climate and Infrastructure Capital division in 2024.

The Company increased its proportion of green and transition lending, reflecting continued progress in aligning lending activity with sustainability objectives. This was supported by enhancements to our green mortgage proposition, as well as a new Business Sustainability Loan which was launched for Business and Agriculture customers in Northern Ireland.

We also advanced social inclusion initiatives, including Autism Friendly accreditation across all Northern Ireland branches and enhanced support for vulnerable customers.

We will continue to build on this momentum during 2026, developing market leading products and channels that enable customers to access specialist expertise.

Operational efficiency and resilience

Our priority is to ensure we have appropriate capability, capacity and resilience across our platforms and people to enable our strategic ambitions. As digital banking continues to play an increasingly central role in customers' everyday financial lives, we remain focused on strengthening our digital capabilities. We are also committed to enhancing customer engagement across branch and telephony channels, leveraging advances in artificial intelligence-enabled technology to deliver interactions that are efficient, consistent and meaningful.

Enterprise-wide transformation programmes continue to play a central role in delivering this strategic priority. During 2025, enhanced analytics capability was embedded within our Customer Engagement Centre, providing a deeper customer insight, while ongoing improvements to business lending processes enhanced efficiency and consistency. These outcomes were supported by continued investment in our people and the maintenance of strong gender diversity across the organisation.

As customer expectations and technologies continue to evolve, we will further strengthen our capabilities throughout 2026, investing in agile, resilient platforms that support the delivery of modern, digital banking services.

Strategic report

Financial review

Summary income statement review

A reconciliation between statutory profit before tax of £249m and adjusted profit before tax of £199m is shown below.

Adjusted profit before tax reflects the Board's view of the Company's underlying performance. It is presented here as, when read in conjunction with the statutory financial statements (from page 31 onwards), it is considered to provide users of the Annual Financial Report (AFR) with further information on the Company's performance and a consistent basis for comparing financial performance between reporting periods.

	2025	2024	%
Summary income statement	£m	£m	change
Net interest income	298	342	-13
Adjusted other income	36	33	9
Total adjusted operating income	334	375	-11
Total operating expenses	(134)	(131)	2
Adjusted operating profit before impairment losses	200	244	-18
Net impairment charge	(1)	(22)	-95
Adjusted profit before tax	199	222	-10
Gain on sale of equity investment	50	—	100
Gain on transfer of loan portfolio	—	17	-100
Total adjustments	50	17	194
Statutory profit before tax	249	239	4
Income tax charge	(12)	(51)	-76
Statutory profit for the year after taxation	237	188	26

Alternative Performance Measures

These are financial measures of performance which are not statutory financial measures.

Cost income ratio

Total operating expenses divided by total adjusted operating income.

Adjusting items

The following items are excluded from Adjusted profit before tax and are included in the statutory profit before tax, in line with how management of the Company measures underlying performance.

Gain on sale of equity investment

The gain on disposal of investment securities in 2025.

Gain on transfer of loan portfolio

The gain on transfer of a performing green energy and infrastructure asset portfolio to AIB plc in 2024. This is not inclusive of individual loan sales.

Net interest income

Net interest income decreased by £44m (13%) year-on-year. This was driven by lower balances following the transfer of green energy and infrastructure assets in 2024 and lower interest income in a falling rate environment in 2025.

Interest expense increased due to customers migrating to higher-yielding accounts. The net interest margin (NIM) decreased by 0.6% from 3.7% to 3.1% in 2025.

Adjusted other income

Adjusted other income increased by £3m to £36m compared to 2024, mainly due to prior year losses incurred on the revaluation of the equity investment, net of dividends received.

Statutory other income was £86m in 2025, which included the £50m gain on sale of the equity investment, in addition to the above adjusted other income of £36m.

Cost income ratio

Total costs of £134m (2% increase) and adjusted operating income of £334m (11% decrease) resulted in a cost income ratio of 40% (2024: 35%). Including adjusted items, the cost income ratio was 35% in 2025 (2024: 33%).

Total operating expenses

Personnel expenses increased by £4m compared to 2024, driven by past service costs on the defined benefit pension scheme and voluntary severance payments.

General and administrative expenses for 2025 were broadly consistent with 2024. There was an increase in professional fees supporting project initiatives and strategy review, which was offset by a reduction in card fraud related losses.

Depreciation, impairment and amortisation costs decreased by £1m compared to 2024, reflecting assets reaching the end of their useful life.

Net impairment charge

A net impairment charge of £1m was recognised in 2025 (2024: £22m). This reflects an improved staging composition of the loan book and the successful resolution of high-coverage Non Performing Exposures (NPE). Further details are set out in notes 20(a) & (b).

Income tax charge

The tax charge in 2025 was £12m, compared with £51m in 2024. This includes a current tax charge of £42m (2024: £41m) and a deferred tax credit of £30m (2024: £10m charge), reflecting increased recognition of deferred tax assets on unutilised losses. See note 13 for further details.

Strategic report

Balance sheet review

	2025	2024	%
Summary balance sheet	£m	£m	change
Assets			
Cash and balances at central banks	3,056	3,961	-23
Loans and advances to banks	696	714	-3
Loans and advances to customers	5,291	4,708	12
Securities financing	921	—	100
Other assets	340	437	-22
Total assets	10,304	9,820	5
Liabilities and equity			
Deposits by banks	230	109	111
Customer accounts	7,588	7,317	4
Other liabilities	425	501	-15
Shareholder's equity	2,061	1,893	9
Total liabilities and equity	10,304	9,820	5

Assets

Loans and advances to customers

Customer loans increased by £583m. Gross performing loans increased by £652m, supported by £1,691m of new lending in 2025, £253m higher than 2024. Growth was led by strong activity in the Property and Diversified sectors. Gross non-performing loans decreased by £115m, driven by redemptions, individual loan sales and write-offs, partially offset by a net flow to non-performing loans. See note 20 (h) for more detail.

The Expected Credit Loss (ECL) on drawn loans in 2025 was £75m and ECL on undrawn facilities and guarantees was £7m. Overall, total ECL was £46m lower than in 2024, driven by NPE resolutions, partially offset by growth in the performing loan book.

Securities financing

As at 31 December 2025 the Company had £921m of securities financing assets due from AIB plc (2024: nil). These were in relation to reverse repurchase agreements, whereby the Company paid cash in exchange for High-Quality Liquid Assets eligible bonds.

Liabilities and equity

Customer accounts

Customer accounts increased by £271m in 2025, driven by growth in deposit accounts as customers sought higher-yielding returns.

Equity

The increase in total equity of £168m to £2,061m, primarily reflected profit after tax recorded of £237m in 2025 and Other comprehensive income (OCI) movements of £30m. This was partially offset by £88m of an ordinary dividend payment in respect of 2024 attributable profits. See the Statement of changes in equity on page 34 for further detail.

Capital management and liquidity

Capital

The level of capital held by the Company is influenced by the minimum regulatory requirements of the Prudential Regulation Authority (PRA).

The adequacy of the Company's capital is assessed by comparing available regulatory capital resources with capital requirements expressed as a percentage of risk weighted assets (RWA).

The minimum capital requirement under the Capital Requirements Regulation (575/2013) (CRR) is a total capital ratio of 8% and Tier 1 capital ratio of 4.5%, from which the PRA sets individual minimum capital ratios for banks within its jurisdiction. In line with the above, the Company has agreed Pillar 1 and Pillar 2a requirements of 11.21%.

	2025	2024
Capital position	£m	£m
CET1 capital	1,614	1,533
Additional Tier 1	110	110
Tier 2	141	140
Total capital	1,865	1,783
Capital ratios	%	%
CET1 ratio	26.8%	27.7%
Total capital ratio	31.0%	32.3%
Risk weighted assets	£m	£m
Credit risk	5,258	4,802
Operational risk	762	737
CVA	—	1
Total RWA	6,020	5,540

The Common Equity Tier 1 (CET1) ratio of 26.8% at 31 December 2025 decreased by 0.9% (2024: 27.7%). This decrease is largely due to an increase in RWA of £480m; partially offset by an increase in capital of £82m.

RWA of £6,020m as at 31 December 2025 were £480m higher than that at 31 December 2024, reflective of increases in credit risk of £456m and operational risk of £25m. The increase in credit risk reflects increases in commercial mortgages and corporate lending over the year; partially offset by the sale of an equity investment and a fall in defaulted exposures. The increase in operational risk was driven by an increase in average total income.

A coupon payment of £11m was made to AIB plc in 2025 on the Additional Tier 1 (AT1) capital instrument (2024: £11m).

Liquidity

Throughout 2025, the Company's funding position remained strong and stable. The loan to deposit ratio was 70% at 31 December 2025 (2024: 64%). Regulatory liquidity requirements were met at all times throughout the year.

A substantial amount of the Company's funding is from its customer balances, which make up 74% (2024: 75%) of its total liabilities and shareholders' equity. As at 31 December 2025, the Company's Liquidity Coverage Ratio (LCR) was 216% (2024: 282%) and Net Stable Funding Ratio (NSFR) was 157% (2024: 172%), both significantly in excess of the minimum requirement of 100%. The main driver for the decrease in the LCR were cash outflows to fund loan drawdowns alongside an increase in undrawn facilities.

Strategic report

Sustainability

Our sustainability strategy

Greening our business is one of AIB Group's three strategic priorities and sustainability is central to everything we do. We integrate environmental, social and governance (ESG) factors into our financial decision-making to promote sustainable development, meeting the needs of the present without compromising the ability of future generations to meet their own needs.

As a more sustainable organisation we believe we will not only thrive economically but we will contribute positively to society and reduce our impact on the environment, helping to build a better future for everyone.

Our sustainability strategy consists of three pillars; Climate and environmental action; Societal and workforce progress; and Governance and responsible business. They are all connected and interdependent and directly support our strategic priority of Greening our business. Our key activities in each area are summarised below.

Climate and environmental action

Lending is a crucial element of our value chain and financed emissions account for the majority of our total emissions. Loan book decarbonisation is, therefore, central to reducing our impact on the climate. Key performance measures in relation to our green and transition lending for 2025 are as follows:

- 41% (2024: 23%) of the Company's total new lending was green and transition lending;
- 36% (2024: 30%) of new mortgages were provided for energy efficient homes (Energy Performance Certificate (EPC) rating A or B);
- 59% (2024: 41%) of new lending for Commercial Real Estate was green.

We have a suite of green and transition products and propositions that support our customers in building a sustainable future. In January 2025, we expanded our mortgage offering by launching a green two-year fixed rate product. We also launched a Business Sustainability Loan in July 2025, which helps businesses in Northern Ireland transition to a low-carbon economy by offering a lower cost loan of up to £100,000.

You can find our Streamlined Energy and Carbon Reporting (SECR) regulations disclosure and more about our climate risk governance from page 7.

Societal and workforce progress

Our customer first focus is central to our strategy and we recognise that our colleagues are critical to our success. Therefore, we place people at the heart of everything we do. The following information outlines some of the key activities undertaken this year.

We recognise that some customers require additional care, support or protection to meet their banking needs. We continue to be JAM Card Friendly and Dementia Friendly in Northern Ireland. In 2025, we partnered with Hestia and UK Says No More to make all Northern Ireland branches 'Safe Spaces', providing a private room to support individuals experiencing domestic abuse.

Operating with a customer first mindset is one of our three strategic priorities and this was seen in an improvement in our 2025 Net Promoter Score (NPS), the measure by which we gauge customer satisfaction, to +55 (2024: +48).

We are committed to building a more sustainable future, playing a positive role in society and contributing meaningfully to the economy. All staff are encouraged to take two paid volunteering days per year. Alongside colleague fundraising initiatives and employee matched funding, we donated £130,000 (2024: £130,000) to charities of our customers' and colleagues' choice through our Community Fund.

We continued to enhance our family leave policies, with our policies becoming 'day-one' entitlements, meaning that all colleagues can avail of benefits from the first day of employment. We introduced foster leave, allowing up to ten days paid leave for any colleague going through the foster care journey.

AIB Group published its 10th annual statement on Modern Slavery¹ and focuses closely on embedding its Human Rights Commitment as well as its Inclusion and Diversity (I&D) Code. To read more about how we are looking to make a positive difference in our communities, see the AIB Group plc Social Impact Report².

Governance and responsible business

We are committed to responsible conduct, guided by integrity and transparency, with ESG principles and metrics embedded at the core of our operations.

Gender balance continues to be a focus with 40% (2024: 50%) of the Company's Board of Directors and 54% (2024: 50%) of UK senior management being female. We continue to publish our Gender Pay Gap Report annually³.

Governance of our sustainability strategy is guided by the principle of transparency, which is fundamental to promoting trust and confidence among our stakeholders. You can read more about AIB Group's sustainability strategy, its associated targets and progress on AIB Group's website⁴.

¹ <https://aib.ie/content/dam/aib/group/Docs/modern-slavery-statement-2025.pdf>

² <https://aib.ie/content/dam/frontdoor/sustainability/impact-report-2024-2025.pdf>

³ <https://aibgb.co.uk/help-and-guidance/important-information/diversity-policy-statement>

⁴ <https://www.aib.ie/sustainability>

Strategic report

Our carbon footprint

In compliance with the SECR regulations, we disclose the Company's energy consumption and associated carbon emissions arising from our operations for the year ended 31 December 2025.

In line with AIB Group's net zero ambitions, we continued to implement energy-efficiency measures to reduce consumption and improve performance. Key actions included re-certifying to ISO 50001, demonstrating continued alignment with best practice in energy management, upgrading lighting controls and enhancing Building Management Systems to optimise building operations.

AIB Group-level emissions are subject to independent third party verification in accordance with ISO14064-3. Verification statements are publicly available at www.aib.ie/sustainability and through the Group's annual submissions to CDP at www.CDP.net.

CO ₂ Emissions ¹	2025	2024 ²	2023
Location-based			
Total tCO₂e³	TBC⁴	1,914	1,276
Total Scope 1	149	180	207
Total Scope 2	239	274	267
Total Scope 3	TBC⁴	1,460	803
Market-based			
Total tCO₂e	127	136	150
Total Scope 2	127	136	150
Intensity ratio⁵			
Total FTE	702	700	681
Total CO ₂ e per FTE (location-based)	TBC⁴	2.73	1.87
Scope 1&2 per FTE (location-based)	0.55	0.65	0.70
Energy consumption (kWh)⁶	2,194,399	2,259,467	2,276,878

Notes:

¹ Data is prepared on an operational control basis and covers operations under the Company's control. Methodologies follow the UK Government Environmental Reporting Guidelines and the Greenhouse Gas (GHG) Protocol, primarily using the UK Government's GHG Conversion Factors for the relevant years.

² 2024 GHG figures were restated in August 2025 in line with the GHG Protocol and to incorporate twelve months of actual data.

³ Scope 1 emissions include combustion fuels of stationary sources and fugitive emissions; the Company had no mobile combustion emissions since 2021. Scope 2 covers the consumption of purchased electricity and heat. Scope 3 includes indirect emissions from: purchased goods and services, capital goods, waste, business travel, employee commuting and working from home, downstream leased assets and fuel-and-energy-related activities. Investment emissions are only reported at AIB Group level. Biogenic emissions from the combustion or biodegradation of biomass accounted for 0.01 tCO₂ in 2025, with none in previous years.

⁴ Total emissions for 2025 are not yet available as Scope 3 emissions are reported one year in arrears.

⁵ Intensity ratios are calculated using Full Time Equivalent (FTE) figures for the Company.

⁶ 2024 energy consumption figures were updated to reflect twelve months of actual data. Energy consumption data is sourced from utility bills, meter readings or estimates; covering electricity, heat, gas, heating fuels and transport. The 2025 figure excludes fuel used in personal or hire cars for business use and will be restated once available.

Climate-related financial disclosures

We recognise that climate risk continues to evolve rapidly and we are committed to effectively managing our exposure to climate risk. In line with PRA SS5/25 requirements, climate-related financial risks are integrated through our existing risk management frameworks. The below disclosure is in line with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. AIB Group's disclosure against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations can be found in the AIB Group plc AFR at www.aib.ie/investorrelations.

Governance

(a) a description of the Company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

Roles and responsibilities of the AIB Group Board, the Company's Board and their relevant sub-committees in managing financial risks from climate change have been clearly articulated in our Group Climate and Environment (C&E) Risk Policy.

C&E risk is defined as any potential negative financial or non-financial impact on the business stemming from climate and environmental change and the transition to a sustainable economy.

The C&E Risk Policy sets out how AIB Group, including the Company, defines, manages, mitigates and measures C&E risk and details the roles and responsibilities with regard to the identification and assessment, management, monitoring, reporting and oversight of C&E risk. This policy is a component part of the C&E Risk Framework and has been prepared in line with AIB Group's Risk Policy Governance Framework requirements. The C&E Risk Policy is made available to all colleagues through the AIB intranet.

In recognising the transverse nature of C&E risk, the policy refers to multiple frameworks and policies to ensure C&E risks are identified and managed appropriately. The C&E Risk Policy is an overarching policy that influences all C&E targets across AIB Group. All of the policy actions, and targets set out in this disclosure contribute to the objective laid out in the C&E Risk Policy of mitigating C&E risk.

As a material risk to the Company, relevant updates on C&E risk are incorporated into the UK Chief Risk Officer (CRO) Report monthly. This reports on performance against our risk appetite and other key developments.

Monitoring and reporting of C&E quantitative Risk Appetite Statement (RAS) metrics is conducted quarterly. The escalation process, as stipulated under the RAS policy, is commenced in the event of a breach of either the watch trigger or limit for any of the metrics to ensure appropriate notification and actions.

Key Performance Indicators (KPIs) to monitor C&E risk cover material C&E risk drivers aligned to AIB Group's C&E materiality assessment.

Strategic report

Our materiality assessment leads us to focus our efforts on managing C&E risks with regard to credit and operational risks.

These are reported and monitored via the AIB Group Sustainability Dashboard and Executive Leadership Team Scorecards. The KPIs are cascaded to business lines and subsidiaries as appropriate. AIB Group actively monitors the progress of achieving the Board-approved sustainability targets via the Sustainability Dashboard. The metrics contained in the dashboard are reported in the UK CRO Report and onwards to the Group Sustainability Committee (GSC) and the Sustainable Business Advisory Committee (SBAC).

Overall responsibility for AIB Group's achievements of its climate-related risk objectives lies with the AIB Group Board, where the Company is represented by a Non-Executive Director of the Company's Board. The Company is represented at other AIB Group-level forums through the following:

- The Company's Board Chair is an attendee of AIB Group's Board Risk Committee.
- The Managing Director of AIB Group's Retail Banking segment, under which the Company reports operationally, is a member of the AIB Group Executive Leadership Team.
- The Company's Managing Director (MD) is a member of the AIB Group Risk Committee.
- A member of the Company's Board is a member of SBAC and the GSC.

The C&E Risk Policy sets out how AIB Group defines, manages, mitigates and measures C&E risk, and is wholly applicable to the Company as a subsidiary. Responsibility for the Company's achievement of its climate-related objectives lies with the Company's Board and its sub-committees.

The role of the Company's Board Risk Committee in relation to ESG is stated in its terms of reference. It receives updates regarding the effectiveness of the Company's policies and programmes which relate to identifying, managing and mitigating C&E risk in connection with the Company's operations and ensures compliance with regulatory requirements and industry standards in this regard.

The Company's Risk Committee (UKRC) receives updates regarding the effectiveness of policies and programmes which relate to C&E risk, in connection with AIB Group's operations and ensuring compliance with regulatory requirements and industry standards.

Senior Manager Regime (SMR) accountability lies with the Company's MD and First Line of Defence (1LOD) ownership lies with the UK Chief Financial Officer (CFO). The UK Head of Sustainability embeds AIB Group's sustainability deliverables across the UK organisation.

Risk management

(b) a description of how the Company identifies, assesses and manages climate-related risks and opportunities.

(c) a description of how processes for identifying, assessing and managing climate-related risks are integrated into the Company's overall risk management process.

(d) a description of (i) the climate-related risks and opportunities arising in connection with the Company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed.

AIB Group has identified material impacts, risks and opportunities in relation to C&E activity and assesses how they interact with the business model. This is detailed in the Sustainability Reporting section of the 2025 AIB Group plc AFR.

Climate risk is defined as potential negative impacts due to climate change on the business. This includes risks posed by direct exposure to climate change and indirect exposure through customers and suppliers. Climate risk includes the impacts that AIB Group and its customers and suppliers have on climate, and the impact from climate on AIB Group and its customers and suppliers.

Environmental risk is defined as potential negative impacts of the activities or actions of the business, its customers or suppliers, either directly or indirectly, on the naturally occurring living and non-living components of the Earth which together constitute the biophysical environment. Changes in the state of nature (quality or quantity) may act as drivers on AIB Group's financial performance through risk events and could result in changes to the capacity of nature to fulfil social and economic functions.

The identification and management of climate-related physical and transition risks, as well as details of stress testing are detailed in the Risk Management section of the 2025 AIB Group plc AFR. The information applies to the Company, but details on how the Company manages C&E risk within its direct operations can be found in the Risk management report, from page 13.

Risk identification and assessment for C&E risk for the Company is completed in line with AIB Group's Risk Management Framework (RMF) as well as other internal processes which consist of top-down and bottom-up approaches. C&E risk drivers are far-reaching in breadth and magnitude over uncertain, and often long-term, time horizons with dependency on short-term actions to mitigate.

AIB Group undertakes regular processes for the identification and assessment of C&E impacts, risks and opportunities. These include Material Risk Assessment (MRA) (top-down approach), Risk and Control Assessments (bottom-up approach), Transmission Channel Analysis (TCA), business environment scans, 'House Views' on key sectors, heatmaps, C&E stress testing and regulatory horizon-scanning.

Strategic report

The Company undertakes UK-specific annual assessments for the MRA, TCA and stress testing for the Company's Internal Capital Adequacy Assessment Process (ICAAP) as well as half-yearly Risk and Control assessments and continuous horizon-scanning.

The time periods to which such impacts, risks and opportunities are assessed vary depending on the process being undertaken, for example, TCA is assessed against short (1-3 years); medium (4-10 years); and long-term (>10 years) horizons. The business environment scans are assessed against the same timescales, however, the MRA is a three-year view (gross) and twelve month view (net).

The outputs from these processes inform areas of focus for both AIB Group and the Company's strategic, financial and investment planning processes.

The principal climate-related risks and opportunities arising in connection with both AIB Group's and the Company's operations are physical, transition and liability risks.

C&E risk is incorporated in the AIB Group-wide Stress Testing Framework through scenario analysis assessing potential impacts on credit, treasury portfolios, operations and overall financial position. These tests capture interconnected risks, including physical and transition risks from market shifts, investor sentiment and regulation. C&E stress testing is included in the Company's ICAAP.

The climate stress testing approach and models assess physical and transition risks across scenarios on the Company's credit exposures. The initial scope of climate stress testing activities and climate modelling is primarily focused on the credit risk implications for the loan portfolio via both transition and physical risk. This is where the most material impact of climate and environmental stresses impact the business with the approach covering all customer loans and advances on the balance sheet. With exception to the indirect macro impact stemming from the climate scenarios (e.g. interest rate trajectories), direct transmission channels or direct upstream impacts are excluded from these stress scenarios.

Flooding is the Company's most material physical risk, as it can reduce property values securing loans and increase credit provisioning. Science-based scenarios developed by the Intergovernmental Panel on Climate Change are used in our stress testing and are as such; Representative Concentration Pathways 2.6, 4.5, 6.0 and 8.5 at five-year intervals out to 2100. The model quantifies flood risk under multiple climate scenarios including high-emissions pathways to 2055. It supports the ICAAP and broader stress testing, informing short, medium and long-term flood risk materiality so timely mitigation can be implemented.

Transition risk scenarios focus on macroeconomic drivers used in stress testing to produce a climate-focused three-year ICAAP forecast for the Company.

Three scenarios assess physical and transition risks in the short to medium term:

- i) Tipping Points, which models the impact of chronic physical risks;
- ii) Paris-aligned, assuming an orderly transition scenario where climate policies, clean energy investments and technological improvements are implemented in a coordinated and structured manner;
- iii) Sudden Realisation, assuming a disorderly transition.

These scenarios are included in the Company's ICAAP process, which provides assurance that the business has adequate capital to withstand these risks.

Strategy

(e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the Company's business model and strategy.

(f) an analysis of the resilience of the Company's business model and strategy, taking into consideration different climate-related scenarios.

We consider the financial effects of climate and environment on the Company as part of business and financial planning, ensuring that our strategy and business model are compatible with the transition to a sustainable economy. The Company is required by AIB Group to consider how meeting these targets could impact its projected revenues, costs and margins.

The impact of climate risk, under various climate scenarios, is assessed as part of the stress testing process and it is noted that impacts are not expected to manifest in the short-term. The Company has not identified a material impact on financial reporting judgements and estimates. There is currently no reasonable and supportable information that indicates a material impact of climate change on ECL, going concern and viability, provisions and contingent liabilities or impairment of non-financial assets.

The Company is two years into a three-year strategy cycle which focuses on putting Customers first, Greening our business and Operational efficiency and resilience. Assessing the impacts and opportunities related to climate risk is of significant importance to our strategy as we prioritise mobilising capital to support climate action, being a catalyst for positive change and building on our sustainability leadership.

The C&E Risk Policy ensures that C&E risks are managed in line with our overall purpose, strategic pillars, and our risk strategy and risk appetite.

The three-year strategy and financial plans integrate consideration of C&E risks. Second Line of Defence (2LOD) review and challenge of the plans is discussed with AIB Group and the Company's Boards as part of the approval process.

Strategic report

In 2025, AIB Group published its first Climate Transition Plan¹, which sets out AIB Group's strategic approach, targets and progress in managing climate-related risks and opportunities and was developed in line with the Transition Plan Taskforce Disclosure Framework.

It will be regularly updated as necessary to take account of new materiality assessments of ESG risks; significant developments in portfolios or counterparties' activities; new scenarios; additional benchmarks or sectoral pathways; and impacts of new or upcoming regulation. For further information on the impact of the risks and opportunities on AIB Group's business strategy and model, refer to the TCFD section of the 2025 AIB Group plc AFR.

Metrics and Targets

(g) a description of the targets used by the Company to manage climate-related risks; to realise climate-related opportunities; and of performance against those targets.

(h) a description of the KPIs used to assess progress against targets used to manage climate-related risks; realise climate-related opportunities; and of the calculations on which those KPIs are based.

Science-based targets (SBT) have been set for Scope 3 emissions, covering 75% of the AIB Group baseline loan book, and 50% of the Company's baseline loan book. The assessment of the financial impact associated with SBT to 2030 and net zero commitment to 2050 is now a formal part of business and financial planning.

The AIB Sustainable Lending Framework is a classification tool for new lending, describing the criteria for activities considered to be green, transition or social.

AIB Group sets out its performance metrics for the coming twelve months and monitors its performance against those metrics on a quarterly basis via the Sustainability Dashboard to GSC and SBAC and via the AIB Group Balanced Scorecards to the AIB Group Extended Leadership Team. Metrics are also reported to the Company's Board via the UK MD report, at regular intervals.

In 2025, the Company reported against a suite of key risk indicators and KPIs, including:

- UK new green and transition lending (£ and % v. target)
- New lending to UK Residential mortgages for energy efficient homes with EPC rating A or B (% v. target)
- New lending to UK Commercial Real Estate (CRE) for energy efficient buildings with EPC rating A or B (% v. target)
- Exposure to counterparties with >500 FTE covered by SBT (% v. target)
- Policy breaches related to lending to Excluded Activities² (total policy breaches)

Risk metrics are reported quarterly to the Company's CRO. The escalation process is commenced in the event of a breach of either the watch trigger or limit for any of the metrics.

Non-financial and sustainability information statement

AIB Group policies, which are wholly applicable to the Company, are in place to enable us to empower people to build a sustainable future and operate in line with our strategic priorities. In accordance with sections 414CA and 414CB of the Companies Act 2006, the tables below give details of key policies related to non-financial and sustainability matters, and where you can find further relevant information.

A summary of our non-financial and sustainability KPIs can be found on page 2, with more details in our Sustainability section from page 6. Information related to our business model can be found on page 3.

Further information related to many of the below policies and frameworks can be found in the AIB Group plc AFR³.

Policy/framework	Description of policy/framework	Further information
Environmental matters		
Environmental policy⁴	Aims to support us to ensure that our current needs are met without compromising the ability of future generations to meet their own needs.	• Our carbon footprint (page 7) • Climate-related financial disclosures (from page 7)
Energy policy⁴	Designed to help AIB operate its business as energy efficiently as possible, reduce its carbon footprint and achieve continual improvement in energy performance.	
Sustainable Lending Framework⁴	Provides transparency on the criteria that we employ when classifying and reporting on green, transition and social lending.	• Climate and environmental action (page 6) • Climate-related financial disclosures (from page 7)
Climate and Environment risk policy⁵	Sets out how AIB Group defines, manages, mitigates and measures C&E risk. This is a component of the C&E Risk Framework and is supported by C&E Risk Standards.	• Risk management report (from page 13) • Climate-related financial disclosures (from page 7)
Key material risks	C&E risk; Operational risk; and Credit risk	

¹ <https://aib.ie/content/dam/frontdoor/investorrelations/docs/resultscentre/annualreport/2025/aib-climate-transition-plan-final.pdf>

² Aggregated <https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-group-excluded-activities-policy.pdf>

³ See the AIB Group plc AFR at www.aib.ie/investorrelations.

⁴ These documents are publicly available at www.aib.ie/sustainability under 'Related codes and policies'.

⁵ These documents have not been published externally.

Strategic report

Policy/framework	Description of policy/framework	Further information
Employee matters		
Whistleblowing policy ¹	Sets out how key stakeholders such as colleagues, contractors and suppliers can safely and confidentially raise a concern. Anonymised reports are reviewed by the AIB Group plc Board Audit Committee, at least once a year, and the UK Board Audit Committee. There is a designated Non-Executive Director on the UK Board who is informed of all whistleblowing matters.	• Our employees (page 12) • Leadership and oversight (page 17) • UK Board Audit Committee (page 19) • Code of Conduct (page 22)
Health and Safety policy ¹	This policy sets out the practical steps we must take to ensure the safety of our employees, customers, contractors, visitors and workplaces. It defines and communicates the roles and responsibilities for health and safety.	• Suppliers (page 23) • Health and Safety Report¹
Code of Conduct ¹	Sets out how we are expected to behave in a manner consistent with our values and asks us, individually and collectively, to 'Do the Right Thing'. It applies to anyone working in AIB Group. Colleague training undertaken on the code and any breaches are reported annually to the UK Board Audit Committee.	• Conflicts of interest (page 18) • UK Board Audit Committee (page 19) • Code of Conduct (page 22)
Inclusion and Diversity Code ¹	The I&D Code recognises that we should respect, develop and harness the uniqueness of our colleagues as well as embracing and celebrating our differences, in order to promote equal treatment and opportunities for all. The I&D Council oversees the governance of I&D activity aligned to our strategy.	• Gender balance performance (page 2) • I&D Code (page 6) • Board Diversity Policy (page 18 and 20)
Key material risks	Conduct risk; Culture risk; and Operational risk	
Social matters		
Responsible Supplier Code ¹	Sets out our expectations of suppliers and the minimum standards they must meet on human rights, health and safety, supply chain, I&D and responsible and sustainable business. We will only do business with suppliers that adhere to our code. Our suppliers must adhere to all legal obligations in each jurisdiction in which they operate or provide services, as well as any specific requirements in our own policies.	• Suppliers (page 23) • Responsible Supplier Code¹
Conduct Risk policy ²	Sets out our approach to identifying and managing our conduct risks and includes special provisions for our diverse customer range, customers in vulnerable circumstances, recognising those needing extra care, support or protection due to various circumstances.	• Conduct risk (page 23)
Credit Risk Framework ²	An overarching document that sits within the Risk Management Framework of AIB Group and includes the Group's credit risk strategy. This is supported by the Group Credit Risk Policy that sets out overarching credit risk assessment rules. The framework and policy form part of the Group Credit Policy Architecture supported by a suite of credit risk policies which support the management of credit risk across AIB Group.	• Climate and environmental action (page 6) • Climate-related financial disclosures (from page 7) • Board Risk Committee (page 19)
Key material risks	C&E risk; Credit risk; Conduct risk; and Culture risk	
Respect for Human Rights		
Modern Slavery and Human Trafficking Statement 2025 ³	Demonstrates our commitment to the protection of human rights in our direct operations and our supply chains through measures outlined in our Human Rights Commitment ¹ . This statement is updated annually in line with the Modern Slavery Act 2015 legislation.	• Societal and workforce progress (page 6) • Board approval of Modern Slavery Statement (page 6) • Human Rights Commitment¹
Key material risks	Regulatory and Compliance risk; Operational risk; Conduct risk; and Culture risk	
Anti-corruption and anti-bribery matters		
Financial Crime policy ²	An overarching policy that sets out the Bank's approach to the effective management of financial crime risk. It covers anti-bribery and corruption, anti-money laundering and counter terrorist financing, financial sanctions, and fraud. The Policy is designed to comply with all applicable legal and regulatory requirements and is supported by standalone policies for each element of the Financial Crime Framework. The UK Head of Financial Crime Compliance and Money Laundering Reporting Officer provides regular updates on these matters to the Board Risk Committee	• Board Audit Committee (page 19) • Board Risk Committee (page 19) • Financial Crime Compliance (page 22) • Financial Crime Statement¹
Conflicts of Interests Statement ¹	Sets out the practices and standards designed to avoid conflicts of interest arising and to manage these where they are unavoidable. Effectiveness is monitored through the Three Lines of Defence model.	• Conflicts of interest (page 18)
Key material risks	Regulatory and Compliance risk; Operational risk; Conduct risk; and Culture risk	

¹ These documents are publicly available at www.aib.ie/sustainability under 'Related codes and policies'.

² These documents have not been published externally.

³ See the AIB Group Modern Slavery Act Statement at www.aib.ie/group/modern-slavery-statement.

Strategic report

Section 172(1) statement

Under Section 172(1) of the Companies Act 2006, the Directors have a duty to promote the success of the Company for the benefit of its members as a whole, having regard to the long-term consequences of decisions; the interests of employees; relationships with customers, suppliers and others; the impact on the community and environment; the Company's reputation for high standards of business conduct; and the need to act fairly between members. This statement explains how these duties were discharged during the year.

Approach to stakeholder engagement

The Board considers stakeholder interests in all principal decisions and strategic discussions. Engagement occurs through forums, surveys, and direct dialogue, ensuring feedback informs decision-making and long-term planning.

Stakeholder engagement highlights

Customers

- Customer journey improvements: Reviews of customer journey pain points led to incremental improvements, contributing to an increase in the NPS to +55.
- Digital innovation: Introduced remote personal account opening and electronic mortgage signing, reducing turnaround times.
- Fraud prevention: Implemented Scam Detect software, resulting in the lowest fraud losses in four years.
- Accessibility and inclusivity: Voice guidance added to ATMs; interpretation and translation services introduced across NI branches; digital disclosure form launched for vulnerable customers.
- Business engagement: 'Let's Talk' business clinics and targeted communications strengthened relationships with business customers, supported by industry specific roundtable events.

Employees

- Engagement and collaboration: Continued Board hosted engagement sessions across career levels and geographies; launch of an Innovation Portal generating over 150 suggestions and over 50 local improvements.
- Diversity and inclusion: Women in Finance Charter commitments met for third consecutive year; gender pay gap further reduced; cultural celebrations included Lunar New Year, Ramadan and International Women's Day.
- Learning and development: Externally facilitated Negotiating and Influencing programme delivered for the Extended Management Team.
- Employee benefits: Amendments made to death-in-service benefits via establishment of the AIB Excepted Group Life Assurance Scheme for UK colleagues.

Regulators

- Regular meetings held with the PRA, Financial Conduct Authority (FCA) and Joint Supervisory Team; participation in the NI Banking Inquiry and mid-tier bank roundtables.
- Board Chair and Chairs of the Audit and Risk Committee engaged directly with regulators, discussing progress on feedback and addressing macroeconomic concerns.
- Continuous assessment and proactive engagement ensured alignment with regulatory expectations.

Shareholder

- Board Chair attended the AIB Group Strategy workshop; Committee Chairs engaged with AIB Group counterparts through meetings and informal events.
- Standing updates provided at all Board meetings by AIB Group nominated Directors; reciprocal presentations between committees maintained transparency.
- AIB Group CRO remained a standing attendee at the Board Risk Committee.
- Support continued for key enterprise programmes and joint customer and industry engagement events.

Suppliers

- Constructive relationships maintained to support operational resilience and ethical standards.
- Engagement focused on continuity of critical services, alignment with contractual obligations, and collaborative discussions to enhance digital capabilities and risk management.
- Supplier governance frameworks applied consistently, including compliance with sustainability requirements.
- Regular performance reviews and open communication channels promoted transparency and long-term partnerships.

Society and community

- Affordable housing: Partnership with Co-ownership enabled shared ownership mortgages, removing barriers for first-time buyers.
- Community support: AIB Community Fund received over 10,000 nominations, awarding funding to twelve UK charities; Alzheimer's Society selected as Charity Partner for the next two years.
- Education and youth development: Partnership with Young Enterprise supported programmes for school-aged children, focusing on global trade and sustainability.
- Sustainability: Two-year green mortgage product launched to encourage environmentally responsible home ownership.
- Social responsibility and inclusion: Safe Spaces introduced in NI branches for victims of domestic abuse, supported by specialist staff training; NI branches branded as Autism Friendly, offering quiet spaces, sensory kits and trained staff.

Looking ahead

The Board will continue strengthening engagement with all stakeholders, prioritising digital transformation, sustainability and inclusive growth to deliver long-term value.

The Strategic Report was approved and authorised for issue by the Board of Directors.



Jenny Sullivan

Chief Financial Officer

2 March 2026

Risk management report

Risk management approach

Introduction

Managing risk is a core part of delivering financial services. The Company accepts and manages a range of risks as part of its business activities. A risk is any event that could affect the achievement of the Company's strategic or business objectives (positively or negatively, financially or non-financially) and may impact customers, shareholders or the wider community. Effective risk management enables the Company to deliver its strategy and supports sustainable growth while protecting our customers and stakeholders.

The Company follows AIB Group's RMF which outlines how risks are identified, assessed, managed, monitored and escalated. It sets out the governance structure and defines responsibilities for each material risk. The CRO measures performance against risk appetite and tolerance levels and reports this at each Board meeting. The Risk Appetite is approved at least annually by the Board. Forward-looking stress tests and scenario analysis help assess uncertainties and emerging risks, with results reviewed regularly by senior management and the Board as part of the ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) processes.

Risk governance

Strong risk governance ensures consistent and effective risk management across the Company. The governance structure enables risk issues to be identified, evaluated and escalated to the Board, which has ultimate responsibility for risk-taking activities. Certain responsibilities are delegated to Board sub-committees. The Company operates a 'Three Lines of Defence' (3LOD) model to ensure clarity of roles and responsibilities. Each business area is aligned to a Line of Defence and has a defined role in governance, risk management, oversight and assurance. An overview of the Company's executive governance structure is summarised below.

Executive Committee	Responsibility
UK Senior Management Team (SMT)	Has primary authority and responsibility for the day-to-day operations of the Company.
Committees with delegated authority from SMT	
UK Risk Committee (UKRC)	Manages the governance of all risks in the Company, ensuring they are properly managed in accordance with the RMF.
UK ECL Committee	Reviews, challenges and approves UK ECL provision stock and material changes in customer-specific provisions.
UK Asset and Liability Management Committee (UK ALCo)	Manages funding and capital implications to the balance sheet; monitors asset and liability management; and oversees funding, liquidity, capital and market risk management.

The risk lifecycle

The Company conducts a top-down MRA at least annually to identify and evaluate emerging threats and the most significant risks to achieving its strategic objectives. The MRA informs the Company's risk taxonomy and the RAS, including quantitative tolerance levels. The CRO reports performance against the RAS to the Board on a regular basis.

The Company also completes bottom-up risk assessments throughout the year or in response to material internal or external changes. These include non-financial risk and control assessments, thematic reviews and ad-hoc risk impact exercises.

Risk culture

Risk culture is a core component of the Company's broader organisational culture. It reflects how staff understand, share and manage risk, encompassing values, behaviours, attitudes, awareness and ownership. The Company promotes a strong risk culture through documented frameworks, policies, training and staff engagement. The Company is also fully engaged in the annual 'Risk in Conversation' week, which is held across the AIB Group, with the aim of promoting risk awareness amongst our people.

Risk developments

In 2025, the Company further strengthened its risk management and organisational resilience, supported by closer alignment with AIB Group's Retail Banking segment. Capital and liquidity positions remained well above regulatory requirements and credit quality stayed strong despite external uncertainties. Information security (including Cyber) risk was elevated to a material risk due to rising external threats. The Company enhanced its compliance monitoring capabilities, advanced its Consumer Duty framework and continued to build climate and environmental risk management capabilities in line with evolving regulatory expectations. These developments improved the Company's ability to respond to future risks and support prudent, sustainable growth.

Risk management report

Material risks

Strategic business model risk

The risk of not achieving the agreed strategy or approved business plan, either as a result of an inadequate implementation plan, or failure to execute the implementation plan, as a result of inability to secure the required investment. This also includes the risk of implementing an unsuitable strategy, or maintaining an obsolete business model, in light of known internal and external factors.

Mitigation and control

- Strategic planning is integrated with risk through the ICAAP, the ILAAP, quarterly stress testing and incorporation into financial planning.
- The Company uses the AIB Group Business Model Risk Framework and supporting policies.
- SMT and the Board review the strategy annually and monitor performance against strategic objectives and the financial plan throughout the year.

Capital adequacy risk

The risk that the Company 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.

Mitigation and control

- UK ALCo monitors drivers of capital ratios to ensure the Company maintains adequate capital and compliance with regulatory expectations.
- The Company has fully embedded the AIB Group Capital Adequacy Framework, including preparation of the ICAAP and regular stress tests during the year.
- An annual Recovery Plan outlines capital focused actions to be taken in stress scenarios.

Credit risk

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

Mitigation and control

- Comprehensive credit risk frameworks, standards and guidelines are in place.
- UKRC monitors credit portfolio trends and key risks, with regular reporting to SMT and the Board.
- ESG considerations are embedded through sector-based questionnaires in credit applications, and exclusion lists aligned to the Company's sustainability agenda.

Funding and Liquidity risk

Liquidity Risk is the risk that the Company will not be able to fund its assets and meet its payment obligations as they come due, without incurring unacceptable costs or losses.

Funding is the means by which liquidity is generated, for example, secured or unsecured, corporate or retail. In this respect, funding risk is the risk that liquidity cannot be obtained at an acceptable cost.

Mitigation and control

- Funding comes from diversified sources, primarily stable retail deposits, which are monitored frequently.
- A liquidity risk framework sets internal limits and ensures compliance with regulatory ratios such as the LCR and NSFR.
- A comprehensive ILAAP assessment is conducted annually with regular liquidity stress testing and contingency planning.

Market risk

The uncertainty of returns attributable to fluctuations in market factors. Where the uncertainty is expressed as a potential loss in earnings or value, it represents a risk to the income and capital position of the Company.

Mitigation and control

- The Company hedges interest rate risk in the banking book (IRRBB) exposures through AIB Group's Treasury function and UK ALCo regularly monitors pricing against risk and market movements.
- A Market Risk Framework governs the management of market risks.
- Daily reporting of market risk to the CFO supports monitoring, with monthly oversight by UK ALCo.

Model risk

The loss an institution may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

Mitigation and control

- A Model Risk Framework sets guidelines across the model lifecycle, including the key controls required, such as monitoring and independent validation.
- Model ownership is embedded in the First Line of Defence and model limitations are understood by model users and decision makers.
- SMT and the Board committees receive regular updates on model risk.
- Post model adjustments are made to mitigate identified model limitations and are reviewed and challenged regularly.

Risk management report

Operational risk

The risk arising from inadequate or failed internal processes, people and systems, or from external events. This includes model risk, information and communication technology risk, legal risk (the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings) and third party risk, but excludes strategic and reputational risk.

Mitigation and control

- An Operational RMF is supported by detailed policies for each sub-risk.
- The Company continues to enhance operational resilience by identifying important business services and strengthening areas of vulnerability.
- The Company considers AIB Group as a third party provider and manages any risks arising through this relationship as if AIB Group were an external third party provider. The Company has a robust Third Party Risk Management (TPRM) framework, policy and standards in place to minimise the risk of operational issues that could materialise at the AIB Group level, which could negatively impact the Company's operations.

Information security (including Cyber) risk

The risk of unauthorised access, use, disclosure, disruption, modification or destruction of information, whether malicious or unintentional. Specifically, the risk of loss of confidentiality due to unauthorised access and disclosure of information; loss of integrity due to unauthorised modification or destruction of information; and loss of availability due to disruption of access to, or use of, information or an information system.

Mitigation and control

- The Company leverages AIB Group's cyber capabilities. Key control activities include awareness training, rapid response preparation, deploying industry-leading data protection measures, threat intelligence sharing with industry peers and alignment with industry standards.
- Risk oversight is provided by SMT and Board committees.

Regulatory and Compliance risk

The risk of legal or regulatory sanctions, material financial loss or loss to reputation a Company may suffer as a result of a failure to comply with the principal laws, regulations, rules, related self-regulatory organisational standards, and codes of conduct applicable to its banking activities.

Mitigation and control

- A comprehensive framework and supporting policies help manage compliance, financial crime and data protection risks.
- All staff complete mandatory annual training to maintain awareness of regulatory obligations.
- Horizon scanning and regulatory change processes ensure timely implementation of new regulatory requirements.

Conduct and Culture risk

Conduct risk is the risk that inappropriate actions or inactions by the Company cause poor and unfair customer outcomes or negatively impact market integrity.

Culture risk is the risk that the core values of the Company are not shared by all colleagues and as a consequence are not consistently demonstrated through colleague behaviour, in particular people leaders. This includes the risk that consistent, fully understood and risk adjusted performance measures are not in place, resulting in outcomes that are not aligned to the Company's purpose, strategy or values.

Mitigation and control

- A Culture Risk and Conduct Risk Framework is in place, along with a suite of culture and conduct metrics to support the management of this risk.
- The Company adopts the AIB Group-wide Code of Conduct, which promotes a strong culture of accountability.
- Conduct risk assessments are carried out before making decisions that affect customers. New or amended products undergo formal approval processes that consider sustainability and customer impacts.
- The Conduct Committee oversees customer outcomes, with Compliance providing independent oversight.
- One of the ways risk culture is developed is through a dedicated 'Risk in Conversation' week, which aims to promote risk awareness, held annually across AIB Group.

Climate and Environmental risk

Climate risk refers to the potential negative impacts due to climate change on the Company and the impacts that the Company and its customers and suppliers have on the climate.

Environmental risk refers to the potential negative impact of the activities or actions of the Company, its customers or suppliers, directly or indirectly to the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment.

Mitigation and control

- A Climate and Environmental Risk framework and policy is in place, whilst climate and environmental risk considerations are integrated with other material risk frameworks, given the transversal nature of the risk.
- The Company uses AIB Group's expertise in climate stress testing and sustainability initiatives.
- A suite of Climate and Environmental risk metrics are in place to support the monitoring and oversight of this risk.
- Transmission Channel Analysis of climate and environmental risk drivers is conducted annually to understand their impacts to all material risks.

Risk management report

Evolving and emerging risks

The risk environment in the UK and internationally remains complex and rapidly evolving. To respond effectively, we continuously track emerging and evolving risks through ongoing review and challenge of bottom-up risk assessments and a top-down strategic review. We also monitor our control environment regularly and, where required, take proactive actions to respond and reduce our exposure to these risks.

Geopolitical risk

Geopolitical tensions remained a key theme in 2025, with constant developments in global conflicts and trade policy contributing to a high degree of macroeconomic uncertainty.

Our response

- The Company assessed strategic, market and economic impacts through governance forums.
- The Company participated in AIB Group's Geopolitical Risk Working Group.
- Geopolitical factors were built into stress scenarios and expected loss calculations.
- Credit deep dives and tariff reviews are conducted to understand the impact of geopolitical risk on the Company.

Artificial Intelligence (AI) risk

AI systems present opportunities such as improving efficiency, but could bring risks to the Company and/or customers, such as through development and implementation errors, legal issues, governance gaps and risk of bias/hallucinations. AI could also drive the crystallisation of other risks, such as financial crime, cyber attacks and data privacy risks.

Our response

- In 2025, AIB Group rolled out the Microsoft CoPilot suite, supported by training and peer learning.
- From 2026, AI risk will be integrated with model risk within the Company's material risk taxonomy to reflect its increased significance.

Competitor risk

The Company faces competition from traditional banks, fintechs, Big Tech firms and emerging digital assets such as stablecoins and tokenised products.

Our response

- Strategic planning includes continuous assessment of the competitive landscape.
- In 2025, digital customer experience was improved through initiatives such as online current account opening.
- Alignment with AIB Group's Retail Banking segment will provide scale and technology benefits to the Company.

Governance and oversight

Corporate governance report

Corporate governance arrangements and practices

The Company has developed its own governance framework appropriate to a company of our size and nature. This was developed with consideration of the UK Corporate Governance Code.

Our governance arrangements include:

- a Board of Directors of sufficient size and expertise, the majority of whom are independent Non-Executive Directors;
- an MD to whom the Board has delegated responsibility for the day-to-day running of the Company;
- a strong and diverse SMT;
- a clear organisational structure with well defined, transparent and consistent lines of responsibility;
- a well-documented and executed delegation of authority framework;
- a comprehensive and coherent suite of frameworks, policies, procedures and standards covering business and financial planning, corporate governance and risk management;
- effective structures and processes to identify, manage, monitor and report the risks to which the Company is or might be exposed;
- adequate internal control mechanisms which are consistent with and promote sound and effective risk management; and
- a strong and functionally independent internal audit function.

The Company has adopted the AIB Group Subsidiary Governance Framework which covers the leadership, direction and relationship with AIB Group. In its drafting, this framework considers UK company law, the PRA, the FCA Handbook and the European Banking Authority Guidelines. It ensures that organisational and control arrangements are appropriate to the broader AIB Group strategy.

Leadership and oversight

The Board

The Board is responsible for corporate governance encompassing leadership, direction and control of the Company and is accountable to AIB plc for financial performance.

The Board:

- sets the Company's risk appetite, incorporating risk limits, in consultation with AIB Group;
- approves designated risk frameworks, incorporating risk strategies, policies and principles in consultation with AIB Group;
- approves specific stress testing and capital and liquidity plans under the Company's ICAAP and ILAAP, in consultation with AIB Group; and
- approves other high-level risk limits in consultation with AIB Group as required by credit, capital, liquidity and market policies.

The various roles within the Board and the roles of the Executive Directors, SMT and Company Secretary are set out below.

Board Chair

Responsible for leading the Board and ensuring its effectiveness (includes setting the agenda, ensuring that the Directors receive accurate and timely information, facilitating effective contribution by the Non-Executive Directors and ensuring proper induction and ongoing training for all).

Deputy Chair/Senior Independent Director

The Senior Independent Director (SID) acts as a conduit for the views of the shareholder and wider Board and is available as an alternate point of contact to address any concerns or issues that individuals feel have not been adequately dealt with through the usual channels of communication. The SID also leads the annual review of the Chair's performance with the Non-Executive Directors and succession planning for the Chair role.

Independent Non-Executive Directors

Independent Non-Executive Directors represent a key layer of oversight of the activities of the Company, bringing a viewpoint to the deliberations of the Board that is objective and independent of the activities of management and of the Company.

Executive Directors

Executive Directors have executive functions in the Company in addition to their Board duties. Their role is to propose strategies to the Board and, following Board challenge and scrutiny, to execute the agreed strategies to the highest possible standards.

Managing Director

Responsible for the day-to-day running of the Company, ensuring an effective organisation structure, the appointment, motivation and direction of the SMT, and for the operational management of the Company.

UK Senior Management Team

The most senior executive committee of the Company accountable to the MD. Subject to financial and risk limits set by the Board, the SMT, under the stewardship of the MD, has responsibility for the day-to-day management of the Company's operations.

Company Secretary

Responsible for advising the Board, through the Board Chair, on all governance matters, ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Facilitates information flows within the Board and its committees and between the SMT and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required.

Governance and oversight

Effectiveness

Independent professional advice

There is a procedure in place to enable the Directors to take independent professional advice, at the Company's expense. AIB plc holds insurance cover to protect Directors and Officers against liability arising from legal actions brought against them in the course of their duties.

Balance and independence

Responsibility has been delegated to the Nomination Committee for ensuring an appropriate balance of experience, skills and independence on the Board. Non-Executive Directors are appointed to provide strong and effective leadership and appropriate challenge to executive management. The independence of each Director is considered prior to appointment and reviewed annually thereafter. In reviewing independence the Committee considers the criteria contained in the UK Corporate Governance Code and the requirements of our regulators.

The Board has determined that the majority of Non-Executive Directors in office during 2025 were independent. Notwithstanding those Non-Executive Directors designated as non-independent, per the principles of the UK Corporate Governance Code, the Board is satisfied that they have exercised independence of thought and action in fulfilling their duties.

The Board supports meaningful diversity and recognises the benefits of a diverse range of perspectives and insights for good decision making and responding to stakeholder needs and is guided by the Board Diversity Policy.

Terms of appointment and time commitment

The Company maintains clear records of the terms of service of the Board Chair and the Non-Executive Directors. Non-Executive Directors are appointed for a three-year term, with the possibility of renewal for a further three years. Any term beyond six years and up to nine years is subject to annual review and approval by the Board and AIB Group Nomination and Corporate Governance Committee.

Letters of appointment, as well as dealing with terms of appointment and appointees' responsibilities, stipulate the minimum time commitment required of Directors.

Conflicts of interest

The Board adopts the AIB Group Code of Conduct and Conflicts of Interest Policy which sets out how conflicts of interest are to be evaluated, reported and managed to ensure that Directors act at all times in the best interests of the Company and its stakeholders and in accordance with the SMR.

Directors disclose details of their other significant commitments, along with a broad indication of the time absorbed by such commitments, before appointment. Before accepting any additional external commitments the agreement of the Board Chair and the Company Secretary must be sought.

Performance evaluation

There is a formal process in place for the annual evaluation of the Board's performance and that of its principal committees and individual Directors. In accordance with the UK Corporate Governance Code, an external evaluation is conducted at least every three years. The last external evaluation was conducted by Praesta Ireland Ltd. in 2023. Internal evaluations were conducted in 2024 and 2025, led by the Nomination Committee and the Board Chair; facilitated by the Company Secretary team.

As part of the annual Fitness and Probity assessment the Board Chair meets with individual Directors to review their performance and the SID leads an evaluation of the Board Chair's performance.

Induction, training and professional development

There is an induction process in place for new Directors designed to provide familiarity with the Company and its operations. A programme of targeted and continuous professional development is also in place.

Management information pack

The Board receives a management information pack at every regular Board meeting. This includes financial results for the period and business updates from the SMT. The SMT also provides the Board with comprehensive reports on regulatory and compliance issues including the level of customer complaints, interaction with the regulators and other relevant matters.

Governance and oversight

Board committees

The Board is assisted in the discharge of its duties by several committees, whose purpose it is to consider matters in greater depth than would be practical at Board meetings.

The composition of the committees is reviewed annually by the Nomination Committee. Each committee operates under terms of reference approved by the Board and it has been confirmed that the membership of each committee possess the skills and experience necessary to discharge their responsibilities effectively. The minutes of all meetings of Board committees are circulated to all Directors, for information, and are formally noted by the Board. In carrying out their duties, committees are entitled to take independent professional advice, at the Company's expense, where deemed necessary or desirable.

Reports from the Board Audit Committee, Board Risk Committee, Nomination Committee and Technology Data and Resilience Committee (TDRC) are presented on the following pages. Duties that might otherwise be taken on by a Remuneration Committee are undertaken by the Board as a whole.

Board and Board Committee attendance

A total of seven Board meetings were held during 2025 (2024: eight). The Non-Executive Directors also met on several occasions in the absence of the Executive Directors. Additionally, a Board Chair's Committee exists to act on behalf of the Board between scheduled meetings to take decisions on matters in accordance with the authority delegated to it by the Board, or as specifically set out in its Terms of Reference. The Board Chair's Committee met once during 2025. Attendance of committee members only is included below.

	Board	AC	RC	NC	TDRC
Number of meetings held	7	9	7	8	6
Board Chair					
William Fall*	7/7	-	-	8/8	-
Non-Executive Directors					
Graham Buckland**	7/7	-	7/7	8/8	-
Geraldine Casey^	5/6	-	-	-	-
Sally Clark**	7/7	-	-	-	3/6
Joe Higgins*	7/7	9/9	-	-	6/6
Paul Horner*	7/7	9/9	7/7	-	-
Helen Normoyle^	3/3	-	-	-	-
Paul Travers^	1/2	-	-	-	-
Anne Weatherston*	7/7	-	-	7/8	6/6
Andrew Woosey*	7/7	9/9	7/7	-	-
Executive Directors					
Hilary Gormley	7/7	-	-	-	-
Jenny Sullivan^	2/2	-	-	-	-

AC Audit Committee, **RC** Risk Committee, **NC** Nomination Committee, **TDRC** Technology, Data and Resilience Committee

*Independent **Deputy Chair/SID ^Appointed/resigned during the year.

Board meetings not attended by Directors were due to unavoidable conflicts. Directors had access to the meeting materials and provided feedback, where relevant, to the Board Chair along with apologies, in advance of the meetings.

While not a member of the Audit, Risk or TDRC Committees, the Board Chair attended several committee meetings throughout the year.

Committee reports

Board Audit Committee Report

Members

Andrew Woosey (Chair), Joe Higgins, Paul Horner

Role and responsibilities

The Board Audit Committee provides independent oversight of financial reporting and internal controls. The Committee monitors the effectiveness of internal and external audit functions, oversees whistleblowing arrangements and safeguards the integrity of disclosures. Its work aligns with the Company's strategy, values, and regulatory obligations.

Activities in 2025

- Reviewed and recommended approval of the annual financial statements, ensuring compliance with reporting standards.
- Received regular updates from the CFO and the AIB Group Internal Audit function on accounting practices, financial performance, audit plans and internal controls.
- Focused on Expected Credit Losses, whistleblowing, Code of Conduct, sustainability and fraud reporting.
- Engaged with external auditors on audit scope, findings and recommendations.

Board Risk Committee

Members

Paul Horner (Chair), Graham Buckland, Andrew Woosey

Role and responsibilities

The Committee supports the Board's oversight of risk governance, ensuring the Company's risk culture, framework, appetite, and policies align with strategy, regulatory requirements and best practice. It ensures risks are identified, assessed, managed and reported, and promotes a strong risk awareness. The Committee also ensures the CRO's independence and holds private sessions with key individuals from the risk and audit teams.

Activities in 2025

- Reviewed and, where appropriate, approved key risk reports including the CRO Report, the RAS and the MRA, as well as frameworks and policies.
- Oversaw capital, funding and liquidity planning, including ICAAP, ILAAP and stress testing.
- Monitored recovery planning, business continuity and resilience.
- Received updates on credit models, regulatory initiatives and the delivery of various programmes.
- Assessed management oversight, operational risk events, outsourcing, and regulatory developments.
- Considered the Money Laundering Officer's Report, Financial Crime Risk Assessment, compliance with FCA Consumer Duty and the Modern Slavery Statement.

Governance and oversight

Nomination Committee

Members

Graham Buckland (Chair), William Fall, Anne Weatherston

Role and responsibilities

The Committee oversees Board composition, skills, experience, independence, diversity and succession planning, making recommendations on appointments and succession for both the Board and Senior Management.

Activities in 2025

- Managed Board succession, including the appointment of Ms Sullivan as Executive Director and Mr Travers as AIB Group appointed Non-Executive Director (from 2 October 2025), recruitment of Mr Wall as Independent Non-Executive Director (from 1 January 2026) and appointment of Mr O'Dwyer as AIB Group appointed Non-Executive Director (from 1 January 2026).
- Initiated the process to appoint an MD following Ms Gormley's decision to depart the Company.
- Oversaw reappointments of Ms Weatherston, Mr Woosey and Mr Horner, in line with their tenure periods.
- Reviewed the Board Diversity Policy. As of 31 December 2025, female representation on the Board was 40%, with both MD and CFO roles held by women. The Committee and Board remain committed to promoting diversity.
- Initiated and oversaw the internally conducted Board Effectiveness Review.

Technology, Data & Resilience Committee

Members

Anne Weatherston (Chair), Sally Clark, Joe Higgins

Role and responsibilities

The Committee supports the Board's oversight of strategy, governance and execution in Technology, Data and Operational Resilience, reflecting significant investment and strategic decisions under the Annual Investment Plan.

Activities in 2025

- Provided strategic oversight of technology, data and resilience priorities, including investment planning and delivery of critical change initiatives.
- Reviewed the technology roadmap for mortgage origination.
- Oversaw a new approach to Operational Resilience Self-Assessment with AIB Group.
- Monitored regulatory developments such as the Digital Operational Resilience Act and Risk Data Aggregation and Risk Reporting.
- Received updates on the Data Transformation Programme.
- Maintained a strong focus on cybersecurity, vulnerability management and digital resilience.
- Reviewed outcomes from internal audit activity in these areas.

Governance and oversight

Directors' report

The Directors of the Company present the annual report and the audited financial statements for AIB Group (UK) p.l.c. for the year ended 31 December 2025. A Statement of Directors' responsibilities is shown on page 24.

In addition to these pages, this report is made up of the following, which are incorporated by reference:

Strategic report	from page 2
Risk management report	from page 13
Corporate governance report	from page 17
Financial statements	from page 31

An indication of likely future developments is given in the Strategic report from page 3, capital management on page 5 and events after the reporting date in note 46. The financial risk management objectives and policies of the Company and the policy for hedging, along with details of the Company's exposure to credit risk, price/interest rate risk and liquidity risk are set out in notes 1, 2, 14, 41, 43 and the Risk management report (from page 13).

Results

The Company's profit after tax for the year ended 31 December 2025 was £237m (2024: £188m) and was calculated as shown in the income statement on page 31.

Dividends

During the course of 2025 a final dividend of £88,009,842 was paid for the financial year ended 31 December 2024, from the Company's 2024 trading profits, to the shareholder (2024: £106,696,274).

Political donations

The Company did not make any political donations, give any money for political purposes, nor incur any political expenditure during the year (2024: £nil).

Research and development activities

The Company does not undertake formal research and development activities, although it does invest in new platforms and products in each of its business lines in the ordinary course of business.

Stakeholder engagement

For further details on the Board's engagement with key stakeholders, and how these stakeholders' interests have influenced Board discussions and principal decisions, see the Company's Section 172 (1) statement on page 12.

Foreign branches

The Company does not operate branches outside of the UK.

Directors & Company Secretary

The composition of the Board and the names of Directors as at 31 December 2025 are as follows:

Director

William Fall	Paul Horner
Graham Buckland	Jenny Sullivan
Sally Clark	Paul Travers
Hilary Gormley	Anne Weatherston
Joe Higgins	Andrew Woosey

Company Secretary

Adrian Kelly

The following Board changes occurred, with effect from the dates shown:

- Helen Normoyle resigned as a Non-Executive Director on 1 May 2025.
- Geraldine Casey resigned as a Non-Executive Director on 2 October 2025.
- Jenny Sullivan was appointed as an Executive Director on 2 October 2025.
- Paul Travers was appointed as a Non-Executive Director on 2 October 2025.

No significant contracts existed between the Company and any Director at any time during the financial year.

Since 31 December 2025, there have been further Board changes with effect from the dates shown:

- Fergal O'Dwyer was appointed as a Non-Executive Director with effect from 1 January 2026.
- Kevin Wall was appointed as a Non-Executive Director with effect from 1 January 2026.
- Adrian Kelly resigned as Company Secretary with effect from 16 January 2026.
- Conor Gouldson was appointed as Company Secretary with effect from 16 January 2026.

Independent advice

The Directors have access to the advice of the Company Secretary and may take independent professional advice at the Company's expense.

Corporate governance statement

The Company has in place its own governance arrangements which are deemed to be appropriate for a company of its size and nature. Further details on our governance arrangements can be found from page 17.

Going concern

The Directors have considered whether a going concern basis for preparing the financial statements for the year ended 31 December 2025 is appropriate and decided that it is. The reasons for this decision are set out in the 'Going Concern' section of note 1.2.

Governance and oversight

Internal controls

Board governance and controls

The Directors are responsible for the Company's system of internal controls and for reviewing its effectiveness. A strong system of internal controls contributes to safeguarding the Company's assets, however, this system is designed to manage, rather than remove, the risk of failure to achieve business objectives and only provides reasonable, not complete, protection against material misstatement or loss.

Within the Company, there is a detailed system of internal controls that includes:

- a clear management structure, with appropriate levels of responsibility, authority and accountability;
- annual planning, budgeting, business review and financial reporting, with clear control policies and procedures for all areas of the business, including those related to operational and credit risks;
- regular independent review and reporting to the SMT and to the Board Audit and Risk Committees on the various parts of these controls, through the Risk Management, Finance, Internal Audit and Compliance functions;
- a self-assessed risk identification process across all business units and an agreed sign-off process to certify compliance with internal control procedures; and
- compliance with local laws and the regulations and guidelines set out by our regulators, the PRA and the FCA.

The Board receive reports that give a view of the significant risks, including credit and operational risks and the effectiveness of the Company's system of internal controls in managing these risks. The Board also receive independent reports from the AIB Group Internal Audit function on the effectiveness of internal controls and look for confirmation from management that any significant control failings or weaknesses, identified by the AIB Group Internal Audit function or other reviews, have been addressed.

Code of Conduct

The Company's Code of Conduct, which covers all its colleagues, sets out the standard of behaviour expected from all its people, and guides management on how to make sure business and support activities are carried out to the highest standards of behaviour. This code is supported by policies, practices and training which are designed to make sure that all colleagues understand and follow it. This code is reviewed annually.

The Code of Conduct is also supported by the Company's Whistleblowing policy which encourages colleagues to raise any concerns of wrongdoing in a number of ways, including a confidential external help-line. Colleagues are assured that if they raise a concern in good faith, the Company will not tolerate any victimisation or unfair treatment as a result.

Supervision and regulation

Supervision

The Company is incorporated in Northern Ireland and is authorised by the PRA and regulated by the FCA and the PRA under the Financial Services and Markets Act 2000 to carry on a wide range of regulated activities (including accepting deposits). The Company carries out business under the trading names 'Allied Irish Bank (GB)' and 'Allied Irish Bank (GB) Savings Direct' in Great Britain and 'AIB (NI)' in Northern Ireland.

The Company has regular and open communication with the PRA, FCA, European Central Bank and the Competition and Markets Authority on aspects of the Company's activities.

The Company is subject to the provisions of the Bank Charter Act 1844, the Bankers (Northern Ireland) Acts 1845 and 1928, the Currency and Bank Notes Act 1928, the Allied Irish Banks Act 1981, the Allied Irish Banks Act 1993 and the Allied Irish Banks Act 1996.

The Company subscribes to the Lending Code of the Lending Standards Board, which is a self-regulatory code setting minimum standards of good practice in relation to lending, including loans, credit cards and current account overdrafts. The Company seeks to actively monitor its regulatory and compliance obligations and seeks to quickly put in place appropriate steps for any regulatory change. Additionally, the Company signed up to the UK Mortgage Charter commitments during the course of 2023 to support those customers requiring extra support in meeting their repayments. Customers have been, and continue to be, encouraged to engage with the Company so it can help identify the right support required for them and their circumstances.

Legislative changes

The Company monitors legislative development and legislative change on an ongoing basis. By tracking key incoming legislative provisions the Company ensures compliance with amendments to existing legislation as well as newly applicable laws, for example, UK legislative developments in 2025 have included the phased implementation of the provisions of the Economic Crime and Corporate Transparency Act 2023.

Financial Crime Compliance

The FCA has been particularly active in the assessment of UK banking and non-banking sector financial crime controls, leading to several fines being issued throughout 2025. Fraud remains a significant focus, with financial institutions expected to stay abreast of any emerging threats and trends. Additionally, the introduction of the 'failure to prevent fraud' offence has prompted both the Company and AIB Group to review their frameworks concerning internal fraud and make any required enhancements.

In 2025, a national risk assessment was issued, accompanied by comprehensive guidance on multiple aspects of financial crime. Furthermore, economic sanctions remain a critical area of focus, alongside major geopolitical developments. The Company continues to monitor all components of Financial Crime Compliance closely to enable swift responses and timely enhancements.

Governance and oversight

Conduct risk

Conduct risk is the risk that inappropriate actions or inactions by the Company cause poor and unfair customer outcomes or negatively impact market integrity. It considers whether the Company has embedded a pervasive conduct culture, that is underpinned with strong internal support structures that incentivise the required values and behaviours and hold people accountable for their actions.

In relation to the design, launch and post sales transactions of all customer products, propositions and services, there is an expectation that customer needs are being met. The Company has a mature conduct risk and control environment, underpinned by a conduct team, Conduct Committee, robust management information and reporting up to and including the Board.

The FCA's Consumer Duty requirements raised the standard of consumer protection by placing greater emphasis on delivering good customer outcomes. Enhanced quantitative and qualitative reporting is in place, governed through the UK Risk Committee and UK Board, to measure customer outcomes, prevent foreseeable harm and evidence compliance with regulation.

Streamlined energy and carbon reporting

Details on the energy consumption and related carbon emissions which result directly from the Company's operations are provided in the Sustainability section, on page 7. This is in compliance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

Colleague engagement

The Company's communications and engagement team ensures colleagues have the information and support needed to deliver its vision. The Company provides transparent updates on financial performance, macroeconomic events and maintains regular two-way dialogue through MD updates and SMT Q&A sessions.

The Company works constructively with colleague representative bodies and consults on matters affecting their interests. The Board receives reports on talent, culture, wellbeing and inclusion, and Directors have engaged directly with colleagues through events as detailed in the Section 172 (1) report (page 12).

The Company fully considers applications from disabled persons and supports continued employment and training for colleagues who become disabled. Training, career development and promotion opportunities are aligned with those of other colleagues.

Directors' indemnities

The Company has granted indemnities and made qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) for each of its Directors. These were in place during the course of the year and at the date of approval of this report.

Company information

AIB Group (UK) p.l.c. is a public limited company incorporated in NI, domiciled in the United Kingdom and its registered office is 92 Ann Street, Belfast, BT1 3HH.

The Company is a wholly owned subsidiary of AIB plc, which is a direct subsidiary of AIB Group plc, which is the ultimate parent entity established as the holding company to facilitate the single point of entry bail-in resolution strategy.

Suppliers

The Company seeks to do business responsibly and sustainably living by our economic, social, ethical, and environmental values and to this end has a Responsible Supplier Code.

The Company expects its suppliers to conduct business in a fair, lawful and honest manner with all their stakeholders, employees, subcontractors and any other third parties, particularly in relation to the following areas: Human Rights; Health, Safety and Welfare; Supply Chain; Inclusion and Diversity; Doing Business Responsibly and Doing Business Sustainably.

AIB Group operates a TPRM policy, framework and standards that ensure all TPRM risks are identified, assessed and mitigated across the TPRM lifecycle.

All suppliers are provided with standard terms of purchase which detail payment terms and the Company complies with the Payment Practices Reporting requirements. These reports can be located on www.gov.uk/check-when-businesses-pay-invoices.

Independent auditor and audit information

PricewaterhouseCoopers LLP (PwC) were re-appointed as auditor at the last Annual General Meeting (AGM) held on 13 May 2025. Their continued appointment will be proposed to the shareholder for approval at the next AGM.

Each of the Directors at the date of approval of this annual report confirm that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved and authorised for issue by the Board of Directors



Jenny Sullivan

Chief Financial Officer

2 March 2026

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 *Reduced Disclosure Framework*, and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 2 March 2026 and is signed on its behalf by:



Jenny Sullivan
Chief Financial Officer

2 March 2026

Independent Auditors' report

Independent auditors' report to the members of AIB Group (UK) p.l.c.

Report on the audit of the financial statements

Opinion

In our opinion, AIB Group (UK) p.l.c.'s financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 for the year then ended;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to 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 non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 11 - Auditor's remuneration, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed a full scope audit of the company financial statements of AIB Group (UK) p.l.c. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The scope of the audit and the nature, timing and extent of audit procedures were determined with consideration of our risk assessment, the financial significance of account balances and other qualitative factors.
- Audit procedures were performed over all account balances and disclosures which represent a risk of material misstatement to the financial statements.

Key audit matters

- Expected credit loss
- Recoverability of deferred tax assets

Materiality

- Overall materiality: £16.4m (2024: £15.5m) based on approximately 1% of Common Equity Tier 1 capital.
- Performance materiality: £12.3m (2024: £11.6m).

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.

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit loss</i> As required by IFRS 9, the Company has recognised expected credit losses of £82m as at 31 December 2025 (2024: £128m), based on the output of underlying credit models, discounted cash flow assessments for individually assessed loans and post model adjustments. Refer to "Impairment of financial assets" within Note 1 "Accounting policies", "Impairment of financial assets" within Note 2 "Critical accounting judgements and estimates" and Note 20 "Credit risk disclosures". We considered that the area with the most significant audit risk related to the estimates and judgements taken on specific individually assessed loans within the corporate and commercial real estate portfolios. These areas are inherently judgmental and the assumptions made can have a material impact on the level of the expected credit loss provision.	• We conducted walkthroughs to gain an understanding of the expected credit loss process, and evaluated the design and implementation of key controls. • For a sample of individually assessed loans within the corporate and commercial real estate portfolios, we assessed whether each loan was appropriately classified as credit impaired. We challenged the forecasts of future cash flows prepared by management to support the calculation of the expected credit loss provision. Our testing included assessing the reasonableness of the key assumptions, corroborating estimates to external support where available and re-performing the calculation. Where appropriate, our work involved inspecting valuations of collateral and assessing the reasonableness of cash flow projections and weightings to determine whether appropriate valuation methodologies and assumptions were used. • We considered whether the disclosures made in these areas were in line with the understanding we obtained from our audit testing and with the relevant accounting requirements.

Independent Auditors' report

Key audit matter	How our audit addressed the key audit matter
<i>Recoverability of Deferred Tax Assets</i> The Company has deferred tax assets of £226m, of which £182m relates to historical operating losses. A key judgement in the recognition of deferred tax assets for historical operating losses is whether the Company considers it probable that taxable profits will arise against which those losses can be utilised in the future. This judgement relies on the assessment of the probability and the sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance over a number of years. Refer to "Income tax, including deferred income tax" within Note 1 "Accounting policies", "Deferred taxation" within Note 2 "Critical accounting judgements and estimates" and Note 26 "Deferred taxation". The Company's considerations in respect of the recognition of the net deferred tax assets are outlined in the key accounting judgements and estimates section within the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. In particular, the deferred tax asset has been limited to a recognition period of 15 years. We regard the recoverability of the deferred tax asset relating to losses to be an area of significant audit risk owing to the degree of uncertainty over the assumptions used, in particular the length of recovery periods involved which are driven by management judgement over the quantum and timing of future profitability.	• We understood and evaluated the deferred tax recognition process, including consideration of the approval of forecasts by the Board. • We assessed whether estimated future profits within the three year plan period were reasonable by reference to recent performance and historical budgeting accuracy. • We challenged the key assumptions underpinning the forecasts using our knowledge of the business and the Company's strategy / future plans as well as external projections for macroeconomic variables. • We assessed the basis for management's conclusion that the recovery period for trading losses carried forward should be restricted to fifteen years, considering both supporting and contradictory evidence, and the consistency of the approach from prior years. • We assessed the disclosures made in the financial statements, including the sensitivity disclosures that highlight that the most significant assumption is the period over which losses are limited.

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 Company, the accounting processes and controls, and the industry in which it operates.

As a number of the Company's accounting processes and controls (including aspects of expected credit losses, derivatives, information technology and reconciliations) are operated by other AIB group entities in Ireland, we instructed the relevant supporting audit firm to perform specified audit procedures in these areas. We worked closely with the relevant supporting audit firm throughout the year to ensure that the procedures performed on our behalf were sufficient for our purposes. We reviewed the results of their work and held meetings with them to discuss their findings.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements. These procedures included consideration of the impact of climate risk on loan provisioning.

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 company materiality	£16.4m (2024: £15.5m)
How we determined it	Approximately 1% of Common Equity Tier 1 capital
Rationale for benchmark applied	We set materiality using a benchmark of common equity tier 1 capital calculated during the planning phase of the audit. The Company is a wholly owned subsidiary and we consider that users of the financial statements including regulators would consider capital strength a key benchmark. Common equity tier 1 capital is also a commonly used benchmark by banks that are subsidiary entities.

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 £12.3m (2024: £11.6m) for the company financial statements.

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 Board Audit Committee that we would report to them misstatements identified during our audit above £820,000 (2024: £775,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Evaluating the directors' going concern assessment;
- Assessing the reasonableness of management's financial forecasts and the historical accuracy of the budgeting process;
- Considering the current levels of capital and liquidity, and the Company's abilities to withstand a severe but plausible downturn. This included considering the results of the most recent ICAAP and ILAAP, as well as meeting with the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA");
- Obtaining the letter of support provided by the Company's immediate parent entity and assessing the ability of the immediate parent entity to provide this support if required, and
- Reviewing the appropriateness of the disclosures made in the Annual Report in relation to going concern.

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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 Company'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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the FCA or PRA, 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 financial statements such as UK tax legislation and the Companies Act 2006. 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 posting of manual journal entries to manipulate reported financial performance and management bias in accounting estimates.

Independent Auditors' report

Audit procedures performed by the engagement team included:

- Performing enquiries of the Board Audit Committee, senior management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations or frauds;
- Review of key correspondence with regulatory authorities in relation to compliance and regulatory matters, and enquiries of the PRA and FCA;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Considering whether the assumptions and judgements made by management in their estimation of the provisioning on loans and advances to customers and the deferred tax asset recognised on unutilised tax losses were indicative of bias, and
- Identified and tested selected journal entries posted to unusual account combinations.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Company for the financial year ended 31 December 2023. Our uninterrupted engagement covers three financial years.



Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2026

Income statement

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Interest and similar income	3	434	470
Interest and similar expense	4	(136)	(128)
Net interest income		298	342
Fee and commission income	5	38	41
Fee and commission expense	5	(2)	(4)
Net trading and other financial (expense)/income	6	(1)	2
Net loss on other financial assets measured at FVTPL	7	—	(19)
Net gain on derecognition of financial assets measured at amortised cost	8	—	18
Other income	9	51	12
Total other income		86	50
Total operating income		384	392
Operating expenses	10	(125)	(121)
Impairment and amortisation of intangible assets	23	(5)	(6)
Impairment and depreciation of property, plant and equipment	24	(4)	(4)
Total operating expenses		(134)	(131)
Operating profit before impairment losses		250	261
Net credit impairment charge	12	(1)	(21)
Impairment of investments in group undertakings		—	(1)
Profit before taxation		249	239
Income tax charge	13	(12)	(51)
Profit for the year		237	188

All results are derived from continuing operations.

The notes on pages 36 to 106 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Profit for the year		237	188
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of retirement benefit asset, net of tax	37	(19)	(9)
Total items that will not be reclassified subsequently to profit or loss		(19)	(9)
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Net change in cash flow hedges, net of tax	37	49	(20)
Total items that will be reclassified subsequently to profit or loss when specific conditions are met		49	(20)
Other comprehensive income/(loss) for the year, net of tax		30	(29)
Total comprehensive income for the year		267	159

The notes on pages 36 to 106 form an integral part of these financial statements.

Statement of financial position

as at 31 December 2025

	Note	2025 £m	2024 £m
Assets			
Cash and balances at central banks		3,056	3,961
Derivative financial instruments	14	27	46
Loans and advances to banks	15	696	714
Loans and advances to customers	16	5,291	4,708
Securities financing	18	921	—
Investment securities	21	—	54
Investments in group undertakings	22	—	—
Intangible assets	23	15	14
Property, plant and equipment	24	30	31
Other assets	25	22	22
Current taxation		—	16
Deferred tax assets	26	226	208
Prepayments and accrued income		8	5
Retirement benefit assets	27	12	41
Total assets		10,304	9,820
Liabilities			
Deposits by banks	28	230	109
Customer deposits	29	7,588	7,317
Derivative financial instruments	14	176	262
Lease liabilities	30	12	13
Current taxation		10	—
Deferred tax liabilities	26	1	1
Other liabilities	31	61	59
Accruals and deferred income		12	13
Tier 2 subordinated liabilities	32	141	141
Provisions for liabilities and commitments	33	12	12
Total liabilities		8,243	7,927
Equity			
Share capital	34	457	457
Reserves		1,494	1,326
Total shareholders' equity		1,951	1,783
Other equity interests	35	110	110
Total equity		2,061	1,893
Total liabilities and equity		10,304	9,820

The notes on pages 36 to 106 form an integral part of these financial statements.

The financial statements on pages 31 to 106 were approved by the Board of Directors and authorised for issue on 2 March 2026. They were signed on its behalf by:



Jenny Sullivan

Chief Financial Officer

Company registration number: NI018800

Statement of changes in equity

for the year ended 31 December 2025

	Note	Share capital	Reserves		Other equity interests	Total equity
			Revenue	Other		
		£m	£m	£m	£m	£m
At 1 January 2025		457	1,342	(16)	110	1,893
Profit for the year		—	237	—	—	237
Other comprehensive (loss)/income	37	—	(19)	49	—	30
Total comprehensive income for the year		—	218	49	—	267
Transactions with owners, recorded directly in equity						
Dividends paid on ordinary shares	45	—	(88)	—	—	(88)
Distributions paid on other equity interests		—	(11)	—	—	(11)
Other movements		—	1	(1)	—	—
Total transactions with owners		—	(98)	(1)	—	(99)
At 31 December 2025		457	1,462	32	110	2,061

Other reserves comprise the following:

	Capital redemption reserves	Revaluation reserves	Cash flow hedging reserves	Total
	£m	£m	£m	£m
At 1 January 2025	139	1	(156)	(16)
Profit for the year	—	—	—	—
Other comprehensive income	—	—	49	49
Total comprehensive income for the year	—	—	49	49

Transactions with owners, recorded directly in equity

Other movements	—	(1)	—	(1)
Total transactions with owners	—	(1)	—	(1)
At 31 December 2025	139	—	(107)	32

The notes on pages 36 to 106 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2024

	Note	Share capital	Reserves		Other equity interests	Total equity
			Revenue	Other		
		£m	£m	£m	£m	£m
At 1 January 2024		457	1,281	4	110	1,852
Profit for the year		—	188	—	—	188
Other comprehensive loss	37	—	(9)	(20)	—	(29)
Total comprehensive income for the year		—	179	(20)	—	159
Transactions with owners, recorded directly in equity						
Dividends paid on ordinary shares	45	—	(107)	—	—	(107)
Distributions paid on other equity interests		—	(11)	—	—	(11)
Total transactions with owners		—	(118)	—	—	(118)
At 31 December 2024		457	1,342	(16)	110	1,893

Other reserves comprise the following:

	Capital redemption reserves	Revaluation reserves	Cash flow hedging reserves	Total
	£m	£m	£m	£m
At 1 January 2024	139	1	(136)	4
Profit for the year	—	—	—	—
Other comprehensive loss	—	—	(20)	(20)
Total comprehensive income for the year	—	—	(20)	(20)
At 31 December 2024	139	1	(156)	(16)

The notes on pages 36 to 106 form an integral part of these financial statements.

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Notes to the financial statements

1. Accounting policies

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

1.1 Reporting entity

AIB Group (UK) p.l.c. is a public company limited by shares incorporated in the United Kingdom and registered in Northern Ireland. The address of the Company's registered office is 92 Ann Street, Belfast, BT1 3HH, Northern Ireland. The Company is registered under the company number NI018800. The Company provides banking and financial services to personal, commercial and corporate customers and has operations throughout the United Kingdom.

The Board of Directors approved these financial statements for issue on 2 March 2026.

Reference made to 'AIB plc' or 'the Parent', relate to Allied Irish Banks, p.l.c., a parent undertaking registered in the Republic of Ireland. AIB Group plc is the ultimate parent company of AIB plc and of the Company (see note 47). AIB Group plc is registered in the Republic of Ireland (registered number 594283) with its headquarters and registered office at 10 Molesworth Street, Dublin 2, Republic of Ireland. Telephone +353(0) 16600311. Reference made to 'the Parent Group' relates to AIB plc and its subsidiary undertakings, which includes the Company.

1.2 Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 101 *Reduced Disclosure Framework* and UK law). The financial statements have been prepared under the historical cost basis, with the exception of the following assets and liabilities which are stated at their fair value: derivative financial instruments and financial instruments at fair value through profit or loss (FVTPL).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of United Kingdom adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), but makes amendments where necessary to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- a statement of cash flows and related notes (IAS 1 *Presentation of Financial Statements* and 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 (KMP).

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

The Company has availed of the exemption from preparing consolidated financial statements under Section 401 of the Companies Act 2006. The results of the Company and all of its subsidiaries are included in the consolidated financial statements of AIB Group plc (AIB Group). The consolidated financial statements of AIB Group can be viewed by accessing AIB Group's website at www.aib.ie/investorrelations.

Functional and presentation currency

The financial statements are presented in pounds sterling, which is the functional currency of the Company. Except as otherwise indicated, financial information presented in sterling has been rounded to the nearest million.

Change in presentation for certain notes to the financial statements

(i) Fee and commission income and expense

The Company changed the description of a line item in note 5 'Net fee and commission income' to more appropriately reflect the nature of the fee and commission income. 'Retail banking customer fees' was changed to 'Customer deposits and payment services'.

(ii) Tier 2 liabilities

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

(iii) Derivative financial instruments

The Company has changed the presentation of certain tables in note 14 'Derivative financial instruments'. For further information refer to note 14.

Notes to the financial statements

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 the estimates with a significant risk of material adjustment in the next year relate to:

- Impairment of financial assets;
- The recoverability of deferred tax; and
- Retirement benefit obligations.

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

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the climate-related financial disclosures in this annual report. There has been no material impact identified on the financial reporting judgements and estimates of the Company. In particular, the Directors considered the impact of climate change in respect of the following areas:

- Credit risk: The impact of climate risk on the management, escalation and reporting of credit risk was considered by the Company. There is currently no reasonable and supportable information that indicates a material impact of climate change on ECLs and the Company's approach to individual counterparty risk assessment adequately captures climate risk where appropriate.
- Impairment of non-financial assets: The Company applies the requirements of IAS 36 *Impairment of Assets* in assessing whether impacted assets are impaired at a reporting date. The Company has a robust process to identify assets that may be impaired that requires the identification of all material potential impairment triggers including identification of climate related impairment triggers. In addition, the Company's decarbonisation commitments do not impact the useful lives of the Company's impacted assets as the Company proposes to replace impacted assets as their useful lives expire.

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 Company, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is twelve months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered factors under the areas of strategy, performance, capital, liquidity and support from AIB plc. A wide range of information relating to present and future conditions has been considered including financial plans for 2026-2028, which reflect the AIB UK strategy, liquidity and funding forecasts, and capital resources projections all of which have been prepared under base and stress scenarios.

The Directors have also considered the principal risks and uncertainties, as part of the MRA process including the geopolitical landscape, which could materially affect the Company's future business performance and profitability which are outlined on pages 14 to 16.

The Directors believe the Company's capital resources are sufficient to ensure the Company is adequately capitalised as set out in the capital plan to December 2028. The Company's regulatory capital resources and liquidity are outlined on page 5.

AIB Group continues to support the Company operationally, through an outsourced arrangement. AIB plc has provided a letter stating it will continue to provide financial support, so the Company can meet its funding obligations and capital requirements, for a period of not less than twelve months from the date these financial statements are approved by the Directors.

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

Adoption of new accounting standards and amendments to standards

The table below outlines the new standards and amendments to standards that have been adopted by the Company for the year ended 31 December 2025. The Company has not early adopted any standard or amendment that has been issued but is not yet effective.

Accounting standard update

Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*: Lack of Exchangeability

Nature of change

Clarifies whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

Effective date

Annual reporting periods beginning on or after 1 January 2025.

Impact

The amendments had no material impact on the Company's financial statements.

Notes to the financial statements

1.3 Foreign currency translation

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Exchange differences on equities and similar non-monetary items held at FVTPL are reported as part of the fair value gain or loss.

1.4 Interest income and expense recognition – Notes 3 and 4

Effective interest rate

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

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 Company 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 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.

When a financial asset is no longer credit impaired, has been repaid in full, or cured without financial loss, the Company 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 includes:

- Interest on financial assets and financial liabilities measured at amortised cost calculated using the effective interest rate method;
- Net interest income and expense on qualifying hedge derivatives designated as cash flow hedges which are recognised in interest income or interest expense;
- Interest income on leases and hire purchase contracts; and
- Interest income, excluding dividends, on equity shares.

Notes to the financial statements

1.5 Fee and commission income – Note 5

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

Fee and commission 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 Company includes in the transaction price, some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The majority of the Company's fee and commission income arises from retail banking activities such as fee and commission income from customer deposits, foreign exchange and branch commissions, card income and lending-related commitment fees.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Company has retained no part of the loan package for itself or retained a part at the same effective interest rate as applicable to the other participants.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Service charge income received from a fellow subsidiary, as part of the cost allocation process, is recognised within fee income in accordance with IAS 1 *Presentation of Financial Statements*.

Commitment fees, together with related direct costs, for loan facilities where drawdown is probable are deferred and recognised as an adjustment to the effective interest rate on the loan once drawn. Commitment fees in relation to facilities where drawdown is not probable are recognised over the term of the commitment on a straight line basis. Other lending related fees are recognised over time in line with the performance obligation except for arrangement fees where it is likely that the facility will be drawn down and which are included in the effective interest rate calculation.

1.6 Employee benefits – Notes 10 and 27

Retirement benefit obligations

The Company provides employees with post-retirement benefits mainly in the form of pensions including defined benefit and defined contribution schemes. In addition, the Company contributes in accordance with UK legislation, to governmental and other schemes which have the characteristics of defined contribution schemes. The AIB UK defined benefit scheme is funded.

Full actuarial valuations of defined benefit schemes are undertaken every three years and are updated to reflect current conditions at each year-end reporting date.

Scheme assets are measured at fair value. For the Pensioner Buy-In (PBI) insurance policy, the fair value is determined by the present value of the related obligation as the policy is a qualifying policy under IAS 19 *Employee Benefits* since the timing and amount of payments under the policy exactly match some or all of the benefits payable under the scheme. For the Assured Payment Policy (APP) insurance policy there is not a sufficient match in terms of amount and timing of benefits payable under the scheme so fair value of the APP is determined by taking cash flows payable under the APP by the insurer and discounting them, at a rate equivalent to that at the point of execution of the policy, and adjusted for any change in the expected cash flows as a result of a change in future expected inflation and transfers out. Assets ring-fenced within a pension funding partnership, as part of an asset backed funding arrangement established for the AIB UK defined benefit scheme in December 2013, form part of the reported scheme assets. These assets are measured at fair value based on a deterministic model valuation provided by investment consultants.

Scheme liabilities are measured on an actuarial basis by estimating the amount of future benefit that employees have earned for their service in current and prior periods and discounting that benefit at the market yield on a high quality corporate bond of equivalent term and currency to the liability. The calculation is performed by a qualified actuary using the projected unit credit method. The difference between the fair value of the scheme assets and the present value of the defined benefit obligation at the year-end reporting date is recognised in the statement of financial position. If the scheme is in surplus it is shown as an asset and if the scheme is in deficit it is shown as a liability. A surplus is only recognised as an asset to the extent that it is recoverable through a refund from the scheme or through reduced contributions in the future. Actuarial gains and losses are recognised immediately in other comprehensive income.

The cost of providing the defined benefit pension scheme to employees, comprising the net interest on the net defined benefit liability/(asset) calculated by applying the discount rate to the net defined benefit liability/(asset) at the start of the annual reporting period, taking into account contributions and benefit payments during the period, is charged to the income statement within personnel expenses.

Remeasurements of the net defined benefit liability/(asset), comprising actuarial gains and losses and the return on scheme assets, excluding amounts included in net interest on the net defined benefit liability/(asset) are recognised in other comprehensive income. Amounts recognised in other comprehensive income in relation to remeasurements of the net defined benefit liability/(asset) will not be reclassified to profit or loss in a subsequent period.

Notes to the financial statements

The Company recognises the effect of an amendment to the defined benefit scheme when the plan amendment occurs, which is when the Company introduces or withdraws the defined benefit scheme, or changes the benefits payable under the existing defined benefit scheme. A curtailment is recognised when a significant reduction in the number of employees covered by the defined benefit scheme occurs. A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit scheme. Gains or losses on plan amendments, curtailments and settlements are recognised in the income statement.

Changes with regard to benefits payable to retirees which represent a constructive obligation under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, are accounted for as a past service cost. These are recognised in the income statement.

The costs of managing the defined benefit scheme assets are deducted from the return on scheme assets. All costs of running the defined benefit schemes are recognised in profit or loss when they are incurred.

The cost of the Company's defined contribution schemes is charged to the income statement in the accounting period in

which it is incurred. Any contributions unpaid at the year end reporting date are included as a liability. The Company has no further obligation under these schemes once these contributions have been paid.

Short-term employee benefits

Short-term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period during which employees have provided services. Variable remuneration is recognised to the extent that the Company has a legal or constructive obligation to its employees that can be measured reliably.

Share based payments

AIB Group operates a Save-As-You-Earn (SAYE) share option scheme for eligible employees of the Company. The fair value of employee share option plans is calculated at the grant date using AIB Group's option valuation model. The resulting cost is charged to the Company's income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting. The options awarded to the employees of the Company are treated as a capital contribution in equity.

1.7 Income tax, including deferred income tax – Notes 13 and 26

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent 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 is 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 principal temporary differences arise from the depreciation of property, plant and equipment, revaluation of certain financial assets and financial liabilities including derivative contracts, provisions for expected credit losses on financial instruments, and provisions for pensions and other post-retirement benefits.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future. In addition, temporary differences are not provided for assets and liabilities, the initial recognition of which, in a transaction that is not a business combination, affects neither accounting nor taxable profit.

Income tax payable on profits arising from investments in subsidiaries and associates, based on the applicable tax law, is recognised as an expense in the period in which the profits arise.

The Company 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 Company has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two.

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1.8 Financial assets – Notes 6, 7, 8, 15, 16, 17, 18, 21, 25 and 39

Recognition and initial measurement

The Company initially recognises financial assets, excluding loan assets, on the trade date, being the date on which the Company commits to purchase the assets. Loan assets are recognised when cash is advanced to borrowers. In a situation where the Company 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 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 Company'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 Company classifies its financial assets into one of the following categories:

– Amortised cost

Assets that have not been designated as at FVTPL, and 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

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 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

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

In addition, the Company 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 Company 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.

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 SPPI on the principal outstanding. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at

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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 SPPI. In making this assessment, the Company 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 Company'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 SPPI on the principal amount outstanding.

Investments in equity instruments

Equity instruments are classified and measured at FVTPL with gains and losses reflected in profit or loss within 'Other income' as 'Net gain/(loss) on other financial assets measured at FVTPL'.

1.9 Financial liabilities and equity – Notes 6, 28, 29, 31, 32 and 39

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

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

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Company 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.

Where financial liabilities are classified as trading they are also initially recognised at fair value with the related transaction costs taken directly to the income statement. Gains and losses arising from subsequent changes in fair value are recognised directly in the income statement within net trading income.

Issued financial instruments are classified as equity when the Company has no contractual obligation to transfer cash, or other financial assets, or to issue a variable number of its own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown as a deduction from the proceeds of issue, net of tax.

On the extinguishment of equity instruments, gains or losses arising are recognised net of tax directly in the statement of changes in equity.

1.10 Leases – Notes 24 and 30

The Company applies a single recognition and measurement approach for all leases, except for short-term leases of 12 months or less or leases of low-value assets (i.e. the value of the underlying asset, when new, is less than £5,000). The Company recognises lease liabilities that represent the present value of lease payments to be made over the lease term and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease and lease payments made

at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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1.11 Determination of fair value of financial instruments – Note 40

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, in the most advantageous market to which the Company has access at that date. The Company 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 FVTPL, 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 Company 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.

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 (OTC) 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 Company'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 (DCF) 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 DCF 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 Company 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

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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.

1.12 Securities financing – Note 18

When securities are purchased subject to a commitment to resell (reverse repurchase agreement), or where the Company borrows securities, but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not usually included on the statement of financial position. The exception to this is where these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in trading income.

1.13 Derivatives and hedge accounting – Note 14

Derivatives, such as interest rate swaps, options and forward rate agreements, futures, currency swaps and options, credit and equity index options are used for trading purposes whereas interest rate swaps, currency swaps, and cross currency interest rate swaps are used for hedge accounting purposes.

The Company maintains trading positions in a variety of financial instruments including derivatives. Trading transactions arise as a result of activity generated by customers and include offsetting contracts with the Parent to ensure there is minimal market risk in the trading book.

Non-trading derivative transactions comprise transactions held for hedging purposes as part of the Company's risk management strategy against assets, liabilities, positions and cash flows.

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 DCF 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

The Company 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.

Similarly, financial assets may be lent or sold subject to a commitment to repurchase them (repurchase agreement). Such securities are retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Company. The liability to the counterparty is included separately on the statement of financial position.

The difference between the sale and repurchase price for securities financing transactions is accrued over the life of the agreements using the effective interest rate method.

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

In accordance with the accounting policy option permitted by IFRS 9 *Financial Instruments* (IFRS 9), the Company has elected to continue applying the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39), pending the outcome of the IASB's Dynamic Risk Management project.

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 Company designates certain derivatives as hedges of the exposure to variability of cash flows attributable to a recognised asset or liability, or a highly probable forecasted transaction (cash flow hedge).

When a financial instrument is designated as a hedge, the Company formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the

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various hedging transactions. The Company 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 cash flows of the hedged items.

The Company discontinues hedge accounting when:

- it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised;
- the hedged item matures or is sold or repaid; or
- 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, or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, ineffectiveness arises. The amount of ineffectiveness, taking into account the timing of the expected cash flows where relevant, 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 Company 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.

Cash flow hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is initially recognised directly in other comprehensive income and included in the cash flow hedging reserve in the

statement of changes in equity. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income from the time when the hedge was effective remains in equity and is reclassified to the income statement as a reclassification adjustment as the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income from the period when the hedge was effective is reclassified to the income statement.

The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss on the hedging instrument or the cumulative change in fair value (present value) of the hedged item from inception of the hedge. The portion that is offset by the change in the cash flow hedging reserves is recognised in other comprehensive income with any hedge ineffectiveness recognised 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.

1.14 Derecognition

Financial assets

The Company 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 Company 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.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. However, the amount held in investment

securities reserves is transferred to revenue reserves on derecognition.

The Company 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. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Company 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 Company 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 Company retains 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

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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.

1.15 Impairment of financial assets – Notes 12, 19, 20 and 33

The Company recognises loss allowances for ECLs at each balance sheet date for the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost;
- Financial assets at FVOCI (except for equity instruments);
- Financial guarantee contracts issued; and
- Loan commitments issued.

Investments in equity instruments are recognised at fair value and accordingly, ECLs are not recognised separately for equity instruments.

ECLs are the weighted average of credit losses. When measuring ECLs, the Company 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 the increase in credit risk since initial recognition. There are two measurement bases:

- 12-month ECLs (Stage 1), which applies to items where there has been 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 (SICR) 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. The 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 risk 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

Financial liabilities

The Company 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.

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 Company's loss given default models (LGD).

Purchased or originated credit impaired

POCI financial assets are those that are credit impaired on initial recognition. The Company 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.

The Company does not have any POCI financial assets.

Modification

From time to time, the Company 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 Company in exchange for any loan balance outstanding, the new instrument is

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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.

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 which are credit impaired, the Company may repossess collateral previously pledged as security to achieve an orderly realisation of the loan. The Company will then offer this repossessed collateral for sale. However, if the Company 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 Company 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.

1.16 Collateral and netting

Collateral

The Company 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 Company 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.

The Company also receives collateral in the form of cash or securities in respect of other credit instruments, such as securities borrowing contracts and derivative contracts to reduce credit risk. Collateral pledged in the form of securities is not recorded on the statement of financial position. Collateral pledged in the form of cash is recorded on the statement of financial position with a corresponding liability. Therefore, in the case of cash collateral, these amounts are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

In certain circumstances, the Company will pledge collateral in respect of its own liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the statement of financial

Financial assets at FVOCI

ECL allowances for financial assets measured at FVOCI do not reduce the carrying amount in the statement of financial position because the carrying amount of these assets is fair value. However, an amount equal to the ECL allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated credit impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets (together with other accumulated gains and losses in OCI).

Write-offs and debt forgiveness

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

Where there is no formal debt forgiveness agreed with the customer, the Company 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.

position. Collateral paid away in the form of cash is recorded in loans and advances to banks or customers. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Netting

The Company enters into master netting agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis.

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross on the statement of financial position.

All balances and transactions with the Parent Group are subject to a master netting agreement between the Company and the Parent Group where there is a legal right to settle on a net basis if certain circumstances arise.

Notes to the financial statements

1.17 Financial guarantees and loan commitment contracts – Note 38

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities (facility guarantees) and to other parties in connection with the performance of customers under obligations relating to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties. In its normal course of business, the Company may issue financial guarantees to other subsidiaries of the Parent.

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 financial guarantees and loan commitment contracts is the date when the contracts become irrevocable. The credit risk at this date is used to determine if a SICR has subsequently occurred.

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

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

1.18 Property, plant and equipment – Note 24

Property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. No depreciation is provided on freehold land. Property, plant and equipment are depreciated on a straight line basis over their estimated useful economic lives. Depreciation is calculated based on the gross carrying amount, less the estimated residual value at the end of the assets' economic lives.

The Company uses the following useful lives when calculating depreciation:

Asset type	Useful life
Freehold buildings and long-leasehold property	50 years
Short leasehold property	life of lease, up to 50 years
Costs of adaptation of freehold and leasehold property	
- Branch properties	up to 10 years ⁽¹⁾
- Office properties	up to 15 years ⁽¹⁾
Computers and similar equipment	3 - 7 years
Fixtures and fittings and other equipment	5 - 10 years

⁽¹⁾ Subject to the maximum remaining life of the lease.

The Company depreciates right-of-use assets arising under lease obligations from the commencement date of a lease to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term on a straight-line basis.

The Company reviews its depreciation rates, at least annually, to take account of any change in circumstances. When deciding on useful lives and methods, the principal factors that the Company takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets.

When reviewing residual values, the Company estimates the amount that it would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal if the asset was already of the age and condition expected at the end of its useful life.

Gains and losses on disposal of property, plant and equipment are included in the income statement. It is the Company's policy not to revalue its property, plant and equipment.

1.19 Intangible assets – Note 23

Computer software and other intangible assets with finite useful lives are stated at cost, less amortisation on a straight line basis and provisions for impairment, if any. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Company, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs

associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 to 9 years. Other intangible assets are amortised over the life of the asset. Computer software and other intangible assets are reviewed for impairment when there is an indication that the asset may be impaired. Intangible assets not yet available for use are reviewed for impairment on an annual basis.

Notes to the financial statements

1.20 Non-credit risk provisions – Note 33

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. The present value of provisions is reported within 'Provisions for liabilities and commitments' in the statement of financial position.

1.21 Equity – Notes 34, 35, 36 and 45

Share capital

Share capital comprises the ordinary shares of the entity. 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 Company's financial statements in the period in which they are approved by the shareholders of the Company. Proposed dividends that are declared after the end of the reporting date are not recognised as a liability, they are disclosed in note 45.

Other equity interests

Other equity interests comprises of AT1 perpetual security instrument (note 35), which were issued for the first time during 2023 and are held by the Parent. Distributions on the AT1s are recognised in equity when approved for payment by the Board of Directors.

Capital contributions

Capital contributions represent the receipt of non-refundable considerations from the Parent. These contributions can comprise both financial and non-financial assets. The contributions are classified as equity and may be either distributable or non-distributable.

Capital redemption reserves

Capital redemption reserves represent non-distributable reserves which were transferred from share capital following the buyback of shares from the parent company in 2023.

Cash flow hedging reserves

Cash flow hedging reserves represent the net gains or losses, net of tax, on effective cash flow hedging instruments that will be reclassified to the income statement when the hedged transaction affects profit or loss.

Revenue reserves

Revenue reserves include the following:

- Retained earnings of the Company;
- Amounts transferred from issued share capital following approval by the High Court of Justice in Northern Ireland;
- Remeasurement of the defined benefit pension scheme; and
- Transactions with the owner including distributions and buybacks.

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.

Impairment of financial assets

The Company's accounting policy for impairment of financial assets is set out in note 1.15. The ECL allowances for financial assets at 31 December 2025 represent management's best estimate of the expected credit losses on the various portfolios at the reporting date.

The calculation of ECL allowances is complex and the Company must consider large amounts of information in the determination of such expectations of future credit losses.

Judgement is involved in:

- Determining the criteria for a SICR and for being classified as credit impaired;
- Determining the requirement, and the appropriate methodology, for any post model adjustments (see note 20(a) for further details); and

Estimates are involved in the inputs into the ECL calculation including DCFs, collateral valuations, and time to realisation of collateral. Estimates are also involved in establishing the number and relative weightings for forward-looking scenarios and in determining the amount of post model adjustments (see note 20(a) for further details).

The sensitivity of the ECL allowance to changes in the macroeconomic scenarios used in the calculation are set out in note 20(b) and 20(c).

Further information on impairment of financial assets measurement, methodologies and judgements is set out in note 20(a).

Recoverability of deferred tax asset

The Company's accounting policy for deferred tax is set out in note 1.7 and details of the Company's deferred tax assets and liabilities are set out in note 26.

In recognising a deferred tax asset for unutilised losses the Directors' make certain judgements around the recoverability of the deferred tax asset.

Judgement is involved in determining the period of time over which it is probable there will be sufficient future taxable profits against which the unutilised losses can be used.

Estimates of the level of future profitability are made in determining the amount of deferred tax asset on unutilised losses to recognise at the reporting date. This includes estimating the impact of economic conditions on future profitability.

The factors considered by management in making these judgements and assumptions for the estimates are disclosed in note 26 together with a sensitivity analysis of the deferred tax asset to a change in the estimate of future profitability.

Retirement benefit obligations

The Company's accounting policy for retirement benefit plans is set out in note 1.6 and details of the key assumptions and the valuation of the AIB Group (UK) Pension Scheme (the UK Scheme), at 31 December 2025 are set out in note 27.

Judgement is involved in determining the appropriate models to base the fair value, financial and demographic assumptions on. The choice of these drives the valuation of the UK Scheme assets and liabilities reported in the financial statements.

Estimates are made by the Directors of a number of financial and demographic assumptions under advice from the Company's actuaries. This includes estimates of the discount rate, inflation rate and the expected longevity of scheme members.

The impact on the income statement, other comprehensive income and statement of financial position could be materially different if a different set of assumptions were used. A sensitivity analysis of the scheme liabilities to changes in the assumptions is set out in note 27.

Notes to the financial statements

3. Interest and similar income

	2025 £m	2024 £m
Interest on loans and advances to banks	192	183
Interest on loans and advances to customers	236	282
Interest income calculated using the effective interest rate method	428	465
Interest income on finance leases and hire purchase contracts	6	5
Total interest and similar income	434	470

Interest income includes an amount transferred from other comprehensive income relating to cash flow hedges, 2025: debit of £67m (2024: debit of £100m) which is included in 'Interest on loans and advances to customers'.

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

4. Interest and similar expense

	2025 £m	2024 £m
Interest on deposits by banks	4	8
Interest on customer deposits	120	108
Interest on Tier 2 subordinated liabilities	11	12
Interest on lease liabilities (note 30)	1	—
Total interest and similar expense	136	128

Interest expense includes an amount transferred from other comprehensive income relating to cash flow hedges, 2025: credit of £10m (2024: credit of £20m) which is included in 'Interest on customer deposits'.

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

5. Net fee and commission income

	2025 £m	2024 £m
Customer deposits and payment services ⁽¹⁾	9	10
Lending related fees	11	13
Customer related foreign exchange	7	5
Service charge ⁽²⁾	1	3
Card income	2	2
Other fees and commissions	8	8
Fee and commission income	38	41
Fee and commission expense	(2)	(4)
	36	37

⁽¹⁾Refer to note 1 for further information about the change in presentation for certain notes to the financial statements.

⁽²⁾The service charge relates to income received from a fellow subsidiary, as part of the cost allocation process, whereby the Company is reimbursed for personnel and administration costs incurred servicing the company.

Fees and commissions which are an integral part of the effective interest rate are recognised as part of interest and similar income (note 3) or interest and similar expense (note 4).

Notes to the financial statements

6. Net trading and other financial (expense)/income

	2025 £m	2024 £m
Interest rate contracts	(1)	2
	(1)	2

The total hedging ineffectiveness on cash flow hedges reflected in the income statement is £nil in 2025 (2024: £nil).

7. Net loss on other financial assets measured at FVTPL

	2025 £m	2024 £m
Investment securities - equity (note 9)	(1)	(19)
Deferred consideration on disposal of investment securities - equity	1	—
	—	(19)

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

	2025		2024	
	Carrying value of derecognised financial assets measured at amortised cost £m	Gain from derecognition £m	Carrying value of derecognised financial assets measured at amortised cost £m	Gain from derecognition £m
Loans and advances to customers	38	—	1,449	18
	38	—	1,449	18

Derecognition in 2025 relates to the sale of non-performing loans (for credit management purposes) where credit deterioration has occurred, consistent with non-performing loan sales derecognised in 2024 (£11m). Derecognition in 2024 primarily related to the derecognition of performing loans, predominantly the transfer of green energy and infrastructure loans to AIB plc.

9. Other income

	2025 £m	2024 £m
Dividend income on equity investments measured at FVTPL	—	7
Dividend income from subsidiary undertakings	1	4
Profit on disposal of investment securities at FVTPL - equity ⁽¹⁾	50	—
Miscellaneous operating income	—	1
	51	12

⁽¹⁾In 2025, the Company disposed of its equity shareholding in Zolter Services DAC.

Notes to the financial statements

10. Operating expenses

	2025 £m	2024 £m
Wages and salaries	42	44
Social security costs	6	4
Pension costs		
- Defined contribution plans (note 27)	7	7
- Defined benefit plans (note 27)	3	(1)
Other personnel expenses	11	13
Termination benefits ⁽¹⁾	2	—
Total personnel expenses⁽²⁾	71	67
General and administrative expenses	54	54
Total operating expenses	125	121

⁽¹⁾For the year ended 31 December 2025, a charge of £2m (2024: £nil) was made to the income statement in respect of termination benefits arising from the voluntary severance programme in operation in the Company.

⁽²⁾AIB Group implemented a new SAYE scheme in September 2025. The scheme is available to eligible employees in Ireland and the UK and is classified as an equity-settled share-based payment arrangement under IFRS 2 *Share-based payment*. The expense related to the SAYE scheme is not material for the year.

The monthly average number of employees (FTEs) of the Company during the year was 702 (2024: 700).

11. Auditor's remuneration

Auditor's remuneration is included within operating expenses in the income statement. The charges included in 2025 and 2024 shown below are exclusive of Value Added Tax. The fees were payable by the Company to the principal auditor (PwC) only for services relating to the audit of the Company in the categories set out below.

	2025 £'000	2024 £'000
Audit fees for statutory audit ⁽¹⁾	750	750
Other assurance services (including regulatory compliance work) ⁽²⁾	60	34
	810	784

⁽¹⁾No additional audit fees were charged in 2025 in relation to the 2024 audit (2024: £nil in relation to the 2023 audit).

⁽²⁾Other assurance services includes remuneration for additional assurance expressed by the external auditor outside of the audit of the statutory financial statements of the Company. This remuneration includes assignments where the external auditor provides assurance to third parties.

Notes to the financial statements

12. Net credit impairment charge

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

	2025 Measured at amortised cost £m	2024 Measured at amortised cost £m
Loans and advances to customers (note 19)	(7)	(21)
Loan commitments (note 33)	(1)	(2)
Financial guarantee contracts (note 33)	1	—
Net remeasurement of ECL allowance	(7)	(23)
Recoveries of amounts written-off in previous years	6	2
Net credit impairment charge	(1)	(21)

13. Taxation

	2025 £m	2024 £m
Current tax		
Corporation tax in the UK		
UK corporation tax on income for the year	(42)	(41)
Current tax charge for the year	(42)	(41)
Deferred tax		
Origination and reversal of temporary differences		
- Current year	—	(1)
Change in the recognition of deferred tax on losses		
- Current year	30	(9)
Deferred tax charge for the year (note 26)	30	(10)
Total tax charge for the year	(12)	(51)

The tax charge for the period is lower (2024: lower) than the 2025 standard average rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

	2025 £m	2024 £m
Corporation tax charge at standard average rate	(62)	(60)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3	(1)
Exempted income, income at reduced rates and tax credits	12	6
Income taxed at bank surcharge rate	(2)	(3)
Tax on equity distributions	3	3
Deferred tax amounts previously not recognised	34	4
Tax charge	(12)	(51)

The Company has been within the scope of the global minimum top-up tax under Pillar Two tax legislation since 1 January 2024. However, the Company is not liable to any additional top-up tax expense because the UK Pillar Two effective tax rate is above 15%.

Notes to the financial statements

14. Derivative financial instruments

The Company transacts derivatives for two primary purposes: to provide risk management solutions to clients; and to manage and hedge the Company's own risks. Derivative instruments are contractual agreements whose value is derived from price movements in underlying assets, interest rates, foreign exchange rates or indices.

All hedging instruments are included within derivative financial instruments on the statement of financial position and ineffectiveness is included within net trading and other financial (expense)/income in the income statement.

Most of the Company's derivative transactions relate to sales activities, which result from the marketing of derivative products to customers to enable them to reduce current or expected risks, and the related matching derivatives taken out with AIB plc that enable the Company to close out the risks arising from the customer facilitations.

Other derivatives classified as held for trading include derivatives that are entered into for risk management purposes but do not meet the criteria for hedge accounting under IFRS 9.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting, together with the ineffective portion of qualifying hedging derivatives, are reported in 'Net trading and other financial (expense)/income'.

Hedging derivatives

In addition to meeting customer needs, the Company's principal objective in holding or issuing derivatives for purposes other than trading is the management of interest rate risks.

The operations of the Company are exposed to interest rate risk arising from the fact that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives are used to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the Company to achieve liquidity and risk management objectives.

The accounting treatment of hedge transactions varies according to the nature of the instrument being hedged and the type of hedge transactions. Derivatives may qualify as hedges for accounting purposes if they are fair value hedges, cash flow hedges, or net investment hedges.

With respect to exchange rate and interest rate contracts, the notional or contractual amounts of these instruments indicate the nominal value of transactions outstanding at the year end.

Cash flow hedges

The Company is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates or which are expected to be re-funded or re-invested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual term and other relevant factors, including estimates of prepayments and defaults.

The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges. These are initially recognised directly in equity as gains or losses not recognised in the income statement and are transferred to the income statement when the forecast cash flows affect net profit or loss.

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement.

The net movement in derivatives designated as cash flow hedges recognised directly in equity through the statement of comprehensive income during 2025 is set out in note 37.

All derivative financial instruments held are OTC instruments.

The Company uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on-balance sheet lending including counterparty credit approval, limit setting and monitoring procedures. In addition, derivative instruments are subject to the market risk policy and control framework described in the Risk management section.

The concentration of exposures of the Company, in respect of notional principal amounts of £7,539m (2024: £7,771m) and positive fair value of interest rate and exchange rate contracts of £27m (2024: £46m), are in the UK as concentrations are based primarily on the location of the office recording the transaction.

As set out in note 1.16, the Company uses collateral and netting agreements to reduce its exposure to credit losses. Of the derivative assets of £27m at 31 December 2025 (2024: £46m):

- £19m (2024: £39m) are available for offset against derivative liabilities under Credit Support Annexes (CSA) and ISDA standard documentation. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities. At 31 December 2025, cash collateral of £173m (2024: £224m) was placed against these liabilities and is reported in loans and advances to banks (note 15); and
- £8m (2024: £7m) are not covered under CSA and ISDA standard documentation.

Notes to the financial statements

The following table presents the notional principal amount of interest rate, exchange rate and hedging derivative contracts together with the positive and negative fair values attached to those contracts at 31 December 2025 and 2024:

	2025			2024		
	Notional principal amount	Fair values		Notional principal amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Derivatives held for trading						
Interest rate swaps - OTC	1,408	10	(11)	1,890	15	(15)
Interest rate options bought and sold - OTC	1,366	3	(3)	1,082	7	(6)
Total interest rate derivatives	2,774	13	(14)	2,972	22	(21)
Foreign exchange contracts - OTC	174	2	(1)	95	1	(2)
Total foreign exchange derivatives	174	2	(1)	95	1	(2)
Total derivatives held for trading	2,948	15	(15)	3,067	23	(23)
Derivatives held for hedging						
Interest rate swaps - OTC	4,591	12	(161)	4,704	23	(239)
Total derivatives designated as cash flow hedges	4,591	12	(161)	4,704	23	(239)
Total derivatives held for hedging	4,591	12	(161)	4,704	23	(239)
Total derivative financial instruments	7,539	27	(176)	7,771	46	(262)

Notes to the financial statements

Nominal values and average interest rates by residual maturity

At 31 December 2025 and 2024, the Company held the following hedging instruments of interest rate risk in cash flow hedges. The Company has disclosed, by risk category, the profile of the timing of the nominal amount of the hedging instruments in line with the requirements of IFRS 7. In 2024 additional voluntary disclosures were provided for the cash flows by hedged item. The 2024 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
Cash flow hedges – Interest rate risk⁽¹⁾					
Assets					
Interest rate swaps - nominal principal amount (£m)	763	502	592	1,662	3,519
Average interest rate (%) ⁽²⁾	3.26	2.61	0.75	2.50	2.39
Liabilities					
Interest rate swaps - nominal principal amount (£m)	243	189	573	67	1,072
Average interest rate (%) ⁽²⁾	3.03	3.26	3.68	3.61	3.45
Total nominal amount of cash flow hedges – Interest rate risk	1,006	691	1,165	1,729	4,591
	2024				
	Up to 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Cash flow hedges – Interest rate risk⁽¹⁾					
Assets					
Interest rate swaps - nominal principal amount (£m)	634	821	611	1,665	3,731
Average interest rate (%) ⁽²⁾	3.75	3.70	0.97	1.96	2.48
Liabilities					
Interest rate swaps - nominal principal amount (£m)	94	284	472	123	973
Average interest rate (%) ⁽²⁾	2.52	2.59	3.46	3.26	3.09
Total nominal amount of cash flow hedges – Interest rate risk	728	1,105	1,083	1,788	4,704

⁽¹⁾Includes interest rate swaps used to hedge interest rate risk on variable rate GBP assets and liabilities.

⁽²⁾This is the average interest rate on the fixed leg of swap agreements where the variable rate on the assets and liabilities in cash flow hedges is being swapped for a fixed rate. Pay fixed cash flow hedges are used to hedge the cash flows on variable rate liabilities and receive fixed cash flow hedges are used to hedge the cash flows on variable rate assets.

Notes to the financial statements

Cash flow hedges of interest rate

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

2025

Hedging instrument	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement	Amounts reclassified from the cash flow hedging reserves to the income statement
		Assets	Liabilities				
	£m	£m	£m	£m	£m	£m	£m
Interest rate swaps	4,591	12	(161)	67	67	—	(57) ⁽¹⁾

⁽¹⁾Included in the income statement as follows: debit of £67m in interest and similar income and credit of £10m in interest and similar expense.

2025

Line item in Statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amounts in the cash flow hedging reserves for continuing hedges pre tax	Amount in the cash flow hedging reserves for continuing hedges post tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
	£m	£m	£m	£m	£m
Loans and advances to customers	(85)	(149)	(108)	1	1
Customer deposits	18	—	—	—	—

2024

Hedging instrument	Nominal amount of hedging instrument	Carrying amount of the hedging instrument		Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement	Amounts reclassified from the cash flow hedging reserves to the income statement
		Assets	Liabilities				
	£m	£m	£m	£m	£m	£m	£m
Interest rate swaps	4,704	23	(239)	(28)	(28)	—	(80) ⁽¹⁾

⁽¹⁾Included in the income statement as follows: debit of £100m in interest and similar income and credit of £20m in interest and similar expense.

Notes to the financial statements

2024

Line item in Statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amounts in the cash flow hedging reserves for continuing hedges pre tax	Amount in the cash flow hedging reserves for continuing hedges post tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
	£m	£m	£m	£m	£m
Loans and advances to customers	26	(234)	(168)	1	1
Customer deposits	2	17	12	—	—

Cash flow hedges

The table below sets out the hedged cash flows, including the amortisation of terminated cash flow hedges, which are expected to occur and impact the income statement in the following periods.

2025

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	£m	£m	£m	£m	£m
Cash flows					
Forecast receivable cash flows	112	78	192	150	532
Forecast payable cash flows	31	19	23	2	75
Forecast payable cash flows (including amortisation of terminated cash flow hedges)	32	19	23	2	76

2024

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	£m	£m	£m	£m	£m
Cash flows					
Forecast receivable cash flows	151	96	201	140	588
Forecast payable cash flows	39	24	27	3	93
Forecast payable cash flows (including amortisation of terminated cash flow hedges)	40	24	27	3	94

15. Loans and advances to banks

2025

2024

	£m	£m
At amortised cost		
Funds placed with central banks	200	200
Funds placed with other banks	496	514
Loans and advances to banks	696	714
ECL allowance (note 19)	—	—
Net loans and advances to banks	696	714
Amounts include:		
Due from AIB plc and fellow subsidiaries	429	456

Notes to the financial statements

External rating:

AA/AA-	201	200
A+/A/A-	495	514
	696	714

Under reverse repurchase agreements, the Company can accept collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. No collateral (2024: £nil) was repledged to the BOE as collateral for BACS membership.

Amounts due from AIB plc and fellow subsidiaries were assessed for an ECL at 31 December 2025 and 2024. It was determined that the ECL on the intercompany loans at 31 December 2025 was £nil (2024: £nil).

16. Loans and advances to customers

	2025 £m	2024 £m
At amortised cost		
Loans to customers	5,266	4,748
Amounts receivable under finance leases and hire purchase contracts (note 17)	100	81
Gross loans and advances to customers	5,366	4,829
ECL allowance (note 19)	(75)	(121)
Net loans and advances to customers	5,291	4,708
Amounts include:		
Due from AIB plc and fellow subsidiaries	20	23

Amounts due from AIB plc and fellow subsidiaries were assessed for an ECL at 31 December 2025 and 2024. It was determined that the ECL on the intercompany loans at 31 December 2025 was £nil (2024: £nil).

Further disclosures relevant to the Company's loans and advances to customers are included in note 20.

17. Amounts receivable under finance leases and hire purchase contracts

The following balances principally comprise of leasing arrangements and hire purchase agreements involving vehicles, plant, machinery and equipment:

	2025 £m	2024 £m
Gross receivables		
Not later than 1 year	56	45
Later than 1 year and not later than 2 years	23	20
Later than 2 years and not later than 3 years	17	13
Later than 3 years and not later than 4 years	6	6
Later than 4 years and not later than 5 years	3	2
Later than 5 years	1	—
Total gross receivables	106	86
Unearned future finance income	(6)	(5)
Present value of minimum payments	100	81
ECL allowance for uncollectible minimum payments receivable ⁽¹⁾	(1)	(1)

⁽¹⁾Included in the ECL allowance on loans and advances to customers in note 19.

Notes to the financial statements

18. Securities financing

Securities financing consists of reverse repurchase agreements with AIB plc.

	2025		2024	
	Banks	Total	Banks	Total
	£m	£m	£m	£m
Assets				
Reverse repurchase agreements	921	921	—	—
Total⁽¹⁾	921	921	—	—

⁽¹⁾ Classified as ECL Stage 1 and have a £nil ECL at 31 December 2025 (2024: £nil)

In accordance with the terms of the reverse repurchase agreements, the Company accepts collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. At 31 December 2025, the total fair value of the collateral received was £973m (2024: £nil), none of which had been resold or repledged. These transactions were conducted under terms that are usual and customary to standard reverse repurchase agreements.

19. ECL allowance on financial assets

The following table shows the movements in the ECL allowance on financial assets. Further information is disclosed in the gross loans and ECL movement tables in note 20 (h).

	2025	2024
	£m	£m
At 1 January	121	133
Net remeasurement of ECL allowance - customers (note 12)	7	21
Changes in ECL allowance due to write-offs	(48)	(29)
Changes in ECL allowance due to derecognition	(10)	(4)
ECL allowance on acquisition of loans and advances to customers	5	—
At 31 December	75	121
Amount included in financial assets measured at amortised cost:		
Loans and advances to banks	—	—
Loans and advances to customers	75	121
	75	121

The Company's accounting policy for impairment of financial assets is set out in note 1.15. Whilst provisioning is a continuous process, provision adequacy is formally reviewed in the Company on a monthly basis to determine the overall provision requirement across all credit portfolios.

Notes to the financial statements

20. Credit risk disclosures

Credit risk management objectives are to:

- Establish and maintain a control framework;
- Control and plan credit risk taking in line with external stakeholder expectations;
- Identify, assess and measure credit risk clearly and accurately; and
- Monitor and report changes in credit risk and adherence to agreed controls.

(a) Measurement, methodologies and judgements

The Company, 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. The standard does not prescribe specific approaches to be used in estimating ECL allowances, 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
- 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 FVOCI. In addition, the ECL approach applies to lease receivables, loan commitments and financial guarantee contracts that are not measured at FVTPL.

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 a default). The ECL amount recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition together with the impact on credit risk parameters.

Bases of measurement

Under the standard, there are two measurement bases:

1. 12-month ECL (Stage 1), which applies to all financial instruments from initial recognition as long as there has been no SICR; and
2. Lifetime ECL (Stages 2 and 3 and POCI), which applies when a SICR 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 is a key input into the staging allocation process. The origination date of an account is determined by the date on which the Company became irrevocably committed to the contractual obligation and the account was first graded on an appropriate model.

For undrawn credit facilities, the Company uses the date of origination as the date when it becomes party to the irrevocable contractual arrangements or irrevocable commitment. For overdrafts which have both drawn and undrawn components, the date of origination is the same for both. The Company 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 SICR.

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.

Stage 2 characteristics

Obligations where there has been a 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.

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The Company assesses at each reporting date whether a SICR 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 Company'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 (PD). The Company compares each obligation's annualised average probability weighted residual origination lifetime probability of default (LTPD) (see 'Credit risk at origination') to its annualised average probability weighted residual LTPD at the reporting date. If the difference between these two LTPDs meets the quantitative definition of SICR, the Company 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 Company has determined that an account has met the quantitative measure if the average residual LTPD at the reporting date is at least double the average residual LTPD at origination, and the difference between the LTPDs is at least 50bps or 85bps in the case of residential mortgages. For lower default models, individual calibrated thresholds are applied. The appropriateness of these thresholds are kept under review by the Company.

Qualitative measure: This measure reflects the assessment of the change in credit risk based on the Company'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.

Lender assessed SICR triggers: For non-retail portfolios a suite of lender assessed triggers are in place to ensure appropriate and timely identification of increased credit risk, which when occur, trigger a SICR event.

The criteria for this lender assessed trigger include, for example:

- A post distressed restructure payment default occurs where the borrower is neither in default nor forborne;
- A material adverse event has occurred for the borrower which may impact the borrower's ability to repay such as: adverse publicity which raises concerns over the viability of a business; loss of key personnel (Chief Executive Officer/Chief Financial Officer/Chief Operating Officer) which raises concerns over the strategy/viability of the business or significant negative macroeconomic events (including but not limited to economic or market volatility, changes in legislation and technological threats to an industry, changes in access to markets) where the financial impact to the borrower is deemed material.

Backstop indicators: The Company has adopted the rebuttable presumption within IFRS 9 that loans greater than 30 days past due represent a SICR.

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

Stage 3 characteristics

Defaulted loans (with the exception of newly originated loans that are in Stage 1 or POCI) are classed 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 Company 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 at the date it was due).

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

Measurement of expected credit loss

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

- Standard approach: This approach is used for the majority of exposures where each ECL input parameter (PD, LGD, Exposure at default (EAD), and Prepayments) is developed in line with standard modelling methodology. The Company's IFRS 9 models have been developed and approved in line with the Parent Group's Model Risk Management Framework.

Notes to the financial statements

- ii. Simplified approach: For portfolios not on the standard approach, the Company 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 reliance on the qualitative criteria (along with the 30 days past due backstop).
- iii. Discounted cash flows: DCFs are used as an input to the ECL calculation for Stage 3 credit impaired exposures where gross credit exposure is $\geq$ £500,000. For higher-value cases, multiple DCFs are prepared to ensure that expected losses appropriately reflect forward looking outcomes. This approach is required where gross credit exposure is $\geq$ £5 million. This approach captures borrower specific impacts under base, downside and upside conditions, with each scenario probability weighted to derive the final scenario weighted ECL. Collateral valuation assumptions and the estimated time to realisation of collateral are key drivers of the DCF approach. Forward-looking information is incorporated through the Company's credit assessment process and applied consistently across scenarios. Where the calculated ECL is very low, a minimum ECL floor is applied. This is benchmarked against relevant model outputs to ensure consistency and prudence in ECL recognition.
- iv. 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 pages 67 to 68.

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 Stage 1 and Stage 2 assets plus all non-DCF Stage 3 exposures on the standard approach to ECL.

IFRS 9 portfolio delineation

The IFRS 9 models are delineated into retail and non-retail portfolios. The retail IFRS 9 portfolios provide exposure level risk parameter estimates which take into account facility, or borrower level characteristics and metrics, where appropriate, whilst the non-retail portfolios provide metrics which are either borrower, facility or connection level estimates.

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.

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

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 Company (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 following sets out the general approaches for the retail and non-retail portfolios:

– Retail portfolios

For unsecured loans, a cash flow curve, which estimates the cumulative cash received following default until the loan is written-off or returns to performing, is used to estimate the future recovery amount. This is discounted at the EIR and compared to the current outstanding balance. Any shortfall between the recovery amount and the outstanding balance is the LGD used to estimate ECL. Where appropriate, this may then be adjusted to reflect economic conditions.

For secured loans the following may be considered:

- 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) to calculate the future recovery amount;
- The potential for the exposure to be deleveraged through a portfolio sale taking into account the costs associated with same; and
- Paths for returning to the performing portfolios such as forbearance and self-cure.

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– Non-retail portfolios

For unsecured loans, characteristics such as borrower sector, borrower financials and nature of collateral linked to affiliated accounts under the same customer group are used to determine future losses based on historical experience of discounted recoveries.

For secured loans, the value of the underlying property collateral is estimated at the reporting date. This is used to estimate the ECL based on historical experience of discounted recoveries.

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. For revolving credit products, 'prepayment' is defined as the cessation of use and withdrawal of the facility provided that the account was not in default prior to closure.

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 is:

- Term credit products: the contractual maturity date, with exposure and survival probability adjusted to reflect behaviour, i.e. amortisation and prepayment;
- Revolving credit products: the period may extend beyond the contractual period, i.e. behavioural lifetime estimate over which the Company is exposed to credit risk, e.g. overdrafts and credit cards.

Forward-looking indicators in the 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. 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 PMAs.

Effective interest rate

ECLs are discounted to the reporting date using the EIR set at initial recognition, or a suitable approximation. The Company 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 Company 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 Company 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 Company 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 particular assets within loans and advances to banks, specifically, assets which have an internal grade equivalent to an external investment grade rating (BBB-) or higher.

The Company applies a quantitative backstop trigger of a tripling of the PD 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.

Short-term cash

The Company's IFRS 9 Impairment policy does not require calculation of an ECL for short term cash at central banks and other banks which have a low risk of default with a very low risk profile. The calculation of the ECL at each reporting date would be immaterial given these exposures' short-term nature and their daily management.

Lease receivables and trade receivables

For lease receivables, the Company has elected to use its standard approach for both stage allocation and the ECL calculation and has elected to use an expedient (simplified approach) for trade receivables.

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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 Company 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 Company regarding their loan agreement has ceased;
- Inception of informal 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 Company 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 is outlined on page 81 and relate to non-contracted write-offs, both full and partial. The Company 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 has put in place a framework, incorporating the governance and delegation structures commensurate with a material risk, to ensure credit risk is appropriately managed.

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

- ECL Committee;
- Board Audit Committee

For ECL governance, the Company's management employs its expert judgement in assessing the adequacy of the ECL allowance. This is supported by detailed information on the portfolios 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 Company'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 the Company's lending portfolios is initially informed by the outputs of the quantitative analytical models but may be subject to management adjustments.

The ECL output is then subject to review and challenge at AIB UK ECL Committee, prior to onward recommendation to the Board Audit Committee, the final approval authority.

The AIB UK ECL Committee, chaired by the CFO, is constituted by, and reports to, the SMT, with responsibility for reviewing and approving the ECL outcome ahead of final approval at the Board Audit Committee.

In addition, the Board Audit Committee recommends the Company's financial results to the Board for ultimate final approval, including ECLs.

Post model adjustments

PMA's 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.

PMA's are approved under the ECL governance process through which the appropriateness of PMA's 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 Company has continued to consider all PMA's in light of the current economic environment and continued geopolitical tensions. The calculation of PMA's and ECL adjustments requires a high degree of judgement, particularly in relation to emerging macroeconomic and sectoral risks. PMA's were reviewed within this context and a cautious approach was taken to ensure an appropriate level of protection against potential vulnerabilities amid ongoing economic uncertainty. Release of PMA's 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 ECL allowance at 31 December 2025 includes the following management adjustments to capture risks that have not been included within the ECL models. The total effect of all PMA's at 31 December 2025 is to increase ECLs by £12m. This compares to £14m at 31 December 2024 which principally incorporated emerging headwinds, refinancing risk and impact of multiple scenarios.

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PMAs of £11m (£6m non-property business, £4m property and £1m mortgages) are in place on Stage 1 and Stage 2 loans to reflect the full expected impact of the external environment, particularly under the downside scenarios.

- £7m on the corporate and CRE PD models to better reflect how changing interest rates and macroeconomic variables would be expected to impact the portfolio under downside scenarios;
- £3m to account for the impact of potential increased forbearance due to policy changes; and

- £1m to account for staging and ECL impacts from the outcome of Unlikely to Pay tests on lifetime Interest-Only mortgages.

In total, PMAs of £1m are applied to total Stage 3 loans of £95m.

(b) Macroeconomic scenarios and weightings

The Company 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.

Notes to the financial statements

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				December 2024			
	5 year (2026-2030) average forecast				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)
United Kingdom								
GDP growth	1.4	0.6	(0.3)	1.8	1.5	0.6	(0.1)	2.1
Residential property price growth	2.2	(0.7)	(4.9)	4.4	2.6	(1.1)	(5.4)	4.6
Unemployment rate	4.8	7.6	9.1	3.9	4.6	7.6	9.1	3.8
Commercial property price growth	2.9	(1.7)	(4.2)	5.3	2.8	(1.8)	(6.1)	5.1
Inflation	2.1	2.1	1.9	3.5	2.1	2.7	1.8	3.4

Additional information is provided in the table below which details the individual macroeconomic factor forecast for each year across the four scenarios, as at 31 December 2025.

	Estimate	Base					Downside 1				
	2025	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Macroeconomic factor	%	%	%	%	%	%	%	%	%	%	%
GDP growth	1.2	1.2	1.5	1.4	1.4	1.3	—	(0.7)	0.8	1.4	1.5
Residential property price growth	1.7	3.0	2.0	2.0	2.0	2.0	(8.5)	(3.0)	2.0	3.0	3.0
Unemployment rate	4.7	4.9	4.8	4.7	4.7	4.7	6.1	7.8	8.6	8.1	7.5
Commercial property price growth	2.5	5.0	3.0	2.5	2.0	2.0	(11.0)	(3.0)	1.5	2.0	2.0
Inflation	3.5	2.7	2.0	2.0	2.0	2.0	2.7	1.7	2.0	2.0	2.0
		Downside 2					Upside				
		2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Macroeconomic factor	%	%	%	%	%	%	%	%	%	%	%
GDP growth		(1.6)	(3.3)	0.3	1.5	1.7	1.6	2.4	2.0	1.6	1.2
Residential property price growth		(11.0)	(14.0)	(2.0)	1.0	1.5	6.5	5.5	4.0	3.0	3.0
Unemployment rate		6.4	8.6	10.0	10.5	10.0	4.2	3.9	3.8	3.5	3.9
Commercial property price growth		(12.5)	(14.0)	(1.0)	2.5	4.0	7.5	6.0	5.0	4.0	4.0
Inflation		2.1	1.5	1.7	2.0	2.0	5.0	4.8	3.0	2.5	2.0

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

Scenario	Weighting 31 December 2025	Scenario	Weighting 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 %

Notes to the financial statements

(c) Sensitivities

The Company'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 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% (£22m) and 36% (£26m), respectively, and declines by 3% (£2m) 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	4	4	4	4	4
Other personal	1	1	1	1	1
Property and construction	31	25	39	41	26
Non-property business	39	36	43	44	33
Total	75	66	87	90	64
Off-balance sheet loan commitments and financial guarantee contracts	7	6	7	8	6
	82	72	94	98	70

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	3	3	3	3	3
Other personal	1	1	1	1	1
Property and construction	26	21	32	35	21
Non-property business	91	86	98	104	79
Total	121	111	134	143	104
Off-balance sheet loan commitments and financial guarantee contracts	7	6	8	9	5
	128	117	142	152	109

Notes to the financial statements

(d) Credit risk management consideration of climate and environmental (C&E) risks

The Company's year-end 2025 assessment concluded that C&E risks are not materially affecting credit quality or ECLs, with portfolio performance remaining stable and no adverse movements attributable to climate-related factors. Physical risks, notably flood risk, are understood and managed through underwriting standards, collateral controls and established governance, while transition risks remain concentrated in a small number of sectors and are subject to enhanced monitoring, with no material credit impacts observed to date.

The Company's Climate and Environmental Risk Framework, including scenario analysis, ESG governance and credit underwriting/limits continues to strengthen as data and modelling improve. Impacts of evolved regulatory expectations (PRA5/25) are being assessed and whilst work to enhance climate-related data remains ongoing, current assessments do not indicate under-capture of risk, and therefore, no climate-specific PMA is required for year-end 2025.

(e) 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, and for financial guarantees and similar contracts granted, it is the maximum amount the Company would have to pay if the guarantees were called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

Credit risk exposure derives from standard on-balance sheet products such as mortgages, loans, overdrafts and credit cards. In addition, credit risk arises from other products and activities including, but not limited to: 'off-balance sheet' guarantees and commitments and securities financing. The credit risks arising from balances at central banks is deemed to be negligible based on its maturity and counterparty status.

The Company manages and reduces its net exposure to credit risk through the use of collateral and netting arrangements.

The following table sets out the maximum exposure to credit risk that arises within the Company at 31 December 2025 and 2024.

	2025	2024
	£m	£m
Statement of financial position		
Balances at central banks at amortised cost ⁽¹⁾	3,015	3,930
Derivative financial instruments at fair value	27	46
Loans and advances to banks	696	714
Loans and advances to customers	5,291	4,708
Securities financing	921	—
Prepayments and accrued income	8	5
Other assets	22	22
	9,980	9,425
Total off-balance sheet items	2,107	1,945
Maximum exposure to credit risk	12,087	11,370

⁽¹⁾Included within Cash and balances at central banks (does not include cash on hand).

Notes to the financial statements

(f) Credit quality of loans and advances

The Company's credit risk methodologies are embedded as a core tool in the operational and strategic management of credit risk and for risk based credit pricing. Resourcing, structures, policy and processes are subjected to on-going review to ensure the front line team is best placed to manage asset quality and assist borrowers who experience financial difficulties in line with agreed treatment strategies.

One of the objectives of credit risk management is to accurately quantify the level of credit risk to which the Company 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 credit risk grade (rating). A credit grade is assigned on the basis of rating criteria within each rating model from which estimates of PD are derived.

Internal credit grades are fundamental in assessing the credit quality of loan exposures, and are key to management reporting, credit portfolio analysis, credit quality monitoring and in determining the level and nature of management attention applied to exposures. Credit grading and scoring systems underpin the early identification and management of any deterioration in borrower quality. Changes in 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 Company'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 Company 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 Forbearance and Definition of Default and Credit Impairment policies. Masterscale grades are driven by grading model appropriate through-the-cycle PDs combined with other asset quality indicators such as default, forbearance and arrears to provide the Company with a mechanism for ranking and comparing the 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	Accounts are considered strong/satisfactory if they have no current or recent credit distress and the PD is typically less than 6.95%, they are not in arrears and there are no indications 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 credit 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 forborne cases that are classified as performing having transitioned from default, but still require additional management attention to monitor for re-default and continuing improvement in terms of credit quality.
Non-performing/default	Accounts that are considered as non-performing or defaulted. Loans are identified as non-performing or defaulted by using a number of characteristics. The key criteria resulting in a classification of non-performing are: • Where the Company 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 Parent Group's Forbearance Policy. Criteria for the identification of non-performing exposures and unlikelihood to pay are included in the Parent Group's Definition of Default and Credit Impairment Policy.

Notes to the financial statements

Credit profile of the loan portfolio

The Company's customer loan portfolio comprises loans (including overdrafts), instalment credit and finance lease receivables. An overdraft provides a demand credit facility combined with a current account. Borrowings occur when the customer's drawings take the current account into debit. The balance may, therefore, fluctuate with the requirements of the customer. Although overdrafts are contractually

repayable on demand (unless a fixed term has been agreed), provided the account is deemed to be satisfactory, full repayment is not generally demanded without notice.

The following table analyses loans and advances to customers by internal credit ratings and ECL staging at 31 December 2025 and 2024:

At amortised cost

				2025
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Strong	3,009	29	—	3,038
Satisfactory	1,939	154	—	2,093
Total strong/satisfactory	4,948	183	—	5,131
Criticised watch	3	62	—	65
Criticised recovery	—	75	—	75
Total criticised	3	137	—	140
Non-performing	—	—	95	95
Gross carrying amount	4,951	320	95	5,366
ECL allowance	(32)	(18)	(25)	(75)
Carrying amount	4,919	302	70	5,291

At amortised cost

				2024
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Strong	2,623	123	—	2,746
Satisfactory	1,494	217	—	1,711
Total strong/satisfactory	4,117	340	—	4,457
Criticised Watch	10	41	—	51
Criticised Recovery	—	111	—	111
Total criticised	10	152	—	162
Non-performing	—	—	210	210
Gross carrying amount	4,127	492	210	4,829
ECL allowance	(22)	(21)	(78)	(121)
Carrying amount	4,105	471	132	4,708

(g) Concentration exposure

Credit concentration risk arises where any single exposure or group of exposures, based on common risk characteristics, has the potential to produce losses large enough relative to the Company's capital, total assets, earnings or overall risk level to threaten the Company's ability to maintain its core operations.

The Company has a sector focused strategy. The following sectoral analysis is a broad industry analysis of the loan book which shows the most significant sector concentrations.

At 31 December 2025 the most significant concentration of exposures were to residential mortgages which comprised 16% (2024: 17%) of loans and advances to customers, commercial investment 13% (2024: 13%), residential investment 10% (2024: 7%), housing associations 9% (2024: 8%), student housing 9% (2024: 9%) and leisure 9% (2024: 11%) of loans and advances.

Notes to the financial statements

The following table sets out the concentration of credit by industry sector for loans and advances to customers and loan commitments and financial guarantees issued analysed by the ECL stage profile at 31 December 2025 and 2024:

Concentration by sector	Gross carrying amount			Analysed by stage profile			
	Loans and advances to customers	Loan commitments and financial guarantees issued	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m
Non-property business:							
Natural resources	160	90	250	220	30	—	250
<i>Of which renewables</i>	19	1	20	20	—	—	20
Leisure	473	108	581	530	47	4	581
Manufacturing	251	296	547	524	22	1	547
Health, education and social work	336	60	396	376	19	1	396
Services	196	220	416	386	28	2	416
Agriculture, forestry and fishing	38	14	52	38	10	4	52
Retail and wholesale trade	98	76	174	128	40	6	174
Transport and storage	319	79	398	390	1	7	398
Telecommunications, media and technology	55	17	72	71	1	—	72
Financial, insurance and other government activities	139	29	168	154	14	—	168
Total non-property business	2,065	989	3,054	2,817	212	25	3,054
Property and construction:							
Residential investment	512	127	639	551	88	—	639
Student housing	501	4	505	462	43	—	505
Housing associations	506	669	1,175	1,175	—	—	1,175
Commercial investment	715	35	750	717	13	20	750
Development	160	116	276	158	92	26	276
Total property and construction	2,394	951	3,345	3,063	236	46	3,345
Residential mortgages	855	39	894	845	17	32	894
Other personal	52	128	180	167	12	1	180
	5,366	2,107	7,473	6,892	477	104	7,473

Notes to the financial statements

2024

	Gross carrying amount			Analysed by stage profile			
	Loans and advances to customers	Loan commitments and financial guarantees issued	Total	Stage 1	Stage 2	Stage 3	Total
Concentration by sector	£m	£m	£m	£m	£m	£m	£m
Non-property business:							
Natural Resources	202	108	310	278	26	6	310
<i>Of which renewables</i>	<i>17</i>	<i>1</i>	<i>18</i>	<i>15</i>	<i>—</i>	<i>3</i>	<i>18</i>
Leisure	524	88	612	479	97	36	612
Manufacturing	175	185	360	336	21	3	360
Health, education and social work	268	52	320	261	58	1	320
Services	223	191	414	360	49	5	414
Agriculture, forestry and fishing	45	13	58	40	14	4	58
Retail and wholesale trade	87	71	158	122	29	7	158
Transport and storage	387	66	453	355	43	55	453
Telecommunications, media and technology	31	6	37	30	1	6	37
Financial, insurance and other government activities	80	18	98	73	24	1	98
Total non-property business	2,022	798	2,820	2,334	362	124	2,820
Property and construction:							
Residential investment	329	119	448	429	19	—	448
Student housing	411	2	413	413	—	—	413
Housing associations	405	643	1,048	908	140	—	1,048
Commercial investment	622	21	643	523	78	42	643
Development	180	165	345	269	50	26	345
Total property and construction	1,947	950	2,897	2,542	287	68	2,897
Residential mortgages	805	67	872	835	8	29	872
Other personal	55	130	185	175	9	1	185
	4,829	1,945	6,774	5,886	666	222	6,774

Notes to the financial statements

Aged analysis of contractually past due loans and advances to customers

The following table shows an aged analysis of contractually past due loans and advances to customers by industry sector analysed by ECL staging at 31 December 2025 and 2024:

At amortised cost

							2025
Industry sector	Not past due £m	1-30 days £m	31-60 days £m	61-90 days £m	91 + days £m	Total past due £m	Total £m
Non-property business:							
Natural Resources	159	1	—	—	—	1	160
Of which renewables	19	—	—	—	—	—	19
Leisure	470	—	—	—	3	3	473
Manufacturing	250	—	—	—	1	1	251
Health, education and social work	336	—	—	—	—	—	336
Services	193	2	—	—	1	3	196
Agriculture, forestry and fishing	35	2	—	—	1	3	38
Retail and wholesale trade	91	1	—	—	6	7	98
Transport and storage	319	—	—	—	—	—	319
Telecommunications, media and technology	55	—	—	—	—	—	55
Financial, insurance and other government activities	139	—	—	—	—	—	139
Total non-property business	2,047	6	—	—	12	18	2,065
Property and construction:							
Residential investment	512	—	—	—	—	—	512
Student housing	482	—	19	—	—	19	501
Housing associations	503	3	—	—	—	3	506
Commercial investment	707	3	—	—	5	8	715
Development	150	1	—	—	9	10	160
Total property and construction	2,354	7	19	—	14	40	2,394
Residential mortgages	837	3	1	2	12	18	855
Other personal	51	—	—	—	1	1	52
Total gross carrying amount	5,289	16	20	2	39	77	5,366
Asset quality							
Stage 1	4,941	10	—	—	—	10	4,951
Stage 2	294	4	20	2	—	26	320
Stage 3	54	2	—	—	39	41	95
	5,289	16	20	2	39	77	5,366
As a percentage of total gross loans	%	%	%	%	%	%	%
	98.6	0.3	0.4	—	0.7	1.4	100

Notes to the financial statements

At amortised cost

							2024
	Not past due	1-30 days	31-60 days	61-90 days	91 + days	Total past due	Total
Industry sector	£m	£m	£m	£m	£m	£m	£m
Non-property business:							
Natural Resources	198	—	—	—	4	4	202
<i>Of which renewables</i>	15	—	—	—	2	2	17
Leisure	488	3	—	9	24	36	524
Manufacturing	174	—	—	—	1	1	175
Health, education and social work	268	—	—	—	—	—	268
Services	221	1	—	—	1	2	223
Agriculture, forestry and fishing	40	3	1	—	1	5	45
Retail and wholesale trade	80	1	—	4	2	7	87
Transport and storage	362	25	—	—	—	25	387
Telecommunications, media and technology	31	—	—	—	—	—	31
Financial, insurance and other government activities	80	—	—	—	—	—	80
Total non-property business	1,942	33	1	13	33	80	2,022
Property and construction:							
Residential investment	329	—	—	—	—	—	329
Student housing	411	—	—	—	—	—	411
Housing associations	405	—	—	—	—	—	405
Commercial investment	610	12	—	—	—	12	622
Development	175	2	—	—	3	5	180
Total property and construction	1,930	14	—	—	3	17	1,947
Residential mortgages	785	4	2	3	11	20	805
Other personal	54	—	—	—	1	1	55
Total gross carrying amount	4,711	51	3	16	48	118	4,829
Asset quality							
Stage 1	4,122	5	—	—	—	5	4,127
Stage 2	480	7	1	4	—	12	492
Stage 3	109	39	2	12	48	101	210
	4,711	51	3	16	48	118	4,829
As a percentage of total gross loans	%	%	%	%	%	%	%
	97.7	1.4	0.2	0.1	0.6	2.3	100

Notes to the financial statements

(h) Gross loans and ECL movements

The following tables set out the movements in the gross carrying amount and ECL allowance 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.

Accounts that triggered movements between Stage 1 and Stage 2 as a result of failing/curing a quantitative measure only (as disclosed on page 64) 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 Company believes this presentation aids the understanding of the underlying credit migration.

Gross carrying amount movements⁽¹⁾

				2025
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	4,127	492	210	4,829
Transferred from Stage 1 to Stage 2	(291)	291	—	—
Transferred from Stage 2 to Stage 1	278	(278)	—	—
Transferred to Stage 3	(10)	(40)	50	—
Transferred from Stage 3	—	7	(7)	—
New loans originated/top-ups ⁽²⁾	1,572	—	—	1,572
Redemptions/repayments ⁽²⁾⁽³⁾	(953)	(217)	(72)	(1,242)
Interest applied	280	27	6	313
Write-offs	—	—	(48)	(48)
Derecognised due to disposals	—	—	(48)	(48)
Exchange translation adjustments	(4)	—	—	(4)
Impact of model, parameter and overlay changes	(38)	38	—	—
Other movements	(10)	—	4	(6)
At 31 December	4,951	320	95	5,366

				2024
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	4,879	648	253	5,780
Transferred from Stage 1 to Stage 2	(608)	608	—	—
Transferred from Stage 2 to Stage 1	374	(374)	—	—
Transferred to Stage 3	(4)	(127)	131	—
Transferred from Stage 3	1	21	(22)	—
New loans originated/top-ups ⁽²⁾	1,350	—	—	1,350
Redemptions/repayments ⁽²⁾⁽³⁾	(769)	(326)	(126)	(1,221)
Interest applied	328	47	15	390
Write-offs	—	—	(29)	(29)
Derecognised due to disposals	(1,427)	(16)	(11)	(1,454)
Exchange translation adjustments	(1)	—	—	(1)
Impact of model, parameter and overlay changes	—	—	—	—
Other movements	4	11	(1)	14
At 31 December	4,127	492	210	4,829

⁽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.

⁽²⁾Includes loans renegotiated.

⁽³⁾Includes the net movement on revolving credit facilities.

Notes to the financial statements

ECL allowance movements

	2025		
	Stage 1	Stage 2	Stage 3
	£m	£m	£m
At 1 January	22	21	78
Transferred from Stage 1 to Stage 2	(5)	11	—
Transferred from Stage 2 to Stage 1	4	(7)	—
Transferred to Stage 3	—	(4)	5
Transferred from Stage 3	—	—	—
Net remeasurement (within stage)	7	2	(2)
New loans originated/top-ups	11	—	—
Redemptions/repayments	(3)	(1)	—
Impact of model changes ⁽¹⁾	(3)	—	—
Impact of overlay changes ⁽¹⁾	4	(4)	(2)
Impact of credit or economic risk parameters	(5)	(1)	—
Net remeasurement of ECL allowance	10	(4)	1
Write-offs	—	—	(48)
Derecognised due to disposals	—	—	(10)
Other movements	—	1	4
At 31 December	32	18	25

	2024		
	Stage 1	Stage 2	Stage 3
	£m	£m	£m
At 1 January	39	41	53
Transferred from Stage 1 to Stage 2	(4)	11	—
Transferred from Stage 2 to Stage 1	4	(8)	—
Transferred to Stage 3	—	(7)	27
Transferred from Stage 3	—	2	(3)
Net remeasurement (within stage)	(6)	(2)	39
New loans originated/top-ups	13	—	—
Redemptions/repayments	(1)	(3)	—
Impact of model changes ⁽¹⁾	(5)	(1)	—
Impact of overlay changes ⁽¹⁾	(5)	(9)	(8)
Impact of credit or economic risk parameters	(9)	(3)	(1)
Net remeasurement of ECL allowance	(13)	(20)	54
Write-offs	—	—	(29)
Derecognised due to disposals	(4)	—	—
Other movements	—	—	—
At 31 December	22	21	78

⁽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

(i) Movements in off-balance sheet exposures

The following tables set out the movements in the nominal amount and ECL allowance for off-balance sheet exposures by ECL staging for the year to 31 December 2025 and 2024:

Nominal amount movements

				2025
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	1,759	171	15	1,945
Transferred from Stage 1 to Stage 2	(106)	106	—	—
Transferred from Stage 2 to Stage 1	65	(65)	—	—
Transferred to Stage 3	—	—	—	—
Transferred from Stage 3	1	—	(1)	—
Other movements ⁽¹⁾	222	(56)	(4)	162
At 31 December	1,941	156	10	2,107

				2024
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	2,132	134	15	2,281
Transferred from Stage 1 to Stage 2	(105)	105	—	—
Transferred from Stage 2 to Stage 1	51	(51)	—	—
Transferred to Stage 3	(1)	(2)	3	—
Transferred from Stage 3	—	—	—	—
Other movements ⁽¹⁾	(318)	(15)	(3)	(336)
At 31 December	1,759	171	15	1,945

⁽¹⁾Includes new commitments, utilised and expired commitments.

ECL allowance movements

				2025
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	2	3	2	7
Transferred from Stage 1 to Stage 2	—	1	—	1
Transferred from Stage 2 to Stage 1	2	(3)	—	(1)
Transferred to Stage 3	—	—	—	—
Transferred from Stage 3	—	—	—	—
Net remeasurement	—	1	(1)	—
Net income statement charge/(credit)	2	(1)	(1)	—
Other movements	—	—	—	—
At 31 December	4	2	1	7

Notes to the financial statements

	2024			
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	3	2	1	6
Transferred from Stage 1 to Stage 2	(1)	3	—	2
Transferred from Stage 2 to Stage 1	—	(2)	—	(2)
Transferred to Stage 3	—	—	—	—
Transferred from Stage 3	—	—	—	—
Net remeasurement	1	—	1	2
Net income statement charge	—	1	1	2
Other movements	(1)	—	—	(1)
At 31 December	2	3	2	7

(j) Credit ratings of contingent liabilities and commitments

The internal credit ratings of contingent liabilities and commitments are set out in the following table:

	2025	2024
	£m	£m
Strong	1,696	1,538
Satisfactory	356	379
Criticised watch	10	9
Criticised recovery	35	4
Default	10	15
	2,107	1,945

(k) Collateral held

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

The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and receivables;
- Charges over other plant and machinery and marine vessels;
- Mortgage or legal charge over residential and commercial property; and
- Charges over financial instruments such as debt securities and equities.

Collateral requirements vary by facility type, term and exposure amount. Debt securities and treasury products are typically unsecured, except for asset backed securities, which are secured by a portfolio of financial assets.

Collateral is not usually held against loans/advances to banks or central banks, except where securities are held within reverse repurchase or securities borrowing transactions, where collateral agreement is governed by master netting agreements.

Where collateral is taken for non-mortgage/non-property lending, it will typically include a charge over the business assets such as inventory and accounts receivable. A charge over property collateral or a personal guarantee supported by a lien over personal assets may also be taken.

Valuations or business appraisals from independent external professionals are utilised in many cases where cash flows arising from the realisation of collateral are included in the expected credit loss assessments.

(l) Write-offs

The contractual amount outstanding of loans written-off during the year that are subject to enforcement activity amounted to £nil (2024: £nil) which includes both full and partial write-offs. Total cumulative non-contracted loans written-off at 31 December 2025 amounted to £6m (2024: £1m).

Notes to the financial statements

21. Investment securities

	2025 £m	2024 £m
Equity securities		
Equity shares (unlisted) - measured at FVTPL	—	54
Total equity securities	—	54
Total investment securities	—	54

During the year, the Company disposed of its investment in equity securities.

22. Investments in group undertakings

	2025 £m	2024 £m
At 1 January	—	1
Impairment provision charge	—	(1)
At 31 December	—	—

The subsidiary undertaking at 31 December 2025:

Subsidiary name	% of shares held	Year end	Nature of business	Place of incorporation	Registered office
AIB Pensions UK Limited	70 %	31 December	Dormant company	England and Wales	Third Floor, Trident House, 42-48 Victoria Street, St. Albans, Hertfordshire, AL1 3HZ, England.

At 31 December 2024, the Company held 100% of the ordinary shares in AIB Joint Ventures Limited and First Trust Financial Services Limited. These entities were dissolved on 4 November 2025 and 9 December 2025, respectively.

At 31 December 2025, the Company held no investments in associated undertakings (2024: nil), accounted for in accordance with IAS 28 *Investments in Associates*.

Dividends from subsidiary undertakings

In 2025, a dividend of £0.5m was received from First Trust Financial Services Limited (2024: £4.4m). No dividends were received from AIB Joint Ventures Limited in 2025 (2024: £0.2m).

Impairment of investments in subsidiary undertakings

In 2025, an impairment charge of £0.5m was recognised on the investment in First Trust Financial Services Limited (2024: £0.5m).

Notes to the financial statements

23. Intangible assets

				2025
	Software externally purchased	Software internally generated	Software under construction	Total
	£m	£m	£m	£m
Cost				
At 1 January	1	47	3	51
Additions	—	3	3	6
Transfers in/(out)	—	2	(2)	—
Amounts written-off ⁽¹⁾	(1)	(1)	—	(2)
At 31 December	—	51	4	55
Accumulated amortisation/impairment				
At 1 January	1	36	—	37
Amortisation for the year ⁽²⁾	—	5	—	5
Amounts written-off ⁽¹⁾	(1)	(1)	—	(2)
At 31 December	—	40	—	40
Carrying value at 31 December	—	11	4	15

				2024
	Software externally purchased	Software internally generated	Software under construction	Total
	£m	£m	£m	£m
Cost				
At 1 January	1	47	3	51
Additions	—	4	3	7
Transfers in/(out)	—	2	(2)	—
Amounts written off ⁽¹⁾	—	(6)	(1)	(7)
At 31 December	1	47	3	51
Accumulated amortisation/impairment				
At 1 January	1	37	—	38
Amortisation for the year ⁽²⁾	—	5	—	5
Impairment for the year ⁽²⁾	—	—	1	1
Amounts written off ⁽¹⁾	—	(6)	(1)	(7)
At 31 December	1	36	—	37
Carrying value at 31 December	—	11	3	14

⁽¹⁾Relates to assets which are no longer in use with a £nil carrying value.

⁽²⁾Included in 'Impairment and amortisation of intangible assets' in the income statement.

All intangible assets at 31 December 2025 and 2024 have finite useful lives.

Future capital expenditure in relation to both intangible assets and property, plant and equipment is set out in note 24.

Notes to the financial statements

24. Property, plant and equipment

	2025				
	Owned assets			Leased assets	Total
	Property		Assets under construction	Right-of-use assets	
	Freehold	Leasehold under 50 years		Property	
	£m	£m	£m	£m	£m
Cost					
At 1 January	18	4	—	21	52
Additions	—	—	1	2	3
Amounts written-off ⁽¹⁾	—	—	—	(3)	(4)
At 31 December	18	4	1	20	51
Accumulated depreciation and impairment					
At 1 January	3	2	—	10	21
Depreciation charge for the year ⁽²⁾	1	—	—	2	4
Amounts written-off ⁽¹⁾	—	—	—	(3)	(4)
At 31 December	4	2	—	9	21
Carrying value at 31 December	14	2	1	11	30

	2024				
	Owned assets			Leased assets	Total
	Property		Equipment	Right-of-use assets	
	Freehold	Leasehold under 50 years		Property	
	£m	£m	£m	£m	£m
Cost					
At 1 January	18	4	10	28	60
Additions	—	1	1	—	2
Amounts written-off ⁽¹⁾	—	(1)	(2)	(7)	(10)
At 31 December	18	4	9	21	52
Accumulated depreciation and impairment					
At 1 January	2	3	7	15	27
Depreciation charge for the year ⁽²⁾	1	—	1	2	4
Amounts written-off ⁽¹⁾	—	(1)	(2)	(7)	(10)
At 31 December	3	2	6	10	21
Carrying value at 31 December	15	2	3	11	31

⁽¹⁾Relates to assets which are no longer in use with a £nil carrying value.

⁽²⁾Included in 'Impairment and depreciation of property, plant and equipment' in the income statement.

Notes to the financial statements

The net carrying value of property occupied by the Company for its own activities at 31 December 2025 was £9m (2024: £9m) in relation to owned assets and £11m in relation to right-of-use assets (2024: £11m). Property leased to others by the Company had a net carrying value of £7m (2024: £8m).

Future capital expenditure

Future capital expenditure relates to both property, plant and equipment and intangible assets (excluding right-of-use assets). There is £2m (2024: £nil) estimated outstanding commitments for capital expenditure not provided for in the financial statements.

Capital expenditure authorised but not yet contracted for is nil (2024: nil).

Leased assets

Property

The Company leases property for its offices and retail branch outlets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Most of these leases carry statutory renewal rights, or include an option to renew the lease for an additional period after the end of the contract term. Where the Company is likely to exercise these options, this has been taken into account in determining the lease liability and the right-of-use asset.

Lease liabilities

A maturity analysis of lease liabilities is shown in note 30.

25. Other assets

	2025 £m	2024 £m
Deferred consideration on disposal of investment securities - equity	8	—
Items in transit	9	15
Items in course of collection	2	3
Other debtors	3	4
	22	22

26. Deferred taxation

	2025 £m	2024 £m
Deferred tax assets		
Unutilised tax losses	182	152
Cash flow hedges	41	60
Other	6	6
Total gross deferred tax assets	229	218
Deferred tax liabilities		
Retirement benefits	(4)	(11)
Total gross deferred tax liabilities	(4)	(11)
Net deferred tax assets	225	207
Represented on the statement of financial position:		
Deferred tax assets	226	208
Deferred tax liabilities	(1)	(1)
Analysis of movements in deferred taxation		
	2025 £m	2024 £m
At 1 January	207	205
Deferred tax through other comprehensive income/(loss) (note 37)	(12)	12
Income statement (note 13)	30	(10)
At 31 December	225	207

Notes to the financial statements

The Company's accounting policy for deferred tax is set out in note 1.7.

Deferred tax is calculated in full on temporary differences under the liability method. The deferred tax at 31 December 2025 has been calculated using a rate of 28% (based on the UK's main rate of corporation tax of 25% and the banking surcharge of 3%), apart from the deferred tax asset on the pre-2015 unutilised tax losses which are calculated using a rate of 25%. Deferred tax on pre-2015 unutilised losses are not liable to the banking surcharge and are recognised at the relevant tax rate each year.

Deferred tax assets are recognised for unutilised tax losses to the extent it is probable there will be sufficient future taxable profits against which the losses can be used. It requires significant judgements to be made about the projection of long-term future profitability and the period over which recovery extends.

In assessing future profitability, the Board has considered a range of positive and negative evidence for this purpose. The principal positive evidence and factors include:

- the Company delivered a pre-tax profit of £249m in 2025, (£239m in 2024, £343m in 2023 and £138m in 2022) having returned to profitability following a loss in 2020, due to higher ECLs during the COVID-19 pandemic;
- the Company has achieved pre-tax profits each year from 2013 to 2019 and has a sustained history of long-term positive earnings prior to pre-tax losses incurred in 2010-2012 (driven by the financial crash);
- the Company is two years into its three year strategic cycle with a focus on customers, greening our business and operational efficiency and resilience; and
- the absence of any expiry dates for UK tax losses.

Against this, there are a number of uncertainties inherent in any long-term financial assumptions and projections and other negative evidence, including:

- the Company incurred a pre-tax loss of £105m in 2020 due to the COVID-19 pandemic;
- uncertainty continues to exist around the long term impact of the current geopolitical landscape;
- the planned new lending from 2026 may not increase within the timeframes and amounts currently forecast;
- the difficulty of accurately predicting future revenues; and
- the absolute level of the deferred tax asset compared to the level of equity and the quantum of profits required to utilise the asset.

The Board has considered all these factors and has determined that recognition of the deferred tax asset should continue to be restricted to the amount projected to be realised within fifteen years (2024: fifteen years). The Board has considered the plan for 2026-2028 and the Company's strategy and has based the forecast taxable profits on the three years of the Company's Business Plan with 1% growth assumed for 2029 and 2030 and 0% per annum growth forecast for the longer term. As a result, a deferred tax asset on unutilised tax losses of £1,981m (2024: £2,144m) has not been recognised in the financial statements.

Sensitivity of the deferred tax asset to changes in assumptions

The measurement of the deferred tax asset on unutilised tax losses is dependent on judgement as to the period of recoverability and estimates of projected future income. If future profits or subsequent forecasts differ from current forecasts an adjustment may be required to the deferred tax asset. This could result in a material impact to the income statement in future years. The sensitivity of the deferred tax asset on unutilised tax losses to changes in forecasts and assumptions was considered.

- Change in profit forecast assumption: If the profitability forecast for 2026-2028 was assumed to be 5% higher than planned, the deferred tax asset balance at 31 December 2025 would increase by £9m to £191m. A 5% decrease in forecast profitability would reduce the deferred tax asset balance by £10m to £172m.
- Change in profit growth assumption: 0% growth in profits has been assumed from 2031 onwards. If this assumption was changed to 1% growth for all years from 2031 to 2040, while maintaining a 15 year restriction and other base assumptions, the deferred tax asset balance at 31 December 2025 would increase by £7m to £189m.
- No restriction on the period of recognition: If no restriction to the period of recognition of the deferred tax asset on losses was applied, and no change made to the other base assumptions, the unutilised tax losses would be forecast to be fully utilised after 55 years from 31 December 2025. An increase of five years in the recognition period from the current assumption of fifteen years would increase the deferred tax asset at 31 December 2025 by £62m. A decrease of five years in the recognition period from the current assumption of fifteen years would decrease the deferred tax asset at 31 December 2025 by £63m.

The deferred tax asset due after more than one year is £172m (2024: £143m).

Notes to the financial statements

27. Retirement benefits

The Company operates a defined contribution scheme and a funded defined benefit scheme for employees.

Defined contribution scheme

From 1 January 2014, all staff accrue future pension benefits on a defined contribution basis with a standard employer contribution rate of 10%. An additional matched employer contribution subject to limits based on age bands of 2%, 5% or 8% is also paid into the scheme. For members who joined between December 1997 and 1 January 2009, and who did not opt to join the enhanced matched contribution scheme, the standard employer contribution rate is 5%.

Defined contribution members accrue benefits under the State Second Pension and the Company also pays an amount for Permanent Health Insurance in respect of these members.

The cost of the defined contribution scheme for 2025 was £7m (2024: £7m) and is included in operating expenses (note 10).

Defined benefit scheme

The UK Scheme was closed to new members from December 1997 and closed to future accrual for all existing employees from 31 December 2013. Retirement benefits for the UK Scheme are calculated by reference to service and pensionable salary at 31 December 2013. Benefits payable upon retirement are based on the average pensionable salary over the five years to 31 December 2013 and are revalued up to retirement date in line with the requirements to revalue deferred benefits. The weighted average duration of the UK Scheme at 31 December 2025 is 11 years (2024: 11 years).

(a) Governance

The Trustees of the UK Scheme are ultimately responsible for the governance of the scheme.

(b) Risks

The risks associated with the UK Scheme include:

- Market risk - where the value of the scheme assets may decline or their investment return may reduce due to market movements. This risk reduced significantly in December 2019 when the UK Scheme investments were replaced with two insurance policies and further reduced in 2025 when the remaining APP was converted to PBI policy.
- Actuarial risk - where the value of the UK Scheme liabilities may increase due to changes in actuarial assumptions. This includes financial assumptions, such as discount rates and inflation, and demographic assumptions such as life expectancy. The PBI policy mitigates the actuarial risk for the liabilities covered.

(c) Valuations

Independent actuarial valuations of the defined benefit scheme are carried out on a triennial basis by Mercer Limited, actuaries and consultants. The most recent valuation was performed as at 31 December 2023 and was issued on 27 March 2025. The next actuarial valuation will be undertaken for 31 December 2026 with results expected by 31 March 2028.

(d) Funding arrangements

Insurance policies

In December 2019, the Trustees purchased two insurance policies to reduce the risks associated with the UK Scheme. The policies comprised of:

- a PBI policy that removes all identified financial and demographic risks attaching to current UK pensioners; and
- an APP that removed the majority of inflation and interest rate risk for UK deferred pensioners, with an option to convert part to a buy-in annually. The fourth and final conversion of the remaining APP to a buy-in was completed in 2025. The UK Scheme no longer holds an APP asset and members' benefits are covered by the PBI policies.

As the PBI policy exactly matches the amount and timing of the benefits covered, it is valued at an amount equal to the scheme liabilities. The APP for deferred pensioners did not provide full match to the amount and timing of benefits payable under the UK Scheme, so it was measured at fair value. The final conversion from APP to PBI policy in 2025 resulted in a write down of the value of scheme assets through OCI.

(e) Contributions

Contributions of £16m were paid to the UK Scheme in 2025, made up of £2m to meet scheme expenses and £14m relating to the final buy-in transaction, expected cost of insuring data true-up liabilities and to ensure sufficient liquidity for benefit payments as they fall due. Under the December 2019 funding plan the UK Scheme is entitled to receive payments to cover scheme expenses up to 2032. Contributions in 2026 are expected to include £2m for scheme expenses and £0.6m relating to the final 2025 buy-in pricing.

To fund the contributions, AIB Group established a pension funding partnership, AIB PFP Scottish Limited Partnership (the SLP), in October 2013 to which a portfolio of loans was transferred. The repayments on the transferred loans were used to fund the contributions to the UK Scheme. On 30 June 2023 the loans were withdrawn from the SLP as the SLP had received sufficient repayments from the loans to meet the maximum funding requirements to the Scheme.

Notes to the financial statements

(f) Administration expenses

From 1 May 2019 the UK Scheme administration expenses have been paid from the scheme assets. A £2m charge (2024: £2m) is included in the valuation of the UK Scheme assets and recognised in pension costs within operating expenses (note 10).

(g) Past service costs

There were past service costs in the year ended 31 December 2025 of £3m (£nil 2024).

(h) Benefits paid

The UK Scheme allows participants an option for the payment before retirement of a lump sum transfer from UK Scheme assets to another pension arrangement of the individual's choice, in full satisfaction of the retirement benefit entitlement. During 2025, £0.2m (2024: £1.6m) of the benefits paid from the UK Scheme related to such transfers.

(i) Financial assumptions

The following table summarises the financial assumptions used in valuing the UK Scheme:

As at 31 December	2025	2024
	%	%
Rate of increase of pensions in payment	3.0	3.2
Discount rate	5.5	5.5
Inflation assumptions		
– Retail Price Index	2.9	3.1
– Consumer Price Index	2.6	2.8

The discount rate is determined with reference to high quality AA corporate bond yields, in accordance with IAS 19.

(j) Demographic assumptions

Demographic assumptions include mortality, proportions married, commutation and retirement age. The mortality assumption has the most material impact on changes in demographic assumptions and further details on this assumption are set out below.

The mortality tables used for 2025 and 2024 are based on data collected by the Continuous Mortality Investigation in the previous year respectively. The future mortality projection model, adopted in 2015, includes sufficient allowance for future improvements in mortality rates.

The life expectancies underlying the value of the UK scheme liabilities at 31 December 2025 and 2024 are as set out below.

Life expectancy from age 63	Retiring today at age 63	
	2025	2024
Male	24.3	24.2
Female	25.9	26.2
Life expectancy from age 63	Retiring at age 63, currently aged 53	
	2025	2024
Male	24.2	24.5
Female	26.6	27.2

Notes to the financial statements

(k) Movement in defined benefit obligation and scheme assets

The following table sets out the movement in the defined benefit obligation and UK Scheme assets during 2025 and 2024.

	2025			2024		
	Defined benefit obligation	Fair value of scheme assets	Net defined benefit asset	Defined benefit obligation	Fair value of scheme assets	Net defined benefit asset
	£m	£m	£m	£m	£m	£m
At 1 January	(568)	609	41	(607)	661	54
Included in income statement						
Interest (cost)/income	(30)	32	2	(28)	31	3
Administration expenses	—	(2)	(2)	—	(2)	(2)
Past service costs	(3)	—	(3)	—	—	—
	(33)	30	(3)	(28)	29	1
Included in other comprehensive income						
<i>Remeasurement gain/(loss):</i>						
– Actuarial (loss)/gain arising from:						
– Experience adjustments ⁽¹⁾	(27)	—	(27)	(3)	—	(3)
– Changes in demographic assumptions	5	—	5	1	—	1
– Changes in financial assumptions	14	—	14	32	—	32
– Return on scheme assets excluding SLP	—	(15)	(15)	—	(50)	(50)
– Contribution of asset from SLP to scheme assets	—	16	16	—	19	19
– Return on SLP assets	—	(19)	(19)	—	(13)	(13)
	(8)	(18)	(26)	30	(44)	(14)
Other						
Benefits paid	36	(36)	—	37	(37)	—
At 31 December	(573)	585	12	(568)	609	41

⁽¹⁾The effects of differences between the previous actuarial assumptions and what has actually occurred.

(l) Fair value of plan assets

The following table sets out the fair value of the assets held by the UK Scheme.

	2025		2024	
	Value	Plan assets	Value	Plan assets
	£m	%	£m	%
Pensioner buy-in	566	97	519	85
Assured payment policy	—	—	44	7
Cash	13	2	22	4
SLP assets	6	1	24	4
Fair value of scheme assets at 31 December	585	100	609	100
Actuarial value of liability	(573)		(568)	
Surplus in scheme	12		41	
Related deferred tax liability (note 26)	(4)		(11)	
Net pension asset	8		30	

Notes to the financial statements

The PBI policy matches the amount and timing of associated benefits and therefore its value is equal to the applicable scheme liabilities. The SLP asset is valued using a DCF approach and is based on a deterministic model valuation provided by the Trustees' investment consultants. The SLP asset does not have a quoted price in an active market. No transferable financial instruments or property assets used by the Company are included in the pension scheme assets.

Deferred taxation is provided on the defined pension scheme surplus at the rate of 28% (2024: 28%) reflecting the expected corporation tax rate of 25% plus the UK bank surcharge of 3%.

Excluding the benefit of the UK Scheme's recognition of the SLP assets, the net defined benefit asset at 31 December 2025 was £6m (2024: £17m).

(m) Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties in the financial assumptions adopted in calculating the liabilities of the pension scheme. Set out in the table below is a sensitivity analysis of the key assumptions for the UK scheme at 31 December 2025 and 2024.

In the table below, changes in assumptions are independent of each other (i.e. the effect of the reflected change in the discount rate assumes that there has been no change in the rate of mortality assumption and vice versa).

Assumption	2025		2024	
	Increase/(decrease) in defined benefit obligation of £573m		Increase/(decrease) in defined benefit obligation of £568m	
	Increase in assumption £m	Decrease in assumption £m	Increase in assumption £m	Decrease in assumption £m
Discount rate (0.25% movement)	(16)	15	(16)	15
Inflation (0.25% movement)	14	(15)	14	(16)
Mortality (1 year change in life expectancy)	17	(19)	13	(15)

28. Deposits by banks

	2025 £m	2024 £m
Other bank - unsecured	230	109
	230	109
Of which:		
Due to AIB plc and fellow subsidiaries	230	108

At 31 December 2025 and 2024, there were no securities sold under agreements to repurchase.

29. Customer deposits

	2025 £m	2024 £m
Current accounts	3,804	3,807
Demand deposits	1,692	1,565
Time deposits	2,092	1,945
	7,588	7,317
Of which:		
Due to AIB plc and fellow subsidiaries	17	17

Notes to the financial statements

30. Lease liabilities

Analysis of movements in lease liabilities

	2025 £m	2024 £m
At 1 January	13	14
Lease payments ⁽¹⁾	(3)	(1)
Interest expense ⁽¹⁾	1	—
Additions	1	—
At 31 December	12	13

⁽¹⁾Comprises principal payments of £3m (2024: £1m) and interest payments of £1m (2024: £nil).

	2025 £m	2024 £m
Maturity analysis - contractual undiscounted cash flows:		
Not later than one year	3	3
Later than one year and not later than five years	7	7
Later than five years	5	6
Total undiscounted lease liabilities at end of year	15	16

31. Other liabilities

	2025 £m	2024 £m
Notes in circulation ⁽¹⁾	26	27
Items in transit	2	4
Other creditors	33	28
	61	59

⁽¹⁾The Company announced in February 2019 its intention to cease issuing banknotes as a local currency in Northern Ireland (under the name of First Trust Bank). Since this announcement the Company has been withdrawing the banknotes from circulation and the notes ceased to be legal currency at midnight on 30 June 2022.

32. Tier 2 subordinated liabilities

	2025 £m	2024 £m
Issued by AIB Group (UK) p.l.c.		
£140 million Subordinated Tier 2 notes	141	141
	141	141

On 24 November 2023, the Company issued £140m Subordinated Tier 2 Notes due 2033, callable 2028 which are fully held by AIB plc.

These notes mature on 24 November 2033 but may be redeemed in whole, but not in part, at the option of the Company on the optional redemption dates between 24 November 2028 and 24 May 2029, and on any interest payment date thereafter. In addition, the notes are redeemable at the option of the Company for certain regulatory or tax reasons, subject to prior regulatory approval.

The notes bear interest on the outstanding nominal amount at a rate of SONIA plus a margin of 325bps, payable half-yearly in arrears.

Notes to the financial statements

33. Provisions for liabilities and commitments

The Company has presented customer redress, legacy property and other provisions as separate classes of provisions. Litigation, onerous contracts and property dilapidations are included within other provisions.

				2025
	Customer redress	Legacy property	Other provisions	Total
	£m	£m	£m	£m
At 1 January 2025	2	1	2	5
Amounts charged to the income statement ⁽¹⁾	1	—	—	1
Provisions utilised	—	(1)	—	(1)
At 31 December 2025	3	—	2	5
ECLs on off-balance sheet items				
At 1 January 2025				7
Net charge to income statement ⁽²⁾				—
Disposals				—
At 31 December 2025				7
Total provisions for liabilities and commitments				12

				2024
	Customer redress	Legacy property	Other provisions	Total
	£m	£m	£m	£m
At 1 January 2024	1	2	2	5
Amounts charged to the income statement ⁽¹⁾	1	—	—	1
Provisions utilised	—	(1)	—	(1)
At 31 December 2024	2	1	2	5
ECLs on off-balance sheet items				
At 1 January 2024				6
Net charge to income statement ⁽²⁾				2
Disposals				(1)
At 31 December 2024				7
Total provisions for liabilities and commitments				12

⁽¹⁾Included in note 10.

⁽²⁾Included in note 12.

Provisions

A new provision was raised in 2025 for customer redress. The provision utilised for legacy property related to a number of property exits in 2025. Other provisions includes provision for litigation cases and property dilapidations.

Provisions are reviewed by management regularly and updated for changes to estimates and judgements. The remaining provision of £5m at 31 December 2025 is expected to be utilised over the next three years.

ECLs on off-balance sheet items

The ECL allowance on loan commitments and on financial guarantee contracts are presented as a provision in the balance sheet (i.e. as a liability under IFRS 9 *Financial Instruments*) and separate from the ECL allowance on financial assets. For details of the internal credit ratings of contingent liabilities and commitments see note 20 (j).

Notes to the financial statements

34. Share capital

	2025		2024	
	Number of shares m	£m	Number of shares m	£m
Issued and fully paid:				
Ordinary shares of £0.25 each	1,828	457	1,828	457

The Company has one class of ordinary shares which carry no right to income, other than when a dividend is approved.

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

35. Other equity interests

	2025 £m	2024 £m
Issued by AIB Group (UK) p.l.c.		
£110m Additional Tier 1 securities issued 2023	110	110
	110	110

In 2023, the Company issued £110m nominal value of AT1 perpetual securities which are fully held by AIB plc.

Interest on the securities, at a fixed rate of 9.89% per annum, is payable annually in arrears on 24 November, commencing on 24 November 2024. On the first reset date (24 November 2029), in the event that the securities have not been redeemed, interest will be reset to the relevant 5 year fixed rate plus a margin of 568 bps per annum. The interest payment is fully discretionary and non-cumulative and conditional upon the Company being solvent at the time of payment, having sufficient distributable reserves and not being required by the regulatory authorities to cancel an interest payment.

The securities are perpetual securities with no fixed redemption date. The Company may, in its sole and full discretion, subject to regulatory approval, redeem all (but not some only) of the securities on any day falling in the period commencing on (and including) 24 November 2028 and ending on (and including) the first reset date or on any interest payment date thereafter at the prevailing principal amount together with accrued but unpaid interest. In addition, the securities are redeemable at the option of the Company for certain regulatory or tax reasons, subject to prior regulatory approval.

36. Other reserves

Capital redemption reserves

	2025 £m	2024 £m
At 1 January	139	139
At 31 December	139	139

Notes to the financial statements

37. Analysis of movements in other comprehensive income/(loss)

	2025			2024		
	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
Cash flow hedge reserve						
Amount removed from cash flow hedging reserves and transferred to income statement	57	(16)	41	80	(22)	58
Change in fair value recognised in other comprehensive income	11	(3)	8	(107)	29	(78)
Total	68	(19)	49	(27)	7	(20)
Retained earnings						
Remeasurement of retirement benefit asset	(26)	7	(19)	(14)	5	(9)
Total	(26)	7	(19)	(14)	5	(9)
Other comprehensive income/(loss)	42	(12)	30	(41)	12	(29)

38. Contingent liabilities and commitments

The following table shows the nominal or contract amounts of contingent liabilities and commitments:

	2025	2024
	Contract amount £m	Contract amount £m
Contingent liabilities⁽¹⁾ - credited related		
Guarantees and irrevocable letters of credit	18	37
	18	37
Commitments⁽²⁾		
Documentary credits and short-term trade related transactions	62	46
Undrawn credit facilities		
- Less than one year	629	636
- One year and over	1,398	1,226
	2,089	1,908
	2,107	1,945

⁽¹⁾Contingent liabilities are off-balance sheet products and include guarantees, irrevocable letters of credit and other contingent liability products.

⁽²⁾A commitment is an off-balance sheet product, where there is an agreement to provide an undrawn credit facility.

For details of the internal credit ratings of contingent liabilities and commitments, see note 20 (j). Provisions for ECLs on loan commitments and financial guarantee contracts are set out in note 33.

Notes to the financial statements

39. 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 policies for financial assets in note 1.8 and financial liabilities in note 1.9 describe 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 the carrying amounts of the financial assets and financial liabilities by measurement category and by statement of financial position heading at 31 December 2025 and 2024.

				2025
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total
	Mandatorily	Cash flow hedge derivatives		
	£m	£m	£m	£m
Financial assets				
Cash and balances at central banks	—	—	3,056 ⁽¹⁾	3,056
Derivative financial instruments	15	12	—	27
Loans and advances to banks	—	—	696	696
Loans and advances to customers	—	—	5,291	5,291
Securities financing	—	—	921	921
Other financial assets	8	—	14	22
	23	12	9,978	10,013
Financial liabilities⁽²⁾				
Deposits by banks	—	—	230	230
Customer deposits	—	—	7,588	7,588
Derivative financial instruments	15	161	—	176
Tier 2 subordinated liabilities	—	—	141	141
Other financial liabilities	—	—	61	61
	15	161	8,020	8,196

⁽¹⁾Includes cash on hand of £41m.

⁽²⁾At 31 December 2025, the Company has also recognised an ECL allowance of £7m relating to financial guarantees and loan commitments which is reported within provisions for liabilities and commitments.

Notes to the financial statements

				2024
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total
	Mandatorily	Cash flow hedge derivatives		
	£m	£m	£m	£m
Financial assets				
Cash and balances at central banks	—	—	3,961 ⁽¹⁾	3,961
Derivative financial instruments	23	23	—	46
Loans and advances to banks	—	—	714	714
Loans and advances to customers	—	—	4,708	4,708
Investment securities	54	—	—	54
Other financial assets	—	—	22	22
	77	23	9,405	9,505
Financial liabilities⁽²⁾				
Deposits by banks	—	—	109	109
Customer deposits	—	—	7,317	7,317
Derivative financial instruments	23	239	—	262
Tier 2 subordinated liabilities	—	—	141	141
Other financial liabilities	—	—	59	59
	23	239	7,626	7,888

⁽¹⁾Includes cash on hand of £31m.

⁽²⁾At 31 December 2024, the Company has also recognised an ECL allowance of £7m relating to financial guarantees and loan commitments which is reported within provisions for liabilities and commitments.

40. Fair value of financial instruments

The Company's accounting policy for the determination of the fair value of financial instruments is set out in note 1.11.

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

Readers of these financial statements are advised to use caution when using the data in the following tables to evaluate the Company'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

The fair value of OTC 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 Company'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.

Counterparty valuation adjustment (CVA) and funding valuation adjustment (FVA) are applied to all uncollateralised OTC derivatives. The combination of CVA and FVA is referred to as XVA. Where XVA valuation adjustments have been applied to a derivative instrument, the instrument is classified as Level 3 in the fair value hierarchy where 10% of the instrument's valuation (including the interest accrual) is represented by XVA.

Notes to the financial statements

CVA is calculated as: Expected positive exposure (EPE) x PD x LGD. EPE profiles are generated at a counterparty netting set through simulation. PDs are derived from market based credit default swap (CDS) information. As most counterparties do not have a quoted CDS, PDs are derived by mapping each counterparty to an index CDS credit grade. LGDs are based on the specific circumstances of the counterparty and take into account valuation of offsetting security, where applicable. For smaller exposures where security valuations are not individually assessed, an LGD of 60% is applied (2024: 60%).

FVA is calculated as: Expected exposure (EE) x funding spread (FS) x counterpart survival probability (1-PD). EE profiles (net of expected positive and negative exposures) are generated at a counterparty netting set through simulation. Funding spreads used are an average implied by CDSs for the Company's most active external derivative counterparties. The rationale in applying these spreads is to best estimate the FVA which a counterparty would apply in a transaction to close out the company's existing positions. FVA is only applied as a valuation adjustment when negative.

Other financial assets

The fair value of the deferred contingent consideration receivable arising from the disposal of the Company's equity investment in Zolter Services DAC is calculated using an expected discounted cashflow approach. The amount of consideration receivable is dependent on the number of referrals that the Company makes to Zolter Services DAC over a ten-year period. The referral rates are unobservable and have been estimated based on historical referral rates.

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

A key assumption for determining the fair value of loans and advances is that the carrying amount of variable rate loans (excluding mortgage products) approximates to market value. For fixed rate loans, the fair value is calculated by discounting expected cash flows using discount rates that reflect the interest rate risk in that portfolio.

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.

Securities financing

The fair value of securities financing assets and liabilities approximate to their carrying amount as these balances are generally short-dated and fully collateralised.

Deposits by banks and customer deposits

The fair value of current accounts and 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 DCF and applying applicable market rates, as appropriate.

Subordinated liabilities

The estimated fair value of 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.

Commitments pertaining to credit-related instruments

Details of the various credit-related commitments and other off-balance sheet financial guarantees entered into by the Company are included in note 38. The ECL is considered a reasonable approximation of the fair value of these credit-related financial instruments.

Notes to the financial statements

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

		2025			
	Carrying amount	Fair value			
		Fair value hierarchy			Total
		Level 1	Level 2	Level 3	
	£m	£m	£m	£m	£m
Financial assets measured at fair value					
Derivative financial instruments	27	—	26	1	27
Equity investment securities at FVTPL	—	—	—	—	—
Other financial assets	8	—	—	8	8
	35	—	26	9	35
Financial assets not measured at fair value					
Cash and balances at central banks	3,056	41	3,015	—	3,056
Loans and advances to banks	696	—	200	496	696
Loans and advances to customers	5,291	—	—	5,275	5,275
Securities financing	921	—	—	921	921
Other financial assets	14	—	—	14	14
	9,978	41	3,215	6,706	9,962
Financial liabilities measured at fair value					
Derivative financial instruments	176	—	176	—	176
	176	—	176	—	176
Financial liabilities not measured at fair value					
Deposits by banks	230	—	—	229	229
Customer deposits	7,588	—	—	7,589	7,589
Tier 2 subordinated liabilities	141	—	—	146	146
Other financial liabilities	61	—	—	61	61
Loan commitments and financial guarantees	7	—	—	7	7
	8,027	—	—	8,032	8,032

Notes to the financial statements

2024

	Carrying amount	Fair value			
		Fair value hierarchy			Total
		Level 1	Level 2	Level 3	
	£m	£m	£m	£m	£m
Financial assets measured at fair value					
Derivative financial instruments	46	—	39	7	46
Equity investment securities at FVTPL	54	—	—	54	54
Other financial assets	—	—	—	—	—
	100	—	39	61	100
Financial assets not measured at fair value					
Cash and balances at central banks	3,961	31	3,930	—	3,961
Loans and advances to banks	714	—	200	514	714
Loans and advances to customers	4,708	—	—	4,664	4,664
Other financial assets	22	—	—	22	22
	9,405	31	4,130	5,200	9,361
Financial liabilities measured at fair value					
Derivative financial instruments	262	—	247	15	262
	262	—	247	15	262
Financial liabilities not measured at fair value					
Deposits by banks	109	—	—	108	108
Customer deposits	7,317	—	—	7,317	7,317
Tier 2 subordinated liabilities	141	—	—	141	141
Other financial liabilities	59	—	—	59	59
Loan commitments and financial guarantees	7	—	—	7	7
	7,633	—	—	7,632	7,632

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

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

Notes to the financial statements

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	2025					
	Financial assets				Financial liabilities	
	Derivatives	Investment securities	Other financial assets	Total	Derivatives	Total
		Equities at FVTPL				
	£m	£m	£m	£m	£m	£m
Movement in Level 3 assets and liabilities						
At 1 January 2025	7	54	—	61	15	15
Transfers into/(out of) Level 3 ⁽¹⁾	(5)	—	—	(5)	(8)	(8)
Total gains or losses in:						
<i>Profit or loss:</i>						
Net trading income – losses	(1)	—	—	(1)	(7)	(7)
Net change in FVTPL	—	(1)	1	—	—	—
	(1)	(1)	1	(1)	(7)	(7)
Purchases/additions	—	—	7	7	—	—
Sales/disposals	—	(53)	—	(53)	—	—
At 31 December 2025	1	—	8	9	—	—

	2024					
	Financial assets				Financial liabilities	
	Derivatives	Investment securities	Other financial	Total	Derivatives	Total
		Equities at FVTPL				
	£m	£m	£m	£m	£m	£m
Movement in Level 3 assets and liabilities						
At 1 January 2024	23	73	—	96	117	117
Transfers into/(out of) Level 3 ⁽¹⁾	—	—	—	—	—	—
Total gains or losses in:						
<i>Profit or loss:</i>						
Net trading income – losses	(16)	—	—	(16)	(102)	(102)
Net change in FVTPL	—	(19)	—	(19)	—	—
	(16)	(19)	—	(35)	(102)	(102)
Purchases/additions	—	—	—	—	—	—
Sales/disposals	—	—	—	—	—	—
At 31 December 2024	7	54	—	61	15	15

⁽¹⁾Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

Notes to the financial statements

Significant unobservable inputs

The following table sets out information about significant unobservable inputs used in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

		Fair value		Valuation technique	Significant unobservable input	Range of estimates	
Financial instrument		2025	2024			31 December 2025	31 December 2024
		£m	£m				
Derivatives	Asset	1	7	CVA	(1) LGD	47% - 66%	38% - 56%
	Liability	—	15			(Base 56%)	(Base 46%)
				CVA	PD	0.4% - 2.9%	0.4% - 2.2%
						(Base 0.9% 1 year PD)	(Base 1.0% 1 year PD)
				FVA	(1) Funding spreads	(0.1%) - 0.2%	(0.2%) - 0.3%
Investment securities - equity	Asset	—	54	Expected market value - discounted cash flows	(2) Discount rate	—	10.6 %
					Long term growth rate	—	2.0 %
					Minority holding deduction	—	40 %
Other financial assets							
Deferred consideration	Asset	8	—	Discounted expected future cash flows	(3) Referral rate	70% - 90%	—

⁽¹⁾The fair value measurement sensitivity to unobservable inputs at 31 December 2025 ranged from (i) negative £nil to positive £nil for CVA (31 December 2024: negative £nil to positive £nil) and (ii) negative £nil to positive £nil for FVA (31 December 2024: negative £nil to positive £nil).

⁽²⁾ At 31 December 2024, an increase (or decrease) to the discount rate assumption by 0.4% would decrease (or increase) the fair value of the investment by £2m. An increase (or decrease) to the long term growth rate assumption by 1% would increase (or decrease) the fair value of the investment by £5m/(£4m). Reducing the minority holding deduction for lack of control/marketability by 10% would increase the valuation by £9m to £63m.

⁽³⁾The fair value sensitivity to unobservable referral rates ranges from negative £1m to positive £1m at 31 December 2025.

41. Interest rate risk

The Company is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. IRRBB is measured and controlled using three metrics:

- banking book Value at risk;
- net interest income sensitivity; and
- economic value of equity.

Net interest income sensitivity captures the expected impact of changes in interest rates on base case projected net interest income for a specified financial period, typically one year.

Economic value of equity captures the expected impact of changes in interest rates on base case economic value. It captures all non-traded items irrespective of the profit and loss accounting treatment.

The table below shows the sensitivity of the Company'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. The analysis is subject to certain simplifying assumptions such as all interest rate movements occurring simultaneously and all other non-interest rate risk variables remaining constant. Additionally, it is assumed that no management action is taken in response to the rate movements.

In deriving the base case net interest income projections, the repricing rates of assets and liabilities used are derived from current yield curves, thereby reflecting current market expectations of the future path of interest rates. The scenarios, therefore, represent interest rate shocks to the current market implied path of rates.

	2025	2024
Sensitivity of projected net interest income to interest rate movements	£m	£m
+ 100 basis point parallel move in all interest rates	37	35
- 100 basis point parallel move in all interest rates	(38)	(35)

Notes to the financial statements

42. Financial assets and liabilities by contractual residual maturity

The following table analyses financial assets and financial liabilities by contractual residual maturity at 31 December 2025 and 2024.

						2025
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Cash and balances at central banks	3,056	—	—	—	—	3,056
Derivative financial instruments ⁽¹⁾	—	—	4	14	9	27
Loans and advances to banks	297	399	—	—	—	696
Loans and advances to customers ⁽²⁾	139	100	689	3,358	1,080	5,366
Securities financing	—	921	—	—	—	921
Other financial assets	—	14	—	—	8	22
	3,492	1,434	693	3,372	1,097	10,088
Financial liabilities						
Deposits by banks	68	146	2	7	7	230
Customer deposits	5,495	1,360	637	96	—	7,588
Derivative financial instruments ⁽¹⁾	—	—	6	79	91	176
Tier 2 subordinated liabilities	—	—	—	—	141	141
Other financial liabilities	61	—	—	—	—	61
	5,624	1,506	645	182	239	8,196

						2024
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Cash and balances at central banks	3,961	—	—	—	—	3,961
Derivative financial instruments ⁽¹⁾	—	—	5	31	10	46
Loans and advances to banks	279	435	—	—	—	714
Loans and advances to customers ⁽²⁾	195	206	515	2,750	1,163	4,829
Securities financing	—	—	—	—	—	—
Other financial assets	—	19	—	—	—	19
	4,435	660	520	2,781	1,173	9,569
Financial liabilities						
Deposits by banks	81	—	—	12	16	109
Customer deposits	5,370	1,098	725	124	—	7,317
Derivative financial instruments ⁽¹⁾	—	—	6	91	165	262
Tier 2 subordinated liabilities	—	—	—	—	141	141
Other financial liabilities	59	—	—	—	—	59
	5,510	1,098	731	227	322	7,888

⁽¹⁾Shown by maturity date of contract.

⁽²⁾Shown gross of ECL allowance on financial assets.

Notes to the financial statements

43. Financial liabilities by undiscounted contractual maturity

The balances in the table below include the undiscounted cash flows relating to principal and interest on financial liabilities and as such will not agree directly with the balances on the financial statements. All derivative financial instruments have been analysed based on their contractual maturity undiscounted cash flows.

In the daily management of liquidity risk, the Company adjusts the contractual outflows on customer deposits to reflect inherent stability of these deposits. Offsetting the

liability outflows are cash inflows from the assets on the financial statements. Additionally, the Company holds a stock of high quality liquid assets (as outlined in note 15), which are held for the purpose of covering unexpected cash outflows.

The following table analyses, on an undiscounted basis, financial liabilities by remaining contractual maturity at 31 December 2025 and 2024.

	2025					
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial liabilities⁽¹⁾						
Deposits by banks	68	146	3	8	7	232
Customer deposits	5,495	1,367	650	98	—	7,610
Derivative financial instruments	—	14	38	120	21	193
Tier 2 subordinated liabilities	—	—	9	38	170	217
Other financial liabilities	61	—	—	—	—	61
	5,624	1,527	700	264	198	8,313

	2024					
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial liabilities⁽¹⁾						
Deposits by banks	81	—	1	15	17	114
Customer deposits	5,370	1,107	744	126	—	7,347
Derivative financial instruments	—	8	59	182	43	292
Tier 2 subordinated liabilities	—	—	8	30	179	217
Other financial liabilities	59	—	—	—	—	59
	5,510	1,115	812	353	239	8,029

⁽¹⁾A maturity of lease liabilities is disclosed in note 30.

Notes to the financial statements

The undiscounted cash flows potentially payable under guarantees and similar contracts

The undiscounted cash flows that are potentially payable under guarantees and similar contracts, included below within contingent liabilities, are classified on the basis of the earliest date the facilities can be called. The Company is only called upon to satisfy a guarantee when the guaranteed party fails to meet their obligations. The Company expects that most guarantees it provides will expire unused. The Company has given commitments to provide funds to customers under undrawn facilities. The undiscounted cash flows have been classified on the basis of the earliest date that the facility can be drawn. The Company does not expect all facilities to be drawn, and some may lapse before drawdown. For further details, see note 38.

The following table analyses undiscounted cash flows potentially payable under guarantees and similar contracts at 31 December 2025 and 2024:

						2025
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Contingent liabilities	18	—	—	—	—	18
Commitments	2,089	—	—	—	—	2,089
	2,107	—	—	—	—	2,107

						2024
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Contingent liabilities	37	—	—	—	—	37
Commitments	1,908	—	—	—	—	1,908
	1,945	—	—	—	—	1,945

44. Related party transactions

Related parties are those persons or entities that are related to the entity preparing its financial statements. They can include persons who have significant control or influence on the entity, entities that are members of the same group of companies, or associated companies or joint ventures. In the Company's case, related parties comprise Key Management Personnel (KMP), the Parent and fellow subsidiaries, and the pension funds.

(a) Directors' remuneration

The table below outlines the remuneration paid to Directors during the year:

			Highest paid Director	
	2025	2024	2025	2024
	£m	£m	£m	£m
Salary and other short term benefits	1.1	1.2	0.4	0.3
Post-employment benefits	0.2	0.1	0.2	0.1
Termination benefits	—	—	—	—
Total	1.3	1.3	0.6	0.4

The table above represents the remuneration paid in relation to the period for which they were directors.

No payments to former Directors were made during the year (2024: £nil).

The Group implemented a new SAYE scheme in September 2025. During 2025, share options were granted to Directors, 8,987 at a share price of €5.34 and 3,716 at a share price of £4.91. No share options were exercised during 2025 (2024: nil). There were no long-term incentive schemes in operation during the year (2024: nil).

Notes to the financial statements

(b) Transactions with Key Management Personnel

KMP are those persons considered having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. They comprise executive and non-executive Directors of the Company and members of SMT. In 2025, there were 22 KMP for all or part of the year (2024: 22).

The Company has availed of the exemption under FRS 101 not to disclose KMP remuneration.

The number of loans and amounts outstanding at the year-end under transactions, arrangements and agreements entered into by the Company or the Parent with KMP and other related parties were:

	2025			2024		
	Number of persons	Number of loans	Balance at year end £m	Number of persons	Number of loans	Balance at year end £m
Key management personnel	4	15	1.2	3	15	1.2

Home and personal loans to KMP are made available on the same terms as are available to other employees in the Company. Commercial loans and loans to related parties are made in the ordinary course of business on normal commercial terms. The loans are primarily of a secured nature. Repayments on loans to KMP during the year amounted to £0.2m (2024: £0.3m) and drawdowns were £0.0m (2024: £0.3m). The total interest received on these loans in 2025 was £29k (2024: £33k).

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 preceding table at 31 December 2025 (2024: less than £500).

These loans do not involve more than the normal risk of repayment or present other unfavourable features. No guarantees were given or received in relation to these transactions.

Connected persons

The aggregate of loans to connected persons of KMP are as follows (aggregate of 3 persons; 2024: 3):

	2025 £'000	2024 £'000
Loans	113	4
Total	113	4

The total interest received on these loans in 2025 was £0.9k (2024: £0.0k).

The loans are made on normal commercial terms. 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).

(c) Provision of banking services to UK Pension Funds

The Company provides normal banking facilities for the UK Scheme on terms similar to those applied to third parties.

45. Dividends

A final dividend of £88m was approved at the AGM on 13 May 2025 and subsequently paid on 16 May 2025. A dividend of £107m was paid during 2024.

Final dividends are not accounted for until they have been approved at the AGM of shareholders.

46. Events after the reporting period

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

Notes to the financial statements

47. Parent company

Reference to the immediate parent undertaking refers to Allied Irish Banks, p.l.c., a company registered in the Republic of Ireland, with its registered office at 10 Molesworth Street, Dublin 2.

AIB Group plc is the ultimate parent company, and ultimate controlling party, of the Company. The ultimate parent group

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

Abbreviations

AFR	Annual Financial Report	KPIs	Key Performance Indicators
AGM	Annual General Meeting	LCR	Liquidity Coverage Ratio
AI	Artificial Intelligence	LGD	Loss Given Default
APP	Assured Payment Policy	LTPD	Lifetime Probability of Default
AT1	Additional Tier 1 Capital	MD	Managing Director
BOE	Bank of England	MRA	Material Risk Assessment
C&E	Climate and Environmental	NIM	Net Interest Margin
CDS	Credit Default Swap	NPE	Non Performing Exposure
CET1	Common Equity Tier 1	NPS	Net Promoter Score
CFO	Chief Financial Officer	NSFR	Net Stable Funding Ratio
CRE	Commercial Real Estate	OCI	Other Comprehensive Income
CRO	Chief Risk Officer	OTC	Over-the-Counter
CRR	Capital Requirements Regulation	PBI	Pensioner Buy-In
CVA	Counterparty Valuation Adjustment	PD	Probability of Default
DCF	Discounted Cash Flow	PRA	Prudential Regulation Authority
EAD	Exposure at Default	RAS	Risk Appetite Statement
ECL	Expected Credit Loss	RMF	Risk Management Framework
EE	Expected Exposure	RWA	Risk Weighted Assets
EIR	Effective Interest Rate	SAYE	Save-As-You-Earn
EPC	Energy Performance Certificate	SBAC	Sustainable Business Advisory Committee
EPE	Expected Positive Exposure	SBT	Science-Based Targets
ESG	Environmental, Social and Governance	SECR	Streamlined Energy and Carbon Reporting
FCA	Financial Conduct Authority	SICR	Significant Increase in Credit Risk
FRS	Financial Reporting Standards	SID	Senior Independent Director
FS	Funding Spread	SLP	AIB PFP Scottish Limited Partnership
FTE	Full Time Equivalent	SMR	Senior Manager Regime
FVA	Funding Valuation Adjustment	SMT	Senior Management Team
FVOCI	Fair Value Through Other Comprehensive Income	SONIA	Sterling Overnight Index Average
FVTPL	Fair Value Through Profit or Loss	SPPI	Solely Payments of Principal and Interest
GDP	Gross Domestic Product	TCA	Transmission Channel Analysis
GHG	Greenhouse Gas	TCFD	Taskforce on Climate-related Financial
GSC	Group Sustainability Committee	TDRG	Technology Data and Resilience Committee
I&D	Inclusion and Diversity	TPRM	Third Party Risk Management
IAS	International Accounting Standards	UK ALCo	UK Asset and Liability Committee
IASB	International Accounting Standards Board	UK Scheme	AIB Group (UK) Pension Scheme
ICAAP	Internal Capital Adequacy Assessment Process	UKRC	AIB UK Risk Committee
IFRS	International Financial Reporting Standards	1LOD	First Line of Defence
ILAAP	Internal Liquidity Adequacy Assessment Process	2LOD	Second Line of Defence
IRRBB	Interest Rate Risk in the Banking Book	3LOD	Third Line of Defence
KMP	Key Management Personnel		