



Allied Irish Banks, p.l.c.

Annual Financial Report
for the financial year ended 31 December 2025

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Directors and other information

Directors at date of signing	Jim Pettigrew Anik Chaumartin Basil Geoghegan Tanya Horgan Sandy Kinney Pritchard Elaine MacLean Andy Maguire Brendan McDonagh Fergal O'Dwyer Anne Sheehan* Jan Sijbrand Colin Hunt Donal Galvin	Non-Executive Director and Chair Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Senior Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director and Deputy Chair Independent Non-Executive Director Independent Non-Executive Director *appointed 1 September 2025 Chief Executive Officer and Executive Director Chief Financial Officer and Executive Director
Company secretary	Conor Gouldson	
Registered office	10 Molesworth Street Dublin 2 Ireland	
Registered number	24173	
Registered auditor	PricewaterhouseCoopers Chartered Accountants and Statutory Auditors One Spencer Dock North Wall Quay Dublin 1	
Banker	Allied Irish Banks, p.l.c. 10 Molesworth Street Dublin 2 Ireland	
Solicitor	Miriam Nagle Group General Counsel Allied Irish Banks, p.l.c. 10 Molesworth Street Dublin 2 Ireland	

Directors' report

The Directors of Allied Irish Banks, p.l.c. (the Bank) present their report and the audited financial statements for the financial year ended 31 December 2025. The Statement of Directors' Responsibilities is shown on page 8.

Principal Activities

The Bank is a wholly owned subsidiary and the principal operating company of AIB Group plc (the Parent) and holds the majority of the subsidiaries within the Group. The Bank's activities include banking and the provision of financial services.

Results

The profit before taxation for 2025 was €2,381 million (2024: €2,218 million) as set out in the income statement on page 16. Net interest income declined by €383 million to €2,879 million (2024: €3,262 million). This reduction primarily reflects lower average interest rates during 2025 partially offset by growth in average interest earning assets. Total other income increased by €593 million to €1,515 million (2024: €922 million). This increase was driven by higher fee income generated from services provided to other AIB Group entities, increased income earned from foreign exchange trading and dividend income. Operating expenses of €1,632 million decreased by €55 million compared with 2024, mainly due to lower personnel expenses, reduced customer redress costs and lower bank levies and regulatory fees. A net credit impairment charge of €158 million (2024: €23 million) was recorded in 2025, representing an increase of €135 million. Further information on the net credit impairment charge is provided in note 11.

Business Review

Following a modest rise in GDP in 2024, growth accelerated sharply in 2025, mostly due to developments in the export sector. According to the CSO flash estimate, GDP expanded by 12.6% in 2025, up from 2.6% in 2024. While tariff front-running has been a factor in the surge in exports in 2025, the emergence of weight-loss drug production in Ireland was also prominent. Indeed, a specific product related to this sector accounted for 35% of all Irish pharma exports in 2025. Furthermore, the domestic economy has continued to grow at a solid pace, with the available data indicating modified domestic demand expanded by 4% year-on-year between Q1-Q3.

Growth in the domestic economy was driven by consumer spending and business investment, which continued to perform strongly in 2025. Despite heightened geopolitical uncertainty, the IDA announced a strong year for FDI, with 323 new investments and FDI employment up 1.5% to 312,400. Jobs growth was evident across the economy, albeit at a more moderate pace than 2024. The number of people in employment rose by c. 57,000 people during 2025, to c.2.8 million people. Meanwhile, the unemployment rate averaged 4.7% for the year. Inflation rose somewhat throughout 2025, with the annual HICP rising from 1.7% in January to 2.7% in December, largely due to base effects, but also some modest inflationary pressures in the domestic economy. Overall, HICP inflation averaged 2.1% in 2025.

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

The impact of the above factors on the Bank's financial performance was that the Bank maintained a strong balance sheet position, with total assets increasing to €138,033 million from €130,441 million, supported by growth in financial investments and cash and balances at central banks.

Asset quality

Gross loans to customers before loss allowance decreased by 2% during 2025 to €30,055 million at 31 December 2025 (2024: €30,827 million) with redemptions and FX movements slightly ahead of new lending. Expected credit loss provisions are €881 million (2024: €912 million). The reduction in ECL balance in 2025 is driven mainly by loan disposals and remeasurement of ECL.

Funding activities

The Bank's funding strategy is to deliver a sustainable, diversified and robust customer deposit base at economic pricing and to further enhance and strengthen the wholesale funding franchise with appropriate access to term markets to support core lending activities through obtaining funding from AIB Group plc. The strategy aims to deliver a solid funding structure that complies with internal and regulatory policy requirements and reduces the probability of a liquidity stress, i.e. an inability to meet funding obligations as they fall due.

Customer deposits represent the largest source of funding for the Bank, with the core retail franchises and accompanying deposit base in Ireland providing a stable and reasonably predictable source of funds. Customer deposits grew significantly, rising to €109,973 million (up €7,279 million), driven by continued demand for term and notice products.

During 2025 the Bank issued €2,470 million (2024: €1,575 million) in subordinated liabilities and other capital instruments. See note 32 for further information. Other equity interests of €1,313 million (2024: €1,239 million) were issued to the Bank during 2025, these are perpetual securities with no fixed redemption date. The Bank introduced a short-term commercial paper programme in 2024. The programme is used as an additional liquidity mechanism whereby short-term debt with maturities of typically less than six months is issued in EUR, GBP and USD. See note 29 for further information.

Dividend

On 4 March 2025, the Board recommended for approval by the Bank's sole shareholder, AIB Group plc, a final dividend for the year ended 31 December 2024 of €2,062 million. The final dividend was approved by AIB Group plc on 1 May 2025 and paid by the Bank to AIB Group plc on 6 May 2025.

On 31 July 2025, the Board of the Bank approved an interim dividend of €263 million which was paid by the Bank to AIB Group plc on 6 November 2025. On 30 October 2025, the Board of the Bank approved a further interim dividend of €392 million which was paid by the Bank to AIB Group plc on 31 October 2025.

The Board of the Bank proposes to pay a final dividend of €1,994 million for the year-ended 31 December 2025 to its sole shareholder, AIB Group plc. Subject to approval by AIB Group plc, the dividend will be paid in May 2026.

Capital resources and regulatory ratios

The objectives of the Bank's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Bank has sufficient capital to cover the current and future risk inherent in its business and to support its future development. Details on the management of capital and capital adequacy risk can be found in note 43.4.

The Bank's capital requirement at 31 December 2025 is a minimum own funds requirement of 11.82%, comprising of a Pillar 1 requirement of 8%, Capital Conservation Buffer (CCB) of 2.5% and a Countercyclical Capital Buffer (CCyB) for Irish exposures of 1.32% mainly due to Irish exposures.

At 31 December 2025, the fully loaded CET1 ratio was 15.7% (2024: 15.1%). The fully loaded total capital ratio was 22.8% (2024: 21.5%).

Leverage ratio

The leverage ratio at 31 December 2025 was 5.7% (2024: 6.2%) on a fully loaded basis. The regulatory requirement at 31 December 2025 is 3% (2024: 3%).

Risk Management

The Bank adopts the same risk management framework and risk mitigation initiatives as the Group. The risk management framework provides a Bank-wide definition of risk and lays down principles of how risk is to be identified, assessed, measured, monitored and controlled/mitigated, and the associated allocation of capital against same. Further information in relation to risk management is set out in the Risk management report on page 6.

Directors' report *continued*

Principal risks and uncertainties

Information concerning the principal risks and uncertainties facing the Bank, as required under the terms of the European Accounts Modernisation Directive (2003/51/EEC) (implemented in Ireland by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005) is set out in the Risk Management Report on page 6.

Going concern

The financial statements for the year to 31 December 2025 have been prepared on a going concern basis, as the Directors are satisfied, having considered the risks and uncertainties impacting the Bank, that it has the ability to continue in business for the period of assessment. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. This includes capital forecasts and internally generated macroeconomic scenarios to take account of geopolitical risks, the impacts of tariffs, inflation, interest rates and related impacts on unemployment and property prices. The period of assessment used by the Directors is at least 12 months from the date of approval of these annual financial statements.

Sustainability

In accordance with Part 28 of the Companies Act 2014, Allied Irish Banks, p.l.c. is exempt from producing an individual sustainability statement. Sustainability information for the Group is included in the consolidated management report of AIB Group plc available on the website at aib.ie/investorrelations.

Directors

At 31 December 2025, the Board of Directors of the Bank comprised of Jim Pettigrew, Anik Chaumartin, Donal Galvin, Basil Geoghegan, Tanya Horgan, Colin Hunt, Sandy Kinney Pritchard, Elaine MacLean, Andy Maguire, Brendan McDonagh, Fergal O'Dwyer, Anne Sheehan and Jan Sijbrand. The following Board Changes occurred during the year:

- Helen Normoyle resigned as Director on 1 May 2025
- Anne Sheehan was appointed as Director on 1 September 2025
- Ann O'Brien resigned as Director with effect from 31 December 2025
- Raj Singh resigned as Director with effect from 31 December 2025

Biographical details of all Directors are provided within the AIB Group plc Annual Report available on the website at aib.ie/investorrelations.

The appointment and replacement of Directors, and their powers, are governed by law and the Constitution of the Bank.

Directors' and Secretary's Interests in Shares

The Directors' and Secretary have no interests in the shares of the Bank or the Group that are required by the Companies Act 2014 to be recorded in the register of interests or disclosed in the Directors' report.

Directors' Compliance Statement

As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for securing the Bank's compliance with its relevant obligations (as defined in section 225(1)). The Directors confirm that:

- a compliance policy statement (as defined in section 225(3)(a)) has been drawn up that sets out the Bank's policies and, in the Directors' opinion, is appropriate to ensure compliance with the Bank's relevant obligations;
- appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations have been put in place; and
- a review of those arrangements or structures has been conducted in the financial year to which this report relates.

Political donations

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

Corporate governance

The Bank's corporate governance practices are designed to ensure compliance with applicable legal and regulatory requirements including Irish company law.

The Bank is a credit institution and is subject to the provisions of the Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 (CBI Requirements), including compliance with requirements specifically relating to 'high impact institutions' and additional governance requirements for significant institutions under the Capital Requirements Directive (CRD). The Bank was materially compliant with the provisions of the CBI Requirements throughout 2025. The Bank is also subject to relevant European Banking Authority (EBA) Guidelines, European Central Bank requirements and the Capital Requirements Regulations. Further information on governance and the Board Diversity Policy is available in the AIB Group plc Annual Report at aib.ie/investorrelations.

Accounting records

The measures taken by the Directors to secure compliance with the Bank's obligation to keep adequate accounting records in accordance with Sections 281 to 285 of the Companies Act 2014 include the use of appropriate systems, procedures and the employment of competent persons. The accounting records are kept at the Bank's registered office at 10 Molesworth Street, Dublin 2, Ireland.

Branches outside the State

The Bank has branches within the meaning of EU Council Directive 89/666/EEC (implemented in Ireland by the European Communities (Branch Disclosures) Regulation 1993), in the United Kingdom and the United States of America.

Independent Auditor

PricewaterhouseCoopers (PwC) were appointed auditors on 4 May 2023. PwC have indicated a willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

Non-adjusting events after the reporting period

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

Statement of relevant audit information

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 330 of the Companies Act 2014.

Audit Committee

In accordance with section 167 (1) and (3) of the Companies Act 2014 the Directors confirm that an Audit Committee is established.

Other information

Other information relevant to the Directors' Report may be found in the following pages of the report:

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Jim Pettigrew
Chair



Colin Hunt
Chief Executive Officer

3 March 2026

Risk management report

Introduction

All Bank activities involve evaluating and managing risk, consistent with AIB Group's enterprise-wide risk assessment. Risks are mitigated through safeguards, systems, and actions defined in AIB Group's Risk Management Frameworks and Policies, which the Bank adopts where applicable. The Bank faces similar risks as AIB Group and applies the same mitigation strategies.

Individual risk types

This section and note 43 of the financial statements provide details of the exposure to, and risk management of, the individual risk types which have been identified through the Bank's Material Risk Assessment (MRA) process.

The Bank faces eleven Principal Risks which are key areas of management focus:

- Credit risk (see section 43.1 of note 43);
- Market risk (see section 43.2 of note 43);
- Liquidity and Funding risk (see section 43.3 of note 43);
- Capital Adequacy risk (see section 43.4 of note 43);
- Information Security (including Cyber) risk;
- Business Model risk;
- Operational and Resilience risk;
- Climate and Environmental risk;
- Model and AI risk;
- Culture risk and Conduct risk; and
- Regulatory Compliance risk.

Information Security (including Cyber) risk

Information Security (including Cyber Risk) is the risk of harm being caused to the Bank or its customers as a result of a loss of the confidentiality, integrity and availability of information in all its forms. This includes External Threat Risk (which includes Cyber).

Identification and assessment

From 1 January 2025 Information Security (including Cyber) risk was deemed a principal risk for the AIB Group as an outcome of the MRA process which considered a number of internal and external factors and the evolving regulatory landscape.

The Risk Control Assessment (RCA) process ensures risks are identified, assessed, monitored, reported, and appropriately mitigated. Resulting impacts inform scenario design across each Basel event category within the ICAAP process, supporting capital adequacy assessment and broader risk governance.

Management and measurement

The core activities of the integrated risk management include the implementation of robust controls, regular training, access management, data platform and incident response planning. Policies and frameworks align with recognised industry standards and regulatory obligations.

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

Assurance activities, governance reviews and stress testing evaluate control effectiveness and support ongoing compliance. Breaches, exceptions and derogations are documented, tracked and escalated as required.

Monitoring, escalating and reporting

Information Security (including Cyber) risk is routinely monitored through the Group's risk governance committees ensuring senior management and the Board receives timely updates of the risk profile highlighting the current status of key operational risks, emerging trends, significant risk events, including remediation and lessons learned.

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

Business model risk

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

Identification and assessment

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

Management and measurement

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

Monitoring, escalating and reporting

Performance against Financial Plan is monitored through the Chief Financial Officer's (CFO) Report. Business Model risk appetite is presented to the Board Risk Committee via the CRO report. If any RAS watch trigger or limit is breached, the escalation process ensures timely notification to the Board and regulators as required.

Operational and Resilience risk

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

Identification and assessment

Operational and resilience risk is identified through the Bank's MRA and the RCA process, ensuring proactive identification, assessment, and mitigation. Business units complete self-assessments recorded in SHIELD, the AIB Group's governance, risk, and compliance system.

Management and measurement

Operational and resilience risk management is governed by AIB Group's Operational Risk Management Framework, which outlines principles, policies, roles, and governance. Operational and resilience risk is measured through a series of Board-approved risk appetite metrics and key risk indicators.

Monitoring, escalating and reporting

Senior management receives timely updates on the AIB Group's operational and resilience risk profile via risk committees and the Board, covering key risks, trends, major events, and remediation actions.

Risk management report *continued*

Climate and Environmental risk

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

Identification and assessment

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

Management and measurement

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

Monitoring, escalating and reporting

C&E risk is monitored through internal and external reporting across the AIB Group. Monitoring and reporting of the C&E quantitative RAS metrics is conducted monthly. C&E risk is also integrated into AIB Group's stress testing framework through scenario analysis, assessing climate-related impacts, both physical and transition risk on portfolios, operations, and financial position.

Model and AI risk

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

Identification and assessment

The Bank's MRA and RCA form the basis for identifying the key elements of the risk. Model and AI risk impact is assessed via Internal Capital Adequacy Assessment Process (ICAAP) and mitigated through model adjustments. No direct capital requirement exists; it is considered indirectly through other risks.

Management and measurement

AIB Group manages Model and AI risk through its Model and AI Risk Management Framework and supporting policies, which define controls across the model lifecycle, from development to implementation, use, and monitoring. Model and AI risk is measured using a composite assessment of model outcomes across the lifecycle for all models in the inventory.

Monitoring, escalating and reporting

Models are developed, validated and monitored by qualified analysts, supported by business and finance teams, using the best available internal and external data. Industry-standard techniques are applied where appropriate. All material models are independently validated, and issues are addressed.

Model and AI risk oversight is led by AIB Group's Risk Committee and its Model Risk Committee. Materiality is defined in the Model Risk Management Policy, and performance monitoring of key models is reported regularly to these committees.

Culture risk and Conduct risk

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

Identification and assessment

Culture risks and Conduct risks are identified through the MRA and RCA processes, which document risk assessments and informs risk profiles, action plans and development and reporting of key risk indicators. Group Conduct performs horizon scanning and benchmarking to anticipate future conduct risks, while Compliance identifies regulatory changes. Conduct risk is assessed qualitatively under normal and stressed conditions, with independent reviews for new material business developments or strategic changes.

Culture is central to risk and conduct management, guiding all customer and market decisions. Senior leaders set the tone, ensuring staff share core values, demonstrate them through behaviour, and align performance measures with strategy.

Management and measurement

The AIB Group has a Culture Risk and Conduct Risk Framework and Conduct Risk Policy which applies to the AIB Group including all subsidiaries, ensuring consistent management.

The AIB Group Head of Culture and Conduct provides independent oversight of conduct risk, approves product proposals, and drives training and awareness.

Monitoring, escalating and reporting

The AIB Group Conduct Committee and Business Conduct Committees manage conduct risk. Significant events are evaluated, with remedial actions implemented and escalated based on materiality under the Culture Risk and Conduct Risk Framework. Monthly monitoring through risk governance committees provides updates to the Group Risk Committee and Board Risk Committee on key risks, trends, major events, and remediation actions. From a prudential perspective, financial impacts of conduct risk events are reported via ICAAP, quarterly COREP submissions, and biennial EBA stress tests.

The Culture Risk and Conduct Risk RAS includes qualitative measures and KRIs. Group Compliance and Group Risk Assurance challenge conduct risks and advise business segments, while the Group Head of Conduct participates in key forums, monitors RAS metrics monthly, and addresses materialised conduct risks.

The Regulatory, Culture and Conduct Risk Committee (RCCR), reporting to the AIB Group Risk Committee, oversees regulatory and conduct risks across AIB Group. It monitors the Group's conduct risk profile, ensures compliance with risk appetite, and reviews relevant risk policies.

Regulatory compliance risk

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

Identification and assessment

The Bank identifies regulatory compliance risk through its MRA and RCA processes, identifying the key drivers of regulatory compliance risk, growing complexity of regulatory change and international sanctions.

Management and measurement

AIB Group's Regulatory Compliance Risk Management Framework applies to the Bank, defines principles, roles, governance, and is supported by key policies. The compliance mandate ensures the Group understands applicable external rules, laws, and regulations, and the implications of non-compliance. The regulatory compliance risk lifecycle is reviewed annually by Compliance teams.

Monitoring, escalating and reporting

Regulatory compliance risks are monitored on a monthly basis via the AIB Group's risk governance committees. Regulatory Compliance provides written guidance and supports business segments in implementing laws, rules, and standards, managing compliance risks in line with RAS, and maintaining transparent regulator relationships. AIB Group Risk Assurance independently reviews and assures the effectiveness of internal controls and risk governance under a Board-approved plan.

Statement of Directors' Responsibilities

The following statement which should be read in conjunction with the Statement of Auditor's Responsibilities set out in their Audit Report, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Bank's financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 101 Reduced Disclosure Framework and Irish law) and with the European Union (Credit Institutions: Financial Statements) Regulations 2015 applicable to companies reporting under FRS 101.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position and profit or loss of the Bank and enable them to ensure that its financial statements comply with the Companies Act 2014. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. Under applicable law, the Directors are also responsible for preparing the Directors' report and disclosures relating to the Directors' remuneration that comply with that law.

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

For and on behalf of the Board



Jim Pettigrew
Chair



Colin Hunt
Chief Executive Officer



Donal Galvin
Chief Financial Officer

3 March 2026

Independent auditors' report

Independent auditors' report to the members of Allied Irish Banks, p.l.c.

Report on the audit of the financial statements

Opinion

In our opinion, Allied Irish Banks, p.l.c.'s financial statements:

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

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

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

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 12 to the financial statements, we have provided no other services to the Bank or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope	<ul style="list-style-type: none"> • We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the activities of the Bank. We performed a full scope audit of the Bank's financial statements, based on materiality levels.
Key audit matters	<ul style="list-style-type: none"> • Expected credit loss (i) completeness and valuation of the post model adjustments (ii) judgements taken on individually assessed exposures. • IT (Privileged User Access)
Materiality	<ul style="list-style-type: none"> • Overall materiality: €75 million (2024: €75 million) based on c. 3.1% (2024: c. 3.4%) of profit before tax. • Performance materiality: €56.25 million (2024: €56.25 million).

The scope of our audit

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Independent auditors' report *continued*

Key audit matter

Expected credit loss (i) completeness and valuation of the post model adjustments (ii) judgements taken on individually assessed exposures

Refer to Note 1 (q) 'Impairment of financial assets' within Note 1 'Accounting policies', 'Impairment of financial assets' within Note 2 'Critical accounting judgements and estimates', Note 11 'Net credit impairment charge', Note 17 'Loans and advances to customers', Note 19 'ECL allowance on financial assets' and Note 43.1 'Credit risk' within Note 43 'Financial risk management'.

At 31 December 2025, the Bank reported total gross loans to customers classified at amortised cost of €33.8bn and €0.88bn of expected credit loss (ECL).

The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. Complex models and significant judgements are used to estimate the probability of default (PD), loss given default (LGD) and exposure at default (EAD) as well as in applying the staging criteria under IFRS 9.

The calculation of ECL requires a high degree of judgement to reflect developments in credit quality and emerging macroeconomic risks.

The two key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's compliance with IFRS 9 were

1. Completeness and valuation of post model adjustments (PMAs)

The judgement surrounding the completeness and valuation of PMA's represents a significant estimation risk. The modelling methodologies used to estimate ECL are developed using historical experience. Adjustments are made to model outcomes to address known model and data limitations, and emerging or non-modelled risks. In addition, modelling methodologies do not incorporate all factors that are relevant to estimating ECL. The current economic environment continues to be uncertain and volatile and differs from historical experience (including the experience on which certain models were calibrated). As a result, the judgements around if and when the Bank recognise adjustments to model outcomes to account for potential model weaknesses in coping with the current economic environment, outlook and sectoral weaknesses are highly judgemental and inherently uncertain.

2. Individually assessed ECL (Stage 3)

The judgements applied with respect to the measurement of impairment of Stage 3 individually assessed loans represents a significant estimation risk. For individual provision assessments of larger exposures in Stage 3, the significant judgements in determining provisions are the completeness and appropriateness of the potential workout scenarios identified, the probability assigned to each identified potential workout scenario and the valuation assumptions used in determining expected recoveries.

Other assumptions

Management makes other assumptions which are less judgemental or for which variations have a less significant impact on ECL. These include:

- Conceptual soundness of the modelling methodologies;
- Quantitative and qualitative criteria used to assess significant increases in credit risk which drives the allocation of assets to Stage 1, 2, or 3 using criteria in accordance with the accounting standards;
- Accounting interpretations, modelling assumptions and data used to build and run the ECL models; and
- Inputs and assumptions used to reflect the impact of multiple economic scenarios.

How our audit addressed the key audit matter

Controls

In conjunction with our credit modelling specialists, we performed end-to-end process walkthroughs to understand and identify the key systems, applications and key controls used in the ECL processes.

We tested the design and operating effectiveness of key controls across the processes relevant to management's ECL calculation, including those relating to the key judgements and estimates involving our credit modelling specialists where appropriate. We also tested the design and operating effectiveness of key controls over the governance of the estimation of ECL. We attended key executive committee meetings where the inputs, assumptions and adjustments to the ECL were discussed and approved. We observed management's review and challenge in these governance forums including the assessment of model limitations and any resulting judgemental post model adjustments.

Conceptual Soundness

We performed a risk assessment on the models involved in the ECL calculation to determine the models to test and the nature of the testing required in respect of the individual models. We involved credit modelling specialists to assist us in testing the assumptions, inputs and implementation of model formulae. This included a combination of assessing the appropriateness of model design, performing sensitivity analyses, recalculating the Probability of Default and Loss Given Default and testing model implementation.

In conjunction with our credit modelling specialists, we assessed model governance including model validation and monitoring. This included assessing model performance by evaluating variations between observed data and model predictions and developing an understanding and assessment of model limitations and remedial actions. We inquired of the model development and validation teams to assess whether the basis for significant model enhancements introduced during the year were reasonable.

Post Model Adjustments

In conjunction with our credit modelling specialists, we evaluated the conceptual soundness of the PMAs by critically assessing management's rationale and methodology, including the limitation and / or risk that the PMA is seeking to address. We inspected the PMA calculation methodologies and tested, on a sample basis, the completeness and accuracy of key data inputs into the PMA calculation.

We challenged the overall completeness and reasonableness of post model adjustments by comparing the PMAs recognised by management to the key model limitations and / or data limitations that we considered to exist in the portfolio. We used managements own assessment of novel risks within the portfolio to inform our assessment.

Individually assessed stage 3 assets

For a sample of credit-impaired loans, we assessed the exposures to determine if they met the definition of credit impaired under IFRS 9. We challenged the forecasts of future cash flows prepared by management to support the calculation of the impairment loss allowance by challenging the key assumptions and corroborating estimates to external support where available. Our selection of credit impaired loans was based on a number of factors, including both higher risk sectors identified with reference to external sources, (such as commercial real estate and the fibre portfolio within Climate and Infrastructure Capital Division), and materiality.

Independent auditors' report *continued*

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss (i) completeness and valuation of the post model adjustments (ii) judgements taken on individually assessed exposures <i>continued</i></p>	<p>Quantitative and Qualitative criteria in determining specific increases in credit risk</p> <p>We challenged the appropriateness and application of the quantitative and qualitative criteria used to assess significant increases in credit risk which determine the allocation of an asset to Stage 1, 2 or 3 in accordance with IFRS 9.</p> <p>For a selection of performing loans, we critically assessed, by reference to the underlying documentation and through inquiries with management, whether the trigger for credit impaired classification had occurred.</p> <p>In conjunction with our credit modelling specialists, we reperformed key aspects of the models underlying the calculation of expected credit losses, including independent recalculation of the PD and LGD for a sample of models and independent recalculation of ECL model outcomes for a sample of models.</p> <p>Economic Scenarios</p> <p>In conjunction with our credit modelling specialists, we considered the base case and alternative economic scenarios. We challenged and assessed the reasonableness of the significant assumptions underpinning management's economic scenarios which we determined to be GDP, unemployment and property price inflation by comparing to independent and observable economic forecasts, leveraging a number of external data points. We assessed whether forecasted macroeconomic variables were reasonable and supportable.</p> <p>With the support of our credit modelling specialists, we evaluated the overall impact of the macroeconomic factors to the ECL. This assessment considered the sensitivity of ECL to variations in the severity and probability weighting of the economic forecasts.</p> <p>We challenged the reasonableness of management's forward-looking information (FLI) upside / downside scenario weightings, having regard to relevant available information.</p> <p>Overall stand back</p> <p>We performed an overall assessment of ECL provision levels by IFRS 9 stage to determine if they were reasonable by considering the overall credit quality of the Bank's portfolios, risk profile, credit risk management practices and the macroeconomic environment by considering trends in the economy and sectors to which the Bank is exposed. We performed peer benchmarking where available to assess overall staging and provision coverage levels.</p> <p>Disclosures</p> <p>We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and the process and controls management had in place to prepare and approve the disclosures.</p> <p>Conclusion</p> <p>On the basis of the work performed we have concluded the stock of Expected Credit Loss reserves at year end is within the range of acceptable outcomes.</p>

Independent auditors' report *continued*

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

How we tailored the audit scope

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

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

Materiality

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

Overall materiality	€75 million (2024: €75 million).
How we determined it	c. 3.1% (2024: c. 3.4%) of profit before tax.
Rationale for benchmark applied	We applied this benchmark because in our view this is a metric against which the recurring performance of the Bank is commonly measured by its stakeholders to assess its performance.

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 €56.25 million (2024: €56.25 million).

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above €3.75 million (2024: €3.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report *continued*

Conclusions relating to going concern

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

- Obtaining management's going concern assessment;
- Performing a risk assessment to identify factors that could impact the going concern assessment;
- Considering the Bank's Financial Plan approved by the Board in December 2025. In evaluating management's base case forecasts and alternative stress scenarios we considered the Bank's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact on financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue;
- Considering whether the assumptions underlying the base case was consistent with related assumptions used in other areas of the Bank's business activities, for example, in testing for non-financial asset impairment;
- Reading relevant correspondence from the Central Bank of Ireland and the ECB Joint Supervisory Team with regards to regulatory capital and liquidity requirements; and
- Considering the adequacy of relevant disclosures made in the financial statements.

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities. With respect to the Directors' report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

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

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Bank and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report *continued*

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://iaasa.ie/wp-content/uploads/docs/media/IAASA/Documents/audit-standards/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

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

Independent auditors' report *continued*

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

Directors' remuneration and transactions

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

Appointment

We were appointed by the members at the Annual General Meeting on 4 May 2023 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2023 to 31 December 2025.



Ronan Doyle

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

Income statement

for the financial year ended 31 December 2025

	Note	2025 € m	2024 € m
Interest income calculated using the effective interest rate method	3	4,063	4,763
Other interest income and similar income	3	65	68
Interest and similar income	3	4,128	4,831
Interest and similar expense	4	(1,249)	(1,569)
Net interest income		2,879	3,262
Fee and commission income	5	920	695
Fee and commission expense	5	(28)	(40)
Net trading income	6	181	71
Net gain on other financial assets measured at FVTPL	7	31	75
Net gain on derecognition of financial assets measured at amortised cost	8	16	1
Other income	9	395	120
Total other income		1,515	922
Total operating income		4,394	4,184
Operating expenses	10	(1,632)	(1,687)
Impairment and amortisation of intangible assets	22	(204)	(203)
Impairment and depreciation of property, plant and equipment	23	(60)	(67)
Total operating expenses		(1,896)	(1,957)
Operating profit before impairment losses		2,498	2,227
Net credit impairment charge	11	(158)	(23)
(Writeback)/charge of provisions for impairment of subsidiaries	21	(58)	14
Operating profit		2,282	2,218
Income from disposal of investments in associates and joint ventures		99	—
Profit before taxation		2,381	2,218
Income tax charge	13	(237)	(244)
Profit for the year		2,144	1,974

Statement of comprehensive income

for the financial year ended 31 December 2025

	Note	2025 € m	2024 € m
Profit for the year		2,144	1,974
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit assets/(liabilities), net of tax	13	3	4
Total items that will not be reclassified subsequently to profit or loss		3	4
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Net change in foreign currency translation reserves, net of tax	13	(1)	(1)
Net change in cash flow hedges, net of tax	13	(287)	341
Net change in fair value of investment debt securities at FVOCI, net of tax	13	133	(76)
Total items that will be reclassified subsequently to profit or loss when specific conditions are met		(155)	264
Other comprehensive income for the year, net of tax		(152)	268
Total comprehensive income for the year		1,992	2,242

Statement of financial position

as at 31 December 2025

	Note	2025 € m	2024 € m
Assets			
Cash and balances at central banks	14	37,014	32,486
Derivative financial instruments	15	1,925	2,558
Loans and advances to banks	16	12,380	12,270
Loans and advances to customers	17	33,101	33,625
Securities financing	18	11,984	12,047
Investment securities	20	33,173	28,864
Investments in associates and joint ventures		242	225
Investments in Group undertakings	21	4,390	4,513
Intangible assets	22	784	739
Property, plant and equipment	23	451	444
Other assets	24	335	268
Current taxation		—	1
Deferred tax assets	25	1,724	1,935
Prepayments and accrued income		530	466
Total assets		138,033	130,441
Liabilities			
Deposits and advances from banks	27	4,880	5,619
Deposits and advances from customers	28	105,093	97,075
Securities financing	18	2,375	882
Derivative financial instruments	15	1,461	1,989
Debt securities in issue	29	876	837
Lease liabilities	30	219	234
Fair value changes of hedged items in portfolio hedges of interest rate risk	15	(175)	64
Current taxation		4	1
Deferred tax liabilities	25	12	8
Retirement benefit liabilities	26	8	9
Other liabilities	31	740	689
Accruals and deferred income		625	617
Subordinated liabilities and other capital instruments - Externally issued	32	1	2
Subordinated liabilities and other capital instruments - AIB Group plc	32	9,802	9,502
Provisions for liabilities and commitments	33	95	153
Total liabilities		126,016	117,681
Equity			
Share capital	34	1,637	1,637
Share premium	34	1,386	1,386
Reserves		7,681	8,498
Total shareholders' equity		10,704	11,521
Other equity interests - AIB Group plc	35	1,313	1,239
Total equity		12,017	12,760
Total liabilities and equity		138,033	130,441

Jim Pettigrew
Chair

Colin Hunt
Chief Executive Officer

Donal Galvin
Chief Financial Officer

Conor Gouldson
Group Company Secretary

Statement of changes in equity

for the financial year ended 31 December 2025

		Attributable to equity holders of parent					
		Share capital	Share premium	Reserves		Other equity interests	Total equity
				Revenue	Other		
Note		€ m	€ m	€ m	€ m	€ m	€ m
	At 1 January 2025	1,637	1,386	8,687	(189)	1,239	12,760
	Profit for the year	—	—	2,144	—	—	2,144
	Other comprehensive income	—	—	3	(155)	—	(152)
	Total comprehensive income for the year	—	—	2,147	(155)	—	1,992
	Transactions with owners, recorded directly in equity						
	Issuance of Additional Tier 1 securities	35	—	—	—	693	693
	Buyback of Additional Tier 1 securities	35	—	—	(5)	(619)	(624)
	Dividends paid on ordinary shares	44	—	—	(2,717)	—	(2,717)
	Distributions paid to other equity interests	35	—	—	(87)	—	(87)
	Total transactions with owners	—	—	(2,809)	—	74	(2,735)
	At 31 December 2025	1,637	1,386	8,025	(344)	1,313	12,017

Other reserves comprise the following:

		Capital reserves	Capital redemption reserves	Revaluation reserves	Investment securities reserves	Cash flow hedging reserves	Foreign currency translation reserves	Total
		€ m	€ m	€ m	€ m	€ m	€ m	€ m
	At 1 January 2025	156	73	11	(448)	92	(73)	(189)
	Profit for the year	—	—	—	—	—	—	—
	Other comprehensive income	—	—	—	133	(287)	(1)	(155)
	Comprehensive income for the year	—	—	—	133	(287)	(1)	(155)
	Transactions with owners, recorded directly in equity							
	Transactions with owners	—	—	—	—	—	—	—
	At 31 December 2025	156	73	11	(315)	(195)	(74)	(344)

Statement of changes in equity

for the financial year ended 31 December 2024

Attributable to equity holders of parent						
Note	Share capital € m	Share premium € m	Reserves		Other equity interests € m	Total equity € m
			Revenue € m	Other		
At 1 January 2024	1,637	1,386	8,997	(453)	1,115	12,682
Profit for the year	—	—	1,974	—	—	1,974
Other comprehensive income	—	—	4	264	—	268
Total comprehensive income for the year	—	—	1,978	264	—	2,242
Transactions with owners, recorded directly in equity						
Issuance of Additional Tier 1 securities	35	—	—	—	620	620
Buyback of Additional Tier 1 securities	35	—	(5)	—	(496)	(501)
Dividends paid on ordinary shares	44	—	(2,201)	—	—	(2,201)
Distributions paid to other equity interests	35	—	(82)	—	—	(82)
Total transactions with owners	—	—	(2,288)	—	124	(2,164)
At 31 December 2024	1,637	1,386	8,687	(189)	1,239	12,760

Other reserves comprise the following:

Note	Capital reserves	Capital redemption reserves	Revaluation reserves	Investment securities reserves	Cash flow hedging reserves	Foreign currency translation reserves	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January 2024	156	73	11	(372)	(249)	(72)	(453)
Profit for the year	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	(76)	341	(1)	264
Comprehensive income for the year	—	—	—	(76)	341	(1)	264
Transactions with owners, recorded directly in equity							
Transactions with owners	—	—	—	—	—	—	—
At 31 December 2024	156	73	11	(448)	92	(73)	(189)

Notes to the financial statements

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6	Net trading income	36			
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23	Property, plant and equipment	51			
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25	Deferred taxation	52			
26	Retirement benefits	53			
27	Deposits and advances from banks	56			
28	Deposits and advances from customers	56			
29	Debt securities in issue	57			
30	Lease liabilities	57			
31	Other liabilities	57			
32	Subordinated liabilities and other capital instruments	58			
33	Provisions for liabilities and commitments	60			
34	Share capital	61			
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Notes to the financial statements

1 Accounting policies

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

(a) Reporting entity

Allied Irish Banks, p.l.c. (the 'Bank') is a company domiciled in Ireland. The address of the Bank's registered office is 10 Molesworth Street, Dublin 2, Ireland. Allied Irish Banks, p.l.c. is registered under the Companies Act 2014 as a public limited company under the company number 24173. The Bank is a wholly owned subsidiary of AIB Group plc, being the ultimate parent of the Bank. The Bank is and has been primarily involved in retail and corporate banking. AIB Group plc and its subsidiaries is collectively referred to as 'the AIB Group'.

(b) Statement of compliance

The Bank's financial statements and related notes have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and comply with those parts of the Companies Act 2014 and with the European Union (Credit Institutions: Financial Statements) Regulations 2015 applicable to companies reporting under FRS 101.

In preparing these financial statements, the Bank applies the recognition, measurement and disclosure requirements of IFRS as adopted by the EU, but makes amendments where necessary in order to comply with the Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- A statement of cash flows and related notes (IAS 7 *Statement of cash flows*);
- The effects of new but not yet effective IFRS (IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*);
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- Disclosures required by IAS 24 *Related Party Disclosures* in respect of transactions with wholly owned subsidiaries of AIB Group plc; and
- Disclosures required by IAS 24 *Related Party Disclosures* in respect of the compensation of key management personnel.

(c) Basis of preparation

Functional and presentation currency

The financial statements are presented in Euro, which is the functional currency of the parent company and a significant number of its subsidiaries, rounded to the nearest million.

Basis of measurement and presentation

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, financial instruments at fair value through profit or loss, certain hedged financial assets and financial liabilities and investment securities at fair value through other comprehensive income (FVOCI). The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, other than portfolio hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Bank has availed of the exemption from preparing consolidated financial statements under Section 299 of the Companies Act 2014. The results and assets and liabilities of the Bank and all of its subsidiaries are included in the consolidated financial statements of AIB Group plc. The consolidated financial statements of AIB Group plc can be viewed by accessing the website at aib.ie/investorrelations.

Changes in presentation to the financial statements

(i) Cash collateral payable to/receivable from derivative and repurchase agreement counterparties

The Bank places cash collateral with and receives cash collateral from derivative and repurchase agreement counterparties. In the 2024 financial statements cash collateral placed and received was presented in the following line items:

- Loans and advances to banks;
- Loans and advances to customers;
- Deposits by central banks and banks; and
- Customer accounts.

To ensure a consistent naming convention is applied to the financial statement line items, that include cash collateral, the Bank has renamed:

- 'Deposits by central banks and banks' as 'Deposits and advances from banks'; and
- 'Customer accounts' as 'Deposits and advances from customers'.

The Bank has also re-presented the notes to the financial statements, that include cash collateral to consistently disclose cash collateral as a line item within the note rather than presenting it separately as an 'of which' amount.

(ii) Derivative financial instruments

The Bank has changed the presentation of certain tables in the notes to the financial statements. For further information, refer to 'Derivative financial instruments' (note 15) and 'Retirement benefits' (note 26).

Use of judgements and estimates

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

- Impairment of financial assets;
- Deferred taxation; and
- Retirement benefit obligations.

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

1 Accounting policies continued

(c) Basis of preparation continued

Consideration of climate change

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

Going concern

The financial statements for the year ended 31 December 2025 have been prepared on a going concern basis, as the Directors are satisfied, having considered the risks and uncertainties impacting the Bank, that it has the ability to continue in business for the period of assessment. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. This includes capital forecasts and internally generated macroeconomic scenarios that take account of geopolitical risks, the impacts of tariffs, inflation, interest rates and related impacts on unemployment and property prices. The period of assessment used by the Directors is at least 12 months from the date of approval of these annual financial statements.

(d) Foreign currency translation

Items included in the financial statements of the Bank are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Transactions and balances

Foreign currency transactions are translated into the Bank'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 fair value through profit or loss are reported as part of the fair value gain or loss. Exchange differences on financial instruments designated as a hedge of the net investment in a foreign operation are reported in other comprehensive income.

Foreign operations

The results and financial position of the Bank that has a functional currency different from the Euro is translated into Euro as follows:

- Assets and liabilities including goodwill and fair value adjustments arising on consolidation of foreign operations are translated at the closing rate;
- Income and expenses are translated into Euro at the average rates of exchange during the period where these rates approximate to the foreign exchange rates ruling at the dates of the transactions;
- Foreign currency translation differences are recognised in other comprehensive income; and
- Since 1 January 2004, the Bank's date of transition to IFRS, all such exchange differences are included in the foreign currency cumulative translation reserve within shareholders' equity. When a foreign operation is disposed of in full, the relevant amount of this reserve is transferred to the income statement.

(e) Investments in subsidiary, joint ventures and associated undertakings

The Bank accounts for its investments in subsidiary, joint ventures and associated undertakings at cost less provisions for impairment. The Bank reviews its investments for impairment at the end of each reporting period if there are indications that impairment may have occurred.

The testing for possible impairment involves comparing the estimated recoverable amount of an investment with its carrying amount. Where the recoverable amount is less than the carrying amount, the difference is recognised as an impairment provision in the Bank's financial statements. The recoverable amount is the higher of fair value less costs to sell and value-in-use (VIU).

Dividends from a subsidiary, joint venture or an associated undertaking are recognised in the income statement when the Bank's right to receive the dividend is established.

(f) Interest income and expense recognition – Notes 3 and 4

Effective interest rate

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

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

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

Notes to the financial statements *continued*

1 Accounting policies *continued*

(f) Interest income and expense recognition *continued*

Calculation of interest income and interest expense

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

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

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

When a financial asset is no longer credit impaired or has been repaid in full (i.e. cured without financial loss), the Bank presents previously unrecognised interest income as a reversal of credit impairment/recovery of amounts previously written-off.

Interest income and expense on financial assets and liabilities classified as held for trading or at fair value through profit or loss (FVTPL) is recognised in 'net trading income' or 'net gain on other financial assets measured at FVTPL' in the income statement, as applicable.

Presentation

Interest income and expense presented in the income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- Interest on investment debt securities measured at FVOCI calculated on an effective interest rate basis;
- Net interest income and expense on qualifying hedge derivatives designated as cash flow hedges or fair value hedges which are recognised in interest income or interest expense;
- Net interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied;
- Interest income and funding costs of trading portfolio financial assets;
- Interest income and expense on leases and hire purchase contracts; and
- Interest income on financial assets at FVTPL.

(g) 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 Bank 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 Bank's fee and commission income arises from retail banking activities. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank 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.

Customer related foreign exchange is fee income that is derived from arranging foreign exchange transactions on behalf of customers. Such income is recognised when the individual performance obligation has been fulfilled.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees relating to investment funds are recognised over time in line with the performance obligation. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

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.

Fee income and fee expenses in respect of services and prepaid credits for cellular phone and utilities sold to third parties are classified as customer accounts and payment services and are recognised when the performance obligation is satisfied.

(h) Employee benefits – Note 26

Retirement benefit obligations

The Bank provides employees with post-retirement benefits mainly in the form of pensions.

The Bank operates a number of retirement benefit schemes including defined benefit and defined contribution schemes. This includes benefits for some members accrued from 2007 to 2013 under a hybrid scheme arrangement that had both defined benefit and defined contribution elements.

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 determined by using current bid prices, except for insurance policies acquired as part of a buy in. If the policies are qualifying policies under IAS 19 *Employee Benefits* and if the timing and amount of payments under the policies exactly match some or all of the benefits payable under the scheme, then the present value of the related obligation is determined and is deemed to be the fair value of the insurance policies to be included in plan assets.

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. Schemes in surplus are shown as assets and schemes in deficit, together with unfunded schemes, are shown as liabilities. 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 defined benefit pension schemes 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.

1 Accounting policies continued

(h) Employee benefits continued

The Bank recognises the effect of an amendment to a defined benefit scheme when the plan amendment occurs, which is when the Bank introduces or withdraws a defined benefit scheme, or changes the benefits payable under existing defined benefit schemes. A curtailment is recognised when a significant reduction in the number of employees covered by a 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 the income statement when they are incurred.

The cost of the Bank'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 Bank 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. Bonuses are recognised to the extent that the Bank has a legal or constructive obligation to its employees that can be measured reliably.

(i) Income tax, including deferred income tax – Notes 13 and 25

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Income tax relating to items in equity is recognised directly in equity. However, the income tax consequences of payments on financial instruments that are classified as equity but treated as liabilities for tax purposes are recognised in profit or loss if those payments are distributions of profits previously recognised in profit or loss.

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, provisions for pensions and other post-retirement benefits, and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

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 Bank 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 in each jurisdiction, is recognised as an expense in the period in which the profits arise.

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

(j) Financial assets – Notes 7, 8, 16, 17, 18, 20, 24 and 40 Recognition and initial measurement

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

Notes to the financial statements *continued*

1 Accounting policies *continued*

(j) Financial assets *continued*

Classification and subsequent measurement

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

The classification and subsequent measurement of financial assets depend on:

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

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

– Amortised cost

Assets that 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 (FVOCI)

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

– Fair value through profit or loss (FVTPL)

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

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

Business model assessment

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

The assessment considers the following:

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

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

Characteristics of the contractual cash flows

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

The SPPI test requires an assessment of the contractual terms and conditions to determine whether a financial asset contains any terms that could modify the timing or amount of contractual cash flows of the asset, to the extent that they could not be described as solely payments of principal and interest. In making this assessment, the Bank considers:

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

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

Investments in equity instruments

Equity instruments are classified and measured at FVTPL, with gains and losses reflected in profit or loss.

(k) Financial liabilities and equity – Notes 6, 27, 28, 29, 31, 32 and 40

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

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

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Bank having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

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

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

1 Accounting policies *continued*

(l) Leases – Notes 23 and 30

The Bank 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/£5,000). The Bank 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 Bank 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 Bank 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 Bank 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.

(m) Determination of fair value of financial instruments – Note 41

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

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received). If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is determined by a quoted price in an active market for the same financial instrument, or by a valuation technique which uses only observable market inputs, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss. If the fair value is calculated by a valuation technique that features significant market inputs that are not observable, the difference between the fair value at initial recognition and the transaction price is deferred. Subsequently, the difference is recognised in the income statement on an appropriate basis over the life of the financial instrument, but no later than when the valuation is supported by wholly observable inputs; the transaction matures; or is closed out.

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

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

- Level 1 – financial assets and liabilities measured using quoted market prices from an active market (unadjusted);
- Level 2 – financial assets and liabilities measured using valuation techniques which use quoted market prices from an active market or measured using quoted market prices unadjusted from an inactive market; and
- Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market inputs.

Quoted prices in active markets

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

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

Valuation techniques

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

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

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

- The likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and
- Selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument.

Notes to the financial statements *continued*

1 Accounting policies *continued*

(m) Determination of fair value of financial instruments *continued*

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

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

(n) Securities financing – Notes 18 and 39

When securities are purchased subject to a commitment to resell (reverse repurchase agreement), or where the Bank 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 in 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.

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 Bank. 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.

(o) Derivatives and hedge accounting – Note 15

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

The Bank maintains trading positions in a variety of financial instruments including derivatives. Trading transactions arise both as a result of activity generated by customers and from proprietary trading with a view to generating incremental income.

Non-trading derivative transactions comprise transactions held for hedging purposes as part of the Bank'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 discounted cash flow models and option pricing models as appropriate. Derivatives are included in assets when their fair value is positive, and in liabilities when their fair value is negative, unless there is the legal ability and intention to settle an asset and liability on a net basis.

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

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

Hedging

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

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

- Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- 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 Bank formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

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

Fair value hedge accounting

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

For micro fair value hedges, the hedge adjustment is presented as an adjustment to the carrying amount of the hedged item. For portfolio fair value hedges, the aggregated fair value changes in the portfolio of hedged items are recognised in a single separate line item within liabilities when the hedged portfolio consists of liabilities, or within assets when the hedged portfolio consists of assets.

1 Accounting policies continued

(o) Derivatives and hedge accounting continued

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

When a hedged item held at amortised cost that is designated in a micro fair value hedge or included in the repricing time-period of a portfolio hedge is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting

The Bank enters into portfolio cash flow hedges. 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.

(p) Derecognition

Financial assets

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

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

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

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

In certain transactions, the Bank 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 adequate or is less than adequate for performing the servicing.

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

Financial liabilities

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

(q) Impairment of financial assets – Notes 11, 19 and 33

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

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

Investments in equity instruments are recognised at fair value and accordingly, expected credit losses (ECLs) are not recognised separately for equity instruments.

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

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

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

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

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

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

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

Notes to the financial statements *continued*

1 Accounting policies *continued*

(q) Impairment of financial assets *continued*

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

Purchased or originated credit impaired

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

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

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

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

Modification

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

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

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

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

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

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

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

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

Collateralised financial assets – Repossessions

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

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

Financial assets at FVOCI

The ECL allowance for financial assets measured at FVOCI does 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 other comprehensive income (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 Bank 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 Bank may write off a loan either partially or fully when there is no reasonable expectation of recovery. This is considered a non-contracted write-off. In this case, the borrower remains fully liable for the credit obligation and is not advised of the write-off.

Once a financial asset is written-off either partially or fully, the amount written-off cannot subsequently be recognised on the balance sheet. It is only when cash is received in relation to the amount written-off that income is recognised in the income statement as a 'recovery of bad debt previously written-off'.

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

1 Accounting policies continued

(r) Collateral and netting

The Bank 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.

Collateral

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

The Bank also receives collateral in the form of cash or securities in respect of other credit instruments, such as securities borrowing contracts and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received 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 Bank 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 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

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.

(s) Financial guarantees and loan commitment contracts – Note 38

Financial guarantees provided by the Bank

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 Bank may issue financial guarantees to other Group entities.

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 significant increase in credit risk has subsequently occurred.

Financial guarantees and loan commitments are initially recognised in the financial statements at fair value on the origination date. Subsequent to initial recognition, the Bank applies the impairment provisions of IFRS 9 and calculates an ECL allowance for 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'.

Financial guarantees purchased by the Bank

The Bank enters into financial guarantee contracts which require the counterparty to the contract to reimburse the Bank for a loss when the credit risk of the borrower significantly deteriorates. Any associated reimbursement asset is settled periodically by the Guarantor or when the Bank has issued credit linked notes which include the guarantee it is settled by reducing the liability associated with the credit linked notes.

(t) Property, plant and equipment – Note 23

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 Bank 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 Bank 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 Bank 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 Bank 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 Bank estimates the amount that it would currently obtain for 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 Bank policy not to revalue its property, plant and equipment.

Notes to the financial statements *continued*

1 Accounting policies *continued*

(u) Intangible assets – Note 22

Computer software and other intangible assets

Computer software and other intangible assets 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 Bank, 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.

Acquired intangible assets

Customer related intangible assets and brands acquired in a business combination are recognised at fair value at acquisition date.

Customer related intangible assets and brands have a finite useful life and are carried at cost less accumulated amortisation and provision for impairment, if any. Amortisation is calculated using the straight line basis to allocate the cost over their estimated useful life (6 years).

(v) 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 it can be reliably estimated.

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

(w) Share capital and reserves – Notes 34, 35, 36 and 44

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 Bank's financial statements in the period in which they are approved by the shareholders of the Bank. Proposed dividends that are declared after the end of the reporting date are not recognised as a liability, they are disclosed in note 44.

Other equity interests

Other equity interests comprises Additional Tier 1 Perpetual Contingent Temporary Write-down Securities (AT1s). Distributions on the AT1s are recognised in equity when approved for payment by the Board of Directors.

Investment securities reserves

Investment securities reserves represent the net unrealised gain or loss, net of tax, arising from the recognition in the statement of financial position of investment securities at FVOCI.

On disposal of equity securities which had been designated at FVOCI on initial recognition, any amounts held in the investment securities reserves account is transferred directly to revenue reserves without recycling through profit or loss.

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 Bank;
- Amounts transferred from issued share capital, share premium, revaluation reserves and capital redemption reserves following Irish High Court approval;
- Remeasurements of defined benefit pension schemes; and
- Transactions with owners including distributions and buybacks.

2 Critical accounting judgements and estimates

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

Significant judgements

The significant judgements made by the Bank in applying its accounting policies are as follows:

- Deferred taxation; and
- Impairment of financial assets.

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

Deferred taxation

The Bank's accounting policy for deferred tax is set out in accounting policy (i) in note 1. Details of the Bank's deferred tax assets and liabilities are set out in note 25.

The Bank's key judgement in relation to the recoverability of deferred tax assets for unused tax losses is that it is probable that there will be sufficient future taxable profits against which those losses can be used:

- The disclosed estimated utilisation period for those losses in Ireland is within the timeframe that taxable profits are considered probable.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that there will be sufficient future taxable profits against which the losses can be used. For a bank with a history of recent losses, there must be other convincing evidence to underpin this assessment.

The recognition of these deferred tax assets relies on the assessment of future profitability and the sufficiency of those profits to absorb losses carried forward. It requires significant judgements to be made about the projection of long-term future profitability because of the period over which recovery extends.

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

- AIB as a pillar bank with a strong Irish franchise;
- The absence of any expiry dates for Irish and UK tax losses;
- The turnaround evident in the Bank's financial performance over the years 2021-2025;
- The changing banking landscape in Ireland;
- The Irish economy remained robust in 2025, with growth accelerating sharply mostly due to developments in the export sector;
- External economic forecasts for Ireland, with growth forecasted for 2026;
- The introduction of the bank resolution framework under the BRRD and the establishment in 2017 of AIB Group plc as the new holding company of the Group. This provides greater confidence in relation to the future viability of Allied Irish Banks, p.l.c. (as the principal operating bank subsidiary) as there are now effective tools in place that should facilitate its recapitalisation in a future crisis; and
- The non-enduring nature of the loan impairments at levels which resulted in the losses between 2009 and 2013.

The Board also considered negative evidence and the inherent uncertainties in any long-term financial assumptions and projections, including:

- The absolute level of deferred tax assets compared to the Bank's equity;
- The quantum of profits required to be earned and the extended period over which it is projected that the tax losses will be utilised;
- The challenge of forecasting over a long period, taking account of the changing level of competition, and the evolving interest rate environment;
- The globalised nature of the Irish economy and its exposure to macroeconomic headwinds and geopolitical issues; and
- Taxation changes (including Organisation for Economic Co-operation and Development (OECD) tax reform) and the likelihood of future developments and their impact on profitability.

Taking account of all relevant factors, and in the absence of any expiry date for tax losses in Ireland, it is more likely than not that there will be future profits in the medium term, and beyond, in the Bank against which to use the tax losses. In this regard, the Bank has carried out an exercise to determine the likely number of years required to utilise the deferred tax asset under the following scenario. Using the AIB Group's financial plan 2026 to 2028 as a base and a profit growth rate of 2% from 2028, it was assessed that it will take less than 7 years for the deferred tax asset to be utilised. If the growth rate assumption was decreased by 1%, then the utilisation period would increase by less than 1 year. The Bank's analysis of this and other scenarios examined would not alter the basis of recognition or the current carrying value. In 2024, the Bank reported that it expected that it would take less than 10 years for the deferred tax asset to be utilised.

Impairment of financial assets

The Bank's accounting policy for impairment of financial assets is set out in accounting policy (q) in note 1. Details of the Bank's net credit impairment charge are set out in note 11 and ECL allowance on financial assets are set out in note 19.

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

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

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

Details of management judgement and the governance process, relating to ECL, are set out in page 83.

Notes to the financial statements *continued*

2 Critical accounting judgements and estimates *continued*

Critical accounting estimates

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

- Impairment of financial assets; and
- Retirement benefit obligations.

Impairment of financial assets

The Bank's accounting policy for impairment of financial assets is set out in accounting policy (q) in note 1. Details of the Bank's ECL allowance are set out in note 19.

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

- Establishing the number and relative weightings for forward looking scenarios;
- Inputs into discounted cash flows (DCFs) for certain Stage 3 credit impaired obligors;
- The assumptions for measuring ECL (e.g. PD, LGD and EAD and the parameters to be included within the models for modelled ECL); and
- The estimation of post-model adjustments where required.

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

On an ongoing basis, the various estimates and assumptions are reviewed in light of differences between actual and previously calculated expected losses. These are then recalibrated and refined to reflect current and evolving economic conditions. The ECL allowance is, in turn, reviewed and approved by the AIB Group Credit Committee on a quarterly basis with final Bank levels being approved by the Bank's Board. Further detail on the ECL governance process is set out on page 83.

The macroeconomic variables used in models to calculate ECL allowance are based on assumptions, forecasts and estimates against a backdrop of an evolving economic landscape. Accordingly, developments in local and international factors could have a material bearing on the ECL allowance within the next financial year. The Bank's sensitivity to a range of macroeconomic factors under the (i) base forecast; (ii) upside; and (iii) downside scenarios is set out on page 84.

The Bank has developed a standard approach for the measurement of ECL for the majority of the Bank's exposures where each ECL input parameter (e.g. PD, LGD and EAD) is developed in line with standard modelling methodology. These are discussed further on page 82. When considering changes in these assumptions collectively, there is a significant risk of a material adjustment to the Bank's ECL allowance within the next financial year.

Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes, or where there is a significant degree of uncertainty, management may consider it appropriate for an adjustment to ECL. These are referred to as post model adjustments and are set out in detail on pages 84 to 86.

The sensitivity of the carrying amounts of the ECL to changes in assumptions and estimates relating to inputs into DCFs for certain Stage 3 credit impaired obligors; the assumptions for measuring ECL; and the estimation of post model adjustments where required have not been provided given their diverse nature, their interrelationship and the number of estimates and assumptions involved.

Retirement benefit obligations

The Bank's accounting policy for retirement benefit obligations is set out in accounting policy (h) in note 1. Details of the Bank's retirement benefit obligations are set out in note 26.

The key estimates and assumptions that the Bank have used in determining the retirement benefit obligation are as follows:

- In a situation where the Bank believes the Trustee can grant discretionary increases without any funding being provided by the Company, the Bank has assumed that the Trustee will grant increases and as a result the scheme's liabilities include an estimate for this matter; and
- The significant demographic and financial actuarial assumptions used to determine the present value of the retirement benefit obligation.

The Trustee of the Irish Scheme has awarded an increase, in certain years, in respect of pensions eligible for discretionary pension in payment increases notwithstanding a decision by the Bank not to fund such increases. This reflected the ability of the Trustee to grant an increase when the financial position of the scheme would enable such an increase at that point in time. Taking these decisions by the Trustee into consideration, the long term assumption for future increases in pension in payment reflects an assessment of the Trustee's ability to grant further increases without any funding from the Bank, capped at the lower of our long-term inflation assumption or the surplus available to the Trustee.

Having taken actuarial advice, the Bank has adopted a rate of 2.10% (31 December 2024: 1.90%) for the long-term assumption for future discretionary increases in pensions in payment. This increased the scheme liabilities by €748 million at 31 December 2025 (31 December 2024: €808 million). A sensitivity analysis for the rate of increase in pensions in payment is not provided, as this rate is dependent on the surplus available to the Trustee to distribute and the advice of the actuary.

The actuarial valuation of the schemes' liabilities is dependent upon a number of financial and demographic assumptions which are inherently uncertain. Changes to those assumptions could materially impact the reported amount for schemes' liabilities and the actuarial gains/losses reported in equity. Details of the assumptions adopted by the Bank in calculating the schemes' liabilities and a sensitivity analysis for the principal assumptions used to measure the schemes' liabilities are set out in note 26 to the financial statements.

	2025	2024
	€ m	€ m
3 Interest and similar income		
Interest on loans and advances to customers	1,722	1,338
Interest on loans and advances to banks	1,114	1,744
Interest on securities financing	334	468
Interest on investment securities	529	916
Total interest income on financial assets measured at amortised cost	3,699	4,466
Interest on investment securities at FVOCI	364	297
Interest income calculated using the effective interest rate method	4,063	4,763
Interest income on finance leases and hire purchase contracts	65	59
Interest income on financial assets at FVTPL	—	9
Other interest and similar income	65	68
Total interest and similar income	4,128	4,831
<i>of which relates to cash flow hedges transferred from other comprehensive income</i>	2	<i>(563)</i>
<i>of which relates to fair value hedges of interest rate risk</i>	153	<i>407</i>

	2025	2024
	€ m	€ m
4 Interest and similar expense		
Interest on deposits and advances from customers	475	622
Interest on deposits and advances from banks	115	172
Interest on securities financing	46	47
Interest on debt securities in issue	51	22
Interest on lease liabilities	8	8
Interest on subordinated liabilities and other capital instruments ¹	478	639
Interest expense on financial liabilities measured at amortised cost	1,173	1,510
Negative interest on financial assets	—	2
Interest expense calculated using the effective interest rate method	1,173	1,512
Non-trading derivatives (not in hedge accounting relationships – economic hedges)	76	57
Other interest and similar expense	76	57
Total interest and similar expense	1,249	1,569
<i>of which relates to cash flow hedges transferred from other comprehensive income</i>	(7)	<i>(15)</i>
<i>of which relates to fair value hedges of interest rate risk</i>	61	<i>220</i>
<i>of which relates to portfolio fair value hedges</i>	(45)	<i>12</i>

1. Includes interest expense of €417m (2024: €415m) on instruments with AIB Group plc.

	2025	2024
	€ m	€ m
5 Net fee and commission income		
Customer accounts and payment services	236	238
Card income	177	176
Customer related foreign exchange	74	81
Wealth and insurance ¹	27	25
Lending related fees	40	37
Other fees and commissions	7	10
Fees received for services provided to other companies within AIB Group	359	128
Fee and commission income	920	695
Customer accounts and payment services	(3)	(2)
Card expenses	(20)	(34)
Other fees and commissions	(5)	(4)
Fee and commission expense	(28)	(40)
Total net fee and commission income	892	655

1. Wealth refers to fees and commissions from financial planning and investment management services. Insurance refers to fees and commissions from selling insurance products, such as home, car and travel insurance on behalf of the Bank's insurance partners.

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 *continued*

	2025	2024
	€ m	€ m
6 Net trading income		
Foreign exchange contracts	70	(46)
Interest rate contracts and debt securities	114	104
Credit derivative contracts	(1)	(1)
Equity investments, index contracts and warrants	(3)	(10)
Forward contract to acquire loans	—	27
Virtual corporate power purchase agreement	1	(3)
Total net trading income	181	71
<i>of which relates to hedging ineffectiveness on cash flow hedges</i>	<i>(1)</i>	<i>(6)</i>
<i>of which relates to hedging ineffectiveness on fair value hedges</i>	<i>(9)</i>	<i>—</i>

	2025	2024
	€ m	€ m
7 Net gain on other financial assets measured at FVTPL		
Loans and advances to customers	6	5
Investment securities – equity	23	70
Other	2	—
Total net gain on other financial assets measured at FVTPL	31	75

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

	2025		2024	
	Carrying value of derecognised financial assets measured at amortised cost	Gain from derecognition	Carrying value of derecognised financial assets measured at amortised cost	Gain from derecognition
	€ m	€ m	€ m	€ m
Loans and advances to customers	199	16	20	1

Derecognition relates to the sale of portfolios of performing and non-performing loans and the sale of individual loans (for credit management purposes) where credit deterioration had occurred.

	2025	2024
	€ m	€ m
9 Other income		
Loss on disposal of investment securities at FVOCI – debt	(76)	(77)
Gain on termination of hedging swaps ¹	76	41
Dividend income	407	157
Miscellaneous other expenses	(12)	(1)
Total other income	395	120
<i>of which relates to cash flow hedges transferred from other comprehensive income</i>	<i>1</i>	<i>—</i>

1. The majority of the gain on termination of hedging swaps relates to the disposal of debt securities at FVOCI.

10 Operating expenses

	2025	2024
	€ m	€ m
Personnel expenses:		
Wages and salaries	657	668
Retirement benefits ¹	99	94
Social security costs	73	72
Other personnel expenses	27	24
Termination benefits ²	15	19
	871	877
Less: staff costs capitalised to intangible assets	(37)	(33)
Total personnel expenses³	834	844
General and administrative expenses	701	674
Customer redress	(2)	46
	699	720
Bank levies and regulatory fees	99	123
Total operating expenses	1,632	1,687

1. Comprises a defined contribution charge of €86m (2024: a charge of €83m), a defined benefit expense charge of €2m (2024: a charge of €1m), and a long-term disability payments/death in service benefit charge of €11m (2024: €10m). For details of retirement benefits, see note 26.

2. Represents charges for voluntary severance programmes.

3. The Group implemented a new 'Save As You Earn' (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.

For the financial year ended 31 December 2025 the average number of employees was 9,114 (2024: 9,417). As at 31 December 2025, the Bank had 8,987 employees (2024: 9,234).

11 Net credit impairment charge

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

	2025			2024		
	Measured at amortised cost € m	Measured at FVOCI € m	Total € m	Measured at amortised cost € m	Measured at FVOCI € m	Total € m
Net remeasurement of ECL allowance						
Loans and advances to banks	—	—	—	—	—	—
Loans and advances to customers	(177)	—	(177)	(53)	—	(53)
Securities financing	1	—	1	—	—	—
Loan commitments	5	—	5	4	—	4
Financial guarantee contracts	3	—	3	3	—	3
Investment securities – debt	—	(3)	(3)	2	—	2
Net remeasurement of ECL allowance	(168)	(3)	(171)	(44)	—	(44)
Recoveries of amounts previously written-off	13	—	13	21	—	21
Net credit impairment charge	(155)	(3)	(158)	(23)	—	(23)

12 Auditor's remuneration

The disclosure of auditor's remuneration is in accordance with Section 322 of the Companies Act 2014. This mandates disclosure of remuneration paid/payable to the Group Auditor only (PricewaterhouseCoopers), for services relating to the audit of the Group and relevant subsidiary financial statements. €1.85 million was paid/payable to the Group Auditor (PricewaterhouseCoopers) for services relating to the audit of the financial statements of Allied Irish Banks, p.l.c. during the year to 31 December 2025 (2024: €1.85 million).

Notes to the financial statements *continued*

	2025	2024
	€ m	€ m
13 Taxation		
Current tax		
Corporation tax in Ireland		
Current tax on income for the year	—	—
Adjustments in respect of prior years	—	—
	—	—
Foreign tax		
Current tax on income for the year	(3)	(1)
Adjustments in respect of prior years	—	(1)
	(3)	(2)
Current tax charge for the year	(3)	(2)
Deferred tax		
Origination and reversal of temporary differences	—	1
Adjustments in respect of prior years	(2)	—
Recognition of deferred tax assets in respect of current and prior period losses ¹	24	24
Reduction in carrying value of deferred tax assets in respect of carried forward losses	(256)	(267)
Deferred tax charge for the year	(234)	(242)
Total tax charge for the year	(237)	(244)
Effective tax rate	10.0 %	11.0 %

1. During the year, deferred tax assets of €24 million (2024: €24 million) were recognised in respect of tax losses within the UK and US overseas branches.

Factors affecting the effective tax rate

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

	2025		2024	
	€ m	%	€ m	%
Profit before tax	2,381		2,218	
Tax charge at standard corporation tax rate in Ireland of 12.5%	(298)	12.5	(277)	12.5
<i>Effects of:</i>				
Foreign profits taxed at other rates	(4)	0.2	(1)	0.1
Expenses not deductible for tax purposes	(25)	1.0	(15)	0.7
Exempted income, income at reduced rates and tax credits	62	(2.5)	18	(0.8)
Income taxed at higher tax rates	(1)	—	(2)	0.1
Tax legislation on equity distributions	11	(0.5)	10	(0.5)
Deferred tax assets not recognised/reversal of amounts previously not recognised	24	(1.0)	24	(1.1)
Other tax adjustments	(4)	0.2	—	—
Adjustments to tax charge in respect of prior years	(2)	0.1	(1)	—
Tax charge	(237)	10.0	(244)	11.0

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

13 Taxation continued

Recognised within other comprehensive income in the Statement of Comprehensive Income

The following table sets out the movements recognised in other comprehensive income in the period before and after the effect of tax.

	2025			2024		
	Gross € m	Tax € m	Net € m	Gross € m	Tax € m	Net € m
Revenue reserves						
Remeasurement of retirement benefit assets/(liabilities)	3	—	3	5	(1)	4
Total	3	—	3	5	(1)	4
Foreign currency translation reserve						
Net exchange differences on translation of foreign operations	(1)	—	(1)	(1)	—	(1)
Total	(1)	—	(1)	(1)	—	(1)
Cash flow hedging reserves						
Amounts reclassified from the cash flow hedging reserves to the income statement as a reclassification adjustment when the hedged item affects the income statement	(10)	1	(9)	548	(69)	479
Hedging (losses)/gains recognised in other comprehensive income	(318)	40	(278)	(159)	21	(138)
Total	(328)	41	(287)	389	(48)	341
Investment debt securities at FVOCI reserves						
Fair value losses reclassified to income statement	76	(8)	68	77	(4)	73
Fair value gains/(losses) recognised in other comprehensive income	76	(11)	65	(170)	21	(149)
Total	152	(19)	133	(93)	17	(76)
Total movements recognised in other comprehensive income	(174)	22	(152)	300	(32)	268

14 Cash and balances at central banks

Cash and balances at central banks (net of ECL allowance of Nil) comprise:

	2025 € m	2024 € m
Central Bank of Ireland	35,770	31,471
Bank of England	350	200
Federal Reserve Bank of New York	295	194
Other (cash on hand)	599	621
Total cash and balances at central banks	37,014	32,486

15 Derivative financial instruments

Derivatives are entered into to service customer requirements, to manage the Bank's interest rate, exchange rate, equity and credit exposures and for trading purposes. 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 income in the income statement.

Market risk is the exposure to potential loss through holding interest rate, exchange rate and equity positions in the face of absolute and relative price movements, interest rate volatility, movements in exchange rates and shifts in liquidity. Credit risk is the exposure to loss should the counterparty to a financial instrument fail to perform in accordance with the terms of the contract.

Credit risk in derivative contracts is the risk that the Bank's counterparty in the contract defaults prior to maturity at a time when the Bank has a claim on the counterparty under the contract (i.e. contracts with a positive fair value). The Bank would then have to replace the contract at the current market rate, which may result in a loss. For risk management purposes, consideration is taken of the fact that not all counterparties to derivative positions are expected to default at the point where the Bank is most exposed to them. While notional principal amounts are used to express the volume of derivative transactions, the amounts subject to credit risk are much lower because derivative contracts typically involve payments based on the net differences between specified prices or rates.

Notes to the financial statements *continued*

15 Derivative financial instruments *continued*

The following table presents the notional principal amount of interest rate, exchange rate, equity, credit and commodity derivative contracts together with the positive and negative fair values attaching 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
Derivative financial instruments						
Interest rate contracts	133,029	1,866	(1,419)	118,759	2,523	(1,871)
Exchange rate contracts	17,466	59	(38)	8,649	35	(112)
Equity contracts	24	—	(1)	41	—	—
Credit derivatives	356	—	(1)	83	—	(3)
Virtual corporate power purchase agreement	2	—	(2)	2	—	(3)
Total	150,877	1,925	(1,461)	127,534	2,558	(1,989)

The Bank has the following concentration of exposures in respect of notional principal amount and positive fair value of derivative financial instruments. The concentrations are based primarily on the location of the office recording the transaction.

Geographical information	Notional principal amount		Positive fair value	
	2025	2024	2025	2024
	€ m	€ m	€ m	€ m
Ireland	148,670	125,068	1,893	2,487
United Kingdom	2,101	2,378	30	69
United States of America	106	88	2	2
Total	150,877	127,534	1,925	2,558

Trading book activities

The Bank maintains trading positions in a variety of financial instruments including derivatives. These derivative financial instruments include interest rate, foreign exchange, equity and credit derivatives. Most of these positions arise as a result of activity generated by corporate customers, while the remainder represent trading decisions of the Bank's derivative and foreign exchange traders with a view to generating incremental income.

All trading activity is conducted within risk limits approved by the Board. Systems are in place which measure risks and profitability associated with derivative trading positions as market movements occur. Independent risk control units monitor these risks.

Banking book activities

In addition to meeting customer needs, the Group's principal objective in holding or transacting derivatives is the management of interest rate and foreign exchange risks, which arise within the banking book through the operations of the Bank as outlined below. Market risk within the banking book is also controlled through limits approved by the Board and monitored by an independent second line risk function.

The operations of the Bank 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 Bank to achieve interest rate risk management objectives. Similarly, foreign exchange derivatives can be used to hedge the Bank's exposure to foreign exchange risk.

15 Derivative financial instruments *continued*

Banking book activities *continued*

The following table shows the notional principal amount and the fair value of derivative financial instruments analysed by product and purpose at 31 December 2025 and 2024. A description of how the fair values of derivatives are determined is set out in note 41.

	2025			2024		
	Notional principal amount € m	Fair Values Assets Liabilities € m € m		Notional principal amount € m	Fair Values Assets Liabilities € m € m	
Derivatives held for trading						
Interest rate swaps – over-the-counter (OTC)	29,499	245	(282)	30,444	399	(467)
Interest rate swaps – OTC Central Clearing Counterparties (CCPs)	13,668	312	(265)	14,832	359	(403)
Interest rate options bought and sold – OTC	3,145	6	(6)	3,806	9	(11)
Interest rate futures bought and sold – exchange traded	3	—	—	24	—	—
Total interest rate derivatives	46,315	563	(553)	49,106	767	(881)
Foreign exchange contracts – OTC	17,466	59	(38)	8,649	35	(112)
Total foreign exchange derivatives	17,466	59	(38)	8,649	35	(112)
Equity total return swaps – OTC	24	—	(1)	41	—	—
Credit derivatives – OTC CCPs	356	—	(1)	83	—	(3)
Virtual corporate power purchase agreement	2	—	(2)	2	—	(3)
Total equity, credit and other derivatives	382	—	(4)	126	—	(6)
Total derivatives held for trading	64,163	622	(595)	57,881	802	(999)
Derivatives held for hedging						
Interest rate swaps – OTC	—	—	—	158	2	—
Interest rate swaps – OTC CCPs	52,467	907	(339)	29,783	1,050	(363)
Total derivatives designated as fair value hedges	52,467	907	(339)	29,941	1,052	(363)
Interest rate swaps – OTC	7,710	100	(10)	7,683	125	(40)
Interest rate swaps – OTC CCPs	25,902	257	(517)	31,389	579	(548)
Cross currency interest rate swaps – OTC	635	39	—	640	—	(39)
Total derivatives designated as cash flow hedges	34,247	396	(527)	39,712	704	(627)
Total derivatives held for hedging	86,714	1,303	(866)	69,653	1,756	(990)
Total derivative financial instruments^{1,2}	150,877	1,925	(1,461)	127,534	2,558	(1,989)

1. Assets include exposure due from subsidiary undertakings of €295m (2024: €423m).

2. Liabilities include amounts due to subsidiary undertakings of €60m (2024: €200m).

Notes to the financial statements *continued*

15 Derivative financial instruments *continued*

Nominal values and average interest rates by residual maturity

At 31 December 2025 and 2024, the Bank held the following hedging instruments of interest rate risk and foreign exchange rate risk in fair value, cash flow and net investment hedges respectively. The Bank 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 *Financial Instruments: Disclosures* (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
Fair value hedges – Interest rate risk					
Assets					
Interest rate swaps – nominal principal amount (€ m)	1,600	1,844	5,726	9,297	18,467
Average interest rate (%) ¹	0.77	0.90	1.21	2.29	1.69
Liabilities					
Interest rate swaps – nominal principal amount (€ m)	2,283	4,097	10,096	17,524	34,000
Average interest rate (%) ¹	1.84	2.41	3.56	2.69	2.86
Total nominal amount of fair value hedges – Interest rate risk	3,883	5,941	15,822	26,821	52,467
Cash flow hedges - Interest rate risk					
Assets					
Interest rate and cross currency swaps – nominal principal amount (€ m)	7,488	5,021	9,610	11,835	33,954
Average interest rate (%) ²	2.65	2.55	1.55	2.54	2.28
Liabilities					
Interest rate and cross currency swaps – nominal principal amount (€ m)	79	6	83	125	293
Average interest rate (%) ²	2.48	2.03	2.60	2.03	2.31
Total nominal amount of cash flow hedges – Interest rate swaps	7,567	5,027	9,693	11,960	34,247
					2024
	Up to 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Fair value hedges – Interest rate risk					
Assets					
Interest rate swaps – nominal principal amount (€ m)	785	1,617	5,949	7,818	16,169
Average interest rate (%) ¹	0.94	0.77	1.02	1.86	1.39
Liabilities					
Interest rate swaps – nominal principal amount (€ m)	1,972	1,750	6,078	3,972	13,772
Average interest rate (%) ¹	4.73	1.86	3.81	4.17	3.80
Total nominal amount of fair value hedges – interest rate risk	2,757	3,367	12,027	11,790	29,941
Cash flow hedges – Interest rate risk					
Assets					
Interest rate and cross currency swaps – nominal principal amount (€ m)	4,605	10,304	9,297	15,026	39,232
Average interest rate (%) ²	2.31	2.79	2.03	2.24	2.34
Liabilities					
Interest rate and cross currency swaps – nominal principal amount (€ m)	16	90	74	300	480
Average interest rate (%) ²	0.71	2.47	2.00	2.14	2.13
Total nominal amount of cash flow hedges – Interest rate swaps	4,621	10,394	9,371	15,326	39,712

1. Represents the fixed rate on the hedged item which is being swapped for a variable rate.

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.

15 Derivative financial instruments *continued*

Fair value hedges of interest rate risk

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

Hedging instrument	2025				
	Nominal amount of hedging instrument € m	Carrying amount of hedging instrument		Change in fair value used for calculating hedge ineffectiveness for the year € m	Hedge ineffectiveness recognised in the income statement € m
		Assets € m	Liabilities € m		
Interest rate swaps	52,467	907	(339)	(96)	(9)

Line item in Statement of Financial Position where hedged item is included	2025					
	Carrying amount of hedged item recognised in Statement of Financial Position		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item or presented separately on the face of the Statement of Financial Position		Change in fair value of hedged item used for calculating hedge ineffectiveness for the year € m	Remaining adjustments for discontinued hedges € m
	Assets € m	Liabilities € m	Assets € m	Liabilities € m		
Investment securities	17,871	—	—	(643)	(93)	—
Subordinated liabilities and other capital instruments	—	(9,796)	—	(11)	(57)	—
Deposits and advances from customers	—	(24,209)	175	—	239	—
Loans and advances to customers	15	—	—	(1)	(2)	—
	17,886	(34,005)	175	(655)	87	—

Hedging instrument	2024				
	Nominal amount of hedging instrument € m	Carrying amount of hedging instrument		Change in fair value used for calculating hedge ineffectiveness for the year € m	Hedge ineffectiveness recognised in the income statement € m
		Assets € m	Liabilities € m		
Interest rate swaps	29,941	1,052	(363)	(177)	—

Line item in Statement of Financial Position where hedged item is included	2024					
	Carrying amount of hedged item recognised in Statement of Financial Position		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item or presented separately on the face of the Statement of Financial Position		Change in fair value of hedged item used for calculating hedge ineffectiveness for the year € m	Remaining adjustments for discontinued hedges € m
	Assets € m	Liabilities € m	Assets € m	Liabilities € m		
Investment securities	15,172	—	—	(555)	373	—
Subordinated liabilities and other capital instruments	—	(9,498)	45	—	(132)	—
Deposits and advances from customers	—	(4,225)	—	(64)	(64)	—
Loans and advances to customers	15	—	1	—	—	—
	15,187	(13,723)	46	(619)	177	—

Notes to the financial statements *continued*

15 Derivative financial instruments *continued*

Cash flow hedges of interest rate risk

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 Bank 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.

Hedging instrument	2025						
	Nominal amount of the hedging instrument € m	Carrying amount of the hedging instrument		Change in fair value of hedging instrument used for calculating hedge ineffectiveness in the year € m	Change in fair value of hedging instrument recognised in OCI in the year € m	Hedge ineffectiveness recognised in the income statement € m	Amounts reclassified from the cash flow hedge reserve to the income statement € m
		Assets € m	Liabilities € m				
Interest rate and cross currency swaps	34,247	396	(527)	(305)	(304)	(1)	10 ¹

Line item in Statement of Financial Position in which hedged item is included	2025					
	Change in fair value of hedged item used for calculating hedge ineffectiveness for the year € m	Amounts in the cash flow hedging reserves for continuing hedges pre tax € m	Amounts in the cash flow hedging reserves for continuing hedges post tax € m	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax € m	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax € m	
Loans and advances to customers	301	(240)	(209)	10	9	
Deposits and advances from customers	3	6	5	—	—	

Hedging instrument	2024						
	Nominal amount of the hedging instrument € m	Carrying amount of the hedging instrument		Change in fair value of hedging instrument used for calculating hedge ineffectiveness in the year € m	Change in fair value of hedging instrument recognised in OCI in the year € m	Hedge ineffectiveness recognised in the income statement € m	Amounts reclassified from the cash flow hedge reserve to the income statement € m
		Assets € m	Liabilities € m				
Interest rate and cross currency swaps	39,712	704	(627)	387	393	(6)	(547) ¹

Line item in Statement of Financial Position in which hedged item is included	2024					
	Change in fair value of hedged item used for calculating hedge ineffectiveness for the year € m	Amounts in the cash flow hedging reserves for continuing hedges pre tax € m	Amounts in the cash flow hedging reserves for continuing hedges post tax € m	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax € m	Amounts remaining in the cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax € m	
Loans and advances to customers	(393)	73	65	22	19	
Deposits and advances from customers	—	9	8	—	—	

1. Included in the income statement as follows: credit of €2m (2024: debit of €562m) in interest and similar income, credit of €7m (2024: credit of €15m) in interest and similar expense and a credit of €1m (2024: Nil) in other income transferred from other comprehensive income in respect of cash flow hedges.

Forecast cash flows

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:

Cash flows	2025					2024				
	<1 year € m	1-2 years € m	2-5 years € m	>5 years € m	Total € m	<1 year € m	1-2 years € m	2-5 years € m	>5 years € m	Total € m
Forecast receivable cash flows	619	522	1,400	727	3,268	824	538	1,232	705	3,299
Forecast payable cash flows	7	6	14	3	30	13	11	27	14	65
Forecast payable cash flows (including amortisation of terminated cash flow hedges)	13	5	16	6	40	23	18	25	20	86

	2025	2024
	€ m	€ m
16 Loans and advances to banks		
At amortised cost		
Funds placed with other banks - third parties	140	148
Funds placed with other banks - subsidiary undertakings	12,174	11,218
Loans to banks	12,314	11,366
Cash collateral advanced to other banks - third parties ¹	47	680
Cash collateral advanced to other banks - subsidiary undertakings ¹	19	224
Loans and advances to banks	12,380	12,270
ECL allowance		
Third parties	—	—
Subsidiary undertakings	—	—
Total ECL Allowance	—	—
Total loans and advances to banks	12,380	12,270

1. Relates to cash collateral payable to derivative and repurchase agreement counterparties.

	2025	2024
	€ m	€ m
Loans and advances to banks by geographical area¹		
Ireland	12,355	12,254
United Kingdom	14	4
United States of America	11	12
Total loans and advances to banks by geographical area	12,380	12,270

1. The classification of loans and advances to banks by geographical area is based primarily on the location of the office recording the transaction.

Notes to the financial statements *continued*

	2025	2024
	€ m	€ m
17 Loans and advances to customers		
At amortised cost		
Loans to customers	32,598	33,357
Amounts receivable under finance leases and hire purchase contracts	1,209	1,066
Gross loans to customers	33,807	34,423
Cash collateral advanced to customers ¹	91	50
Gross loans and advances to customers	33,898	34,473
ECL allowance	(881)	(912)
Net loans and advances to customers	33,017	33,561
Mandatorily at fair value through profit or loss		
Loans and advances to customers	84	64
Total loans and advances to customers	33,101	33,625
<i>of which comprises amounts repayable on demand</i>	4,731	4,799
<i>of which comprises amounts due from associated undertakings²</i>	56	66
Additional information:		
Due from third parties		
– Gross	30,055	30,827
– ECL allowance	(881)	(912)
	29,174	29,915
– at FVTPL	84	64
	29,258	29,979
Due from owner and subsidiary undertakings		
– Gross	3,843	3,646
– ECL allowance	—	—
	3,843	3,646
	33,101	33,625

1. Relates to cash collateral placed with derivative counterparties.

2. Undrawn commitments amount to €16m and are for less than one year (2024: €208m).

For details of credit quality of loans and advances to customers refer to note 43.1.

Amounts receivable under finance leases and hire purchase contracts

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

	2025	2024
	€ m	€ m
Gross receivables		
Not later than 1 year	438	398
Later than 1 year and not later than 2 years	354	315
Later than 2 years and not later than 3 years	268	230
Later than 3 years and not later than 4 years	162	143
Later than 4 years and not later than 5 years	81	69
Later than 5 years	17	12
Total	1,320	1,167
Unearned future finance income	(120)	(111)
Deferred costs incurred on origination	9	10
Present value of minimum payments	1,209	1,066
ECL allowance for uncollectible minimum payments receivable ¹	27	28

1. Included in 'ECL allowance on loans and advances to customers' in note 19.

Notes to the financial statements *continued*

20 Investment securities

The following table analyses the carrying value of investment securities at 31 December 2025 and 2024.

	2025	2024
	€ m	€ m
Debt securities at FVOCI		
Government securities	4,156	3,013
Supranational banks and government agencies securities	4,421	3,132
Asset backed securities	107	153
Bank securities	18,236	16,740
Corporate securities	933	738
Total debt securities at FVOCI^{1,2}	27,853	23,776
<i>of which provided as collateral</i>	4,115	2,572
Debt securities at amortised cost		
Government securities	2,206	2,226
Supranational banks and government agencies securities	241	237
Asset backed securities	2,329	2,113
Bank securities	80	79
Corporate securities	187	148
Total debt securities at amortised cost	5,043	4,803
<i>of which provided as collateral</i>	1,347	944
Total debt securities	32,896	28,579
<i>of which provided as collateral</i>	5,462	3,516
Equity securities		
Equity securities at FVTPL	277	285
Total equity securities	277	285
Total investment securities	33,173	28,864

The following table analyses the carrying amount of debt securities by ECL stage:

	2025	2024
	€ m	€ m
Gross amount		
Stage 1	32,897	28,580
Stage 2	—	—
Total debt securities	32,897	28,580
ECL on debt securities at amortised cost	(1)	(1)
Carrying value	32,896	28,579

1. Includes €11,652m (2024: €10,208m) in respect of subsidiary undertakings.

2. The ECL of €5m (2024: €2m) on debt securities at FVOCI does not reduce the carrying amount, but an amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the income statement.

21 Investments in Group undertakings

	2025 € m	2024 € m
Equity		
At 1 January	4,213	4,155
Repayment of capital	(65)	(6)
Additions	—	50
Impairment provision (charge)/writeback	(58)	14
At 31 December	4,090	4,213
Subordinated debt		
At 1 January and 31 December	300	300
Total	4,390	4,513
Of which:		
Credit institutions	3,659	3,659
Other	731	854
Total – all unquoted	4,390	4,513

The investments in Group undertakings are included in the financial statements on an historical cost basis.

Repayment of capital

In 2025 and 2024, the repayment of capital relates to the return of capital from foreign subsidiaries.

Impairment losses in Group undertakings

The Bank's investments in Group undertakings are reviewed for impairment at the end of each reporting period if there are indications that impairment may have occurred. In addition, an assessment is carried out where there are indications that impairment losses recognised in prior periods may no longer exist or may have decreased.

The testing for possible impairment involves comparing the recoverable amount of the individual investments with their carrying amount. Where the recoverable amount is less than the carrying amount, the difference is recognised as an impairment charge in the parent company's financial statements.

For previously impaired investments, where the assessment indicates an increase in the recoverable amount, the impairment loss recognised in earlier periods is reversed. However, the carrying amount will only be increased up to the amount that it would have been had the original impairment not been recognised.

In 2025, an impairment charge was recognised on the investment in subsidiary undertakings of €58 million for AIB UK Loan Management Limited. In 2024, a reversal of impairment charges was recognised on the investment in subsidiary undertakings of €12 million for AIB CI Limited and €2 million for AIB Holdings (N.I.) Limited respectively.

Principal subsidiary undertakings incorporated in the Republic of Ireland

	Nature of business
AIB Mortgage Bank Unlimited Company*	Issue of Mortgage Covered Securities
EBS d.a.c.*	Mortgages and savings

*Group interest is held directly by Allied Irish Banks, p.l.c.

The above subsidiary undertakings are incorporated in the Republic of Ireland and are wholly-owned unless otherwise stated. The issued share capital of each undertaking is denominated in ordinary shares.

All regulated banking entities are subject to regulations which require them to maintain capital ratios at agreed levels and they are unable to make distributions to the parent when to do so would result in such ratios being breached.

Principal subsidiary undertaking incorporated outside the Republic of Ireland

	Nature of business
AIB Group (UK) p.l.c.	Banking and financial services
– trading as AIB (NI) in Northern Ireland	
– trading as Allied Irish Bank (GB) in Great Britain	
Registered office: 92 Ann Street, Belfast BT1 3HH	

Notes to the financial statements *continued*

21 Investments in Group undertakings *continued*

Letters of financial support given to subsidiaries by Allied Irish Banks, p.l.c.

The Bank has provided letters of financial support to the Board of Directors of the following subsidiaries:

AIB Debt Management Limited	AIB Mortgage Bank Unlimited Company
AIB Group (UK) p.l.c.	AIB UK Loan Management Limited
AIB Holdings (N.I.) Limited	EBS d.a.c.
AIB Insurance Services Limited	Haven Mortgages Limited
AIB Pensions (Jersey) Limited	AIB Pensions (Isle of Man) Limited

Transactions between subsidiary undertakings

Banking transactions between Allied Irish Banks, p.l.c. and its subsidiaries are entered into in the normal course of business. These include loans, deposits, provisions of derivative contracts, foreign currency contracts and the provision of guarantees on an 'arm's length basis'. Furthermore, pricing arrangements between Allied Irish Banks, p.l.c. and certain Irish subsidiaries, and between certain Irish subsidiaries reflect revised OECD guidelines on transfer pricing, which are the internationally accepted principles in this area, and take account of the functions, risks and assets involved.

22 Intangible assets

					2025
	Software externally purchased	Software internally generated	Software under construction	Other	Total
	€ m	€ m	€ m	€ m	€ m
Cost					
At 1 January	214	1,777	130	3	2,124
Additions	4	105	140	—	249
Transfers in/(out)	—	79	(79)	—	—
Amounts written-off ¹	(51)	(8)	(2)	—	(61)
At 31 December	167	1,953	189	3	2,312
Accumulated amortisation/impairment					
At 1 January	190	1,192	—	3	1,385
Amortisation for the year ²	11	190	—	—	201
Impairment for the year ²	—	1	2	—	3
Amounts written-off ¹	(51)	(8)	(2)	—	(61)
At 31 December	150	1,375	—	3	1,528
Carrying value at 31 December	17	578	189	—	784

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.

Future capital expenditure in relation to both intangible assets and property, plant and equipment is set out in note 23.

23 Property, plant and equipment

	2025							
	Owned assets					Leased assets		Total
	Property			Equipment	Assets under construction	Right-of-use assets		
	Freehold	Long leasehold	Leasehold under 50 years			Property	Other	
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Cost								
At 1 January	127	31	109	335	10	379	4	995
Transfers in/(out)	4	—	4	1	(9)	—	—	—
Additions	5	—	3	30	19	10	1	68
Transfers to held for sale	—	—	—	—	—	—	—	—
Amounts written-off ¹	(3)	—	(9)	(104)	—	(8)	(1)	(125)
Exchange translation adjustments	—	—	—	—	—	(1)	—	(1)
At 31 December	133	31	107	262	20	380	4	937
Accumulated depreciation/impairment								
At 1 January	46	13	59	278	—	153	2	551
Depreciation charge for the year ²	4	1	7	18	—	29	1	60
Impairment charge for the year ²	—	—	—	—	—	—	—	—
Amounts written-off ¹	(3)	—	(9)	(104)	—	(8)	(1)	(125)
Transfers to held for sale	—	—	—	—	—	—	—	—
Exchange translation adjustments	—	—	—	—	—	—	—	—
At 31 December	47	14	57	192	—	174	2	486
Carrying value at 31 December	86	17	50	70	20	206	2	451

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.

The net carrying value of property occupied by Allied Irish Banks, p.l.c. for its own activities was €153 million (2024: €149 million) in relation to owned assets and €206 million in relation to right-of-use assets (2024: €226 million), excluding those held as disposal groups and non-current assets held for sale. Property leased to others by the Bank had a carrying value of Nil (2024: Nil).

Future capital expenditure

The table below shows future capital expenditure in relation to both property, plant and equipment and intangible assets (excluding right-of-use assets).

	2025	2024
	€ m	€ m
Estimated outstanding commitments for capital expenditure not provided for in the financial statements ¹	55	2
Capital expenditure authorised but not yet contracted for ¹	—	12

1. At 31 December 2025, the Group had a higher level of contractual commitments for capital expenditure compared to the previous year. As a result of these increased commitments, there was no outstanding authorised capital expenditure that had been approved that had not yet been contracted for.

Leased assets

Property

The Bank 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 Bank is likely to exercise these options, this has been taken into account in determining the lease liability and the right-of-use asset.

Other

The Bank leases motor vehicles and IT equipment.

Lease liabilities

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

	2025	2024
	€ m	€ m
Amounts recognised in income statement		
Depreciation expense on right-of-use assets	30	31
Interest on lease liabilities (note 4)	8	8

Notes to the financial statements *continued*

24 Other assets	2025	2024
	€ m	€ m
Proceeds due from disposal of loan portfolio ¹	144	—
Proceeds due from the issuance of debt securities ¹	—	105
Items in transit	104	90
Items in course of collection	25	31
Other ²	62	42
Total other assets	335	268

Other assets are analysed as follows:

Less than 1 year	320	268
Greater than 1 year	15	—
	335	268

1. ECL: Nil (2024: Nil).

2. Includes sundry debtors €5m (2024: €8m), impersonal accounts €14m (2024: €11m) and deferred consideration for the disposal of AIB Merchant Services €17m (2024: Nil).

25 Deferred taxation	2025	2024
	€ m	€ m
Deferred tax assets:		
Unutilised tax losses	1,644	1,880
Cash flow hedges	30	—
Assets used in the business	38	41
Retirement benefits	2	3
Investment securities	43	62
Other	3	2
Total gross deferred tax assets	1,760	1,988
Deferred tax liabilities:		
Cash flow hedges	—	(11)
Assets used in the business	(48)	(50)
Other	—	—
Total gross deferred tax liabilities	(48)	(61)
Net deferred tax assets	1,712	1,927
Represented on the statement of financial position:		
Deferred tax assets	1,724	1,935
Deferred tax liabilities	(12)	(8)
	1,712	1,927

Net deferred tax assets at 31 December 2025 of €1,503 million (2024: €1,738 million) are expected to be recovered after more than 12 months. For each of the years ended 31 December 2025 and 2024, full provision has been made for capital allowances and other temporary differences.

Analysis of movements in deferred taxation	2025	2024
	€ m	€ m
At 1 January	1,927	2,200
Exchange translation and other adjustments	(3)	1
Deferred tax through other comprehensive income (<i>note 13</i>)	22	(32)
Income statement ¹ (<i>note 13</i>)	(234)	(242)
At 31 December	1,712	1,927

1. During 2025 the Bank recognised a net charge of €234m to the income statement in respect of deferred tax assets arising from unutilised tax losses (2024: €242m). In addition, the carrying value decreased by €2m (2024: Nil) due to exchange translation differences and other adjustments. As a result, the recognised deferred tax asset relating to unutilised tax losses amounted to €1,644m at the reporting date (2024: €1,880m).

Commentary on the basis of recognition of deferred tax assets on unused tax losses are included in note 2. The most significant tax losses for which a deferred tax asset has been recognised arise in the Irish tax jurisdiction and their utilisation is dependent on future taxable profits.

26 Retirement benefits

Allied Irish Banks, p.l.c. operates a number of defined contribution and defined benefit schemes for employees.

Defined contribution schemes

Allied Irish Banks, p.l.c. operates a defined contribution (DC) scheme. From 1 January 2014, all Bank staff accrue future pension benefits on a defined contribution (DC) basis with a standard employer contribution of 10%. An additional matched employer contribution, subject to limits based on age bands of 2%, 5% or 8% is also paid into the schemes.

The amount included in operating expenses in respect of the DC scheme is €86 million (2024: €83 million) (note 10).

Defined benefit schemes

Retirement benefits for the defined benefit schemes are calculated by reference to service and final pensionable salary at 31 December 2013. The final pensionable salary used in the calculation of this benefit for staff is based on their average pensionable salary in the period between 30 June 2009 and 31 December 2013. This calculation of benefit for each staff member will revalue between 1 January 2014 and retirement date in line with the statutory requirement to revalue deferred benefits. There is no link to any future changes in salaries.

In the scheme, there are 15,325 members comprising 4,876 pensioners and 10,449 deferred members at 31 December 2025. 7,363 members have benefits accrued from 2007 to 2013 under a hybrid arrangement.

(i) Responsibilities for governance

The Trustees of the pension scheme are ultimately responsible for the governance of the schemes. The scheme actuary reviews the statutory minimum funding requirement annually. In the event of a deficit on the statutory funding basis either the Bank can meet the deficit over an agreed period through agreeing a funding proposal with the Trustees and pensions regulator or making a contribution to meet the deficit. There are currently no funding proposals or contribution requirements in respect of the Irish schemes and the scheme actuary's most recent review confirmed that the schemes met their statutory funding obligations.

(ii) Valuations

Independent actuarial valuations for the scheme are carried out on a triennial basis by the schemes' actuary, Mercer. The most recent valuation of the Irish scheme was carried out at 30 June 2024 and reported the scheme to be in surplus. The next actuarial valuation of the Irish scheme will be prepared with an effective date of 30 June 2027 with the results expected by 31 March 2028. No deficit funding is required at this time as the scheme continues to meet the minimum funding standard.

(iii) Contributions

There were no contributions made to the scheme in 2025 (2024: Nil).

(iv) Financial assumptions

The following table summarises the financial assumptions adopted in the preparation of these financial statements in respect of the scheme at 31 December 2025 and 2024. The assumptions have been set based upon the advice of the Bank's actuary.

Financial assumptions	2025	2024
	%	%
Rate of increase of pensions in payment	2.10	1.90
Discount rate	4.21	3.52
Inflation assumptions that apply to deferred members' benefits up to their retirement date	1.70	1.90

– Funding of increases in pensions in payment for the Irish scheme

The Board previously determined that the funding of discretionary increases to pensions in payment is a decision to be made by the Board each year. A process, taking account of all relevant interests and factors was implemented by the Board. These interests and factors include: the advice of the Actuary; the interests of the members of the scheme; the interests of the employees; the Bank's financial circumstances and ability to pay; the views of the Trustees and the Bank's commercial interests. As a result of this process, the Bank's judgement is that a constructive obligation to fund future discretionary pension in payment increases does not exist. The Bank decided in February 2025 and 2026 that the funding of discretionary increases was not appropriate in either year in relation to the scheme.

– Rate of increase of pensions in payment – Irish scheme

Notwithstanding the decisions by the Board not to fund discretionary increases, the Trustee of the Irish scheme awarded an increase of 1.80% in 2025 (2024: increase of 3.40%). Taking this decision by the Trustee into consideration and the financial position of the scheme, the long-term assumption for future discretionary increases in pensions in payment continues to reflect an assessment of the Trustee's ability to grant further discretionary increases without funding from the Group. Having taken actuarial advice, this amount was estimated to increase scheme liabilities by €748 million at 31 December 2025 (31 December 2024: €808 million). This is equivalent to a rate of 2.10% (31 December 2024: 1.90%) for the long-term assumption for future discretionary increases in pensions in payment (which is the lower of the surplus available to the Trustee to distribute or the long-term inflation assumption).

Notes to the financial statements *continued*

26 Retirement benefits *continued*

(v) Demographic assumptions

Demographic assumptions include assumptions for 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 life expectancies underlying the value of the scheme liabilities for the Irish scheme at 31 December 2025 and 2024 are shown in the following table.

	Life expectancy - years	
	2025	2024
Retiring today age 63		
Males	25.2	25.1
Females	27.1	27.0
Retiring in 10 years at age 63		
Males	25.8	25.8
Females	27.8	27.8

The mortality assumptions for the scheme was updated in 2021 to reflect emerging market experience. The table shows that a member of the Irish scheme retiring at age 63 on 31 December 2025 is assumed to live on average for 25.2 years for a male and 27.1 years for a female. There will be variation between members but these assumptions are expected to be appropriate for all members. The table also shows the life expectancy for members aged 53 on 31 December 2025 who will retire in ten years. Younger members are expected to live longer in retirement than those retiring now, reflecting a decrease in mortality rates in future years due to advances in medical science and improvements in standards of living.

(vi) Movement in defined benefit obligation and scheme assets

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

	2025				2024			
	Defined benefit obligation	Fair value of scheme assets	Asset ceiling/ minimum funding ¹	Net defined benefit (liabilities) assets	Defined benefit obligation	Fair value of scheme assets	Asset ceiling/ minimum funding ¹	Net defined benefit (liabilities) assets
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January	(4,103)	4,686	(592)	(9)	(4,162)	4,781	(633)	(14)
Included in profit or loss								
Past service cost	—	—	—	—	—	—	—	—
Interest (cost)/income	(142)	162	(20)	—	(144)	166	(22)	—
Administration costs	—	(2)	—	(2)	—	(1)	—	(1)
	(142)	160	(20)	(2)	(144)	165	(22)	(1)
Included in other comprehensive income								
<i>Remeasurement loss:</i>								
– Actuarial gain/(loss) arising from:								
– Experience adjustments ²	(38)	—	—	(38)	(41)	—	—	(41)
– Changes in demographic assumptions	—	—	—	—	—	—	—	—
– Changes in financial assumptions	344	—	—	344	44	—	—	44
– Return on scheme assets excluding interest income	—	(198)	—	(198)	—	(60)	—	(60)
– Asset ceiling/minimum funding adjustments	—	—	(105)	(105)	—	—	63	63
Total remeasurement loss				3 ³				6
Translation adjustment on non-Euro schemes	4	(4)	—	—	(2)	2	—	—
	310	(202)	(105)	3	1	(58)	63	6
Other								
Contributions by employer	—	—	—	—	—	—	—	—
Benefits paid	214	(214)	—	—	202	(202)	—	—
	214	(214)	—	—	202	(202)	—	—
At 31 December	(3,721)	4,430	(717)	(8)	(4,103)	4,686	(592)	(9)

1. In recognising the net surplus or deficit on a pension scheme, the funded status of each scheme is adjusted to reflect any minimum funding requirement and any ceiling on the amount that the sponsor has a right to recover from a scheme.

2. The effects of differences between the previous actuarial assumptions and what has actually occurred.

3. After tax €3m (31 December 2024: €4m), see note 13.

26 Retirement benefits *continued*

Scheme assets

The Bank has disclosed an analysis of scheme assets by asset class in accordance with the requirements of IAS 19. In 2024 additional voluntary disclosures were provided for certain asset classes. The 2024 comparatives have been re-presented to align with the disclosure in 2025.

	2025 € m	2024 € m
Cash and cash equivalents	511	119
Quoted equity instruments	709	995
Quoted debt instruments	1,044	1,801
Real estate ^{1,2}	282	278
Derivatives	2	(14)
Quoted investment funds	1,882	1,392
Mortgage backed securities ²	—	115
Fair value of scheme assets at 31 December	4,430	4,686

1. Located in Europe.

2. A quoted market price in an active market is not available.

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the 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 scheme at 31 December 2025. A sensitivity analysis for the rate of increase of pensions in payment is not provided for the scheme, as this rate is dependent on the surplus available to the Trustee to distribute and the advice of the actuary (see page 53).

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).

	2025		2024	
	Increase € m	Decrease € m	Increase € m	Decrease € m
Discount rate (0.25% movement)	(82)	86	(101)	106
Inflation (0.25% movement)	25	(24)	39	(37)
Future mortality (1 year change in life expectancy)	79	(79)	106	(106)

Maturity of the defined benefit obligation

The weighted average duration of the Irish scheme at 31 December 2025 is 12 years (2024: 13 years).

Asset-liability matching strategies

The scheme continued to de-risk in 2025, with further sales of equities and additional investments in its Liability Driven Investment (LDI) portfolio, which is in place to hedge its interest rate and inflation risk. The LDI portfolio comprises a mixture of nominal bonds, inflation linked bonds and interest rate and inflation derivatives.

Other long-term employee benefits

Other long-term employee benefits include additional benefits which the Bank provides to employees who suffer prolonged periods of sickness, subject to the qualifying terms of the insurer. It provides for the partial replacement of income in the event of illness or injury resulting in the employee's long-term absence from work.

Furthermore, on the death of an employee before their normal retirement date, the Bank has in place insurance policies to cover the additional financial costs to the Bank under the terms of the schemes.

In 2025, the Bank contributed €11 million (2024: €10 million) towards insuring these benefits which are included in 'Operating expenses' (note 10).

Notes to the financial statements *continued*

	2025	2024
	€ m	€ m
Central bank – secured	—	6
Other banks – unsecured	4,548	4,539
Deposits by central banks and banks¹	4,548	4,545
Cash collateral advanced by other banks ^{1,2}	332	1,074
Total deposits and advances from banks¹	4,880	5,619
Of which:		
Due to third parties	155	836
Due to subsidiary undertakings	4,725	4,783
Total deposits and advances from banks¹	4,880	5,619

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

2. Relates to cash collateral received from derivative and repurchase agreement counterparties which includes €197m (2024: €271m) in respect of margin received from subsidiary undertakings.

Financial assets pledged for secured borrowings

Financial assets pledged for secured borrowings and providing access to future funding facilities with central banks and banks are detailed in the following table:

	2025			2024		
	Central banks	Banks	Total	Central banks	Banks	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Government securities	10	—	10	9	—	9
Other securities ¹	87	—	87	78	—	78
Total carrying value of financial assets pledged	97	—	97	87	—	87

1. Securities pledged as collateral include third party securities held by the Bank and covered bonds secured on pools of residential mortgages that have been issued by and are held by the Bank.

28 Deposits and advances from customers

	2025	2024
	€ m	€ m
Current accounts	59,419	57,013
Demand deposits	26,677	25,270
Time deposits ¹	18,565	14,725
Customer deposits¹	104,661	97,008
Cash collateral advanced from customers ^{1,2}	432	67
Total deposits and advances from customers¹	105,093	97,075

Deposits and advances from customers are analysed as follows:

Non-interest bearing current accounts	59,338	56,780
Interest bearing deposits, current accounts and short term borrowings	45,755	40,295
Total deposits and advances from customers¹	105,093	97,075
<i>of which comprises amounts due to third parties</i>	103,762	95,418
<i>of which comprises amounts due to subsidiary undertakings</i>	1,312	1,353
<i>of which comprises amounts due to equity accounted investments</i>	19	304

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

2. Relates to cash collateral received from derivative and repurchase agreement counterparties.

At 31 December 2025, the Group's five largest customer deposits amounted to 1% (2024: 1%) of total deposits and advances from customers.

29 Debt securities in issue	2025	2024
	€ m	€ m
Commercial paper	876	837

Analysis of movements in debt securities in issue	2025	2024
	€ m	€ m
At 1 January	837	—
Issued during the year	4,661	2,993
Matured	(4,564)	(2,206)
Amortisation	51	22
Other ¹	(109)	28
At 31 December	876	837

1. Comprises negative foreign exchange of €109m (2024: positive €28m).

The Bank introduced a short-term commercial paper programme in 2024. This programme is used as an additional liquidity mechanism whereby short-term debt, with maturities of typically less than six months, is issued in EUR, GBP and USD.

30 Lease liabilities	2025	2024
Analysis of movements in lease liabilities	€ m	€ m
At 1 January	234	256
Lease payments ¹	(33)	(38)
Interest expense ¹	8	8
Additions	11	8
Foreign exchange translation adjustments	(1)	—
At 31 December	219	234

1. Repayment of principal portion of lease liabilities amounted to €25m (2024: €30m) (i.e. lease payments net of interest expense).

Maturity analysis – contractual undiscounted cash flows:	2025	2024
	€ m	€ m
Not later than one year	36	35
Later than one year and not later than five years	108	114
Later than five years	131	150
Total undiscounted lease liabilities at end of year	275	299

31 Other liabilities	2025	2024
	€ m	€ m
Creditors	5	10
Bank drafts	219	223
Items in course of collection	371	317
Other	145	139
Total other liabilities	740	689

Other liabilities are analysed as follows:

Less than 1 year	740	689
Greater than 1 year	—	—
	740	689

Notes to the financial statements *continued*

32 Subordinated liabilities and other capital instruments

		2025	2024
		€ m	€ m
Dated loan capital – European Medium Term Note Programme			
€500m Callable Step-up Floating Rate Notes (nominal value €0.2m) due 2035	(a)	—	—
£368m 12.5% Subordinated Notes (nominal value £1.715m) due 2035	(a)	1	2
£500m Callable Fixed/Floating Rate Notes (nominal value £0.136m) due 2035	(a)	—	—
Total externally issued		1	2
Subordinated tier 2 loans – AIB Group plc			
€1bn subordinated tier 2 loan due May 2031, Callable 2026	(b)	990	963
€650m subordinated tier 2 loan due May 2035, Callable 2030	(b)	655	662
€1bn subordinated tier 2 notes due December 2036, Callable 2031	(b)	980	—
		2,625	1,625
Subordinated loans – AIB Group plc			
€500m subordinated loan due July 2025	(c)	—	495
€750m unsubordinated loan due July 2026, Callable 2025 ¹	(c)	—	746
\$750m subordinated loan due October 2026, Callable 2025 ²	(c)	—	720
€750m subordinated loan due November 2027, Callable 2026	(c)	735	717
€1bn subordinated loan due April 2028, Callable 2027	(c)	985	973
€750m subordinated loan due February 2029, Callable 2028	(c)	760	764
€750m subordinated loan due July 2029, Callable 2028	(c)	756	761
\$1bn subordinated loan due September 2029, Callable 2028	(c)	869	965
\$750m subordinated loan due May 2031, Callable 2030	(c)	642	—
€750m subordinated loan due October 2031, Callable 2030	(c)	776	789
€500m subordinated loan due March 2033, Callable 2032	(c)	497	—
\$1bn subordinated loan due March 2035, Callable 2034	(c)	862	947
€300m subordinated loan due March 2036, Callable 2035	(c)	295	—
		7,177	7,877
Total issued by AIB Group plc		9,802	9,502
Total subordinated liabilities and other capital instruments		9,803	9,504
Dated loan capital outstanding is repayable as follows:			
5 years or more		1	2
Subordinated loans outstanding are repayable as follows:			
Less than 5 years		4,105	6,141
5 years or more		5,697	3,361
		9,802	9,502
		9,803	9,504

1. Following a tender offer in March 2025, €343m of these notes were repurchased. The remaining €407m was redeemed in July on the call date.

2. Following a tender offer in May 2025, \$469m of these notes were repurchased. The remaining \$281m was redeemed in October on the call date.

		2025	2024
		€ m	€ m
Analysis of movements in subordinated liabilities and other capital instruments			
At 1 January		9,504	9,871
Issued during the year		2,470	1,575
Repurchased		(761)	(506)
Matured		(1,149)	(1,774)
Amortisation		—	3
Other ¹		(261)	335
At 31 December		9,803	9,504

1. Includes a positive fair value adjustment of €56m (2024: positive €134m) and negative foreign exchange of €318m (2024: positive €165m).

32 Subordinated liabilities and other capital instruments *continued*

a) Dated subordinated loan capital

Following liability management exercises and the Subordinated Liabilities Order (SLO) in 2011, residual balances remained on the dated loan capital instruments above. The SLO, which was effective from 22 April 2011, changed the terms of all of those outstanding dated loan capital instruments. The original liabilities were derecognised and new liabilities were recognised, with their initial measurement based on the fair value at the SLO effective date. The contractual maturity date changed to 2035 as a result of the SLO, and payment of coupons became optional at the discretion of the Group. The Board of Allied Irish Banks, p.l.c. has considered the matter and as at the date of this report, the Group's position is that coupons are not paid on these instruments. These instruments will amortise to their nominal value in the period to their maturity in 2035. In 2025, Allied Irish Banks, p.l.c. repurchased €1 million (2024: €118 million) nominal of these notes, at a discount to par.

(b) Subordinated tier 2 loans – AIB Group plc

The loans are junior in right of payment to all senior obligations of the borrower and pari passu with all other subordinated claims against the borrower. Under the EU (Bank Recovery and Resolution) Regulations 2015, this loan is loss absorbing at the point of non-viability. At the option of Allied Irish Banks, p.l.c. the loans may be prepaid in whole, but not in part on the call date, subject to the approval of the regulatory authorities, with approval being conditional on meeting the requirements of the EU Capital Requirements Regulation.

During 2025, AIB Group plc as the lender, entered into the following loan agreements with Allied Irish Banks, p.l.c., as the borrower, whereby the obligations of the borrower were subordinated and ranks as tier 2 capital:

Drawdown date	Nominal amount	Optional redemption date	Maturity date	Interest Rate	Interest rate reset on optional redemption date
December 2025	€1bn	December 2031	December 2036	3.9% Fixed Rate	Single Mid-Swap Rate plus 1.55%

(c) Subordinated loans – AIB Group plc

The Bank may, at its option, prepay the loans on the call date (if any), or as a result of certain changes in tax law, or if a loss absorption disqualification event has occurred which relates to the Bank or to its regulatory group (i.e. the consolidated entities of Allied Irish Banks, p.l.c. for regulatory purposes). Repayment of any such loan prior to the contractual maturity date is subject to the approval of the relevant regulator.

The loans may be subject to the exercise of Irish Statutory loss absorption powers by the relevant resolution authority.

In the event of a winding-up of Allied Irish Banks, p.l.c., its obligations under the loans shall rank as senior non-preferred claims and as such AIB Group plc's claims in respect of the principal, interest and any other amount in respect of the individual loans shall rank:

- (a) junior in right of payment to all senior claims (excluding senior non-preferred claims);
- (b) pari passu with all other senior non-preferred claims; and
- (c) in priority to all Own Funds claims and all other subordinated claims against Allied Irish Banks, p.l.c. other than senior non-preferred claims.

During 2025, AIB Group plc as the lender, entered into the following loan agreements with Allied Irish Banks, p.l.c., as the borrower, whereby the obligations of the borrower were unsecured and subordinated:

Drawdown date	Nominal amount	Optional redemption date	Maturity date	Interest rate ¹	Interest rate reset on optional redemption date
March 2025	€500m	March 2032	March 2033	3.875% Fixed Rate	Single Mid-Swap Rate plus 1.375%
March 2025	€300m	March 2035	March 2036	4.125% Fixed Rate	Single Mid-Swap Rate plus 1.525%
May 2025	\$750m	May 2030	May 2031	5.445% Fixed Rate	SOFR plus 1.775%

1. Interest is payable annually, or semi-annually in arrears.

Notes to the financial statements *continued*

33 Provisions for liabilities and commitments

	2025			
	Legal Claims	Customer redress	Other Provisions	Total
	€ m	€ m	€ m	€ m
At 1 January 2025	21	66	22	109
Charged to income statement	4	—	2	6 ¹
Released to income statement	(6)	(2)	—	(8) ¹
Provisions utilised	(4)	(42)	(1)	(47)
Exchange translation adjustments	—	—	—	—
At 31 December 2025	15	22	23	60 ²
ECLs on loan commitments and financial guarantees contracts				
At 1 January 2025				44
Net writeback to income statement				(8) ³
Disposals				—
Exchange translation adjustments				(1)
At 31 December 2025				35
Total provisions for liabilities and commitments				95
				2024
	Legal Claims	Customer redress	Other Provisions	Total
	€ m	€ m	€ m	€ m
At 1 January 2024	21	57	21	99
Charged to income statement	3	56	4	63 ¹
Released to income statement	(1)	(10)	(3)	(14) ¹
Provisions utilised	(2)	(37)	(1)	(40)
Exchange translation adjustments	—	—	1	1
At 31 December 2024	21	66	22	109 ²
ECLs on loan commitments and financial guarantees contracts				
At 1 January 2024				50
Net writeback to income statement				(7) ³
Disposals				—
Exchange translation adjustments				1
At 31 December 2024				44
Total provisions for liabilities and commitments				153

1. Included in note 10.

2. Amounts expected to be settled within one year are €26m (2024: €69m). Amounts expected to be settled outside of one year amount to €34m (2024: €40m).

3. Included in note 11.

The ECL allowance on loan commitments and financial guarantee contracts are presented as a provision in the balance sheet (i.e. as a liability under IFRS 9) and separate from the ECL allowance on financial assets. For details of the internal credit ratings, see page 87 in the Risk Management section of this report.

Legal claims

In the ordinary course of business, legal claims (claims which have resulted in legal cases commencing in the Courts) are frequently served on the Bank. There is always a level of uncertainty with legal claims given the range of potential outcomes. The Bank considers many factors, including the background facts of the legal claim, legal advice and the stage of the legal claim to determine the appropriate provision.

Customer redress

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

Other provisions

Other provisions, which are individually immaterial, include provisions for right-of-use commitments, onerous contracts and other miscellaneous provisions.

34 Share capital

The following table shows the authorised and fully paid issued share capital:

	31 December 2025		31 December 2024	
	Number of shares m	€ m	Number of shares m	€ m
Authorised				
Ordinary share capital				
Ordinary shares of €0.625 each	4,000.0	2,500	4,000.0	2,500
Issued and fully paid				
Ordinary share capital				
Ordinary shares of €0.625 each	2,618.7	1,637	2,618.7	1,637

All Allied Irish Banks, p.l.c. ordinary shares in issue confer identical rights, including in respect of capital, dividends and voting.

The following table shows the Bank's share premium:

	2025	2024
	€ m	€ m
At beginning and end of period	1,386	1,386

Structure of the Bank's share capital

The following table shows the structure of the Bank's share capital:

	31 December 2025		31 December 2024	
	Authorised share capital %	Issued share capital %	Authorised share capital %	Issued share capital %
Class of share				
Ordinary share capital	100	100	100	100

Capital resources

The following table shows the Bank's capital resources:

	31 December	
	2025	2024
	€ m	€ m
Equity ¹	12,017	12,760
Dated capital and Tier 2 notes (note 32)	2,626	1,627
Total capital resources	14,643	14,387

1. Includes other equity interests of €1,313m (2024: €1,239m); for further information see note 35.

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

Notes to the financial statements *continued*

		2025	2024
		€ m	€ m
35 Other equity interests			
Issued to AIB Group plc			
€625m Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities ¹	(a)	—	619
€625m Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities ²	(b)	620	620
€700m Additional Tier 1 Perpetual Contingent Temporary Write-Down Securities ²	(c)	693	—
Total other equity interests		1,313	1,239

1. Included in the Bank's capital base in 2024, subsequently redeemed in 2025.
2. Included in the Bank's capital base.

The following table shows the securities issued to AIB Group plc at 31 December 2025 and 2024:

	Nominal amount	Issue date	Optional redemption date	Interest rate ¹	Interest rate reset date	Interest reset
(a)	€625m	June 2020	June 2025 ²	6.375% Fixed Rate	December 2025	Relevant 5 year fixed rate plus a margin of 675.4bps
(b)	€625m	April 2024	October 2029	7.25% Fixed Rate	April 2030	Relevant 5 year fixed rate plus a margin of 451.2bps
(c)	€700m	January 2025	July 2031	6.125% Fixed Rate	January 2032	Relevant 5 year fixed rate plus a margin of 383bps

1. Interest is payable semi-annually in arrears. The interest payment is fully discretionary and non-cumulative and conditional upon the Bank being solvent at the time of payment, having sufficient distributable reserves and not being required by the regulatory authorities to cancel an interest payment.
2. The Bank exercised a call option to redeem this security on 23 June 2025.

The securities are perpetual securities with no fixed redemption date. The Bank 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) the optional redemption date 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 Bank for certain regulatory or tax reasons, subject to regulatory approval.

The securities, which do not carry voting rights, rank *pari passu* with holders of other Tier 1 instruments (excluding the Bank's ordinary shares). They rank ahead of the holders of ordinary share capital of the Bank but junior to the claims of senior creditors and to Tier 2 capital of the Bank.

Under the EU (Bank Recovery and Resolution) Regulations 2015, these securities are loss absorbing at the point of non-viability.

Furthermore, if the CET1 ratio of the Company at any time falls below 7%, subject to certain conditions, the Bank shall write down the securities by the write-down amount and irrevocably cancel any accrued and unpaid interest up to (but excluding) the write-down date. To the extent permitted, in order to comply with regulatory capital and other requirements, the Bank may reinstate any previously written down amount.

Distributions

Distributions amounting to €87 million (2024: €82 million) were paid on these instruments by the Bank.

36 Capital reserves and capital redemption reserves

	2025		2024	
	Capital reserves	Capital redemption reserves	Capital reserves	Capital redemption reserves
	€ m	€ m	€ m	€ m
At 1 January	156	73	156	73
Transfer from ordinary share capital (<i>note 34</i>)	—	—	—	—
At 31 December	156	73	156	73

37 Offsetting financial assets and financial liabilities

The disclosures set out in the following tables include financial assets and financial liabilities that:

- Are offset in the Bank's statement of financial position; or
- Are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and advances and deposits and advances from customers are not included in the following tables unless they are offset in the statement of financial position.

The Bank has a number of ISDA Master Agreements (netting agreements) in place which allow it to net the termination values of derivative contracts upon the occurrence of an event of default with respect to its counterparties. Additionally, the Bank has agreements in place which may allow it to net the termination values of cross currency swaps upon the occurrence of an event of default. The enforcement of netting agreements would potentially reduce the statement of financial position carrying amount of derivative assets and liabilities by €1,203 million at 31 December 2025 (2024: €1,444 million).

The Bank's sale and repurchase and reverse sale-and-repurchase transactions and securities borrowing and lending are covered by netting agreements with terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position where a right of set-off of recognised amounts becomes enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. Offsetting in the statement of financial position is applied where the Bank has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Bank provides and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives;
- Sale and repurchase agreements;
- Reverse sale and repurchase agreements; and
- Securities lending and borrowing.

Collateral is subject to the standard industry terms of Credit Support Annexes (CSAs), which enable the Bank to pledge or sell securities received during the term of the transaction. The collateral must be returned on the maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions where the counterparty fails to post collateral. The CSAs in place provide financial collateral for derivative contracts, which refers to cash and non-cash collateral obtained. At 31 December 2025, €131 million (2024: €779 million) of cash collateral is included within financial assets and €695 million (2024: €1,085 million) of cash collateral is included within financial liabilities relating to CSAs.

The following table shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements and those amounts not subject to offsetting at 31 December 2025 and 2024. The effects of over-collateralisation have not been taken into account in the following table.

Notes to the financial statements *continued*

37 Offsetting financial assets and financial liabilities *continued*

Amounts subject to enforceable netting arrangements										2025
	Note	Gross amounts of recognised financial assets € m	Gross amounts of recognised financial liabilities offset in the statement of financial position € m	Net amounts of financial assets presented in the statement of financial position € m	Related amounts not offset in the statement of financial position		Net amount € m	Amounts not subject to enforceable netting arrangements € m	Total € m	
					Financial instruments € m	Financial collateral ¹ € m				
Financial assets										
Derivative financial instruments	15	1,919	—	1,919	(1,203)	(604)	112	6	1,925	
Securities financing										
Reverse repurchase agreements	18	10,674	(1,572)	9,102	(9,057)	(45)	—	—	9,102	
Securities borrowings	18	2,882	—	2,882	(2,882)	—	—	—	2,882	
Total		15,475	(1,572)	13,903	(13,142)	(649)	112	6	13,909	
Amounts subject to enforceable netting arrangements										2025
	Note	Gross amounts of recognised financial liabilities € m	Gross amounts of recognised financial assets offset in the statement of financial position € m	Net amounts of financial liabilities presented in the statement of financial position € m	Related amounts not offset in the statement of financial position		Net amount € m	Amounts not subject to enforceable netting arrangements € m	Total € m	
					Financial instruments € m	Financial collateral ¹ € m				
Financial liabilities										
Derivative financial instruments	15	1,453	—	1,453	(1,203)	(250)	—	8	1,461	
Securities financing										
Securities sold under agreements to repurchase	18	3,947	(1,572)	2,375	(2,367)	(8)	—	—	2,375	
Total		5,400	(1,572)	3,828	(3,570)	(258)	—	8	3,836	
Amounts subject to enforceable netting arrangements										2024
	Note	Gross amounts of recognised financial assets € m	Gross amounts of recognised financial liabilities offset in the statement of financial position € m	Net amounts of financial assets presented in the statement of financial position € m	Related amounts not offset in the statement of financial position		Net amount € m	Amounts not subject to enforceable netting arrangements € m	Total € m	
					Financial instruments € m	Financial collateral € m				
Financial assets										
Derivative financial instruments	15	2,549	—	2,549	(1,444)	(522)	583	9	2,558	
Securities financing										
Reverse repurchase agreements	18	10,624	(1,660)	8,964	(8,947)	(17)	—	—	8,964	
Securities borrowings	18	3,083	—	3,083	(3,083)	—	—	—	3,083	
Total		16,256	(1,660)	14,596	(13,474)	(539)	583	9	14,605	
Amounts subject to enforceable netting arrangements										2024
	Note	Gross amounts of recognised financial liabilities € m	Gross amounts of recognised financial assets offset in the statement of financial position € m	Net amounts of financial liabilities presented in the statement of financial position € m	Related amounts not offset in the statement of financial position		Net amount € m	Amounts not subject to enforceable netting arrangements € m	Total € m	
					Financial instruments € m	Financial collateral € m				
Financial liabilities										
Derivative financial instruments	15	1,966	—	1,966	(1,444)	(216)	306	23	1,989	
Securities financing										
Securities sold under agreements to repurchase	18	2,542	(1,660)	882	(873)	(9)	—	—	882	
Total		4,508	(1,660)	2,848	(2,317)	(225)	306	23	2,871	

1. Financial collateral of €604m (2024: €522m) was received in respect of derivative assets, all of which was cash collateral. Financial collateral of €250m (2024: €216m) was placed in respect of derivative liabilities, including €40m (2024: €216m) of cash collateral and €210m (2024: Nil) of non-cash collateral.

38 Contingent liabilities and commitments

Allied Irish Banks, p.l.c. has given guarantees to the satisfaction of the relevant regulatory authorities for the protection of the depositors of certain of its banking subsidiaries in the various jurisdictions in which such subsidiaries operate. Provisions for ECLs on loan commitments and financial guarantee contracts are set out in note 33.

The following table gives the nominal or contract amounts of contingent liabilities and commitments for Allied Irish Banks, p.l.c.:

	Contract amount	
	2025	2024
	€ m	€ m
Contingent liabilities¹ – credit related		
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	1,163	930
Other contingent liabilities	24	24
	1,187	954
Commitments²		
Documentary credits and short term trade-related transactions	96	221
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	7,308	7,190
1 year and over	4,608	4,502
	12,012	11,913
Total contingent liabilities and commitments	13,199	12,867 ³

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.

3. Included in exposures are amounts relating to Group subsidiaries of €1,154m (2024: €1,157m).

For details of internal credit ratings, see page 87 in the Risk management section of this report.

Legal proceedings

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

TARGET-Ireland – Gross Settlement System

TARGET-Ireland is a real-time gross settlement system for large volume interbank payments in euro. As part of its participation in TARGET-Ireland, on 16 March 2023 Allied Irish Banks, p.l.c. (AIB) granted a first floating charge in favour of the Central Bank of Ireland (CBI), giving over all present and future credit balances in AIB's TARGET-Ireland accounts, securing AIB's liabilities to the CBI. AIB also has access to intra-day credit in TARGET2-Ireland (now TARGET-Ireland) in relation to Eurosystem Operations. To support this, on 7 April 2014, AIB granted the CBI a fixed charge over eligible assets held in a designated collateral account, and a floating charge over other eligible assets.

Without the CBI's prior written consent, AIB may not create encumbrances over, or dispose of, the charged assets other than in the ordinary course of business. Financial assets pledged under the first fixed charge are disclosed in note 27.

Notes to the financial statements *continued*

39 Transferred financial assets

Allied Irish Banks, p.l.c. enters into transactions in the normal course of business in which it transfers previously recognised financial assets. Transferred financial assets may, in accordance with IFRS 9:

- (i) Continue to be recognised in their entirety; or
- (ii) Be derecognised in their entirety but Allied Irish Banks, p.l.c. retains some continuing involvement.

The most common transactions where the transferred assets are not derecognised in their entirety are sale and repurchase agreements and securitisations.

(i) Transferred financial assets not derecognised in their entirety

Securities sold under agreements to repurchase and securities lending

The Bank enters into transactions where it sells a financial asset to another party, with an obligation to repurchase it at a fixed price on a certain later date. The Bank continues to recognise the financial assets in full in the statement of financial position as it retains substantially all the risks and rewards of ownership. The Bank's sale and repurchase agreements are with banks and customers. The obligation to pay the repurchase price is recognised within securities financing (note 18). As the Bank sells the contractual rights to the cash flows of the financial assets, it does not have the ability to use or pledge the transferred assets during the term of the sale and repurchase agreement. The Bank remains exposed to credit risk and interest rate risk on the financial assets sold. The obligation arising as a result of sale and repurchase agreements together with the carrying value of the financial assets pledged are set out in the table below.

The Bank enters into securities lending in the form of collateral swap agreements with other parties. The Bank continues to recognise the financial assets in full in the statement of financial position as it retains substantially all the risks and rewards of ownership. As a result of these transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction. A fee is generated for the Bank under this transaction.

The following table summarises as at 31 December 2025 and 2024, the carrying value and fair value of financial assets which did not qualify for derecognition together with their associated financial liabilities.

							2025
	Carrying amount of transferred assets	Carrying amount of associated liabilities held by third parties	Carrying amount of associated liabilities held by Group companies	Fair value of transferred assets	Fair value of associated liabilities held by third parties	Fair value of associated liabilities held by Group companies	Net fair value position
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Sale and repurchase agreements/similar products	5,462 ²	637 ¹	1,738	5,466	637	1,738	3,091
							2024
	Carrying amount of transferred assets	Carrying amount of associated liabilities held by third parties	Carrying amount of associated liabilities held by Group companies	Fair value of transferred assets	Fair value of associated liabilities held by third parties	Fair value of associated liabilities held by Group companies	Net fair value position
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Sale and repurchase agreements/similar products	3,516 ^{1,2}	196 ¹	686	3,519	196	686	2,637

1. See note 18.

2. Includes €2,995m of assets pledged in relation to securities lending arrangements (2024: €2,630m).

(ii) Transferred financial assets derecognised in their entirety but Allied Irish Banks, p.l.c. retains some continuing involvement

Allied Irish Banks, p.l.c. has a continuing involvement in transferred financial assets where it retains any of the risks and rewards of ownership of the transferred financial assets. Set out below are transactions in which Allied Irish Banks, p.l.c. has a continuing involvement in assets transferred.

AIB Mortgage Bank Unlimited Company

In 2011, Allied Irish Banks, p.l.c. transferred substantially all of its mortgage intermediary originated Irish residential loans, related security and related business of approximately €4.2 billion to AIB Mortgage Bank Unlimited Company.

Under an Outsourcing and Agency Agreement dated 8 February 2006, Allied Irish Banks, p.l.c., as Service Agent for AIB Mortgage Bank Unlimited Company, originates residential mortgage loans through its retail branch network and intermediary channels in the Republic of Ireland, services the mortgage loans and provides treasury services in connection with financing, as well as a range of other support services. In 2025, Allied Irish Banks, p.l.c. recognised €153 million (cumulative €1,714 million) (2024: €158 million (cumulative €1,719 million)) in the income statement for the provision of services under this agreement.

40 Classification and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policy for financial assets in note 1(j) and financial liabilities in note 1(k), describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses 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	Debt investments	Hedging derivatives		
	€ m	€ m	€ m	€ m	€ m
Financial assets					
Cash and balances at central banks ¹	—	—	—	37,014	37,014
Derivative financial instruments ²	1,529	—	396	—	1,925
Loans and advances to banks ³	—	—	—	12,380	12,380
Loans and advances to customers ⁴	84	—	—	33,017	33,101
Securities financing ⁵	—	—	—	11,984	11,984
Investment securities ⁶	277	27,853	—	5,043	33,173
Other financial assets	17	—	—	724	741
Total	1,907	27,853	396	100,162	130,318
Financial liabilities⁷					
Deposits and advances from banks ⁸	—	—	—	4,880	4,880
Deposits and advances from customers ⁹	—	—	—	105,093	105,093
Securities financing ¹⁰	—	—	—	2,375	2,375
Derivative financial instruments ¹¹	934	—	527	—	1,461
Debt securities in issue	—	—	—	876	876
Subordinated liabilities and other capital instruments ¹²	—	—	—	9,803	9,803
Other financial liabilities ¹³	—	—	—	1,121	1,121
Total	934	—	527	124,148	125,609

1. Includes cash on hand €599m.

2. Includes exposure to subsidiary undertakings of €295m.

3. Includes exposure to subsidiary undertakings of €12,193m.

4. Includes exposure to subsidiary undertakings of €3,843m.

5. Includes exposure to subsidiary undertakings of €4,891m.

6. Includes exposure to subsidiary undertakings of €11,652m.

7. At 31 December 2025, the Company has also recognised an ECL allowance of €35m relating to financial guarantees and loan commitments which is reported within provisions for liabilities and commitments.

8. Includes amounts due to subsidiary undertakings of €4,725m.

9. Includes amounts due to subsidiary undertakings of €1,312m.

10. Includes amounts due to subsidiary undertakings of €1,738m.

11. Includes amounts due to subsidiary undertakings of €60m.

12. Includes amounts due to AIB Group plc (parent) of €9,802m.

13. Includes a debit of €175m of fair value changes of hedged items in portfolio hedges of interest rate risk.

Notes to the financial statements *continued*

40 Classification and measurement of financial assets and financial liabilities *continued*

	2024				
	At fair value through profit or loss	At fair value through other comprehensive income		At amortised cost	Total
	Mandatorily	Debt investments	Hedging derivatives		
	€ m	€ m	€ m	€ m	€ m
Financial assets					
Cash and balances at central banks ¹	—	—	—	32,486	32,486
Derivative financial instruments ²	1,854	—	704	—	2,558
Loans and advances to banks ³	—	—	—	12,270	12,270
Loans and advances to customers ⁴	64	—	—	33,561	33,625
Securities financing ⁵	—	—	—	12,047	12,047
Investment securities ⁶	285	23,776	—	4,803	28,864
Other financial assets	—	—	—	641	641
	2,203	23,776	704	95,808	122,491
Financial Liabilities⁷					
Deposits and advances from banks ⁸	—	—	—	5,619	5,619
Deposits and advances from customers ⁹	—	—	—	97,075	97,075
Securities financing ¹⁰	—	—	—	882	882
Derivative financial instruments ¹¹	1,362	—	627	—	1,989
Debt securities in issue	—	—	—	837	837
Subordinated liabilities and other capital instruments ¹²	—	—	—	9,504	9,504
Other financial liabilities ¹³	—	—	—	1,309	1,309
	1,362	—	627	115,226	117,215

1. Includes cash on hand €621m.

2. Includes exposure to subsidiary undertakings of €423m.

3. Includes exposure to subsidiary undertakings of €11,443m.

4. Includes exposure to subsidiary undertakings of €3,646m.

5. Includes exposure to subsidiary undertakings of €5,409m.

6. Includes exposure to subsidiary undertakings of €10,208m.

7. At 31 December 2024, the Company has also recognised an ECL allowance of €44m relating to financial guarantees and loan commitments which is reported within provisions for liabilities and commitments.

8. Includes amounts due to subsidiary undertakings of €4,783m.

9. Includes amounts due to subsidiary undertakings of €1,353m.

10. Includes amounts due to subsidiary undertakings of €687m.

11. Includes amounts due to subsidiary undertakings of €200m.

12. Includes amounts due to AIB Group plc (parent) of €9,502m.

13. Includes a credit of €64m of fair value changes of hedged items in portfolio hedges of interest rate risk.

41 Fair value of financial instruments

The Bank's accounting policy for the 'determination of fair value of financial instruments' is set out in note 1 accounting policy (m).

All valuations are carried out within the Finance function and valuation methodologies are validated by the independent Risk function within the Bank. Readers of these financial statements are advised to use caution when using the data in the following tables to evaluate the financial position of the Bank 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

(i) Derivative financial instruments

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

Counterparty valuation adjustment (CVA) and Funding valuation adjustment (FVA) are applied to all uncollateralised over-the-counter 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.

CVA is calculated as: Expected positive exposure (EPE) multiplied by probability of default (PD) multiplied by loss given default (LGD). EPE profiles are generated at a counterparty netting set through simulation. PDs are derived from market based credit default swaps (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) multiplied by funding spread (FS) multiplied by 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 Bank'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 Bank's existing positions.

Within the range of estimates and fair value sensitivity measurements, a favourable and an adverse scenario have been selected for PDs and LGDs for CVA. The favourable/adverse scenario for customer PDs are (i) a single rating upgrade and (ii) a single rating downgrade, respectively. Customer LGDs are shifted according to estimates of improvement in value of security compared with potential derivatives market values. Within the combination of LGD and PD, both are shifted together yielding positive and negative valuations which are disclosed as potential alternative valuations. See 'Significant unobservable inputs' within this note. For FVA, an adverse scenario is the use of the bond yields of the Bank's most active derivative counterparties while a favourable scenario is an upgrade in the CDS of the reference entities used to derive funding spreads.

(ii) Virtual corporate power purchase agreement

The Bank has entered into a virtual corporate power purchase agreement (VPPA) associated with the sourcing of solar electricity for the Group from two farms in Co. Wexford. The VPPA hedges the volatility in electricity prices guaranteeing a forward electricity price which is subject to inflation changes only. This VPPA meets the definition of a derivative. The fair value of the virtual corporate power purchase agreement is estimated using discounted cash flows applying market rates when available and rates offered by other data providers, in particular for unobservable forward Irish electricity solar pricing curves.

(iii) Loans and advances to customers

The Bank 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 discounted cash flows and applying market rates where practicable and taking into account market risk and the changes in credit quality of its borrowers.

The majority of loans and advances to customers are held at amortised cost, however, the Bank has a small number of loans and advances which are required to be measured at FVTPL having failed the SPPI test. The valuation techniques used apply equally to those held at FVTPL and those held at amortised cost. 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.

(iv) Investment securities

The fair value of investment securities has been estimated based on expected sale proceeds. The expected sale proceeds are based on bid prices which have been analysed and compared across multiple sources for reliability. Where bid prices are unavailable, fair values are estimated by 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.

Notes to the financial statements *continued*

41 Fair value of financial instruments *continued*

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

(i) Loans and advances to banks

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

(ii) Loans and advances to customers at amortised cost

See methodology above under the heading (iii) Loans and advances to customers.

(iii) Securities financing

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

(iv) Deposits and advances from banks and deposits and advances from customers

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 discounted cash flows and applying applicable market rates as appropriate.

(v) Debt securities in issue and subordinated liabilities and other capital instruments

The estimated fair value of debt securities in issue and subordinated liabilities and other capital instruments, 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.

(vi) 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.

(vii) Commitments pertaining to credit-related instruments

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

41 Fair value of financial instruments *continued*

	2025					2024				
	Carrying amount	Fair value			Total	Carrying amount	Fair value			Total
		Fair value hierarchy					Fair value hierarchy			
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m		
Financial assets measured at fair value										
Derivative financial instruments:										
Interest rate derivatives	1,866	—	1,848	18	1,866	2,523	—	2,442	81	2,523
Exchange rate derivatives	59	—	59	—	59	35	—	35	—	35
Loans and advances to customers at FVTPL	84	—	—	84	84	64	—	—	64	64
Investment debt securities at FVOCI	27,853	16,094	107	11,652	27,853	23,776	13,468	100	10,208	23,776
Equity investments at FVTPL	277	1	—	276	277	285	1	—	284	285
Other financial assets	17	—	—	17	17	—	—	—	—	—
	30,156	16,095	2,014	12,047	30,156	26,683	13,469	2,577	10,637	26,683
Financial assets not measured at fair value										
Cash and balances at central banks	37,014	599 ¹	36,415	—	37,014	32,486	621 ¹	31,865	—	32,486
Loans and advances to banks	12,380	—	—	12,386	12,386	12,270	—	—	12,270	12,270
Loans and advances to customers	33,017	—	—	33,047	33,047	33,561	—	—	33,510	33,510
Securities financing	11,984	—	—	11,984	11,984	12,047	—	—	12,047	12,047
Investment debt securities measured at amortised cost	5,043	2,675	—	2,382	5,057	4,803	2,633	—	2,168	4,801
Other financial assets	724	—	—	724	724	641	—	—	641	641
	100,162	3,274	36,415	60,523	100,212	95,808	3,254	31,865	60,636	95,755
Financial liabilities measured at fair value										
Derivative financial instruments:										
Interest rate derivatives	1,419	—	1,401	18	1,419	1,871	—	1,591	280	1,871
Exchange rate derivatives	38	—	38	—	38	112	—	112	—	112
Equity derivatives	1	—	1	—	1	—	—	—	—	—
Credit derivatives	1	—	1	—	1	3	—	3	—	3
Virtual corporate power purchase agreement	2	—	—	2	2	3	—	—	3	3
	1,461	—	1,441	20	1,461	1,989	—	1,706	283	1,989
Financial liabilities not measured at fair value										
Deposits and advances from banks	4,880	—	—	4,880	4,880	5,619	—	6	5,613	5,619
Deposits and advances from customers:										
Current accounts ²	59,419	—	—	59,419	59,419	57,013	—	—	57,013	57,013
Demand deposits ²	26,677	—	—	26,677	26,677	25,270	—	—	25,270	25,270
Time deposits ²	18,565	—	—	18,582	18,582	14,725	—	—	14,775	14,775
Cash collateral advanced from customers ²	432	—	—	432	432	67	—	—	67	67
Securities financing	2,375	—	—	2,375	2,375	882	—	—	882	882
Debt securities in issue	876	—	—	866	866	837	—	—	832	832
Subordinated liabilities and other capital instruments	9,803	1	10,094	—	10,095	9,504	3	9,767	—	9,770
Other financial liabilities ³	1,121	—	—	1,121	1,121	1,309	—	—	1,309	1,309
Loan commitments and other credit related commitments	26	—	—	26	26	34	—	—	34	34
Financial guarantees	9	—	—	9	9	10	—	—	10	10
	124,183	1	10,094	114,387	124,482	115,270	3	9,773	105,805	115,581

1. Comprises cash on hand.

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

3. Includes €175m (2024: €64m) of fair value changes of hedged items in portfolio hedges of interest rate risk.

Notes to the financial statements *continued*

41 Fair value of financial instruments *continued*

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

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

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table shows (i) a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy and (ii) total unrealised gains or losses included in profit or loss that is attributable to the assets and liabilities categorised as Level 3 in the fair value hierarchy at the end of the year.

							2025	
	Financial assets					Total	Financial liabilities	
	Derivatives	Loans and advances at FVTPL	Investment debt securities at FVOCI	Equities at FVTPL	Other financial assets		Derivative	Total
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	
Movement in Level 3 assets and liabilities								
At 1 January 2025	81	64	10,208	284	—	10,637	283	283
Transfers into/out of Level 3 ^{1,2}	(21)	—	—	—	—	(21)	(235)	(235)
Total gains or (losses) in:								
Profit or loss:								
Interest income	—	—	(33)	—	—	(33)	—	—
Net trading income – losses	(42)	—	—	—	—	(42)	(28)	(28)
Net change in FVTPL	—	3	—	32	2	37	—	—
	(42)	3	(33)	32	2	(38)	(28)	(28)
Other comprehensive income:								
Net change in FVOCI	—	—	(23)	—	—	(23)	—	—
Purchases/additions	—	22	3,000	29	15	3,066	—	—
Sales/disposals/redemptions	—	—	(1,500)	(69)	—	(1,569)	—	—
Cash received: Principal	—	(5)	—	—	—	(5)	—	—
At 31 December 2025	18	84	11,652	276	17	12,047	20	20
Total unrealised gains or losses included in profit or loss for assets and liabilities classified as Level 3 at the end of the year								
Net trading income – losses	(5)	—	—	—	—	(5)	3	3
Gains on equity investments at FVTPL	—	—	—	22	—	22	—	—
(Losses/gains on Financial Assets at FVTPL	—	(3)	—	—	2	(1)	—	—
	(5)	(3)	—	22	2	16	3	3

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

2. In 2025, €21m derivative assets and €235m derivative liabilities were reclassified to Level 2 following a reassessment of the threshold for determining whether an unobservable input is significant to the classification of a fair value measurement within the hierarchy.

41 Fair value of financial instruments *continued***Reconciliation of balances in Level 3 of the fair value hierarchy *continued***

	Financial assets						Financial liabilities	
	Derivatives	Loans and advances at FVTPL	Investment debt securities at FVOCI	Equities at FVTPL	Other financial assets	Total	Derivatives	Total
	€ m	€ m		€ m	€ m	€ m	€ m	€ m
Movement in Level 3 assets and liabilities								
At 1 January 2024	103	42	9,521	322	—	9,988	172	172
Transfers into/out of Level 3 ¹	—	—	—	6	—	6	—	—
Total gains or (losses) in:								
Profit or loss:								
Interest income	—	—	(41)	—	—	(41)	—	—
Net trading income – (losses)/gains	(22)	—	—	—	—	(22)	111	111
Net change in FVTPL	—	4	—	76	—	80	—	—
	(22)	4	(41)	76	—	17	111	111
Other comprehensive income:								
Net change in FVOCI	—	—	(22)	—	—	(22)	—	—
Purchases/additions	—	25	2,250	45	—	2,320	—	—
Sales/disposals/redemptions	—	—	(1,500)	(165)	—	(1,665)	—	—
Cash received: Principal	—	(7)	—	—	—	(7)	—	—
At 31 December 2024	81	64	10,208	284	—	10,637	283	283
Total unrealised gains or losses included in profit or loss for assets and liabilities classified as Level 3 at the end of the year								
Net trading income – losses	3	—	—	—	—	3	(135)	(135)
Gains on equity investments at FVTPL	—	—	—	58	—	58	—	—
Losses on Financial Assets at FVTPL	—	(3)	—	—	—	(3)	—	—
	3	(3)	—	58	—	58	(135)	(135)

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 *continued*

41 Fair value of financial instruments *continued*

Significant unobservable inputs

The table below sets out information about significant unobservable inputs used for the years ended 31 December 2025 and 2024 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial instrument	Fair value			Valuation technique	Significant unobservable input	Range of estimates	
	2025 € m	2024 € m				31 December 2025	31 December 2024
Derivative financial instruments							
Interest rate derivatives	Asset	18	81	CVA	LGD	31% – 46%	38% – 56%
	Liability	18	280			(Base 36%)	(Base 46%)
					PD	0.3% – 1.9%	0.4% – 1.8%
				FVA	Funding spreads	(Base 0.6% 1-year PD) (0.1%) – (0.2%)	(Base 0.8% 1-year PD) (0.2%) – (0.3%)
Virtual corporate power purchase agreement	Liability	2	3	Discounted Expected Future Cash flows	Irish electricity solar capture prices	(20%) – (10%)	(10%) – (20%)
Equity investments at FVTPL							
Visa inc. Series B Preferred Stock	Asset	14	16	Quoted market price (to which a discount has been applied)	Final conversion rate	0% – 90%	0% – 90%
Other financial assets							
Deferred consideration	Asset	17	—	Discounted Expected Future Cash flows	Referral rate	70% – 90%	—

Derivative financial instruments

Interest rate derivatives

Derivatives (assets and liabilities) include negative XVA valuation adjustments amounting to net €1 million (2024: €8 million). The sensitivity to unobservable inputs for this XVA valuation adjustment at 31 December 2025 ranges from (i) negative €1 million to Nil for CVA (2024: negative €5 million to positive €2 million) and (ii) Nil for FVA (2024: negative €1 million to positive €1 million).

Virtual corporate power purchase agreement

The fair value sensitivity to unobservable forward Irish electricity solar capture prices ranges from negative €5 million to positive €2 million (2024: negative €4 million to positive €2 million).

Investment debt securities at FVOCI

Bank securities

The fair value of the investment debt securities at FVOCI is determined using repo prices for these instruments whereby a prudent valuation approach is applied which includes a haircut for illiquidity. The fair value sensitivity ranges from Nil to positive €173 million (2024: ranges from Nil to positive €135 million).

Equity investments at FVTPL

Visa Inc. Series B Preferred Stock

The Bank received Series B Preferred Stock in Visa Inc. as part consideration for its holding of shares in Visa Europe. The preferred stock will be convertible into Class A Common Stock of Visa Inc. over time. The remaining conversion is subject to certain Visa Europe litigation risks that may affect the ultimate conversion rate which is unobservable. In addition, the stock, being denominated in US Dollars, is subject to foreign exchange risk.

These instruments are valued at the quoted market price of Visa Inc. Class A Common Stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. 43% haircut (2024: 62%). This was converted at the year end exchange rate.

The fair value measurement sensitivity to unobservable discount rates ranges from negative €14 million to positive €8 million at 31 December 2025 (2024: negative €16 million to positive of €21 million).

Other equity investments

Sensitivity information has not been provided for other equity investments as the portfolio comprises several investments, none of which is individually material.

Other financial assets

Deferred consideration

The fair value sensitivity to unobservable referral rates ranges from negative €2 million to positive €2 million at 31 December 2025.

Loans and advances to customers at FVTPL

For loans and advances to customers measured at FVTPL of €84 million (2024: €64 million), the Bank does not believe that a reasonably possible change to alternative assumptions would change fair value significantly and therefore has not disclosed those amounts in the table above or provided the related disclosures.

Fair value is also applied in respect of secondary facilities arising on restructured loans subject to forbearance measures, on the likelihood that additional cash flows, in excess of their primary facilities, will be received from customers. Given the significant uncertainty with regard to such cash flows, the Bank does not attribute a fair value unless it is reasonably certain that this value will be realised.

Day 1 gain or loss

No difference existed between the fair value at initial recognition of financial instruments and the amount that was determined at that date using a valuation technique incorporating significant unobservable data.

42 Related party transactions

(a) Transactions with Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Act disclosures, any Director means a current member of the Board of Directors and individual who was a Director during the relevant period.

(i) Directors' remuneration

The remuneration of the Executive Directors and the Non-Executive Directors is disclosed in the table below.

	2025	2024
	€ m	€ m
Short term benefits (salaries, fees and other short-term benefits)	2.8	2.6
Post-employment benefits ¹	0.2	0.2
Termination benefits	—	—
Total Directors' remuneration	3.0	2.8

1. Comprises payments to defined contribution pension schemes, in accordance with actuarial advice, to provide post-retirement pensions.

(ii) Loans to Directors

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of Nil, or a balance of less than €500. Balances and repayments include principal and interest. Details of transactions with Directors for the year ended 31 December 2025 and 2024 are as follows:

	2025				2024			
	Balance at 1 January 2025	Amounts advanced during 2025	Amounts repaid during 2025	Balance at 31 December 2025	Balance at 1 January 2024	Amounts advanced during 2024	Amounts repaid during 2024	Balance at 31 December 2024
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Colin Hunt								
Loans	550	—	(48)	502	597	—	(47)	550
Overdraft/credit card ¹	16	—	—	7	15	—	—	16
Total	566	—	(48)	509	612	—	(47)	566
Interest charged during the year				14				15
Maximum debit balance during the year ²				576				620
Ann O'Brien								
Loans	—	—	—	—	—	—	—	—
Overdraft/credit card ¹	1	—	—	—	—	—	—	1
Total	1	—	—	—	—	—	—	1
Interest charged during the year				—				—
Maximum debit balance during the year ²				1				2
Helen Normoyle								
Loans	—	—	—	—	—	264	(264)	—
Overdraft/credit card ¹	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	264	(264)	—
Interest charged during the year				—				2
Maximum debit balance during the year ²				—				267
Basil Geoghegan								
Loans	627	—	(627)	—	—	663	(37)	627
Overdraft/credit card ¹	—	—	—	—	—	—	—	—
Total	627	—	(627)	—	—	663	(37)	627
Interest charged during the year				15				13
Maximum debit balance during the year ²				627				669

1. Amounts advanced and repaid are not shown for overdraft/credit card facilities as these are revolving in nature (i.e. they may be drawn, repaid and redrawn up to their limit over the course of the year).

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

Anik Chaumartin, Donal Galvin, Sandy Kinney Pritchard, Andy Maguire, Elaine MacLean, Brendan McDonagh, Jim Pettigrew, Jan Sijbrand, Fergal O'Dwyer, Raj Singh, Tanya Horgan and Anne Sheehan had no credit facilities with the Bank in 2025.

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

Notes to the financial statements *continued*

42 Related party transactions *continued*

(a) Transactions with Directors *continued*

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

(iii) Connected persons

The aggregate of loans to connected persons of Directors in office during the year ended 31 December 2025 and 2024 are set out in the table below. Loans to connected persons of Directors in office during the year have not been disclosed if their balance did not exceed €7,500 in the year.

	2025				2024			
	Balance at 31 December 2025	Maximum amount outstanding during the year	Number of persons at 31 December 2025	Maximum number of persons during the year	Balance at 31 December 2024	Maximum amount outstanding during the year	Number of persons at 31 December 2024	Maximum number of persons during the year
	€ 000	€ 000			€ 000	€ 000		
Tanya Horgan	391	410	4	4	407	428	2	4
Brendan McDonagh	9	9	1	1	9	11	1	1
Helen Normoyle	50	56	3	3	48	53	2	3
Ann O'Brien	29	68	1	1	68	73	1	1
Fergal O'Dwyer ¹	—	—	—	—	1	27	1	3
Basil Geoghegan	—	—	—	—	1	9	2	2
Andy Maguire	20	23	1	1	23	25	1	1
Donal Galvin	15	20	1	1	15	28	1	1

1. As at 31 December 2025, a guarantee entered into by a connected person of Fergal O'Dwyer in favour of the Bank amounted to €20,000. No amounts were paid or liability incurred in fulfilling the guarantee.

An expected credit loss allowance is held for all loans and advances. A total expected credit loss allowance of less than €1,000 was held on the facilities disclosed in the table above at 31 December 2025 (2024: less than €1,000).

The value of arrangements at the beginning and end of the financial year as stated above in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Bank at the beginning and end of the financial year, is less than 1%.

(b) IAS 24 Related Party Disclosures

The following disclosures are made in accordance with the provisions of IAS 24 *Related Party Disclosures*. Under IAS 24, Key Management Personnel (KMP) are defined as comprising Executive and Non-Executive Directors together with Senior Executive Officers, namely, the members of the Executive Committee. As at 31 December 2025, the Bank had 23 KMP (2024: 27 KMP).

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

(i) Transactions with Key Management Personnel

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

	2025				2024			
	Balance at 1 January 2025	Balance at 31 December 2025 ¹	Total number of relevant KMP/CFM at 1 January 2025	Total number of relevant KMP/CFM at 31 December 2025 ¹	Balance at 1 January 2024	Balance at 31 December 2024	Total number of relevant KMP/CFM at 1 January 2024	Total number of relevant KMP/CFM at 31 December 2024
	€ 000	€ 000			€ 000	€ 000		
Loans	2,240	1,338	14	14	1,932	2,240	12	14
Deposits	2,095	1,465	32	31	2,084	2,095	28	32

1. Excludes the KMP not in role, and their CFM, as at 31 December 2025.

Total commitments outstanding refers to the total of any undrawn amounts on credit cards and/or overdraft facilities provided to KMP and their CFM. Total commitments outstanding as at 31 December 2025 were €0.08 million (2024: €0.09 million). An expected credit loss allowance is held for all loans and advances. A total expected credit loss allowance of less than €500 was held on the facilities disclosed in the table above at 31 December 2025 (2024: €1,000).

(c) Shareholding in Augmentum Limited

The Bank holds 75% of the share capital of Augmentum Limited, a company engaged in corporate banking and credit intermediation services in Ireland. At 31 December 2025, loans receivable from Augmentum Limited totalled €104 million (2024: €97 million). Interest income of €6 million (2024: €6 million) was earned on these outstanding loan balances. No other transactions with Augmentum Limited occurred during the year.

(d) Summary of relationship with the Irish Government

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

43 Financial risk management

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

- 43.1 Credit risk;
- 43.2 Market risk;
- 43.3 Liquidity and funding risk; and
- 43.4 Capital adequacy risk.

43.1 Credit risk

Definition of credit risk

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

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

- (i) Credit default risk: The risk of losses arising as a result of the borrower, issuer, or derivative counterparty not meeting their contractual obligations in full and on time and the resulting credit default risk/risk of loss leading to a risk to capital including residual risk (which is the risk that credit risk mitigation techniques used by the Bank prove less effective than expected);
- (ii) Concentration risk: The risk of excessive credit concentration including to an individual, counterparty, group of connected counterparties, industry sector, a geographic region, country, a type of collateral or a type of credit facility; and
- (iii) Country risk: The risk of having exposure to a country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets related to the country.

Credit risk exposure derives from standard on-balance sheet products such as mortgages, loans, overdrafts and credit cards. However, credit risk also arises from other products and activities including, but not limited to: 'off-balance sheet' guarantees and commitments; securities financing; derivatives; investment securities; asset backed securities and partial failure of a trade in a settlement or payment system.

Credit Risk Framework

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

Credit risk management

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

Credit approval overview

The Bank operates credit approval criteria which:

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

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

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

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

Credit risk organisation and structure

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

Internal credit ratings

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

Internal credit grades are fundamental in assessing the credit quality of loan exposures, and for assessing capital requirements for portfolios where prior regulatory approval has been received. Internal credit grades are key to management reporting, credit portfolio analysis, credit quality monitoring and in determining the level and nature of management attention applied to exposures. Changes in the objective information are reflected in the credit grade of the borrower/loan with the resultant grade influencing the management of individual loans. In line with the Bank's credit management lifecycle, heightened credit management and special attention is paid to lower quality performing loans or 'criticised' loans and non-performing/defaulted loans, which are defined on page 78.

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

The masterscale categorises loans into a broad range of grades which can be summarised into the following categories: strong/satisfactory grades; criticised grades; and non-performing/default loans. The profile of the Group's loan portfolio under each of the above grade categories is set out on page 87.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Internal credit ratings *continued*

The IFRS 9 PD modelling approach uses a combination of rating grades and scores obtained from these credit risk models along with key factors such as the current/recent arrears status or the current/recent forbearance status and macroeconomic factors to obtain the relevant IFRS 9 12 month and Lifetime PDs (i.e. point-in-time). The Bank has set out its methodologies and judgements exercised in determining its expected credit loss under IFRS 9 on pages 80 to 86.

Strong/satisfactory

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

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

Criticised

Accounts of lower 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 including those which have transitioned from non-performing forborne, but still require additional management attention to monitor for re-default and continuing improvement in terms of credit quality.

Non-performing/default

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

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

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

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

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

Credit risk monitoring

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

Changes in sectoral and single name concentrations are tracked on a regular basis highlighting changes to risk concentration in the Group's loan book. The Bank allocates significant resources to ensure ongoing monitoring and compliance with approved risk limits. Credit risk, including compliance with key credit risk limits, is monitored monthly and is periodically reported to senior management and to the Board Risk Committee. Once an account has been placed on a watch list, the exposure is carefully monitored and where appropriate, exposure reductions are effected.

As a matter of policy, non-retail facilities are subject to a review on, at least, an annual basis, even when they are performing satisfactorily. Annual review processes are supplemented by more frequent portfolio and case review processes in addition to arrears or excess management processes. Borrowers may be subject to an 'unlikely to pay' test at the time of annual review, or earlier, if there is a material adverse change or event in their credit risk profile.

Through a range of forbearance solutions, the Bank employs a dedicated approach to loan workout, monitoring and proactive management of non-performing loans. A specialised recovery function focuses on managing the majority of criticised loans and deals with customers in default, collection or insolvency. Their mandate is to support customers in difficulty while maximising the return on non-performing loans. Whilst the basic principles for managing weaknesses in corporate, commercial and retail exposures are broadly similar, the solutions reflect the differing nature of the assets.

Credit risk mitigants

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

Occasionally, credit derivatives are purchased to hedge credit risk. Current levels are modest and their use is subject to the normal credit approval process.

43.1 Credit risk *continued*

Credit risk mitigants *continued*

The Bank enters into netting agreements for derivatives with certain counterparties, to ensure that in the event of default, all amounts outstanding with those counterparties will be settled on a net basis. Depending on the size of the potential exposure derivative transactions with wholesale counterparties are typically collateralised under a Credit Support Annex in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement.

Collateral

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

The principal collateral types for loans and advances are:

- 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 or where the bank purchases covered bonds.

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.

Methodologies for valuing collateral

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

As property loans, including residential mortgages, represent a significant concentration within the Bank's loans and advances to customers portfolio, some key principles have been applied in respect of the valuation of property collateral held by the Bank.

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

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

- External valuation firms on the AIB Group's Valuers Panel, are engaged by the Bank to undertake valuations of immovable property collateral in accordance with the rules set out in the AIB Group Property Valuation Policy.
- Independent professional internal valuations are completed in limited circumstances (e.g. agricultural land) using a desktop valuation approach by professionally qualified internal valuers who are independent of the credit process in the 2LoD. The assets being valued by this means must have an independent professional external valuation completed within the past three years.

Collateral and ECLs

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

When assessing the level of ECL allowance required for property loans, apart from the value to be realised from the collateral, other cash flows, such as recourse to other assets or sponsor support, are also considered, where available. The other key driver is the time it takes to receive the funds from the realisation of collateral. While this depends on the type of collateral and the stage of its development, the period of time to realisation is typically one to five years but sometimes this time period is exceeded. These estimates are periodically reassessed on a case by case basis.

When undertaking an ECL review for individually assessed cases that have been deemed unlikely to pay, the present value of future cash flows, including the value of collateral held, and the likely time required to realise such collateral is estimated. An ECL allowance is raised for the difference between this present value and the carrying value of the loan. When multiple discounted cash flows are captured where the gross credit exposure is \geq €5 million (Republic of Ireland) or \geq £5 million (UK) or cases in scope for the Group Leveraged Lending Policy, the value of collateral is adjusted to reflect the impacts of up and downside scenarios for these higher value exposures.

Summary of risk mitigants by non-credit portfolios

Set out below are details of risk mitigants used by the Bank in relation to financial assets detailed in the 'Maximum exposure to credit risk' table on page 86.

Securities financing

In addition to the credit risk mitigants, the Bank, from time to time, enters securities financing transactions. Securities financing consists of securities borrowing transactions, reverse repurchase agreements and securities sold under agreements to repurchase. At 31 December 2025, the total fair value of the collateral received was €11,984 million (2024: €12,047 million) in relation to reverse repurchase agreements and securities borrowing transactions (note 18).

Derivatives

Derivative financial instruments are recognised in the statement of financial position at their fair value. Those with a positive fair value are reported as assets which at 31 December 2025 amounted to €1,925 million (2024: €2,558 million) and those with a negative fair value are reported as liabilities which at 31 December 2025 amounted to €1,461 million (2024: €1,989 million).

The enforcement of netting agreements would potentially reduce the statement of financial position carrying amount of derivative assets and liabilities by €1,203 million at 31 December 2025 (2024: €1,444 million). The Bank also has Credit Support Annexes (CSAs) in place which provide collateral for derivative contracts. At 31 December 2025, €131 million (2024: €779 million) of CSAs are included within financial assets as collateral for derivative liabilities and €695 million (2024: €1,085 million) of CSAs are included within financial liabilities as collateral for derivative assets (note 37 to the financial statements). Additionally, the Bank has agreements in place which may allow it to net the termination values of cross currency swaps upon occurrence of an event of default.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Credit risk mitigants *continued*

Risk transfer

The Bank also uses other credit risk mitigation and protection techniques such as credit risk transfers to optimise exposure to credit risk and reduce potential credit losses associated with credit events, such as defaults or downgrades in credit quality. At a portfolio level, credit risk is assessed in relation to the degree of single name, sectoral asset class and geographic concentrations. To manage credit risk exposure in the event of emerging risk concentrations, the risk capital implications are assessed and, where appropriate, risk transfer options (e.g. loan disposals, securitisations etc.) are considered.

In December 2025, the Bank executed a significant risk transfer on a €1.97 billion portfolio of residential mortgage loans assets. This transaction reduced the Bank's credit risk exposure, and consequently the risk weighted assets on the reference portfolio of loan assets, through a combination of a risk sharing whereby the subscribers of credit linked notes assume the credit risk for €49.8 million of potential credit losses on the reference portfolio of loan assets and a series of insurance policies with highly rated (re)insurance companies that provide protection for the credit risk of an additional €270.8 million of potential credit losses on the same portfolio.

In 2024, the Bank executed a significant risk transfer involving a €1 billion portfolio (2025: €663.8 million) of corporate loan assets. That transaction reduced the Bank's credit risk exposure and risk-weighted assets associated with the reference portfolio through a structured risk-sharing arrangement. Under that arrangement, credit linked note subscribers accepted credit risk for up to €97.5 million (2025: €64.7 million) in potential losses on the reference portfolio.

Measurement, methodologies and judgements

Introduction

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

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

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

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

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

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

A key principle of the ECL model is to reflect any relative deterioration or improvement in the credit quality of financial instruments occurring (e.g. change in the risk of default). The ECL amount recognised as a loss allowance or provision depends on the extent of credit deterioration since initial 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 significant increase in credit risk; and
2. Lifetime ECL (Stages 2 and 3 and POCI), which applies when a significant increase in credit risk has been identified on an account (Stage 2), an account has been identified as being credit-impaired (Stage 3) or when an account meets the POCI criteria.

Staging

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

Credit risk at origination

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

For undrawn credit facilities, the Bank uses the date of origination as the date when it becomes party to the irrevocable contractual arrangements or irrevocable commitment. For overdrafts which have both drawn and undrawn components, the date of origination is the same for both. The Bank uses best available information for facilities which originated prior to a credit risk rating model or scorecard being in place.

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

Stage 1 characteristics

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

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

Stage 2 characteristics

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

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

SICR assessment

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

Quantitative measure: This measure reflects an arithmetic assessment of the change in credit risk arising from changes in the probability of default. The Bank compares each obligation's annualised average probability weighted residual origination lifetime probability of default (LTPD) (see Credit risk at origination) to its current estimated annualised average probability weighted residual LTPD at the reporting date. If the difference between these two LTPDs meets the quantitative definition of SICR, the Bank transfers the financial obligation into Stage 2. Increases in LTPD may be due to credit deterioration of the individual obligation or due to macroeconomic factors or a combination of both.

43.1 Credit risk *continued*

Measurement, methodologies and judgements *continued* SICR assessment *continued*

The Bank has determined that an account had met the quantitative measure if the average residual LTPD at the reporting date was at least double the average residual LTPD at origination, and the difference between the LTPDs was at least 50bps or 85bps in the case of residential mortgages. For lower default models, such as Treasury Debt Securities or Project Finance, individual calibrated thresholds are applied. The appropriateness of these thresholds are kept under review by the Bank.

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

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

The criteria for this qualitative trigger include, for example:

- A downgrade to watch grade of the borrower's/facility's credit grade reflecting the increased credit management focus on these accounts; and/or
- Forbearance has been provided and the account is within the probationary period and the forbearance treatment does not result in Stage 3 classification.
- 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 (CEO/CFO/COO) 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 Bank has adopted the rebuttable presumption within IFRS 9 that loans greater than 30 days past due represent a significant increase in credit risk.

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

Stage 3 characteristics

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

Identification of non-performing exposures and unlikeliness to pay are included in the AIB Group's Definition of Default and Credit Impairment Policy.

Purchased or originated credit impaired (POCI)

POCIs are assets originated credit impaired and have a discount to the contractual value when measured at fair value. The Bank uses an appropriate discount rate for measuring ECL in the case of POCIs which is the credit-adjusted effective interest rate. This rate is used to discount the expected cash flows of such assets to fair value on initial recognition. POCI obligations remain outside of the normal stage allocation process for the lifetime of the obligation. The ECL for POCI obligations is always measured at an amount equal to lifetime expected credit losses. The amount recognised as a loss allowance for these assets is the cumulative change in lifetime expected credit losses since the initial recognition of the assets rather than the total amount of lifetime expected credit losses.

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 (Probability of Default – PD, Loss Given Default – LGD, Exposure at Default – EAD, and Prepayments – PP) is developed in line with standard modelling methodology. The Bank's IFRS 9 models have been developed and approved in line with AIB Group's Model Risk Management Framework.
- Simplified approach: For portfolios not on the standard approach, the Bank has followed a simplified approach. This approach consists of applying portfolio level ECL averages, drawn from similar portfolios, where it is not possible to estimate individual parameters. These generally relate to portfolios where specific IFRS 9 models have not been developed due to immateriality, low volumes or where there are no underlying grading models. As granular PDs are not available for these portfolios, a non-standard approach to staging is required with reliance on the qualitative criteria (along with the 30 days past due backstop).
- Discounted cash flows (DCF): DCFs are used as an input to the ECL calculation for Stage 3 credit-impaired exposures where gross credit exposure is \geq €1 million in the Republic of Ireland or \geq £500,000 in the UK. 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 (Republic of Ireland), \geq £5 million (UK), or where exposures fall within the Group Leveraged Lending Policy. 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 Group'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.

- 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 85 to 87.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

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

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

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

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

Loss given default

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

The LGD modelling approach generally depends on whether the facility has underlying security and, if so, the nature of that security. The 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 effective interest rate 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 collateral is estimated at the forecasted time of disposal (taking into account forecasted market price growth/falls and haircuts on market values that are expected at the date of sale plus associated relevant costs) in order to calculate the future recovery amount;
- 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.

– Non-retail portfolios

For unsecured loans, characteristics such as borrower sector 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

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 Bank 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. See the 'Macroeconomic scenarios and weightings' section for more detail on the process for generating scenarios and associated key macroeconomic factors relevant for the models. In circumstances where there is a risk that the modelled output fails to capture the appropriate response to changes in the macroeconomic environment such as inflation and interest rate changes, these risks are captured through the use of post model adjustments.

Effective interest rate

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

43.1 Credit risk *continued*

Measurement, methodologies and judgements *continued*

Policy simplifications

Low credit risk exemption

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

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

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

This low credit risk exemption is applied to particular assets within the Treasury Debt Securities Portfolio, Capital Markets Securitisation Bonds and for Loans and Receivables to Banks, specifically assets which have an internal grade equivalent to an external investment grade rating (BBB-) or higher.

The Bank applies a quantitative backstop trigger of tripling of probability of default subject to a minimum threshold movement of 30bps to determine whether assets subject to the low credit risk exemption should be allocated to Stage 2. Additionally, if any of such assets are on a watch list based on agreed criteria, they are allocated to Stage 2.

Short term cash

AIB Group'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 Bank 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.

Write-offs

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

- A decision has been taken to enforce on a loan, due to no agreement with the customer for a restructure/settlement and all customer engagement with the Bank regarding their loan agreement has ceased;
- Inception of 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 Bank regarding their loan agreement has ceased.

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

The contractual amount outstanding of loans written-off during the year that are still subject to enforcement activity are outlined on page 89 and relate to non-contracted write-offs, both full and partial. The Bank recognises cash received from the customer in excess of the carrying value of the loan after a non-contracted write-off as 'recoveries of amounts previously written-off' in the income statement.

ECL governance

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

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

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

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

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

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

GCC reviews and challenges ECL levels for onward recommendation to the Board Audit Committee as the final approval authority. The Bank's Audit Committee then recommends the Bank's financial results to the Bank's Board for ultimate final approval, including ECLs.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Measurement, methodologies and judgments *continued*

The weightings that have been applied to the macroeconomic scenarios at the reporting date are:

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

Sensitivities

	ECL allowance at 31 December 2025				
	Reported	100% Base	100% Downside Scenario 1 (Escalating Geopolitical tensions)	100% Downside Scenario 2 (Global trade war/Irish FDI shock)	100% Upside Scenario (Easing geopolitical tensions)
Loans and advances to customers	€ m	€ m	€ m	€ m	€ m
Residential mortgages	41	32	50	64	26
Other personal	130	122	138	167	117
Property and construction	393	363	438	534	325
Non-property business	317	261	383	572	243
Total	881	778	1,009	1,337	711
Off-balance sheet loan commitments and financial guarantees	35	32	37	47	29
	916	810	1,046	1,384	740

	ECL allowance at 31 December 2024				
	Reported	100% Base	100% Downside Scenario 1 (Geopolitical tensions)	100% Downside Scenario 2 (Credit crunch)	100% Upside Scenario (Quick recovery)
Loans and advances to customers	€ m	€ m	€ m	€ m	€ m
Residential mortgages	45	34	58	76	25
Other personal	135	127	144	166	123
Property and construction	418	370	515	630	345
Non-property business	314	267	363	445	255
Total	912	798	1,080	1,317	748
Off-balance sheet loan commitments and financial guarantees	44	38	48	62	36
	956	836	1,128	1,379	784

Post model adjustments

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

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

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

At 31 December 2025, the Bank has continued to consider all PMAs in light of the current economic environment and continued geopolitical tensions. The calculation of PMAs and ECL adjustments requires a high degree of judgement, particularly in relation to emerging macroeconomic and sectoral risks. PMAs were reviewed within this context, and a cautious approach was taken to ensure an appropriate level of protection against potential vulnerabilities amid ongoing economic uncertainty. Release of PMAs will occur as new models are deployed or where the risk has been judged by management to be captured in the modelled outcomes, or to have passed.

43.1 Credit risk continued

Measurement, methodologies and judgments continued

Post model adjustments continued

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

- **Non-performing exposure (NPE) resolution (€72 million)** – ECL adjustments where the current model does not consider all potential downside risks or a range of outcomes that should be incorporated into the final loss estimate for defaulted assets.
- **Sectoral/Emerging risks (€107 million)** – ECL adjustments which reflect novel risks within a sector or portfolio for which there has not been time to embed an adjustment within the related models. This also refers to ECL adjustments for which time is needed for events to evolve or impacts to crystallise.
- **Future model developments/Other (€89 million)** – ECL adjustments required where the impact of upcoming model changes or recalibrations is known with sufficient accuracy and ECL adjustments where it was judged that an amendment to the modelled ECL was required for reasons other than the above.

Post model adjustments					2025		
	ECL allowance before PMAs	NPE resolution	Sectoral/ Emerging risks	Future model developments/ Other	Total PMAs	Total ECL allowance	Proportion of PMAs to total ECL allowance
	€ m	€ m	€ m	€ m	€ m	€ m	%
Residential mortgages	34	7	—	—	7	41	17
Other personal	112	18	—	—	18	130	14
Property and construction	230	33	60	70	163	393	41
Non-property business	237	14	47	19	80	317	25
Total loans and advances to customers	613	72	107	89	268	881	30
Loan commitments and financial guarantees issued	35	—	—	—	—	35	—
Total ECL allowance	648	72	107	89	268	916	29

Post model adjustments					2024		
	ECL allowance before PMAs	NPE resolution	Sectoral/ Emerging risks	Future model developments/ Other	Total PMAs	Total ECL allowance	Proportion of PMAs to total ECL allowance
	€ m	€ m	€ m	€ m	€ m	€ m	%
Residential mortgages	45	—	—	—	—	45	—
Other personal	123	12	—	—	12	135	9
Property and construction	202	74	52	90	216	418	52
Non-property business	272	5	—	37	42	314	13
Total loans and advances to customers	642	91	52	127	270	912	30
Loan commitments and financial guarantees issued	44	—	—	—	—	—	—
Total ECL allowance	686	91	52	127	270	912	30

NPE resolution

At 31 December 2025, a total PMA of €72 million on non-performing exposures reflects the Bank's continued prudent approach to downside risks not fully captured by the existing models.

A PMA of €7 million addresses the potential ECL underestimation relating to portfolio sale assumptions embedded in the mortgage model and is informed by the outcome of the recent portfolio sale, with a read across applied to the remaining Stage 3 mortgage portfolio.

Within the unsecured Stage 3 Retail portfolio, a PMA of €25 million (€18 million for other personal, €6 million for non-property business and €1 million for property) was approved at 31 December 2025, informed by the outcome of the recent portfolio sale and read across to the residual unsecured Retail Stage 3 portfolio. This adjustment recognises the potential for further loss emergence in this segment, particularly considering recent disposal activity.

A PMA of €40 million (€32 million for property and €8 million for non-property business) continues to account for latent risks and alternative resolution strategies, such as NPE portfolio loan sales or collateral valuations, which remain sensitive to prevailing market conditions. This adjustment reflects the Bank's assessment of potential reductions in asset values and the impact of market volatility on recovery strategies.

Sectoral/Emerging risks

At 31 December 2025, a total PMA of €107 million reflects sectoral and emerging risks, consistent with the Bank's cautious stance in addressing novel risks within specific sectors or portfolios.

A PMA of €60 million addresses the latent risk of potential increased forbearance activity in the commercial real estate property portfolio. This PMA also takes into consideration the Group's cautious approach to the potential increase in case migrations to forbearance against the current uncertain economic outlook. At 31 December 2025, €7 million reflects the increased risk of forbearance in the non-property business portfolio.

A further €40 million PMA was approved at 31 December 2025 for the C&IC segment. A PMA of €30 million reflects the identification of specific risk characteristics and emerging underperforming trends impacting a small number of borrowers within the fibre/broadband infrastructure sector. A PMA of €10 million reflects novel geopolitical risks impacting some renewable assets.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Measurement, methodologies and judgments *continued*

Post model adjustments *continued*

Future model developments/Other

At 31 December 2025, a total PMA of €89 million primarily reflects the impact of upcoming model changes.

Within the Capital Markets property portfolio, the recalibrated investment property model which was deployed in June 2025 is expected to result in additional exposures migrating to Stage 2. At 31 December 2024, a PMA of €90 million was introduced to reflect the potential increase in Stage 2 balances and associated ECL. At 31 December 2025, the PMA has been reduced to €70 million, which includes the impact of a staging adjustment to transfer €0.6 billion of Stage 1 loans to Stage 2.

PMAs in place for the deployment of new models for non-property business (€11 million) and the Syndicated & International Finance (SIF) portfolio (€3 million) in Capital Markets have been retained at reduced levels for 31 December 2025. This reduction reflects the regrading of cases on the new models and a more stable geopolitical risk outlook.

Other PMAs amounting to a further €5 million in this category are not individually significant.

Maximum exposure to credit risk

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

Credit risk exposure derives from standard on-balance sheet products such as mortgages. In addition, credit risk arises from other products and activities including 'off-balance sheet' commitments.

The Bank manages and reduces its net exposure to credit risk through the use of collateral, netting arrangements and risk transfer strategies. Further information on credit risk mitigants is provided on pages 78 to 80.

The following table sets out the financial instruments in the statement of financial position and Allied Irish Banks, p.l.c.'s maximum exposure to credit risks on those financial instruments as at 31 December 2025 and 2024:

	2025						
	Income statement		Statement of financial position		Maximum exposure		
	Net credit impairment charge/writeback	Exposure	ECL allowance	Carrying amount	Amortised cost	Fair value	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Maximum exposure to credit risk							
Cash and balances at central banks	—	37,014	—	37,014	36,415	—	36,415
Derivative financial instruments ²	—	1,925	—	1,925	—	1,925	1,925
Loans and advances to banks ³	—	12,380	—	12,380	47	—	47
Loans and advances to customers ⁴	(164)	33,982	(881)	33,101	33,017	84	33,101
Securities financing ⁵	1	11,984	—	11,984	11,984	—	11,984
Investment securities ⁶	(3)	32,897	(1)	32,896	5,043	27,853	32,896
Other financial assets ⁷	—	741	—	741	724	17	741
	(166)	130,923	(882)	130,041	87,230	29,879	117,109
Loan commitments and other credit related commitments	5	12,012	(26)	(26)	11,986	—	11,986
Financial guarantees	3	1,187	(9)	(9)	1,178	—	1,178
	8	13,199	(35)	(35)	13,164	—	13,164
Total	(158)	144,122	(917)	130,006	100,394	29,879	130,273

1. Comprises balances at central banks of €36,415m and other cash on hand of €599m.

2. Exposures to subsidiary undertakings of €295m have been included.

3. Exposures to subsidiary undertakings of €12,193m have been included.

4. Exposures to owner and subsidiary undertakings of €3,843m have been included.

5. Exposures to subsidiary undertakings of €4,891m have been included.

6. Exposures to subsidiary undertakings of €11,652m have been included but equity shares amounting to €277m have been excluded.

7. Exposures to subsidiary undertakings of €39m have been included.

8. Exposures to subsidiary undertakings of €1,154m have been included.

43.1 Credit risk continued

Maximum exposure to credit risk continued

	2024						
	Income statement	Statement of financial position			Maximum exposure		
	Net credit impairment charge/writeback	Exposure	ECL allowance	Carrying amount	Amortised cost	Fair value	Total
Maximum exposure to credit risk	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Cash and balances at central banks	—	32,486	—	32,486 ¹	31,865	—	31,865 ¹
Derivative financial instruments ²	—	2,558	—	2,558	—	2,558	2,558
Loans and advances to banks ³	—	12,270	—	12,270	12,270	—	12,270
Loans and advances to customers ⁴	(32)	34,537	(912)	33,625	33,561	64	33,625
Securities financing ⁵	—	12,048	(1)	12,047	12,047	—	12,047
Investment securities ⁶	2	28,580	(1)	28,579	4,803	23,776	28,579
Other financial assets ⁷	—	393	—	393	393	—	393
	(30)	122,872	(914)	121,958	94,939	26,398	121,337
Loan commitments and other credit related commitments	4	11,913	(34)	(34)	11,913	—	11,913
Financial guarantees	3	954	(10)	(10)	954	—	954
	7	12,867	(44)	(44) ⁸	12,867	—	12,867
Total	(23)	135,739	(958)	121,914	107,806	26,398	134,204

1. Comprises balances at central banks of €31,865m and other cash on hand of €621m.

2. Exposures to subsidiary undertakings of €423m have been included.

3. Exposures to subsidiary undertakings of €11,442m have been included.

4. Exposures to owner and subsidiary undertakings of €3,646m have been included.

5. Exposures to subsidiary undertakings of €5,409m have been included.

6. Exposures to subsidiary undertakings of €10,208m have been included but equity shares amounting to €285m have been excluded.

7. Exposures to subsidiary undertakings of €38m have been included.

8. Exposures to subsidiary undertakings of €1,157m have been included.

Internal credit grade profile by ECL staging

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

Amortised cost

	2025					2024				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Total										
Strong	11,989	1,261	—	2	13,252	14,902	2,073	—	—	16,975
Satisfactory	10,541	2,677	—	9	13,227	8,583	1,781	—	4	10,368
Total strong/satisfactory	22,530	3,938	—	11	26,479	23,485	3,854	—	4	27,343
Criticised watch	873	1,047	—	3	1,923	544	1,146	—	4	1,694
Criticised recovery	3	569	—	5	577	18	608	—	4	630
Total criticised	876	1,616	—	8	2,500	562	1,754	—	8	2,324
Non-performing	—	—	1,006	70	1,076	—	—	1,063	97	1,160
Gross carrying amount	23,406	5,554	1,006	89	30,055 ¹	24,047	5,608	1,063	109	30,827
ECL allowance	(117)	(414)	(369)	19	(881)	(130)	(426)	(373)	17	(912)
Carrying amount	23,289	5,140	637	108	29,174	23,917	5,182	690	126	29,915

1. Amounts due from subsidiary undertakings of €3,843m at 31 December 2025 are excluded.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Gross loans¹ and ECL movements

The following tables set out the movements in the gross carrying amount and ECL allowance for loans and advances to customers 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 and that subsequently reverted within the year to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2' and 'Transferred from Stage 2 to Stage 1'. The Bank believes this presentation aids the understanding of the underlying credit migration.

Gross carrying amount movements – total

					2025
	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m
At 1 January	24,047	5,608	1,063	109	30,827
Transferred from Stage 1 to Stage 2	(5,091)	5,091	—	—	—
Transferred from Stage 2 to Stage 1	3,865	(3,865)	—	—	—
Transferred to Stage 3	(46)	(598)	644	—	—
Transferred from Stage 3	12	98	(110)	—	—
New loans originated/top-ups	7,906	—	—	—	7,906
Redemptions/repayments	(7,421)	(2,005)	(269)	(29)	(9,724)
Interest credited	1,285	324	37	4	1,650
Write-offs	—	—	(39)	—	(39)
Derecognised due to disposals	—	(16)	(355)	—	(371)
Exchange translation adjustments	(346)	(38)	(4)	—	(388)
Impact of model, parameter and overlay changes	(1,001)	1,001	—	—	—
Other movements	196	(46)	39	5	194
At 31 December 2025 – third parties	23,406	5,554	1,006	89	30,055 ²

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. Amounts due from subsidiary undertakings of € 3,843m at 31 December 2025 are excluded.

Gross carrying amount movements – total

					2024
	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m
At 1 January	21,988	4,774	1,034	34	27,830
Transferred from Stage 1 to Stage 2	(4,309)	4,309	—	—	—
Transferred from Stage 2 to Stage 1	2,824	(2,824)	—	—	—
Transferred to Stage 3	(104)	(576)	680	—	—
Transferred from Stage 3	10	104	(114)	—	—
New loans originated/top-ups	9,969	—	—	88	10,057
Redemptions/repayments	(6,482)	(1,919)	(495)	(18)	(8,914)
Interest credited	1,397	329	53	4	1,783
Write-offs	—	—	(68)	—	(68)
Derecognised due to disposals	(17)	—	(60)	—	(77)
Exchange translation adjustments	162	6	1	—	169
Impact of model, parameter and overlay changes	(1,398)	1,398	—	—	—
Other movements	7	7	32	1	47
At 31 December 2024 – third parties	24,047	5,608	1,063	109	30,827 ²

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. Amounts due from subsidiary undertakings of € 3,268m at 31 December 2024 are excluded.

43.1 Credit risk *continued*

Gross loans and ECL movements *continued*

ECL allowance movements – total

					2025
	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m
At 1 January	130	426	373	(17)	912
Transferred from Stage 1 to Stage 2	(77)	230	—	—	153
Transferred from Stage 2 to Stage 1	47	(138)	—	—	(91)
Transferred to Stage 3	(1)	(71)	125	—	53
Transferred from Stage 3	—	17	(26)	—	(9)
Net remeasurement (within Stage)	(1)	26	81	(7)	99
New loans originated/top-ups	56	—	—	—	56
Redemptions/repayments	(10)	(40)	—	1	(49)
Impact of model changes	4	(12)	(1)	—	(9) ²
Impact of overlay changes	(1)	(3)	27	—	23 ²
Impact of credit or economic risk parameters	(30)	(19)	(1)	—	(50)
Net remeasurement of ECL allowance	(13)	(10)	205	(6)	176
Write-offs	—	—	(39)	—	(39)
Derecognised due to disposals	—	—	(172)	—	(172)
Exchange translation adjustments	(2)	(2)	—	—	(4)
Other movements	2	—	2	4	8
At 31 December 2025 – third parties	117	414	369	(19)	881¹

					2024
	Stage 1	Stage 2	Stage 3	POCI	Total
	€ m	€ m	€ m	€ m	€ m
At 1 January	124	482	366	(11)	961
Transferred from Stage 1 to Stage 2	(64)	206	—	—	142
Transferred from Stage 2 to Stage 1	69	(201)	—	—	(132)
Transferred to Stage 3	—	(81)	130	—	49
Transferred from Stage 3	—	12	(30)	—	(18)
Net remeasurement (within Stage)	(20)	1	35	(7)	9
New loans originated/top-ups	39	—	—	—	39
Redemptions/repayments	(17)	(45)	—	—	(62)
Impact of model changes	22	47	—	—	69 ²
Impact of overlay changes	(24)	11	(18)	—	(31) ²
Impact of credit or economic risk parameters	(2)	(6)	(3)	(1)	(12)
Net remeasurement of ECL allowance	3	(56)	114	(8)	53
Write-offs	—	—	(68)	—	(68)
Derecognised due to disposals	—	—	(56)	—	(56)
Exchange translation adjustments	1	—	1	—	2
Other movements	2	—	16	2	20
At 31 December 2024 – third parties	130	426	373	(17)	912¹

1. ECLs on amounts due from subsidiary undertakings of Nil at 31 December 2025 are excluded (2024: Nil).

2. 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.

The contractual amount outstanding of loans written-off during the year that are subject to enforcement activity amounted to €1 million (2024: €2 million) which includes both full and partial write-offs.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

Movements in off-balance sheet exposures

The following tables set out the movements in the nominal amount and ECL allowance for loan commitments and financial guarantees by ECL staging for the year ended 31 December 2025 and 2024:

Nominal amount movements

	2025									
	Loan commitments					Financial guarantee contracts				
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
At 1 January	10,836	1,021	51	4	11,912	870	75	9	1	955
Transferred from Stage 1 to Stage 2	(493)	493	—	—	—	—	—	—	—	—
Transferred from Stage 2 to Stage 1	509	(509)	—	—	—	220	(220)	—	—	—
Transferred to Stage 3	(57)	(12)	69	—	—	—	(5)	5	—	—
Transferred from Stage 3	2	5	(7)	—	—	—	—	—	—	—
Net movement	203	(100)	(3)	—	100	33	199	—	—	232
At 31 December	11,000	898	110	4	12,012	1,123	49	14	1	1,187

	2024									
	Loan commitments					Financial guarantee contracts				
	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m	Stage 1 € m	Stage 2 € m	Stage 3 € m	POCI € m	Total € m
At 1 January	10,214	908	49	4	11,175	752	48	12	1	813
Transferred from Stage 1 to Stage 2	(709)	709	—	—	—	(69)	69	—	—	—
Transferred from Stage 2 to Stage 1	337	(337)	—	—	—	18	(18)	—	—	—
Transferred to Stage 3	(16)	(17)	33	—	—	(2)	—	2	—	—
Transferred from Stage 3	10	8	(18)	—	—	1	—	(1)	—	—
Net movement	1,000	(250)	(13)	—	737	170	(24)	(4)	—	142
At 31 December	10,836	1,021	51	4	11,912	870	75	9	1	955

The internal credit grade profile of loan commitments and financial guarantees is set out in the following table:

	2025 € m	2024 € m
Strong	8,444	8,665
Satisfactory	4,372	3,892
Criticised watch	270	229
Criticised recovery	5	17
Default	108	64
Total	13,199	12,867

43.1 Credit risk continued

Movements in off-balance sheet exposures continued

ECL allowance movements

	2025									
	Loan commitments					Financial guarantee contracts				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January	12	19	2	1	34	1	3	6	—	10
Transferred from Stage 1 to Stage 2	(2)	11	—	—	9	—	2	—	—	2
Transferred from Stage 2 to Stage 1	4	(13)	—	—	(9)	—	(2)	—	—	(2)
Transferred to Stage 3	—	—	4	—	4	—	(1)	1	—	—
Transferred from Stage 3	—	—	—	—	—	—	1	(1)	—	—
Net remeasurement	(6)	(2)	—	—	(8)	(1)	—	(3)	—	(4)
Net income statement (credit)/charge	(4)	(4)	4	—	(4)	(1)	—	(3)	—	(4)
Other movements	—	(2)	(1)	(1)	(4)	1	1	1	—	3
At 31 December	8	13	5	—	26	1	4	4	—	9

	2024									
	Loan commitments					Financial guarantee contracts				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
At 1 January	9	23	3	2	37	1	5	7	—	13
Transferred from Stage 1 to Stage 2	(2)	15	—	—	19	—	4	—	—	4
Transferred from Stage 2 to Stage 1	4	(26)	—	—	(26)	2	(3)	—	—	(1)
Transferred to Stage 3	—	—	1	—	2	—	(1)	2	—	1
Transferred from Stage 3	—	—	(1)	—	(1)	—	1	(1)	—	—
Net remeasurement	—	6	(1)	—	5	(2)	(2)	(2)	—	(6)
Net income statement charge/(credit)	2	(5)	(1)	—	(1)	—	(1)	(1)	—	(2)
Other movements	1	1	—	(1)	(2)	—	(1)	—	—	(1)
At 31 December	12	19	2	1	34	1	3	6	—	10

Collateral

Allied Irish Banks, p.l.c. takes collateral as a secondary source of repayment in the event of a borrower's default. The nature of collateral taken is set out on page 79. The information contained in this note relates only to third party exposures arising within Allied Irish Banks, p.l.c.

Collateral for the non-mortgage portfolio

For non-mortgage lending, where collateral is taken, it will typically include a charge over the business assets such as inventory and accounts receivable. In some cases, a charge over property collateral or a personal guarantee supported by a lien over personal assets may also be taken. Where cash flows arising from the realisation of collateral held are included in ECL assessments, in many cases management rely on valuations or business appraisals from independent external professionals.

The value of collateral is assessed at origination of the loan and throughout the credit life cycle (including annual reviews where required). When undertaking an ECL assessment for individually assessed cases that have been deemed unlikely to pay, the present value of future cash flows, including the value of collateral held, and the likely time taken to realise any security is estimated. An ECL allowance is raised for the difference between this present value and the carrying value of the loan. Therefore, for non-mortgage non-performing loans, the net exposure after taking into consideration the ECL allowance would be indicative of the fair value.

Collateral for the residential mortgage portfolio

For residential mortgages, Allied Irish Banks, p.l.c. takes collateral in support of lending transactions for the purchase of residential property. Collateral valuations are required at the time of origination of each residential mortgage. The value at 31 December 2025 is estimated based on property values at origination or date of latest valuation and applying the CSO Residential Property Price Index (Republic of Ireland) to these values to take account of price movements in the interim.

Summary of risk mitigants by selected portfolios

Set out below are details of risk mitigants used by Allied Irish Banks, p.l.c. in relation to financial assets detailed in the Maximum exposure to credit risk table on page 86.

Notes to the financial statements *continued*

43.1 Credit risk *continued*

External credit ratings of financial assets

The following table sets out the credit quality, based on external credit ratings, of financial assets measured at 31 December 2025 and 2024:

- Amortised cost: Loans and advances to banks of €70 million (31 December 2024: €705 million), securities financing of €7,094 million (31 December 2024: €6,638 million), investment debt securities at amortised cost of €5,043 million (31 December 2024: €4,804 million); and
- FVOCI: Investment debt securities at FVOCI of €16,201 million (31 December 2024: €13,568 million);

	2025					2024				
	At amortised cost					At amortised cost				
	Bank	Corporate	Sovereign	Other	Total	Bank	Corporate	Sovereign	Other	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AAA/AA	942	—	2,372	2,235	5,549	971	—	2,412	1,946	5,329
A/A-	4,628	1,513	75	94	6,310	5,139	1,240	17	167	6,563
BBB+/BBB/BBB-	5	357	—	—	362	12	245	34	—	291
Sub investment	5	47	—	—	52	2	25	—	—	27
Unrated	1	50	—	—	51	6	53	—	—	59
Total	5,581 ¹	1,967 ²	2,447	2,329	12,324	6,130 ¹	1,563 ²	2,463	2,113	12,269
Of which:										
Stage 1	5,581	1,967	2,447	2,329	12,324	6,130	1,563	2,463	2,113	12,269
Stage 2	—	—	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—	—	—

	2025					2024				
	At FVOCI					At FVOCI				
	Bank	Corporate	Sovereign	Other	Total	Bank	Corporate	Sovereign	Other	Total
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
AAA/AA	5,296	188	6,172	107	11,763	5,164	196	5,002	153	10,515
A/A-	1,103	532	1,479	—	3,114	1,205	373	490	—	2,068
BBB+/BBB/BBB-	185	213	926	—	1,324	163	169	643	—	975
Sub investment	—	—	—	—	—	—	—	—	—	—
Unrated	—	—	—	—	—	—	—	10	—	10
Total	6,584 ³	933	8,577 ⁴	107	16,201	6,532 ³	738	6,145 ⁴	153	13,568
Of which:										
Stage 1	6,584	933	8,577	107	16,201	6,532	738	6,145	153	13,568
Stage 2	—	—	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—	—	—

1. Excludes balances with subsidiary undertakings of €16,860m (2024: €16,748m).

2. Excludes balances with subsidiary undertakings of €204m (2024: €104m).

3. Excludes balances with subsidiary undertakings of €11,652m (2024: €10,208m).

4. Includes supranational banks and government agencies.

43.2 Market risk

Market risk

The following table sets out financial assets and financial liabilities at 31 December 2025 and 2024 subject to market risk analysed between trading and non-trading portfolios, showing the principal market risks to which the assets and liabilities are exposed:

	Market risk measures			2025
	Carrying amount	Trading portfolios	Non-trading portfolios	
	€ m	€ m	€ m	Risk factors
Assets subject to market risk				
Cash and balances at central banks	37,014	—	37,014	Interest rate, foreign exchange
Derivative financial instruments	1,925	622	1,303	Interest rate, foreign exchange, credit spreads, equity, inflation rates, wholesale electricity prices
Loans and advances to banks	12,380	—	12,380	Interest rate, foreign exchange
Loans and advances to customers	33,101	—	33,101	Interest rate, foreign exchange
Securities financing	11,984	—	11,984	Interest rate, credit spreads, foreign exchange
Investment securities	33,173	—	33,173	Interest rate, foreign exchange, credit spreads, equity
Liabilities subject to market risk				
Deposits and advances from banks	4,880	—	4,880	Interest rate, foreign exchange
Deposits and advances from customers	105,093	—	105,093	Interest rate, foreign exchange
Securities financing	2,375	—	2,375	Interest rate, credit spreads, foreign exchange
Derivative financial instruments	1,461	595	866	Interest rate, foreign exchange, credit spreads, equity, inflation rates, wholesale electricity prices
Debt securities in issue	876	—	876	Interest rate, credit spreads, foreign exchange
Subordinated liabilities and other capital instruments – Externally issued	1	—	1	Interest rate, credit spreads
Subordinated liabilities and other capital instruments – AIB Group plc	9,802	—	9,802	Interest rate, credit spreads
				2024
	Market risk measures			
	Carrying amount	Trading portfolios	Non-trading portfolios	
	€ m	€ m	€ m	Risk factors
Assets subject to market risk				
Cash and balances at central banks	32,486	—	32,486	Interest rate, foreign exchange
Derivative financial instruments	2,558	802	1,756	Interest rate, foreign exchange, credit spreads, equity, inflation rates, wholesale electricity prices
Loans and advances to banks	12,270	—	12,270	Interest rate, foreign exchange
Loans and advances to customers	33,625	—	33,625	Interest rate, foreign exchange
Securities financing	12,047	—	12,047	Interest rate, credit spreads, foreign exchange
Investment securities	28,864	—	28,864	Interest rate, foreign exchange, credit spreads, equity
Liabilities subject to market risk				
Deposits and advances from banks	5,619	—	5,619	Interest rate, foreign exchange
Deposits and advances from customers	97,075	—	97,075	Interest rate, foreign exchange
Securities financing	882	—	882	Interest rate, credit spreads, foreign exchange
Derivative financial instruments	1,989	999	990	Interest rate, foreign exchange, credit spreads, equity, inflation rates, wholesale electricity prices
Debt securities in issue	837	—	837	Interest rate, credit spreads
Subordinated liabilities and other capital instruments – Externally issued	2	—	2	interest rate, credit spreads
Subordinated liabilities and other capital instruments – AIB Group plc	9,502	—	9,502	Interest rate, credit spreads, foreign exchange

Notes to the financial statements *continued*

43.2 Market risk *continued*

Interest rate sensitivity

The table below shows the sensitivity of the Group's banking book to an immediate and sustained +/- 100 basis point, +25 basis point and +50 basis point movement in interest rates, in terms of the impact on net interest income on a forward looking basis over a twelve month period, assuming no change in the balance sheet.

	€ m	€ m	€ m	€ m		€ m	€ m	€ m	€ m
December 2025	- 100bps	+ 25bps	+ 50bps	+ 100bps	December 2024	- 100bps	+ 25bps	+ 50bps	+ 100bps
Total	(293)	73	150	301	Total	(366)	77	157	317

Interest rate sensitivity has continued to be a material risk management priority during 2025, given the evolution in the structural balance sheet, the falling interest rate environment and the Bank's structural hedging objectives. The year-on-year reduction in the reported sensitivity (-100bps scenario) has been a considered response to the changes in customer and wholesale volumes, retail rate pass through model dynamics and relevant regulatory constraints (in the form of Supervisory Outlier Test thresholds).

On the liability side, the strong absolute growth in overall customer balances continued to reflect the slowdown in deposit balance migration from interest insensitive to interest-bearing products. On the asset side, the excess liquidity was absorbed primarily by increases in customer mortgage lending (with SVR growing faster than fixed rate products), in wholesale assets (mostly bonds, swapped to floating) and larger balances held with the CBI. The resulting net increase in structural sensitivity during 2025 was offset by another material increase in Euro structural hedging (being a mix of swaps and unhedged fixed rate mortgages).

Given the composition of the balance sheet, and its expected evolution, the trade-off between managing IRRBB earnings (NII Sensitivity) and economic value (Capital at Risk) perspectives will continue to be a priority. The above sensitivity table is computed under the assumption of a 'static' balance sheet, that all market rates (Risk Free Rates/Euribors/Swaps, etc) move up/down in parallel and use AIB's internal retail rate pass through models, the nature of which can give risk to the asymmetry evident in the delta between the 2024 and 2025 results.

Interest rate and foreign exchange rate VaR are calculated to a 95% confidence level with a one day holding period, The Group recognises the limitations of VaR models, and supplements its VaR measures with stress tests which draw from a longer set of historical data and also with sensitivity measures.

43.3 Liquidity and funding risk

Funding structure

The Bank's funding strategy is to deliver a sustainable, diversified and robust customer deposit base at economic pricing and to further enhance and strengthen the wholesale funding franchise with appropriate access to term markets to support core lending activities. The strategy aims to deliver a solid funding structure that complies with internal and regulatory policy requirements and reduces the probability of a liquidity stress, i.e. an inability to meet funding obligations as they fall due.

Customer deposits represent the largest source of funding for the Bank with the core retail franchises and accompanying deposit base in both Ireland and the UK providing a stable and reasonably predictable source of funds.

	2025	2024
	€ m	€ m
Deposits and advances from customers		
<i>Total</i>	105,093	97,075
<i>Of which:</i>		
Euro	102,250	93,855
Sterling	1,115	1,371
US Dollar	1,468	1,616
Other currencies	260	233

Deposits and advances from customers increased by €8,018 million in 2025 driven by higher personal and SME balances. This was reflected in higher Euro time deposit accounts offset by a reduction across all other Group significant currencies (GBP and USD).

43.3 Liquidity and funding risk *continued*

Financial assets and financial 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	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial assets						
Cash and balances at central banks	37,014	—	—	—	—	37,014
Derivative financial instruments ¹	—	47	139	780	959	1,925
Loans and advances to banks ²	12,173	47	—	—	160	12,380
Loans and advances to customers ²	4,729	1,238	2,207	15,519	10,289	33,982
Securities financing	4,891	2,246	2,328	2,519	—	11,984
Investment securities ³	—	562	1,917	15,231	15,186	32,896
Other financial assets	—	724	—	—	17	741
	58,807	4,864	6,591	34,049	26,611	130,922
Financial liabilities⁴						
Deposits and advances from banks	4,548	332	—	—	—	4,880
Deposits and advances from customers	89,031	8,417	5,391	2,250	4	105,093
Securities financing	1,737	638	—	—	—	2,375
Derivative financial instruments ¹	27	27	60	582	765	1,461
Debt securities in issue	—	784	92	—	—	876
Subordinated liabilities and other capital instruments	—	—	—	4,105	5,698	9,803
Other financial liabilities	1,121	—	—	—	—	1,121
	96,464	10,198	5,543	6,937	6,467	125,609
					2024	
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial assets						
Cash and balances at central banks	32,486	—	—	—	—	32,486
Derivative financial instruments ¹	—	80	206	698	1,574	2,558
Loans and advances to banks ²	11,503	598	—	—	169	12,270
Loans and advances to customers ²	4,799	1,116	2,273	15,507	10,842	34,537
Securities financing	5,409	1,610	2,971	2,057	—	12,047
Investment securities ³	—	276	2,087	14,574	11,643	28,580
Other financial assets	—	641	—	—	—	641
	54,197	4,321	7,537	32,836	24,228	123,119
Financial liabilities⁴						
Deposits and advances from banks	4,539	1,074	6	—	—	5,619
Deposits and advances from customers	83,831	6,418	3,744	3,080	2	97,075
Securities financing	686	196	—	—	—	882
Derivative financial instruments ¹	—	271	166	425	1,127	1,989
Debt securities in issue	—	769	68	—	—	837
Subordinated liabilities and other capital instruments	—	—	495	5,645	3,364	9,504
Other financial liabilities	1,309	—	—	—	—	1,309
	90,365	8,728	4,479	9,150	4,493	117,215

1. Shown by maturity date of contract.

2. Shown gross of expected credit losses.

3. Excluding equity shares.

4. A maturity analysis of lease liabilities is disclosed in note 30.

Notes to the financial statements *continued*

43.3 Liquidity and funding risk *continued*

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 consolidated 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 Bank adjusts the contractual outflows on customer deposits to reflect the inherent stability of these deposits. Offsetting the liability outflows are cash inflows from the assets on the consolidated financial statements. Additionally, the Bank holds a stock of high-quality liquid assets, 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	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial liabilities¹						
Deposits and advances from banks	4,548	332	—	—	—	4,880
Deposits and advances from customers	89,032	8,455	5,496	2,279	5	105,267
Securities financing	1,737	645	—	—	—	2,382
Derivative financial instruments	—	156	258	1,127	532	2,073
Debt securities in issue	—	789	94	—	—	883
Subordinated liabilities and other capital instruments	—	45	375	5,710	6,586	12,716
Other financial liabilities	1,121	—	—	—	—	1,121
	96,438	10,422	6,223	9,116	7,123	129,322
<hr/>						
						2024
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Financial liabilities¹						
Deposits and advances from banks	4,539	1,074	6	—	—	5,619
Deposits and advances from customers	83,832	6,454	3,872	3,122	3	97,283
Securities financing	686	196	—	—	—	882
Derivative financial instruments	—	185	579	1,578	583	2,925
Debt securities in issue	—	771	69	—	—	840
Subordinated liabilities and other capital instruments	—	44	870	7,072	3,975	11,961
Other financial liabilities	1,309	—	—	—	—	1,309
	90,366	8,724	5,396	11,772	4,561	120,819

1. A maturity of lease liabilities is disclosed in note 30.

43.3 Liquidity and funding risk *continued*

The undiscounted cash flows potentially payable under guarantees and similar contracts

The following table analyses undiscounted cash flows potentially payable under guarantees and similar contracts at 31 December 2025 and 2024:

	2025					
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Contingent liabilities	1,187	—	—	—	—	1,187
Commitments	12,012	—	—	—	—	12,012
	13,199	—	—	—	—	13,199

	2024					
	On demand	<3 months but not on demand	3 months to 1 year	1–5 years	Over 5 years	Total
	€ m	€ m	€ m	€ m	€ m	€ m
Contingent liabilities	954	—	—	—	—	954
Commitments	11,913	—	—	—	—	11,913
	12,867	—	—	—	—	12,867

43.4 Capital adequacy risk

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

Identification and assessment

An annual MRA is conducted to identify all relevant (current and anticipated) material risks which are then assessed from a capital perspective. The sub-risks are identified as part of the MRA process including risks surrounding the quality and composition of capital, measurement and forecasting risk and risk adjusted return on capital. Capital adequacy risk is primarily evaluated through the annual financial planning and the Group's ICAAP processes where the level of capital required to support growth plans and meet regulatory requirements is assessed over the three year planning horizon. Plans are assessed across a range of scenarios ranging from base case and moderate downside scenarios to a severe but plausible stress using the Group's stress testing methodologies.

Monitoring, escalating and reporting

The Group monitors its capital adequacy on a monthly basis through a capital reporting pack which is presented to senior executives and Board setting out the evolution of the Group's capital position. The risk profile, including performance against risk appetite, is presented to the BRC via the CRO report which is produced independently by the second line of defence. The escalation process, as stipulated under the RAS policy, is commenced in the event of a breach of either the RAS watch trigger or limit for any of the metrics. This ensures Board and Regulator notification, where appropriate, within approved timeframes.

The output of internal stress tests is reviewed by ALCo and, on an annual basis, an ICAAP report is produced which is a comprehensive analysis of the Group's capital position in base and stress scenarios over a three year horizon. The ICAAP document is reviewed and approved by the Board and is submitted to the Joint Supervisory Team, where it forms the basis of their supervisory review and evaluation process.

44 Dividends

On 4 March 2025, the Board recommended for approval by the Bank's sole shareholder, AIB Group plc, a final dividend for the year ended 31 December 2024 of €2,062 million. The final dividend was approved by AIB Group plc on 1 May 2025 and paid by the Bank to AIB Group plc on 6 May 2025.

On 31 July 2025, the Board of the Bank approved an interim dividend of €263 million which was paid by the Bank to AIB Group plc on 6 November 2025. On 30 October 2025, the Board of the Bank approved a further interim dividend of €392 million which was paid by the Bank to AIB Group plc on 31 October 2025.

The Board of the Bank proposes to pay a final dividend of €1,994 million for the year-ended 31 December 2025 to its sole shareholder, AIB Group plc. Subject to approval by AIB Group plc, the dividend will be paid in May 2026.

45 Regulatory compliance

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

Notes to the financial statements *continued*

46 Ultimate parent company

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

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

47 Non-adjusting events after the reporting period

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

48 Approval of financial statements

The financial statements were approved by the Board of Directors on 3 March 2026.



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