AIB Group (UK) p.l.c.

Annual Financial Report

for the year ended 31 December 2024

Company number: NI018800

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Financial performance

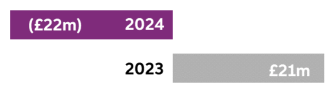
Profit before tax
£239m

Profit before tax of £239m
Net income decrease in a declining rate environment along with increased ECL charge.

Net interest margin
3.7%

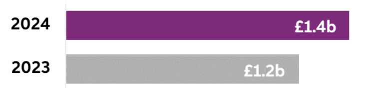
Strong NIM in a declining interest rate environment
Increased interest expense due to higher yielding deposit accounts.

Net impairment charge
£22m



Net impairment charge of £22m
Driven by impairment charges for individual non-performing exposures.

New lending
£1.4b

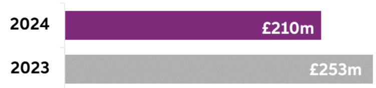


Continued focus on core sectors
Strong growth in both corporate and mortgage lending.

Net loans
£4.7b

17% decrease in net loans
Lower net loans due to transfer of green energy and infrastructure assets to AIB plc in the year.

Non-performing loans
£210m



4.3% of gross loans
Decrease due to strong repayments and strategic exit of individual loans in 2024.

Customer accounts
£7.3b

Customer balances up 3%
Customer balances steady, with increases in higher interest yielding deposit accounts.

CET1 ratio
27.7%

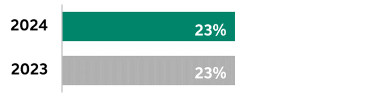
Strong and robust capital base
Strong capital, bolstered by transfer of loans to AIB plc, ensuring good positioning for sustainable growth.

Total costs
£131m

Ongoing cost management focus
Costs increase reflects professional fees to support regulatory and change projects.

Non-financial and sustainability performance

Green new lending[1]
23%



Maintained green new lending
£279m new lending in 2024 to support the transition to a lower carbon economy.

Net promoter score[2]
+48

Improved customer satisfaction
Investment to improve our understanding of customer needs saw an increase of +7 against 2023.

Gender balance[3]
50%

Gender parity at senior management level
We are committed to fostering an inclusive and diverse workplace.

[1] *Green lending is defined in AIB plc's Sustainable Lending Framework (https://www.aib.ie/sustainability). Green new lending for 2023 and 2024 excludes lending in relation to a performing asset portfolio transferred to AIB plc.*
[2] *Aggregated average score for AIB NI for 7 active customer journeys.*
[3] *Female senior management employees (Level 5 and above).*

Chair's statement

Financial performance and business strategy

AIB Group (UK) p.l.c. ('AIB UK') entered into the first year of a three year strategy at the beginning of 2024; a strategy focused on growth and building a long-term sustainable business for our customers, our people, our shareholder and our stakeholders. As we close out on 2024, I'm delighted that we are reporting a successful year, with continued growth in our chosen markets.

AIB UK recorded a statutory profit before taxation of £239m for the year and an adjusted profit before taxation of £222m[1]. This is set against a year of dynamic market conditions and an evolving geopolitical landscape. The management team and all our colleagues remained steadfast in their commitment to our customers in navigating these conditions.

Sustainability remains a core priority for AIB Group plc and its subsidiaries ('AIB Group'), including AIB UK, and 2024 saw the establishment of a new Climate Capital segment in AIB Group, which AIB UK supported through a transfer via legal sale of £1.4b of green energy and infrastructure loans. AIB UK have and will continue to support our retail and corporate customers in other sectors on their own sustainability transition and it was pleasing to note that 23%[2] of new lending was in green finance during 2024.

The Bank maintains a solid financial foundation with robust capital and liquidity positions, providing a stable base for growth. We will seek to propose an ordinary dividend of £88m, payable in 2025 out of 2024 attributable earnings, continuing to build AIB UK's position as a profitable and capital-generative investment for its parent, Allied Irish Banks, p.l.c. ('AIB plc').

While we are in a strong position, we remain conscious of the need for strong credit stewardship, particularly given the current economic outlook and wider geopolitical uncertainties.

Customers and colleagues

At AIB UK our customers are at the heart of everything we do. Throughout 2024 our commitment to understanding the needs of our customers has been the driving force behind our decisions. Through embedding the new Consumer Duty regulatory framework, we have made significant investment to enhance the customer experience, ensuring innovation and service excellence were key priorities for everyone. Our unwavering dedication to putting customers first will continue to guide our decisions as we look to the future.

In 2024 the Board of Directors placed significant emphasis on fostering closer engagement between the Board and our colleagues. Recognising the importance and value of open communication and collaboration, the Board have established a regular rhythm of engagement which has allowed us to gain deeper insights into day-to-day operations, challenges and opportunities. The Bank remains committed to a culture of transparency and inclusivity and I look forward to seeing these sessions evolve in 2025.

"Our unwavering dedication to putting customers first will continue to guide our decisions as we look to the future." William Fall

Board of Directors

We had one change to the Board in 2024. Janet McConkey (Gahan) stepped down as Executive Director as she returned to take up a role in AIB Group. We thank Janet for her significant contribution as Executive Director and Chief Finance Officer and wish her well in her future career.

Final reflection

On behalf of the Board, I would like to express my gratitude to our colleagues and stakeholders for their continued support and dedication to our business and customers. I remain optimistic about the future and confident in our ability to create long-term, sustainable value for all our stakeholders in the years ahead.

William H N Fall

William Fall
Chair

3 March 2025

[1] *Adjusted profit before taxation excludes the gain on derecognition relating to an asset portfolio transferred to AIB plc via legal sale.*
[2] *Green new lending excludes lending relating to an asset portfolio transferred to AIB plc.*

Managing Director's review

The beginning of 2024 saw the launch of our new three year strategic plan that focuses on putting our purpose, *Empowering people to build a sustainable future,* into action. Our strategy is centred on an informed view of our customers' needs and is anchored in a progressive Environmental, Social and Governance ('ESG') agenda. While we remain guided by our five key strategic pillars: Customer first, Simple and efficient, Risk and capital, Talent and culture and Sustainable communities, we are prioritising three areas of strategic focus: Customer first, Greening our business and Operational efficiency and resilience.

One year into our three year strategy, I am proud of the progress we have made. We have laid a strong foundation for the future and made significant progress in our three priority areas.

I am pleased that AIB UK has had a strong financial performance in 2024, reporting a profit before tax of £239m and continuing to enjoy strong capital and liquidity bases. We will seek to propose an ordinary dividend of £88m, payable in 2025 out of 2024 attributable earnings, generating returns to our shareholder.

External environment

The UK economy has performed better than anticipated in 2024, with Gross Domestic Product ('GDP') rising almost 1%, following stagnant growth in 2023. Overall, the economy has been boosted by lower inflation, paving the way for real income growth. The Bank of England's decision to cut rates by 0.5% in 2024 also provided a supportive backdrop.

Looking ahead, increased government spending and investment, as announced in the Autumn Budget, could boost GDP in the near-term. However, the most recent data suggests Budget tax hikes have dampened consumer and business confidence, while GDP growth stalled in the second half of 2024 and price pressures remain high.

The outlook for UK growth in the near-term remains relatively subdued; clouded by global uncertainty related to geopolitics and potential trade tariffs.

Customer first

Following the appointment of AIB Group's Chief Customer Officer in 2024, we have amplified our commitment to our customers with a step change in customer centricity across AIB Group.

Supporting our new strategic focus AIB Group has developed a new brand positioning of progressive support, which is articulated through a new brand expression: ***AIB. For the life you're after.*** Our promise is to provide our customers with the progressive support they need in the pursuit of a more balanced and sustainable future.

Embedding Consumer Duty has been a key priority for us in 2024. We have made a significant investment to understand our customer needs and improve the customer journey with innovative solutions and we are already seeing the impact of this through improved Net Promoter Score ('NPS') and customer feedback.

2024 has seen a significant step-up in external customer engagement, allowing us to fully understand their needs and develop deeper, more enduring relationships with our customers.

"Our promise is to provide our customers with the progressive support they need in the pursuit of a more balanced and sustainable future." Hilary Gormley

We continue to prioritise supporting our customers in vulnerable circumstances and have launched a number of new initiatives this year. We have introduced a range of measures including a staff assisted voluntary gambling block, a British Sign Language interpreter service in partnership with SignLive and have updated our communications to provide clear signposting so that customers know where to find tailored support.

We have continued to support our customers' growth ambitions throughout 2024, both in corporate and retail, delivering £1.4b of new lending, of which 23%[1] was green finance in our chosen sectors.

These excellent outcomes have been delivered by a dynamic team of colleagues who are customer focused and committed to delivering for all our customers.

[1] *Green new lending excludes lending relating to an asset portfolio transferred to AIB plc.*

Greening the business

In AIB Group, our ambition is to be a catalyst for positive change, building long-term value for stakeholders while protecting our planet and contributing to a better society. A key indicator of the support AIB Group puts behind this is in tripling its Climate Action Fund to €30b by 2030.

To support this commitment, AIB UK transferred £1.4b in green energy and infrastructure loans to a new Climate Capital segment in AIB Group in 2024. The purpose of this new segment is to support real, transformative action, through a dedicated green financing division that complements the other business segments.

AIB UK continues to support customers, both retail and corporate in other sectors, with their own sustainability transition. Beyond mobilising capital, we are investing in new ideas and improving business practices to build a more sustainable future.

We recently launched Steps to Sustainability; a set of simple and practical support tools, designed to help small and medium-sized enterprises ('SME') on their sustainability journey. Additionally, we remain proud to continue to sponsor the Northern Ireland Chamber of Commerce and Industry's 'Successful Sustainability with AIB' series which enables both members and non-members to learn and engage on a wide variety of sustainability-related topics with local stakeholders.

The threat of climate change to our entire planet has become a reality, therefore, significant enhancements were made in the year in relation to the management of the risks the business faces from climate change. We implemented a new Climate and Environment ('C&E') Risk Policy and Framework supporting the enhancement of our climate-related financial disclosures. Mandatory staff training on sustainability was also enhanced with additional voluntary training rolled out to enable our colleagues to understand the science behind climate change.

We are striving to be a positive influence on society and to make a positive economic contribution, improving the lives of people and their communities and helping to build a brighter and fairer future. For the third year running, we helped local charities close to the hearts of our colleagues and the public with financial support from the AIB Community Fund. This takes the total number of UK charities supported over a three-year period, to 56. This fund, along with our community partnerships and volunteering initiatives, are designed to make a tangible and meaningful difference in our communities. See the Sustainability section from page 13 for more about our sustainability-related achievements.

Operational efficiency and resilience

Our aim is to ensure that we have the best people with the appropriate skills in the right jobs, using first class and resilient platforms to support our customers.

We are fully engaged in AIB Group enterprise programmes to modernise the digital experience for our customers, both now and in the future. In addition, we have made strides forward in 2024 in streamlining our credit journey and processes for our business and mortgage customers.

We have invested in process improvement and are championing innovation by harnessing the power of our colleagues' voices and putting their ideas into action.

Our people

Our dynamic and committed team of people and our customer centric culture remain at the heart of our success.

2024 saw significant enhancements to our employee value proposition, including: the launch of an enterprise-wide private healthcare scheme; the launch of a variable pay framework; and the continued evolution of our progressive people policies, including enhanced leave options.

We also continued our investment and partnership with external recruiters to support our successful apprenticeship and graduate placement schemes. Early careers colleagues now represent 7.5% of our total workforce, with a very high retention rate, testament to the culture in AIB UK.

Fostering universal inclusion and driving diversity in all forms, at all levels, remains a key priority. For the second year running, I am proud that AIB UK has maintained gender balance at senior management level, meeting our commitment to the Women in Finance Charter.

We hosted a range of colleague-led personal support events on key issues and impacts facing our people, creating an environment where every colleague is supported to bring their authentic self to work.

Risk and capital

The Bank has a strong capital base, with a Common Equity Tier 1 ('CET1') ratio of 27.7% and Total Capital ratio of 32.3% at December 2024, bolstered by the transfer of assets to the new Climate Capital segment in 2024 and considerably in excess of regulatory requirements.

AIB UK maintained strong liquidity metrics throughout 2024, with a Liquidity Coverage Ratio ('LCR') of 282% and Net Stable Funding Ratio ('NSFR') of 172% at December 2024, and has a well-diversified funding mix.

Final reflection

As we close out 2024, I am proud to reflect on our customer first ethos and the dedication and resilience that have defined our performance. Despite a dynamic external environment we have remained focused on executing our strategic priorities, driving growth and creating value for our customers and our stakeholders.

Hilary Gormley

Hilary Gormley

Managing Director

3 March 2025

Financial review

"Strong balance sheet with resilient deposit balances and lending growth in chosen sectors, positioning us well to deliver growth ambitions." Jenny Sullivan

Management performance

The management performance measures set out below are presented as they reflect the Board's view of AIB UK's performance and business activities, enabling the users of the Annual Financial Report to better understand the Bank's financial performance and compare performance from period to period.

The performance of the business presented below should be considered in conjunction with statutory financial information, as set out in the financial statements from page 50 onwards. The financial statements are presented for the Company, excluding its subsidiaries, prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101') as set out in note 1. A reconciliation between the statutory and the adjusted management performance summary income statement and summary balance sheet is set out below.

Summary income statement	2024 £m	2023 £m	% change
Net interest income	342	378	-10
Adjusted other income[1]	33	71	-54
Total adjusted operating income	375	449	-16
Total operating expenses before levies	(129)	(126)	2
Bank levies and regulatory fees	(2)	(1)	100
Adjusted operating profit before impairment losses	244	322	-24
Net impairment (charge)/writeback	(22)	21	-205
Adjusted profit before tax	222	343	-35
Gain on transfer of loan portfolio	17	—	100
Total adjustments	17	—	100
Statutory profit before tax	239	343	-30
Income tax charge	(51)	(68)	-25
Statutory profit for the year after taxation	188	275	-32

Summary balance sheet	2024 £m	2023 £m	% change
Gross loans to customers	4,829	5,780	-16
Expected credit losses	(121)	(133)	-9
Net loans	4,708	5,647	-17
Other assets	5,112	4,323	18
Total assets	9,820	9,970	-2
Customer accounts	7,317	7,121	3
Other liabilities	610	997	-39
Shareholders' equity	1,893	1,852	2
Total liabilities and shareholders' equity	9,820	9,970	-2

[1] *Adjusted to exclude the gain on transfer of a loan portfolio. Further analysis of this adjustment can be found on page 7.*

Summary income statement review

Net interest income	Net interest margin	Adjusted other income
£342m	**3.7%**	**£33m**

Net interest income	2024 £m	2023 £m	% change
Net interest income	**342**	378	*-10*
Average interest earning assets	**9,163**	9,545	*-4*
	%	%	change
Net interest margin	**3.7**	4	*-0.3*

Net interest income decreased by £36m (10%) compared to 2023 due to higher interest expense on customer deposits as a result of customers placing funds in higher interest yielding accounts. This was partially offset by an increase in income on assets due to a higher average Bank of England base rate in comparison to 2023. The net interest margin ('NIM') decreased by 0.3% from 4.0% in 2023 to 3.7% in 2024.

Adjusted other income	2024 £m	2023 £m
Retail banking customer fees	**10**	11
Credit related fees	**13**	12
Foreign exchange fees	**5**	5
Service charge	**3**	3
Credit card commission	**2**	2
Other fees and commission	**8**	9
Fee commission expense	**(4)**	(4)
Interest rate contracts	**2**	2
Investment securities - equity	**(19)**	23
Other operating income	**13**	8
Adjusted other income	**33**	71

Adjusted other income decreased by £38m to £33m, largely due to the revaluation of equity investment held at fair value, partially offset by dividend income on this investment. The gain on transfer of a green energy and infrastructure asset portfolio in 2024 has been excluded and categorised as an Alternative Performance Measure ('APM'). See page 10 for more detail.

Statutory other income was £50m for 2024, including the gain on transfer of the green energy and infrastructure asset portfolio.

Average balance sheet

Average interest bearing liabilities reduced by £0.3b compared to 2023 reflecting the repayment of secured term funding from Bank of England coupled with customer balance outflows in early 2023 impacting on the average balance through 2024. Period end customer balances increased by 3% from December 2023 to 2024. Customer account yields increased, reflecting a higher average rate environment across 2024, and migration of customers into higher yielding accounts.

	Year ended 31 December 2024			Year ended 31 December 2023		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets	£m	£m	%	£m	£m	%
Loans and advances from customers[1]	**5,461**	**287**	**5.3**	5,708	285	5.0
Balances with central banks & other interest earning assets	**3,702**	**183**	**4.9**	3,837	174	4.5
Average interest earning assets	**9,163**	**470**	**5.1**	9,545	459	4.8
Non interest earning assets	**636**			751		
Total assets	**9,799**	**470**		10,296	459	
Liabilities and equity						
Customer accounts[1]	**5,746**	**108**	**1.9**	5,932	65	1.1
Other interest bearing liabilities	**219**	**20**	**9.1**	383	16	4.2
Average interest bearing liabilities	**5,965**	**128**	**2.1**	6,315	81	1.3
Non-interest bearing liabilities	**1,973**			2,221		
Equity	**1,861**			1,760		
Total liabilities and equity	**9,799**	**128**		10,296	81	
Net interest income	**9,163**	**342**	**3.7**	9,545	378	4.0

[1] *Interest income on loans and advances from customers includes £100m expense (2023: £98m) from cash flow hedging; excluding this, the average rate from customers in 2024 is 7.1% (2023: 6.7%). Interest expense from customer accounts includes £20m income (2023: £21m) from cash flow hedging; excluding this, the average rate from customers in 2024 is 2.2% (2023: 1.4%) See notes 3, 4 and 14 for further detail.*

Total costs

£131m

Cost income ratio

35%

Total costs	2024 £m	2023 £m	change %
Personnel costs	67	68	-1
General & administrative costs	52	48	8
Depreciation, impairment and amortisation	10	10	—
Total operating expenses before levies	129	126	2
Bank levies and regulatory fees	2	1	100
Total operating expenses	131	127	3
Employee numbers at period end ('FTE')	702	696	1
Average employee numbers	700	681	3

Total costs of £131m (up 3%) and adjusted operating income of £375m (down 16%) resulted in a cost income ratio of 35% in 2024, which is an increase from 28% in 2023. Including adjusted items, the cost income ratio would be 33% in 2024, increasing from 28% in 2023.

Personnel expenses

Personnel expenses decreased by £1m compared to 2023, which had included £4m of voluntary severance payments. This was partially offset by the impact of increased remuneration and average full time equivalent ('FTE') employees during 2024.

General and administrative expenses

General and administrative expenses increased by £4m compared to 2023 due to increased professional fees to support change initiatives and the embedding of Consumer Duty regulations.

Depreciation, impairment and amortisation

Depreciation, impairment and amortisation costs remained in line with 2023.

Bank levies and regulatory fees

These consist of regulatory fees and levies of £2m, calculated and collected by the Bank of England, and Financial Conduct Authority ('FCA'), which also contribute to other organisations.

Net impairment charge

£22m

There was a net impairment charge of £22m in 2024, compared to a £21m writeback in 2023. An increase in expected credit losses ('ECL') was the primary driver, representing impairment charges related to individual non-performing exposures. See note 19(a) & (b) for more detail.

Total adjustments

£17m

Total adjustments	2024 £m	2023 £m
Adjustments from other income		
Gain on transfer of loan portfolio	17	—
Total adjustments	17	—

Total adjustments to other income relate to a gain on transfer of a performing green energy and infrastructure asset portfolio to AIB plc. See APM section on page 10 for more detail.

Income tax charge

£51m

In 2024 there was a £51m tax charge, compared to a charge of £68m in 2023. The total tax charge comprised a current tax charge of £41m (2023: £62m charge) and deferred tax charge of £10m (2023: £6m charge). The 2024 current tax charge of £41m was mainly due to the standard average tax rate charged on lower profits earned compared to 2023. See note 13 for further details.

Balance sheet review

Assets

Net loans to customers	New lending	Expected credit loss
£4.7b	**£1.4b**	**£121m**

Assets	2024 £m	2023 £m	change %
Gross loans to customers	4,829	5,780	*-16*
Expected credit losses	(121)	(133)	*-9*
Net loans to customers[1]	**4,708**	5,647	*-17*
Cash and balances at central banks	3,961	3,229	*23*
Intercompany loans to the Parent	456	201	*127*
Other assets	695	893	*-22*
Total assets	**9,820**	9,970	*-2*

[1] *Includes £23m (2023: £11m) of intercompany loans to fellow subsidiaries*

Gross loans to customers

Performing loans decreased by £908m reflecting the transfer of a £1.4b performing green energy and infrastructure asset portfolio to AIB plc. New lending of £1.4b in 2024 increased by £256m compared to 2023. The strong year on year performance was driven by the Hotels and Mortgages sectors, due to key growth strategies. Non-performing loans decreased by £43m, driven by redemptions, individual loan sales and write-offs, partially offset by a net flow to non-performing. See note 19 (h) for more detail.

The ECL on loans at 31 December 2024 was £121m and ECL on undrawn facilities and guarantees was £7m. This was £13m lower than at 31 December 2023 due to write-offs and disposals of non-performing loans, repayments, Post Model Adjustment ('PMA') reduction and the transfer of a performing portfolio. These were offset by increases in provisions for individual non-performing exposures.

Summary of movements in loans to customers

The table below sets out the movement in loans to customers from 1 January 2024 to 31 December 2024.

Loans to customers	Performing loans £m	Non-performing loans £m	Loans to customers £m
Gross loans at 1 January 2024	5,527	253	5,780
New lending[1]	1,444	2	1,446
Redemptions of existing loans[2]	(846)	(109)	(955)
Disposals[3]	(1,443)	(11)	(1,454)
Write-offs and restructures[4]	(3)	(32)	(35)
Net movement to non-performing	(109)	109	—
Foreign exchange movements[4]	(8)	—	(8)
Other movements[4]	57	(2)	55
Gross loans at 31 December 2024	4,619	210	4,829
ECL allowance	(43)	(78)	(121)
Net loans at 31 December 2024	4,576	132	4,708

[1] *New lending includes new drawdowns on Revolving Credit Facilities.*
[2] *Redemptions of existing loans includes repayments on Revolving Credit Facilities, the net movement in loans renegotiated and interest credited on loans. In note 19(h): the net movement on Revolving Credit Facilities are included in redemptions; loans renegotiated are reported gross as new loans/top ups and repayments; and interest credited is shown as a separate item.*
[3] *Disposals include a £1.4b portfolio transfer of performing green energy and infrastructure assets to AIB plc and individual loan sales.*
[4] *The presentation of movements above differs from the presentation of movements reported in note 19(h).*

Liabilities and equity

Total liabilities	Total equity
£7.9b	£1.9b

Liabilities and equity	2024 £m	2023 £m	change %
Customer accounts			
Current accounts	3,807	4,081	*-7*
Deposits	3,510	3,040	*15*
Total customer accounts[1]	7,317	7,121	*3*
Intercompany deposits with the Parent	108	101	*7*
Other liabilities	502	896	*-44*
Total liabilities	7,927	8,118	*-2*
Total equity	1,893	1,852	*2*
Total liabilities and equity	9,820	9,970	*-2*
	%	**%**	change
Loan to deposit ratio	64	79	*-15*

[1] *Includes £17m (2023: £7m) of intercompany deposits from fellow subsidiaries.*

Customer accounts

Total customer balances increased by £196m in 2024 of which deposits grew by £470m, partially offset by current accounts which decreased by £274m, reflecting product migration to deposits as customers sought higher returns during the higher interest rate environment.

Equity

The increase in shareholders' equity of £41m to £1,893m was driven by the profit after tax recorded in 2024 of £188m, partially offset by an ordinary dividend payment of £107m, Additional Tier 1 ('AT1') distribution of £11m and movements in other comprehensive income ('OCI') of £29m. See statement of changes in equity on page 53 for further detail.

Alternative performance measures

An APM is a financial measure of performance, financial position or cash flow which is not a statutory financial measure. APMs and adjustments are in line with how management of AIB UK measure performance.

These APMs, when considered in conjunction with the statutory results, provide the user of the financial statements with more information on the performance of AIB UK and its business activities. Items identified as adjusting are detailed below.

Adjustments and the cost income ratio are used in analysing AIB UK's performance.

Adjustments

These are items that management believe due to their size or nature impact the comparability of performance from period to period:

- *Gain on transfer of loan portfolio:* The gain on transfer of a performing green energy and infrastructure asset portfolio to AIB plc in 2024. This is not inclusive of individual loan sales.
- There were no adjusting items for 2023 with voluntary severance costs included within total operating expenses.

Cost income ratio

This is total operating expenses, including bank levies and regulatory fees, divided by total adjusted operating income.

Capital management and liquidity

Capital

The level of capital held by AIB UK is influenced by the minimum regulatory requirements of the Prudential Regulation Authority ('PRA'). The adequacy of AIB UK's capital is assessed by comparing available regulatory capital resources with capital requirements expressed as a percentage of risk weighted assets ('RWA').

The minimum capital requirement under the Capital Requirements Regulation (575/2013) ('CRR') is a total capital (to RWA) ratio of 8% and Tier 1 capital (to RWA) ratio of 4.5%, from which the PRA sets individual minimum capital ratios for banks within its jurisdiction. In line with these requirements, AIB UK has an agreed Pillar 1 and Pillar 2a requirement of 9.77%.

	31 December 2024	
	Transitional	**Fully loaded**
Capital	**£m**	**£m**
CET1 at 31 December 2023	**1,400**	**1,388**
Profits for 2023	137	137
IFRS 9 transitional adjustment	(12)	—
Deferred tax	9	9
Intangible assets	(1)	(1)
CET1 at 31 December 2024	**1,533**	**1,533**
AT1	110	110
Tier 2	140	140
Total capital at 31 Dec 2024	**1,783**	**1,783**
	%	%
CET 1 ratio	**27.7**	**27.7**
Total capital ratio	**32.3**	**32.3**

	Transitional		Fully loaded	
Risk weighted assets	**31 Dec 2024**	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	£m	£m	**£m**	£m
Credit risk	**4,802**	5,921	**4,802**	5,908
Operational risk	**737**	651	**737**	651
CVA	**1**	—	**1**	—
Total	**5,540**	6,572	**5,540**	6,559

Regulatory changes

In June 2024, AIB UK notified the PRA of our intention to opt out of the application of International Financial Reporting Standards ('IFRS') 9 Transitional arrangements, per Regulation (EU) 2020/873, ending the transitional period three quarters early. This resulted in a £12m decrease in capital from December 2023 to December 2024.

Capital position

The CET 1 ratio of 27.7% has increased by 6.4%, compared to 21.3% on 31 December 2023, primarily due to the RWA decrease as a result of the transfer of a performing green energy and infrastructure asset portfolio to AIB plc in 2024.

RWA of £5,540m on 31 December 2024 was £1,032m lower than 2023 Transitional RWA with a £1,119m decrease in credit risk and an £86m increase in operational risk; the latter largely driven by an increase in average total income. The £1,119m decrease in credit risk primarily reflects the £1,358m decrease in RWA as a result of the transfer of a performing green energy and infrastructure asset portfolio to AIB plc. This was partially offset by underlying increases in mortgages and corporate lending.

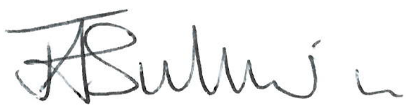
AIB UK satisfied the conditions set out in the prospectus and the supervisor guidelines for a coupon payment on the 2023 AT1 instrument. This was paid on 24 November 2024, with a distribution of £11 million to AIB plc.

Liquidity

AIB UK continues to have a strong funding position following the transfer of a performing green energy and infrastructure asset portfolio to AIB plc during 2024. The loan to deposit ratio was 64% at 31 December 2024 (2023: 79%). Regulatory liquidity requirements were met at all times throughout the year.

A substantial amount of AIB UK's funding is from its customer balances, which make up 75% (2023: 71%) of its total liabilities and shareholders' equity.

Under the CRR, the key liquidity metrics are the LCR and the NSFR. The LCR and NSFR minimum regulatory limits are set at 100%. As at 31 December 2024, AIB UK's LCR was 282% (2023: 216%) and NSFR was 172% (2023: 139%), both of which are significantly in excess of the minimum requirement. The primary driver for the year-on-year increase in the LCR metric was the proceeds from the transfer of a performing green energy and infrastructure asset portfolio to AIB plc.



Jenny Sullivan

Chief Financial Officer

3 March 2025

Our strategy

How we support our customers

AIB UK operates both a corporate banking and a retail banking business.

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

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

Our strategic priorities

We are now one year into a three-year strategic cycle which supports our purpose to empower people to build a sustainable future.

In coming into this strategic cycle, we set ourselves three priorities to achieve this purpose which will enable us to better serve our customers' financial needs and develop deeper, more enduring relationships with them; Customer first, Greening the business and Operational efficiency and resilience.

Three strategic areas of focus		
Customer first	**Greening the business**	**Operational efficiency & resilience**
Developing deeper relationships with our customers.	Amplification of Group's ESG leadership position, including new green and transition lending, net zero ambitions and enhanced focus on the Climate Capital segment.	Enabling our colleagues to deliver for our customers by investing in capabilities and capacity.

Customer first

We came into this strategic cycle with a transformed business and a clear vision on how we serve and engage with customers in our chosen markets. Working with the AIB Group's new Chief Customer Officer, we are making significant investment to create an excellent customer experience and customer outcomes.

Through our implementation of the UK's Consumer Duty regulations, we have deepened our insight on how to support all of our customers, making sure our products are accessible to everyone.

We continue to evolve and develop that insight as we deliver new and improved customer journeys through the investment being made in enterprise-wide transformation programmes.

Key outcomes – Customer first	
Net Promoter Score	**Active customers**
+48	**254k**

Greening the business

Fundamental to AIB Group's strategy is to place an enhanced focus on greening its business and increase its capability for funding significant sustainable infrastructure projects. A new Climate Capital segment established within AIB Group will drive this activity and AIB UK supported this in 2024 by transferring a performing green energy and infrastructure asset portfolio, totalling £1.4b, to the segment.

We continue to support customers in our other sectors, in meeting their own transition requirements, and we are working closely with AIB Group to develop new products and propositions to support this strategic priority.

Key outcomes – Greening the business		
Green new lending[1]	**New mortgages for energy efficient homes**	**Scope 1&2 location based emissions**
23%	**30%**	**2.5% reduction**

[1] *Excludes lending relating to asset portfolio transferred to AIB plc.*

Operational efficiency and resilience

In our 2023 Annual Financial Report we acknowledged our need to improve our digital capability and we are fully engaged with enterprise-wide transformation programmes to enable that.

We are making progress in identifying and replacing legacy systems and platforms that will aid our transition to a more agile and resilient environment. This will enable us to improve our customers' banking experience, and keep pace with their needs and expectations as they evolve.

AIB UK remain committed to fostering an inclusive and diverse workplace.

Key outcomes – Operational efficiency and resilience	
Employee gender diversity	**Senior management gender diversity**
Female **57%** Male **43%**	Female **50%** Male **50%**

Sustainability

Progressing our sustainability agenda is a strategic priority for AIB Group. We integrate ESG factors into financial decision making to promote sustainable development, which is often defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Given that the investment required to finance the transition to a low-carbon economy can be counted in the trillions of dollars globally, banks have a crucial role to play in financing investment in climate and energy infrastructure. AIB Group launched its Climate Action Fund in 2019, aiming to lend an initial €5b in green and transition support in five years, which has since been increased significantly to €30b by 2030.

Our sustainability strategy sharpens our focus across the Environmental, Social and Governance pillars and aligns strongly with our wider business strategy.

Our sustainability strategy 2024-2026

Our ESG Principles can be broadly summarised using three pillars as follows:

E Climate & Environmental Action

By providing responsible green finance, investments and advice to drive structural change and support the transition to a low carbon future.

S Societal & Workforce Progress

By maximising positive outcomes for customers and colleagues, helping build a brighter and prosperous future for all.

G Governance & Responsible Business

By acting responsibly with integrity and transparency, while embedding ESG capabilities and measures Group wide.

Climate and environmental action

The threat of climate change to our entire planet has become a reality. To help mitigate the effects, AIB UK is committed to both mobilising capital to support climate action and being a catalyst for positive change.

- In 2024, 23% (2023: 23%)[1] of AIB UK's total new lending was green. 30% (2023: 29%) of new mortgages were provided to energy efficient homes (Energy Performance Rating ('EPC') A or B) and 41% (2023: 28%) of new lending for Commercial Real Estate was green.
- Reduced our Total Scope 1 and 2 location-based emissions by 2.5% in 2024 when compared to 2023.
- Launched 'Steps to Sustainability' on our AIB NI Green Hub[2], a set of simple and practical support tools designed to help SMEs.

Green Hub on NI website

- Sponsored the NI Chamber of Commerce and Industry's 'Successful Sustainability' series and hosted the 2024 NI Institute of Directors' Governance and Leadership Summit which centred around governance and sustainability.
- Welcomed customers and business partners to AIB's Sustainability Conference, and hosted an event in Central London to spark important discussions on how businesses can operate more sustainably and transition to a greener future.

AIB Sustainability Conference London event

[1] *Green new lending for 2023 and 2024 excludes lending in relation to a performing asset portfolio transferred to AIB plc.*
[2] *See https://aibni.co.uk/green-living/green-business*

Societal and workforce progress

AIB UK strives to achieve a fairer society that is socially and economically inclusive. Some highlights include the following:

- We supported access to affordable homes through our social housing lending. These loans form part of AIB Group's Social Bond Issuance.
- We continue to have a positive impact on our customers in vulnerable circumstances. New supports introduced during the year include a British Sign Language service for our hearing-impaired customers in partnership with SignLive; and supports relating to gambling related harm.
- In addition to colleague fundraising initiatives and employee matched funding, we donated £130,000 (2023: £155,000) to charities of our customers' and employees' choice through our Community Fund[1]. The wide range of communities and charities supported included Children's Cancer Unit, Downright Brilliant, REACH Across, MediCinema and The London Slough Charitable Trust, as well as our charity partner, The Samaritans.
- The Florin Fund is a long-standing charitable staff collection scheme. Following significant effort, £50k was donated to the GB-based St Vincent de Paul charity at year end.
- All staff are entitled to take two paid volunteering days per year. In 2024, we supported great causes in our communities, including Alzheimer's Society, Habitat for Humanity, North London Hospice and The Simon Community.

Volunteering at AIB UK

- AIB Group published its 9th annual statement on Modern Slavery and focuses closely on embedding its Human Rights Commitment. We continue to evolve and use the opportunities and tools available to us, to mitigate against the enablement of Modern Slavery through our business and supply chain.
- Enhanced our paid parental leave offering to support families better. This is in addition to existing surrogacy leave, leave options for those undergoing fertility treatment or pregnancy loss, and those with caring responsibilities.

Governance and responsible business

We aim to act responsibly, with integrity and transparency, while embedding ESG capabilities and measures at the heart of our business.

- An enhanced suite of metrics is now in place in AIB UK to ensure we have measures for C&E risk.
- In regards to customer feedback, our NPS for 2024 was +48 (2023: +41)
- Gender balance continues to be a focus, with 50% (2023: 55%) of the AIB UK Board of Directors, 50% (2023: 46%) of UK senior management[2] roles and 40% (2023: 40%) of the AIB plc's Board of Directors being female. We continue to publish our Gender Pay Gap Report annually[3].
- Staff engagement continues to build momentum, raising awareness of sustainability-related topics under the banner of 'ESG&me'. This includes a monthly magazine, news bulletins, training, a junior 'ESG Ambassador' network and an 'ESG Forum' of senior influencers.
- The range and depth of sustainability-related training was expanded, including specific role-based training, mandatory courses, and a range of optional online and accredited development opportunities.
- Moved to new state-of-the-art London Head Office, 70 St Mary Axe. Sustainability was a key consideration throughout the building's construction and for its everyday use.

AIB UK at 70 St.Mary Axe, City of London

- We continued to progress our Inclusion and Diversity ('I&D') strategy, aiming to support our talent ambition, drive improved innovation and foster a positive, diverse and inclusive working environment which emphasises wellbeing and supports initiatives that create a positive impact on society.
- Further detail on AIB Group's ESG Strategy, its associated targets and progress can be found on AIB Group's website[4].

[1] *See https://aibni.co.uk/community/charities-2024*
[2] *Senior management roles are level 5 and above. AIB UK direct headcount.*
[3] *AIB UK's Gender Pay Gap Report for 2024 can be found at https://aibni.co.uk/personal-docs/help-and-guidance/important-information/gender-pay-reporting/aibuk-gender-pay-reporting-2024.pdf*
[4] *See https://aib.ie/sustainability*

Carbon Emissions

In compliance with the Streamlined Energy and Carbon Reporting ('SECR') regulations, we have set out below the energy consumption and related carbon emissions which result directly from the operations in AIB UK and the efficiency actions undertaken within the reporting period. This also complies with the requirements of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

The energy and carbon emissions data set out below, is related to the period 1 January to 31 December (inclusive). In reporting this data, we have adopted the operational control approach on reporting boundaries to define our reporting boundary and have followed the UK Government Environmental Reporting Guidelines. We have used the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard (revised edition) and predominately emission factors from the UK Government's GHG Conversion Factors for Company Reporting.

In line with the GHG Protocol, our emissions are presented in tonnes of carbon dioxide equivalent units ('tCO_2e') and cover the Kyoto 'basket' of seven greenhouse gases when available: carbon dioxide ('CO_2'), methane, nitrous oxide, hydroflourocarbons, perfluourocarbons, sulphur hexaflouride and nitrogen triflouride.

The Global Warming Potential values used in the calculation of CO_2e are based on the Intergovernmental Panel on Climate Change Assessment Reports over a 100-year period.

As part of AIB Group's commitment to be net zero in its own operations by 2030, a series of measures were undertaken across our NI estate to improve energy efficiency, including the removal of fossil fuel heating systems from two branches. Both locations are now operating as fully electric and will deliver fossil fuel savings of c. 90,000 kWh and carbon emission savings of c. 40 tCO_2e per annum. Excluding energy use in transport activities, during 2024, the strategic changes to the property estate portfolio has resulted in a slight increase of approximately 7,300 kWh. Additionally, we completed the re-location of our London head office to a BREEAM 'Excellent' and EPC 'A' rated building, that will provide further energy and carbon savings in the coming years.

A third-party independent verification, based on ISO14064-3 was completed for AIB Group-level emissions and our verification statements are publicly available at www.aib.ie/sustainability. A copy of our historical GHG verification statements is available in our annual Carbon Disclosure Project submissions, which can be found at www.CDP.net.

Our CO_2 Emissions (1 January to 31 December)[1]	**2024**	**2023**	**2022**
Location-based carbon emissions			
Total tCO_2e[2]	**TBC[3]**	**1,276[4]**	**1,244**
Total Scope 1	183	207	186
Total Scope 2	279	267	420
Total Scope 3	see note 3	803	639
Market-based carbon emissions			
Total tCO_2e[2]	**193**	**150**	**—**
Total Scope 2	193	150	—
Intensity Ratio[5]			
Total Full Time Employees ('FTE')	700	681	672
Total CO_2e per FTE (location-based)	see note 3	1.87	1.85
Scope 1&2 per FTE (location-based)	0.66	0.70	0.90
Energy Consumption (kWh)[6]	**2,202,874**	**2,276,878**	**2,727,004**

Notes:

[1] *The carbon reporting year for our GHG emissions is 1 January to 31 December. Our carbon reporting is aligned with our financial reporting. Our Scope 1 & 2 emissions for 2024 are 462 tCO_2e. Scope 3 emissions are reported one year in arrears.*

[2] *A GHG source is any physical unit or process that releases GHG into the atmosphere:*

a. *Direct (Scope 1) GHG emissions are from sources that are owned or controlled by AIB. AIB UK Direct (Scope 1) emissions include combustion fuels of stationary sources and fugitive emissions. Since 2021, AIB UK has no mobile combustion emissions.*

b. *Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. AIB UK Scope 2 emissions include the consumption of purchased electricity and heat.*

c. *Scope 3 covers indirect AIB UK emissions from the following categories: Purchased goods and services, Capital goods, Waste generated in operations, Business Travel, Employee commuting, Downstream leased assets and Fuel-and-energy-related activities. Investment emissions are not available at country level. This data is reported at AIB Group-level.*

d. *Out of Scope (biogenic emissions): CO_2 Emissions from the combustion or biodegradation of biomass. None identified for the reported years.*

[3] *2024 AIB UK total CO_2 emissions are not yet available as Scope 3 emissions are reported one year in arrears. We will update this figure in future reporting.*

[4] *2023 GHG figures have been updated as per last re-statement, issued in 2024. This exercise was completed in accordance with the GHG Protocol guidance and allowed the incorporation of 12 months of actual data.*

[5] *Intensity ratio calculations have been calculated using Full Time Employee ('FTE') equivalent figures for the UK.*

[6] *Energy consumption data is captured through utility billing; meter reads or estimates. It includes energy from electricity and heat consumption, gas combustion, heating fuel combustion and transport. 2023 energy figures have been updated to allow the incorporation of 12 months of actual data. Note that 2024 Energy consumption excludes fuel use in personal/hire cars for business use. We will re-state this figure when this data is available to us.*

Climate-related financial disclosures

We recognise that climate change risk continues to evolve rapidly and we are committed to effectively managing our exposure to climate risk. In line with PRA SS3/19 requirements, climate-related financial risks are integrated through our existing risk management frameworks. The below disclosure is in line with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. AIB Group's disclosure against the Taskforce on Climate-related Financial Disclosures ('TCFD') recommendations can be found in the AIB Group plc Annual Financial Report at www.aib.ie/investorrelations.

Governance

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

Roles and responsibilities of the AIB Group Board, AIB UK Board and their relevant sub-committees in managing financial risks from climate change have been clearly articulated and refined following the introduction of a new Climate and Environment Risk Policy in July 2024. This follows C&E risk being identified and approved as a material risk to AIB UK by the AIB UK Board in February 2024.

The C&E Risk Policy sets out how the AIB Group, including AIB UK, defines, manages, mitigates and measures C&E risk and details the roles and responsibilities with regard to the identification and assessment, management, monitoring, reporting and oversight of C&E risk. How we define C&E risk is set out in the risk management report from page 23 onwards.

As a material risk to the Bank, relevant updates on C&E risk is incorporated into the Chief Risk Officer ('CRO') report on a regular basis. This reports on performance against our risk appetite and other key developments around the risk.

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

Key Performance Indicators ('KPIs') to monitor C&E risk cover material C&E risk drivers aligned to AIB Group's C&E materiality assessment. Our materiality assessment leads us to focus our efforts on managing C&E risks with particular regard to Credit and Operational risks. These are reported and monitored via the Climate Dashboard and ExCo Scorecards. The KPIs are cascaded to business lines and subsidiaries as appropriate. AIB Group actively monitors the progress of achieving the Board-approved sustainability targets via the Climate Dashboard. The metrics contained in the dashboard are reported in the UK CRO report and onwards to the Group Sustainability Committee ('GSC') and the Sustainable Business Advisory Committee ('SBAC').

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

- The AIB UK Board Chair is an attendee of the AIB Group's Board Risk Committee.
- The Chair of the AIB Group's Sustainable Business Advisory Board Committee, Helen Normoyle, is also a member of the AIB UK Board.
- The AIB UK Managing Director ('MD') is a member of the Executive Committee and the Group Risk Committee.
- The AIB UK Head of Strategy, Sustainability and Stakeholder Management is a member of the GSC.

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

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

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

Senior Manager Regime ('SMR') accountability and First Line of Defence ('1LOD') ownership lies with the UK Head of Strategy, Sustainability and Stakeholder Management. The UK Head of Sustainability embeds AIB Group's sustainability deliverables across the UK organisation.

Risk management

(b) a description of how the company identifies, assesses and manages climate-related risks and opportunities,
(c) a description of how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management process,
(d) a description of (i) the climate-related risks and opportunities arising in connection with the company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed.

AIB Group has identified material impacts, risks and opportunities relation to C&E activity and to assess how they interact with the business model. This is detailed in the Our Material Sustainability Matters section of the AIB Group plc Annual Financial Report for 2024.

The identification and management of climate-related physical and transition risks, as well as details of stress testing are also detailed in the Risk Management section of the same report. The information applies to AIB UK but details on how AIB UK manages C&E risk within its direct operations can be found on page 30.

In 2024, significant work was completed in AIB UK, leveraging support from AIB Group to develop a target operating model for managing C&E risks. This was in response to the pervasiveness of C&E risk drivers across the other material risks, societal expectations, regulatory developments and associated reputational risk.

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

AIB Group undertakes regular processes for the identification and assessment of C&E impacts, risks and opportunities. These include: Material Risk Assessment ('MRA'), Risk and Control Assessments Transmission Channel Analysis, Business Environment Scans, 'House Views' on key sectors, Heatmaps, C&E stress testing and regulatory horizon-scanning. The time periods to which such risks and opportunities are assessed are; short (<3 years), medium (>3 – 10 years); and long-term (10+ years).

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

Information relating to how climate-related risks and opportunities are monitored and reported through AIB Group-level internal governance pathways is further detailed in the Governance section of this disclosure.

The principal climate-related risks and opportunities arising in connection with both AIB Group's and AIB UK's operations are physical risk; transition risk; and liability risk. They are defined in our C&E Risk Policy as:

Physical risk: refers to the potential negative financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore categorised as acute when it arises from extreme events, such as droughts, floods and storms, and chronic when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption in supply chains.

Transition risk: refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of C&E policies, technological progress or changes in market sentiment and preferences.

Liability risk: physical and transition risks as well as ESG regulatory breaches (both domestic and at EU-level) can trigger losses, stemming directly or indirectly from legal claims or regulatory enforcement action commonly referred to as liability risk. The impact on AIB Group could be seen in a number of ways related and not limited to: the financing of environmentally controversial activities; misclassification of products/ services/policies as green; non-compliance or insufficient compliance with regulations.

The impact of C&E risk is incorporated in AIB Group-wide Stress Testing Framework by conducting a comprehensive scenario analysis to evaluate the potential impact of various climate-related events on AIB Group's portfolios, operations and overall financial position. Scenario testing enables the assessment of the interconnectedness of risks, considering not only direct physical risks but transition risks arising from shifts in market dynamics, investor sentiment and regulatory landscapes.

The climate stress testing approach and associated models consider the impact of physical and transition risks across a range of scenarios on AIB Group's credit exposures. The initial scope of climate stress testing activities and climate modelling across AIB Group is primarily focused on the credit risk implications for the loan portfolio via both transition and physical risk. This is where the most material impact of climate stresses impacts the business with the approach covering all customer loans and advances on the balance sheet. As such, aside from the indirect macro impact stemming from the climate scenarios (e.g. interest rate trajectories) direct transmission channels (via other material risks) or direct upstream impacts (e.g. via our suppliers) are excluded from the stress scenarios.

Science-based scenarios developed by the Intergovernmental Panel on Climate Change are used in our stress testing and are as such; RCP 2.6, 4.5, 6.0 and 8.5 at 5-year intervals out to 2100, mapping to both Disorderly and Hot House World scenarios. In this way, modelling is used to quantify risk under a range of climate scenarios including high-emissions scenarios for horizons out to 2055.

AIB Group as well as AIB UK is exposed to risk through the potential negative impact on the creditworthiness of its customers associated with the uncertainties and challenges associated with a transition to a more sustainable low carbon economy.

The potential impact is quantified using transition risk models centred on carbon emissions charges. Following the development of two new transition risk models, one for retail and one for non-retail, these models were implemented and rolled out in 2024. These models represent a significant step forward in terms of balance sheet coverage, credit exposures with similar risks, data sources and macroeconomic scenarios relative to previous approaches. Refinement and further testing of the assumptions and data underlying these models was ongoing throughout 2024.

Stress tests applied to AIB Group’s balance sheet, which includes the AIB UK portfolio, were included in AIB Group’s Internal Capital Adequacy Assessment Process ('ICAAP') which provided assurance that the Parent Group had adequate capital to withstand these risks. The 2024 UK ICAAP will include a carve out of the results for the UK entity.

Information relating to how climate-related risks and opportunities are monitored and reported through internal governance pathways is detailed in the Governance section of this disclosure.

Strategy

(e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;
(f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.

AIB UK is one year into a three-year strategy cycle which focuses on putting customers first, greening the business and operational efficiency and resilience. Assessing the impacts and opportunities related to climate risk is of significant importance to our strategy as we prioritise mobilising capital to support climate action, be a catalyst for positive change and continue to build on our sustainability leadership.

The purpose of the C&E Risk Policy is to ensure that C&E risks are managed in line with our overall purpose; empowering people to build a sustainable future, and five key strategic pillars, as well as our risk strategy and risk appetite. The 3-year strategy and financial plans integrate consideration of C&E risks and 2LOD review and challenge of the plans is presented and discussed with AIB Group and UK Boards as part of the approval process.

For further information on the impact of the risks and opportunities on AIB Group's business strategy and model, refer to the TCFD Disclosure in the 2024 AIB Group plc Annual Financial Report. As AIB Group advances its expertise in C&E risk stress testing, AIB UK will continue to evolve the methodologies and frameworks used to assess the impact of climate-related risks on its business model and strategy.

Metrics and Targets

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

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

The AIB Sustainable Lending Framework is a classification and measurement tool for new lending. It sets out criteria to provide transparency on the types of activities we would consider to be green, transition or social. The framework also aligns with our regulatory obligations to understand the impact of our lending on both the climate and society. Refer to the Sustainability section of this document from page 13 onwards to read about our performance against some of these metrics. The 2024-2026 financial plan includes clear green new lending targets.

AIB Group sets out its performance metrics for the coming 12 months and monitors its performance against those metrics on a quarterly basis via the Climate Dashboard to GSC and SBAC and via the Group Balanced Scorecards to the Executive Committee.

AIB UK reports against metrics including:

- New Green Lending (GBP/£m v target)
- New Green Lending (% of total new lending v target)
- New lending to UK Residential mortgages for Energy Efficient Homes (% v target)
- New lending to UK CRE for Energy Efficient Buildings (% v target)
- Exposure to counterparties with >500 FTE covered by SBTs (% v target)
- New lending to sectors with higher transition risk (%)

AIB UK's climate risk appetite was defined for 2024 via seven qualitative statements and two risk metrics, namely;

- Residential Mortgages EPC rated A or B (% of new lending)
- Commercial Real Estate EPC rated A or B (% of new lending)

The suite of metrics for 2025 has been extended.

Risk metrics are reported quarterly to the CRO. The escalation process is commenced in the event of a breach of either the watch trigger or limit for any of the metrics. This ensures escalation within an approved timeframe, when appropriate.

Non-financial and sustainability information statement

In AIB UK, policies and codes are in place to enable us to empower people to build a sustainable future and operate in line with our strategic priorities; Customer first; Greening the business; and Operational efficiency and resilience.

In accordance with sections 414CA and 414CB of the Companies Act 2006, the table below sets out key policies related to non-financial and sustainability information, as well as a description of them and how their effectiveness is monitored. All policies listed below are AIB Group-level policies, wholly applicable to AIB UK.

Our non-financial and sustainability key performance indicators can be found in our Sustainability section from page 13. Information related to our business model can be found in the Our strategy section on page 12.

C&E risks are a principal risk across AIB Group. For more details on C&E risk see our Sustainability section from page 13 and our Risk management report from page 23.

Environmental matters

Policies and frameworks which govern our approach	Description of policy/framework	Relevant information to help understand impact and outcomes
Environmental policy[1] **Energy policy**[1]	Our Environmental policy aims to support us to meet our current needs without compromising the ability of future generations to meet their own needs. Our Energy policy outlines how we conduct our business and operations as energy efficiently as possible, striving to achieve continual improvement in our energy performance.	• Sustainability strategy (page 13) • Carbon emissions (page 15) • Governance and responsible business (page 16) • Climate-related financial disclosures (page 16 onwards) • AIB Group plc Annual Financial Report[3]
Sustainable Lending Framework[1]	Our Sustainable Lending Framework provides transparency on the criteria that we employ in classifying and reporting on green, transition and social lending.	• Green new lending performance (page 2) • Green lending (page 12) • Climate-related financial disclosures (page 16 onwards) • AIB Group plc Annual Financial Report[3]
Climate and Environment risk policy[2]	The C&E risk policy sets out how AIB Group defines, manages, mitigates and measures C&E risk and details the roles and responsibilities for identifying, assessing, managing, monitoring, reporting and overseeing of C&E risk.	• Risk management report (page 23 onwards) • Climate-related financial disclosure (page 16 onwards) • AIB Group plc Annual Financial Report[3]
Key material risks	C&E risk; Strategic Business Model risk; Operational risk; and Credit risk	

Employee matters

Policies and frameworks which govern our approach	Description of policy/framework	Relevant information to help understand impact and outcomes
Speak Up policy[1]	Sets out how key stakeholders such as colleagues, contractors and suppliers can safely and confidentially raise a concern. Anonymised reports are reviewed by the AIB plc Board Audit Committee at least once a year, as well as the UK Board Audit Committee There is a designated Non-Executive Director on the UK Board who is informed of all Speak Up matters.	• Our employees (page 21) • Leadership and oversight (page 32) • UK Board Audit Committee (page 35) • Code of Conduct (page 41)
Health and Safety policy[1]	This policy sets out the practical steps we must take to ensure the safety of our employees, customers, contractors, visitors and our workplaces, and defines and communicates the roles and responsibilities for health and safety.	• Suppliers (page 42) • Health and Safety Report[1] • AIB Group plc Annual Financial Report[3]
Code of Conduct[1]	Our Code of Conduct sets out how we are expected to behave in a manner consistent with our values and asks us, individually and collectively, to 'Do the Right Thing'. It applies to anyone working in AIB Group. Colleague training undertaken on the code and any breaches are reported annually to the UK Board Audit Committee.	• Conflicts of interest (page 33) • UK Board Audit Committee (page 35) • Code of Conduct (page 41) • AIB Group plc Annual Financial Report[3]
Inclusion and Diversity Code[1]	The I&D Code recognises that we should respect, develop and harness the uniqueness of our colleagues as well as embracing and celebrating our differences, in order to promote equal treatment and opportunities for all. Our I&D Council oversees the governance of I&D activity aligned to our strategy.	• Gender balance performance (page 2) • I&D strategy (page 14) • Board Diversity Policy (page 33 and 37) • AIB Group plc Annual Financial Report[3]
Key material risks	Conduct and Culture risk and Operational risk	

[1] *These documents are publicly available at www.aib.ie/sustainability under 'Related codes and policies'.*
[2] *These documents have not been published externally.*
[3] *See the AIB Group plc Annual Financial Report at www.aib.ie/investorrelations.*

Social matters

Policies and frameworks which govern our approach	Description of policy/framework	Relevant information to help understand impact and outcomes
Responsible Supplier Code	Sets out our expectations of suppliers and the minimum standards they must meet on human rights, health and safety, supply chain, I&D and responsible and sustainable business. We will only do business with suppliers that adhere to our code. Our suppliers must adhere to all legal obligations in each jurisdiction in which they operate or provide services, as well as any specific requirements in our own policies.	• Suppliers (page 42) • https://aib.ie/suppliers/responsible-supplier-code • AIB Group plc Annual Financial Report[3]
Conduct Risk policy[2]	Sets out our approach for effective identification and management of our conduct risks and includes our approach to vulnerable customers.	• Conduct risk (page 41) • AIB Group plc Annual Financial Report[3]
Credit Risk Framework[2]	An overarching AIB Group-wide credit risk document that sits within the Risk Management Framework of AIB Group and sets out the principles and governance arrangements for the identification, assessment, measurement, management, monitoring and reporting of credit risk within AIB Group and defines Credit Risk Culture. This Framework is supported by the Group Credit Risk Policy and by a suite of individual Credit Risk Management and Credit Risk lending policies that may be relevant to social sustainability.	• Green lending (page 12) • Climate-related financial disclosure (page 16 onwards) • Board Risk Committee (page 36)
Key material risks	C&E risk; Credit risk; and Conduct and Culture risk	

Respect for Human Rights

Policies and frameworks which govern our approach	Description of policy/framework	Relevant information to help understand impact and outcomes
Modern Slavery and Human Trafficking Statement 2024[4]	Demonstrates our commitment to the protection of human rights in our direct operations and our supply chains through measures outlined in our Human Rights Commitment[1]. This statement is updated annually in line with the Modern Slavery Act 2015 legislation.	• Societal and workforce progress (page 14) • Board approval of Modern Slavery Statement (page 14) • Human Rights Commitment[1]
Key material risks	Regulatory and Compliance risk; Operational risk; and Conduct and Culture risk	

Anti-corruption and anti-bribery matters

Policies and frameworks which govern our approach	Description of policy/framework	Relevant information to help understand impact and outcomes
Financial Crime policy[2]	Sets out approach to effective risk management of financial crime, including: (i) anti-bribery and corruption; (ii) anti-money laundering and countering the financing of terrorism; (iii) financial sanctions; and (iv) fraud. The Policy complies with all legal and regulatory requirements. The Board Risk Committee receive periodic and incident reporting from the Head of Financial Crime UK.	• Board Audit Committee (page 35) • Board Risk Committee (page 36) • Financial crime prevention (page 41)
Conflicts of Interests Statement[1]	Sets out the practices and standards designed to avoid conflicts of interest arising and to manage these where they are unavoidable. Effectiveness is monitored through the Three Lines of Defence model.	• Conflicts of interest (page 33)
Key material risks	Regulatory and Compliance risk; Operational risk; and Conduct and Culture risk	

[1] *These documents are publicly available at www.aib.ie/sustainability under 'Related codes and policies'.*
[2] *These documents have not been published externally.*
[3] *See the AIB Group plc Annual Financial Report at www.aib.ie/investorrelations.*
[4] *See the AIB Group Modern Slavery Act Statement at www.aib.ie/group/modern-slavery-statement.*

Section 172(1) statement

In their discussions and decisions during 2024, the Directors have acted in the way that they consider is in good faith, and would most likely promote the success of the Company for the benefit of its members as a whole, having regard to stakeholders and the matters set out in sub-sections 172(1) (a)–(f) of the 2006 UK Companies Act ('the 2006 Act').

A balance of stakeholder interests is deemed to be critical to any decision taken by the Board. The relevance of each of the stakeholders defined in Section 172 to the decision-making process, and the method of engagement, may vary depending on the deliberations being undertaken by the Board.

The Board considers the matters set out in Section 172 of the 2006 Act in its discussions and decision-making, including:

- The likely consequence of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with its suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.

Our stakeholders

Stakeholder	How we engaged and considered
Customers	• Delivered additional protections to support our vulnerable customers, including launches of a credit card block, caution flags, an assisted gambling block, centralised bereavement process, SignLive and large print braille. • Extended opening hours in all of our branches. • Hosted several customer and Key Business Influencer events, including Sustainability conferences in both London and Belfast along with the launch of the 'Successful Sustainability' series with the Northern Ireland Chamber of Commerce and Industry. • Direct customer engagement and input sought and provided as part of our digital transformation journey. • Launched a dedicated ‘Lets Talk Customer Week’ and Customer Experience Portal. • Launched a NI customer newsletter. • Reviewed, reported and acted on several key customer metrics.
Employees	• The Board, through Sally Clark and another rotating Non-Executive Director, has hosted several Board and colleague engagement and collaboration sessions across career levels, career families and geographical locations. • Roll out of healthcare benefits to all staff and the consideration of introducing a Save As You Earn Scheme. • Welcomed colleagues to our new London Head Office at 70 St. Mary Axe. • Regular all staff updates via MD calls and townhalls. • Promotion of 'Women’s + Network' and 'Pride + Network'. • Employee Value Awards and ongoing monitoring of culture, employee engagement, I&D, talent development and wellbeing through our AIB Engage surveys.
Regulators	• Our Regulators include the PRA and the FCA. Strong engagement with both ensures that we are well positioned to meet our regulatory requirements and expectations. • The FCA visited our Belfast Head Office, 92 Ann St and met with several of our Senior Management Team in a positive engagement. • PRA representatives met with the Board and presented their annual Periodic Summary Meeting letter. The Board positively engaged with the PRA and discussed progress that had been made by the Bank in relation to previous feedback and wider macro-economic conditions and concerns. • The Board Chair and Chairs’ of the Board Audit Committee and Board Risk Committees have open and regular dialogue with our Regulators though continuous assessment and proactive engagement meetings.
Shareholder	• Attendance at the all-Director meeting in Dublin in June 2024. • Board Chair and MD attended the AIB Group Strategy off-site. • Engagement of Committee Chair's with their AIB Group counterparts through attendance at meetings and informal events. • Standing updates at all Board meetings from the AIB Group nominated Directors, Helen Normoyle and Geraldine Casey. • AIB Group CRO is a standing attendee at the Board Risk Committee.
Society and Community	• Headline sponsors of Women in Business – All-Island Female Entrepreneurs Conference. • Sponsors of British Irish Chamber of Commerce Conference. • Community Banker Retail Advisor deployed to Kilkeel, Co. Down, Banking Hub. • Hosting of Sustainability conferences in both London and Belfast. • Supporting local charities through the AIB €1 Million Community Fund; providing match funding for employee charitable fundraising; and colleague volunteering. • Proud sponsors of the GOAL Mile

Our decisions

Decision	What happened
Climate Capital	As part of AIB Group's 2024-2026 strategy, a new standalone Climate Capital segment was established to be a leader in financing energy transition and ESG infrastructure in key markets. A key enabler of scaling Climate Capital in a controlled manner was the legal and commercial transfer of a UK green energy and infrastructure asset portfolio. Customer impact assessments were undertaken which in-turn informed a comprehensive communications plan with management of any conduct risks at the forefront of decision making. There was extensive regulatory engagement as part of agreeing the operating model for the Climate Capital segment within the UK market. Impacted colleagues were engaged and transferred to the Climate Capital segment maintaining existing terms and benefits as per Transfer of Undertakings Protection of Employment regulations. The launch of AIB plc's Climate Capital segment emphasises AIB Group's commitment to its sustainability strategy and is a key aspect of AIB Group's aspiration to become the market leader in the structuring and financing of green infrastructure projects and renewable technology. Our leadership role assists with wider societal ambitions to transition to low carbon economies and, therefore, make a meaningful contribution to the sustainability of the communities we support as well as providing wider intangible reputational benefits to AIB Group through the consistent positive messages delivered to clients and prospects around our initiatives and expertise in the climate financing sector.
Dividend	In February 2024 the Board considered and approved the next phase of the capital journey, which was to establish a normalised process for the payment of dividends and their quantum. The Board approved a dividend payment of £106,696,274 from its full year 2023 profits. In deciding to do so consideration was given to our regulators and those of AIB plc, ensuring that capital adequacy was assessed against regulatory and internal capital requirements. A consultation process was completed with the Irish Department of Finance, as per the Relationship Framework. Aligned to the dividend policy that the Board approved was the aim to create a sustainable long-term value for our shareholder, demonstrate confidence in sustainable business performance and the associated impacts of improved reputation in the market.
Consumer Duty Annual Report	It was recognised throughout 2024 that Consumer Duty was a journey that we continue to travel. Consumer Duty implementation called for considerable oversight of the approach undertaken, and progress made, in respect to the customer journey and aligning to the principles of Consumer Duty, to ensure that the needs of our customers are considered, potential areas of harm or bias are addressed, and particular attention be given to supporting those customers with vulnerability or special characteristics. Through embedding Consumer Duty, we have made significant investment to enhance the customer experience, ensuring innovation and service excellence were key priorities for everyone. Our unwavering dedication to putting customers first will continue to guide our decisions as we look to the future.

This Strategic report was approved by the Board and was signed on its behalf by:

Hilary Gormley
Managing Director

3 March 2025

Risk management report

Risk management approach

Risk is inherent in the provision of financial services and AIB UK assumes a variety of risks in undertaking its business activities. A risk is defined as the possibility of an event occurring that could have an impact on the achievement of a business or process objective, for example, damage the core earnings capacity of the Bank; increase cash flow volatility; reduce capital resources; threaten business reputation or viability; result in a breach of regulatory or legal obligations; or give rise to poor customer outcomes. Consequently, effective risk management is key to achieving the Bank's strategic objectives, sustainable growth and protecting customers, with Risk and capital one of the five strategic pillars of AIB UK.

The Board has ultimate responsibility for setting the strategy, risk appetite and Risk Management framework. AIB UK has implemented AIB Group's Risk Management Framework ('RMF'), which supports the Bank's business activities and delivery of strategies by setting out how risks are managed and mitigated. It outlines the identification, monitoring and escalation of risk issues and provides clarity on the risk governance structure to ensure accountability for each material risk facing the Bank. The material risks and emerging risks affecting the Bank, as identified through the MRA process, are set out from page 26 onwards.

Risk performance is measured against the Bank's risk appetite, which is approved by the Board at least annually. Risks to future performance are assessed by conducting forward looking stress tests and scenario analysis, the results of which are considered by senior management and the Board.

Risk management principles of AIB UK	
Strategy	
1	The Board has ultimate responsibility for the governance of all risk taking activity in the Bank.
2	The Bank has adopted a Three Lines of Defence model and risks are managed in alignment with the model.
Identification and assessment	
3	The Bank identifies, assesses, and reports all its material risks through the Material Risk Assessment process.
4	Risk management is embedded in the strategic planning, performance management and strategic decision making processes of the Bank.
5	The Bank develops and uses models across a range of risks and activities to inform key strategic business and financial decisions.
6	The Bank accepts that certain additional and measured risks may be taken across the short to medium term to support ESG initiatives for the benefit of all its stakeholders over the long term.
Monitoring, escalating and reporting	
7	The Bank operates and manages its risks in line with the Risk Appetite Statement.
8	The Bank understands, manages, measures, monitors, and reports all risks it takes or originates.
9	The Bank aims to provide clarity in all its communications which will help to better inform business decisions.
Risk culture	
10	The Bank supports the delivery of a strong risk culture.
11	Risk management capabilities are valued, encouraged and developed.
Control environment	
12	The Bank has a system of internal controls designed to mitigate rather than eliminate risk.
13	A comprehensive, fit-for-purpose framework and policy architecture is in place to support risk management and is reviewed regularly.

The above principles are detailed further throughout the following report.

Risk strategy - Governance

Risk governance is integral for effective risk management across the Bank and the structure is designed to facilitate the reporting, evaluation and escalation of risk concerns upwards to the Board, which has ultimate responsibility for the governance of all risk taking activity in AIB UK. The Board has delegated a number of risk governance responsibilities to various sub-committees. The activities of the Board and Board sub-committees are included in the Corporate Governance Report from page 32. An overview of executive governance in AIB UK is summarised below.

Executive Committee	Responsibility
UK Senior Management Team ('UK SMT')	Has primary authority and responsibility for the day-to-day operations of, and the development of strategy for the Bank with core areas of oversight including, Strategy and business development; Performance and operations; Business structure and risk management; Talent and culture, and Stakeholder management.
Committees with delegated authority from UK Senior Management Team	
UK Risk Committee	Manages the governance of all risks in the Bank, ensuring they are properly identified, assessed, managed, monitored, escalated, and reported in accordance with the Risk Management Framework. It also ensures plans to manage or mitigate risks are approved within agreed risk appetite. UK Credit Committee is a sub-committee of the AIB plc Credit Committee and has a reporting line into UKRC. It is responsible for exercising approval authority for exposure limits to customers in line with the Board approved policies.
ECL Committee	Reviews, challenges and approves UK ECL provision stock and material changes in customer specific provisions.
UK Asset and Liability Management Committee ('UK ALCo')	Reviews and manages funding and capital implications to the balance sheet, monitors asset and liability management against approved risk appetite limits and oversees funding, liquidity, capital and market risks in line with relevant framework and policies.

AIB UK operates a 'Three Lines of Defence' ('3LOD') model in the delineation of accountabilities for risk management activities, with the AIB UK Board ultimately responsible for ensuring the effective operation of the 3LOD model, supported by the Executive Committees.

Three Lines of Defence	
First Line of Defence ('1LOD')	Revenue generating and client facing areas, along with all support functions comprise the 1LOD. • Risk ownership responsibilities. • Identifies, records, reports and manages the risks. • Ensures that the right controls and assessments are in place to mitigate the risks.
Second Line of Defence ('2LOD')	Risk and compliance are the 2LOD. • Sets the frameworks and policies for managing specific risk areas. • Provides advice and guidance in relation to the risk. • Provides independent oversight and reporting on the Bank's risk profile. • Provides challenge to the effectiveness of the risk management and control processes.
Third Line of Defence ('3LOD')	Group Internal Audit, independent of 1LOD and 2LOD, reporting to the Board Audit Committee forms the 3LOD. • Provides independent and objective assurance on the adequacy of the design and operational effectiveness of the risk management and control environment.

Risk identification and assessment

Risks are identified and assessed within AIB UK on an ongoing basis, with consideration to the key objectives of the Bank and business areas. The risks identified are subject to assessment to determine if the risk has the potential to materially impact on AIB UK's stakeholders, profitability, capital, viability and reputation, and the effectiveness of the risk management practices.

AIB UK undertakes a top-down MRA process at least annually, and more frequently in times of rapid change in the internal or external environment. The MRA identifies and assesses the risks to which the Bank is exposed in the context of achieving the approved business strategy, to ensure that threats are being appropriately managed, and that the relevant risks are considered for capital and liquidity purposes. As well as identifying material risks, the MRA is a key input into:

- Setting the RAS, informing decisions around risk-taking in pursuit of the Bank's business objectives;
- The Financial Plan, in understanding the key risks to achieving the Bank's strategic and financial objectives;
- The Risk Management framework and policy architecture, for managing and mitigating the material risks;
- Risk reporting, in setting the structure for the committee and Board reporting;
- Stress testing and scenario analysis activities, including:
  - The ICAAP and Internal Liquidity Adequacy Assessment Process ('ILAAP') in determining how much capital and liquidity AIB UK should hold commensurate with its risk profile.

- Recovery and Resolution planning to ensure there are plans in place to overcome severe financial distress and ensure the continuity of services.

Additional regular and ongoing assessments of bottom-up risks and controls are also undertaken, and in particular in response to a material change in the organisation, to processes, to the internal or external environment, or to events that have occurred. This ensures that all risks are identified, evaluated, and controlled in a consistent manner and determines the effectiveness of the risk management practices.

For some risks, such as regulatory and compliance risk and operational risk, the bottom-up risk assessment takes the form of an operational process Risk and Control Assessment. Other risks, such as credit and market risk, lend themselves to more quantitative risk measurement methodologies or periodic, thematic risk assessments. The frequency and nature of the assessments vary depending on the nature and type of risk.

Risk monitoring, escalation and reporting

The Board sets the risk appetite for the Bank, as informed by the MRA. Risk appetite is the nature and extent of risk that the Bank is willing to take, accept or tolerate in pursuit of its business objectives and strategy.

AIB UK's RAS is an articulation of the tolerance of risk and is expressed through qualitative statements about the nature and type of risk the Bank is willing to accept, and quantitative limits and thresholds that define the range of acceptable risk across all of the Bank's material risks. The RAS seeks to encourage appropriate risk-taking by setting direction and boundaries to ensure the risks taken are consistent with the business strategy.

These are cascaded through the business in frameworks, policies, authorities, sector guidelines and limits. This is a key mechanism to support the embedding of a strong risk culture and to fostering responsible risk-taking and risk management behaviours throughout the organisation. Performance against risk appetite is reported to the Board on a monthly basis via the CRO Report, with escalation mechanisms in place as appropriate.

Risk culture

Risk culture is an integral part of the Bank's overall culture and is vital for the Bank to achieve its strategic objectives. The risk culture defines how risk is managed and owned throughout the Bank. It is the values, behaviours, beliefs, knowledge, attitudes, awareness and understanding of, and towards risk shared by individuals. It sets the foundation for how the Bank manages risk in a consistent and coherent manner.

An effective bank RAS is highly dependent on risk culture. Risk culture is one of the key elements of AIB Group's Risk Management Framework, adopted in the Bank. It is through the risk framework and policy documents that an awareness of risk and control is set and cascaded throughout the Bank including a culture risk and conduct risk framework which emphasises the criticality of ensuring fair customer outcomes.

The Bank's promotion of risk learning through recommended risk training and education supports the embedding of risk culture. These ongoing activities are supported by an annual AIB Group-wide risk awareness week to reinforce key risk themes, in which AIB UK is fully engaged.

Material risks

Strategic business model risk

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

Key developments in 2024

2024 was the beginning of a new three-year strategy that entailed material changes to the UK business. The Bank's activities supported AIB Group's new 2024-2026 strategy, including establishing AIB Group-wide Climate Capital segment. This saw the Bank undertake a significant transfer of an asset portfolio of £1.4b to AIB Group, to continue to strengthen its focus on ESG, whilst also pursuing growth in other diversified corporate sectors to re-grow the balance sheet.

The Bank has also focused efforts on implementing the Consumer Duty regulation, which has significantly expanded the Bank's emphasis on good customer outcomes.

Macroeconomic developments in 2024 saw the Bank of England begin to reduce interest rates, albeit less than expected by markets, and therefore the Bank continued to benefit from higher interest rates and profitability. The ongoing geopolitical tensions driving macroeconomic uncertainty and inflationary pressures are expected to remain in 2025, influencing monetary policy, supply chains and affordability. These will continue to be closely monitored to understand their impacts and opportunities on the Bank's strategy.

Mitigation

- Strategic planning is supported by an integrated, risk-focused approach to financial planning. The overarching AIB Group Business Model Risk Framework, as adopted in the UK, and supporting policies set out the principles and rules for managing this risk.
- Annual review of the Bank's Strategy is conducted by the Executive and the Board.
- The Executive and the Board closely monitor the Bank's financial performance and progress against strategic objectives.
- The RAS was recalibrated across all relevant material risks, as a result of the Climate Capital transaction.
- Sustainability is one of AIB Group and AIB UK's five strategic pillars, and Greening the business is one of the priorities of the current strategic cycle. AIB UK is represented across all AIB Group transformation and strategic programme workstreams, aligned to the overall AIB Group pledge to achieve carbon neutrality across all operations by 2030, using a net zero approach. This ensures that the UK is properly considered in all decisions and that programme deliverables are embedded in the UK.

Capital adequacy risk

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

Key developments in 2024

The Bank maintained a strong capital position throughout 2024 with substantial buffers to regulatory requirements and internal risk appetite limits. The capital position was further strengthened by the portfolio transferred to the Climate Capital segment.

Various stress testing activities in 2024 demonstrated the robustness of the capital position including the annual ICAAP and the quarterly capital assessments. RAS metrics were reviewed during 2024 to ensure they continued to appropriately reflect both regulatory requirements and the uncertain external environment.

Mitigation

- AIB UK has adopted AIB Group's Capital Adequacy Framework and supporting policies, that sets out the key processes, governance arrangements and roles and responsibilities, which support the ICAAP.
- The UK ALCo monitors the key drivers of the capital ratios to ensure that regulatory expectations are exceeded at all times, whilst the Bank prepares the implementation of Basel 3.1 ahead of the 1 January 2027 deadline. Based on initial assessment, the impact is not expected to be significant to the Bank.
- The Bank maintains an annual Recovery Plan that sets out capital focused mitigating actions that could be taken in times of stress.

Credit risk

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

Key developments in 2024

Credit quality has remained stable and resilient despite economic headwinds with elevated interest rates, inflationary pressure and sluggish growth in the economy.

Sector appetite is regularly reviewed and, where appropriate, adjusted for those sectors most affected by current economic and geopolitical conditions.

Prudent growth aspirations exist in line with sector appetite to replace the asset portfolio sold to AIB Group, in addition to diversifying portfolio to ensure appropriate management of concentration risk.

Mitigation

- The AIB Group Credit Risk Framework and Credit Risk Policy are the overarching documents, which set out the principles of how credit risk is identified, assessed, approved, monitored and reported. These documents are supported by a suite of credit policies, standards and guidelines, which define in greater detail the minimum standards and credit risk metrics applied for those products and sectors.
- UKRC monitors the risk profile of the credit portfolio to identify trends and to provide oversight of the management of key risks within the lending portfolio. Detailed reports including sector specific and stagflation risks are considered regularly by the Executive and the Board Risk Committees.
- In relation to ESG, the Bank undertakes a questionnaire for both “Moderate” and “High” risk sectors, with results incorporated into credit applications and also maintains an exclusion list for sectors considered incongruent with the Bank’s sustainability agenda.

Funding and Liquidity risk

Liquidity Risk is the risk that the Bank will not be able to fund its assets and meet its payment obligations as they come due, without incurring unacceptable costs or losses. Funding is the means by which liquidity is generated, e.g. secured or unsecured, corporate or retail. In this respect, funding risk is the risk that liquidity cannot be obtained at an acceptable cost.

Key developments in 2024

AIB UK continues to have surplus liquidity and maintains funding levels significantly in excess of regulatory requirements. This further increased as a result of the transfer of the asset portfolio to the new AIB Group Climate Capital segment.

The Bank is not reliant on wholesale markets for funding and has a mature funding book that is primarily sourced from retail and corporate customer deposits emanating from mainland Britain and Northern Ireland.

We have seen an increase in total customer resources during 2024, up £196m. The composition of these resources between current accounts, demand and term products continues to evolve with a trend of customers moving to higher yielding products. The proportion of customer resources in term deposits (27%) is up 5% year on year with an equivalent drop in the proportion of current accounts (52%). The proportion of demand deposits has remained in line with the year end 2023 position (21%).

As at 31 December 2024, 45.6% (2023: 46.4%) of total customer deposits were insured through the Financial Services Compensation Scheme ('FSCS').

Mitigation

- The objective of liquidity management is to ensure that at all times, AIB UK holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties at an economic price.
- The ILAAP (Funding and Liquidity Risk Management) Framework and supporting Funding and Liquidity Risk policy set out the requirements for managing the risk. This includes adherence to internal limits and regulatory defined liquidity ratios including the LCR and NSFR, forward-looking liquidity stress testing and maintaining the Liquidity Contingency Plan, which sets out management actions for a liquidity stress scenario.
- Bank funding is derived from various funding channels, which improves the ability to withstand unexpected liquidity shocks.
- The UK ALCo monitors the key drivers of the liquidity ratios to ensure that regulatory expectations are exceeded at all times.
- The Bank maintains an annual Recovery Plan that sets out liquidity focused mitigating actions that could be taken in times of stress.

Market risk

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

Key developments in 2024

AIB UK does not retain material market risk on its balance sheet, although it is sensitive from an earnings perspective to large interest rate movements; and therefore Interest Rate Risk in the Banking Book ('IRRBB') is the primary market risk.

The Bank has benefited from the interest rate environment over 2022–2024 period, however, markets assume a downward rate path continuing into 2025 and 2026 which will put pressure on NIMs.

Other market risk sub-risks relevant to AIB UK, though considered non-material, include pension risk, equity investment risk and foreign exchange risk.

Mitigation

- The Market Risk framework and related policies are in place to support the management and control of this risk.
- The Bank substantially reduces exposure to IRRBB through hedging, which is conducted on AIB UK's behalf by AIB plc's Treasury function.
- On a daily basis, front office and risk functions receive a range of valuation and market risk measurement reports, while UK ALCo receives a monthly market risk commentary and summary risk profile.

Model risk

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

Key developments in 2024

AIB UK continues to build on its modelling capabilities primarily as they relate to credit risk and market risk, to support both strategic priorities and to improve the customer experience.

Model risk remains a focus and during 2024 improvements were made to core systems, data, models and the model risk management framework. A new commercial grading system was successfully implemented improving the end-to-end process and allowing legacy models to be retired. In terms of material IFRS 9 models, dynamic calibration solutions now complement conventional back testing to improve the assessment and mitigation of model bias and updates were made to address distortions associated with extreme volatility in macroeconomic conditions during COVID-19.

AIB Group has also developed stress testing models to assess the physical and the transitional impact of climate change, including on the AIB UK portfolio.

Mitigation

- There is a Model Risk Framework and supporting policies in place to drive the consistent management of this risk. They set out the key controls required across the model lifecycle, including ongoing model monitoring, and scheduled independent validation of models and their appropriate governance. In addition, model control reviews are undertaken to challenge the accuracy of the models.
- Model ownership has been strengthened within the Model Risk Management framework; the model owner roles are now embedded within AIB UK's 1LOD.
- Regular reports on model risk status are shared with the Executive and the Board Risk Committees.
- PMAs are subject to frequent review and challenge at Executive and Board committees. PMAs reduced from 33% of total ECL in 2023 to 11% in 2024.
- A new data issue management process is now embedded to address model data risk.

Operational risk

The risks arising from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk, the potential for loss arising from the uncertainty of legal proceedings and potential legal proceedings but excludes strategic and reputational risk.

Key developments in 2024

Operational risk remained stable in 2024, with in year operational losses in line with 2023.

Information and cyber security, IT, Third Party, Data and Change risk continue to be the most material operational risk areas. Progress continues with AIB Group to support a multi-year programme to replace the origination and core account systems including a new mobile app; further enhancements to third party management across oversight, control and processes, including services provided by AIB Group; the ongoing remediation programme for data quality issues and data gaps; and the embedding of the new Agile project management model to manage change programmes.

The Bank continues to consider the impact of physical and transition risks associated with climate change across Operational sub-risks, including pertaining to continuity and operational resilience, third party providers and products and propositions.

Mitigation

- The Operational Risk Management framework sets out the principles, supporting policies, roles and responsibilities, governance arrangements and processes for operational risk management across the Bank. Each sub-risk has a supporting policy in place to outline the minimum control standards and core policy rules that must be adhered to.
- Additionally, AIB UK has an ongoing systems and controls enhancement programme that continues to see improvements implemented across various areas and functions.
- With respect to the Bank's sustainability agenda, the Bank endeavours to improve the ability to understand operational considerations to both physical risks associated with climate change through operational risk capital assessment and transition risks via building our capability to measure scope 3 emissions from suppliers and developing products and propositions to support customer transition to a greener economy.

Regulatory and Compliance risk

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

Key developments in 2024

The dynamic and evolving regulatory change landscape continues to be a key feature of the management of regulatory compliance risk for the Bank. The Bank has been proactive across key areas of focus including; cost of living and increasing interest rate pressures; Consumer Duty implementation; and ESG implementation.

2024 saw the implementation of Phase 2 of the FCA's new Consumer Duty rules, requiring firms 'to act to deliver good outcomes for retail customers'.

Work also commenced to deliver the final item on the Competition and Markets Authority Open Banking road map in 2024.

AIB UK was designated by HM Treasury as an Access to Cash firm to provide cash withdrawal and deposit services in Northern Ireland.

The level and sophistication of fraud continues to increase across the banking industry and rules on mandatory reimbursement for authorised push payment fraud were introduced in October 2024 and have been implemented by AIB UK. From an anti-money laundering perspective, regulators continue to be active in their assessment of the firm's financial crime controls with regulatory fines in this area remaining high.

Mitigation

- The Bank maintains a comprehensive framework and policies setting out the principles, roles and responsibilities and governance arrangements for Regulatory and Compliance risk. These are supported by systems and controls designed to identify and prevent financial crime.
- Mandatory training is provided to all staff via annual eLearning modules to improve awareness and understanding of regulatory obligations, risk frameworks and policies.
- AIB UK conducts ongoing horizon scanning to identify changes in regulatory and legal requirements.
- Risk provides independent oversight, review support and challenge to the business to ensure regulatory change is understood and managed effectively through effective controls and governance.
- Risk conducts thematic reviews to provide independent oversight of regulatory compliance.
- Developments in the future relationship between the UK and EU continue to be monitored to respond appropriately to the changes in regulatory requirements and to any subsequent divergence in processes between AIB UK and AIB Group.
- AIB UK will continue to monitor the sanctions arena to ensure continued compliance with the regulations and provide guidance to business when required.

Conduct and culture risk

Conduct risk is the risk that inappropriate actions or inactions by the Bank cause poor and unfair customer outcomes, or negatively impact market integrity. Customer included in the definition refers to all customers, including Consumer and Wholesale Market.

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

Key developments in 2024

In 2024, the risk of poor outcomes or harm to customers or markets arising from the delivery of the Bank's products and services continued to be an area of ongoing focus. In addition, the Bank remained cognisant of the pressures on customers caused by the current cost of living pressures and a number of initiatives are in place to support customers facing financial difficulties.

Phase 2 of Consumer Duty was implemented for closed book products. Focus is now maintaining better outcomes for customers and the introduction of the Customer Experience Forum will provide a channel for staff to highlight areas of improvement to the customer experience.

Mitigation

- All key decisions that impact customers undergo a detailed conduct risk assessment before decisions are made. Each business area is responsible for identifying conduct risks and appropriate mitigating actions. The Conduct Committee is responsible for overseeing the management of conduct risks at an organisational level and the Compliance function has oversight of adherence to the Conduct Risk Framework and Policy that are in place to drive the consistent management of this risk.
- AIB UK has an established approval process in place for all new products or propositions, or to changes to the characteristics of existing offerings, which identifies and assesses potential risks, including those associated with Sustainability, to ensure they are appropriately mitigated.
- AIB UK introduced enhanced controls to enable customers to manage gambling-relating expenditure.
- Language and Interpreter service launched for NI branches.

Climate and environmental risk

Climate risk refers to the potential negative impacts due to climate change on AIB UK. This includes risks posed by direct exposure to climate change, and indirect exposure through customers and suppliers. This also includes the impacts that AIB UK and its customers and suppliers have on the climate and the impact from the climate on AIB UK and its customers and suppliers. Climate change acts as a driver of potential negative impacts on AIB UK's financial performance.

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

There are three sub-risks related to Climate and Environmental risk. These are Physical risk, Transition risk and Liability risk.

Key developments in 2024

In 2024, significant work was completed in AIB UK, leveraging support from AIB Group to develop a target operating model for managing climate and environmental risks.

This is in response to the pervasiveness of climate and environmental risk drivers across the other material risks; societal expectations, regulatory developments and associated reputational risk.

Throughout the year, training on climate risk and ESG management was delivered across the Bank. Work will continue to embed and develop the Bank's risk management approach on the assessment of climate risks impacting other risks, supported by the appropriate tools and methodologies, and AIB Group expertise.

Mitigation

- Due to the cross-cutting nature of C&E risk and its impact on other material risks, Climate and Environmental Risk frameworks and policies are supported by risk management activities documented within frameworks and policies related to those material risks.
- In addition to current monitoring within a defined risk appetite, in 2024 the Bank sought to enhance data capture and analysis to further our insight and reporting. This will continue in 2025, supplemented with top-down and bottom-up assessments, further embedding of frameworks and policies and enhancements to qualitative and quantitative assessments via heat maps and stress testing.
- AIB UK involvement in AIB Group climate stress testing programmes.

Top and emerging risks

The Bank takes a proactive approach to identifying and assessing the potential impacts of external factors, which could have a material influence on the material risks either through affecting their impact or likelihood of crystallisation. This could have a material impact on the Bank's strategy, operations and on our customers over the short, medium and long term.

Risk	How we responded in 2024
Macroeconomic risk Continued uncertainties regarding the macroeconomic outlook due to ongoing inflation, rising energy and food prices putting pressures on businesses and household finances and excessive volatility in the markets.	Volatility in the macroeconomic environment (e.g. new UK government, tax-raising budget), macroeconomic indicators performance, and implications of interest rate movements and product pricing for the Bank are continuously assessed at various governance forums, with the impact being considered across the relevant material risks.
Geopolitical risk The risk that geopolitical tensions could escalate and could negatively impact the Bank's operations or result in other financial or macroeconomic impacts.	Geopolitical risk remained a central theme in 2024, with global conflicts and a heavy electoral schedule all contributing to a high degree of economic uncertainty. We have analysed the associated market, economic and strategic impacts on the Bank through various governance forums. Geopolitical risk has been taken into account in the design and calibration of scenarios used in stress tests and the calculation of expected losses.
Competition Inability to keep pace with competition, societal / ethical expectations or customer requirements across products, pricing, demographics and services or deliver technology advancements that result in poorer product and service offerings with an adverse reputation, financial or strategic impact.	There continues to be increasing competition in the banking sector, especially retail banking with new entrants and some M&A activity in 2024. The competitive landscape and the Bank's key offerings are continuously assessed through strategic planning by the Executive and the Board and updates to various governance forums. To embed a customer-centric culture to better meet customer requirements, a customer experience forum and framework was launched across the Bank.
Cyber risk The risk of diminished operational capability of the Bank's systems. In addition, the potential for legal liability, data risk, fraud or loss of reputation with our customers due to an evolving cyber threat landscape and heightened threats associated with cyber criminals, rogue nation states and artificial intelligence ('AI').	Cybersecurity remained a top and emerging risk in 2024, reflecting the ever-evolving nature of threats and the increasing frequency, sophistication, and impact of cyber incidents globally. AIB UK continued to leverage the wider AIB Group initiatives and capabilities to mature the cyber risk management operating model. The Bank has maintained a strong focus on foundational practices to mitigate risk effectively through efforts such as strengthening workforce awareness to reduce the risk of social engineering; ensuring rapid response capabilities to address emerging vulnerabilities; deploying industry-leading enterprise data protection measures; enhancing collaboration with industry peers to improve threat intelligence sharing; and alignment to industry standards to inform the Bank's control environment.
Artificial intelligence risk The potential harm that the Bank, as well as its customers and communities, may incur due to decisions primarily based on the outputs of AI systems. These risks can arise from errors in the development, implementation, or use of AI systems.	Whilst the rapid growth of AI technologies has the potential to significantly improve efficiency there are also significant risks associated such as implementation risk, legal risk, governance risk, risk of bias/hallucinations etc. In 2024, AIB Group defined a dedicated approach to the implementation of AI through an AI strategy. These activities to ensure the appropriate management of AI risk will be cascaded in due course, which the Bank will leverage to ensure the oversight and mitigation of this risk locally.

Corporate governance report

Corporate governance arrangements and practices

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

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

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

Leadership and oversight

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

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

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

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

Deputy Chair/Senior Independent Director
Available to both the shareholder and our colleagues if they have concerns which contact through the normal channels has failed to resolve, or where such contact is deemed to be inappropriate. The responsibilities of the Senior Independent Director ('SID') include Senior Managers Regime ('SMR') accountability for both Speak Up and the external whistleblowing hotline. Graham Buckland continues to serve as the Deputy Chair/SID.

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

Executive Directors
Executive Directors have executive functions in the Company in addition to their Board duties. Their role is to propose strategies to the Board and, following Board challenge and scrutiny, to execute the agreed strategies to the highest possible standards. Hilary Gormley continues to serve as Executive Director. Janet McConkey (Gahan) resigned from the Board on 2 October 2024.

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

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

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

Effectiveness

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

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

The Board has determined that the majority of Non-Executive Directors in office on 31 December 2024 were independent. Notwithstanding each of Helen Normoyle and Geraldine Casey's designations as non-independent, per the principles of the UK Corporate Governance Code, the Board is satisfied that they both exercise independence of thought and action in fulfilling their duties.

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

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

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

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

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

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

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

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

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

Board committees

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

The composition of the committees is reviewed annually by the Nomination Committee. Each committee operates under terms of reference approved by the Board. The minutes of all meetings of Board committees are circulated to all Directors, for information and are formally noted by the Board. In carrying out their duties, committees are entitled to take independent professional advice, at the Bank's expense, where deemed necessary or desirable.

Reports from the Board Audit Committee, the Board Risk Committee, Nomination Committee and Technology Data and Resilience Committee ('TDRC') are presented on the following pages. The duties that might otherwise be taken on by a Remuneration Committee are undertaken by the Board as a whole. Attendance of committee members only is included below.

Board and committee meeting attendance	Board	Audit Committee	Risk Committee	Nomination Committee	TDRC
Number of meetings held	8	8	9	3	6
Board Chair					
William Fall*	8/8	-	-	3/3	-
Non-Executive Directors					
Graham Buckland*	8/8	-	9/9	3/3	-
Geraldine Casey	5/8	-	-	-	-
Sally Clark*	7/8	-	-	-	3/3
Joe Higgins*	8/8	8/8	-	-	6/6
Paul Horner*	8/8	8/8	9/9	-	3/3
Helen Normoyle	6/8	-	-	-	-
Anne Weatherston*	7/8	-	-	3/3	6/6
Andrew Woosey*	8/8	8/8	9/9	-	-
Executive Directors					
Hilary Gormley	7/8	-	-	-	-
Janet McConkey (Gahan)^ *(resigned 2 October 2024)*	6/7	-	-	-	-

**Independent ^Appointed/Resigned membership during the course of the year.*

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

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

A total of 8 Board meetings were held during 2024 (2023:10). The Non-Executive Directors also met on several occasions in the absence of the Executive Directors. Additionally, a Board Chair's Committee exists to act on behalf of the Board between scheduled meetings to take decisions on matters in accordance with the authority delegated to it by the Board, or as specifically set out in its Terms of Reference. The Board Chair's Committee met once during 2024.

Board Audit Committee

8 meetings during 2024 (2023:7)

Andrew Woosey *(Chair)*
Joe Higgins
Paul Horner

Responsibilities

The Committee is responsible for assisting and advising the Board in fulfilling its oversight responsibilities in relation to:

- The quality and integrity of the Company's accounting policies, financial and narrative reporting, Non-Financial Disclosures and disclosure practices;
- The effectiveness of the Company's internal controls and accounting and financial reporting systems;
- The adequacy of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and
- The independence and performance of the Internal and External auditors.

The Committee works to ensure that this purpose is fully aligned to the Company's strategy and values and considers the interests of stakeholders while operating within all applicable regulatory and statutory requirements.

The Committee has private sessions with the Head of Internal Audit and the external auditors at least annually.

The Board has determined that the members of the committee have the collective skills and relevant experience to enable the committee to discharge its responsibilities.

Activities in 2024

The following, while not intended to be exhaustive, is a summary of the key items considered, overseen, reviewed and/or approved or recommended to the Board for approval by the committee during the year:

- the Bank's annual and interim financial statements prior to approval by the Board (including the Bank's accounting policies and practices; reports on compliance and effectiveness of internal controls);
- with input from the external auditor, satisfied itself that management's estimates, judgements and disclosures were appropriate and in compliance with financial reporting standards (a detailed analysis of the significant matters is provided in the critical accounting judgements and estimates);
- the effectiveness of the system of internal controls, through regular reports from the Group Internal Audit function, the Chief Financial Officer ('CFO'), the external auditor and the Head of Financial Crime Prevention;
- the ongoing impacts of the macroeconomic environment on ECLs;
- the appointment of a new Group Head of Internal Audit;
- the Internal Audit Effectiveness Review;
- regular updates on the Internal Audit plan covering findings and actions in relation to the control environment and assessment of control culture, including tracking progress to closure. A revised internal audit plan to reflect the macroeconomic environment and areas of focus for financial and market risk management was approved the aligned assurance framework and plan was also reviewed;
- regular updates and reports from the CFO on financial performance and management;
- the operation of the Speak Up process, the Code of Conduct, and internal and external fraud reports;
- the relationship with the external auditor including terms of engagement, their independence and objectivity and considered the external audit plan (audit scope and materiality, risk assessment and audit strategy and approach);
- the scope of the external audit, the findings, conclusions and recommendations of the external auditor;
- the effectiveness and performance of the external auditor and the external audit process and concluded that it was satisfied with the external auditor's performance;
- a normalised dividend policy and collateral mobilisation;
- Basel 3.1 impact assessment; and
- developments in sustainability and ESG disclosures.

Board Risk Committee

9 meetings during 2024 (2023:7)

Paul Horner *(Chair)*
Graham Buckland
Andrew Woosey

Responsibilities

The Committee is responsible for assisting and advising the Board in fulfilling its oversight responsibilities in relation to:

- fostering sound risk governance across the Company's operations, encompassing implementation and maintenance of the Company's overall risk culture, risk management framework and its risk appetite, strategy and policies to ensure they are consistent with the strategy, regulatory requirements, corporate governance principles and industry best practice;
- discharging its responsibilities in ensuring that risks and impacts within AIB UK are appropriately identified, reported, assessed, managed and controlled to include commission, receipt and consideration of reports on key strategic and operational risk issues;
- ensuring that the Company's overall actual and future risk appetite and strategy consider all types of risks, are aligned with the business strategy, objectives, corporate culture and values of the business; and
- promoting risk awareness culture within the Company.

The Board has determined that the members of the committee have the collective skills and relevant experience to enable the committee to discharge its responsibilities.

The Committee is also responsible for making recommendations for the appointment and replacement of the CRO, in conjunction with the Nomination Committee, and confirming the CRO's independence from management.

The Committee holds private sessions with the CRO, Chief Credit Officer and the Heads of Compliance, Financial Crime Prevention, and Group Internal Audit at least annually.

Activities in 2024

The following, while not intended to be exhaustive, is a summary of the key items considered, reviewed and/or approved or recommended to the Board for approval during the year:

- the appointment of Mr. Simon Priest as Money Laundering Reporting Officer and Head of Financial Crime Prevention (30 September 2024), Mr. Priest had previously held the role since June 2023 on an interim basis.
- reports from the CRO which provided an overview of risk profile and material risks including credit, strategic business model, operational, capital adequacy, funding and liquidity, regulatory and compliance, conduct and culture, and financial risk;
- RAS and Material Risk Assessment;
- systems and controls reports which provided an update on the programme consisting of 13 risk and control management processes and projects to achieve target state maturity;
- risk frameworks and policies relating to credit, capital management, financial, market and conduct risks;
- capital, funding and liquidity policies and planning including consideration of the AIB UK ICAAP and ILAAP and related stress test scenarios;
- recovery planning, business continuity management and resilience;
- periodic reporting on model oversight, providing an overview of UK credit models and a summary of performance as well as the progress of the AIB Group enterprise programme;
- the efficacy of management oversight and control, including operational risk events and potential risks, credit risk performance and trends, material third party outsourcing and regulatory development.
- AIB UK's Modern Slavery Act statement;
- the Bank's risk management infrastructure including actions taken to strengthen its risk management governance, people skills and system capabilities;
- Money Laundering Officer's Report and Financial Crime Risk Assessment alongside related periodic and incident reporting;
- Climate and Environmental Risk Framework and the overall approach to the development of the risk and reporting as to enable the achievement of our strategic objectives; and
- reporting on the completion of critical regulatory milestones of the FCA Consumer Duty and the formation of the Annual Board Report. The latter part of 2024 has seen a sustained focus with oversight of embedding regulatory requirements into business as usual processes.

Nomination Committee

3 meetings during 2024 (2023: 4)

Graham Buckland *(Chair)*
William Fall
Anne Weatherston

Responsibilities

The Committee has oversight responsibility for:

- the composition, skills, experience, knowledge, independence, diversity and succession arrangements for the Board and for making recommendations to the Board with regard to any changes considered appropriate;
- identifying persons who, having regard to the criteria laid down by the Board, appear suitable for appointment to the Board, evaluating the suitability of such persons and making recommendations to the Board; and
- reviewing Board and Senior Management Team (Executive) succession planning.

The Board has determined that the members of the Committee have the collective skills and relevant experience to enable the Committee to discharge its responsibilities.

Activities in 2024

The following, while not intended to be exhaustive, is a summary of the key items considered, managed, overseen, reviewed and/or approved or recommended by the Committee to the Board for approval during the year:

- the appointment of Ms Jenny Sullivan as Chief Finance Officer, following the resignation of Ms Janet McConkey (Gahan);
- the appointment of Ms Georgina Silvester, as Chief Operating Officer ('COO'), following the resignation of Mr Peter Norris;
- the appointment of Ms Helen Shaughnessy, Head of Customer and Business Enablement, Mr Cathal O'Connor, Head of GB Corporate and Mr Charles Riley, Head of UK Strategy, Sustainability and Stakeholder Management, as part of the reorganisation and succession of the Senior Management Team;
- the reappointment of Ms Casey, Mr Fall, Mr Higgins and an extension to the term of Ms Normoyle ahead of the expiry of their terms of office;
- the board skills matrix and board succession plan, identifying areas of emerging challenges to inform on-going and future recruitment on a short, medium and long term basis;
- the Senior Management Team succession plan;
- the membership, size, composition and succession plans for the Board and Board committees;
- oversaw the internal board effectiveness evaluation process, reviewed the report and recommended actions to the Board to address areas identified for enhancement; and
- the Board Diversity Policy. As at 31 December 2024, female representation on the Board was 50%, exceeding the target of 40%. Additionally, both positions of MD and CFO are held by women. The Committee extended the target date for having at least one Board member from an ethnic minority background as this was not achieved by the year end 2024. The Committee and the Board remains committed to maintaining gender diversity among the Board and promoting ethnic diversity in the medium term.

Board Technology, Data and Resilience Committee

6 meetings during 2024 (2023: 5)

Anne Weatherston *(Chair)*
Sally Clark *(appointed to the Committee 1 May 2024)*
Joe Higgins
Paul Horner *(stepped down from Committee 1 May 2024)*

Responsibilities

The Committee is responsible for assisting and advising the Board in fulfilling its oversight responsibilities in relation to reviewing and challenging the strategy, governance and execution of matters relating to Technology, Data, and Operational Resilience. This is in recognition of the substantial investment into technology and data as agreed under the Annual Investment Plan, coupled with major decision points as part of AIB Group's strategy, many of which have long term ramifications for AIB UK.

The aim of the committee is to review, challenge and provide advice to the Board on the following in relation to technology, (including Cyber), Data and Operational Resilience:

- strategy;
- governance and regulatory compliance;
- serious incident/events reviews;
- significant IT third-party selection;
- technology related deliverables for key change projects; and
- operational resilience related deliverables.

The Board has determined that the members of the committee have the collective skills and relevant experience to enable the committee to discharge its responsibilities.

Activities in 2024

The Membership of the Committee changed during 2024 as Mr Horner stepped down as a Committee Member and Ms Clark joined the Committee.

The following, while not intended to be exhaustive, is a summary of the key items considered, overseen, reviewed and/or approved or recommended to the Board for approval by the committee during the year:

- Operational Resilience compliance and delivery of regulatory requirements including Vital Business Services, ahead of the annual Operational Resilience Self-Assessment that will next be presented to the Board for approval in March 2025;
- Digital Operational Resilience Act programme;
- IT Strategy including investment priorities to support the UK business strategy;
- Agile Operating Model delivery and progress;
- Oversight of the Change Portfolio covering Regulatory, Business Strategy and Sustainment, Technology and Data and Transformation projects including the Customer Credit Transformation Programme;
- Data Warehouse architecture and data planning to meet information demands;
- Cybersecurity framework, vulnerability management, Digital Resilience and Cyber Strategy;
- Overview of current and regulatory horizon changes in relation to Operations, Technology, Data and Resilience;
- Technology and Operations Performance, UK service delivery, cybersecurity status and third-party management;
- Outcomes from internal audit activity related to Technology, Data and Operational Resilience; and
- Actions taken in response to IT strategy and governance recommendations from the PRA.

Board of Directors

William Fall

Appointed in October 2021 and as Chair in March 2022.

William held several senior executive and Non-Executive roles in major international financial services companies since starting his banking career with Kleinwort Benson in 1981. William is currently Chair of Ambac Assurance UK Limited, a company owned by Oaktree Capital, a leading US private equity company, Chair of the Risk Committee for Citibank Global Markets Ltd, one of the largest subsidiaries of the US parent Citibank, and Chair of Harwoods Limited, a major motor dealership network across the south of England. William is a Trustee of the charity Historic Royal Palaces.

C

Graham Buckland

Appointed in March 2017 and is the Senior Independent Director and Deputy Chair.

Graham joined Barclays in 1979 and held various roles in corporate banking before moving to the Investment Bank where he was MD and Deputy Head of UK Corporate Finance.

Before his retirement Graham was a MD in corporate banking where his roles included Head of London Region and he was responsible for corporate clients through sector specialist industry teams and responsible for Barclays' large corporate clients in the UK.

C

Sally Clark

Appointed in June 2023

Sally has 37 years' experience of internal audit from her executive career and held positions including Deputy President of the Institute of Internal Auditors and was Chair of the committee rewriting the Internal Audit Code of practice for the internal audit industry.

Sally is Chair of the Audit Committee at Citigroup Global Markets Limited and a member of the Audit committee at BUPA. Sally is also a member of the Risk Committees in both.

Sally is a qualified executive coach and a Fellow of the Institute of Leadership and Management.

Geraldine Casey

Appointed in May 2021

Geraldine joined the AIB Group as Chief People Officer in January 2020 and was appointed MD Retail Banking in October 2023.

She has significant experience in leading large teams through culture, process and organisational change, and has driven the Bank's inclusion, future of work and culture agendas.

Geraldine holds a Bachelor's Degree in Commerce from University College Cork and is a Certified Bank Director, Institute of Bankers.

Joe Higgins

Appointed in October 2021

Joe is a career banker with extensive experience of the UK and Irish banking market.

During his career, Joe has held senior roles for Bank of Scotland, HBOS and Lloyds Banking Group, including Head of Mortgages for HBOS and Chief Executive of Bank of Scotland (Ireland).

Joe is a Fellow of the Institute of Chartered Accountants in Ireland and is currently a Trustee of the Down and Connor Diocesan Trust.

In addition to his committee memberships with AIB UK, Joe is the Board appointed Consumer Duty Champion.

Paul Horner

Appointed in February 2020

Since starting his banking career at Barclays in 1988, Paul has held several senior positions including CEO and CRO in major international financial services companies, covering a wide range of corporate, private banking, retail and restructuring activities.

Paul was a Non-Executive Director of Coutts International from 2018-2022. He is currently Chairman of Arion Bank, a listed Icelandic Financial Services Group, as well as Chair of the Risk Committee for NBKI, the UK subsidiary of National Bank of Kuwait, and Chair of the Risk Committee at LHV Bank Limited, the UK subsidiary of a listed Estonian financial services company.

C

Helen Normoyle

Appointed in July 2021

Helen is a highly experienced marketeer with 30 years' experience in consumer marketing and market research.

Helen has held range of roles including Director of Market Research for Ofcom as well as Marketing Director and Chief Marketing Officer roles at the BBC, DFS, Countrywide and Boots.

Helen also serves on the Board of Allied Irish Banks, p.l.c. as a Non-Executive Director and Senior Independent Director

Helen is co-founder and Executive Director of My Menopause Centre Limited, and Non-Executive Director of Thame and London Ltd and Sainsbury's Bank plc.

Anne Weatherston

Appointed in January 2023

Anne's executive career was focused on the leadership and transformation of technology services and technology related change principally in the global financial services sector. She was Group CIO for multiple organisations, latterly with the Australian Banking Group, ANZ.

Since retiring from executive roles, she has joined the Board of Piraeus Bank in Greece where she is both an independent member of the Board and Chair of the Audit Committee, and the Board of Alba, an emerging start-up bank based in Scotland. She is the Chair of the Technology, Data and Reporting Committee at AIB UK.

C

Andrew Woosey

Appointed in January 2023

Andrew is an experienced Board Member and Trustee with significant experience in financial services. He is currently a Non-Executive Director and the Risk Committee Chair of United Trust Bank Limited, a Trustee and Committee Chair on the Board of the Centre for Economic Policy Research and Chair on the Board of Tom's Trust.

Andrew is a Senior Advisor and Committee Chair for a number of Bain Capital LLP's portfolio companies. Andrew was previously a Banking Partner at Ernst and Young and an Executive Director at ABN Amro earlier in his career.

C

Hilary Gormley

Appointed in June 2022

Hilary has over 30 years' experience in AIB Group, enjoying a wide and varied career across retail, commercial and corporate banking, holding a number of senior roles and leading teams across different geographies.

Hilary has successfully completed a number of enterprise strategic priorities for AIB Group, from leading strategic change programmes to completing large portfolio transactions.

Hilary holds a Bachelor's degree in Financial Services from University College Dublin, has completed the Harvard General Management Programme, and is a member of the Institute of Bankers.

Key: C - Chair | Audit Committee | Risk Committee | Technology Data & Resilience Committee | Nomination Committee

Directors' report

We present the annual report and the audited financial statements for AIB Group (UK) p.l.c. for the year to 31 December 2024. A Statement of Directors' responsibilities is shown on page 43.

In addition to these pages and the biographical notes of the serving directors on the preceding pages this report is made up of the following, which are incorporated by reference:

An indication of likely future developments is given in the Strategic report on pages 3-5 and 12, capital management on page 11 and events after the reporting date in note 45. The financial risk management objectives and policies of AIB UK and the policy for hedging, along with details of the Bank's exposure to credit risk, price/interest rate risk and liquidity risk are set out in note 1, 2, 14, 40, 42 and the Risk Management Report (page 23-31).

Results

Our profit after tax for the year ended 31 December 2024 was £188m (2023: £275m) and was calculated as shown in the income statement on page 50.

Dividends

During the course of 2024 a final dividend of £106,696,274 was paid for the financial year ended 31 December 2023, from the Company's 2023 trading profits, to the shareholder. (2023: £nil).

Political donations

The Company did not make any political donations, give any money for political purposes, nor incur any political expenditure during the year (2023: £nil).

Research and development activities

The Company does not undertake formal research and development activities although it does invest in new platforms and products in each of its business lines in the ordinary course of business. Further details can be found in the Company's financial statements.

Stakeholder engagement

For further details on the Board's engagement with key stakeholders, and how these stakeholders' interests have influenced Board discussions and principal decisions, see the Company's Section 172 statement on page 21.

Foreign branches

The Company does not operate branches outside of the UK.

Directors

The composition of the Board and the names of Directors as at 31 December 2024 are set out on page 39. The following Board changes occurred, with effect from the dates shown:

- Janet McConkey (Gahan) resigned as an Executive Director on 2 October 2024.

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

Independent advice

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

Corporate governance statement

The Company has in place its own governance arrangements which are deemed to be appropriate for a company of its size and nature. Further details on our governance arrangements can be found on page 32.

We consider the 2024 Annual Financial Report to be fair, balanced and understandable and to give the necessary information to allow our shareholder to assess the Bank's performance, business models and strategy.

Going concern

We have considered whether a going concern basis for preparing the financial statements for the year ended 31 December 2024 is appropriate and decided that it is. The reasons for this decision are set out in the 'Going Concern' section of note 1.2.

Internal controls

Board governance and controls

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

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

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

- compliance with local laws and the regulations and guidelines set out by our regulators, the PRA and the FCA.

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

Code of Conduct

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

The Code of Conduct is also supported by our 'Speak Up' policy and whistleblowing arrangements which encourage our colleagues to raise any concerns of wrong-doing in a number of ways including a confidential external help-line. Colleagues are assured that if they raise a concern in good faith, we will not tolerate any victimisation or unfair treatment as a result.

Supervision and regulation

Supervision

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

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

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

We subscribe to the Lending Code of the Lending Standards Board, which is a self-regulatory code setting minimum standards of good practice in relation to lending, including loans, credit cards and current account overdrafts. We seek to monitor actively our regulatory and compliance obligations and seek to put in place quickly appropriate steps for any regulatory change. Additionally, the Bank signed up to the UK Mortgage Charter commitments during the course of 2023 to support those customers requiring extra support in meeting their repayments.

Customers have been and continue to be encouraged to engage with the Bank so we can help identify the right support required for them and their circumstances.

Legislative changes

In 2024, the change in UK Government brought a shift in legislative priorities. The Bank maintains ongoing monitoring of developments and tracks all relevant incoming legislation and legislative changes. The Economic Crime and Corporate Transparency Act 2023 has been a significant legislative development, bringing about several changes on a staged basis during 2024 and into 2025.

Financial crime prevention

From an anti-money laundering perspective, regulators continue to be active in their assessment of the Bank's financial crime controls with regulatory fines in this area remaining high. The level and sophistication of fraud continues to increase across the banking industry and rules on mandatory reimbursement for Authorised Push Payment fraud were introduced in October 2024 and have been implemented by AIB UK, as have rules in relation to Confirmation of Payee. The Bank continues to review and enhance its Financial Crime framework.

Conduct risk

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

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

Following the July 2023 implementation date, the FCA's Consumer Duty requirements significantly impact on the Bank's strategy by placing greater emphasis on delivering good customer outcomes, with enhanced quantitative and qualitative reporting to UK SMT and the Board, to measure customer outcomes and prevent foreseeable harm.

Streamlined energy and carbon reporting

We have provided details on the energy consumption and related carbon emissions which result directly from AIB UK's operations in the Sustainability section, from page 13. This is in compliance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

Colleague engagement

We have a dedicated colleague communications and engagement team to ensure our people have the information and support they need to contribute to achieving the Bank's vision and strategy. Our internal communications on financial and economic factors are transparent and deliver specific communications around our financial performance and results. They also address topical, macroeconomic events and how these might impact our performance. We have established a regular rhythm of transparent, accessible and two-way dialogue through a range of channels including regular MD business performance updates and open Q&A sessions with the UK SMT.

We have constructive working relations with our colleagues' representative bodies, who are consulted regularly on a wide range of matters affecting their current and future interests.

The Board and Risk committee receive periodic reports on talent, culture, wellbeing and inclusion. Directors have also engaged directly with our colleagues through a number of engagement events, details of which can be found in the Section 172 report, from page 21.

Applications for employment by disabled persons are always given full consideration by AIB UK. In the event of colleagues becoming disabled every effort is made to ensure their employment with the Bank continues and that appropriate training/support is arranged. It is the policy of AIB UK that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other colleagues.

Directors' indemnities

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

Company information

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

AIB Group (UK) p.l.c. is a wholly owned subsidiary of Allied Irish Banks, p.l.c. which is the sole direct subsidiary of AIB Group plc which is the ultimate parent entity established as the holding company during 2017 to facilitate the single point of entry bail-in resolution strategy.

Suppliers

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

We expect our suppliers to conduct business in a fair, lawful and honest manner with all their stakeholders, employees, subcontractors and any other third parties, particularly in relation to the following areas: Human Rights, Health, Safety and Welfare, Supply Chain, I&D, Doing Business Responsibly and Doing Business Sustainably.

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

Independent auditor and audit information

PricewaterhouseCoopers LLP ('PwC') were re-appointed as auditor of the Company at the last Annual General Meeting ('AGM') held on 25 April 2024 and shall hold office until the conclusion of the next AGM of the Company pursuant to Section 491 of the Companies Act 2006. Their continued appointment will be proposed to the shareholder for approval at the next AGM.

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

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

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

Approved and authorised for issue by the Board of Directors

Hilary Gormley
Managing Director

3 March 2025

Statement of Directors' responsibilities

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

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

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

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

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

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

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

Approved by the Board of Directors on 3 March 2025 and is signed on its behalf by:

Hilary Gormley
Managing Director

3 March 2025

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Financial Report (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2024; the Income statement, Statement of comprehensive income and, Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant 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 (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

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

Our audit approach

Overview

Audit scope

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

Key audit matters

- Expected credit loss
- Recoverability of deferred tax assets

Materiality

- Overall materiality: £15.5m (2023: £16.5m) based on 1% of Common Equity Tier 1 capital.
- Performance materiality: £11.6m (2023: £12.4m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss As required by IFRS 9, the Company has recognised expected credit losses of £128m as at 31 December 2024, based on the output of underlying credit models, discounted cash flow assessments for individually assessed loans and post model adjustments. Post model adjustments are recorded where there is a risk that the modelled output fails to capture the appropriate response to changes in the macroeconomic environment or other factors. Refer to note 1 (accounting policies) and note 19 (credit risk disclosures). We considered that the areas with the most significant audit risk related to the assessment of the completeness of post model adjustments and the estimates and judgements taken on specific individually assessed loans within the corporate and commercial real estate portfolios. These areas are inherently judgmental and the assumptions made can have a material impact on the level of the expected credit loss provision.	• We performed walkthroughs to understand the expected credit loss process, and evaluated the design and implementation of key controls. • Our credit modelling specialists performed testing of the underlying models including a review of the methodology for conceptual soundness, an assessment of model performance and independent reperformance of key model calculations. Additionally we performed testing of the critical data elements that drive the modelling output by agreeing a sample back to source evidence. • We challenged the overall completeness of post model adjustments by assessing whether inherent limitations identified in our testing of models and the IFRS 9 calculations were sufficiently addressed, and by considering whether common post model adjustments recorded at other UK banks were relevant to the Company's circumstances. • For a sample of individually assessed loans within the corporate and commercial real estate portfolios we challenged the forecasts of future cash flows prepared by management to support the calculation of the impairment loss allowance. Our testing included assessing the reasonableness of the key assumptions, corroborating estimates to external support where available and reperforming the calculation. Where appropriate, our work involved inspecting valuations of collateral and assessing the reasonableness of cash flow projections and weightings to determine whether appropriate valuation methodologies and assumptions were used. • We considered whether the disclosures made in these areas were in line with the understanding we obtained from our audit testing and with the relevant accounting requirements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of Deferred Tax Assets The Company has net deferred tax assets of £207m, of which £152m relates to historical operating losses. A key judgement in the recognition of deferred tax assets for historical operating losses is whether the Company considers it probable that taxable profits will arise against which those losses can be utilised in the future. This judgement relies on the assessment of the probability and the sufficiency of future taxable profits, which in turn is based on assumptions concerning future economic conditions and business performance over a number of years. Refer to “Income tax, including deferred income tax” within Note 1 “Accounting policies”, “Deferred taxation” within Note 2 “Critical accounting judgements and estimates” and Note 25 “Deferred taxation”. The Company’s considerations in respect of the recognition of the net deferred tax assets are outlined in the key accounting judgements and estimates section within the financial statements, which also provides an overview of the key assumptions underpinning the financial projections. In particular, the deferred tax asset has been limited to a recognition period of 15 years as management believe the degree of estimation uncertainty beyond that period is high. We regard the recoverability of the deferred tax asset relating to losses to be an area of significant audit risk owing to the degree of uncertainty over the assumptions used, in particular the length of recovery periods involved which are driven by management judgement over the quantum and timing of future profitability.	• We understood and evaluated the deferred tax recognition process, including consideration of the approval of forecasts by the Board. • We assessed whether estimated future profits used within the three year plan period were reasonable by reference to recent performance. We challenged the key assumptions underpinning the forecasts using our knowledge of the business and the Company’s strategy/future plans as well as external projections for macroeconomic variables. • We assessed and challenged the reasonableness of the medium and longer term growth projections after the initial three year period. • We utilised tax specialists to assess the availability of the deferred taxation assets, and any restrictions thereon. • We assessed the basis for management’s conclusion that the recovery period for trading losses carried forward should be restricted to fifteen years, considering both supporting and contradictory evidence, and the consistency of the approach from prior years. • We assessed the disclosures made in the financial statements, including the sensitivity disclosures that highlight that the most significant assumption is the period over which losses are limited.

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

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

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

Materiality

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

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

Overall company materiality	£15.5m (2023: £16.5m)
How we determined it	1% of Common Equity Tier 1 capital
Rationale for benchmark applied	We set materiality using a benchmark of common equity tier 1 capital calculated during the planning phase of the audit. The Company is a wholly owned subsidiary and we consider that users of the financial statements including regulators would consider capital strength a key benchmark. Common equity tier 1 capital is also a commonly used benchmark by banks that are subsidiary entities.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £11.6m (2023: £12.4m) for the company financial statements.

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £775,000 (2023: £830,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the FCA or PRA, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of manual journal entries to manipulate reported financial performance and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- performing enquires of the Board Audit Committee, senior management and internal audit, including consideration of known or suspected instance of non-compliance with laws and regulations or fraud;
- review of key correspondence with regulatory authorities in relation to compliance and regulatory matters, and enquiries of the PRA and FCA;
- incorporating unpredictability into the nature, timing and/or extent of our testing;
- considering whether the assumptions and judgements made by management in their estimation of the provisioning on loans and advances to customers were indicative of bias, and
- identified and tested selected journal entries, including those posted to unusual account combinations and closing period adjustments.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the members on 15 June 2023 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2023 to 31 December 2024.

Luke Hanson

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2025

Income statement

for the year ended 31 December 2024

	Note	2024 £m	2023 £m
Interest and similar income	3	**470**	459
Interest and similar expense	4	**(128)**	(81)
Net interest income		**342**	378
Fee and commission income	5	**41**	42
Fee and commission expense	5	**(4)**	(4)
Net trading and other financial income	6	**2**	2
Net (loss)/gain on other financial assets measured at FVTPL	7	**(19)**	23
Net gain on derecognition of financial assets measured at amortised cost	8	**18**	1
Other operating income	9	**12**	7
Other income		**50**	71
Total operating income		**392**	449
Operating expenses	10	**(121)**	(117)
Impairment and amortisation of intangible assets	22	**(6)**	(6)
Impairment and depreciation of property, plant and equipment	23	**(4)**	(4)
Total operating expenses		**(131)**	(127)
Operating profit before impairment (charge)/writeback		**261**	322
Net credit impairment (charge)/writeback	12	**(21)**	21
Impairment of investments in group undertakings		**(1)**	—
Profit before taxation		**239**	343
Income tax charge	13	**(51)**	(68)
Profit for the year after taxation attributable to equity holders of AIB UK		**188**	275

All results are derived from continuing operations.

The notes on pages 54 to 131 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2024

	Note	2024 £m	2023 £m
Profit for the year		**188**	275
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit asset, net of tax	36	**(9)**	(2)
Total items that will not be reclassified subsequently to profit or loss		**(9)**	(2)
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Net change in cash flow hedges, net of tax	36	**(20)**	73
Total items that will be reclassified subsequently to profit or loss when specific conditions are met		**(20)**	73
Other comprehensive (loss)/income for the year, net of tax		**(29)**	71
Total comprehensive income for the year		**159**	346
Attributable to:			
- Equity holders of AIB UK		**159**	346

The notes on pages 54 to 131 form an integral part of these financial statements.

Statement of financial position

as at 31 December 2024

	Note	2024 £m	2023 £m
Assets			
Cash and balances at central banks		3,961	3,229
Derivative financial instruments	14	46	186
Loans and advances to banks	15	714	502
Loans and advances to customers	16	4,708	5,647
Investment securities	20	54	73
Investments in group undertakings	21	—	1
Intangible assets	22	14	13
Property, plant and equipment	23	31	33
Other assets	24	22	13
Current taxation		16	8
Deferred tax assets	25	208	207
Prepayments and accrued income		5	4
Retirement benefit assets	26	41	54
Total assets		9,820	9,970
Liabilities			
Deposits by central banks and banks	27	109	354
Customer accounts	28	7,317	7,121
Derivative financial instruments	14	262	376
Lease liabilities	29	13	14
Current taxation		—	10
Deferred tax liabilities	25	1	2
Other liabilities	30	59	78
Accruals and deferred income		13	11
Subordinated liabilities and other capital instruments	31	141	141
Provisions for liabilities and commitments	32	12	11
Total liabilities		7,927	8,118
Equity			
Share capital	33	457	457
Reserves		1,326	1,285
Total shareholders' equity		1,783	1,742
Other equity interests	34	110	110
Total equity		1,893	1,852
Total liabilities and equity		9,820	9,970

The notes on pages 54 to 131 form an integral part of these financial statements.

The financial statements on pages 50 to 131 were approved by the Board of Directors and authorised for issue on 3 March 2025. They were signed on its behalf by:

Hilary Gormley

Managing Director
Company registration number: NI018800

Statement of changes in equity

for the year ended 31 December 2024

	Note	Share capital £m	Other equity interests £m	Capital redemption reserves £m	Other reserves £m	Cash flow hedging reserve £m	Revenue reserves £m	Total equity £m
At 1 January 2024		**457**	**110**	**139**	**1**	**(136)**	**1,281**	**1,852**
Profit for the year		—	—	—	—	—	188	188
Other comprehensive loss	36	—	—	—	—	(20)	(9)	(29)
Total comprehensive income for the year		—	—	—	—	(20)	179	159
Transactions with owners, recorded directly in equity								
Dividends paid on ordinary shares	44	—	—	—	—	—	(107)	(107)
Distributions paid on other equity interests		—	—	—	—	—	(11)	(11)
Total transactions with owners		—	—	—	—	—	(118)	(118)
At 31 December 2024		**457**	**110**	**139**	**1**	**(156)**	**1,342**	**1,893**

	Note	Share capital £m	Other equity interests £m	Capital redemption reserves £m	Other reserves £m	Cash flow hedging reserve £m	Revenue reserves £m	Total equity £m
At 1 January 2023		2,384	—	—	1	(209)	(530)	1,646
Profit for the year		—	—	—	—	—	275	275
Other comprehensive income	36	—	—	—	—	73	(2)	71
Total comprehensive income for the year		—	—	—	—	73	273	346
Transactions with owners, recorded directly in equity								
Capital reduction	33	(1,788)	—	—	—	—	1,788	—
Buyback of ordinary shares	33	(139)	—	139	—	—	(250)	(250)
Issue of Additional Tier 1 Securities	34	—	110	—	—	—	—	110
Total transactions with owners		(1,927)	110	139	—	—	1,538	(140)
At 31 December 2023		457	110	139	1	(136)	1,281	1,852

The notes on pages 54 to 131 form an integral part of these financial statements.

Notes to the financial statements

Notes to the financial statements

1. Accounting policies

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

1.1 Reporting entity

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

The Board of Directors approved these financial statements for issue on 3 March 2025.

Reference made to ‘AIB plc’ or ‘the Parent’, relate to Allied Irish Banks, p.l.c., a parent undertaking registered in the Republic of Ireland. AIB Group plc is the ultimate parent company of AIB plc and of the Company (see note 46). AIB Group plc is registered in the Republic of Ireland (registered number 594283) with its headquarters and registered office at 10 Molesworth Street, Dublin 2, Republic of Ireland. Telephone +353(0) 16600311. Reference made to 'the Parent Group' relates to AIB plc and its subsidiary undertakings, which includes the Company.

1.2 Basis of preparation

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

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

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. There were no differences between the recognition and measurement basis applied under previous United Kingdom adopted IAS at 1 January 2023 and FRS 101. See note 47.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a statement of cash flows and related notes (IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of cash flows*);
- the effects of new but not yet effective IFRS (IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*);
- disclosures required by IAS 24 *Related Party Disclosures* in respect of transactions with wholly owned subsidiaries of AIB Group;
- disclosures required by IAS 24 *Related Party Disclosures* in respect of the compensation of key management personnel ('KMP'); and
- the requirement of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to present an additional statement of financial position for the beginning of the earliest comparative period following the transition to FRS 101.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 statement of financial position at 1 January 2023 for the purposes of the transition to FRS 101.

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

Functional and presentation currency

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

Notes to the financial statements

Change in presentation for certain notes to the financial statements

Net fee and commission income

The Company changed the description of certain line items in note 5 'Net fee and commission income' to more appropriately reflect the nature of the fee and commission income and expenses. ‘Foreign exchange fees’ was changed to ‘customer related foreign exchange’, and ‘credit related fees’ was changed to ‘lending related fees’.

Use of judgements and estimates

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management’s judgement may involve making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The judgements that have a significant effect on the financial statements and the estimates with a significant risk of material adjustment in the next year relate to:

- Impairment of financial assets;
- The recoverability of deferred tax;
- Retirement benefit obligations; and
- The fair value of investment securities.

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

Consideration of climate change

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

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

Going concern

The financial statements for the year ended 31 December 2024 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Company, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is twelve months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered factors under the areas of strategy, performance, capital, liquidity and support from AIB plc. A wide range of information relating to present and future conditions has been considered including financial plans for 2025-2027, which reflect the AIB UK strategy, liquidity and funding forecasts, and capital resources projections all of which have been prepared under base and stress scenarios.

The Directors have also considered the principal risks and uncertainties, as part of the MRA process including the geopolitical landscape, which could materially affect the Company’s future business performance and profitability and which are outlined on pages 26 to 30.

The Directors believe the Company’s capital resources are sufficient to ensure the Company is adequately capitalised as set out in the capital plan to December 2027. The Company’s regulatory capital resources and liquidity are outlined on page 11.

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

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

Adoption of new accounting standards and amendments to standards

The table below outlines the new standards and amendments to standards that have been adopted by the Company for the year ended 31 December 2024. The Company has not early adopted any standard or amendment that has been issued but is not yet effective.

Accounting standard update	Effective date
IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback	Annual periods beginning on or after 1 January 2024.
Nature of change	**Impact**
Specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.	The amendments had no impact on the Company's financial statements.

Accounting standard update	Effective date
IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	Annual periods beginning on or after 1 January 2024.
Nature of change	**Impact**
Clarifies the requirements on determining whether a liability is current or non-current and requires additional disclosures when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.	The amendments had no impact on the Company's financial statements.

1.3 Foreign currency translation

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

1.4 Interest income and expense recognition – Notes 3 and 4

Interest income and expense is recognised in the income statement for all interest-bearing financial instruments using the effective interest rate method.

Effective interest rate

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

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and interest expense

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

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

Presentation

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

1.5 Fee and commission income – Note 5

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

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

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

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

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

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

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

Notes to the financial statements

1.6 Employee benefits – Note 26

Retirement benefit obligations

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

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

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

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

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

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

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

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

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

The cost of the Company's defined contribution schemes is charged to the income statement in the accounting period in which it is incurred. Any contributions unpaid at the year end reporting date are included as a liability. The Company has no further obligation under these schemes once these contributions have been paid.

Short term employee benefits

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

1.7 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 it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Income tax relating to items in equity is recognised directly in equity.

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

Deferred income tax is provided, using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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, and provisions for pensions and other post-retirement benefits.

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

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

The Company adopted the amendments to IAS 12 by the IASB (International Tax Reform – Pillar Two Model Rules), in 2023. The amendments provide a mandatory temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Accordingly, the Company has not recognised any changes to its deferred tax assets or liabilities in respect of Pillar Two.

1.8 Financial assets – Notes 7, 8, 15, 16, 17, 20, 24 and 38

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

On initial recognition, a financial asset is classified and subsequently measured at amortised cost, FVOCI or FVTPL. The classification and subsequent measurement of financial assets depend on:

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

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

– Amortised cost

Assets that have not been designated as at FVTPL, and are held within a ‘hold-to-collect’ business model whose objective is to hold assets to collect contractual cash flows, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI'). The carrying amount of these assets is calculated using the effective interest rate method and is adjusted on each measurement date by the expected credit loss allowance for each asset, with movements recognised in profit or loss.

– Fair value through other comprehensive income

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

– Fair value through profit or loss

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

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

Business model assessment

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

The assessment considers the following:

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

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

Characteristics of the contractual cash flows

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

The SPPI test requires an assessment of the contractual terms and conditions to determine whether a financial asset contains any terms that could modify the timing or amount of contractual cash flows of the asset, to the extent that they could not be described as SPPI.

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

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

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

1.9 Financial liabilities and equity – Notes 27, 28, 30, 31 and 38
The Company recognises a financial liability when it becomes party to the contractual provisions of the contract.

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

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

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

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

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

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

1.10 Leases – Notes 23 and 29
The Company applies a single recognition and measurement approach for all leases, except for short-term leases of 12 months or less or leases of low-value assets (i.e. the value of the underlying asset, when new, is less than £5,000). The Company recognises lease liabilities that represent the present value of lease payments to be made over the lease term and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

1.11 Determination of fair value of financial instruments – Note 39

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

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

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

Quoted prices in active markets

Quoted market prices are used where those prices are considered to represent actual and regularly occurring market transactions for financial instruments in active markets.

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

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

Valuation techniques

In the absence of quoted market prices, and in the case of OTC derivatives, fair value is calculated using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow (‘DCF’) analysis and other valuation techniques commonly used by market participants.

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

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

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

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

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

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

The choice of contributors, the quality of market data used for pricing and the valuation techniques used are all subject to internal review and approval procedures.

1.12 Sale and repurchase agreements (including securities borrowing and lending)

Financial assets may be lent or sold subject to a commitment to repurchase them (repos). Such securities are retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Company. The liability to the counterparty is included separately on the statement of financial position. Similarly, when securities are purchased subject to a commitment to resell (reverse repos), or where the Company borrows securities, but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not usually included on the statement of financial position. The exception to this is where these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in trading income. The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

1.13 Derivatives and hedge accounting – Note 14

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

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

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

Derivatives are measured initially at fair value on the date on which the derivative contract is entered into and subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and from valuation techniques using 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 Company avails of the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement* ('IAS 39') as adopted by the UK, until portfolio hedge accounting 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 Company designates certain derivatives as hedges of the exposure to variability of cash flows attributable to a recognised asset or liability, or a highly probable forecasted transaction (cash flow hedge).

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

The Company discontinues hedge accounting when:
a. it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
b. the derivative expires, or is sold, terminated, or exercised;
c. the hedged item matures or is sold or repaid; or
d. a forecast transaction is no longer deemed highly probable.

To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item, or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, ineffectiveness arises. The amount of ineffectiveness, taking into account the timing of the expected cash flows where relevant, provided that it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

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

Cash flow hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is initially recognised directly in other comprehensive income and included in the cash flow hedging reserve in the statement of changes in equity. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

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

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income from the period when the hedge was effective is reclassified to the income statement.

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

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

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. However, the amount held in investment securities reserves is transferred to revenue reserves on derecognition. Any interest in transferred financial assets that qualify for derecognition, that is created or retained by the Company, is recognised as a separate asset or liability.

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

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

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset (or liability) is recognised for the servicing contract if the servicing fee is more than 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 Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. Any gain or loss on the extinguishment or remeasurement of a financial liability is recognised in profit or loss.

1.15 Impairment of financial assets – Notes 12, 18, 19 and 32

The Company recognises loss allowances for ECLs at each balance sheet date for the following financial instruments that are not measured at FVTPL:
- Financial assets at amortised cost;
- Financial assets at FVOCI (except for equity instruments);
- Financial guarantee contracts issued; and
- Loan commitments issued.

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

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

The amount of ECLs recognised as a loss allowance depends on the extent of the increase in credit risk since initial recognition. There are two measurement bases:
- 12-month ECLs (Stage 1), which applies to items where there has been no significant deterioration in credit quality since initial recognition; and
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk ('SICR') has occurred on an individual or collective basis.

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

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

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

A financial asset can only originate in either Stage 1 or as 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 Company's loss given default models ('LGD').

Notes to the financial statements

Purchased or originated credit impaired

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

The Company does not have any POCI financial assets.

Modification

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

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

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

When modification does not result in derecognition, the modified assets are treated as the same continuous lending agreement and a modification gain or loss is taken to profit or loss immediately. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
The stage allocation for modified assets which are not derecognised is by reference to the credit risk at initial recognition of the original, unmodified contractual terms i.e. the date of initial recognition is not reset.

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

Derecognition occurs if a modification or restructure is substantial on a qualitative or quantitative basis.

Collateralised financial assets - Repossessions

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

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

Financial assets at FVOCI

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

Write-offs and debt forgiveness

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

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

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

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

1.16 Investment in subsidiary undertakings – Note 21

The Company accounts for investments in subsidiary undertakings that are not classified as held for sale at cost less provisions for impairment. If the investment is classified as held for sale, the Company accounts for it at the lower of its carrying value and fair value less costs to sell.

The Company reviews its equity investments 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 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 Company's financial statements. The recoverable amount is the higher of fair value less costs to sell and value-in-use ('VIU').

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.

Dividends from a subsidiary undertaking are recognised in the income statement when the Company's right to receive the dividend is established.

1.17 Collateral and netting

Collateral

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

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

In certain circumstances, the Company will pledge collateral in respect of its own liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the statement of financial position. Collateral paid away in the form of cash is recorded in loans and advances to banks or customers. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Netting

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

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

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

1.18 Financial guarantees and loan commitment contracts – Note 37

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

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

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

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

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

1.19 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 Company uses the following useful lives when calculating depreciation:

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

[1] Subject to the maximum remaining life of the lease.

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

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

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

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

1.20 Intangible assets – Note 22
Computer software and other intangible assets with finite useful lives are stated at cost, less amortisation on a straight line basis and provisions for impairment, if any. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Company, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 to 9 years. Other intangible assets are amortised over the life of the asset. Computer software and other intangible assets are reviewed for impairment when there is an indication that the asset may be impaired. Intangible assets not yet available for use are reviewed for impairment on an annual basis.

1.21 Non-credit risk provisions – Note 32
Provisions are recognised for present legal or constructive obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and the amount can be reliably estimated.

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

1.22 Equity – Notes 33, 34, 35 and 44
Share capital
Share capital represents funds raised by issuing shares in return for cash or other consideration. Share capital comprises ordinary shares of the entity.

Dividends and distributions
Final dividends on ordinary shares are recognised as a liability in the Company's financial statements in the period in which they are approved by the shareholders of the Company. Proposed dividends that are declared after the end of the reporting date are not recognised as a liability, they are disclosed in note 44.

Other equity interests
Other equity interests consists of AT1 perpetual security instrument (note 34), which were issued for the first time during 2023 and are held by the Parent.

Capital contributions
Capital contributions represent the receipt of non-refundable considerations from the Parent. These contributions can comprise both financial and non-financial assets.

The contributions are classified as equity and may be either distributable or non-distributable. Capital contributions are distributable if the assets received are in the form of cash or another asset that is readily convertible to cash, otherwise they are treated as non-distributable.

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

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

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

Notes to the financial statements

2. Critical accounting judgements and estimates

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

Impairment of financial assets

The Company's accounting policy for impairment of financial assets is set out in note 1.15. The ECL allowances for financial assets at 31 December 2024 represent management's best estimate of the expected credit losses on the various portfolios at the reporting date.

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

Judgement is involved in:

- Determining the criteria for a SICR and for being classified as credit impaired;
- Choosing the appropriate models and assumptions for ECL e.g. Probability of default ('PD'), LGD and exposure at default ('EAD');
- Determining the life of a financial instrument and therefore, the period over which to measure ECL;
- Determining the requirement, and the appropriate methodology, for any post-model adjustments (see note 19(a) for further details); and
- Stratifying financial assets into groups with similar risk characteristics.

Estimates are involved in the inputs into the ECL calculation including DCFs, collateral valuations, and time to realisation of collateral. Estimates are also involved in establishing the number and relative weightings for forward looking scenarios and in determining the amount of post-model adjustments (see note 19(a) for further details).

The sensitivity of the ECL allowance to changes in the macroeconomic scenarios used in the calculation are set out in note 19(b) and 19(c).

Further information on impairment of financial assets measurement, methodologies and judgements is set out in note 19(a).

Recoverability of deferred tax asset

The Company's accounting policy for deferred tax is set out in note 1.7 and details of the Company's deferred tax assets and liabilities are set out in note 25.

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

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

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

The factors considered by management in making these judgements and assumptions for the estimates are disclosed in note 25 together with a sensitivity analysis of the deferred tax asset to a change in the estimate of future profitability.

Retirement benefit obligations

The Company's accounting policy for retirement benefit plans is set out in note 1.6 and details of the key assumptions and the valuation of the AIB Group (UK) Pension Scheme (the 'UK Scheme'), at 31 December 2024 are set out in note 26.

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

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

The impact on the income statement, other comprehensive income and statement of financial position could be materially different if a different set of assumptions were used. A sensitivity analysis of the scheme assets (APP and SLP assets) and the scheme liabilities to changes in the assumptions is set out in note 26.

Fair value of investment securities
The fair value of the investment securities (note 20) has been identified as a key source of estimation uncertainty at 31 December 2024 that has a significant risk of resulting in a material adjustment within the next year.

Judgement is involved in determining the appropriate valuation approach to base the fair value on. A DCF valuation was chosen for 31 December 2024.

Estimates are involved in assessing the fair value of the equity investment securities. The fair value of £54m at 31 December 2024 (£73m at 31 December 2023) has been based on a DCF valuation of the underlying trading entity. The key assumptions in the DCF valuation include: the discount rate; the long term growth rate; the expected revenue of the underlying trading entity; the discount for the Company having a minority holding in the investment.

Sensitivity analysis on the key assumptions is included in note 39 .

Applying a different method to calculate the fair value could also materially impact the fair value estimation, for example using a trading multiplier estimation or applying a transaction multiple valuation of the underlying trading entity. The DCF valuation was considered the most appropriate.

Notes to the financial statements

3. Interest and similar income

	2024 £m	2023 £m
Interest on loans and advances to banks at amortised cost	**183**	174
Interest on loans and advances to customers at amortised cost	**282**	280
Interest income calculated using the effective interest rate method	**465**	454
Interest income on finance leases and hire purchase contracts	**5**	5
Total interest and similar income	**470**	459

Interest income includes amounts transferred from other comprehensive income in respect of cash flow hedges, 2024: debit of £100m (2023: £98m) which is included in 'Interest on loans and advances to customers at amortised cost'.

4. Interest and similar expense

	2024 £m	2023 £m
Interest on deposits by banks	**8**	15
Interest on customer accounts	**108**	65
Interest on subordinated liabilities and other capital instruments	**12**	1
Total interest and similar expense	**128**	81

Interest expense includes amounts transferred from other comprehensive income in respect of cash flow hedges, 2024: credit of £20m (2023: £21m) which is included in 'Interest on customer accounts'.

Interest expense reported above, calculated using the effective interest rate method, relates to financial liabilities not carried at fair value though profit or loss.

5. Net fee and commission income

	2024 £m	2023 £m
Retail banking customer fees	**10**	11
Lending related fees(1)	**13**	12
Customer related foreign exchange(1)	**5**	5
Service charge(2)	**3**	3
Credit card commission	**2**	2
Other fees and commission	**8**	9
Fee and commission income	**41**	42
Fee and commission expense	**(4)**	(4)
	37	38

(1)Refer to note 1 for further information about the change in presentation for certain notes to the financial statements.
(2)The service charge relates to income received from a fellow subsidiary, as part of the cost allocation process, whereby the Company is reimbursed for personnel and administration costs incurred servicing the company.

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

6. Net trading and other financial income

	2024 £m	2023 £m
Interest rate contracts	**2**	2
	2	2

The total hedging ineffectiveness on cash flow hedges reflected in the income statement is £nil in 2024 (2023: £nil).

7. Net (loss)/gain on other financial assets measured at FVTPL

	2024 £m	2023 £m
Investment securities - equity	**(19)**	23
	(19)	23

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

	2024		2023	
	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	**1,449**	**18**	33	1
	1,449	**18**	33	1

Derecognition in 2024 relates to the derecognition of performing loans, predominantly the transfer of green energy and infrastructure loans to AIB plc. Derecognition in 2023 relates to the sale of portfolios of non-performing SME loans. In both years individual non-performing loans were also derecognised upon sale (for credit management purposes) where credit deterioration had occurred.

9. Other operating income

	2024 £m	2023 £m
Dividend income on equity investments measured at FVTPL	**7**	—
Dividend income from subsidiary undertakings	**4**	6
Miscellaneous operating income	**1**	1
	12	7

10. Operating expenses

	2024 £m	2023 £m
Wages and salaries	**44**	41
Social security costs[1]	**4**	7
Termination benefits[1]	**—**	1
Pension costs		
- Defined contribution plans (note 26)	**7**	6
- Defined benefit plans (note 26)	**(1)**	(1)
Other personnel expenses	**13**	14
Personnel expenses	**67**	68
General and administrative expenses[2]	**54**	49
Total operating expenses	**121**	117

[1]For the year ended 31 December 2024, a charge of £nil (2023: £1m) was made to the income statement in respect of termination benefits arising from the voluntary severance programme in operation in the Company as part of the restructuring provision (note 32) and a charge of £nil (2023: £3m) was included within social security costs for voluntary severance associated payments.
[2]Includes a charge of £2m (2023: £1m) in respect of bank levies and regulatory fees.

The monthly average number of employees (FTEs) of the Company during the year was 700 (2023: 681).

11. Auditor's remuneration

Auditor’s remuneration is included within operating expenses in the income statement. The charges included in 2024 and 2023 shown below are exclusive of Value Added Tax ('VAT'). The fees were payable by the Company to the principal auditor (PwC) only for services relating to the audit of the Company in the categories set out below.

	2024 £’000	2023 £’000
Audit fees for statutory audit[1]	**750**	770
Other assurance services (including regulatory compliance work)[2]	**34**	84
	784	854

[1]No additional audit fees were charged in 2024 in relation to the 2023 audit (2023: £nil in relation to the 2022 audit).
[2]Other assurance services includes remuneration for additional assurance expressed by the external auditor outside of the audit of the statutory financial statements of the Company. This remuneration includes assignments where the external auditor provides assurance to third parties.

12. Net credit impairment (charge)/writeback

The following table analyses the income statement net credit impairment (charge)/writeback on financial instruments for the years ended 31 December 2024 and 2023.

	2024	2023
	Measured at amortised cost	Measured at amortised cost
Credit impairment (charge)/writeback on financial instruments	£m	£m
Net re-measurement of ECL allowance:		
Loans and advances to customers (note 18)	(21)	16
Loan commitments (note 32)	(2)	3
Credit impairment (charge)/writeback before recoveries	(23)	19
Recoveries of amounts written-off in previous years	2	2
Net credit impairment (charge)/writeback	(21)	21

13. Taxation

	2024	2023
	£m	£m
Current tax		
Corporation tax in the UK		
UK corporation tax on income for the year	(41)	(62)
Current tax charge for the year	(41)	(62)
Deferred tax		
Origination and reversal of temporary differences		
- Current year	(1)	(1)
Change in the recognition of deferred tax on losses:		
- Current year	(9)	(5)
Deferred tax charge for the year (note 25)	(10)	(6)
Total tax charge for the year	(51)	(68)

The tax charge for the period is lower (2023: lower) than the 2024 standard average rate of corporation tax in the UK of 25% (2023: 23.5%). The differences are explained below:

	2024	2023
	£m	£m
Corporation tax charge at standard average rate	(60)	(81)
Effects of:		
Expenses not deductible for tax purposes	(1)	3
Exempted income, income at reduced rates and tax credits	6	8
Income taxed at bank surcharge rate	(3)	(10)
Tax on equity distributions	3	—
Deferred tax amounts previously not recognised	4	12
Tax charge	(51)	(68)

The current tax asset of £16m (2023: £8m) is tax recoverable from HMRC. In 2023, the current tax liability of £10m is amounts due to other UK subsidiaries for tax losses surrendered as group relief to the Company.

Notes to the financial statements

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

14. Derivative financial instruments

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

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

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

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

Hedging derivatives

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

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

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

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

Cash flow hedges

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

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

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

The net movement in derivatives designated as cash flow hedges recognised directly in equity through the statement of comprehensive income during 2024 is set out in note 36.

Notes to the financial statements

All derivative financial instruments held are OTC instruments.

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

The concentration of exposures of the Company, in respect of notional principal amounts of £7,771m (2023: £9,014m) and positive fair value of interest rate and exchange rate contracts of £46m (2023: £186m), are in the UK as concentrations are based primarily on the location of the office recording the transaction.

The following table presents the notional principal amount of interest rate, exchange rate and hedging derivative contracts together with the positive and negative fair values attaching to those contracts at 31 December 2024 and 2023:

	2024			2023		
	Notional principal amount	**Fair values Assets**	**Fair values Liabilities**	Notional principal amount	Fair values Assets	Fair values Liabilities
	£m	**£m**	**£m**	£m	£m	£m
Derivatives held for trading						
Interest rate derivatives - OTC						
Interest rate swaps	**1,890**	**15**	**(15)**	3,431	132	(135)
Interest rate options bought and sold	**1,082**	**7**	**(6)**	1,167	8	(7)
Total interest rate derivatives	**2,972**	**22**	**(21)**	4,598	140	(142)
Foreign exchange derivatives - OTC						
Foreign exchange contracts	**95**	**1**	**(2)**	128	1	(1)
Total foreign exchange derivatives	**95**	**1**	**(2)**	128	1	(1)
Total derivatives held for trading	**3,067**	**23**	**(23)**	4,726	141	(143)
Derivatives held for hedging						
Derivatives designated as cash flow hedges - OTC						
Interest rate swaps	**4,704**	**23**	**(239)**	4,288	45	(233)
Total derivatives designated as cash flow hedges	**4,704**	**23**	**(239)**	4,288	45	(233)
Total derivatives held for hedging	**4,704**	**23**	**(239)**	4,288	45	(233)
Total derivative financial instruments	**7,771**	**46**	**(262)**	9,014	186	(376)

Nominal values and average interest rates by residual maturity
At 31 December 2024 and 2023, the Company held the following hedging instruments of interest rate risk in cash flow hedges.

					2024
	Up to 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Cash flow hedges – Interest rate swaps[1]					
Hedges of financial assets					
Nominal principal amount (£m)	634	821	611	1,665	3,731
Average interest rate (%)[2]	3.75	3.70	0.97	1.96	2.48
Hedges of financial liabilities					
Nominal principal amount (£m)	94	284	472	123	973
Average interest rate (%)[2]	2.52	2.59	3.46	3.26	3.09
Total nominal amount of cash flow hedges – Interest rate swaps	728	1,105	1,083	1,788	4,704

					2023
	Up to 1 year	1 to 2 years	2 to 5 years	5 years +	Total
Cash flow hedges – Interest rate swaps[1]					
Hedges of financial assets					
Nominal principal amount (£m)	837	346	615	1,671	3,469
Average interest rate (%)[2]	4.06	2.97	1.03	1.49	2.18
Hedges of financial liabilities					
Nominal principal amount (£m)	71	113	532	103	819
Average interest rate (%)[2]	1.66	2.44	2.59	2.52	2.48
Total nominal amount of cash flow hedges – Interest rate swaps	908	459	1,147	1,774	4,288

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

Cash flow hedges of interest rate

The tables below set out the amounts relating to (a) items designated as hedging instruments and (b) the hedged items in cash flow hedges of interest rate risk together with the related hedge ineffectiveness at 31 December 2024 and 2023:

							2024	
		Carrying amount of the hedging instrument						
	Nominal amount of the hedging instrument	Assets	Liabilities	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement[1]	Amounts reclassified from the cash flow hedging reserves to the income statement	
Hedging instrument[1]	£m	£m	£m	£m	£m	£m	£m	
Interest rate swaps hedging								
Assets (interest rate risk)	3,731	3	(237)	(26)	(26)	—	(100)	[2]
Liabilities (interest rate risk)	973	20	(2)	(2)	(2)	—	20	[3]
	4,704	23	(239)	(28)	(28)	—	(80)	

[1]All hedging instruments are included within derivative financial instruments on the statement of financial position and all ineffectiveness is included within net trading income in the income statement.
[2]Included in interest and similar income in the income statement.
[3]Included in interest and similar expense in the income statement.

						2024
	Line item in Statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amounts in the cash flow hedging reserves for continuing hedges[1] pre tax	Amount in the cash flow hedging reserves for continuing hedges[1] post tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
Hedged item		£m	£m	£m	£m	£m
Assets (interest rate risk)	Loans and advances to customers	26	(234)	(168)	1	1
Liabilities (interest rate risk)	Customer accounts	2	17	12	—	—

[1]The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss 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.

Notes to the financial statements

		Carrying amount of the hedging instrument					2023
	Nominal amount of hedging instrument	Assets	Liabilities	Change in fair value of hedging instruments used for calculating hedge ineffectiveness in the year	Change in fair value of hedging instruments recognised in OCI in the year	Hedge ineffectiveness recognised in the income statement[1]	Amounts reclassified from the cash flow hedging reserves to the income statement
Hedging instrument[1]	£m	£m	£m	£m	£m	£m	£m
Interest rate swaps hedging							
Assets (interest rate risk)	3,469	19	(227)	127	127	—	(98) [2]
Liabilities (interest rate risk)	819	26	(6)	(25)	(25)	—	21 [3]
	4,288	45	(233)	102	102	—	(77)

[1]All hedging instruments are included within derivative financial instruments on the statement of financial position and all ineffectiveness is included within net trading income in the income statement.
[2]Included in interest and similar income in the income statement.
[3]Included in interest and similar expense in the income statement.

						2023
	Line item in Statement of financial position in which hedged item is included	Change in fair value of hedged items used for calculating hedge ineffectiveness for the year	Amounts in the cash flow hedging reserves for continuing hedges[1] pre tax	Amount in the cash flow hedging reserves for continuing hedges[1] post tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied pre tax	Amounts remaining in cash flow hedging reserves from any hedging relationship for which hedge accounting is no longer applied post tax
Hedged item		£m	£m	£m	£m	£m
Assets (interest rate risk)	Loans and advances to customers	(127)	(207)	(149)	—	—
Liabilities (interest rate risk)	Customer accounts	25	19	13	—	—

[1]The cash flow hedging reserves are adjusted to the lower of either the cumulative gain or loss 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.

Notes to the financial statements

Cash flow hedges

The table below sets out the hedged cash flows which are expected to occur in the following periods.

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**2024 Total**
	£m	**£m**	**£m**	**£m**	**£m**
Forecast receivable cash flows	**151**	**96**	**201**	**140**	**588**
Forecast payable cash flows	**39**	**24**	**27**	**3**	**93**

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	2023 Total
	£m	£m	£m	£m	£m
Forecast receivable cash flows	154	80	154	109	497
Forecast payable cash flows	36	20	20	2	78

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

	Within 1 Year	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**2024 Total**
	£m	**£m**	**£m**	**£m**	**£m**
Forecast receivable cash flows	**151**	**96**	**201**	**140**	**588**
Forecast payable cash flows	**40**	**24**	**27**	**3**	**94**

	Within 1 Year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	2023 Total
	£m	£m	£m	£m	£m
Forecast receivable cash flows	154	80	154	109	497
Forecast payable cash flows	36	20	20	2	78

Offsetting of derivative financial assets and financial liabilities

Derivative financial instruments are shown on the statement of financial position at their fair value. Those with a positive fair value are reported as assets and those with a negative fair value are reported as liabilities.

Notes to the financial statements

15. Loans and advances to banks

	2024 £m	2023 £m
At amortised cost		
Funds placed with central banks	**200**	225
Funds placed with other banks	**514**	277
	714	502
Loss allowance (note 18)	**—**	—
Total loans and advances to banks	**714**	502
Amounts include:		
Due from AIB plc and fellow subsidiaries	**456**	201
External rating:		
AA/AA-	**200**	225
A+/A/A-	**514**	277
	714	502

Under reverse repurchase agreements, the Company can accept collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. No collateral was received in 2024 (2023: £nil) in respect of government securities. No collateral (2023: £nil) was repledged to the Bank of England as collateral for BACS membership.

Amounts due from AIB plc and fellow subsidiaries were assessed for an ECL at 31 December 2024 and 2023. It was determined that the ECL on the intercompany loans at 31 December 2024 was £nil (2023: £nil).

16. Loans and advances to customers

	2024 £m	2023 £m
At amortised cost		
Loans and advances to customers	**4,748**	5,691
Amounts receivable under finance leases and hire purchase contracts (note 17)	**81**	89
	4,829	5,780
Loss allowance (note 18)	**(121)**	(133)
Total loans and advances to customers	**4,708**	5,647
Amounts include:		
Due from AIB plc and fellow subsidiaries	**23**	11

Amounts due from AIB plc and fellow subsidiaries were assessed for an ECL at 31 December 2024 and 2023. It was determined that the ECL on the intercompany loans at 31 December 2024 was £nil (2023: £nil).

Further disclosures relevant to the Company's loans and advances to customers are included in note 19.

17. Amounts receivable under finance leases and hire purchase contracts

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

	2024 £m	2023 £m
Gross receivables		
Not later than 1 year	**45**	50
Later than 1 year and not later than 2 years	**20**	20
Later than 2 years and not later than 3 years	**13**	14
Later than 3 years and not later than 4 years	**6**	7
Later than 4 years and not later than 5 years	**2**	2
Total gross receivables	**86**	93
Unearned future finance income	**(5)**	(4)
Present value of minimum payments	**81**	89
ECL allowance for uncollectible minimum payments receivable[1]	**(1)**	—

[1]Included in the ECL allowance on loans and advances to customers (note 18).

18. Loss allowance on financial assets

The following table shows the movements in the expected credit loss allowance on financial assets. Further information is disclosed in the gross loans and ECL movement tables in note 19 (h).

	2024 £m	2023 £m
At 1 January	**133**	197
Net remeasurement of loss allowance - customers (note 12)	**21**	(16)
Changes in loss allowance due to write-offs	**(29)**	(31)
Changes in loss allowance due to derecognition	**(4)**	(18)
Other	**—**	1
At 31 December	**121**	133
Amount included in financial assets measured at amortised cost:		
Loans and advances to banks	**—**	—
Loans and advances to customers	**121**	133
	121	133

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

19. Credit risk disclosures

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

(a) Measurement, methodologies and judgements

The Company, in estimating its ECL allowance does so in line with the expected credit loss impairment model as set out by IFRS 9 *Financial Instruments* ('the standard'). This model requires a timely recognition of ECL. The standard does not prescribe specific approaches to be used in estimating ECL allowances, but stresses that the approach must reflect the following:
- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- Underlying models should be point in time and forward looking – recognising economic conditions;
- The ECL must reflect the time value of money;
- A lifetime ECL is calculated for financial assets in Stages 2 and 3; and
- The ECL calculation must incorporate reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

The ECL model applies to financial instruments measured at amortised cost or at FVOCI. In addition, the ECL approach applies to lease receivables, loan commitments and financial guarantee contracts that are not measured at FVTPL.

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

Bases of measurement

Under the standard, there are two measurement bases:
1. 12-month ECL (Stage 1), which applies to all financial instruments from initial recognition as long as there has been no SICR; and
2. Lifetime ECL (Stages 2 and 3 and POCI), which applies when a SICR has been identified on an account (Stage 2), an account has been identified as being credit impaired (Stage 3) or when an account meets the POCI criteria.

Staging

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

Credit risk at origination

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

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

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

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

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

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

The Company assesses at each reporting date whether a SICR has occurred on its financial obligations since their initial recognition. This assessment is performed on individual obligations rather than at a portfolio level. If the increase is considered significant, the obligation will be allocated to Stage 2 and a lifetime expected credit loss will apply to the obligation. If the change is not considered significant, a 12 month expected credit loss will continue to apply and the obligation will remain in Stage 1.

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

Quantitative measure: This measure reflects an arithmetic assessment of the change in credit risk arising from changes in the PD. The Company compares each obligation’s annualised average probability weighted residual origination lifetime probability of default ('LTPD') (see 'Credit risk at origination' above) to its annualised average probability weighted residual LTPD at the reporting date. If the difference between these two LTPDs meets the quantitative definition of SICR, the Company transfers the financial obligation into Stage 2. Increases in LTPD may be due to credit deterioration of the individual obligation or due to macroeconomic factors or a combination of both. The Company has determined that an account has met the quantitative measure if the average residual LTPD at the reporting date is at least double the average residual LTPD at origination, and the difference between the LTPDs is at least 50bps or 85bps in the case of residential mortgages. The appropriateness of this threshold is kept under review by the Company.

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

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

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

Stage 3 characteristics

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

The key criteria resulting in a classification of default are:

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

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

Measurement of expected credit loss

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

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

ii. Simplified approach: For portfolios not on the standard approach, the Company has followed a simplified approach. This approach consists of applying portfolio level ECL averages, drawn from similar portfolios, where it is not possible to estimate individual parameters. These generally relate to portfolios where specific IFRS 9 models have not been developed due to immateriality, low volumes or where there are no underlying grading models. As granular PDs are not available for these portfolios, a non-standard approach to staging is required with reliance on the qualitative criteria (along with the 30 days past due back-stop).

iii. DCFs: Assets are grouped together and modelled based on asset classification and sector with the exception of those Stage 3 assets where a DCF is used. DCFs are used as an input to the ECL calculation for Stage 3 credit impaired exposures where gross credit exposure is ≥ £500,000. Where the gross credit exposure is < £5 million, the DCF assessment produces a base case ECL and the impact of macroeconomic scenarios are applied as a PMA (see page 90). Multiple DCFs are captured where gross credit exposure is ≥ £5 million to reflect the case specific impacts of up and downside scenarios for these higher value exposures.

   Collateral valuations and the estimated time to realisation of collateral is a key component of the DCF model. The Company incorporates forward looking information in the assessment of individual borrowers through the credit assessment process. Where a single DCF is utilised this assessment produces a base case ECL. This is then adjusted to incorporate the impact of multiple scenarios on the base ECL, by using a proportional uplift obtained from ECL modelled sensitivities in the same/similar portfolio. Where a range of scenarios are captured through multiple DCFs, these are probability weighted to produce the final ECL. An adjustment is made for cases with a very low final ECL to ensure a minimum level of ECL is maintained, this is derived through reference to ECL model outputs.

iv. Management judgement: Where the estimate of ECL does not adequately capture all available forward looking information about the range of possible outcomes, or where there is a significant degree of uncertainty, management judgement may be considered appropriate for an adjustment to ECL. The management adjustment must consider all relevant and supportable information, including but not limited to, historical data analysis, predictive modelling and management experience. The methodology to incorporate the adjustment should consider the degree of any relevant over collateralisation (headroom) and should not result in a zero overall ECL unless there is sufficient headroom to support this. The key judgements in the 2024 year end ECL estimates are outlined in the PMAs section on page 90.

Effective interest rate

The ECL must incorporate the time value of money discounted to the reporting date using the effective interest rate determined at initial recognition or an approximation thereof.

- The Company uses an approximation approach based on the account level interest rate when calculating ECL which is applied to both drawn and undrawn commitments.
- This approach is subject to an annual assessment that all approximations remain appropriate and do not result in a material misstatement of the ECL.
- The Company has tested the appropriateness of using current interest rates as an approximation for the discount rates required for measuring ECLs. This testing determined that using the current interest rates as the discount rates is an appropriate approximation.

Policy elections and simplifications

Low credit risk exemption

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

Under IFRS 9, the credit risk on a financial instrument is considered low if:
- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic business conditions in the longer term may, (but will not necessarily) reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Short term cash

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

Lease receivables and trade receivables

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

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 borrower level characteristics and metrics, where appropriate, whilst the non-retail portfolios provide metrics which are either borrower or connection level estimates.

Probability of default

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

To capture the appropriate risk dynamics across the lifetime of the exposure the development process considers:
- Macroeconomic effects captured through factors such as unemployment rate and GDP;
- Cross-sectional risk discriminators, in particular, the internal rating model outputs plus other factors such as forbearance and days past due; and
- Seasoning factors such as product type, delinquency and forbearance status.

Loss given default

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

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

– 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
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 over which the Company is exposed to credit risk, e.g. overdrafts and credit cards. The Company’s approach is to use a modelled behavioural life estimate for these obligations for ECL calculation purposes.

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

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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 under the ECL governance process through 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. Release of PMAs will occur as new models are deployed or where the risk has been judged by management to be captured in the modelled outcomes, or to have passed.

The ECL allowance at 31 December 2024 includes the following management adjustments to capture risks that have not been included within the ECL models. The total effect of all PMAs at 31 December 2024 is to increase ECLs by £14m. This compares to £46m at 31 December 2023 which principally incorporated emerging headwinds, refinancing risk, impact of multiple scenarios and model recalibration.

PMA's of £11m (£5m non-property business and £6m property) are in place on Stage 1 and 2 loans to reflect the full expected impact of the external environment, particularly under the Downside scenarios.

- £6m on the Corporate and CRE PD models to better reflect how changing interest rates and macroeconomic variables would be expected to impact the portfolio under Downside scenarios;
- £3m to account for the impact of potential increased forbearance due to policy changes; and
- £2m to account for Property sectors deemed to be materially impacted by refinance risk and by other key risk factors reflective of changing market dynamics.

In total, PMAs of £3m are applied to total Stage 3 loans of £210m. The key PMA within the Stage 3 loans relate to an alternate Stage 3 Strategy PMA of £3m applied to reflect the possibility that the Bank under certain circumstances would choose to pursue an alternative NPE resolution strategy.

Write-offs

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

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

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

The contractual amount outstanding of loans written-off during the year that are still subject to enforcement activity is outlined on page 104 and relate to non-contracted write-offs, both full and partial. The Company recognises cash received from the customer in excess of the carrying value of the loan after a non-contracted write-off as 'recoveries of amounts previously written-off' in the income statement.

(b) Macroeconomic scenarios and weightings

The Company has applied four scenarios in the calculation of ECL that, in its view, reflect ongoing uncertainty regarding the economic outlook, as at the reporting date. These four scenarios consist of a base case scenario and three alternative scenarios (consisting of one upside and two downside scenarios). These alternative scenarios consider inter alia higher inflation due to geopolitical tensions, compared to Base ('Downside 1'), a tightening of financial conditions linked to the material manifestation of geopolitical risks, leading to a credit crunch ('Downside 2') and the impact of a de-escalation of geopolitical tensions on global economic activity ('Upside'). Non-linear effects are captured in the development of the respective risk parameters.

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The table below sets out the five year average forecast for the key macroeconomic variables under (i) Base, (ii) Downside 1, (iii) Downside 2 and (iv) Upside scenarios at 31 December 2024 (average over 2025-2029) and at 31 December 2023 (average over 2024-2028).

	December 2024				December 2023			
	5 year (2025-2029) average forecast				5 year (2024-2028) average forecast			
Macroeconomic factor (%)	**Base**	**Downside 1 ('Geopolitical tensions')**	**Downside 2 ('Credit crunch')**	**Upside ('Quick recovery')**	Base	Downside 1 ('Persistent inflation')	Downside 2 ('Credit crunch')	Upside ('Quick recovery')
United Kingdom								
GDP growth	**1.5**	**0.6**	**(0.1)**	**2.1**	1.2	0.4	(0.1)	1.8
Residential property price growth	**2.6**	**(1.1)**	**(5.4)**	**4.6**	1.2	(1.2)	(5.4)	3.0
Unemployment rate	**4.6**	**7.6**	**9.1**	**3.8**	5.0	7.2	9.1	3.8
Commercial property price growth	**2.8**	**(1.8)**	**(6.1)**	**5.1**	3.3	(2.0)	(6.1)	5.5
Inflation	**2.1**	**2.7**	**1.8**	**3.4**	2.4	3.9	2.3	4.0

Additional information is provided in the table below which details the individual macroeconomic factor forecast for each year across the four scenarios, as at 31 December 2024.

	Estimate	**Base**					**Downside 1**				
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2025**	**2026**	**2027**	**2028**	**2029**
Macroeconomic factor (%)	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
GDP growth	**1.1**	**1.6**	**1.5**	**1.5**	**1.5**	**1.5**	**—**	**(0.6)**	**0.6**	**1.3**	**1.5**
Residential property price growth	**4.5**	**4.0**	**3.0**	**2.0**	**2.0**	**2.0**	**(10.0)**	**(3.5)**	**2.0**	**3.0**	**3.0**
Unemployment rate	**4.5**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**6.2**	**7.8**	**8.5**	**7.9**	**7.5**
Commercial property price growth	**3.5**	**4.0**	**3.0**	**3.0**	**2.0**	**2.0**	**(11.5)**	**(3.0)**	**1.5**	**2.0**	**2.0**
Inflation	**2.6**	**2.3**	**2.0**	**2.0**	**2.0**	**2.0**	**4.5**	**2.8**	**2.1**	**2.0**	**2.0**

	Downside 2					**Upside**				
	2025	**2026**	**2027**	**2028**	**2029**	**2025**	**2026**	**2027**	**2028**	**2029**
Macroeconomic factor (%)	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
GDP growth	**(2.1)**	**(1.9)**	**0.5**	**1.5**	**1.7**	**2.6**	**3.0**	**2.0**	**1.5**	**1.3**
Residential property price growth	**(12.0)**	**(15.0)**	**(2.5)**	**1.0**	**1.5**	**6.0**	**7.0**	**4.0**	**3.0**	**3.0**
Unemployment rate	**6.3**	**8.5**	**10.0**	**10.5**	**10.0**	**4.3**	**3.9**	**3.7**	**3.5**	**3.6**
Commercial property price growth	**(15.5)**	**(17.0)**	**(4.5)**	**2.5**	**4.0**	**7.0**	**6.0**	**4.5**	**4.0**	**4.0**
Inflation	**2.0**	**1.5**	**1.5**	**2.0**	**2.0**	**5.0**	**4.5**	**3.0**	**2.5**	**2.0**

The weights that have been applied to the macroeconomic scenarios used by the Company for the ECL calculation as at the reporting date are:

Scenario	**Weighting 31 December 2024**
Base	**50 %**
Downside 1 ('Geopolitical tensions')	**40 %**
Downside 2 ('Credit crunch')	**5 %**
Upside ('Quick recovery')	**5 %**

Scenario	Weighting 31 December 2023
Base	50 %
Downside 1 ('Persistent inflation')	30 %
Downside 2 ('Credit crunch')	10 %
Upside ('Quick recovery')	10 %

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(c) Sensitivities

The Company's estimates of expected credit losses are responsive to varying economic conditions and forward looking information. These estimates are driven by the relationship between historic experienced loss and the combination of forward looking macroeconomic variables. Given the co-relationship of each of the macroeconomic variables to one another and the fact that loss estimates do not follow a linear path, a sensitivity to any single economic variable is not meaningful. As such, the following sensitivities provide an indication of ECL movements that include changes in model estimates, and quantitative SICR staging assignments with a single 100% weighting applied individually. Increased sensitivity for the Downside 2 'Credit crunch' scenario is evident in the 2024 sensitivities compared to the Reported ECL and 100% Base, driven predominantly by underlying model and staging sensitivities (including a redeveloped corporate model and an element of macro sensitive PMA allocation where relevant). Further details on PMAs are outlined on page 90.

Relative to the Base scenario, in the 100% Downside 'Geopolitical tensions' and 'Credit crunch' scenarios, the ECL allowance increases by 21% and 30% respectively. In the 100% Upside scenario, the ECL allowance declines by 7%. At 31 December 2024, a 100% Downside 'Geopolitical tensions' and 'Credit crunch' scenarios sees a higher ECL allowance sensitivity of £25m and £35m respectively compared to Base (£14m and £24m respectively compared to the Reported ECL).

	ECL allowance at 31 December 2024				
	Reported	**100% Base**	**100% Downside 1 ('Geopolitical tensions')**	**100% Downside 2 ('Credit crunch')**	**100% Upside ('Quick recovery')**
Loans and advances to customers	**£m**	**£m**	**£m**	**£m**	**£m**
Residential mortgages	**3**	**3**	**3**	**3**	**3**
Other personal	**1**	**1**	**1**	**1**	**1**
Property and construction	**26**	**21**	**32**	**35**	**21**
Non-property business	**91**	**86**	**98**	**104**	**79**
Total	**121**	**111**	**134**	**143**	**104**
Off-balance sheet loan commitments and financial guarantee contracts	**7**	**6**	**8**	**9**	**5**
	128	**117**	**142**	**152**	**109**

	ECL allowance at 31 December 2023				
	Reported	100% Base	100% Downside 1 ('Persistent inflation')	100% Downside 2 ('Credit crunch')	100% Upside ('Quick recovery')
Loans and advances to customers	£m	£m	£m	£m	£m
Residential mortgages	4	4	4	4	4
Other personal	1	1	1	1	1
Property and construction	42	41	47	46	39
Non-property business	86	84	92	92	81
Total	133	130	144	143	125
Off-balance sheet loan commitments and financial guarantee contracts	6	3	4	5	3
	139	133	148	148	128

(d) Credit risk management consideration of ESG risks

The Company continues to adapt its credit risk management processes and policies to monitor ESG risks. Sector specific rules and limitations are incorporated into credit policies within a defined climate-related and environmental risk appetite. The ESG Questionnaire continues to be used in credit applications for borrowers identified as carrying increased transitional, environmental, social and/or governance related risk where the new lending is over £1 million.

The impact of climate change on the management, escalation and reporting of credit risk was considered by the Company. There is currently no reasonable and supportable information that indicates a material impact of climate change on ECLs at a macro level, and the Company's approach to individual counterparty risk assessment adequately captures climate risk where appropriate. The impact of climate risk under various climate scenarios is assessed as part of the stress testing process within the Company. Developments will continue to be monitored in 2025 and on an onward basis to ensure ECLs appropriately reflect latent risk from potentially emerging climate risks.

(e) Maximum exposure to credit risk

Maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments is presented before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). For financial assets recognised on the statement of financial position, the maximum exposure to credit risk is their carrying amount, and for financial guarantees and similar contracts granted, it is the maximum amount the Company would have to pay if the guarantees were called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

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

The following table sets out the maximum exposure to credit risk that arises within the Company at 31 December 2024 and 2023.

Statement of financial position	2024 £m	2023 £m
Balances at central banks at amortised cost[(1)]	3,930	3,192
Derivative financial instruments at fair value	46	186
Loans and advances to banks	714	502
Loans and advances to customers	4,708	5,647
Prepayments and accrued income	5	4
Other assets	22	13
	9,425	9,544
Total off-balance sheet items	1,945	2,281
Maximum exposure to credit risk	**11,370**	**11,825**

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

(f) Credit quality of loans and advances

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

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

Internal credit grades are fundamental in assessing the credit quality of loan exposures, and are key to management reporting, credit portfolio analysis, credit quality monitoring and in determining the level and nature of management attention applied to exposures. Credit grading and scoring systems underpin the early identification and management of any deterioration in borrower quality. Changes in objective information are reflected in the credit grade of the borrower/ loan with the resultant grade influencing the management of individual loans. In line with the Company's credit management lifecycle, heightened credit management and special attention is paid to lower quality performing loans or 'criticised' loans and non-performing/defaulted loans, which are defined below.

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

The masterscale categorises loans into a broad range of grades which can be summarised into the following categories:

Strong/satisfactory	Accounts are considered strong/satisfactory if they have no current or recent credit distress and generally the PD is typically less than 6.95%, they are not in arrears and there are no indications they are unlikely to repay. • **Strong** (typically with a PD less than 0.99%): Strong credit with no weakness evident. • **Satisfactory** (typically with a PD greater than or equal to 0.99% and less than 6.95%): Satisfactory credit with no weakness evident.
Criticised	Accounts of lower credit quality and considered as less than satisfactory are referred to as criticised and include the following: • **Criticised watch**: The credit is exhibiting weakness in terms of credit quality and may need additional management attention; the credit may or may not be in arrears. • **Criticised recovery**: Includes forborne cases that are classified as performing having transitioned from default, but still require additional management attention to monitor for re-default and continuing improvement in terms of credit quality.
Non-performing/ default	Accounts that are considered as non-performing or defaulted. Loans are identified as non-performing or defaulted by using a number of characteristics. The key criteria resulting in a classification of non-performing are: • Where the Company considers a borrower to be unlikely to pay their loans in full without realisation of collateral, regardless of the existence of any past-due amount; or • The borrower is 90 days or more past due on any material loan (day count starts when any material amount of principal, interest or fee has not been paid by a borrower on the due date). The criteria for the definition of financial distress and forbearance are included in the Parent Group's Forbearance Policy. Criteria for the identification of non-performing exposures and unlikeliness to pay are included in the Parent Group's Definition of Default and Credit Impairment Policy.

Credit profile of the loan portfolio

The Company's customer loan portfolio comprises loans (including overdrafts), instalment credit and finance lease receivables. An overdraft provides a demand credit facility combined with a current account. Borrowings occur when the customer's drawings take the current account into debit. The balance may, therefore, fluctuate with the requirements of the customer. Although overdrafts are contractually repayable on demand (unless a fixed term has been agreed), provided the account is deemed to be satisfactory, full repayment is not generally demanded without notice.

The table below analyses the internal credit grading profile by ECL staging for loans and advances to customers at 31 December 2024 and 2023:

Amortised cost

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

Amortised cost

				2023
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Strong	4,050	183	—	4,233
Satisfactory	812	186	—	998
Total strong/satisfactory	4,862	369	—	5,231
Criticised Watch	17	130	—	147
Criticised Recovery	—	149	—	149
Total criticised	17	279	—	296
Non-performing	—	—	253	253
Gross carrying amount	4,879	648	253	5,780
ECL allowance	(39)	(41)	(53)	(133)
Carrying amount	4,840	607	200	5,647

(g) Concentration exposure

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

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

At 31 December 2024 the most significant concentration of exposures were to the property and construction sector, which made up 40% (2023: 31%) of loans and advances to customers, residential mortgages 17% (2023: 14%), leisure 11% (2023: 7%), and transport and storage 8% (2023: 8%) of loans and advances. Natural resources has reduced from 23% at 31 December 2023 to 4% at 31 December 2024 following the transfer of a portfolio of loans to AIB plc during the year.

The following table sets out the concentration of credit by industry sector for loans and advances to customers and loan commitments and financial guarantees issued analysed by the ECL stage profile at 31 December 2024 and 2023:

							2024
	Gross carrying amount			Analysed by ECL profile			
	Loans and advances to customers	Loan commitments and financial guarantees issued	Total	Stage 1	Stage 2	Stage 3	Total
Concentration by sector	£m	£m	£m	£m	£m	£m	£m
Non-property business:							
Natural resources	202	108	310	278	26	6	310
Of which renewables	*17*	*1*	*18*	*15*	*—*	*3*	*18*
Leisure	524	88	612	479	97	36	612
Manufacturing	175	185	360	336	21	3	360
Health, education and social work	268	52	320	261	58	1	320
Services	223	191	414	360	49	5	414
Agriculture, forestry and fishing	45	13	58	40	14	4	58
Retail and wholesale trade	87	71	158	122	29	7	158
Transport and storage	387	66	453	355	43	55	453
Telecommunications, media and technology	31	6	37	30	1	6	37
Financial, insurance and other government activities	80	18	98	73	24	1	98
Total non-property business	2,022	798	2,820	2,334	362	124	2,820
Property and construction	1,947	950	2,897	2,542	287	68	2,897
Residential mortgages	805	67	872	835	8	29	872
Other personal	55	130	185	175	9	1	185
	4,829	1,945	6,774	5,886	666	222	6,774

Concentration by sector	Gross carrying amount Loans and advances to customers £m	Loan commitments and financial guarantees issued £m	Total £m	Analysed by ECL profile Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
							2023
Non-property business:							
Natural Resources	1,347	544	1,891	1,773	99	19	1,891
Of which renewables	*1,059*	*370*	*1,429*	*1,414*	*15*	—	*1,429*
Leisure	382	96	478	293	111	74	478
Manufacturing	106	194	300	275	13	12	300
Health, education and social work	298	52	350	269	63	18	350
Services	242	126	368	320	43	5	368
Agriculture, forestry and fishing	53	12	65	41	20	4	65
Retail and wholesale trade	79	65	144	119	17	8	144
Transport and storage	438	79	517	426	64	27	517
Telecommunications, media and technology	136	95	231	224	1	6	231
Financial, insurance and other government activities	66	68	134	122	12	—	134
Total non-property business	3,147	1,331	4,478	3,862	443	173	4,478
Property and construction	1,786	817	2,603	2,244	303	56	2,603
Residential mortgages	786	—	786	731	20	35	786
Other personal	61	133	194	177	15	2	194
	5,780	2,281	8,061	7,014	781	266	8,061

Aged analysis of contractually past due loans and advances to customers
The following table shows an aged analysis of contractually past due loans and advances to customers by industry sector analysed by ECL staging at 31 December 2024 and 2023:

At amortised cost

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

At amortised cost

							2023
	Not past due	1-30 days	31-60 days	61-90 days	91 + days	Total past due	Total
Industry sector	£m	£m	£m	£m	£m	£m	£m
Non-property business:							
Natural Resources	1,345	—	—	—	2	2	1,347
Of which renewables	*1,059*	—	—	—	—	—	*1,059*
Leisure	340	37	1	—	4	42	382
Manufacturing	104	—	1	—	1	2	106
Health, education and social work	279	18	1	—	—	19	298
Services	237	3	—	—	2	5	242
Agriculture, forestry and fishing	49	1	2	—	1	4	53
Retail and wholesale trade	72	6	—	—	1	7	79
Transport and storage	438	—	—	—	—	—	438
Telecommunications, media and technology	136	—	—	—	—	—	136
Financial, insurance and other government activities	66	—	—	—	—	—	66
Total non-property business	3,066	65	5	—	11	81	3,147
Property and construction	1,769	3	7	—	7	17	1,786
Residential mortgages	752	14	1	4	15	34	786
Other personal	59	—	—	—	2	2	61
Total gross carrying amount	5,646	82	13	4	35	134	5,780
Asset quality							
Stage 1	4,865	14	—	—	—	14	4,879
Stage 2	614	29	3	2	—	34	648
Stage 3	167	39	10	2	35	86	253
	5,646	82	13	4	35	134	5,780
As a percentage of total gross loans	**%**	**%**	**%**	**%**	**%**	**%**	**%**
	97.7	1.4	0.2	0.1	0.6	2.3	100

Notes to the financial statements

(h) Gross loans and ECL movements

The following tables set out the movements in the gross carrying amount and ECL allowance for loans and advances to customers at amortised cost by ECL staging between 1 January 2024 and 31 December 2024 and the corresponding movements between 1 January 2023 and 31 December 2023.

Accounts that triggered movements between Stage 1 and Stage 2 as a result of failing/curing a quantitative measure only (as disclosed on page 86) and that subsequently reverted within the year to their original stage, are excluded from 'Transferred from Stage 1 to Stage 2' and 'Transferred from Stage 2 to Stage 1'. The Company believes this presentation aids the understanding of the underlying credit migration.

Gross carrying amount movements[1]

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

				2023
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	4,614	972	329	5,915
Transferred from Stage 1 to Stage 2	(714)	714	—	—
Transferred from Stage 2 to Stage 1	520	(520)	—	—
Transferred to Stage 3	(3)	(192)	195	—
Transferred from Stage 3	5	17	(22)	—
New loans originated/top-ups[2]	1,288	—	—	1,288
Redemptions/repayments[2][3]	(1,091)	(397)	(189)	(1,677)
Interest applied	284	66	18	368
Write-offs	—	—	(31)	(31)
Derecognised due to disposals	(2)	(3)	(47)	(52)
Exchange translation adjustments	(3)	—	(1)	(4)
Other movements	(19)	(9)	1	(27)
At 31 December	4,879	648	253	5,780

The presentation of loan movements in the above tables differs from the movements table reported in the Financial review on page 9.

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

[2]Includes loans renegotiated.

[3]Includes the net movement on revolving credit facilities.

ECL allowance movements

	Stage 1	Stage 2	Stage 3	2024 Total
	£m	£m	£m	£m
At 1 January	39	41	53	133
Transferred from Stage 1 to Stage 2	(4)	11	—	7
Transferred from Stage 2 to Stage 1	4	(8)	—	(4)
Transferred to Stage 3	—	(7)	27	20
Transferred from Stage 3	—	2	(3)	(1)
Net remeasurement (within stage)	(6)	(2)	39	31
New loans originated/top-ups	13	—	—	13
Redemptions/repayments	(1)	(3)	—	(4)
Impact of model and overlay changes	(10)	(10)	(8)	(28)
Impact of credit or economic risk parameters	(9)	(3)	(1)	(13)
Net remeasurement of ECL allowance	(13)	(20)	54	21
Write-offs	—	—	(29)	(29)
Derecognised due to disposals	(4)	—	—	(4)
Other movements	—	—	—	—
At 31 December	22	21	78	121

	Stage 1	Stage 2	Stage 3	2023 Total
	£m	£m	£m	£m
At 1 January	33	82	82	197
Transferred from Stage 1 to Stage 2	(7)	18	—	11
Transferred from Stage 2 to Stage 1	8	(28)	—	(20)
Transferred to Stage 3	—	(8)	19	11
Transferred from Stage 3	—	2	(2)	—
Net remeasurement (within stage)	(8)	(6)	1	(13)
New loans originated/top-ups	9	—	—	9
Redemptions/repayments	(2)	(8)	—	(10)
Impact of model and overlay changes	7	(6)	4	5
Impact of credit or economic risk parameters	(5)	(3)	(1)	(9)
Net remeasurement of ECL allowance	2	(39)	21	(16)
Write-offs	—	—	(31)	(31)
Derecognised due to disposals	—	—	(18)	(18)
Other movements	4	(2)	(1)	1
At 31 December	39	41	53	133

(i) Movements in off-balance sheet exposures

The following tables set out the movements in the nominal amount and ECL allowance for off-balance sheet exposures by ECL staging for the year to 31 December 2024 and 2023:

Nominal amount movements

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

				2023
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
At 1 January	2,147	159	15	2,321
Transferred from Stage 1 to Stage 2	(657)	657	—	—
Transferred from Stage 2 to Stage 1	494	(494)	—	—
Transferred to Stage 3	(17)	(9)	26	—
Transferred from Stage 3	7	5	(12)	—
Other movements[(1)]	158	(184)	(14)	(40)
At 31 December	2,132	134	15	2,281

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

ECL allowance movements

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

	Stage 1	Stage 2	Stage 3	2023 Total
	£m	£m	£m	£m
At 1 January	4	2	3	9
Transferred from Stage 1 to Stage 2	—	—	—	—
Transferred from Stage 2 to Stage 1	1	(2)	—	(1)
Transferred to Stage 3	—	—	—	—
Transferred from Stage 3	—	—	—	—
Net remeasurement	(2)	1	(1)	(2)
Net income statement credit	(1)	(1)	(1)	(3)
Other movements	—	1	(1)	—
At 31 December	3	2	1	6

(j) Credit ratings of contingent liabilities and commitments

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

	2024	2023
	£m	£m
Strong	**1,538**	2,108
Satisfactory	**379**	144
Criticised watch	**9**	11
Criticised recovery	**4**	5
Default	**15**	13
	1,945	2,281

(k) Collateral held

Credit risk mitigation may include a requirement for the Company to obtain collateral in support of its lending activities when deemed appropriate and has a series of policies and procedures in place for the assessment, valuation and taking of such collateral. In some circumstances, depending on the customers standing and/or the nature of the product, the Company may lend unsecured.

Where collateral and/or guarantees are required, they are usually taken as a secondary source of repayment in the event of the borrower's default. The Company maintains policies which detail the acceptability of specific classes of collateral.

The principal collateral types for loans and advances are:
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over other assets such as plant and machinery, marine vessels etc.;
- Mortgage/legal charge over residential and commercial real estate; and
- Charges over financial instruments such as debt securities and equities.

The nature and level of collateral required depends on a number of factors such as the type of the credit facility, the term of the credit facility and the amount of exposure. Collateral held as security for financial assets other than loans and advances, is determined by the nature of the instrument. Debt securities and treasury products are generally unsecured, with the exception of asset backed securities, which are secured by a portfolio of financial assets.

Collateral is not usually held against loans and advances to banks, including central banks, except where securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement.

For non-mortgage/non-property 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 the expected credit loss assessments, in many cases management rely on valuations or business appraisals from independent external professionals.

Notes to the financial statements

Write-offs
The contractual amount outstanding of loans written-off during the year that are subject to enforcement activity amounted to £nil (2023: £nil) which includes both full and partial write-offs. Total cumulative non-contracted loans written-off at 31 December 2024 amounted to £1m (2023: £3m).

20. Investment securities

	2024 £m	2023 £m
Equity securities		
Equity shares (unlisted) - measured at FVTPL	**54**	73
Total equity securities	**54**	73
Total investment securities	**54**	73

The judgement and estimates involved in the assessment of the fair value of investment securities are described in note 2. The sensitivity of the valuation of investment securities to using alternative assumptions in the fair value calculation at 31 December 2024 and 2023 is set out in note 39.

21. Investments in group undertakings

	2024 £m	2023 £m
At 1 January	**1**	1
Impairment provision charge	**(1)**	—
At 31 December	**—**	1

The subsidiary undertakings at 31 December 2024:

Subsidiary name	Year end	Nature of business	Place of incorporation	Registered office
First Trust Financial Services Limited	31 December	Financial services	Northern Ireland	92 Ann Street, Belfast, BT1 3HH, Northern Ireland.
AIB Joint Ventures Limited	31 December	Investment	England and Wales	AIB 13 Floor, 70 St Mary Axe, London, EC3A 8BE, United Kingdom.
AIB Pensions UK Limited	31 December	Dormant company	England and Wales	Third Floor, Trident House, 42-48 Victoria Street, St. Albans, Hertfordshire, AL1 3HZ, England.

The Company holds 100% of the ordinary shares of the companies listed, with the exception of AIB Pensions UK Limited, in which it holds 70% of the ordinary shares.

At 31 December 2024, the Company held no investments in associated undertakings (2023: nil), accounted for in accordance with IAS 28 *Investments in Associates*.

Dividends from subsidiary undertakings
In 2024 a dividend of £4.4m was received from First Trust Financial Services Limited (2023: £6m) and £0.2m from AIB Joint Ventures Limited (2023: £nil).

Impairment of investments in subsidiary undertakings
In 2024 there was an impairment charge on the investment in First Trust Financial Services Limited of £525k (2023: £nil) and AIB Joint Ventures Limited of £548 (2023: £nil).

22. Intangible assets

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

				2023
	Software externally purchased	Software internally generated	Software under construction	Total
	£m	£m	£m	£m
Cost				
At 1 January	1	46	1	48
Additions	—	2	2	4
Amounts written off[1]	—	(1)	—	(1)
At 31 December	1	47	3	51
Amortisation/impairment				
At 1 January	1	32	—	33
Amortisation for the year[2]	—	6	—	6
Amounts written off[1]	—	(1)	—	(1)
At 31 December	1	37	—	38
Carrying value at 31 December	—	10	3	13

[1]Relates to assets which are no longer in use with a £nil carrying value.
[2]Included in ‘Impairment and amortisation of intangible assets’ in the income statement.

All intangible assets at 31 December 2024 and 2023 have finite useful lives.

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

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

2023	Owned assets: Property: Freehold £m	Owned assets: Property: Leasehold under 50 years £m	Owned assets: Equipment £m	Leased assets: Right-of-use assets: Property £m	Total £m
Cost					
At 1 January	18	4	10	14	46
Additions	—	—	—	10	10
Amounts written-off[1]	—	—	—	(1)	(1)
Other	—	—	—	5	5
At 31 December	18	4	10	28	60
Depreciation and impairment					
At 1 January	1	3	6	9	19
Depreciation charge for the year[2]	1	—	1	2	4
Amounts written-off[1]	—	—	—	(1)	(1)
Other	—	—	—	5	5
At 31 December	2	3	7	15	27
Carrying value at 31 December	16	1	3	13	33

[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 the Company for its own activities at 31 December 2024 was £9m (2023: £9m) in relation to owned assets and £11m in relation to right-of-use assets (2023: £13m). Property leased to others by the Company had a carrying value of £8m (2023: £8m).

Future capital expenditure
Future capital expenditure relates to both property, plant and equipment and intangible assets (excluding right-of-use assets). There is £nil (2023: £nil) estimated outstanding commitments for capital expenditure not provided for in the financial statements.

Capital expenditure authorised but not yet contracted for is nil (2023: £1m).

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

Lease liabilities
A maturity analysis of lease liabilities is shown in note 29.

24. Other assets

	2024 £m	2023 £m
Items in transit	15	5
Items in course of collection	3	3
Other debtors	4	5
	22	13

25. Deferred taxation

	2024 £m	2023 £m
Deferred tax assets		
Unutilised tax losses	152	161
Cash flow hedges	60	53
Other	6	6
Total gross deferred tax assets	218	220
Deferred tax liabilities		
Retirement benefits	(11)	(15)
Total gross deferred tax liabilities	(11)	(15)
Net deferred tax assets	207	205
Represented on the statement of financial position:		
Deferred tax assets	208	207
Deferred tax liabilities	(1)	(2)

Analysis of movements in deferred taxation

	2024 £m	2023 £m
At 1 January	**205**	239
Deferred tax through other comprehensive (loss)/income (note 36)	**12**	(26)
Income statement (note 13)	**(10)**	(6)
Other adjustments	**—**	(2)
At 31 December	**207**	205

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%, except for deferred tax on pre-2015 unutilised tax losses which is not liable to the banking surcharge and is recognised at the relevant tax rate each year. The UK's main rate of corporation tax increased from 19% to 25% and the banking surcharge reduced from 8% to 3% with effect from 1 April 2023. The deferred tax asset at 31 December 2024 has been calculated based on an aggregated rate of 28%, apart from the deferred tax asset on the pre-2015 unutilised tax losses, which is calculated using a rate of 25%.

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

In assessing future profitability, the Board has considered a range of positive and negative evidence for this purpose. The principal positive evidence and factors include:
- the Company delivered a pre-tax profit of £239m in 2024, (£343m in 2023 and £138m in 2022) having returned to profitability following a loss in 2020, due to higher ECLs during the COVID-19 pandemic;
- the Company has achieved pre-tax profits each year from 2013 to 2019 and has a sustained history of long-term positive earnings prior to pre-tax losses incurred in 2010-2012 (driven by the financial crash);
- the Company is one year into its three year strategic cycle with a focus on customers, greening the business and operational efficiency and resilience. The 2021-23 strategy was successfully completed which included a reorganised structure, sale of the AIB GB SME loans, sale of a portfolio of non-performing loans and a programme of managed exit of the AIB GB SME customer balances; and
- the absence of any expiry dates for UK tax losses.

Against this, there are a number of uncertainties inherent in any long-term financial assumptions and projections and other negative evidence, including:
- the Company incurred a pre-tax loss of £105m in 2020 due to the COVID-19 pandemic;
- uncertainty continues to exist around the long term impact of the current geopolitical landscape;
- the planned new lending from 2025 may not increase within the timeframes and amounts currently forecast;
- the difficulty of accurately predicting future revenues; and
- the absolute level of the deferred tax asset compared to the level of equity and the quantum of profits required to utilise the asset.

The Board has considered all these factors and has determined that recognition of the deferred tax asset should continue to be restricted to the amount projected to be realised within fifteen years (2023: fifteen years). The Board has considered the plan for 2025-2027 and the Company's strategy and has based the forecast taxable profits on the three years of the Company's Business Plan with 2% growth assumed for 2028 and 2029 and 1% per annum growth forecast for the longer term. As a result, a deferred tax asset on unutilised tax losses of £2,144m (2023: £2,161m) has not been recognised in the financial statements.

Sensitivity of the deferred tax asset to changes in assumptions

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

- Change in profit forecast assumption: If the profitability forecast for 2025-2027 was assumed to be 5% higher (or lower) than planned, the deferred tax asset balance at 31 December 2024 would increase (or decrease) by £8m to £160m (or £144m).

- Change in profit growth assumption: 1% growth in profits has been assumed from 2030 onwards. If this assumption was changed to 2% growth for all years from 2030 to 2039, while maintaining a 15 year restriction and other base assumptions, the deferred tax asset balance at 31 December 2024 would increase by £6m to £158m.
- No restriction on the period of recognition: If no restriction to the period of recognition of the deferred tax asset on losses was applied, and no change made to the other base assumptions, the unutilised tax losses would be forecast to be fully utilised after 55 years from 31 December 2024. An increase of five years in the recognition period from the current assumption of fifteen years would increase the deferred tax asset at 31 December 2024 by £57m. A decrease of five years in the recognition period from the current assumption of fifteen years would decrease the deferred tax asset at 31 December 2024 by £54m.

The deferred tax asset due after more than one year is £143m (2023: £150m).

26. Retirement benefits

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

Defined contribution scheme

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

Defined contribution members accrue benefits under S2P (the State Second Pension) and the Company also pays an amount for Permanent Health Insurance in respect of these members.

The cost of the defined contribution scheme for 2024 was £7m (2023: £6m) and is included in operating expenses (note 10).

Defined benefit scheme

The UK Scheme was closed to new members from December 1997 and closed to future accrual for all existing employees from 31 December 2013. Retirement benefits for the UK Scheme are calculated by reference to service and pensionable salary at 31 December 2013. Benefits payable upon retirement are based on the average pensionable salary over the five years to 31 December 2013 and are revalued up to retirement date in line with the requirements to revalue deferred benefits. The weighted average duration of the UK Scheme at 31 December 2024 is 11 years (2023: 12 years).

During 2024, the UK Court of Appeal upheld a ruling in respect of Virgin Media Limited v NTL Pension Trustees II Limited which considered the validity of certain defined benefit scheme rule amendments made between 1997 and 2016. The Trustees with their advisers and the UK Scheme Actuary is considering the possible implications of the ruling. As it is too early at present to estimate the potential impact, if any, on the UK Scheme, no adjustment has been made in the financial statements for this matter.

(a) Governance

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

(b) Risks

The risks associated with the UK Scheme include:

- Market risk - where the value of the pension scheme assets may decline or their investment return may reduce due to market movements. This risk was reduced in December 2019 when the UK Scheme investments were replaced with two insurance policies.
- Actuarial risk - where the value of the UK Scheme liabilities may increase due to changes in the actuarial assumptions. This includes financial assumptions, such as discount rates and inflation, and demographic assumptions on life expectancy.

(c) Valuations

Independent actuarial valuations of the defined benefit scheme are carried out on a triennial basis by Mercer Limited, actuaries and consultants. The most recent valuation was carried out as at 31 December 2020 and was completed in March 2022. The next actuarial valuation of the UK Scheme is being carried out for 31 December 2023 with the results expected by 31 March 2025. The funding plan from the previous 2017 triennial valuation was replaced with a new funding plan in December 2019 following the purchase of two insurance policies. See below for details.

(d) Funding arrangements

Insurance policies

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

- a PBI to remove all identified financial and demographic risks attaching to current UK pensioners; and
- an APP to remove the majority of inflation and interest rate risk for UK deferred pensioners, with an option to convert part to a buy-in annually. The intention is to have converted the APP to a full buy-in by the end of 2025, thus removing exposure to the risks not covered by the APP.

As the PBI policy for current pensioners exactly matches the amount and timing of the benefits covered, it has a value equal to the scheme liabilities. The APP for deferred pensioners does not provide sufficient match in terms of amount and timing of benefits payable under the UK Scheme, so it is measured at fair value. Further pensioners and deferred members were converted from the APP to the PBI policy in 2024, which resulted in a write down of the value of scheme assets through OCI. There were no such conversions from the APP policy to the PBI policy in 2023.

(e) Contributions

The funding plan agreed in December 2019 entitles the UK Scheme to annual contributions of £19m per annum for five years from 1 January 2020 to 31 December 2024 followed by a final balancing contribution, expected to be £14m based on latest estimates. Part of the contributions is being utilised to convert the deferred APP to a buy-in each year, with full buy-in expected to be achieved by the end of 2025. The UK Scheme is also entitled to receive payments to cover scheme expenses which are expected to be £2m per annum for 2025-2028 and £1m per annum for 2029-2032.

To fund the contributions, the Parent Group established a pension funding partnership, AIB PFP Scottish Limited Partnership (‘the SLP’), in October 2013 to which a portfolio of loans was transferred from another Parent Group entity, AIB UK Loan Management Limited ('UKLM'), for the purpose of ring-fencing the repayments on these loans to fund future deficit payments of the UK Scheme. The loans were withdrawn from the SLP on 30 June 2023, in accordance with the partnership agreement, when the SLP had received sufficient repayments from the loans, since inception, to meet the maximum funding requirements to the Scheme.

(f) Administration expenses

From 1 May 2019 the UK Scheme administration expenses have been paid from the scheme assets. A £2m charge (2023: £2m) is included in the valuation of the UK Scheme assets and recognised in Pension costs within operating expenses (note 10).

(g) Past service costs

There were no past service costs in the years ended 31 December 2024 and 2023.

(h) Benefits paid

The UK Scheme allows participants an option for the payment before retirement of a lump sum transfer from UK Scheme assets to another pension arrangement of the individual’s choice, in full satisfaction of the retirement benefit entitlement under the UK Scheme. During 2024, £1.6m (2023: £0.4m) of the benefits paid from the UK Scheme related to lump sum transfer values taken under the terms of the UK Scheme.

(i) Financial assumptions

The following table summarises the financial assumptions adopted for the UK Scheme in the preparation of these financial statements:

As at 31 December	2024	2023
	%	%
Rate of increase of pensions in payment	3.2	3.0
Discount rate	5.5	4.8
Inflation assumptions		
– Retail Price Index	3.1	3.0
– Consumer Price Index	2.8	2.6

The discount rate used to value the liability is set by reference to high quality AA corporate bond yields, in accordance with IAS 19.

Notes to the financial statements

(j) 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 mortality tables used for 2024 and 2023 are based on data collected by the Continuous Mortality Investigation in the previous year respectively. An updated future mortality projection model was adopted from 2015 and the assumptions include sufficient allowance for future improvements in mortality rates.

The life expectancies underlying the value of the scheme liabilities for the UK Scheme at 31 December 2024 and 2023 are as set out below.

	Retiring today at age 63		Retiring at age 63, currently aged 53	
Life expectancy from age 63	**2024**	2023	**2024**	2023
Male	**24.2**	24.3	**24.5**	24.6
Female	**26.2**	26.2	**27.2**	27.2

(k) Movement in defined benefit obligation and scheme assets

The following table sets out the movement in the defined benefit obligation and UK Scheme assets during 2024 and 2023.

	2024			2023		
	Defined benefit obligation	**Fair value of scheme assets**	**Net defined benefit asset**	Defined benefit obligation	Fair value of scheme assets	Net defined benefit asset
	£m	**£m**	**£m**	£m	£m	£m
At 1 January	**(607)**	**661**	**54**	(607)	664	57
Included in income statement						
Interest (cost)/income	**(28)**	**31**	**3**	(29)	32	3
Administration expenses	**—**	**(2)**	**(2)**	—	(2)	(2)
	(28)	**29**	**1**	(29)	30	1
Included in other comprehensive income						
Remeasurement gain/(loss):						
- Actuarial gain/(loss) arising from:						
- Experience adjustments	**(3)**	**—**	**(3)**	(10)	—	(10)
- Changes in demographic assumptions	**1**	**—**	**1**	14	—	14
- Changes in financial assumptions	**32**	**—**	**32**	(8)	—	(8)
- Return on scheme assets excluding SLP	**—**	**(50)**	**(50)**	—	1	1
- Contribution of asset from SLP to scheme assets	**—**	**19**	**19**	—	19	19
- Return on SLP assets	**—**	**(13)**	**(13)**	—	(20)	(20)
	30	**(44)**	**(14)**	(4)	—	(4)
Other						
Benefits paid	**37**	**(37)**	**—**	33	(33)	—
At 31 December	**(568)**	**609**	**41**	(607)	661	54

(l) Fair value of plan assets

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

	2024		2023	
	Value	Plan assets	Value	Plan assets
	£m	%	£m	%
Pensioner buy-in	519	85	533	81
Assured payment policy	44	7	73	11
Cash	22	4	19	3
SLP assets	24	4	36	5
Fair value of scheme assets at 31 December	609	100	661	100
Actuarial value of liability	(568)		(607)	
Surplus in scheme	41		54	
Related deferred tax liability (note 25)	(11)		(15)	
Net pension asset	30		39	

The PBI policy for current pensioners exactly matches the amount and timing of the benefits covered, therefore, its value is equal to the applicable scheme liabilities. The APP for deferred pensioners does not provide sufficient match so it is measured at fair value. The SLP asset recognised by the UK Scheme at 31 December 2024 uses a DCF approach and is management's best estimate of the valuation based on a deterministic model valuation provided by the Trustees' investment consultants. The APP and SLP assets do not have a quoted price in an active market. There are no transferable financial instruments or property assets used by the Company included in the pension scheme assets.

Deferred taxation is provided on the defined pension scheme surplus at the rate of 28% (2023: 28%) being the expected corporation tax rate of 25% plus the UK bank surcharge of 3%.

Excluding the benefit of the UK Scheme's recognition of the SLP assets, the net defined benefit asset at 31 December 2024 was £17m (2023: £18m).

(m) Sensitivity of assumptions

Defined benefit obligation

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the liabilities of the pension scheme. The following table shows the sensitivity of the defined benefit obligation valuation of £568m at 31 December 2024 to changes in the key financial and demographic assumptions. The changes in below assumptions have been considered independently of each other.

	Increase/(decrease) in defined benefit obligation of £568m	
	if increase in assumption	if decrease in assumption
Assumption	£m	£m
Discount rate (0.25% movement)	(16)	15
Inflation (0.25% movement)	14	(16)
Mortality (1 year change in life expectancy)	13	(15)

Assured payment policy

A 0.25% increase (or decrease) in the discount rate would decrease (or increase) the APP valuation of £44m at 31 December 2024 by £3m.

SLP assets

A 0.25% increase (or decrease) in the discount rate would decrease (or increase) the SLP assets valuation of £24m at 31 December 2024 by £0.2m.

Notes to the financial statements

27. Deposits by central banks and banks

	2024	2023
	£m	£m
Central banks		
Borrowings - secured	**—**	253
Banks		
Other borrowings - unsecured	**109**	101
	109	354
Amounts include:		
Due to AIB plc and fellow subsidiaries	**108**	101

The amount borrowed from the Bank of England under the Term Funding Scheme for SMEs was repaid during 2024.

At 31 December 2024 and 2023, there were no securities sold under agreements to repurchase.

28. Customer accounts

	2024	2023
	£m	£m
Current accounts	**3,807**	4,081
Demand deposits	**1,565**	1,505
Time deposits	**1,945**	1,535
	7,317	7,121
Amounts include:		
Due to AIB plc and fellow subsidiaries	**17**	7

29. Lease liabilities

Analysis of movements in lease liabilities

	2024	2023
	£m	£m
At 1 January	**14**	8
Lease payments[1]	**(1)**	(3)
Interest expense[1]	**—**	—
Additions	**—**	9
At 31 December	**13**	14

[1]Repayment of principal portion of the lease liabilities amounted to £1m (2023: £3m) (i.e. lease payments net of interest expense).

	2024 £m	2023 £m
Maturity analysis - contractual undiscounted cash flows:		
Not later than one year	**3**	4
Later than one year and not later than five years	**7**	8
Later than five years	**6**	8
Total undiscounted lease liabilities at end of year	**16**	20

30. Other liabilities

	2024 £m	2023 £m
Notes in circulation[1]	**27**	30
Items in transit	**4**	15
Other creditors	**28**	33
	59	78

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

31. Subordinated liabilities and other capital instruments

	2024 £m	2023 £m
Issued by AIB Group (UK) p.l.c.		
£140 million Subordinated Tier 2 note due 2033, callable 2028	**141**	141
	141	141

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

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

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

32. Provisions for liabilities and commitments

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

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

				2023
	Customer redress	Legacy property	Other provisions	Total
	£m	£m	£m	£m
At 1 January 2023	4	5	2	11
Amounts (released)/charged to the income statement[1]	(1)	1	—	—
Provisions utilised	(2)	(4)	—	(6)
At 31 December 2023	1	2	2	5
ECLs on off-balance sheet items				
At 1 January 2023				9
Net writeback to income statement[2]				(3)
At 31 December 2023				6
Total provisions for liabilities and commitments				11

(1)Included in operating expenses (note 10) and interest and similar income (note 3).
(2)Included in net credit impairment (charge)/writeback (note 12).

Provisions

A new provision was raised in 2024 for customer redress. Part of the provision for legacy property provision was utilised as a result of a number of property exits in 2024. Other provisions includes provision for litigation cases and property dilapidations.

Provisions are reviewed by management regularly and updated for changes to estimates and judgements. The remaining provision of £5m at 31 December 2024 is expected to be utilised over the next three years.

ECLs on off-balance sheet items

The ECL allowance on loan commitments and on financial guarantee contracts are presented as a provision in the balance sheet (i.e. as a liability under IFRS 9 *Financial Instruments)* and separate from the ECL allowance on financial assets. For details of the internal credit ratings of contingent liabilities and commitments see note 19 (j).

33. Share capital

	2024 Number of shares m	2024 £m	2023 Number of shares m	2023 £m
Issued and fully paid:				
Ordinary shares of £0.25 each	**1,828**	**457**	1,828	457

Movements in issued share capital
The following table shows the movement in the number of ordinary shares:

	2024 Number of shares m	2024 £m	2023 Number of shares m	2023 £m
At 1 January	**1,828**	**457**	2,384	2,384
Capital reduction	**—**	**—**	—	(1,788)
Repurchase of shares	**—**	**—**	(556)	(139)
At 31 December	**1,828**	**457**	1,828	457

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

Capital reduction
On 24 February 2023, the High Court of Justice in Northern Ireland approved a reduction in the capital of AIB Group (UK) p.l.c., from £2,384m on to £596m. The capital reduction involved the cancellation and extinguishing of £0.75 on each issued fully paid up ordinary share of £1 each, reducing the nominal value of each issued fully paid up ordinary share from £1 to £0.25 and took effect from 1 March 2023.

Share buyback
On 24 November 2023, the Company completed a buyback of shares from its parent company, (AIB plc) which resulted in the repurchase of 555,555,555 £0.25 ordinary shares at a price of £0.45 per share for an aggregate consideration amount of £250m. The aggregate nominal amount of £139m was transferred from share capital to a capital redemption reserve. The number of ordinary shares in issue at 31 December 2023 was 1,828,444,445.

Other reserves

Revaluation reserves	2024 £m	2023 £m
At 1 January	**1**	1
At 31 December	**1**	1

34. Other equity interests

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

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

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

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

35. Capital redemption reserves

	2024 £m	2023 £m
At 1 January	**139**	—
Transfer from ordinary share capital (note 33)	**—**	139
At 31 December	**139**	139

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

	2024			2023		
	Gross £m	**Tax £m**	**Net £m**	Gross £m	Tax £m	Net £m
Cash flow hedge reserve						
Amount removed from cash flow hedging reserves and transferred to income statement	**80**	**(22)**	**58**	77	(21)	56
Change in fair value recognised in other comprehensive income	**(107)**	**29**	**(78)**	24	(7)	17
Total	**(27)**	**7**	**(20)**	101	(28)	73
Retained earnings						
Remeasurement of defined benefit asset	**(14)**	**5**	**(9)**	(4)	2	(2)
Total	**(14)**	**5**	**(9)**	(4)	2	(2)
Other comprehensive (loss)/income	**(41)**	**12**	**(29)**	97	(26)	71

37. Contingent liabilities and commitments

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of credit risk which are not reflected in the statement of financial position. Credit risk is defined as the possibility of sustaining a loss because the other party to a financial instrument fails to perform in accordance with the terms of the contract.

The Company's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Company uses the same credit control and risk management policies in undertaking all off-balance sheet commitments as it does for on-balance sheet lending.

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

	2024	2023
	Contract amount	Contract amount
	£m	£m
Contingent liabilities[1] - credited related		
Guarantees and irrevocable letters of credit	37	69
Other contingent liabilities	—	2
	37	71
Commitments[2]		
Documentary credits and short-term trade related transactions	46	47
Undrawn credit facilities		
- Less than one year	636	571
- One year and over	1,226	1,592
	1,908	2,210
	1,945	2,281

[1] Contingent liabilities are off-balance sheet products and include guarantees, irrevocable letters of credit and other contingent liability products.
[2] A commitment is an off-balance sheet product, where there is an agreement to provide an undrawn credit facility.

For details of the internal credit ratings of contingent liabilities and commitments, see note 19 (j).

Provisions for ECLs on loan commitments and financial guarantee contracts are set out in note 32.

38. Classification and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies for financial assets in note 1.8 and financial liabilities in note 1.9 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the carrying amounts of the financial assets and financial liabilities by measurement category and by statement of financial position heading at 31 December 2024 and 2023.

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

[1] Includes cash on hand of £31m.

	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	2023 Total
	Mandatorily	Cash flow hedge derivatives		
	£m	£m	£m	£m
Financial assets				
Cash and balances at central banks	—	—	3,229 [1]	3,229
Derivative financial instruments	141	45	—	186
Loans and advances to banks	—	—	502	502
Loans and advances to customers	—	—	5,647	5,647
Investment securities	73	—	—	73
Other financial assets	—	—	13	13
	214	45	9,391	9,650
Financial liabilities				
Deposits by central banks and banks	—	—	354	354
Customer accounts	—	—	7,121	7,121
Derivative financial instruments	143	233	—	376
Subordinated liabilities and other capital instruments	—	—	141	141
Other financial liabilities	—	—	78	78
	143	233	7,694	8,070

[1]Includes cash on hand of £37m.

39. Fair value of financial instruments

The term ‘financial instruments’ includes both financial assets and financial liabilities. 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, or in its absence, the most advantageous market to which the Company has access at that date. The Company’s accounting policy for the determination of fair value of financial instruments is set out in note 1.11.

The valuation of financial instruments, including loans and advances, involves the application of judgement and estimation. Market and credit risks are key assumptions in the estimation of the fair value of loans and advances. The Company has estimated the fair value of its loans to customers taking into account market risk and the changes in credit quality of its borrowers.

Fair values are based on observable market prices where available, and on valuation models or techniques where the lack of market liquidity means that observable prices are unavailable.

The fair values of financial instruments are measured 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.

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

Notes to the financial statements

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

Methodologies used for the calculation of fair value
The methods used for calculation of fair value in 2024 are as follows:

Financial instruments measured at fair value in the financial statements
Derivative financial instruments
The fair value of OTC derivative financial instruments is estimated based on standard market discounting and valuation methodologies which use reliable observable inputs including yield curves and market rates. These methodologies are implemented by the Finance function and validated by the Risk function. Where there is uncertainty around the inputs to a derivative's valuation model, the fair value is estimated using inputs which provide the Company's view of the most likely outcome in a disposal transaction between willing counterparties in a functioning market.

Where an unobservable input is material to the outcome of the valuation, a range of potential outcomes from favourable to unfavourable is estimated.

Counterparty valuation adjustment ('CVA') and funding valuation adjustment ('FVA') are applied to all uncollateralised OTC derivatives.

CVA is calculated as: Expected positive exposure ('EPE') x PD x LGD. EPE profiles are generated at a counterparty netting set through simulation. PDs are derived from market based credit default swap ('CDS') information. As most counterparties do not have a quoted CDS, PDs are derived by mapping each counterparty to an index CDS credit grade. LGDs are based on the specific circumstances of the counterparty and take into account valuation of offsetting security where applicable. For smaller exposures where security valuations are not individually assessed, an LGD of 60% is applied (2023: 60%).

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

Where XVA valuation adjustments have been applied to a derivative instrument, the entire instrument is classified as Level 3 in the fair value hierarchy where a not insignificant component of the XVA valuation is derived from unobservable inputs.

Investment securities
The fair value of the equity investment securities has been estimated based on a DCF valuation of the underlying trading entity. As there is no recently available market data for a directly comparable instrument, management judgement has been applied within this valuation technique. Details of the estimates used in the fair value calculation of investment securities are set out in note 2 and a sensitivity analysis is included on page 125.

Financial instruments not measured at fair value but with fair value information presented separately in the notes to the financial statements
Loans and advances to banks
The fair value of loans and advances to banks is estimated using DCF and applying applicable market rates as appropriate.

Loans and advances to customers
The Company provides lending facilities of varying rates and maturities to corporate and personal customers.

Valuation techniques are used in estimating the fair value of loans, primarily using DCF and applying market rates where practicable and taking credit risk into account.

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.

Deposits by central banks and banks and customer accounts

The fair value of current accounts and deposit liabilities which are repayable on demand, or which re-price frequently, approximates to their book value. The fair value of all other deposits and other borrowings is estimated using DCF applying either market rates, where applicable, or interest rates currently offered by the Company.

Subordinated liabilities

The estimated fair value of 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.

Other financial assets and other financial liabilities

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

Commitments pertaining to credit-related instruments

Details of the various credit-related commitments and other off-balance sheet financial guarantees entered into by the Company are included in note 37. The ECL is considered a reasonable approximation of the fair value of these credit-related financial instruments.

The table below sets out the carrying amount and fair value of financial instruments across the three levels of the fair value hierarchy at 31 December 2024 and 2023:

					2024
	Carrying amount	Fair value			
		Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m
Financial assets measured at fair value					
Derivative financial instruments	46	—	39	7	46
Equity investment securities at FVTPL	54	—	—	54	54
	100	—	39	61	100
Financial assets not measured at fair value					
Cash and balances at central banks	3,961	31	3,930	—	3,961
Loans and advances to banks	714	—	200	514	714
Loans and advances to customers	4,708	—	—	4,664	4,664
Other financial assets	22	—	—	22	22
	9,405	31	4,130	5,200	9,361
Financial liabilities measured at fair value					
Derivative financial instruments	262	—	247	15	262
	262	—	247	15	262
Financial liabilities not measured at fair value					
Deposits by central banks and banks	109	—	—	108	108
Customer accounts	7,317	—	—	7,317	7,317
Subordinated liabilities and other capital instruments	141	—	—	141	141
Other financial liabilities	59	—	—	59	59
Loan commitments and financial guarantees	7	—	—	7	7
	7,633	—	—	7,632	7,632

	2023				
	Carrying amount	Fair value			
		Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m
Financial assets measured at fair value					
Derivative financial instruments	186	—	163	23	186
Equity investment securities at FVTPL	73	—	—	73	73
	259	—	163	96	259
Financial assets not measured at fair value					
Cash and balances at central banks	3,229	37	3,192	—	3,229
Loans and advances to banks	502	—	225	277	502
Loans and advances to customers	5,647	—	—	5,634	5,634
Other financial assets	13	—	—	13	13
	9,391	37	3,417	5,924	9,378
Financial liabilities measured at fair value					
Derivative financial instruments	376	—	259	117	376
	376	—	259	117	376
Financial liabilities not measured at fair value					
Deposits by central banks and banks	354	—	250	102	352
Customer accounts	7,121	—	—	7,118	7,118
Subordinated liabilities and other capital instruments	141	—	—	141	141
Other financial liabilities	78	—	—	78	78
Loan commitments and financial guarantees	6	—	—	6	6
	7,700	—	250	7,445	7,695

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

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended 31 December 2024 and 2023.

Reconciliation of balances in Level 3 of the fair value hierarchy

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

					2024
	Financial assets			Financial liabilities	
	Derivatives	Investment securities – Equities at FVTPL	Total	Derivatives	Total
	£m	£m	£m	£m	£m
Movement in level 3 assets and liabilities					
At 1 January 2024	**23**	**73**	**96**	**117**	**117**
Transfers into/out of level 3[1]	**—**	**—**	**—**	**—**	**—**
Total gains or losses in:					
Profit or loss:					
Net trading income – losses	**(16)**	**—**	**(16)**	**(102)**	**(102)**
Net change in FVTPL	**—**	**(19)**	**(19)**	**—**	**—**
At 31 December 2024	**7**	**54**	**61**	**15**	**15**

					2023
	Financial assets			Financial liabilities	
	Derivatives	Investment securities – Equities at FVTPL	Total	Derivatives	Total
	£m	£m	£m	£m	£m
Movement in level 3 assets and liabilities					
At 1 January 2023	8	50	58	156	156
Transfers into/out of level 3[1]	—	—	—	—	—
Total gains or losses in:					
Profit or loss:					
Net trading income – gains/(losses)	15	—	15	(39)	(39)
Net change in FVTPL	—	23	23	—	—
At 31 December 2023	23	73	96	117	117

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

Significant unobservable inputs

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

Financial instrument		Fair value 31 December 2024 £m	Fair value 31 December 2023 £m	Valuation technique		Significant unobservable input	Range of estimates 31 December 2024	Range of estimates 31 December 2023
Derivatives	Asset	**7**	23	CVA	(1)	LGD	**38% - 56%**	37% - 54%
	Liability	**15**	117				**(Base 46%)**	(Base 44%)
				CVA		PD	**0.4% - 2.2%**	0.3% - 2.0%
							(Base 1.0% 1 year PD)	(Base 0.7% 1 year PD)
				FVA	(1)	Funding spreads	**(0.2%) - 0.3%**	(0.1%) - 0.3%
Investment securities - equity	Asset	**54**	73	Expected market value - discounted cash flows		Discount rate	**10.6 %**	11.3 %
						Long term growth rate	**2.0 %**	2.0 %
						Minority holding deduction	**40 %**	40 %

(1) The fair value measurement sensitivity to unobservable inputs at 31 December 2024 ranged from (i) negative £nil to positive £nil for CVA (31 December 2023: negative £2m to positive £1m) and (ii) negative £nil to positive £nil for FVA (31 December 2023: negative £1m to positive £nil).

Sensitivity of Level 3 measurements

The implementation of valuation techniques involves a considerable degree of judgement. While the Company believes its estimates of fair value are appropriate, the use of different measurements or assumptions could lead to different fair values.

The fair value of investment securities has been based on a DCF valuation of the underlying trading entity. Applying different assumptions at 31 December 2024 could materially impact the fair value estimation. An increase (or decrease) to the discount rate assumption by 0.4% would decrease (or increase) the fair value of the investment by £2m. An increase (or decrease) to the long term growth rate assumption by 1% would increase (or decrease) the fair value of the investment by £5m/(£4m). Reducing the minority holding deduction for lack of control/marketability by 10% would increase the valuation by £9m to £63m. The favourable scenario for 2024 above considers the upside of these three assumptions. An increase (or decrease) of 10% in the expected trading entity revenue would increase (or decrease) the fair value by £13m.

40. Interest rate risk

The Company is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. Interest rate risk in the banking book is measured and controlled using three metrics:

- non-traded Value at risk ('VaR');
- net interest income sensitivity; and
- economic value of equity.

Net interest income sensitivity captures the expected impact of changes in interest rates on base case projected net interest income for a specified financial period, typically one year.

Economic value of equity captures the expected impact of changes in interest rates on base case economic value. It captures all non-traded items irrespective of the profit and loss accounting treatment.

The table below shows the sensitivity of the Company's banking book to an immediate and sustained 100 basis point movement in interest rates, in terms of the impact on net interest income on a forward looking basis over a twelve month period, assuming no change in the balance sheet. The analysis is subject to certain simplifying assumptions such as all interest rate movements occurring simultaneously and all other non-interest rate risk variables remaining constant. Additionally, it is assumed that no management action is taken in response to the rate movements.

In deriving the base case net interest income projections, the repricing rates of assets and liabilities used are derived from current yield curves, thereby reflecting current market expectations of the future path of interest rates. The scenarios, therefore, represent interest rate shocks to the current market implied path of rates.

Sensitivity of projected net interest income to interest rate movements	2024 £m	2023 £m
+ 100 basis point parallel move in all interest rates	35	32
- 100 basis point parallel move in all interest rates	(35)	(32)

41. Financial assets and liabilities by contractual residual maturity

The following table analyses financial assets and financial liabilities by contractual residual maturity at 31 December 2024 and 2023.

2024	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Cash and balances at central banks	3,961	—	—	—	—	3,961
Derivative financial instruments[1]	—	—	5	31	10	46
Loans and advances to banks	279	435	—	—	—	714
Loans and advances to customers[2]	195	206	515	2,750	1,163	4,829
Other financial assets	—	19	—	—	—	19
	4,435	660	520	2,781	1,173	9,569
Financial liabilities						
Deposits by central banks and banks	81	—	—	12	16	109
Customer accounts	5,370	1,098	725	124	—	7,317
Derivative financial instruments[1]	—	—	6	91	165	262
Subordinated liabilities and other capital instruments	—	—	—	—	141	141
Other financial liabilities	59	—	—	—	—	59
	5,510	1,098	731	227	322	7,888

2023	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Cash and balances at central banks	3,229	—	—	—	—	3,229
Derivative financial instruments[1]	—	1	9	50	126	186
Loans and advances to banks	357	145	—	—	—	502
Loans and advances to customers[2]	147	164	501	3,012	1,956	5,780
Other financial assets	—	10	—	—	—	10
	3,733	320	510	3,062	2,082	9,707
Financial liabilities						
Deposits by central banks and banks	66	2	—	264	22	354
Customer accounts	5,585	767	629	139	1	7,121
Derivative financial instruments[1]	—	2	10	93	271	376
Subordinated liabilities and other capital instruments	—	—	—	—	141	141
Other financial liabilities	78	—	—	—	—	78
	5,729	771	639	496	435	8,070

[1]Shown by maturity date of contract.
[2]Shown gross of loss allowance on financial assets.

The analysis by remaining maturity of loans and advances to customers is based on contractual maturity dates, which are the earliest dates on which repayment can be demanded. Past experience would indicate repayment frequently takes place prior to contractual maturity dates.

42. 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 statement of financial position. All derivative financial instruments have been analysed based on their contractual maturity undiscounted cash flows.

In the daily management of liquidity risk, the Company adjusts the contractual outflows on customer deposits to reflect inherent stability of these deposits. Offsetting the liability outflows are cash inflows from the assets on the statement of financial position. Additionally, the Company holds a stock of high quality liquid assets (as outlined in note 15), which are held for the purpose of covering unexpected cash outflows.

The following table analyses, on an undiscounted basis, financial liabilities by remaining contractual maturity at 31 December 2024 and 2023

						2024
	On demand	**Less than 3 months, but not on demand**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities						
Deposits by central banks and banks	**81**	**—**	**1**	**15**	**17**	**114**
Customer accounts	**5,370**	**1,107**	**744**	**126**	**—**	**7,347**
Derivative financial instruments	**—**	**8**	**59**	**182**	**43**	**292**
Subordinated liabilities and other capital instruments	**—**	**—**	**8**	**30**	**179**	**217**
Other financial liabilities	**59**	**—**	**—**	**—**	**—**	**59**
	5,510	**1,115**	**812**	**353**	**239**	**8,029**

						2023
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Financial liabilities						
Deposits by central banks and banks	66	2	1	288	24	381
Customer accounts	5,585	771	648	143	1	7,148
Derivative financial instruments	—	35	82	207	101	425
Subordinated liabilities and other capital instruments	—	—	8	34	184	226
Other financial liabilities	78	—	—	—	—	78
	5,729	808	739	672	310	8,258

The undiscounted cash flows potentially payable under guarantees and similar contracts

The undiscounted cash flows potentially payable under guarantees and similar contracts, included below within contingent liabilities, are classified on the basis of the earliest date the facilities can be called. The Company is only called upon to satisfy a guarantee when the guaranteed party fails to meet their obligations. The Company expects that most guarantees it provides will expire unused.

The following table analyses undiscounted cash flows potentially payable under guarantees and similar contracts at 31 December 2024 and 2023:

						2024
	On demand	**Less than 3 months, but not on demand**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Contingent liabilities	**37**	**—**	**—**	**—**	**—**	**37**
Commitments	**1,908**	**—**	**—**	**—**	**—**	**1,908**
	1,945	**—**	**—**	**—**	**—**	**1,945**

						2023
	On demand	Less than 3 months, but not on demand	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m	£m
Contingent liabilities	71	—	—	—	—	71
Commitments	2,210	—	—	—	—	2,210
	2,281	—	—	—	—	2,281

43. Related party transactions

Related parties are those persons or entities that are related to the entity preparing its financial statements. They can include persons who have significant control or influence on the entity, entities that are members of the same group of companies, or associated companies or joint ventures.

In the Company's case, related parties comprise KMP, the Parent and fellow subsidiaries, and the pension funds.

(a) Directors' remuneration

The table below outlines the remuneration paid to Directors during the year:

			Highest paid Director	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Salary and other short term benefits	**1.2**	1.3	**0.3**	0.3
Post-employment benefits	**0.1**	0.2	**0.1**	0.2
Termination benefits	**—**	—	**—**	—
Total	**1.3**	1.5	**0.4**	0.5

The table above represents the remuneration paid in relation to the period for which they were directors.

No payments to former Directors were made during the year (2023: £nil).

No share options were granted or exercised during 2024 (2023: nil), and there were no options to subscribe for ordinary shares in the ultimate parent, AIB Group plc, outstanding in favour of Directors at 31 December 2024 (2023: nil). There were no long-term incentive schemes in operation during the year (2023: nil).

(b) Transactions with KMP

KMP are those persons considered having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. They comprise executive and non-executive Directors of the Company and members of the UK SMT. In 2024, there were 22 KMP for all or part of the year (2023: 22).

The Company has availed of the exemption under FRS 101 not to disclose KMP remuneration.

The number of loans and amounts outstanding at the year-end under transactions, arrangements and agreements entered into by the Company or the Parent with KMP and other related parties were:

	2024			2023		
	Number of persons	Number of loans	Balance at year end £m	Number of persons	Number of loans	Balance at year end £m
Key management personnel	3	15	1.2	3	7	0.4

Home and personal loans to KMP are made available on the same terms as are available to other employees in the Company. Commercial loans and loans to related parties are made in the ordinary course of business on normal commercial terms. The loans are primarily of a secured nature. Repayments on loans to KMP during the year amounted to £0.3m (2023: £0.2m) and drawdowns were £0.3m (2023: £0.0m).

An ECL allowance is held for all loans and advances. Accordingly, a total ECL allowance of less than £500 was held on the above facilities at 31 December 2024 (2023: less than £500).

These loans do not involve more than the normal risk of repayment or present other unfavourable features. No guarantees were given or received in relation to these transactions.

Connected persons

The aggregate of loans to connected persons of KMP are as follows (aggregate of 3 persons; 2023: 6):

	2024 £'000	2023 £'000
Loans	4	228
Total	4	228

The total interest received on these loans in 2024 was £0.0k (2023: £0.9k).

The loans are made on normal commercial terms. An ECL allowance is held for all loans and advances. Accordingly, a total ECL allowance of less than £500 was held on the above facilities at 31 December 2024 (2023: less than £500).

(c) Provision of banking services to UK Pension Funds

The Company provides normal banking facilities for the UK Scheme on terms similar to those applied to third parties.

44. Dividends

A dividend of £107m was approved at the Annual General Meeting on 25 April 2024 and subsequently paid on 26 April 2024. No dividends were paid during 2023.

Final dividends are not accounted for until they have been approved at the Annual General Meeting of shareholders.

45. Events after the reporting period

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

Notes to the financial statements

46. Parent company

Reference to the immediate parent undertaking refers to AIB plc, a company registered in the Republic of Ireland, with its registered office at 10 Molesworth Street, Dublin 2.

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

47. Impact of transition to FRS 101

For periods up to and including the year ended 31 December 2023, the Company prepared its financial statements in accordance with United Kingdom adopted IAS. These financial statements, for the year ended 31 December 2024, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2024 and the material accounting policies meeting those requirements are described in note 1.

In preparing these financial statements the Company has started from an opening statement of financial position at 1 January 2023, the Company's date of transition to FRS 101. There were no differences between the recognition and measurement basis applied under previous United Kingdom adopted IAS at 1 January 2023 and FRS 101.

Glossary of terms

AGM	Annual General Meeting
AI	Artificial intelligence
AIB GB	Allied Irish Bank (GB)
AIB Group	AIB Group plc and its subsidiaries
AIB Group plc	Holding company and ultimate parent of AIB plc and AIB UK
AIB NI	AIB (NI), formerly First Trust Bank
AIB plc	Allied Irish Banks, p.l.c., the principal operating company
AIB UK	AIB UK', 'The Bank' or 'The Company' will relate to AIB Group (UK) p.l.c.
Amortised cost	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 that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
APM	Alternative Performance Measure
APP	Assured Payment Policy
Arrears	Arrears relates to interest or principal on a loan which was due for payment, but where payment has not been received. Customers are said to be in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue.
AT1	Additional Tier 1 Capital ('AT1') are securities issued by AIB UK and included in its capital base as fully CRD IV compliant additional tier 1 capital on a fully loaded basis.
Average interest bearing liabilities	Average interest bearing liabilities includes deposits by banks, customer accounts and intercompany balances. Averages are based on month end balances for all categories with the exception of customer accounts, which are based on daily averages.
Average interest earning assets	Average interest earning assets includes loans and advances to customers, balances with central banks and other interest earning assets. Averages are based on month end balances for all categories with the exception of loans and receivables, which are based on daily averages.
Average rate	Interest and similar income divided by average interest earning assets.
b	Billions
Board	AIB Group (UK) p.l.c. Board of directors
bps	Basis points. One hundredth of a percent (0.01%), so 100 basis points is 1%.
C&E	Climate and Environmental
CDS	Credit Default Swap
CET1	Common Equity Tier 1. The highest quality form of regulatory capital under Basel III that comprises ordinary shares issued and related share premium, retained earnings and other reserves excluding cash flow hedging reserves, and deducting specified regulatory adjustments.
CET1 ratio	Common equity tier 1 ratio – A measurement of a bank's common equity tier 1 capital expressed as a percentage of its total risk weighted assets.
CFO	Chief Financial Officer
Company	AIB Group (UK) p.l.c.
Concentration risk	Concentration risk is the risk of loss from lack of diversification, investing too heavily in one industry, one geographic area or one type of security.
Consumer Duty	The Consumer Duty is a new regulatory framework that requires financial services firms to put their customers' needs first.
Contractual maturity	The period when a scheduled payment is due and payable in accordance with the terms of a financial instrument.
Contractual residual maturity	The time remaining until the expiration or repayment of a financial instrument in accordance with its contractual terms.
COO	Chief Operating Officer
CRD IV	Capital Requirements Directive IV
Credit impaired	Under IFRS 9, these include Stage 3 financial assets where there is objective evidence of impairment and, therefore, considered to be in default. A lifetime ECL is recognised for such assets. Also credit impaired are POCI financial assets which are credit-impaired on initial recognition.
Credit rating	An evaluation of the creditworthiness of an entity seeking to enter into a credit agreement.
Credit risk	The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Criticised loans	Loans requiring additional management attention over and above that normally required for the loan type.
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
Customer accounts	A liability of AIB UK where the counterparty to the financial contract is typically a personal customer, a corporation (other than a financial institution) or the government. This caption includes various types of deposits and credit current accounts, all of which are unsecured.
CVA	Counterparty Valuation Adjustment
DCF	Discounted cash flow
Default	When a customer breaches a term and/or condition of a loan agreement, a loan is deemed to be in default for case management purposes. Depending on the materiality of the default, if left unmanaged it can lead to loan impairment. Default is also used in a CRD IV context when a loan is greater than 90 days past due and/or the borrower is unlikely to pay his/her credit obligations. This may require additional capital to be set aside.
Derecognition	The removal of a previously recognised financial asset or financial liability from the statement of financial position.
EAD	Exposure at default ('EAD') is the expected or actual amount of exposure to the borrower at the time of default.
ECL	Expected credit loss ('ECLs') – The weighted average of credit losses of a loan or other financial asset based on changes in its expected credit loss either over a 12-month period or its lifetime.
EE	Expected exposure
EIR	Effective interest rate
EPC	Energy Performance Rating
EPE	Expected positive exposure
ESG	Environmental, social and governance
EU	European Union
FCA	Financial Conduct Authority
Forbearance	Forbearance is the term used when repayment terms of a loan contract have been renegotiated to make payment terms more manageable for borrowers. Standard forbearance techniques have the common characteristics of rescheduling principal or interest repayments, rather than reducing them. Standard forbearance techniques employed by AIB UK include interest only, a reduction in the payment amount, a temporary deferral of payment (a moratorium), extending the term of the mortgage and capitalising arrears amounts and related interest.
FRC	Financial Reporting Council
FRS 101	Financial Reporting Standard 101 *Reduced Disclosure Framework*
FS	Funding spread
FSCS	Financial Services Compensation Scheme
FTE	Full time equivalent
FVA	Funding valuation adjustment ('FVA') is an adjustment to the valuation of OTC derivative contracts due to a bank's funding rate exceeding the risk-free rate.
FVOCI	Fair value through other comprehensive Income
FVTPL	Fair value through profit or loss
GB	Great Britain
GDP	Gross Domestic Product ('GDP') is a monetary measure of the value of all final goods and services produced in a period of time (quarterly or yearly). GDP estimates are commonly used to determine the economic performance and standard of living of a whole country or region, and to make international comparisons.
GHG	Greenhouse Gas
Green lending/ products	Any form of financial product or lending to fund activities defined in the Sustainable Lending Framework as Green activities, including for example purchase and renovation of energy efficient properties, the development, construction, operation and distribution of renewable energy, zero direct emission transport and the related technologies and infrastructure, material re-use and recycling, and water collection, treatment and supply.
Gross carrying amount	The gross carrying amount of a financial asset is the amortised cost before adjusting for any loss allowance.
GSC	Group Sustainability Committee
Guarantee	An undertaking by AIB UK/other party to pay a creditor should a debtor fail to do so.
HMRC	His Majesty's Revenue and Customs
I&D	Inclusion and diversity
IAS	International Accounting Standards
IASB	International Accounting Standards Board

ICAAP	Internal Capital Adequacy Assessment Process. AIB UK's own assessment, through an examination of its risk profile from regulatory and economic capital perspectives, of the levels of capital that it needs to hold.
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRBA	Internal Ratings Based Approach ('IRBA') allows banks, subject to regulatory approval, to use their own estimates of certain risk components to derive regulatory capital requirements for credit risk across different asset classes. The relevant risk components are: probability of default ('PD'); loss given default ('LGD'); and EAD.
IRRBB	Interest Rate Risk in the Banking Book. The current or prospective risk to both the earnings and capital of AIB UK as a result of adverse movements in interest rates that affect the banking book positions.
ISA	International Standards on Auditing
KMP	Key management personnel
KPI	Key performance indicator
kWh	Kilowatt-hour
LCR	Liquidity Coverage Ratio (LCR') is the ratio of the stock of high quality liquid assets to expected net cash outflows over the next 30 days under a stress scenario. CRD IV requires that this ratio exceeds 100% on 1 January 2018.
LGD	Loss given default ('LGD') is the expected or actual loss in the event of default, expressed as a percentage of EAD.
Liquidity risk	The risk that AIB UK does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.
LLP	Limited Liability Partnership
Loan to deposit ratio	This is the ratio of loans and advances to customers expressed as a percentage of customer accounts, as presented in the statement of financial position.
Loans past due	When a borrower fails to make a contractually due payment, a loan is deemed to be past due. 'Past due days' is a term used to describe the cumulative number of days that a missed payment is overdue. Past due days commence from the close of business on the day on which a payment is due but not received. In the case of overdrafts, past due days are counted once a borrower: • has breached an advised limit; • has been advised of a limit lower than the then current amount outstanding; or • has drawn credit without authorisation. When a borrower is past due, the entire exposure is reported as past due, rather than the amount of any excess or arrears.
LTPD	Lifetime probability of default
m	Millions
MD	Managing Director
MRA	Material Risk Assessment
Net interest income	The amount of interest received or receivable on assets net of interest paid or payable on liabilities.
Net Interest margin	Net interest margin ('NIM') is a measure of the difference between the interest income generated on average interest earning financial assets (lendings) and the amount of interest paid on average interest bearing financial liabilities (borrowings) relative to the amount of interest-earning assets.
Net loans	Total loans minus the drawn credit provisions
Net zero	Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere.
NI	Northern Ireland
Non-performing exposures/loans	Non-performing exposures/loans are material exposures which are more than 90 days past due (regardless of whether they are credit impaired) and/or exposures in respect of which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days the exposure is past due.
Non-performing ratio	Non-performing loans divided by total gross loans.
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio ('NSFR'): The ratio of available stable funding to required stable funding over a 1 year time horizon.
OCI	Other comprehensive income
Off-balance sheet items	Off-balance sheet items include undrawn commitments to lend, guarantees, letters of credit, acceptances and other items as listed in Annex I of the CRR.

Offsetting	Offsetting, or 'netting', is the presentation of the net amounts of financial assets and financial liabilities in the statement of financial position as a result of the Company's rights of set-off.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes strategic and business risk. In essence, operational risk is a broad canvas of individual risk types which include product and change risk, outsourcing, information security, cyber, business continuity, health and safety risks, people risk and legal risk.
OTC	Over-the-counter
Parent	Allied Irish Banks, p.l.c.
Parent Group	Allied Irish Banks, p.l.c. and its subsidiary undertakings, which includes AIB Group (UK) p.l.c.
PBI	Pensioner Buy-In
PD	Probability of Default ('PD') is the likelihood that a borrower will default on an obligation to repay.
Pillar 1	Sets out the rules for calculating minimum regulatory capital. It is a variable capital requirement based on the sum of operational, market and credit risk requirements. AIB UK must maintain, at all times, capital resources equal to or in excess of the amount specified.
Pillar 2a	This Supervisory Review Process requires supervisors to ensure each bank has a sound internal process in place to assess the adequacy of its capital based on a thorough evaluation of its material risks.
PMA	Post model adjustment
POCI	Purchased or originated credit impaired financial assets. POCIs are assets purchased or originated credit impaired and that have a discount to the contractual value when measured at fair value.
PP	Prepayments
PRA	Prudential Regulation Authority
PwC	PricewaterhouseCoopers LLP
RAS	Risk Appetite Statement
Repo	Repurchase agreement ('Repo') is a short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the counterparty to the transaction, it is termed a reverse repurchase agreement or a reverse repo.
Reverse repo	A purchase of securities with an agreement to resell them at a higher price at a specific future date.
RMF	Risk Management Framework
RWA	Risk weighted assets ('RWA') are a measure of assets (including off-balance sheet items converted into asset equivalents e.g. credit lines) which are weighted in accordance with prescribed rules and formulas as defined in the Basel Accord to reflect the risks inherent in those assets.
SBAC	Sustainable Business Advisory Committee
SBT	Science based targets
SECR	Streamlined Energy and Carbon Reporting
Section 172(1)	Section 172(1) of the Companies Act 2006
SICR	Significant increase in credit risk
SID	Senior Independent director
SLP	AIB PFP Scottish Limited Partnership
SME	Small and medium-sized enterprises (SMEs) are businesses whose personnel numbers and financial results fall below certain limits.
SMR	Senior Managers Regime
SONIA	Sterling Overnight Index Average
SPPI	Solely payments of principal and interest
Stage allocation:	Under IFRS 9, loans and advances to customers, other than POCIs are classified into one of three stages:
Stage 1	Includes newly originated loans and loans that have not had a significant increase in credit risk since initial recognition.
Stage 2	Includes loans that have had a significant increase in credit risk since initial recognition but do not have objective evidence of being credit impaired.
Stage 3	Includes loans that are defaulted or are otherwise considered to be credit impaired.
Stress testing	Stress testing is a technique used to evaluate the potential effects on an institution's financial condition of an exceptional but plausible event and/or movement in a set of financial variables.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

TCFD	Taskforce on Climate-related Financial Disclosures
TDRC	Technology Data and Resilience Committee
The standard	IFRS 9 *Financial Instruments*
Tier 1 capital	A measure of a bank's financial strength defined by the Basel Accord. It captures core Tier 1 capital plus other Tier 1 securities in issue, but is subject to deductions in relation to the excess of expected loss on the IRBA portfolios over the IFRS provision on the IRBA portfolios, securitisation positions and material holdings in financial companies.
Tier 2	Subordinated Tier 2
UK ALCo	UK Asset and Liability Committee
UK Scheme	AIB Group (UK) Pension Scheme
UK SMT	UK Senior Management Team
UKLM	AIB UK Loan Management Limited
UKRC	AIB UK Risk Committee
VaR	Value at Risk
VAT	Value Added Tax
VIU	Value-in-use
1LOD	First Line of Defence
2LOD	Second Line of Defence
3LOD	Third Line of Defence