2025

Bank of Ireland (UK) plc
Annual Report

Our vision is to offer unrivalled financial choice - now and for generations to come.

Our purpose is to help customers, colleagues and society to thrive.

Inside this report

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Strategic Report

2025 key performance highlights

Financial performance	Sustainable growth	Investment in the future
£(12)m Statutory LBT *(2024: PBT £181m)*	**▲4%** customer lending	**£100m** investment across core platform enhancement
£234 m Underlying PBT *(2024: £263m)*	**▲£0.5bn** customer accounts	**NEW Online ISA** product successfully launched
19.6% CET1 ratio *(2024: 19.9%)*	**▲229%** on new Electric Vehicle lending	**Digitisation** of customer journeys with current account opening times reduced by 50%

Bank of Ireland (UK) plc (the 'Bank') is a public limited company incorporated in England and Wales and domiciled in the UK, together with its subsidiary undertakings (which together comprise the 'Group') is the principal United Kingdom retail and commercial banking business of the Governor and Company of the Bank of Ireland (the 'Parent'). Percentages throughout the document are calculated on the absolute underlying figures and so may differ from the percentages calculated on the rounded numbers presented, where the percentages are not measured this is indicated by n/m.

Chair's review

'Throughout 2025 we navigated a challenging economic environment while continuing to execute on our purpose, ensuring meaningful outcomes for our customers, colleagues, and the communities we serve'

Stephen **Pateman**
Chair

Chair's review *(continued)*

Introduction

The UK economy remained fragile in 2025, with modest growth, easing but still elevated inflation, and early steps towards lower interest rates following an extended period of monetary tightening. Labour market conditions softened and confidence recovered only gradually. The extended run-up and heightened uncertainty in relation to the November 2025 Budget Statement had a dampening impact on business and consumer confidence, weighing on growth in the final months of the year.

Global risks intensified in early 2026 as the Middle East conflict disrupted energy markets and supply chains. This led to renewed inflationary pressures, reinforcing an operating environment characterised by weak momentum, uncertainty and heightened geopolitical risk.

Strategy

2025 marks one full year since the launch of Bank of Ireland UK's (BoI UK) refreshed three-year strategy, focused on sustainable growth, transformational customer experience improvements and the ambition to become our customers' most trusted financial partner.

The successful delivery against our strategy in 2025 has created strong foundations upon which the Group will continue to build into 2026 to transform the business. We have continued to improve the products and services we provide to our customers, whilst making BoI UK a great place to work for colleagues.

Over this past year, BoI UK has been successfully delivering at pace on this strategy, building on the strong foundations achieved in recent years.

Key achievements in 2025 included:

- successfully delivering the first year of our refreshed strategy, and sustainable business growth;
- continued focus on delivering good outcomes for our customers, with further investment in customer experience through the implementation of our mortgage transformation programme and enhancement to customer journeys with a particular emphasis on continuing to support our vulnerable customers; and
- substantial improvements to our control environment in a way that is both enduring and future-proof.

In 2025, the motor finance sector continued to face significant and prolonged uncertainty. Throughout this period, alongside industry peers, we have responded to the Financial Conduct Authority's (FCA) Section 166 of the Financial Services and Markets Act 2000 reviewing historical use of discretionary commissions arrangements and maintained an unwavering commitment to protecting and supporting our customers.

The FCA's final policy statement was issued on 30 March 2026 with the outcome that our initial provision of £143 million, based on a probability weighted multi scenario approach, has been uplifted to a total provision required of £375 million (at 31 December 2025: £367 million). The final provision is aligned with the FCA's final policy redress scheme requirements. As a result, whilst the Group's underlying profit before tax in 2025 is £234 million, the Group is reporting a statutory loss before tax of £12 million.

We have continued to invest in our core payments architecture. However, we were unable to meet the timeline for the implementation of Confirmation of Payee due to an existing initiative seeking to reduce risk and protect customers. The Payment Systems Regulator has issued a financial penalty for the delay, which has been settled and the Group has been in full compliance since January 2025.

Having committed £100 million in this strategic cycle to develop our core platforms, we will continue with this investment in 2026. We are leveraging technology to build new platforms and faster, more resilient systems. By reducing complexity, we are making it easier for both customers and colleagues to achieve their goals. By doing this we are also ensuring we retain a strong and competitive position in the marketplace.

Purpose and Culture

Our corporate culture is fundamental to realising our ambition and the Board exercises robust oversight of this. This year we made substantial progress, continuing to embed cultural transformation and strengthen risk management for the benefit of both customers and colleagues.

Our commitment to building a sustainable business has never been stronger.

Achieving net zero remains central to our strategy, supported by science-based targets and a clear focus on the green transition. In 2025, we delivered progress across our four sustainability pillars: supporting the green transition, enhancing financial wellbeing, enabling colleagues to thrive, and strengthening governance. Initiatives such as our paperless statement campaign, expect to save £1 million annually, and the start of the rollout of energy-efficient ATMs demonstrate tangible action.

Chair's review *(continued)*

Looking ahead to 2026, we will continue to innovate, developing products that help customers on their own sustainability journey while meeting their financial needs.

Board

During 2025, the Board continued to discharge its responsibilities with care and diligence. I would like to thank my Board colleagues for their tremendous commitment and support.

In 2025, we had a number of changes to Board composition. Peter Herbert retired as Chair on 19 August 2025 and, further to the Board providing approval for me to act as Interim Chair from 12 May 2025, I was approved by the Board on 3 November 2025 as Chair until 31 December 2026. We would like to extend our thanks to Peter for his leadership of the Board since February 2021 and prior to that as Chair of the Board Risk Committee (BRC). During his time as Chair, Peter oversaw a streamlining programme that has led to the strong underlying financial results we are now able to post. We wish him all the best for the future.

On 3 November 2025 the Board approved the appointment of Karina McTeague as a Non-Executive Director (from 21 November 2025) and as BRC Chair from 1 January 2026. Richard Sommers stepped down from his role as a Non-Executive Director and Chair of the BRC on 31 December 2025. Thanks are extended from the Board and me for Richard's leadership and significant contribution to the Group during his tenure.

Outlook

In 2026, our focus will be on delivering long-term value through our strategic priorities: enhancing the customer experience, driving sustainable growth, and accelerating the transformation of our technology and operations.

Further enhancing the strength of our risk and control environment remains fundamental, with increased automation to ensure resilience and efficiency.

Despite renewed geopolitical tensions, our core businesses are well positioned to sustain momentum, underpinned by products and services that are accessible, appropriate and competitively priced.

We are well positioned to navigate uncertainty, respond to evolving risks, and seize opportunities to support customers and communities.

I would like to close by thanking my Board colleagues for their commitment and support, our colleagues for their continued hard work and our customers for placing their trust in us.

Stephen Pateman
Chair

Chief Executive's review

'The Group demonstrated financial resilience in 2025, while creating focused execution momentum in the first year of its current strategic cycle, achieving strong progress towards our ambition to deliver sustainably profitable growth by becoming our customers' most trusted financial partner'

Gail **Goldie**
Chief Executive

Chief Executive's review *(continued)*

Introduction

2025 has been a year of meaningful progress for BoI UK. Following the launch of our refreshed three-year UK strategy in 2024, we have achieved strong strategic momentum and solid underlying financial results and materially improved the Group's risk profile. This performance was delivered while also recognising the £232 million charge during 2025 associated with historic motor finance commissions.

Our strategy supports continued financial resilience and sustainably profitable growth through selective participation in target market segments, underpinned by strategic investment in enhancing our offering to customers, delivering underlying capabilities and modernising our technology estate.

BoI UK marked an important milestone in 2025, as we commemorated 200 years since we opened our first branches in Newry, Belfast, and Derry/Londonderry. Since 1825 we have supported generations of personal and business customers across Northern Ireland (NI) and beyond, in the UK. Through delivering against our strategy, we are investing to ensure we will continue to meet the evolving needs of our customers and continue to support them for many more years and generations to come.

Delivering on our strategy

In year one of our current strategic cycle the Group laid solid foundations, positioning us well to deliver continued tangible strategic progress into 2026. The Group has made strong progress with a number of transformation programmes targeted and delivering a simplified and more efficient operating model and modernising our technology estate; we have delivered growth in our intermediated lending business lines; and, continued to deliver customer experience improvements for Retail and SME Banking customers.

Stronger relationships

Supporting our customers remains at the core of everything we do. Throughout 2025, we continued to strengthen customer relationships through enhancement to a number of customer journeys and propositions, reflected in sustained strong customer sentiment levels, increasing Group Relationship and NI Net Promoter Scores at +23.

In 2025 we sustainably grew our intermediated lending business with robust performance in the Mortgage portfolio and material new lending growth in Northridge motor finance. Margins remained resilient in the current rate environment, and we maintained low levels of arrears on lending portfolios and disciplined cost management. This sustainably profitable growth was enabled by successful delivery of a number of proposition enhancements, continued digitisation and servicing improvements.

We also remain committed to supporting vulnerable customers. In 2025, we delivered a number of additional supports including, providing customer information in alternative media and launching a Safespace browser to protect customers experiencing financial or domestic abuse. The Group has upgraded accessibility in our branches and our contact centres including expanding sign video support with British Sign Language translation, and introduced a gambling block feature on our mobile app.

Sustainable Company

2025 has been a pivotal year of improvement to the Group's risk and control environment. We materially strengthened the control environment and made tangible progress towards embedding resilience and reducing non-financial risk exposure. This progress is reflected in the Group's risk profile, positioning the Group well for sustainable, robust risk management going forward.

Colleague wellbeing and development remains a top priority and our commitment to continuously enhancing culture remains key. Throughout 2025, we continued to focus on strengthening colleague empowerment, engagement and enablement. This is underpinned by our plans to continue to embed simplification and enhanced processes and ways of working, supporting BoI UK in becoming a simpler, and more efficient business and enhancing colleague experience. In 2025 we had seven future skills learning pathways, specifically designed to help colleagues gain skills that will help deepen expertise, prepare for new opportunities or step into newly created roles aligned with the critical capabilities for the Group.

This year we have celebrated numerous achievements across our four core sustainability pillars, including supporting the Green Transition and enhancing financial wellbeing. This has included the delivery of c. 9,000 hours of financial education to schools, businesses, and community groups across NI.

Simpler Business

We continue to invest in our people and in the technology architecture to deliver resilient, flexible, and streamlined capabilities that enable sustainable and efficient business growth. This year, we made strong progress on our strategic technology programmes, designed to significantly enhance our Savings product and pricing capabilities and further strengthen our payments functionality. These multi-year initiatives remain firmly on track for completion in 2027, we are proud to have achieved key milestones in 2025, keeping us firmly on track.

2025 Business and financial performance

The Group is reporting a statutory loss before tax of £12 million for 2025, noting that underlying profit before tax reported for 2025 is £234 million. The loss recognised in the year is driven by the recognition of an additional £232 million provision charge for the industry wide historic motor finance commissions remediation programme which impacted our Northridge business.

Net interest income of £457 million was 8% lower than 2024. This decrease was primarily driven by lower Bank of England (BOE) base rates, reduced mortgage margins and lower income from deposits. The Group's NIM of 2.54%, was supported by strong performance in the motor finance business.

Statutory operating expenses increased by £103 million in 2025, mainly due to the year on year increase of the provision for Northridge motor finance commission. Statutory operating expenses for 2025 excluding the motor finance commission provision were £253 million (2024: £236 million).

An impairment charge of £25 million on financial instruments in 2025 compared to a gain of £8 million in 2024, reflects routine portfolio updates and model changes linked to the current macroeconomic outlook, whereas the 2024 gain reflected a more optimistic outlook for the wider economy.

Chief Executive's review *(continued)*

The Group's loan book at the end of 2025 was £14.7 billion and the business achieved new lending volumes of £4.3 billion, £0.5 billion higher year on year.

Our share of profits from the First Rate Exchange Services Limited (FRES) joint venture of £22 million, was £2 million lower than 2024, due lower sales volumes during 2025.

The external environment

2025 has been marked by continued macroeconomic uncertainty, with shifts across key financial and lending markets and an evolving regulatory landscape. Regulatory developments were significant, including the FCA's consultation on an industry-wide compensation scheme for motor finance customers, regulatory thematic reviews, and potential relaxation of mortgage regulation. Following the issuance of the FCA's final policy statement on historic motor vehicle commissions on 30 March 2026, the Group has revised the provision required to fully align with this policy statement. At December 2025 a provision of £367 million was held. Further details are given in note 31.

Housing market performance softened through 2025 as stamp duty changes weighed on demand, with price growth moderating after a strong end to 2024. Lenders operated in an increasingly competitive environment, with pricing dynamics driven by fluctuating rate expectations and broader affordability pressures for borrowers.

Savings volumes remained strong, supported by elevated household caution and demand for tax-efficient products ahead of potential ISA reforms. Geopolitical risks including US tariff actions, added to market volatility but are expected to have limited direct impact on the Group's business model. Overall, despite a challenging backdrop, the Group remains resilient, supported by proactive risk management, operational readiness, and agility across business lines.

Entering 2026 the external environment has been challenging, shaped by geopolitical instability, particularly the Middle East conflict, which has affected global markets, increased oil pressures and keeping interest rate expectations elevated. Based on pre-Iran war, inflation data has been maintained at 3%, however, a knock-on effect is expected, partly reflected in the BOE decision to hold the base rate at 3.75% in March 2026. The Group will continue to monitor these macroeconomic developments, whilst noting that currently risk indicators, early warning signals, and liquidity position all remain at normal levels.

Outlook

Continuing to deliver on our business and customer objectives will remain a priority for 2026. As we enter the second year of our three-year strategic cycle, we do so with momentum and confidence, despite an increasingly uncertain geopolitical and competitive environment. Our UK strategy continues to complement and contribute to the wider ambitions of Bank of Ireland Group, ensuring a coherent direction for the organisation.

I am confident that the Group continues to be well positioned to support our customers through ongoing economic and market developments. We will build on the strong platform already in place and continue to pursue our ambition to sustainably grow the business by becoming our customers' most trusted financial partner.

Gail Goldie
Chief Executive

Our strategy

Related pages
Chief Executive's review (page 7)
Sustainability (page 15)
Risk Management Report (page 41)

To sustainably grow our business by becoming our customers' most trust financial partner.

Our strategy is anchored on three strategic pillars; Building stronger relationships with our customers and colleagues; Continuing to simplify our business to make it easier to serve customers and support our colleagues and building a resilient company for the future through a sustained focus on stability, risk management and operational discipline.

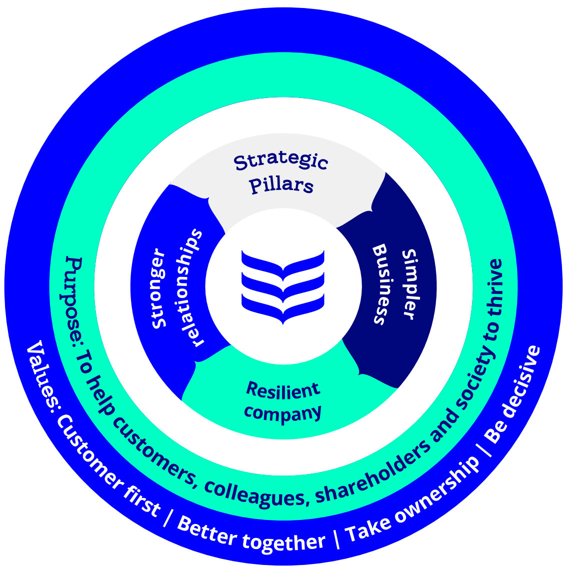
Launched in 2024, our UK Strategy is designed to deliver sustainable growth, transformational improvements in customer experience, and our ambition to become our customers' most trusted financial partner.

The Group will achieve this by maintaining financial resilience and pursuing sustainably profitable growth through selective participation in intermediated lending - offering mortgages and vehicle finance to UK consumers via intermediaries - and through our everyday banking operations in NI. These activities are enabled by a simplified, scalable operating model, supported by Group-wide capabilities.

To underpin successful delivery, the Group has committed £100 million of investment over three years. During the first year of this strategic cycle, we built strong momentum, established solid foundations, and positioned the business to deliver continued, tangible progress through 2026.

We continue to monitor developments in relation to macro-economic conditions, global trade relations and geopolitical uncertainties that have the potential to create global economic headwinds impacting on the strategic and consumer sentiment environment.

UK Ambition: To sustainability grow our business by becoming our customers' most trusted financial partner



Everyday Banking
Meeting the everyday banking need of Retail and SME customers supported by our branch network and heritage in Northern Ireland

Intermediated Lending
Selectively serving the borrowing needs of UK consumers through our established relationships with mortgage and vehicle finance brokers

Scalable Operating Model
Reducing operational complexity to reduce risk, deliver greater efficiency and to allow the business to grow

Our strategy *(continued)*

Stronger relationships

Grow new and deepen existing customer relationships, through tailored engagement, and easier, joined-up services and products across customers' financial needs and life stages.

Improving customer experience

The Group is transforming key customer journeys and strengthening digital propositions across our Everyday Banking services. This includes the launch of the BoI UK branded Individual Savings Account (ISA) and enhancements to digital onboarding and engagement for current account customers. These improvements have contributed to a steady increase in our Northern Ireland Consumer Net Promoter Score, now at +23, reflecting stronger customer advocacy and satisfaction.

Revenue growth

Through increased market participation and enhanced propositions, the Group has delivered strong growth across intermediated lending. Both the Mortgage portfolio and Northridge motor finance reported robust performance, with Northridge delivering material growth in new lending volumes.

Customer improvements

In Mortgages, we enhanced the switching journey through the Mortgage Hub, enabling customers and brokers to access support via LiveChat while using the platform. These changes have reduced the average switching time from five days to just 15 minutes, significantly improving customer convenience and operational efficiency. Within Northridge, our motor finance business, we improved the onboarding journey, ensuring customers have full information to make informed finance decisions.

Vulnerable Customers

We continue to strengthen support for Vulnerable Customers through a series of targeted improvements. These include; providing key customer information in alternative media formats, launching the Safespace browser-clearance tool to protect customers experiencing financial or domestic abuse, deploying online sign-language translation for essential content and introducing a gambling block on our mobile app to support customers managing gambling-related harm.

Our strategy *(continued)*

Simpler business

Simplify the daily activities and interactions of our customers and colleagues, empowering them through easy solutions leveraging digital, data and AI, allowing them to do more, faster and more efficiently.

Process simplification

We delivered significant simplification across key customer and colleague processes. Personal current account opening timelines were reduced by 50% through enhanced customer communications and targeted process optimisation. Within Mortgages, we introduced an automatic online upload capability for solicitors, removing the need to print and post large volumes of documents each year. This has created a more efficient, digital-first journey for customers and intermediaries.

Development of operating model

We advanced the development of a simplified operating model that leverages Parent capabilities and strengthens operational excellence. We also accelerated the adoption of new agile ways of working, enabling more effective collaboration and faster delivery. This shift is supporting the creation of a simpler, more predictable operating environment with clearer priorities, ownership and accountability.

Technology improvements

We continued to invest in our people and in the technology architecture needed to build a resilient, flexible and streamlined Group capable of supporting efficient and sustainable growth. Over the year, we made strong progress on strategic technology programmes, including initiatives to enhance Savings product and pricing capabilities and to further strengthen Payments functionality. We also completed the migration to the next-generation AWS telephony platform, providing colleagues with improved tools and creating a more stable, secure environment for customers.

Artificial Intelligence (AI) capabilities

As a forward looking organisation, we continue to deploy AI technologies in ways that enhance customer protection. This includes using AI to support fraud prevention and using AI in our mobile app, providing personalised insights, helping customers better manage their money. To support this, we are also developing AI skills though our learning pathways which is discussed further under colleague development.

Our strategy *(continued)*

Resilient company

Deliver impact on the most critical challenges facing our customers, colleagues and society and ensure ongoing focus on stability, risk management and operational resilience for our customer base.

Control environment

The Group further strengthened its control environment, delivering tangible progress in embedding resilience and reducing non-financial risk exposure. This positions us well for sustainable, robust risk management going forward.

Colleague Development

In 2025, we expanded colleague development through seven Future Skills learning pathways, designed to deepen expertise, build critical capabilities, and prepare colleagues for emerging roles across the Group. In addition, we launched AI apprenticeships in partnership with Cambridge Spark, enabling colleagues at all levels to develop the skills required to adopt and leverage AI responsibly. This investment is helping to embed AI capability across the organisation and equipping leaders to drive responsible transformation.

Investment in sustainability

We continued our multi-year investment in our ATM and branch networks, improving access to cash while also supporting our ESG ambitions through energy reduction initiatives and more efficient infrastructure.

Financial Wellbeing

We delivered c. 9,000 hours of financial education to schools, businesses and community groups across NI. This included the Bank of Ireland Money Smarts Challenge, which helps build financial resilience and improve financial wellbeing among students.

Our strategy *(continued)*

Looking ahead

To achieve our strategic pillars, our strategy focuses on defined strategic priorities in order to sustainably grow our business by becoming our customers' most trusted financial partner.

Our strategy to deliver sustainable growth through to 2028 is grounded in our focus in three key areas:

Stronger relationships	The Group will grow new and deepen existing customer relationships across everyday banking and intermediated lending. In NI, we will meet everyday banking needs through market-standard capabilities, customer-focused propositions and enhanced mobile and digital experiences, leveraging our unique differentiation. In the mortgage and vehicle finance markets, we will drive growth through new and targeted propositions, enhanced digital capabilities and differentiated servicing for both brokers and customers, strengthening our position in our selected segments
Simpler business	The Group will simplify the day-to-day activities and interactions of both customers and colleagues by delivering intuitive, efficient solutions enabled by digital, data and AI. This will enable customers and colleagues to achieve more with greater ease, while reducing unnecessary complexity across core processes. Our simplified operating model, underpinned by tribe-based agile delivery, will support faster and more frequent releases, enabling a consistent and predictable cadence of improvements for customers and colleagues and driving ongoing efficiency and effectiveness across the Group.
Resilient company	The Group will continue to prioritise stability, disciplined risk management and long-term sustainability. We will continue to invest in our technology and core systems to ensure the resilience, security and reliability of key customer services. Through partnership with customers and business clients, we will support the transition to a low-carbon economy while promoting financial inclusion and community resilience. We will also continue to strengthen colleague engagement and capability, with a focus on data, digital and AI, ensuring the Group is well positioned to operate effectively and responsibly in a technology-enabled environment.

Sustainability at Bank of Ireland UK

By operating as a sustainable company, we will deliver impact on the most critical challenges facing our customers, colleagues and society.

Related pages
Chief Executive's review (page7)
Our strategy (page 10)

Sustainability at Bank of Ireland UK

2025 has been a challenging year for sustainability, both in the UK and globally. The climate agenda has faced renewed scrutiny and shifting momentum, as policymakers seek to balance ambition with affordability. Record global temperatures and climate-related events have reinforced the urgency of transition, while evolving disclosure standards in the UK, Europe and beyond are driving greater transparency and accountability.

2025 strategic achievements

The strategic focus remains clear: to be a responsible Group that enables customers and communities to thrive through the transition to a more sustainable and inclusive economy. The table adjacent outlines the 2023 to 2025 sustainability strategy, which continues to guide priorities and actions across environmental, social, and organisational dimensions.

Over the past year, the Group have made strong progress in delivering against these goals - supporting the green transition through sustainable mortgage lending and electric vehicle (EV) financing, advancing financial wellbeing through tailored advice and community partnerships, and investing in people to foster a culture of inclusion, wellbeing and development. These achievements reflect the Group's commitment to combining commercial strength with social purpose and environmental responsibility.

Supporting the Green Transition	Enhancing Financial Wellbeing	Enabling Colleagues to Thrive
Focus areas Working with our customers, colleagues and communities to support the transition to a resilient, net zero economy by 2050, in line with government ambitions and actions.	**Focus areas** Empowering people with the knowledge and skills needed to make the most of their finances whilst striving to leave no one behind on the journey to financial health.	**Focus areas** Creation of an inclusive and supportive workforce that attracts and retains talent, enabling colleagues to develop brilliant careers, supporting them during key life moments and providing a safe and fair place to work that welcomes everyone.
• Science Based targets • Sustainable finance • Own operations	• Fostering financial inclusion • Improving financial capability and literacy • Increasing financial resilience	• Build a future ready workforce • Simplify ways of working • Creating a differentiated workforce

Sustainability at Bank of Ireland UK *(continued)*

Supporting the Green Transition

Home buying and ownership

Mortgage sustainable financing for properties with A–B rated Energy Performance Certificates (EPCs) continues to grow, with the loan book increasing by c. 3% since 2024, rising from £1.32 billion to £1.36 billion. New sustainable lending has remained steady at £0.4 billion, reflecting the Group's ongoing efforts to strengthen the resilience of its mortgage portfolio, support the UK's net-zero ambitions and meet growing customer demand for energy-efficient homes.

Building on insights from last year's customer engagement pilot, the Home Energy Hub has been launched, reinforcing the Group's commitment to sustainability and aligning with both the Parent's strategic priorities and broader trends in the UK mortgage market. The hub is designed to educate and empower customers, offering clear guidance on EPC ratings, practical energy-saving tips, and links to trusted third-party resource.

This marks the first phase of a broader approach to supporting sustainable product offerings. The hub will continue to evolve, delivering timely, high value content that empowers customers to improve home energy efficiency and reduce household costs.

Everyday banking

Four sustainability-focused roadshows were held across Northern Ireland (NI), featuring speakers from Business Banking, an external advisory agency, and customer representatives who shared their own experiences and testimonials.

These events strengthen the sustainability knowledge of local businesses and reinforce the Group's role as a partner in their transition to lower-carbon operation. Attendees also received a preview of the upcoming Sustainable Business Coach - an online tool designed to help businesses assess and improve their sustainability practices at their own convenience.

A new paperless statement campaign has been launched. This shift reduces environmental impact by reducing paper usage and supports more efficient, digital-first customer communication.

The Group has provided £4.3 million in lending to support Lynas Foodservice to invest in a major renewable energy project. This includes the installation of solar panels on the roof of their Coleraine factory in NI and the construction of a 1.25MW wind turbine on an adjacent site. Together, these installations will supply approximately 75% of the business's electricity needs across all their Coleraine properties from renewable sources. This investment materially reduces the customer's carbon footprint and energy costs, demonstrating the Group's role in enabling meaningful, real-economy decarbonisation.

Northridge Finance (Northridge) & Marshall Leasing

EV financing continues to grow with the Northridge EV loan book increasing by 89% since 2024, rising from £95 million to £180 million. EVs now represent 6% of the total portfolio. New EV lending has also grown by 229% over the same period, increasing from £42 million to £138 million, and now accounts for 8% of all new lending, demonstrating meaningful progress in supporting customers' transition to low emission vehicles.

Northridge has performed strongly due to its personal contract purchase (PCP) product attracting a higher proportion of EVs, and its prime customer base having a stronger tendency to purchase EVs.

Marshall Leasing has seen a 61% increase in its EV fleet since 2024, expanding from 918 to 1,476 vehicles. EVs now make up 11% of the total fleet, reflecting continued progress in supporting its customer base on the transition to low-emission transport.

While Marshall Leasing has achieved robust growth in the EV fleet during 2025, it continues to lag the broader fleet and leasing market. This is primarily due to two factors: a customer base that is slower to transition to EVs; and Marshall Leasing's active presence in the credit hire market which is largely made up of Internal Combustion Engine (ICE) vehicles. The business has sought to mitigate the risk of reducing EV values and potential losses by setting relatively conservative residual values.

Own operations

In 2025, the Group continued to reduce energy use and operational carbon emissions, reflecting strong progress against environmental commitments: key initiatives included:

- Ongoing implementation of ISO 50001 Energy Standards, providing a structured and internationally recognised framework for improving energy performance across the estate;
- Transition to 100% renewable electricity across all UK properties as at 31 December 2025, removing emissions associated with electricity consumption and contributing to a lower-carbon operational footprint;
- Continued installation of LED lighting across all NI branches and UK administration buildings, supporting reductions in electricity use and maintenance;
- Introduction of air conditioning control systems to optimise energy consumption and improve building efficiency, across all NI branches and UK administration buildings;
- Conversion to renewable Hydrotreated Vegetable Oil (HVO) or electric heating systems for retail branches using kerosene fuel, reducing reliance on higher carbon fuels;
- Introduction of energy efficient cash machines, contributing to lower energy demand across the network;
- Introduction of compost bins across NI branches and UK administration buildings to support organic waste management; and
- Introduction of QR codes in branches to reduce paper consumption from product / service brochures.

Sustainability at Bank of Ireland UK *(continued)*

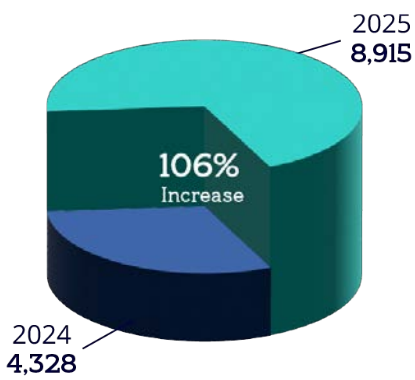
Enhancing financial wellbeing

Improving financial capability and literacy

In 2025, the Group delivered over 8,915 hours of financial literacy education to schools, businesses, and community groups across NI. Supporting youth financial literacy remains a key priority, with a tailored programme for primary and secondary schools helping students build confidence in managing money.

The primary school programme 'Ollie the Owl' is delivered as a self-serve pack to support teachers delivering the managing money programme. The secondary school programme 'Money Smarts' has been delivered to 58 secondary schools and uses practical, engaging methods to support informed financial decision-making. As part of its wider commitment to youth enterprise and education, the Group is also an ESG (Environmental, Social and Governance) Business Backer, supporting Young Enterprise NI to equip young people with essential skills for the future. A Youth Banking Campaign, 'Get Smart, Get Winning' launched in August 2025, further reinforces financial awareness among 11–19 year olds. These initiatives strengthen financial capability across generations, helping young people and communities make confident, informed choices that reduce long-term financial vulnerability.

Financial Literacy Education Hours



Fraud prevention continues to be a major focus. The Fraud team published 13 press articles and hosted 48 events, providing advice to customers, communities and colleagues on spotting and avoiding scams. These efforts prevented more customer fraud losses compared to 2024 and increased traffic to the Group's fraud and security webpages, helping protect customers' money and building trust by reducing fraud exposure and increasing awareness of emerging threats.

The Group partnered with Stop Scams UK, supporting the launch of short-code 159, a secure number for customers to report suspicious or fraudulent calls. A new fraud awareness campaign, 'Not all social is social', launched in September 2025, highlighting risks on social platforms. A refreshed fraud and security webpage went live for NI, with an enhanced web page for Northridge currently in development. Together, these measures strengthen customer protection by creating a safer banking environment and providing simple, accessible tools to act quickly when faced with potential scams.

Fostering financial inclusion

Following the successful launch of SignVideo in 2024 - enabling deaf and hearing-impaired customers to contact us using sign language, during 2025 support was expanded by adding British Sign Language (BSL) translation to key website content.

The rollout of replacement energy-efficient ATM machines commenced in 2025, designed to enhance accessibility and promote sustainability. These machines feature high-contrast screens and earphone sockets that provide voice-guided instructions, supporting customers with visual and hearing impairments.

The Group launched a Neuroinclusion Toolkit externally to support organisations seeking to strengthen their neuroinclusive practices. The Toolkit builds on the Group's Neuroinclusion Strategy and is structured around the pillars of Understanding, Infrastructure, and Culture.

Sustainability at Bank of Ireland UK *(continued)*

Co-developed with Auticon, colleagues, and members of the neurodiverse community, it is grounded in lived experience and provides practical, accessible guidance.

Increasing financial resilience

In 2025, the Group introduced a number of measures to assist vulnerable customers which included:

- branch accessibility enhancements such as hearing loops;
- support for assistance equipment and dogs;
- upgraded Chip & PIN devices across NI; and
- a gambling block feature within the mobile phone app.

In addition, colleagues completed dedicated training, supported by an awareness week in June 2025, featuring seminars and activities to strengthen capability in supporting vulnerable customers. Customer experience was further enhanced through provision of clearer communications and simplified processes such as bereavement support. These actions provide meaningful safeguards for vulnerable customers, helping them maintain control of their finances and access support when they need it most.

Enabling colleagues to thrive

Build a future-ready workforce

During 2025 the Group launched seven Future Skills Foundation Pathways through its Careers Lab. These courses are specifically designed to help colleagues build skills and capabilities to meet evolving customer expectations and support the Group's long term digital transformation. Key areas included:

- Change & Transformation;
- Digital Experience & Design;
- Operational Excellence;
- Data Fluency & Literacy;
- Project Management Essentials;
- Cyber Security; and
- IT Development & Cloud.

In addition, the Group launched an Artificial Intelligence (AI) Academy to help prepare colleagues for the integration of new AI initiatives.

In recognition of this commitment to developing talent and investing in its people, the Group was shortlisted in the UK Chartered Institute of Personal Development (CIPD) People Management Awards.

Create a differentiated colleague experience and workplace

The Group's recognition programme which recognises colleagues' effort and value, had increased nominations in 2025 of 77% (from 627 in 2024 to 1,110) reflecting the importance of recognising and valuing colleagues' efforts.

This year the Group retained its Level 4 status in Investing in Ethnicity, which is the highest level of accreditation and known as 'Exemplary Employer' status.

In addition, the Race Equality Taskforce which oversees a Race Action Plan, resulting in being named one of the top ten outstanding employers for ethnicity for the second year running. Other notable achievements in 2025 include:

- the Group won 'Championing Race Inclusion' and was Highly Commended for 'Employer of Choice' at the 2025 FT Adviser Awards;
- the Parent and Group were shortlisted as an 'Outstanding Employer' in the 2025 Ethnicity Awards;
- the Group won Culture and Inclusion section in the Collaboration Network Awards;
- the Group was shortlisted for Diversity in the MoneyAge Awards;
- the Parent and Group were finalists in six categories at the 2025 NI Responsible Business Awards; and
- the Group was shortlisted for Equality Employer of the Year in the Women's Recognition Awards.

The Group also participated in the consultation for Ethnicity and Disability Pay Gap proposals and launched an external research programme 'Fostering Ethnic Inclusion and Diversity in the workplace' with Morgan McKinley.

Together, these achievements demonstrate the Group's commitment to creating a workplace where colleagues feel valued, included, and supported to thrive.

Sustainability at Bank of Ireland UK *(continued)*

Looking ahead

Sustainability strategy 2026 to 2028

As the 2023 – 2025 strategic cycle concludes and the next three-year period (2026–2028) begins, the Group continues to be guided by a clear purpose:

- to support the green transition
- promote financial wellbeing, and
- invest in people

This will ensure the Group remains resilient, relevant, and responsible in a rapidly changing world, as the next phase opens with sustainability facing its first major test.

Despite shifting narratives, scientific consensus remains clear: environmental and social risks are intensifying with long-term implications for capital allocation, asset values, and financial stability. A consistent, values-led approach is essential to navigate this evolving landscape and maintain credibility.

The Group's 2030 sustainability ambition is to play a leading role in helping society address its biggest challenges. As part of this evolution, the strategic pillars have been refreshed to reflect a clearer alignment with the societal challenges the Group aim to address. These now comprise:

- supporting the green transition; and
- supporting social inclusion (includes Financial Wellbeing and Colleagues).

This refined focus strengthens the Group's ability to drive long-term impact, support customers and communities through the transition, and embed sustainability as a core driver of future growth.

As part of the strategic planning process, the Group has looked at both risks and opportunities across the planning horizon. While the principal risks are detailed in the Risk Management section, the opportunities identified have been fully integrated into the strategic plan.

The transition to a net zero economy presents opportunities driven by government policy, customer incentives, and growing demand for sustainable finance. These include developing products that:

- support energy-efficient homes;
- enabling businesses to invest in low-carbon technologies;
- expanding electric-vehicle financing; and
- helping customers understand how they can participate in the transition.

Together, these opportunities position the Group to support the move to a low-carbon economy while delivering long-term value.

Embedding ESG into business as usual

As the Group continues to evolve its strategic approach, ESG is no longer treated as a standalone initiative - it is now fully embedded into day-to-day operations. This shift reflects the Group's commitment to integrating sustainability into the core of how we do business, ensuring ESG consideration consistently inform decision making, risk management and sustainable value creation.

The following sections: Governance, Risk Management, and Metrics & Targets, demonstrate how ESG is being managed as a business-as-usual activity embedding clear accountability and operational discipline across the Group. Together, providing a comprehensive view of the structures, processes, and performance indicators that underpin the Group's ESG delivery ensuring sustainability is governed with the same rigour as financial and operational performance.

Governance

Incorporating ESG into decision making

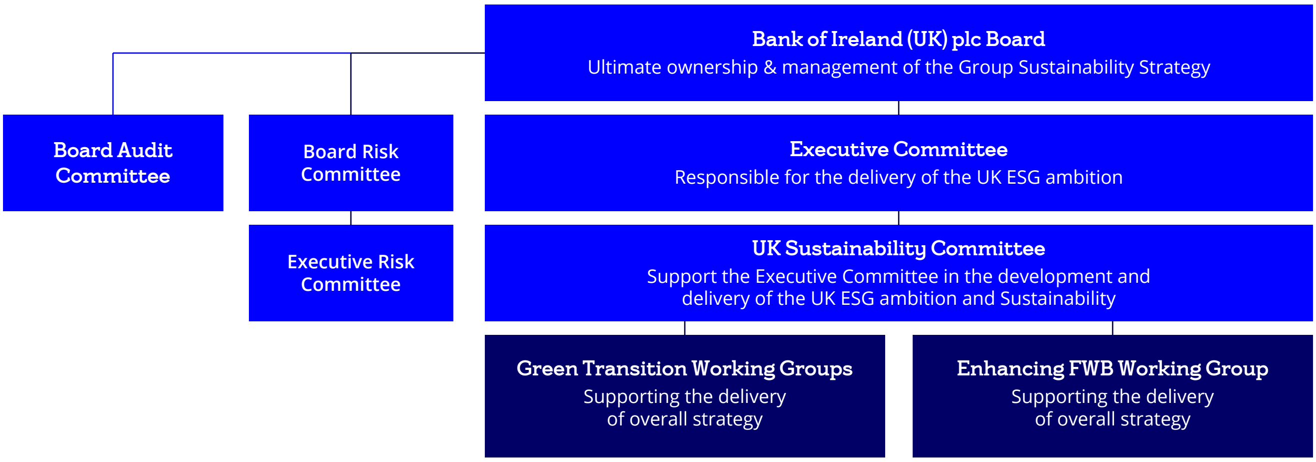
The Group's Board is responsible for the oversight, development, implementation and future management of climate related matters, risks, and opportunities. Existing committees and governance structures consider, manage and report on Financial Risks from Climate Change (FRCC). The Chief Financial Officer (CFO) is the senior management function and accountable executive in respect of FRCC across the Group. Climate was discussed three times at Board and once at BRC.

The Executive Committee (ExCo) acts in an advisory capacity to the CEO and assists the CEO in the management and leadership of the Group on a day-to-day basis. The ExCo has overarching responsibility for delivery and operationalisation of the Group's sustainability strategy.

The UK's Sustainability Committee supports ExCo in delivering the Group's sustainability strategy. The Sustainability Committee is chaired by the CFO and consists of several ExCo members, business heads and representation from the Parent's sustainability team. The Sustainability Committee meets monthly to guide and monitor the development and implementation of the Group's sustainability strategy, providing challenge as required. Working Groups are in place to support the Green Transition and Enhancing Financial Wellbeing pillars.

Sustainability at Bank of Ireland UK *(continued)*

Group Sustainability Governance Framework



Risk Management

Climate Risk Management

Climate and broader ESG risks are now recognised as cross-cutting within the Group's Risk Management Framework (RMF). An ESG RMF is in place to guide the management and embedding of ESG risks across the Group, supporting effective oversight and reporting - particularly in relation to climate risk.

The Group's approach to climate risk continues to evolve, informed by regulatory guidance and aligned with the Parent's RMF. Climate risk is increasingly integrated into core business and risk processes, with annual risk and opportunity assessments and materiality reviews approved by the Executive Risk Committee (ERC) and BRC. Risk policies are regularly reviewed to ensure climate risk is appropriately captured.

Risk Appetite Statement (RAS) metrics specific to climate risk are in place. These include monitoring EPC ratings for Buy-to-Let and owner-occupied mortgages, tracking the number of ICE vehicles, and measuring progress against the sustainability plan and Science-Based Targets - all embedded within the ESG RMF.

Mitigating actions

Climate risk is considered in credit decisioning and mortgage valuations. Buy-to-Let applications must meet minimum EPC legislative standards or qualify for exemptions. The Parent's Responsible and Sustainable Sector Statement defines the Group's lending appetite for sectors that may pose environmental or social harm.

For Business Banking, strict criteria apply to new lending, excluding customers engaged in prohibited activities. Enhanced due diligence is required for certain sensitive sectors prior to onboarding. The Internal Capital Adequacy Assessment Process (ICAAP) remains a key annual planning process, ensuring the Group holds sufficient capital to support its risk profile. Climate risk is now fully integrated into this framework, with assessments covering all major risk types (credit, business, operational, conduct, model and regulatory), across short (<3 years), medium (3–5 years), and long-term (>5 years) time horizons.

To manage short-term financial impacts, the Group maintains capital buffers and provisions for expected credit losses (ECL). Where models cannot yet fully capture emerging climate risks, an additional capital requirement is included in the ICAAP based on the Group's climate risk materiality assessment.

Climate change is also factored into credit impairment loss allowances through:

- a climate shock embedded in one of the downside scenarios used in forward-looking credit loss estimates; and
- a Post Model Adjustment (PMA) based on analysis of how climate risks could affect property values in the residential mortgage portfolio.

Together, these measures ensure climate-related risks are identified, assessed, and mitigated in a structured and disciplined way, strengthening the Group's resilience and supporting long-term financial stability. The subsequent table summarises the current position on the identification, assessment and mitigation of climate-related risks across the Group's principle risks types. A summary of the key risks and drivers identified are detailed below.

Sustainability at Bank of Ireland UK *(continued)*

Quantified Potential Impacts
An estimation of:
- The time horizon at which each risk is likely to materialise: short-term, within 3 years; medium-term, between 3 and 5 years; or long-term, more than 5 years.
- SG Risk Lens Materiality Scale:
  ■ Low ■ Moderate ■ Moderately High

Principal risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts			What are we doing to mitigate climate risk drivers
			Short	Medium	Long	
Credit risk	**Transition risk:** • Policy and legal • Technology • Market **Physical risk:** • Acute • Chronic	• Borrowers' ability to repay if operating in sensitive sectors. • Changes in emission regulation or in user sentiment could affect asset value (Stranded Assets). • Collateral depreciation leading to negative impacts on Loan To Value (LTV) (e.g. flooding, storms). • Borrowers' ability to repay in sectors more sensitive to weather impacts like floods and storms (e.g. agriculture)	■	■	■	• Credit Risk Policy: ESG risks form part of credit assessment. • Limits and controls: Limits on property energy ratings (Buy to Let); requirements for flood insurance. • Climate risk scenario analysis for Credit Risk integrated into the ICAAP. • Landmark analysis to understand potential impacts and concentration.
Business & Strategic risk	**Transition risk:** • Technology • Market • Reputation **Physical risk:** • Acute • Chronic	• Long term franchise impacts if strategic commitments are not achieved and product offering does not adapt to changing market dynamics.	■	■	■	• Board approved ESG Strategy: Sustainable company is a key strategic pillar underpinned by Group Objectives and Key Results (OKRs) (including risk OKRs). • ESG considered as part of strategic refresh where appropriate.
Operational risk	**Transition risk:** • Policy and legal • Technology • Reputation **Physical risk:** • Acute • Chronic	• Climate driven impacts on operational processes include increasing levels of systems, data, models and sourcing risk to manage. • Extreme floods or storms at multiple locations impacting Business Continuity Plans with consequent impact to services provided to clients (e.g. transaction processing). • Potential need to increase resilience of the Group's network, supply chain and production process where off-shore operations are more exposed to increasing physical climate risks.	■	■	■	• Climate risk scenario analysis for Operational Risk part of ICAAP. • Business Continuity Mission Critical Services Scenario Analysis: climate related scenario testing carried out. • Third Parties and Outsourcing: ESG (including climate change) is part of supplier due diligence assessment; ESG related metrics and tolerance levels where ESG materially impacts supplier. • Data Risk: Standard group control framework applies to climate data. • Model Risk: Climate risk factors to be considered in models including assessing data collection requirements to enable inclusion in models.
Conduct risk	**Transition risk:** • Policy and legal • Reputation **Physical risk:** • Acute • Chronic	• Failures in ESG / green product design, market practice or customer engagement could lead to regulatory sanctions and brand damage, if there is a lack of transparency and misleading classification (greenwashing), or if clients suffer an unexpected loss due to climate risks.	■	■	■	• ESG considerations are incorporated in new product approvals and ongoing product lifecycle reviews for all product/ service/channel initiatives that are classified or marketed as a Green/ ESG proposition to mitigate potential claims of 'Greenwashing'. • The Customer Engagement Risk Policy requires mitigation of greenwashing risk.
Regulatory risk	**Transition risk:** • Policy and legal **Physical risk:** • Acute • Chronic	• Failure to implement in a timely manner ongoing changes in climate regulation could affect the Group's profitability through regulatory sanctions. • Potential for regulatory sanctions if physical risks impact our services with consequent impact to services we provide to clients.	■	■	■	• Upstream Regulatory Change Monitoring: ongoing horizon scanning with bi-monthly first line of defence (1LOD) / second line of defence (2LOD) meeting to review any developments captured in climate regulation applicable to the Group.

Sustainability at Bank of Ireland UK *(continued)*

Risk Management *(continued)*

Principal risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts			What are we doing to mitigate climate risk drivers
			Short	Medium	Long	
Model risk	**Transition risk:** Market	• Volatility could effect model estimation if erroneous estimations on transition risks impacts negatively effect decisioning process and bank profitability.				• Model Risk Policy: The model owner must ensure ESG (including climate change) factors are considered for their models. This includes assessing the data collection requirements to determine how ESG risk factors could be introduced in the model where relevant.
Funding & liquidity risk	n/a	• Group liquidity risk profile does not include instruments where climate concerns may significantly impact funding and liquidity pools.				• Climate risk scenario analysis for funding & liquidity risk integrated into the internal liquidity adequacy assessment process (ILAAP).
Market risk	n/a	• The material trading instruments in the Group do not include equities and commodities where climate concerns may significantly impact valuation.				• Climate risk scenario analysis for market risk integrated into the ICAAP.
Capital adequacy risk	• Aggregate of the risk impacts above.	• The risk of increased capital depletion from the impact of climate risks across the Group's other principal risks.				• Aggregation into the ICAAP process quantitative Climate Risk Assessment across principal risk types.

Scenario analysis

The Group assesses its resilience to climate change through scenario analysis and stress testing, in collaboration with its Parent. Forward-looking climate scenarios are used to manage climate-related risks and evaluate exposure to physical and transition risks. This analysis is embedded in the ICAAP and supports the ongoing development of data, modelling, and risk management capabilities.

Approach

Three climate scenarios, based on pathways published by the Network for Greening the Financial System (NGFS), are applied to model physical and transition risks. Internal methodologies quantify potential impacts across portfolios, focusing on credit quality and probability of default. These insights inform sector-level risk management and capital planning.

Resilience and Stress Testing

Adverse climate scenarios are used to stress test financial position and business processes, exploring the impact of disruptive policies and physical events such as flooding. This analysis ensures adequate financial resources and informs forward-looking planning. Key elements include:

- macroeconomic modelling for climate-sensitive sectors;
- energy efficiency profiling of property portfolios;
- vehicle residual value analysis in motor finance; and
- localised flood risk assessments for property exposures.

This data-driven approach provides a clear view of potential climate impacts and strengthens the Group's risk management framework.

Scenario Analysis Outcomes for residential mortgage portfolio

To deepen understanding of climate-related risks, the Group partnered with Landmark Information Group to assess potential impacts on the mortgage portfolio, including flooding, subsidence, coastal erosion, and energy efficiency. Climate change is expected to increase the frequency and severity of these risks, potentially reducing property values and increasing losses when properties are possessed.

The Representative Concentration Pathways (RCPs) are internationally recognised scenarios used to explore how different levels of greenhouse gas emissions could influence global temperatures by the end of the century. Under the "business as usual" pathway, known as RCP8.5, emissions continue to rise throughout the century. If this trajectory were to occur, scientific assessments indicate that average global temperatures could increase by approximately 3.2°C to 5.4°C by 2100, resulting in the most severe physical impacts of climate change.

Sustainability at Bank of Ireland UK *(continued)*

Scenario analysis *(continued)*

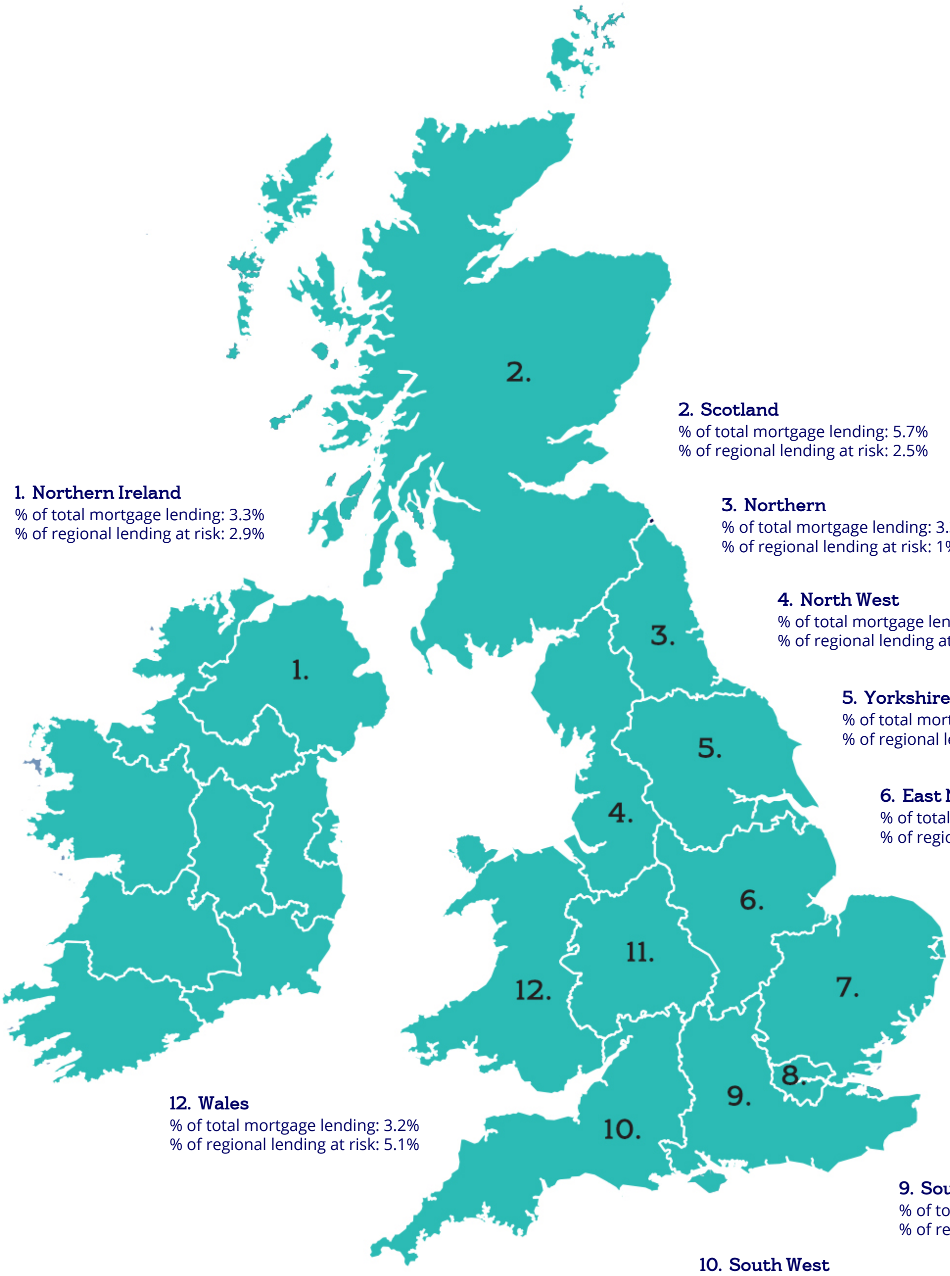
The analysis below measured the impact of climate change on the December 2025 mortgage portfolio in five-year increments over the period 2020 to 2080. The findings show that the number of cases linked to physical climate risks has remained broadly stable compared to the previous assessment in 2024, indicating consistency in the portfolio's exposure over time.

Flood risk

Each loan in the mortgage portfolio has been assessed for the probability of a severe flood event occurring by 2050, based on the business-as-usual climate scenario (RCP 8.5), which projects a temperature rise of 3.2°C to 5.4°C by 2100.

As of December 2025, 93.9% of the Group's mortgage lending is secured against properties with low to negligible flood risk, while 2.8% relates to properties with a high flood risk (defined as a >5% likelihood of a severe event). Both figures remain aligned with exposure in 2024.

Book proportion flood risk by region



2. Scotland
% of total mortgage lending: 5.7%
% of regional lending at risk: 2.5%

1. Northern Ireland
% of total mortgage lending: 3.3%
% of regional lending at risk: 2.9%

3. Northern
% of total mortgage lending: 3.3%
% of regional lending at risk: 1%

4. North West
% of total mortgage lending: 9.1%
% of regional lending at risk: 2.1%

5. Yorkshire and the Humber
% of total mortgage lending: 5.5%
% of regional lending at risk: 2.9%

6. East Midlands
% of total mortgage lending: 6.7%
% of regional lending at risk: 1.5%

7. East Anglia
% of total mortgage lending: 3.2%
% of regional lending at risk: 1.4%

8a. Greater London
% of total mortgage lending: 19.8%
% of regional lending at risk: 4.1%

8b. Outer Metropolitan
% of total mortgage lending: 14.5%
% of regional lending at risk: 2.8%

12. Wales
% of total mortgage lending: 3.2%
% of regional lending at risk: 5.1%

9. South East
% of total mortgage lending: 10.7%
% of regional lending at risk: 2.5%

10. South West
% of total mortgage lending: 8.4%
% of regional lending at risk: 3%

11. West Midlands
% of total mortgage lending: 6.7%
% of regional lending at risk: 0.9%

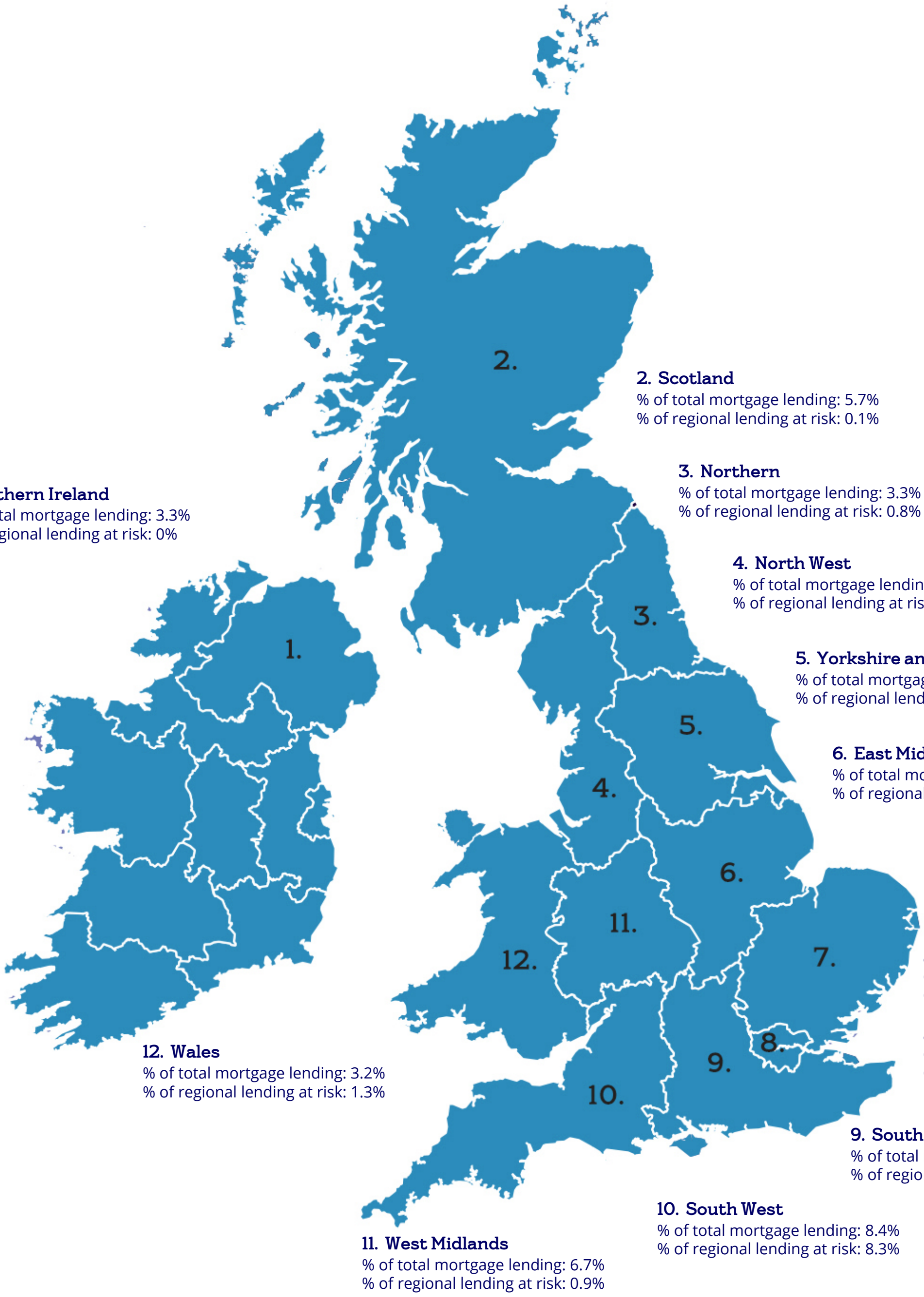
Sustainability at Bank of Ireland UK *(continued)*

Scenario analysis *(continued)*

Subsidence risk

Subsidence risk is evaluated based on its potential impact on property market value and the cost of repairs should an event occur. As of December 2025, 88% of the mortgage portfolio relates to properties with a low to negligible probability of subsidence by 2050. Of the 12% assessed as having a medium probability, the value at risk remains minimal. The figures remain aligned with 2024 levels.

Book proportion - Subsidence risk (medium probability) by region



1. Northern Ireland
% of total mortgage lending: 3.3%
% of regional lending at risk: 0%

2. Scotland
% of total mortgage lending: 5.7%
% of regional lending at risk: 0.1%

3. Northern
% of total mortgage lending: 3.3%
% of regional lending at risk: 0.8%

4. North West
% of total mortgage lending: 9.1%
% of regional lending at risk: 0.4 %

5. Yorkshire and the Humber
% of total mortgage lending: 5.5%
% of regional lending at risk: 2%

6. East Midlands
% of total mortgage lending: 6.7%
% of regional lending at risk: 2.2%

7. East Anglia
% of total mortgage lending: 3.2%
% of regional lending at risk: 20%

8a. Greater London
% of total mortgage lending: 19.8%
% of regional lending at risk: 60.1%

8b. Outer Metropolitan
% of total mortgage lending: 14.5%
% of regional lending at risk: 16.5%

9. South East
% of total mortgage lending: 10.7%
% of regional lending at risk: 21.6%

10. South West
% of total mortgage lending: 8.4%
% of regional lending at risk: 8.3%

11. West Midlands
% of total mortgage lending: 6.7%
% of regional lending at risk: 0.9%

12. Wales
% of total mortgage lending: 3.2%
% of regional lending at risk: 1.3%

Sustainability at Bank of Ireland UK *(continued)*

Scenario analysis *(continued)*

Coastal erosion

Coastal erosion risk is assessed based on the potential reduction in property value due to proximity to the coastline. Property values are assumed to decline as properties move closer to the shoreline - from 100 metres down to 0 metres.

As of December 2025, 161 properties (0.19% of the mortgage portfolio) have been identified as being within 50 metres of the coast in areas where coastal erosion is a known possibility.

Overall, the Group's exposure to physical climate risks including flood, subsidence, and coastal erosion is considered low.

Transitional Risk

Energy efficiency of residential mortgage portfolio

Transitional risk is primarily linked to the energy efficiency of the properties finance is provided on. This is measured using EPC ratings, where A represents the highest efficiency and G the lowest.

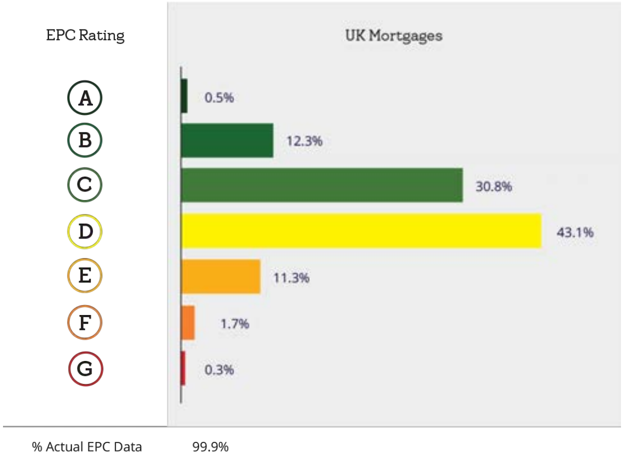
EPC ratings are available for 100% of properties in the Group's mortgage portfolio. The chart below summarises the energy efficiency profile, based on a combination of actual and estimated EPC data.

Currently, 43.6% of properties with available EPC data fall within ratings A to C, broadly in line with the UK average. The share of properties rated E to G has declined to 13.3% down from 14.78% in 2024.

Climate-related metrics are actively monitored, including RAS measures for:

- Buy-to-Let properties with an EPC rating of C or above; and
- Owner-occupied properties with an EPC rating of E or above

These metrics are embedded within the Group's ESG RMF to support effective oversight and progress tracking.



Climate-related metrics and targets

Targets

Following the update to the latest strategic plan 2026 – 2028, the Group in association with the parent, has committed to reducing omissions (scope 1 and 2) from its operations to net zero by 2030. In addition, the Group has committed to a 29% reduction in mortgage book emissions by 2030. Achieving these goals will require collaboration across multiple stakeholders, including Government, industry, and the UK policy landscape, to support a successful transition to a net-zero economy. Metrics are in place to ensure regular monitoring of the performance of the sustainability strategy and SBT progress. These metrics are reported with the Chief Risk Officer (CRO) report.

Carbon emissions from own operations

The Group, in association with the Parent, has achieved a 64% reduction from a 2020 baseline to 2025 (from 6,238 tonnes of carbon dioxide equivalent (tCO2e) to 2,258 tCO2e). The Group will continue to transparently report against progress made against Scope 1 and 2 emissions as set out in the Streamlined Energy and Carbon Reporting Act (SECR).

Sustainability financing for mortgages and car finance

Mortgage sustainable lending to EPC A-B rated properties is forecast to increase from £1.4 billion in 2025 to £2.9 billion by 2030 reflecting a proportionate mix of business led initiatives and government led legislation and investment.

Northridge sustainable lending is forecast to increase from £0.2 billion in 2025 to £1 billion by 2030 driven by the government led Zero Emission Vehicle (ZEV) mandate and resulting customers shift to EVs. The Group's influence is focused on improving product propositions and improving customer access to the Group's products through its intermediary network.

Sustainability at Bank of Ireland UK *(continued)*

Metrics

The following table shows the Group's greenhouse gas emissions as required by the UK Streamlined Energy and Carbon Reporting (SECR) Regulations.

Summary of SECR	**2025**	**2024**
Total Energy consumption used to calculate emissions kWh (million)[1]	4.3	4.70
Energy consumption break down (kWh)		
Gas	1.3	1.7
Electricity	2.8	2.9
LPG	0.02	0.02
Kerosene fuel	0.07	0.11
Scope 1 Emissions in metric tonnes of carbon dioxide equivalent (tCO_2e)[2,3]		
Gas[4]	244	307
LPG[4]	4	5
Kerosene Fuel[4]	17	28
Gas Oil[4]	–	–
F-Gas[5]	10	47
Petrol Car[6]	35	50
Diesel Car[6]	7	9
Hybrid card[6]	9	9
Plug in hybrid car[6]	50	47
Electric vehicle[6]	44	42
Total Scope 1	**420**	**544**
Scope 2 Emissions (tCO_2e)		
Purchased Electricity Location - based[7]	504	602
Purchased Electricity Market - based[8]	–	3
Total Scope 2 purchased electricity	**–**	**3**
Scope 3 Emissions in metric tonnes of carbon dioxide equivalent (tCO_2e)		
Business travel	572	580
Waste	1	2
Purchased goods and services	6	7
Total Scope 3	**579**	**589**
Total Gross emissions in metric tonnes (tCO_2e)	**999**	**1,136**
Intensity ratio scope 1 & 2 Tonnes CO_2e per m2[9]	**0.0166**	**0.0199**
Intensity ratio scope 3 Tonnes CO_2e per FTE[10]	**0.3683**	**0.3728**

[1] Figures have been rounded, therefore totals may not equal the sum of the components.
[2] tCO_2e - Carbon dioxide equivalent is the measure of greenhouse gas emissions.
[3] 2025 UK greenhouse gas reporting conversion factors used (www.gov.uk).
[4] Consumption figures obtained from utility bills and landlord consumption reports.
[5] Fluorinated Greenhouse gases (F-Gas) figures from maintenance reports.
[6] Emissions from staff car fleet.
[7] Purchased Electricity Location - based using UK 2025 national grid conversions.
[8] Purchased Electricity Market - based using UK 2025 national grid conversions for GB and Northern Ireland is on 100% renewable energy contracts.
[9] Calculated as the sum of (SECR) emissions 420 tC02e divided by the metres squared of buildings portfolio NI,GB 25,284 m2 for 2025.
[10] Calculated as the sum of (SECR) emissions 579 tC02e divided by the full time employees BOI UK 1,572.

Sustainability at Bank of Ireland UK *(continued)*

Metrics *(continued)*

Reporting Principles and Methodology

- The Group uses the operational GHG accounting approach i.e. it accounts for all emissions from operations over which it or one of its subsidiaries has operational control.
- The Group considers the GHG protocol guidance, a Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol) for its Scope 1, 2 and 3 emissions calculations and guidance from PCAF, when calculating its financed emissions.
- The UK Department for Environment, Food and Rural Affairs (DEFRA) emission conversion factors are used for calculation purposes where relevant. Where tCO_2e factors were not available, the Group has converted tCO_2 to tCO_2e, using relevant CRU factor.
- The Group's Scope 1, 2 and 3 emissions are calculated on a gross basis.
- The most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon has been used to calculate CO2eq emissions of non-CO_2 gases.
- The Group has not been involved / applied any Emissions Trading Scheme (ETS) to date.

Due to limited level of sophistication involved, a number of assumptions are applied to calculate the GHG emissions.

The methodology and assumptions are summarised below:

Scope 1

- Direct (Scope 1) GHG emissions are from sources that are owned or controlled by the Group.
- In line with the GHG Protocol, the Group's emissions are presented in tonnes of carbon dioxide equivalent units (tCO2e) and include carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O) and hydrofluorocarbons (HFC).
- The Group's Direct (Scope 1) emissions include fuels combustion, fleet and fugitive emissions.

The factors used for calculation of the different components of Scope 1 are listed below:

- Natural Gas: DEFRA 2025 GHG conversion factors were used to quantify emissions from natural gas. Emissions were quantified by multiplying natural gas consumption in kWh by DEFRA natural gas 2025 conversion factor.

Scope 2

- The Group's Scope 2 emissions represent consumption of purchased electricity. The Group does not consume purchased or acquired steam, heating and cooling.
- In line with the GHG Protocol, the Group's emissions are presented in tonnes of carbon dioxide equivalent units (tCO_2e) and include carbon dioxide (CO_2), methane (CH4), nitrous oxide (N_2O) and hydrofluorocarbons (HFC).
- Bio-based CO_2 emission are not considered significant for the Group's Scope 2 emissions.

The factors used for calculation of the different components of Scope 2 are listed below:

- **Location rate:**
  - Conversion factors for electricity consumed are sourced from DEFRA 2025.
- **Market rate:**
  - As of 31 December 2025, all electricity consumption in offices in NI have been sourced from renewables.
  - DEFRA 2025 UK electricity conversion factor was used to calculate the market rate Scope 2 emissions for GB non-renewable electricity.

Scope 3

- The Group screens its total Scope 3 GHG emission based on the 15 Scope 3 categories identified by GHG protocol.
- The Group updates its Scope 3 significant categories every year and Scope 3 inventory at least every three years.
- In line with the GHG Protocol, the Group's emissions are presented in tonnes of carbon dioxide equivalent units tCO2e) and include carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O) and hydrofluorocarbons (HFC).
- Bio-based CO_2 emission are not considered significant for the Group's Scope 3 emissions.

The factors used for calculation of Scope 3 categories relevant for the Group are highlighted below:

- **Business travel**
  The Group uses supplier data and expense data from its Enterprise Resource Planning system. This data is combined and divided into appropriate categories. Travel emissions are calculated using the appropriate DEFRA 2025 emissions factors.

- **Waste**
  The Group uses supplier data to calculate its total waste by category. Waste emissions are calculated using DEFRA 2025 emissions factors. A comprehensive breakdown of the Group's waste is obtained from its supplier.

- **Purchased goods and services**
  Water: The Group uses supplier data to calculate its total water consumption. Water supply in cubic metres multiplied by the appropriate DEFRA 2025 emission factor.

Non-financial and sustainability information statement

The Group continues to develop disclosures in line with emerging recommendations and complies with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The purpose of this table is to assist in understanding the Group's policies and management of key non-financial matters and identify where they can find relevant information.

The climate financial disclosures can be found on pages 15 to 27. The Group and all its employees are subject to the provisions of the Parent's policies included below. Further details can be found in the Bank of Ireland Group plc annual report at www.bankofireland.com.

Sustainability at Bank of Ireland UK *(continued)*

Non-financial and sustainability information statement

Reporting Requirement	Policies	Risk and Management *(the Group)*	Risk and Management *(Bank of Ireland Group plc)*
Environmental matters	Group Environment policy (ISO 14001)[1]	Sustainability at Bank of Ireland UK *(page 15)*	Environment and Energy *(page 131)*
	Group Energy policy (ISO 50001)[1]	Financial risks from climate change *(page 40)*	
Climate disclosures	n/a	Sustainability at Bank of Ireland UK *(page 15)*	Sustainability *(page 19)*
Social and employee matters	Inclusion and Diversity policy	Sustainability at Bank of Ireland UK *(page 15)*	Vulnerable customers *(page 20)*
	Group Code of Conduct[1]	Sustainability at Bank of Ireland UK *(page 15)*	Inclusion and diversity *(page 181)*
	Equal Opportunities policy	Sustainability at Bank of Ireland UK *(page 15)*	Learning *(page 182)*
	Group Health and Safety policy	Conduct risk *(page 54)*	Wellbeing *(page 184)*
	Employee Data Privacy	Business and strategic risk *(page 53)*	Communities *(page 192)*
	Group Vulnerable Customers policy		People risk *(page 181)*
	Group Learning policy		
Respect for human rights	Modern slavery and human trafficking statement[1]	Operational Risk *(page 52)*	Information security *(page 138)*
	Group procurement policy		Operational risk *(page 275)*
	Group data protection and privacy policy		Human trafficking *(page 136)*
			Human rights *(page 190)*
Bribery and corruption	Group Code of Conduct[1]	Sustainability at Bank of Ireland UK *(page 15)*	Code of conduct *(page 187)*
	Speak Up policy	Conduct risk *(page 54)*	Anti-bribery and corruption *(page 208)*
	Group Anti-Money Laundering policy (AML)		Anti-Money Laundering *(page 130)*
	Group Anti-bribery and Corruption policy		Conduct risk *(page 247)*
	Conflict of Interest Policy		
Diversity report	Board Diversity policy[1]	Corporate Governance arrangements *(page 62)*	Corporate Governance Statement *(page 52)*
Business model		Business operations *(page 34)*	Divisional Review *(page 38)*
Policies followed, due diligence and outcome		Risk management framework *(page 42)*	Risk management framework *(page 236)*
Description of principal risks and impact of business activity		Principal risks and uncertainties *(page 37)*	Principal risks and uncertainties *(page 224)*

Section 172(1) Statement

The Board of Directors confirms that during the year under review, it has acted to promote the long term success of the Group for the benefit of its members as a whole and in doing so having regard to the matters set out in Section 172(2)(a) to (f) of the Companies Act 2006:

S172 factor		Relevant disclosures
A	The likely consequences of any decision in the long term.	• Our Strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)*
B	The interests of the company's employees.	• Our Strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)*
C	The need to foster the company's business relationships with suppliers, customers and others.	• Our Strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)*
D	The impact of the company's operations on the community and the environment.	• Sustainability at Bank of Ireland UK *(page 15)*
E	The desirability of the company maintaining a reputation for high standards of business conduct.	• Sustainability at Bank of Ireland UK *(page 15)*
F	The need to act fairly as between members of the company.	• Our Strategy *(page 10)*

Methods used by the Board

The main methods used by the Board to perform its duties include:

- a clear and robust governance structure with clear lines of accountability and responsibility for the Board, Committees and Executive team;
- a three lines of defence approach for risk governance. Further information on this approach is available in the Risk Management Section of the Annual Report on page 42;
- a focused schedule of technical and business Board and Committee training is agreed annually. For further information on the training provided to the Board and Committees during 2025, see the Wates Principles in Corporate Governance Arrangements (page 62); and
- following internal review of the Board's effectiveness in 2024, actions implemented during 2025 to enhance Board effectiveness include:
  - a streamlined directors' induction programme;
  - continued improvements to Board papers and information;
  - re-appointed Colleague Engagement Director and Customer Engagement Director; and
  - continued regular, virtual and in-person Board visibility sessions, as a way for different cohorts across the Group to engage directly with Board directors outside the Boardroom.
- external assurance is received through professional advisors, for example PwC on the assurance review of the motor finance commission provision.

Principal decisions made during the year

In accordance with Section 172 of the Companies Act 2006, the Board took into consideration all stakeholders when making decisions for the Group. During 2025, the Board reviewed and approved a number of strategic initiatives and played a key role in all material decisions, including the Group's strategy execution, motor finance commission considerations, implementation of the Simpler Business initiative, the completion of the personal lending portfolio sale, the Risk and Control transformation plan, ILAAP, ICAAP and the funding strategy.

Stakeholder engagement

The Group's key stakeholders are those who impact or are impacted by its strategy and activities, and include its shareholder, customers and colleagues. Engagement with stakeholders informs strategic decision-making and is key to ensuring that responsible balanced decisions are made. It is the Group's intention to act responsibly towards its stakeholders.

Stakeholder	How we engage	Further examples of engagement
Shareholder	The Group is focused on delivering sustainable returns for its shareholder, with a continued focus on 'value over volume; enabling the Group to lower its funding and operating costs, and focus on higher margin businesses where it has the required expertise. One of the Group's Board Directors is also a member of the Parent's Group Executive Committee and attends the Group ERC. To ensure appropriate flow of information and representation between the Group Board and the Parent Board, three Parent-nominated non-executive directors sit on the UK Board and the Board regularly receives updates and reports from the Parent. In addition, at least annually, the Chairs of the Group Risk and Audit Committees attend their equivalent Parent Board Committees, with the Parent's Board Chair and Board Audit Committee Chair attending equivalent Group meetings at least annually. Other informal interactions take place throughout the year between the Group and Parent Board and Board Committee Chairs.	• Business Review: 2025 key performance highlights *(page 3)* • Chair's review *(page 4)* • Chief Executive's review (page 7) • Our strategy *(page 10)*

Section 172(1) Statement *(continued)*

Stakeholder	How we engage	Further examples of engagement
Customers	The Group is focused on putting customer outcomes at the forefront of every decision. The Group's focus has been on delivering solutions to support all customers and remain aligned with FCA guidance. The Board consistently reviews its customer strategy, receives updates on implementation and reviews progress at formal Board meetings and through regular interaction with and updates from management. The Board's understanding of customer perspectives is informed by deep dives on customer themes and customer complaints and underpinned by a focus on continued improvement in customer outcomes. The Group has established an Executive Customer Board which is responsible for oversight and delivery of the Group's Customer Plan through formalised engagement and collaboration between the ExCo members accountable and the business heads responsible for and/or significantly involved in its delivery. The Board has also appointed an independent non-Executive Director as Customer & Consumer Duty Champion to support and enhance Board discussions on good customer outcomes. The Group continues to focus on its objective to become 'our customers' most trusted financial partner'.	• Chair's review *(page 4)* • Chief Executive's review (page 7) • Our strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)* • Customer & Consumer Duty Champion
Society	The Group seeks to enable society to thrive, through a tangible and visible commitment that brings its purpose to life. The Group supports the wider community through charity and community activities and by playing an active role in society. Employees are actively involved in fundraising and volunteering in charitable events across the UK for a range of charities and community projects. In 2020, in conjunction with the Parent, the Group rolled out its new approach to community investment, Begin Together. Begin Together is a campaign across the island of Ireland to improve the financial, physical and mental wellbeing of society, while supporting the underlying local economies adjusting to the impacts of cost of living and inflationary pressures. An update on this work can be found in the Chief Executive's review. The Group also has a UK Community Giving Fund which provides grants to local community organisations and charities through the Community Foundations based in NI, Bristol and London.	• Chair's review *(page 4)* • Chief Executive's review (page 7) • Our strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)*
Colleagues	The Group's colleagues are fundamental to the delivery of its strategy. The Group aims to be a responsible employer and is committed to enabling its colleagues to thrive, ensuring they are engaged and have the skills and capabilities to serve customers brilliantly. The Board's understanding of employee perspectives is informed by direct engagement with colleagues including informal virtual 'Board visibility' and 'Colleague engagement ' sessions. In addition, OpenView survey results are utilised to inform colleague engagement, leading to the development of an integrated colleague engagement plan, reinforced by regular Culture deep dives at Board level. In 2025, the Board re-appointed an independent non-executive director, Clare Goldie-Scot as Colleague Engagement Director. The objective of the Colleague Engagement Director is to ensure that Colleagues' views are heard and considered fully as part of Board decision-making.	• Chair's review *(page 4)* • Chief Executive's review *(page 7)* • Our strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)* • Colleague Engagement Director
Regulators	The Chair of the Board and Chairs of the Audit and Risk Committees regularly meet with regulators including the Prudential Regulation Authority (PRA) and FCA. Core themes of discussion include regulation and supervision, risk governance and oversight, the future of the banking industry, operational resilience, strategic challenges and culture. In addition, Executive Directors meet regularly with regulators. Engagements through 2025 between the Board and the PRA collectively show a strong regulatory focus on governance, leadership effectiveness, and organisational culture, alongside scrutiny of the Group's control environment, risk management framework, and assurance functions. They also focus on the implications of the recent motor finance ruling, as well as capital adequacy processes including ICAAP, Pillar 2A, and Pillar 2B assessments. Overall, the themes centre on strengthening governance, demonstrating robust controls, ensuring adequate capital and risk processes, and addressing emerging regulatory issues. The PRA announced in 2025 that they are using their powers under Section 166 of the Financial Services and Markets Act 2000 to undertake a market-wide Data Quality Thematic review, specifically reviewing the firms' PRA 110 and FSA017 regulatory returns.	• Sustainability at Bank of Ireland UK *(page 15)* • Principal Risks and Uncertainties *(page 37)* • Credit Risk *(page 44)* • Conduct Risk *(page 54)* • Regulatory Risk *(page 51)*

Section 172(1) Statement *(continued)*

Stakeholder	How we engage	Further examples of engagement
Suppliers	The Group assesses its suppliers across a number of key risk areas, at the onboarding stage for all suppliers and annually thereafter for suppliers providing services of high criticality and dependency to the Group. Additionally, the Group conducts its business in a responsible and sustainable manner. Central to this is the Group Code of Supplier Responsibility. This code is supported by the Group procurement policy and ongoing supplier due diligence which assesses supplier behaviours and capabilities. The Parent is a material supplier of services to the Group; the services are managed via a Master Service Agreement and subject to a number of Service Level Agreements. For further details see note 9 and note 40. The Board requires the Group to seek assurances (where appropriate) from its suppliers that they are complying with applicable laws and regulations including laws relating to minimum wages, working conditions, overtime, child labour and other applicable labour and environmental laws. This ensures the Group selects only those suppliers who adhere to appropriate standards. The Group has adopted a risk based approach to review its supply chains that fall within industries that carry a high risk of modern day slavery. For further details, the Bank of Ireland Group plc Modern Slavery Statement is available on its website (https://www.bankofireland.com/about-bank-of-ireland/corporate-governance/modern-slavery-human-trafficking-statement/).	• Our strategy *(page 10)*
Partners	The Group's strategy has been designed to enable its customers, colleagues and society to thrive. This is achieved through the distribution of simple, flexible, financial services to UK customers both directly and through partnerships with well-known UK brands. These include a financial services relationship and foreign exchange joint venture with the PO; partnering with a number of intermediaries via the Group's mortgage business; a full service retail and commercial bank in NI; and a car and asset finance business throughout the UK, under the Northridge Finance and Marshall Leasing business brands.	• Chair's review *(page 4)* • Chief Executive's review *(page 7)* • Our strategy *(page 10)* • Sustainability at Bank of Ireland UK *(page 15)*
Environment	The Group recognises that combatting climate change is one of the greatest challenges of global society and understands the important role it has in facilitating the transition to a resilient, low-carbon economy. The Group is committed to working together with customers, colleagues and society to support the transition to a resilient, net zero economy by 2050, in line with UK government ambitions. The Board considers the risks of climate change seriously in setting the long term sustainable strategy for the Group, and has delegated responsibility to the BRC to oversee the plan for managing the financial risks from climate change in relation to its overall business strategy and risk appetite, through regular risk reporting and other related exercises.	• Sustainability at Bank of Ireland UK *(page 15)* • Principal Risks and Uncertainties *(page 37)*

Financial Review

Basis of presentation[1]

The strategic report has been presented on a consolidated basis for the years ended 31 December 2025 and 31 December 2024.

References to the 'Group' throughout this document should be taken to refer to Bank of Ireland (UK) plc and its subsidiary undertakings and the 'Parent' refers to the Governor and Company of the Bank of Ireland.

Further details on the Group structure are shown in note 42.

2025 Financial results

Statutory loss before tax	Underlying profit before tax	Statutory operating expenses *(excluding motor finance commission charges)*	Impairment charge
(£12m)	£234m	£253m	£25m
(2024: £181m profit)	*(2024: £263m)*	*(2024: £236m)*	*(2024: £8m gain)*

Group income statement

2025 Summary consolidated income statement	Underlying basis[2] £m	Non-core items Motor finance commissions charges £m	Transformation investment costs £m	Strategic portfolio divestment £m	Statutory basis £m
Net interest income	457	–	–	–	457
Net other income	15	–	–	4	19
Total operating income	**472**	**–**	**–**	**4**	**476**
Operating expenses	(234)	(232)	(20)	1	(485)
Operating profit / (losses) before net impairment losses on financial instruments	**238**	**(232)**	**(20)**	**5**	**(9)**
Net impairment gains / (losses) on financial instruments	(26)	–	–	1	(25)
Profit on sale of business portfolio	–	–	–	–	–
Share of gain after tax of joint venture	22	–	–	–	22
Profit / (loss) before taxation	**234**	**(232)**	**(20)**	**6**	**(12)**
Taxation credit / (charge)					11
Loss for the period					**(1)**

[1] Percentages presented throughout this document are calculated on the absolute actual figures, so may differ from percentage variances calculated on the rounded numbers presented. Where percentages are not measured this is indicated by n/m.
[2] Underlying profit before taxation includes non-core items which the Group believes obscures the underlying performance trends in the business. Refer to page 33 for further details.

Group income statement *(continued)*

2024 Summary consolidated income statement	Underlying basis[1] £m	Non-core items Motor finance commission charges	 Transformation investment costs £m	 Strategic portfolio divestment £m	Statutory basis £m
Net interest income	460	–	–	32	492
Net other income	2	–	–	4	6
Total operating income	**462**	**–**	**–**	**36**	**498**
Operating expenses	(220)	(146)	(6)	(10)	(382)
Operating profit / (losses) before net impairment losses on financial instruments	**242**	**(146)**	**(6)**	**26**	**116**
Net impairment gains / (losses) on financial instruments	(3)	–	–	11	8
Profit on sale of business portfolio	–	–	–	33	33
Share of gain after tax of joint venture	24	–	–	–	24
Profit before taxation	**263**	**(146)**	**(6)**	**70**	**181**
Taxation (charge) / credit					(48)
Profit for the period					**133**

[1] Underlying profit before taxation includes non-core items which the Group believes obscures the underlying performance trends in the business. Refer to page 33 for further details.

For further information on performance measures referred to, see page 161.

The Group income statement on page 32 provides a reconciliation between the statutory loss before tax of £12 million (2024: £181 million profit) and the underlying profit before tax of £234 million (2024: £263 million).

Underlying performance excludes non-core items, which are those items that the Group believes obscure the underlying performance trends of the business. Where the Group has made a strategic decision to exit an area of the business the related income and expenses are treated as non-core.

The Group has treated the following items as non-core in the year ended 31 December 2025:

Non-core items

Motor finance commission charges

During 2025, the Group recognised an additional charge of £232 million (2024: £146 million) in relation to historic motor finance commissions charges. During the year, related administration costs of £8 million were recognised, resulting in a total provision held at year end of £367 million (2024 year end provision: £143 million). The cumulative charge incurred by 31 December 2025 is £375 million. The provision represents the Group's best estimate of the redress and compensation that may be payable to impacted customers, along with programme costs that may be incurred by the Group in connection with the FCA consumer redress scheme. Refer to note 31 for details of the provision.

Transformation investment costs

As part of the Group's transformation programme, restructuring and transformation costs were associated with determining and designing the future operating and business model. This was with a view of providing improved customer outcomes, supporting our Partnerships and modernising the IT architecture. This expenditure has been treated as non-core and excluded from underlying performance on the basis it does not contribute to day to day business and will be incurred over a specific time period.

During 2025, the Group realised a charge of £20 million (2024: £6 million) related to the design and development of a number of key business initatives in line with the simpler business agenda. These costs are associated with the implementation of the future operating and business model.

Strategic portfolio divestment

During 2025, the Group realised a small gain of £6 million for a strategic portfolio divestment, relating to the unsecured personal lending portfolio which was sold during late 2024 (2024: £70 million gain). The portfolio and associated income and expenditure has been classified as non-core, strategic portfolio divestment, since Q4 2024. The 2025 gain is associated with the residual income and costs related to the sale of this portfolio.

Statutory loss before tax of £12 million in 2025 was £193 million lower than 2024, driven by the factors listed below.

Statutory net interest income decreased by £35 million or 8% compared to the previous year. This decrease was primarily due to the sale of the unsecured personal lending portfolio during Q4 2024 (2025: £nil, 2024: £32 million) and the impact of lower BOE base rates on funding costs and lending margins.

Statutory net other income increased by £13 million, reflecting lower commissions paid on deposit products during the year and increased vehicle fleet income.

Statutory operating expenses of £485 million increased by £103 million, driven by the increase to motor finance commission charge provision in the year (increase of £86 million year on year) and investment spend to enhance customer experience.

The Group recognised a net impairment charge of £25 million on financial instruments in 2025 (2024: £8 million gain), an overall increase of £33 million on the previous year. The charge reflects normal portfolio activity and impairment charges related to model updates and a weaker forecast macroeconomic outlook at 31 December 2025. This is compared to an underlying impairment gain in 2024 relating to an improved macroeconomic outlook at 31 December 2024.

Approximately 56% (2024: 48%) of the impairment loss was recognised for assets that are not credit-impaired consistent with the recognition of expected credit loss under IFRS 9.

Group income statement *(continued)*

Income from the joint venture relates to the Group's foreign exchange joint venture with the PO, First Rate Exchange Services Holdings Limited (FRESH). The profit in 2025 decreased by £2 million from 2024. For further information refer to note 21.

The **taxation credit** for the Group was £11 million (effective tax rate 85%) compared to a taxation charge of £48 million (effective tax rate 27%) for 2024. On an underlying profit basis, the effective tax rate was 22% (tax charge) (2024: 26% tax charge). The decrease in the year is due to a lower banking surcharge and lower prior year adjustments. For further information on the taxation charge refer to note 14.

The Group has disclosed its UK tax strategy in line with Schedule 19 of the UK Finance Act 2016 on its website, www.bankofirelanduk.com.

Income statement *(by business stream)*

The Group operates a business model through two main business streams, Everyday Banking and Intermediated Lending, with all other activities reported under Group Centre.

- **Intermediated lending** - offering mortgages (via direct channels or intermediaries), motor financing and leasing services (through Northridge) and contract hire (through Marshall Leasing).
- **Everyday banking** - a full service retail bank operating through a distribution network of branches and business centres and via direct channels (telephone, mobile and on-line). The Bank is also authorised to issue bank notes in NI.
- **Group Centre** - centralised management of risk and control functions and the Group’s funding, liquidity and capital positions.

	2025				2024			
Consolidated income statement by business stream[1]	**Intermediated lending £m**	**Everyday banking £m**	**Group centre £m**	**Total £m**	**Intermediated lending £m**	**Everyday banking £m**	**Group centre £m**	**Total £m**
Operating income	289	145	38	472	284	150	28	462
Operating expenses	(101)	(132)	(1)	(234)	(98)	(122)	–	(220)
Operating profit / (loss) before net impairment losses on financial instruments	**188**	**13**	**37**	**238**	**186**	**28**	**28**	**242**
Net impairment (losses) / gain on financial instruments	(24)	(2)	–	(26)	(6)	3	–	(3)
Share of profit of joint venture	–		22	22	–	–	24	24
Profit / (loss) on disposal of business activities	–	–	–	–	–	–	–	–
Underlying profit / (loss) before taxation	**164**	**11**	**59**	**234**	**180**	**31**	**52**	**263**
Non-core items	(228)	–	(18)	(246)	(76)	–	(6)	(82)
Statutory profit / (loss) before taxation	**(64)**	**11**	**41**	**(12)**	**104**	**31**	**46**	**181**

[1] *Consolidated income statement by business stream presented excludes non-core items which the Group believes obscures the underlying performance trends in the business. All non-core items are presented on a net basis - refer to page 33 for further details of non-core income and expenses incurred.*

Intermediated lending

Statutory loss for the intermediated lending business of £64 million (2024: profit £104 million). This decreased by £168 million compared with 2024 and is primarily due to the inclusion of the additional provision for motor finance commisisions. Underlying profit before tax for 2025 £164 million, decreased slightly by £16 million from £180 million in 2024.

Income increased by £5 million compared to 2024 as Northridge had strong volume growth in the year, increasing market share for the business.

Impairments increased by £18 million due to normal portfolio activity and impairment charges related to model updates incorporating current macroeconomic outlook.

Non-core net expense during 2025 of £228 million relates primarily to further amounts provided in relation to the Northridge motor finance commission charge provision.

Every day banking

Statutory profit of £11 million, decreased by £20 million compared to 2024. The main drivers are decreased income of £5 million, due to lower deposit income as a result of lower base rates during 2025 and increased operating expenses of £10 million year on year due to spend on digital upgrades.

Impairments increased year on year by £5 million. 2024 recorded an impairment gain of £3 million due primarily to an improved macroeconomic outlook. The 2025 impairment charge of £2 million reflects a weaker macroencomic outlook at 31 December 2025 and a return to normal portfolio activity.

Group Centre

The Group Centre statutory profit of £41 million, decreased by £5 million compared to 2024 due to increased non-core transformation investment related to the design and development of a number of key business initatives in line with the simpler business agenda.

Group balance sheet

Summary consolidated balance sheet	2025 £m	2024 £m	Change %
Cash and balance with central banks	2,306	2,069	11%
Loans and advances to banks	1,157	1,171	(1%)
Loans and advances to customers	14,704	14,191	4%
Fair value changes of the hedged items in portfolio hedge of interest risk	41	(58)	(171%)
Debt securities at amortised cost	881	476	85%
Total other assets	776	762	2%
Total assets	**19,865**	**18,611**	**7%**
Deposits from banks	2,687	2,422	11%
Customer accounts	12,765	12,223	4%
Fair value changes of the hedged items in portfolio hedge of interest risk	(23)	(87)	(74%)
Subordinated liabilities	190	190	–%
Debt securities in issue	743	514	45%
Total other liabilities	1,718	1,572	9%
Total liabilities	**18,080**	**16,834**	**7%**
Equity attributable to owners of the parent	1,785	1,777	–%
Total equity and liabilities	**19,865**	**18,611**	**7%**
Statutory return on tangible equity	(0.5%)	7.8%	
Return on assets[1]	–%	0.70%	
Loan to deposit ratio	115%	116%	
Liquidity coverage ratio (LCR)	161%	154%	
Net stable funding ratio	133%	130%	

[1] *Return on assets is calculated on a statutory profit basis.*

Key performance indicators

Loans and advances to customers of £14.7 billion increased by £0.5 billion primarily reflecting gross new lending of £4.3 billion offset by redemptions of £3.7 billion.

Intermediated lending

Northridge gross lending volumes increased by £0.5 billion in the year, with new lending of £1.7 billion being £0.4 billion higher than 2024. The uplift reflects higher origination volumes, supported by growth in the Northridge business market share during 2025.

Mortgages originated during 2025 were £2.5 billion, offset by repayments and redemptions on the existing portfolio of £2.3 billion, resulting in the mortgage book increasing by £0.2 billion in the year.

Impairment provision on loans and advances to customers of £94 million increased by £6 million compared to 31 December 2024, due to normal portfolio activity in the year and model updates incorporating current macroeconomic outlook. Further details are included in note 19.

Everyday banking

Customer deposits increased by £0.5 billion to £12.8 billion at 31 December 2025, reflecting the Group's strategic focus to strengthen funding coupled with the replacement of maturing BOE TFSME funding with customer deposits.

Other movements

Fair value of changes of the hedged items in portfolio hedge of interest risk moved by £99 million year on year primarily related to interest swap rate volatility. **Debt securities at amortised cost** increased by £405 million due to bond purchases during the year.

Other liabilities increased by £146 million, due to the additional 2025 provision for motor finance commission charges of £232 million, offset by a decrease in derivative liabilities with the parent.

Debt securities in issue of £743 million at 31 December 2025, increased by £229 million compared to 2024, due to the new Bowbell Master Issuance during the year of £350 million, offset by quarterly payments to the Bowbell 3 note holders in the year of £120 million.

Capital position

The Group is strongly capitalised with a total capital ratio of 23.7%% (2024: 24.3%). Total capital resources increased by £53 million to £1.9 billion. For further information on underlying figures used in calculation of capital ratios please refer to page 55. For information on basis of calculation refer to page 161.

Fully loaded	2025 %	2024 %
Capital ratios[1]		
Common equity tier 1	19.6%	19.9%
Tier 1	21.4%	21.9%
Total capital	23.7%	24.3%
Leverage ratio	9.0%	9.6%

[1] *Capital ratios reflect the UK regulatory position of the BOI UK regulatory group which consists of the Bank and its subsidiary NIIB Group Limited.*

Liquidity position

The Group's **LCR** increased to 161% at 31 December 2025 (2024: 154%), reflecting the impact of increased holdings in cash and balances with central banks, higher volumes of debt securities held, slightly offset by higher customer accounts.

Group balance sheet (continued)

Return on tangible equity (RoTE) is a key performance indicator for the Group. The table below sets out the RoTE for the Group on a statutory and underlying basis. Further information on basis of calculation can be found within performance measures on page 161.

	2025		2024	
	Statutory basis £m	Underlying basis £m	Statutory basis £m	Underlying basis £m
Statutory loss for the period attributable to shareholders	(1)	(1)	133	133
Coupon on AT1 securities[1]	(9)	(9)	(9)	(9)
Amortisation of intangible assets, net of tax	1	1	1	1
Non-core items, net of tax (see page 32)	–	184	–	59
Adjusted (loss) / profit after tax	**(9)**	**175**	**125**	**184**
Shareholders' equity, excluding AT1 capital	1,635	1,635	1,626	1,626
Intangible assets and goodwill	(24)	(24)	(25)	(25)
Shareholders’ tangible equity	**1,611**	**1,611**	**1,601**	**1,601**
Average shareholders’ tangible equity	**1,702**	**1,702**	**1,593**	**1,593**
Return on tangible equity[2]	**(0.5%)**	**10.3%**	**7.8%**	**11.6%**

[1] Tax credit on AT1 coupon is accounted for in the income statement and therefore included in profit attributable to shareholders.
[2] Statutory RoTE is calculated including non-core expenditure, refer to page 32 for further detail.

Principal risks and uncertainties

Principal risks and uncertainties facing the Group are set out below. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants; nor can it confirm that the mitigants would apply to fully eliminate or reduce the corresponding principal risks (including the impact of risk drivers). ESG factors represent a common risk driver across the Group's principal and sub risk types. Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

The Group continues to face a diverse set of challenges, including the transformation agenda, the interest rate environment, and a continuing volatile geopolitical environment. While the Group is well progressed with the implementation of the Basel 3.1 Capital regime in advance of the 1 January 2027 implementation date, uncertainty remains regarding final implementation details and material reform of the regulatory approach to the Pillar 2A capital calculation.

In place for all key risks are:
- clearly communicated policies;
- a board approved risk appetite monitored monthly;
- regular reporting via the monthly CRO report to ERC, BRC and Board; and
- ongoing monitoring of change horizon and industry developments.

Credit risk

(Section 2.1)

The risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, or any other deterioration in a counterparty's creditworthiness.

Key controls and mitigating factors
- Exposure limits for credit concentration risk and credit categories.
- Defined credit processes and controls, to support credit decisioning, affordability assessments, ongoing credit quality assessments and arrears / NPE management.
- Processes to monitor compliance with policies, limits and discretions.
- Enhanced management of credit risk associated with customers affected by the economic impacts of elevated inflation and interest rates.
- Dedicated structures focused on the management of customers in financial difficulty.
- Strategic asset sales.
- Annual ICAAP process includes Credit Risk assessments, to ensure appropriate capital is held for Credit Risk.

Funding and liquidity risk

(Section 2.2)

The risk that the Group will experience difficulty in financing its assets and/ or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Key controls and mitigating factors
- Funding and liquidity procedures and methodologies in place.
- Comprehensive liquidity monitoring framework including daily monitoring and management of regulatory LCR and internal stress testing.
- Annual Board approved forward looking ILAAP.
- Strategic plan articulating and quantifying deposit projections, wholesale funding and lending projections for the Group.
- Recovery Plan and Resolution Plan in place with annual updates.
- Maintenance of liquid assets and contingent liquidity available for use with market counterparties and / or in liquidity operations offered by the BOE.

Market risk

(Section 2.3)

The risk of loss arising from movements in interest rates, foreign exchange (FX) rates, equity, credit spreads or other market prices.

Key controls and mitigating factors
- Comprehensive market risk management framework, policy and procedures in place, designed to ensure the Group manages and monitors market risk within risk appetite.
- Annual ICAAP process includes interest rate risk in the banking book (IRRBB) assessment, to ensure appropriate capital held. Daily hedging with the Parent, using derivatives.
- Daily monitoring and management of the market risk position including daily market risk stress tests.
- Extreme stress scenarios are produced and monitored in line with regulatory guidance and reported to ALCO.

Principal risks and uncertainties *(continued)*

Regulatory risk

(Section 2.4)

The risk that the Group does not identify legal or regulatory change or appropriately manage its relationships with its regulators.

Key controls and mitigating factors

- The Group has no appetite for failure to comply with its regulatory or legislative obligations.
- Established and embedded regulatory change horizon scanning processes and procedures which identify and communicate changes to relevant compliance universe elements.
- Embedded framework for allocating overall responsibility for changes to the compliance universe complemented by Group-wide regulatory change implementation processes and procedures.
- Regular change governance and escalation processes ensuring senior management oversight and awareness.
- Regular and open communication with the FCA, PRA, BOE, Joint Supervision Team, Competition and Markets Authority and Open Banking Limited on all aspects of the Group's activities.

Model risk

(Section 2.5)

The potential for adverse consequences due to model design or implementation errors or the inappropriate use of model outputs.

Key controls and mitigating factors

- Robust quarterly self-assessment process to attest compliance with the Model Risk policy.
- Periodic independent model validation and performance monitoring assessments to ensure appropriateness of model outputs.
- Risk based approach to model governance at appropriate level of seniority driven by model tiering and supported by quarterly Model Risk management reporting.

Operational risk

(Section 2.6)

The risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events.

Key controls and mitigating factors

- RMF and policies covering all key operational risk types; Information Technology, Change Management, Information and Cyber Security, Third Party Risk Management & Outsourcing, Transaction Processing, People, Physical Security, Legal, Data, Financial and Regulatory Reporting and Tax.
- Controls identified, monitored and tested.
- The Operational Resilience Self-Assessment (ORSA) document is formally approved by the Board annually to ensure that the required Important Business Services remediation plans are linked to the Group's investment plans.
- Annual ICAAP process includes Operational Risk assessment, to ensure appropriate capital.
- Group-wide education and training in place.

Business and strategic risk

(Section 2.7)

The risk of not delivering the agreed strategy and business and financial targets, designed to ensure the long term sustainability of the Group's businesses. This can be as a result of internal or external factors. e.g, implementing a strategy that does not support the Group's target outcomes, inadequate planning or implementation of the strategy, changes in the external environment or economic factors.

Key controls and mitigating factors

- Executive-level Transformation Committee established to drive progress, ensure effective prioritisation and oversee delivery. Ongoing Board level reporting in place. Key strategic initiatives subject to individual governance and oversight, including risk assessments to help safely manage strategic change.
- Monitoring of the strategic plan delivery, through clearly defined OKR's and key performance indicators (KPI's) at both Executive and Board level through reporting.
- ICAAP and ILAAP processes subject to Executive and Board review which includes strategic plan and stress scenario analysis.
- Intra-year re-forecasting of financial projections which are subject to Executive and Board review.
- Economic and competitive environment oversight with close monitoring of competitor product propositions and pricing.
- Product pricing mandates approved and monitored by the Assets and Liabilities Committee (ALCO). Policies are subject to annual review by ALCO.

Principal risks and uncertainties *(continued)*

Conduct risk

(Section 2.8)

The risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Group's Products and Services.

Key controls and mitigating factors

- Comprehensive RMF, designed to ensure the Group manages and monitors conduct risk within Board approved RAS.
- Policies and standards covering all key conduct risk types; market integrity; customer protection; financial crime; and data privacy.
- Group-wide education and training is in place.

Reputation risk

Adverse public, regulatory or industry opinion, resulting from the actual or perceived manner in which the Group conducts its business activities may adversely impact the Group's ability to have a positive relationship with key stakeholders and / or strategic partners and / or keep and attract customers.

Key controls and mitigating factors

- The Group seeks to manage its reputational risk through the proactive prevention of customer and business issues that would lead to adverse public, industry or stakeholder reaction.

The tools employed in the management process include:

- having in place and embedding a positive customer conduct culture that puts the delivery of good outcomes at the heart of its business and decision making;
- proactive and ongoing business partner management where issues arise;
- employing media monitoring and social listening tools which aim to ensure that crystallising issues are identified; and
- people policies which guide and inform positive behaviour.

Capital adequacy risk

(Section 3.0)

The risk that the Group does not hold sufficient capital to:-
i) remain compliant with regulatory capital requirements;
(ii) support its business and medium-term objectives; and
(iii) absorb losses should unexpected events occur.

Key controls and mitigating factors

- Ongoing close monitoring of capital and leverage ratios to ensure all regulatory requirements and internal targets are met including performance against the Board approved RAS and the suite of Recovery Indicators.
- Comprehensive stress tests / forward-looking ICAAP financial projections are prepared, reviewed, and challenged by the Board to assess the adequacy of the Group's capital, liquidity and leverage positions.
- A contingency capital plan is in place which sets out the framework and reporting process for identifying the emergence of capital concerns and potential options to remediate.

Principal risks and uncertainties *(continued)*

Key themes under focus

Environmental (Climate & Other Environmental), Social & Governance risk

The Group recognises ESG and climate-related considerations continue to be an important agenda item for financial institutions and stakeholders. Details on the Group's ESG strategy and risk management approach to ESG factors can be found on pages 15 to 28.

Macroeconomic conditions and geopolitical uncertainty

The Group continues to operate against a backdrop of mixed economic conditions, particularly in the UK. The BOE base rate is at its lowest since early 2023, inflation is trending down with the Office for Budget Responsibility forecasting an average of 2.5% for 2026, unemployment has reached a four-year high, and growth remained flat through late 2025. Greater clarity on the economic outlook is expected as the impacts of the November 2025 Autumn Budget Statement emerge. These conditions present potential challenges for certain customer segments and for the Group's risk management processes.

Geopolitical developments remain a significant external risk. Conflict affected regions continue to generate inflationary pressures and supply chain disruption. Uncertainty around US tariff and trade policy could also introduce further economic volatility over the coming year.

In parallel, the increasing presence of Artificial Intelligence (AI) across sectors is expected to manifest primarily as Conduct and Operational risks for the Group. Collectively, these macroeconomic, geopolitical and technological dynamics may influence customer confidence, regulatory certainty, pricing, credit demand, collateral values, and customers' ability to meet their financial commitments.

Key controls and mitigating factors

- Ongoing monitoring of the risks and impact of changing current and forecast macroeconomic conditions on the achievement of the Group's strategy and objectives.
- Management of exposures in accordance with risk policies including maximum single counterparty limits and defined country limits.
- The Group has in place a comprehensive stress and scenario testing process, including within the ILAAP and ICAAP processes.
- The Group is diversified in terms of asset class, industry and funding source.

The Strategic report on pages 3 to 40 is approved by the Board of Directors and signed on its behalf by:

Thomas Wright
Director

8 May 2026
Company number: 07022885

Risk Management Report

Contents

1 Risk governance

Risk governance refers to the elements of an organisation's overall governance mechanisms that relate to risk management and mitigation. Risk governance is exercised through the decision-making authority vested in Risk Committees and accountable executives (senior leadership and 1LOD Risk owners).

The Board has ultimate responsibility for the governance of risk in the Group as described within the Risk Governance Framework and executed by the Board, the BRC and other appointed committees, for example ERC and ALCO.

The ERC is the most senior executive risk committee and is established as the principal Risk Committee for the end-to-end proactive risk management and oversight of the Group's strategy. ERC is chaired by the CRO and is comprised of members of the ExCo and control function executives. It met 11 times during 2025.

The ERC is responsible for the oversight of all material risk types across the Group. The BRC oversees the decisions of the ERC through a review of the ERC minutes and reports from the Committee Chair. The ERC delegates specific responsibility for oversight of the major classes of risk to committees that are accountable to it.

The relevant committees are set out in the following table:

Committee	Delegated responsibility
Asset & Liability Committee	Responsible for certain Financial Risks and outcomes, including Market Risk, Funding & Liquidity Risk and capital management.
Credit Risk Portfolio Committee	Oversight of Credit Risk.
Non-Financial Risk Committee	Oversight of Regulatory, Operational, Financial Crime and Conduct Risks.
Products & Services Approvals & Governance Committee	Oversight of product / service launches, changes and closures.
Model Risk Committee	Oversight of Model Risk.

Three lines of defence approach

The Group follows a three lines of defence approach to risk management and oversight. This ensures a comprehensive and structured consideration of risk and is aligned with regulatory expectations.

First line of defence (1LOD) – Primary responsibility for managing risk within Risk Appetite and pre-defined triggers.

Second line of defence (2LOD) – Establishing the policies under which first line activities shall be performed, and taking reasonable steps to ensure that the Group does not suffer outcomes outside of Risk Appetite.

Third line of defence (3LOD) – The role of Group Internal Audit (GIA) is to understand the Group's key risks and to examine and evaluate the adequacy and effectiveness of the systems of risk management, governance and internal control within the first and second Lines of Defence.

1 Risk governance *(continued)*

1.1 Risk management approach

The RMF is in place to protect the Group and establishes the common principles for the risk management process of identifying, assessing, mitigating and controlling risks to the Group. The RMF establishes:

- standard definitions of risk terms and classifications to ensure consistent application across the Group;
- clear roles and accountabilities for the management of risk across the Group;
- governance mechanisms by which risk oversight is exercised and risk decisions taken;
- Group standards on risk policies, committee papers and reporting to ensure consistent application across the Group;
- standard methods to identify and classify risks faced by the Group;
- principles for setting Risk Appetite to articulate tolerances for the adverse outcomes of taking risk, and setting risk exposure limits designed to ensure a low probability of exceeding those tolerances;
- risk policies and procedures as the foundation for risk mitigation in implementing this framework; and
- a framework for forward looking monitoring and reporting on risk as part of Risk Management Information (MI) in the Group.

Principal risk categories

These Principal risk categories flow from the risk identity of the organisation. They link to the capital adequacy, desired risk profile, reputation and strategic business intent of the Group.

The Principal Risks and Uncertainties section will include a subset of these risks and a number of other risks of particular materiality to the Group in the current economic and operational environment.

Credit	Market
Funding and Liquidity	Capital Adequacy
Business & Strategic	Conduct
Regulatory	Other Operational
Model	

1.2 Risk culture, strategy and principles

Risk culture

Risk Culture refers to the Group's collective mindset and shared values with respect to the management and control of risk. Our awareness of and attitude towards risk shapes risk-taking behaviour. The Group is committed to prudent risk-taking and the effective management of risk. Colleagues at all levels are expected to constructively challenge risk decision-making in support of these objectives.

Risk strategy

The Group's overarching risk strategy is to:

- set and maintain the RMF to ensure that the Group has clearly identified and classified the risks it faces;
- set its Risk Appetite through statements of risk tolerance and quantitative limits; and
- through adherence with Risk Policy observe these tolerances and limits as boundaries to its business strategy.

Risk Identification and Assessment

The first step in managing risk is to identify the risk type. A standard Risk Library is used to define all the Group's risk types in a consistent manner. Once a risk type has been identified, it must be assessed to determine the level of gross risk exposure and, after consideration of any mitigants, the residual risk exposure can be determined. These measurements (gross risk exposure and residual risk exposure) inform metrics used to monitor and control the Group's Risk Profile.

Risk Policies

Risk Policies set out minimum risk mitigation requirements designed to ensure that there is only a low probability of the Group's Board approved Risk Appetite being exceeded. First line functions (1LOD) managing the risk are responsible for ensuring that they have appropriately proceduralised the risk mitigation requirements specified for that risk type, and designed and implemented a reliable process incorporating these procedures.

Risk Appetite

Risk Appetite articulates tolerances for the adverse outcomes of taking risk in pursuit of the Group's objectives. Risk Appetite is set in conjunction with the Group's business strategy and sets the outer boundaries of risk the Group is prepared to take. It flows from the Risk Identity of the organisation which is linked to the capital adequacy, desired risk profile, reputation, and strategic business intent of the Group. It is reviewed and approved by the Board at least annually.

Stress Testing and Scenario Analysis

While predictable and probable events are factored into business-as-usual planning and budgeting, risk arises when less predictable or unanticipated events materialise.

1 Risk governance *(continued)*

These types of events may result in severe impacts to the Group and therefore it is important that they are considered, and that mitigating controls and actions are put in place to ensure that the Group can continue to operate within Risk Appetite. Stress Testing and Scenario Analysis is the activity that addresses this requirement.

The outputs of stress testing are used by the Group to inform risk appetite by assessing unlikely but plausible scenarios that may result in severe earnings volatility. This allows stress testing metrics to be used in setting risk appetite so that earnings volatility in periods of stress is maintained at an acceptable level through appropriate management actions and mitigants.

Stress testing outputs are an integral component of the ICAAP and ILAAP which is used to assess the Group's ability to continue to meet its capital and liquidity requirements under severe but plausible adverse conditions.

The Group also performs reverse stress testing to derive severe stress scenarios which would breach the Group's ability to survive unassisted, thus helping to define risk tolerance boundaries for the business as well as appropriate controls and mitigation.

Risk Monitoring and Reporting

Reporting of risk is how the Group ensures management and governance forums can monitor the maintenance of the Group's risk profile within risk appetite. Furthermore, it is a means for bringing management attention to significant changes in the risk profile which bring into question whether the Group can remain within risk appetite in the future, thereby enabling the Group to respond effectively and in a timely manner.

Monthly Board level reporting updates on material risks, key risk issues and performance against core risk appetite metrics are prepared for the Board.

2 Management of key risks

2.1 Credit risk

Key points

- The Group implemented a range of controls, targeted MI and affordability enhancements to reflect prevailing macro-economic conditions and in anticipation of increased borrower financial stress.
- At all times during the financial year, the Group maintained appropriate credit controls reflecting and responding to the changing dynamics of the UK market, in line with regulatory requirements.
- A portfolio of non-performing exposures (NPE) mortgages was sold in 2025, comprising £82 million gross balances (all stage 3) utilising £7 million ECL's.

2.1.1 Definition of credit risk

Definition
Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, or any other deterioration in a counterparty's creditworthiness.

Default risk
The risk that individuals or companies (counterparties) will be unable to meet the required payments on their debt obligations.

Cross border transfer risk
The risk that sovereign or other counterparties within a country may be unable, unwilling or precluded from fulfilling their obligations due to changing political, financial or economic circumstances such that a loss may arise.

Credit quality deterioration risk
The potential for loss due to a ratings downgrade (e.g. Probability of Default (PD) or IFRS9 stage migration).

Loan origination
The risk of loss from originating credit exposures where asset quality is outside Risk Appetite.

Collateral risk
The risk of loss arising from a change in the value or enforceability of security held in respect of a transaction with credit risk.

Credit concentration risk
The risk of loss due to excessive exposure to a single entity, or group of entities with similar activities and similar economic characteristics which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group's primary market is the UK and loans originated and managed in the UK represent a material concentration of credit risk.

2 Management of key risks *(continued)*

2.1.1 Definition of credit risk *(continued)*

Counterparty credit risk *(unaudited)*
The Group's net exposure to the Parent (disclosed gross within loans and advances to banks, deposits from banks, derivative assets and derivative liabilities) is managed through a contractual master netting agreement with the Parent whereby, in the event of a default by either party, all amounts due or payable will be settled immediately on a net basis.

2.1.2 Credit risk identification

Loan impairment
Through its ongoing credit review processes, the Group seeks early identification of deteriorating loans, with a view to taking corrective action to prevent the loan becoming impaired. Typically, loans that are at risk of impairment are managed by dedicated specialist units / debt collection teams focused on working out loans, while treating customers fairly.

An analysis of the Group's impairment loss allowances at 31 December 2025 is set out in notes 11 and 19.

Significant increase in credit risk
Where a financial asset has been modified but not derecognised, the quantitative assessment of 'significant increase in credit risk' continues to be based on the remaining lifetime PD at the reporting date as estimated based on facts and circumstances as at initial recognition (adjusted where relevant for changes in prepayment expectations).

The effectiveness of the staging criteria is assessed semi-annually, taking into account considerations such as the extent to which: (i) exposures have moved directly from Stage 1 to Stage 3; (ii) exposures have moved to Stage 3, having spent only a short period in Stage 2; (iii) exposures have moved frequently between Stages 1 and 2; and (iv) there is potential over-reliance on backstop or qualitative criteria in identifying Stage 2 exposures.

The Group applies the low credit risk expedient to all debt securities in scope for the impairment requirements of IFRS 9 and similarly to loans and advances to banks, central banks and investment firms. 'Low credit risk' encompasses PD grades 1 to 5 on the Group's internal PD rating system, which broadly aligns with ratings of AAA to BBB- for the external major rating agencies. Such financial instruments are allocated to Stage 1.

Defaulted assets and credit- impaired assets
The population of credit-impaired financial assets is consistent with its population of defaulted financial assets and closely aligned with the Group's definition of NPEs. Where default criteria are no longer met, the credit facility (obligor for non-retail exposures) exits credit-impaired (Stage 3), subject to meeting defined probation criteria, in line with regulatory requirements.

Under the definition of default the Group considers certain events as resulting in mandatory default and credit-impaired classification without further assessment. These include:
- greater than or equal to 90 days past due (based on calendar days) and the past due amount is material;
- a forbearance arrangement is put in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged;
- more than 3 full monthly payments past due (retail credit facilities only);
- legal action is underway by the Group to enforce repayment or realise security;
- the exposure is classified as non-performing for supervisory reporting purposes; and
- it becomes known that the borrower has formally sought an insolvency arrangement.

Certain other events necessitate a lender assessment and, if the outcome of the lender assessment is that the contractual amount of principal and interest will not be fully repaid in what is assessed to be the most likely cash flow scenario, default and credit-impaired classification is mandatory.

Events for lending assessments across all portfolios:
- a forbearance measure has been requested by a borrower and formally assessed;
- the non-payment of interest (e.g. via interest roll-up, arrears capitalisation etc.) as a result of the terms of modification of loans;
- evidence of fraudulent activity;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- a borrower's sources of recurring income are no longer available to meet regular loan repayments; or
- the contractual maturity date has passed without repayment in full.

2.1.3 Credit risk assessment

Credit risk measurement
All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale.

The Group's credit risk methodologies encompass internal credit rating models and scoring tools and impairment models.

Internal credit rating models
The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group. The primary model measures used are:

2 Management of key risks *(continued)*

2.1.3 Credit risk assessment *(continued)*

- **PD:** the probability of a given counterparty defaulting on any of its borrowings from the Group within the next 12 months;
- **Exposure at Default (EAD):** the exposure the Group has to a defaulting borrower at the time of default; and
- **Loss Given Default (LGD):** the loss incurred (after the realisation of any collateral) on a specific transaction should the borrower default, expressed as a percentage of EAD.

These measures are used to calculate regulatory expected loss and are fully embedded in, and form an essential component of, the Group's operational and strategic credit risk management and credit pricing practices.

For the Group's retail consumer and smaller business portfolios, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information and a qualitative assessment of non-financial risk factors. Lending to financial institutions is assigned an internal rating supported by external ratings of the major rating agencies.

PD Calculation

For the purposes of internal credit rating models, the Group produces estimates of PD on either or both of the following bases:

- Through-the-Cycle estimates are estimates of default over an entire economic cycle, averaged to a 12 month basis. These are in effect averaged expectations of PD for a borrower over the economic cycle; and
- Cyclical estimates are estimates of default applicable to the next immediate twelve months. These cyclical estimates partially capture the economic cycle in that they typically rise in an economic downturn and decline in an economic upturn but not necessarily to the same degree as default rates change in the economy.

Internal rating systems

The Group has adopted the standardised approach to capital calculation for both its retail and non-retail exposures. Under this approach supervisory risk weights are applied to the EAD values varying by portfolio. The Group benefits from the use of internal models approved for the internal ratings based approach. This facilitates enhanced understanding of the underlying credit risk than would otherwise be the case.

Control mechanisms for credit rating and impairment models

The Model Risk Policy, as approved by the BRC, sets out specific requirements for the development, validation and use of credit rating and impairment models. Impairment models are described further below.

Approach to measurement of impairment loss allowances

Impairment is measured through the use of impairment models, individual discounted cash flow analysis and modelled loss rates; and supplemented where necessary by Group management adjustments.

In general, a loss allowance is recognised for all financial instruments in scope for the impairment requirements of IFRS 9. However, this may not be the case for very highly collateralised loans. There have been no significant changes in the quality of collateral or credit enhancements as a result of changes in the Group's collateral policies during the year. The Group's methodologies for valuation of property collateral are set out on page 48, noting further that Forward Looking Information (FLI) is applied to UK property collateral values in measuring impairment loss allowances under IFRS 9. The Group's critical accounting estimates and judgements, including those with respect to impairment of financial instruments, are set out in note 2 to the financial statements.

An analysis of the Group's impairment loss allowances and impairment gain or loss is set out in notes 11 and 19 of the financial statements.

Impairment models

The Group has in place a suite of IFRS 9 compliant impairment models which are executed on a monthly basis and which allocate financial instruments to Stage 1, 2 or 3 and measure the appropriate 12 month or lifetime ECL. The characteristics of an exposure determine which impairment model is used, with influencing factors including product type (e.g. residential mortgage, unsecured personal loan, business loan) and market segment (e.g. owner occupier, buy-to-let, general corporate lending, general business lending).

ECLs are calculated as the sum of the marginal losses for each time period from the reporting date. The key components of the ECL calculation are PD, EAD and LGD (which is expressed as a percentage of EAD) and are described below. Other components include discount rate and maturity.

Asset quality methodology

The Group has allocated financial instruments into one of the following categories at the reporting date:

- Stage 1 – 12 month ECL (not credit- impaired);
- Stage 2 – Lifetime ECL (not credit- impaired);
- Stage 3 – Lifetime ECL (credit- impaired); and
- POCI: Financial assets that were credit-impaired at initial recognition.

Further information on staging definitions and the approach to identifying a 'significant increase in credit risk since initial recognition' and in identifying credit-impaired assets is outlined in Group Accounting Policies on page 85.

The Group continued to apply the following classifications at the reporting date.

IFRS 9 Probability of Default

Where available, the rating from internally-approved risk rating systems is used as a starting point for IFRS 9 PD calibration. While calibration techniques are similar to those used for regulatory purposes, the IFRS 9 PD differs from hybrid or through the cycle PDs as regulatory conservatism is removed to meet the IFRS 9 requirement for unbiased outcomes.

A current point-in-time IFRS 9 PD is calculated as the expected default rate over the next 12 months. This PD is used in the calculation of 12-month ECL and as a starting point in the calculation of lifetime PD. Future point-in-time IFRS 9 PDs are also calculated, being the expected default rates for each year from the start of year two, to maturity of the financial instrument. Transition matrices are used to determine how an exposure moves between different PD bands over time.

2 Management of key risks *(continued)*

2.1.3 Credit risk assessment *(continued)*

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PD are used to generate a lifetime PD curve for each future macro-economic scenario. The scenario weighted averages are used to generate an overall IFRS 9 lifetime PD curve.

At origination of a new financial instrument, these curves are stored, together with prepayment estimates where relevant, and allow for comparison at future reporting dates to determine whether a significant increase in credit risk has occurred.

For the year ending 31 December 2025, management assessed the modelled PD estimates, with reference to updated macroeconomic forecasts, and determined that incorporation of management judgement into PD estimates was not required.

Further details are provided in note 2 Critical Accounting Estimates and Judgements.

IFRS 9 Exposure at Default

Current point-in-time EAD is the expected EAD were the borrower to default within the next 12 months. Future point-in-time EAD also incorporates expected contractual cash flows. IFRS 9 EAD differs from regulatory EAD in that it incorporates expected contractual cash flows and caps the exposure at the contractual limit.

IFRS 9 Loss Given Default

Current point-in-time LGD is the loss that would be incurred should default occur in the next 12 months. To facilitate the calculation of lifetime ECL, future point-in-time LGDs are calculated for each year from the start of year two, to maturity of the exposure. The starting point for individual components of the calculation is historical data. Cure rate is incorporated as appropriate into the calculation and represents the expected propensity of borrowers to return to the non-defaulted book without a loss having been realised. FLI is also incorporated into LGD where UK property collateral is held. IFRS 9 LGD may differ from regulatory LGD as conservatism and downward assumptions are generally removed.

In applying forward-looking forecasts for residential and commercial property prices into the estimation of Stage 3 impairment loss allowances in relevant models and discounted cash flow analysis, property prices are adjusted so that the property collateral value at the point of liquidation does not incorporate an improvement on the current market condition.

Individual discounted cash flow analysis

For credit-impaired financial instruments in Business Banking and certain other relationship-managed portfolios, the impairment loss allowance is primarily Internal rating systems.

Modelled loss rates

For certain portfolios (primarily UK unsecured consumer lending), impairment loss allowances are measured by applying modelled loss rates to exposure amounts. Modelled loss rates are generally determined on a component basis taking into account factors such as the nature and credit quality of the exposures and past default and recovery experience on the portfolio or on portfolios with similar risk characteristics. Generally a number of different loss rates will be set for a portfolio to allow differentiation of individual financial instruments within the portfolio based on their credit quality.

2.1.4 Credit risk monitoring

Review of credit-impaired loans

It is Group policy to review credit-impaired loans above agreed thresholds semi-annually or on receipt of material new information, with the review including a reassessment of the recovery strategy and the continued appropriateness of a credit-impaired classification. The minimum requirements for a credit-impaired loan to return to non credit-impaired status are that the borrower must not be greater than 90 days past due (on a calendar days basis) on a material amount, the borrower must be considered likely to pay in full without recourse by the Group to actions such as realising security and there must be no forbearance arrangement in place where future reliance on realisation of collateral is expected for repayment in full when this was not originally envisaged.

2.1.5 Credit risk mitigation

An assessment of the borrower's ability to service and repay the proposed level of debt is undertaken for credit requests and is the primary component of the Group's approach to mitigating risk.

In addition, the Group mitigates credit risk through the adoption of both preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks, should these materialise, including the taking of collateral, selective asset / portfolio disposals and securitisations.

Collateral

Credit risk mitigation includes the requirement to obtain collateral depending on the nature of the product and local market practice, as set out in the Group's policies and procedures.

2 Management of key risks *(continued)*

2.1.5 Credit risk mitigation *(continued)*

The nature and level of collateral required depends on a number of factors, including, but not limited to:
- the amount of the exposure;
- the type and term of facility provided;
- the amount of the borrower's own cash input; and
- an evaluation of the level of risk or probability of default (PD).

The requirements around completion, valuation and management of collateral are set out in appropriate Group or business unit policies and procedures.

Methodologies for valuation of property collateral

Individual valuations are undertaken as part of the initial credit assessment process using either an automated valuation model or through physical inspection of the collateral. The Group's mortgage loan book property values are determined by reference to the original or latest property valuations index.

Commercial property valuations may include formal written valuations from external professionals or internally assessed valuations. Internally assessed valuations are informed by the most appropriate sources available for the assets in question. This may include property specific information / characteristics, local market knowledge, comparable transactions, professional advice (e.g. asset management reports) or a combination thereof.

Management of challenged assets

A range of initiatives, dependent on the nature of the risk, are in place to deal with the effects of the deterioration in the credit environment and decline in asset quality including:
- enhanced collections and recoveries processes;
- utilisation of specialist management teams to ensure early intervention in vulnerable cases;
- intensive review cycles for 'at risk' exposures and the management of excess positions;
- modified and tighter lending criteria for specific sectors; and
- portfolio sales of NPEs.

Forbearance strategies

A range of forbearance strategies are used by the Group for customers in arrears or facing potential arrears on contracted loan repayments, in order to arrange, where viable, sustainable short-term or longer-term repayment solutions as appropriate.

It is the Group's policy to ensure that the forbearance arrangements which are agreed with customers are affordable, sustainable and realistic, with each arrangement appropriately taking account of the current and future circumstances of each customer. Arrangements are defined in the Customers in Financial Difficulty Treatment policy, which is reviewed annually and approved by the BRC on a three year cycle.

For further detail refer to Group Accounting Policies on page 82.

Forborne loans

Loans are classified as forborne where a forbearance measure has been granted and where the criteria to exit a forborne classification, in line with regulatory guidance, are not yet met. Loans that have never been forborne or loans that are no longer required to be reported as 'forborne' are classified as 'non-forborne'.

Non-performing exposures
- Credit-impaired loans which includes loans where the borrower is considered unlikely to pay in full without recourse by the Group to actions such as realising security, and / or loans where the borrower is greater than or equal to 90 days past due and the arrears amount is material; and
- Other loans meeting NPE criteria as aligned with regulatory requirements.

Quantitative information about credit risk can be found in the credit risk exposures note on page 118 in the financial statements.

2.1.6 Credit risk reporting

Credit risk information at a product / sector level is reported on a monthly basis to senior management. This reporting includes detailed information on loan book volume, the quality of the loan book, concentrations and loan impairment provisions, including details of any large individual impaired exposures.

Performance against specified credit risk limits, as detailed in the RAS and Management Metrics, is monitored and reported to senior management and to the BRC. Along with the regular suite of monthly and quarterly reporting, ad hoc reports are submitted to senior management and the BRC as required.

2 Management of key risks *(continued)*

2.2 Funding and liquidity risk

Key points

- At all times during the financial year, the Group maintained appropriate levels of unencumbered liquid resources and an appropriate liquidity position, in line with regulatory and internally set requirements and limits.
- The Group held liquid assets of £3.3 billion at 31 December 2025 (2024: £2.6 billion) which was in excess of regulatory liquidity requirements and within the Group's internal risk appetite. This represented a prudent liquidity position.
- The Group's loan to deposit ratio decreased from 116% at 31 December 2024 to 115% at 31 December 2025.
- The Group's LCR at 31 December 2025 was 161% (2024: 154%). The Group's NSFR at 31 December 2025 was 135% (2024: 130%).

Definition *(audited)*

Funding and liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows.

Liquidity risk can increase due to the unexpected lengthening of maturities, non-repayment of assets or a sudden withdrawal of deposits.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or an over concentration of wholesale funding (including securitisation) maturities.

Funding and liquidity risk management *(audited)*

The funding and liquidity RAS is set by the Board annually and outlines the level of funding and liquidity risk that is deemed acceptable. The Group has a funding and liquidity RMF, which is consistent with its overall strategy to be primarily a self-funded business, with funding diversification through the use of wholesale funding.

The Group's funding and liquidity RMF includes forward-looking monitoring of deposit balances and behavioural assumptions as well as daily monitoring of regulatory LCR and Internal Stress Testing, complementing the comprehensive and robust limit framework in place.

The Group's ILAAP sets out how the Group assesses, quantifies and manages the key funding and liquidity risks and details the approach to determining the level of internal liquidity resources required to be maintained, for both business-as-usual and stressed scenarios ranging in severity, nature and duration.

The Group is predominantly funded by retail deposits, but also utilises wholesale funding. The Group maintains an unencumbered liquid asset portfolio, comprising cash placements and securities that can be used to raise liquidity either by sale or through secured funding transactions.

The Group's liquidity management is supported by its unencumbered liquid asset portfolio, the contingent liquidity collateral available and by the various management actions defined in its recovery plan.

Recovery and resolution planning

The Group maintains a Recovery Plan which sets out options to restore financial stability in the event of a stress scenario occurring. The Group also has measures in place to comply with the BOE's Resolvability Assessment Framework and works closely with its Parent to ensure the requirements of the Single Resolution Board (SRB) are also met.

External ratings

The Group's external ratings are as outlined in the accompanying table.

Bank of Ireland UK ratings *(unaudited)*	**2025**	**2024**
Moody's	A2 (stable outlook)	A3 (positive outlook)
Fitch	A (stable outlook)	A- (positive outlook)

Balance sheet encumbrance *(audited)*

The Group treats an asset as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. It is Group policy to maximise the amount of assets available for securitisation / pledging through the standardisation of loan structures and documentation.

At 31 December 2025 and 2024, the Group had the following encumbered assets.

2 Management of key risks *(continued)*

2.2 Funding and liquidity risk *(continued)*

Encumbered and unencumbered assets	2025 Encumbered[1] £m	2025 Unencumbered £m	2025 Total £m	2024 Encumbered[1] £m	2024 Unencumbered £m	2024 Total £m
Cash and balances with central banks	–	2,306	2,306	–	2,069	2,069
Mandatory deposits with central banks	786	21	807	809	21	830
Loans and advances to other banks[2]	40	44	84	40	50	90
Loans and advances to banks - related party transactions	153	113	266	99	152	251
Loans and advances to customers	1,556	13,189	14,745	1,808	12,325	14,133
Debt securities at amortised cost	–	881	881	18	458	476
Other assets	–	776	776	–	762	762
Total assets	**2,535**	**17,330**	**19,865**	**2,774**	**15,837**	**18,611**
Encumbered cash and balances						
with central banks:						
Note cover[3]	786			809		
	786			**809**		

[1] *Included in the encumbered assets at 31 December 2025 is £153 million (2024: £99 million) of collateral placed with the Parent in respect of derivative liabilities.*
[2] *Encumbered assets include assets that are segregated in order to meet the Financial Resilience requirements of the PRA's Supervisory Statement 4/21 "Ensuring Operational Continuity in Resolution'.*
[3] *Note cover relates to mandatory collateral with the BOE in respect of banknotes in circulation in NI.*

2.3 Market risk

Key points

- The Group does not engage in speculative trading for the purposes of making profits as a result of anticipation of movements in financial markets. Therefore, no discretionary risk is taken by the Group.
- During 2025, the Group continued to manage interest rate and foreign exchange exposure within risk appetite, by seeking natural hedge solutions within the balance sheet and by hedging remaining exposures with the Parent as the hedging counterparty.
- Basis risk continued to be hedged through the netting of asset and liability positions and the execution of fixed versus floating term swaps during 2025.
- The Group's structural risk continued to be managed within defined risk limits.

Definition

Market risk is the risk of loss arising from movements in interest rates, foreign exchange (FX) rates, equity, credit spreads, or other market prices.

The effective management of market risk is essential to the maintenance of stable earnings, the preservation of capital resources and the achievement of the Group's strategic objectives.

Market risk management

The management of market risk is governed by the Group's RAS and by the Market Risk Policy. The Group has an established governance structure for market risk that involves the Board, the BRC, the ERC, and the ALCO, which has primary responsibility for the oversight of market risk within the confines of the risk appetite set by the Board.

The Group has no risk appetite for the holding of proprietary market risk positions or the running of material open banking book market risk exposures. The Group therefore, hedges open banking book exposure to de minimus levels.

The Group does have customer derivative foreign exchange forward contracts, which are considered held for trading. These transactions are hedged with the Parent.

The Group manages its interest rate risk position by hedging with the Parent. The overall market risk hedging approach is prioritised as follows:
- naturally hedge within the balance sheet;
- execute derivative hedging contracts with the Parent; or
- execute on balance sheet cash flow hedges.

2 Management of key risks *(continued)*

2.3 Market risk *(continued)*

Derivatives executed for hedging purposes are executed with the Parent only and are subject to ISDA and CSA standard documentation. Collateral requirements are calculated daily and posted as required. The Group uses derivative contracts with the Parent for hedging purposes only and seeks to apply hedge accounting where possible.

The Group continues to maintain a de minimis limit for interest rate risk to reflect operational requirements only. This limit is monitored by the ALCO and approved by the Board. The Group's lending and deposits are almost wholly (>95%) denominated in Sterling. Any foreign currency transactions are hedged to acceptable levels with the Parent. It is Group policy to manage structural interest rate risk, by investing its net non-interest bearing liabilities in a portfolio of fixed rate assets, with an average life of 3.5 years and a maximum life of 7 years. This has the effect of mitigating the impact of the interest rate cycle on the net interest margin.

Despite market volatility and foreign exchange movements due to external factors, there has been no material impact on the Group market risk position, or ability to manage such risk.

Market risk measurement and sensitivity

The Group interest rate risk position is measured and reported daily. The daily interest rate risk position is calculated by establishing the contractual and behavioural repricing of assets, liabilities and off-balance sheet items on the Group balance sheet, before modelling these cash flows and discounting them at current yield curve rates.

In addition to this, the Group runs a series of stress tests, including parallel and non-parallel yield curve stress scenarios across all tenors, in order to further monitor and manage yield curve and repricing risk in the banking book. The Group also applies market risk stress scenarios to manage and monitor the impact of stress events in relation to interest rate option risk, basis risk and net interest income sensitivity.

A dual purpose of the market risk stress testing is to meet regulatory requirements and to ensure that appropriate capital is held by the Group.

The impact on the Group's economic value from an immediate and sustained 50 basis points shift, up or down, in the sterling yield curve applied to the banking book at 2025 and 2024, is shown below.

The sensitivity is indicative of the magnitude and direction of exposures but is based on an immediate and sustained shift of the same magnitude across the yield curve (parallel shift).

	2025 £m	2024 £m
Economic impact (profit and loss) +50 basis points	0.01	0.2
Economic impact (profit and loss) -50 basis points	(0.01)	(0.20)

2.4 Regulatory risk

Key points

- The Group has zero risk appetite for failures to comply with regulatory or legislative obligations and manages regulatory risk through its RMF.
- The Group leverages horizon scanning and regulatory change capabilities to robustly manage the risk that the Group fails to adequately identify legal or regulatory change in a timely manner.
- The Group has strong relationships with its external regulatory bodies and continues to engage transparently and openly with all regulatory bodies.

Definition

Regulatory risk is the risk that the Group does not identify legal or regulatory change or appropriately manage its relationship with its regulators.

The associated risk of regulatory change is the risk that a change in laws and regulations that govern the Group will materially impact the Group's business, profitability, capital, liquidity, products or markets; that the Group fails to take timely action; and/or that the Group fails to effectively manage the regulatory change process.

Risk management and measurement

The Group's Regulatory Risk Policy is the mechanism through which the Group manages regulatory risk.

The Policy sets minimum risk mitigation requirements relating to regulatory risk which include the ongoing performance of horizon-scanning processes which effectively identify new and changing regulatory expectations; the appointment of a dedicated Accountable Executive for each item of relevant regulatory change; the application of a standardised framework through which regulatory change is implemented; and ongoing reporting and escalation requirements through the Group's governance structures.

The Group has no appetite for failure to comply with its regulatory or legislative obligations. However, it acknowledges that instances of unintentional non-compliance with regulatory expectations have the potential to occur. The primary risk mitigants for regulatory risk are the existence of appropriate controls in place throughout the business and the effective planning for, and execution of, regulatory change ensuring early identification and reporting of any issues.

Risk reporting

Quarterly the status of all on-going regulatory change programmes is reported to the Non-Financial Risk Committee. This ensures that awareness of poorly or inadequately performing change programmes is escalated to ERC and BRC.

2 Management of key risks *(continued)*

2.5 Model risk

Key points

- The management of model risk continues to mature and evolve. During 2025, model risk was moved to one of the Group's principal risks, reflecting the importance of model risk to the Group. Effective management of model risk ensures that models are robust, transparent, and appropriately governed, thereby supporting sound strategic decisions and maintaining stakeholder confidence.
- The Group places significant focus and investment in enhancing its most critical models to meet the needs of regulators, risk managers, business units, senior management, and external stakeholders.

Definition

Model Risk is the risk of potential adverse consequences due to model design or implementation errors or the inappropriate use of model outputs. The Group uses models to support activities, including determining capital and impairment requirements; informing business and credit decisions; valuing exposures; transaction monitoring and supporting customer analytics. The adverse consequences from model issues could include financial loss, negative customer outcomes, poor decision making, regulatory criticism or damage to the Group's reputation.

Risk management and measurement

The Group's Model RMF is the mechanism through which the Group manages model risk. It applies to all models within the Group with specific policies and frameworks in place.

Risk mitigation

The Group's Model Risk Policy sets out a suite of minimum mitigating requirements across all stages of a model's lifecycle. Models are categorised into tiers based on their materiality and complexity. Policy requirements correspond to each tier, imposing stricter controls and oversight on models with higher risk.

Risk reporting

Updates on the model risk profile, including risk outlook and management reporting dashboards, are provided monthly through the Board Risk Report.

2.6 Operational risk

Key points

- Technology, cyber and data risk continues to reduce through targeted Group programmes. The Group's IT recovery capabilities have significantly improved with the deployment of immutable backups and critical software upgrades. These enhancements ensure resilience against data corruption and cyber threats, including malware. Impact from any IT or Security incidents remains within risk appetite, and recent control improvements are proving to be sustainable. Assessments performed of Technology and Data maturity confirm that risks are well-managed and trending positively.
- Operational Resilience has been successfully implemented and embedded in 2025. A sustainable operating model is in place, ensuring that resilience is an ongoing capability continuing to evolve and mature. Enabling the Group to consistently identify, protect against, detect, respond to, and recover from disruption events, minimising harm to customers and maintaining trust.
- The Group continues to engage constructively with the FCA's proposed compensation scheme following the Supreme Court judgment on motor finance commission. The Group is committed to ensuring full regulatory compliance and delivering fair, timely redress to impacted customers.

Definition

Operational risk is the risk of loss resulting from suboptimal or failed internal processes, people and systems, or from external events.

This risk includes Information Technology, Change Management, Information Security & Cyber, Third Party Risk Management & Outsourcing, Transaction Processing, People, Physical Security, Legal, Data, Financial & Regulatory Reporting and Tax.

Risk management

The primary goal of operational risk management is to ensure the sustainability, integrity and resilience of the Group's operations and to protect its reputation by mitigating, controlling or transferring the impact of operational risk.

The objective of operational risk management is not to eliminate operational risk altogether but to manage it within appetite, considering the cost of mitigation and the level of reduction in the operational risk exposure that can be achieved in a cost effective manner.

The Group undertakes an annual ICAAP, of which part of the focus is to determine the appropriate level of capital it must hold to protect itself against extreme but plausible operational risk exposures. The Group's regulatory minimum capital requirement (Pillar 1) is determined by using the standardised approach. The Group uses scenario analysis and capital modelling to test the adequacy of Pillar 1 capital and set the overall (Pillar 1 and Pillar 2A) capital requirement for operational risk.

2 Management of key risks *(continued)*

2.6 Operational risk *(continued)*

The Group has deployed an immutable backup solution, significantly strengthening IT recovery for critical technology services in the event of data corruption or a cyber attack.

The Group utilises an operational risk management system to record the outputs of risk and control self-assessments, operational risk events (including financial losses, near misses and instances of non-compliance), issues, outcomes of controls testing, performance of key indicators, and other data.

Reporting includes assessment of individual risk profiles against key operational risk categories as well as reporting at business unit level.

2.7 Business and strategic risk

Key points

- The Group is in execution phase of the 2025-2027 strategic plan.
- Significant management attention has been given to key strategic change initiatives with additional governance implemented to ensure change is executed safely.
- The competitive environment in the UK banking sector remains intense with increasing pressure on margins. The cost base is reviewed regularly to ensure the Group remains competitive.

Definition

Business & Strategic Risk is the risk of not delivering the agreed strategy and business and financial targets, designed to ensure the long term sustainability of the Group's businesses. This can be as a result of internal or external factors e.g. implementing a strategy that does not support the Group's target outcomes, inadequate planning or implementation of the strategy, changes in the external environment or economic factors.

Business Risk is the risk of earnings volatility (1 year horizon) arising from business decisions or external factors that adversely impact on delivery of financial targets (this excludes earnings impact already reflected in other Principal Risks e.g. Credit, Funding & Liquidity).

Strategic Risk is the risk of not delivering the agreed strategy designed to ensure the longer term sustainability of the Group's businesses over the medium to long term (>1 year). This can be as a result of internal or external factors.

Risk management, measurement and reporting

Business and Strategic risk includes the setting and delivery of business and strategic plans and management of factors such as pricing, business volumes, operating expenses and other factors that can introduce earnings volatility.

The Group monitors key performance metrics, risk mitigation and to ensure that the Group is operating within risk appetite.

The Board Risk Report includes an assessment of current performance against key metrics as well as potential challenges to business and strategic performance and any mitigating actions.

Risk mitigation

The Group mitigates business risk through business planning methods, such as the diversification of revenue streams, cost base management and oversight of business plans which are informed by expectations of the external environment and the strategic priorities.

At an operational level, the Group's annual Strategic Plan process sets expectation at a business unit level for volumes, margins and capital returns. The regular tracking of actual performance against planned levels, is a key financial management process in the mitigation of business risk.

Strategic risk is mitigated through the strategic multi-year plan as well as updates to the Board on delivery, risk mitigation, industry developments, macroeconomic environment and reviews of the competitive environment and strategies at both Group and business unit level.

2 Management of key risks *(continued)*

2.8 Conduct risk

Key points

- The Group recognises the importance of delivering good outcomes for customers and is committed to placing customers at the heart of its strategic and operational decision making.
- Management of data privacy risk remains a key factor in ensuring good outcomes for customers through adherence to the key data protection principles set out under both UK and EU legislation and incorporated into Group-wide data privacy policies and processes.
- Management of financial crime risk is crucial in protecting the financial system from being used to facilitate financial crime and ensuring good outcomes for customers, employees and counterparties through adherence to legislation, regulation and preventing financial loss through fraud or dishonesty.

Definition
Conduct risk is the risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the Group's Product and Services.

Market Integrity
The Group continues to manage the risks associated with conflicts of interest, market conduct, licensing and individual accountability in accordance with its RMF.

In particular, the application of conflicts of interest reporting mechanisms has enhanced the effectiveness of identification, and reporting.

Customer Protection
The Group continues to focus on a customer first culture which ensures its business is designed around their needs.

Throughout 2025, the Group continued focus on improving customer experience and outcomes, ensuring standards are in line with industry and regulatory expectations including the FCA's Principle 12 on Consumer Duty, which requires the Group to act to deliver good outcomes to all retail customers.

The Group continues to make adjustments and improve the services provided to customers who exhibit characteristics of vulnerability, ensuring they are treated fairly.

Financial Crime
Protecting the Group from financial crime risk including money laundering, terrorist financing, sanctions evasion, proliferation financing, fraud, facilitation of tax evasion and bribery and corruption is of intrinsic importance. The Group manages financial crime risk under its Financial Crime Risk framework. Dedicated systems, controls and processes are in place to mitigate these risks, including automated customer risk assessment and due diligence, customer and payment screening (including sanctions), and transaction monitoring to identify suspicious activity and fraud. All colleagues complete annual mandatory training and assessment in relation to key areas.

Data Privacy
The Group's data privacy framework reflects adherence to relevant legal and regulatory measures and alignment with the key data protection principles set out under UK data privacy legislation. Compliance with these principles is fundamental to protecting customers from harm and poor outcomes through, for example, the misuse or inaccuracy of personal data.

Core data privacy processes are managed by data privacy SMEs engaging directly with product areas to provide guidance and support. These process controls have been further embedded during 2025 through the use of improved technological solutions. Regulatory engagement with the Information Commissioner's Office has been low in 2025.

All colleagues are required to undertake both data privacy and information security training on an annual basis, with supplementary training and guidance resources on specific data privacy topics made available to all UK colleagues.

Risk management
The Group has no appetite for conduct risk and seeks to deliver good outcomes to its customers, clients and markets in the provision of products and services to customers at all times.

The Group has a set of clearly defined and understood conduct risks that allow the Group to consistently define the outcomes expected to be delivered across its key processes allowing focused monitoring and reporting throughout the organisation.

The conflicts of interest policy guides staff on what should be reported and assessed, and is underpinned by annual staff training.

There is a Speak Up Policy in place, which provides support to colleagues in raising concerns of wrongdoing or potential wrongdoing, including whistleblowing.

Conduct risk management information is reported on a regular basis to relevant senior governance committees, the BRC, and the Board.

3 Capital management

Key points

- At all times during the financial year, the Group maintained appropriate capital resources in line with regulatory requirements.
- CET1 ratio is 19.6% at 31 December 2025 (2024: 19.9%).
- The Group at 31 December 2025 was required to hold CET1 capital requirements of 9.9% and Total Capital Requirements of 14.1%.
- The Group is strongly capitalised with a total capital ratio of 23.7% at 31 December 2025 (2024: 24.3%).
- Leverage ratio is 9.0% at 31 December 2025 (2024: 9.6%).
- MREL ratio of 26.2% as at 31 December 2025.
- Basel 3.1 preparations have progressed, with the Group on schedule to implement on 1 January 2027.

Capital adequacy risk definition *(audited)*
Capital adequacy risk is the risk that the Group has insufficient capital to support its normal business activities, meet its regulatory capital requirements or absorb losses should unexpected events occur.

Risk management *(audited)*
The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and internal targets are met. In addition, these metrics are monitored against the Board approved RAS and suite of Recovery Indicators.

ILAAP
Comprehensive stress tests / forward-looking ICAAP financial projections are prepared, reviewed, and challenged by the Board to assess the adequacy of the Group's capital, liquidity and leverage positions.

The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns and potential options to remediate same.

Capital requirements and capital resources *(audited)*
The capital resources are managed to ensure that the overall amount and quality of resources exceed the Group’s capital requirements. Capital requirements are determined by the CRD, the PRA Rulebook, the CRR and firm specific requirements imposed by the PRA. The minimum requirements are typically driven by credit risk, market risk and operational risk, and also require stress-absorbing buffers.

Firm specific buffers reflect the PRA’s view of the systemic importance of a bank and also internal capital adequacy which is determined by stress testing as part of the annual ICAAP process.

2025 £m		2024 £m
122	Ordinary share capital	122
399	Capital contribution and capital redemption reserve fund	399
1,158	Retained earnings	1,103
(45)	Other reserves	(68)
1,634	**Total equity**	**1,556**
(33)	**Regulatory adjustments**	**(8)**
(46)	Deferred tax assets relying on future profitability	(38)
(24)	Intangible assets	(25)
48	Cashflow hedge reserve	65
(11)	Retirement benefit asset	(10)
1,601	**Common equity tier 1 capital**	**1,548**
	Additional tier 1	
	Subordinated perpetual contingent conversion	
150	Additional tier 1 securities	150
1,751	**Total tier 1 capital**	**1,698**
	Tier 2	
190	Dated loan capital	190
190	**Total tier 2 capital**	**190**
1,941	**Total capital**	**1,888**
8,180	**Total risk weighted assets**	7,767
19,437	**Total leverage ratio exposures**	**17,664**

Governance

Directors and other information

Chair of the Board
Peter Herbert (N) (RE) (Stepped down as Chair - May 2025, resigned as Director - August 2025)

Chair of the Board (Appointed as Chair - May 2025)
Stephen Pateman (RI) (Appointed as Director - December 2024)

Non-Executive Directors
Aine McCleary
Clare Goldie-Scot (RE) (A) (N)
Enda Johnson
Helen Page (N) (RE) (RI)
Philip Moore (RI) (A)
Richard Sommers (RI) (A) (Resigned December 2025)
Karina McTeague (Appointed November 2025) (A) (RI)

Executive Directors
Gail Goldie (Appointed January 2024)
Thomas (Tom) Wright

(A) Member of the Audit Committee
(N) Member of the Nomination Committee
(RE) Member of the Remuneration Committee
(RI) Member of the Risk Committee

Company Secretary
Hill Wilson Secretarial Limited

Registered Office
45 Gresham Street
London
EC2V 7 EH

Registered Number
07022885

Independent Auditor
KPMG LLP
Chartered Accountants
15 Canada Square London
E14 5GL

Board of Directors

Governance structure

The Board is collectively responsible for the long-term sustainable success of the Group and ensuring there is a strong corporate structure in place. It provides leadership of the Group, setting strategic aims, within the boundaries of the risk appetite and a framework of prudent and effective controls. During 2025, the Board met 8 times. Further details are included in the Governance section on page 62.

The Board is responsible for corporate governance, encompassing leadership, direction and control of the Group. The Group's corporate governance standards are implemented by way of a comprehensive suite of frameworks, policies, procedures and standards covering corporate governance as well as business and financial reporting, and risk management activities. These are supported by a strong tone from the top on expected culture and values.

The Board has delegated specific responsibilities to the following Board Committees: Audit Committee (BAC), Nomination Committee, Remuneration Committee and BRC. Each of these committees provides detailed focus to different areas of the Board's work. An overview of each of the committees is set out below.

Our Board

Board

Audit Committee	Board Risk Committee	Remuneration Committee	Nomination Committee
Philip Moore *(Chair)* Richard Sommers *(to 31 December 2025)* Clare Goldie-Scot Karina McTeague *(from 21 November 2025)*	Richard Sommers *(Chair to 31 December 2025)* Helen Page Philip Moore Stephen Pateman *(to 12 May 2025)* Karina McTeague *(from 21 November 2025)*	Clare Goldie-Scot *(Chair)* Helen Page Peter Herbert *(to 1 August 2025)* Stephen Pateman *(from 12 May 2025)*	Peter Herbert *(Chair to 1 May 2025)* Stephen Pateman *(from 12 May 2025* Clare Goldie-Scot Helen Page

The Board is supported by a number of Committees:

Audit Committee (BAC)
Philip Moore *(Chair)*
Monitors the integrity of the financial statements, oversees all relevant matters pertaining to the external auditors and reviews the Group's internal controls, including financial controls, and the effectiveness of the internal audit function. The Committee meets at least four times a year.

Board Risk Committee (BRC)
Richard Sommers *(Chair to 31 December 2025)*
Karina McTeague *(Chair from 1 January 2026)*
Monitors risk governance and assists the Board in discharging its responsibilities in ensuring that risks are properly identified, reported, assessed, and controlled and that strategy is cognisant of the Group's risk appetite. The Committee meets at least five times a year.

Remuneration Committee
Clare Goldie-Scot *(Chair)*
Holds delegated responsibility for setting remuneration strategy and policy for Executive Directors and senior management. The Committee meets at least twice a year.

Nomination Committee
Peter Herbert *(Chair to 1 May 2025)*
Stephen Pateman *(Chair from 12 May 2025)*
Responsible for leading the process for Board, Board Committee and senior management appointments and renewals. The Committee regularly reviews succession plans for the Board, and the senior management team, and makes appropriate recommendations to the Board. The Committee meets at least twice a year.

Board of Directors *(continued)*

Stephen
Pateman
Chair & Independent Non-Executive Director

Date of Appointment
December 2024

Committee Membership
Chair of the Nomination Committee (*from May 2025)* and member of the Remuneration Committee

Background & Experience
Steve joined the Bank of Ireland Group plc Board in September 2018 and the Bank of Ireland Mortgage Bank Board in December 2023.

Steve was previously a NED for Affordable Housing & Healthcare Investment Management Limited. Steve's career has predominantly focused on financial services with a particular sector focus on healthcare, hospitality, retail and business services from a corporate and investment banking perspective.

His previous executive experience includes serving as Chief Executive Officer at ActivTrade Loans (StreamBank), Arora Group, Hodge Bank and Shawbrook Bank. He also held senior positions at Santander, Royal Bank of Scotland, NatWest and The Mortgage Lender Limited. In 2021, he was elected as the President and Chair of the Board of Trustees of the Chartered Banker Institute.

Key external appointments
Recognise Bank Limited - NED, Chair of the Board

Peter
Herbert
Chair and Independent Non-Executive Director

Date of Appointment
May 2020 *(Resigned August 2025)*

Committee Membership
Chair of the Nomination Committee *(to May 2025)*, member of the Remuneration Committee *(to May 2025)*

Background & Experience
Appointed to the Board of Bank of Ireland (UK) plc in May 2020, Peter is Chair of the Board, Chair of the Nomination Committee and a member of the Remuneration Committee.

His past Non-executive Director roles have included Zopa Bank, The Northview Group, CreditShop Holdings, Tandem Bank and WiZink Bank, and previous executive roles have included Chief Executive of Tandem Bank and senior roles at GE Capital and Barclays.

Key external appointments
President's Choice Bank - NED; ClearBank - Group Chair, NED

Gail
Goldie
Chief Executive Officer

Date of Appointment
January 2024

Committee Membership
n/a

Background & Experience
Gail was appointed as CEO in January 2024. Gail joined Bank of Ireland (UK) plc from Tesco Bank where she served as Chief Banking Officer, prior to which she held senior management positions in Barclays (UK) including, Managing Director, Unsecured Lending and Managing Director, Premier Banking. Gail also previously held leadership roles in Santander (UK), and American Express.

Gail is a graduate of the University of Warwick (BSc Management Science).

Key external appointments
None

Board of Directors *(continued)*

Thomas
Wright
Chief Financial Officer

Date of Appointment
October 2022

Committee Membership
n/a

Background & Experience
Appointed Chief Financial Officer of Bank of Ireland (UK) plc in October 2022, Tom has over twenty-five years experience in finance as well as strategy development and execution, across a broad range of industries including Financial Services, Retail, FMCG and Media.

Tom has over ten years' experience in the Bank of Ireland Group, having held a number of senior management roles within Finance. Tom is also a Director of a number of Bank of Ireland Group subsidiaries, including NIIB Group Limited.

Previous roles include senior positions within Tesco Ireland Limited, Sony Music Entertainment Limited and Communicorp Group Limited, following roles held in Tedcastles Oil Products and KPMG.

Key external appointments
None

Enda
Johnson
Non-Executive Director

Date of Appointment
May 2022

Committee Membership
n/a

Background & Experience
Appointed to the Board of Bank of Ireland (UK) plc in May 2022, Enda currently holds the position of Strategic Advisor at Bank of Ireland Group. He remains a Group-appointed Non-Executive Director on the Board of BOIUK.

Prior to joining the Bank of Ireland Group, Enda was Interim Chief Financial Officer at Virgin Money having previously served as Group Corporate Development Director where he oversaw Virgin/CYBG's strategy development and acquisition activity. Enda's career also includes senior leadership roles at AIB, the NTMA and Merrill Lynch.

Key external appointments
Action for Children Ltd - NED;
Action for Children Ireland Ltd - NED;
Action for Children (NI) Ltd - NED

Áine
McCleary
Chief Customer Officer
(Bank of Ireland Group plc)
Non-Executive Director

Date of Appointment
July 2024

Committee Membership
n/a

Background & Experience
Appointed Non-Executive Director of Bank of Ireland (UK) plc in July 2024. Áine is Group Chief Customer Officer and member of the Group Executive Committee of Bank of Ireland Group plc. She brings over 20 years' experience to this role since joining the Bank of Ireland in 2000 in the Global Markets Division.

Áine has held senior roles and has extensive experience across Retail, Corporate and Institutional banking, including Director of Distribution Channels and Head of Mortgages Republic of Ireland. Prior to taking up her current role, Áine led the complex execution of the acquisition of a very significant portfolio of mortgage and other loans from KBC Ireland, transitioning the customers to Bank of Ireland.

She is a Certified Bank Director, a non–executive Director of the Bank of Ireland Mortgage Bank Board, a Fellow of the Institute of Banking and former President of the Institute of Banking in Ireland.

Key external appointments
Clontarf GAA Club - Club Executive

Board of Directors *(continued*

Helen **Page**

Non-Executive Director

Date of Appointment
February 2024

Committee Membership
Member of the Board Risk Committee, member of the Remuneration Committee and Nomination Committee

Background & Experience
Appointed to the Board of Bank of Ireland (UK) plc in February 2024, Helen is a member of the Remuneration, Nomination and Risk Committees and designated NED for Customer and Consumer Duty.

Helen's plc executive career was predominately spent in financial services and retail, most notably as a member of the UK Executive Board of RBS Group for 7 years, holding the position of Managing Director for Marketing and Innovation. Helen also spent almost 10 years at CYBG/ Virgin Money, advancing to the position of the Chief Brand Officer. During her tenure, Helen held senior executive responsibility for a number of functions, including Marketing, Brand strategy, Product Management, Innovation, Complaints and Corporate communications.

Key external appointments
Scotland's Charity Air Ambulance - Board Trustee;
The Artisanal Spirits Company plc - NED, Chair of the Remuneration Committee, and Member of the Audit Committee;
Scottish Football Association - NED, Chair of the Board Audit and Risk Committee

Philip **Moore**

Independent Non-Executive Director

Date of Appointment
April 2018

Committee Membership
Chair of the Audit Committee and member of the Board Risk Committee

Background & Experience
Appointed to the Board of Bank of Ireland (UK) plc in April 2018, Philip is Chair of the Audit Committee, member of the Risk Committee and Whistleblowing Champion.

Philip has enjoyed a 40-year international career in financial services comprising nearly 20 years as a CFO. Until 2017, he was Group Finance Director of LV=. Other previous executive roles have included Group Finance Director and subsequently, CEO at Friends Provident and a Partner at PricewaterhouseCoopers LLP based in London and then Hong Kong.

Philip's past Non-Executive director roles have included Codan A/S, F&C Asset Management, RAB Capital, Wealth Wizards, Towergate, Skipton Building Society and Connells Ltd.

Key external appointments
Wesleyan Assurance Society - NED, and Chair of the Board Risk Committee;
St Mungo Community Housing Association - Trustee;
North Hertfordshire College (part of the Hart Learning Group) - Chair of Governors

Richard **Sommers**

Independent Non-Executive Director

Date of Appointment
August 2021 *(Resigned December 2025)*

Committee Membership
Chair of the Board Risk Committee (*to December 2025*), member of the Board Risk Committee (*to* December 2025).

Background & Experience
Richard is Chair of the Risk Committee and a member of the Audit Committee. Richard's past non-executive director roles include Al Rayan Bank, where he chaired the Risk Committee; and West Bromwich Building Society, where he chaired the Risk Committee. Richard was also Chair of the Audit and Risk Committee at the University of York.

During a 30-year executive career in financial services, Richard held the roles of Finance Director and then Risk Director for Barclays' Retail Financial Services Division; Finance Director, Barclaycard; and Chief Financial Officer for Barclaycard USA.

Key external appointments
Hampshire Trust Bank - NED, and Board Risk Committee Chair

Board of Directors *(continued)*

Clare
Goldie-Scot
Non-Executive Director

Date of Appointment
July 2021

Committee Membership
Chair of the Remuneration Committee and member of the Audit Committee and Nomination Committee

Background & Experience
Appointed to the Board of Bank of Ireland (UK) plc in July 2021, Clare is Chair of the Remuneration Committee, a member of the Nomination and Audit Committees, and is the Colleague Engagement Director.

She has held a broad variety of international leadership roles with board-level experience across a range of service businesses, including consumer-focused financial services, at the AA, RSA, Vodafone, ITV, Prudential and Royal London. Clare's previous non-executive director roles include Swinton Insurance Plc, Alliance Trust Plc, Codan and CMC Markets Plc, where she was Chair of the Remuneration Committee, and subsequently the Risk Committee, and designated Director for Workforce Engagement. Clare has also served as a member of the Scottish Widows Independent Governance Committee.

Key external appointments
Hampshire Trust Bank - NED, Colleague Engagement Director, Member of the Board Audit and Nomination Committees;
GS Yacht Charters LLP – Member;
Apedroc Stud – Partner

Karina
McTeague
Independent Non-Executive Director

Date of Appointment
November 2025

Committee Membership
Chair of the Board Risk Committee and member of the Audit Committee

Background & Experience
Appointed to the Board of Bank of Ireland (UK) plc in November 2025, Karina is Chair of the Board Risk Committee (from 1 January 2026), and a member of the Audit Committee. Karina is a highly experienced executive and non-executive leader with deep expertise in risk management, regulatory supervision, and strategic governance.

Karina has operated at the highest levels across major financial institutions, regulation, and government, including roles at Visa Europe, the Financial Conduct Authority, Lloyds Banking Group, HBOS plc, Bank of Scotland, and Shepherd and Wedderburn. Previous non-executive roles include the Department for Business and Trade and Create London Limited.

Key external appointments
Fair4All Finance - NED;
Fidelis Underwriting Limited - NED, and Chair of the Board Risk Committee;
True Potential Group Limited - NED, and Chair of the Group Risk Committee

Corporate Governance Arrangements 2025

The Group has adopted the Wates Principles of Corporate Governance for Large Private Companies as its preferred corporate governance code.

Compliance with the Wates Principles Principle 1: Purpose and leadership

- The Board is responsible for the leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board approves the Group's strategy, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.
- The Board has oversight of the Group's values and standards, the development of the Group's culture, the allocation of Prescribed Responsibilities under the UK Regulatory Regime and ensures that the Group's obligations to its shareholder, regulators, customers and other stakeholders are understood and met. The Board approves the Group's risk appetite, capital, liquidity and operating plans.
- The Group's strategy on page 10 of the report is built on four strategic pillars: i) customer experience; ii) revenue growth; iii) technology and operations; and iv) controls.
- The Board recognises that culture is critical to the Group's competitive advantage and creation, and protection of long-term value. To support its commitment to embedding the Group's culture and values. Management have developed a Culture Action Plan and the Board receives regular updates on its progress and implementation, as well as, OpenView survey results and Quarterly Culture Dashboard. The Nomination Committee reviews information on management hires and exits.
- The Group has signed up to the UK Race at Work Charter and has committed to meeting and in certain cases, exceeding, the standards set out in that Charter. The Board pledges its commitment to zero tolerance for any form of racial harassment, bullying or inappropriate behaviours whether from management, colleagues, customers or contractors.
- The BAC leads on the establishment of transparent policies in relation to raising concerns about misconduct and unethical practices (Speak-Up).
- In its deliberations, the Board has taken into account the long-term interests of shareholders, investors, customers, colleagues and other stakeholders in the Group and the public interest. The Board has also given due consideration to laws, regulations and any published guidelines or recommendations. The Board is accountable to its Shareholder for the overall direction and control of the Group.
- The Board met eight times in 2025.

Principle 2: Board composition

- The roles of the Chair and CEO are separate to ensure a balance of power and effective decision-making.
- There were a number of changes to the Board in 2025 as outlined below:
  - Peter Herbert, Independent Non-Executive Director and Board Chair resigned in August 2025.
  - Stephen Pateman was appointed as Board Chair, as well as Nomination Committee Chair, and stepped down as BRC member in May 2025.
  - Karina McTeague was appointed as an Independent Non-Executive Director and member of the BAC and BRC in November 2025.
  - Clare Goldie-Scot was re-appointed to the role of Colleague Engagement Director in December 2025.
  - Helen Page was re-appointed as Customer & Consumer Duty Champion in December 2025.
- The Nomination Committee regularly considers the Board's size and structure to ensure it remains appropriate to meet the strategic needs and challenges of the Group and enables effective decision-making.
- The Group ensures that individual Directors of the Board have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships held by any individual Director.
- A schedule of technical and business Board training is developed annually and reviewed throughout the year. In 2025, the Board and Board Committees received training in the following areas:
  - Consumer Duty;
  - Cyber Security;
  - People Risk and AI Risk;
  - FCA Training on the use of AI; and
  - Recovery and Resolution.
- The Board and Committees review the Schedule of Topics, which allows all Directors to shape the areas of discussion for future meetings.
- The Board has established a set of matters reserved for the Board and an annual rolling agenda to ensure control over key decision making.
- In accordance with the Articles, the Board has established the following Board Committees:
  - Audit Committee;
  - Nomination Committee;
  - Risk Committee; and
  - Remuneration Committee.
- Each Board Committee has specific delegated authority as set out in its terms of reference (https://www.bankofirelanduk.com/about/corporate-governance/documents/).
- The Board comprises a mix of Executive Directors; Independent Non-Executive Directors; and Non-Executive Directors nominated by the Parent.
- The Board recognises and embraces the benefits of diversity among its own members, including diversity of skills, knowledge, experience, background, gender, ethnicity and other qualities, and is committed to achieving the most appropriate balance of diversity possible over time. The Board's gender diversity target is a minimum of 40% female representation on the Board, which is currently met. The Board Diversity Policy, is available here: https://www.bankofirelanduk.com/about/corporate-governance/documents/.
- All appointments are made on merit against objective criteria (including the skills and experience the Board as a whole requires to be effective), with due regard for the benefits of diversity on the Board. Upon appointment, each Director receives a detailed and tailored induction, including a briefing on directors' duties.
- Before the appointment of a Director, the Nomination Committee assesses the time commitment involved and identifies the skills and experience required for the role, having regard to Board succession planning. The recruitment process for all other colleagues is supported by an experienced third-party professional search firm which develops an appropriate pool of independently assessed candidates as well as providing independent assessment of candidates. The Nomination Committee then shortlists candidates, conducts interviews and completes comprehensive due diligence. The Nomination Committee then makes a recommendation to the Board.

Corporate Governance Arrangements 2025 *(continued)*

Principle 3: Director responsibilities

- The Board held 8 meetings during 2025. Principal decisions made by the Board during 2025, are set out in the Section 172 Companies Act 2006 Report on pages 29 to 31.
- The Board Terms of Reference provide a clear line of accountabilities and responsibilities. Each Committee has a Terms of Reference outlining accountabilities and responsibilities.
- The Terms of Reference for the Board and Board Committees are reviewed annually by the Company Secretary with any recommended changes presented to the Board for approval.
- The Board has adopted terms of reference that set out matters reserved for the Board.
- The Board undertakes an effectiveness review annually. The Group undertakes an independent, externally facilitated Board Effectiveness review every three years with an internally facilitated review undertaken in each intervening year. An internally facilitated review was undertaken in December 2025, concluding that the Board and its committees are effective in their operation and in discharging their responsibilities.
- The Board has adopted a Conflicts of Interest Policy setting out how conflicts should be identified and managed at Board level.
- The BAC and BRC hold meetings with control function heads without executive management present, at least annually.
- The BRC holds private meetings with the CRO at the end of each scheduled meeting.
- Board papers and supporting information are accurate, clear, comprehensive and up to date. Papers contain a broad range of information sources; a summary of the contents; inform the Directors as to what is being requested of them; and, wherever possible, are issued in good time ahead of Board meetings.

Principle 4: Opportunity and risk

- The Board considers major projects and has delegated authority from the Shareholder for the approval of business strategy and direction for Group, within the parameters of the Parent's strategy.
- The BRC and the Board considered and agreed a refreshed strategy. Further information on the Group's Strategy can be found on page 10.
- The Board has established a dedicated BRC with responsibility for monitoring risk governance and to assist the Board in discharging its responsibilities in ensuring that risks are properly identified, reported, assessed and managed appropriately. In addition to regular review of the Group's Principal Risks (see Principal Risks and Uncertainties page 37), matters considered by the Risk Committee during 2025 included:
  – Operational Risks;
  – ICAAP;
  – ILAAP;
  – Any breaches of Risk Appetite Metrics;
  – Deep dives on specific areas within the Group's Business Portfolios;
  – Consumer Duty Regulation;
  – Risk Appetite Statement;
  – Operational Resilience; and
  – Financial Risks of Climate Change.
- The Group has a robust framework for reviewing and refreshing the RAS. This includes an agreed approach to reporting, including frequency of reporting and the points at which decisions are made and escalated. For further details on the main features of the internal control and risk management systems, refer to the Risk Governance Report.

Principle 5: Remuneration

- The Board has established a dedicated Remuneration Committee. The Remuneration Committee's primary objective is to consider and make recommendations to the Board in respect of remuneration strategy and policy for Executive Directors, Senior Management and the Group appointed Senior Management Functions (as defined under the UK Senior Managers & Certification Regime).
- The Remuneration Committee is responsible for overseeing the operation of a gender-neutral and appropriately inclusive remuneration policy, for Executive directors, Senior management and all other Colleagues.
- In framing remuneration strategy, frameworks and policies, the Remuneration Committee seeks to promote executive remuneration structures aligned to the long-term sustainable success of the Group, taking into account pay and conditions elsewhere in the Group.

Principle 6: Stakeholder relationships and engagement

- Behaving in a responsible and sustainable way is fundamental to the Group's achievement of its refreshed purpose of 'helping you to thrive'. A Responsible and Sustainable Business framework supports the Group's behaviours and strategic priorities. Further details are set out in the Sustainability at BoI UK section of the Strategic Report on page 15.
- Workforce policies and practices are aligned with the Group's purpose and values. Employees have access to a Speak-Up Policy and are actively encouraged to report any concerns or worries, either internally or externally via a confidential, externally facilitated advice line. The Board monitors these reports and follows up actions regularly through the BAC.
- Executive and Non-Executive Senior Management Function role holders meet regularly with the Group's regulators; and the PRA presents an annual update to the Board. The Chair of the Parent attends a Board Meeting annually and the CEO of the Parent presents to the Board at least once a year. See Section 172(1) Statement (page 29) for further details on stakeholders and engagement.

Report of the Directors

The Directors of the Group present the consolidated audited report and financial statements for the year ended 31 December 2025. The financial statements are prepared in accordance with UK adopted international accounting standards. Directors are listed in the Governance section on pages 58 to 61. The Group's structure is set out in note 42 to the financial statements and the future developments of the Group are incorporated in the strategic report.

Principal activities

The Bank is an 'authorised institution' under the Financial Services and Markets Act 2000 and is regulated by the FCA and the PRA. The principal activities of the Group are the provision of an extensive range of banking and other financial services in UK.

Financial performance

The Group's loss for the year ended 31 December 2025 was £1 million (2024: profit of £133 million). There was no profit or loss attributable to non-controlling interests for the year ended 31 December 2025 (2024: £nil). An analysis of performance is set out in the strategic report on pages 32 to 36.

Dividends

No dividend was paid to the Parent during 2025 (2024: £nil).

Board membership

The following Directors were appointed during the year and up to the date of signing:

- Karina McTeague, Independent Non-Executive Director, November 2025.

Due to personal circumstances Peter Herbert stepped back from his duties as Board Chair from 1 May 2025, with Stephen Pateman acting as Interim Chair in his absence. Peter Herbert submitted his resignation in August 2025 and Stephen Pateman was appointed as Board Chair in October 2025.

Corporate governance

The Group has adopted the Wates Principles of Corporate Governance for Large Private Companies as its preferred corporate governance code. Bank of Ireland (UK) plc is a wholly owned subsidiary of the Governor and Company of the Bank of Ireland, a company incorporated by charter in the Republic of Ireland. The ultimate parent is Bank of Ireland Group plc. The Consolidated Annual Report of Bank of Ireland Group plc details the Corporate Governance framework applicable to the Group and its subsidiaries. Bank of Ireland Group plc financial statements are available on www.bankofireland.com or at Bank of Ireland, Head Office, Baggot Plaza, 27-33 Upper Baggot St., Dublin, D04 VX58, Ireland.

Corporate responsibility

The Group strives to make a positive contribution to the economy by supporting its customers and investing in the communities in which it operates. The Group participates in a number of Parent initiatives including 'Begin Together', a community giving initiative under which employees are supported in raising money and volunteering days for good causes. The Group is also conscious of its impact on the environment and has taken steps to reduce energy consumption at high usage locations that provide services to the Group.

Further details on the Group's commitment to being a Responsible and Sustainable Business can be found in the strategic report.

Risk management

The Group's principal risks and uncertainties are discussed in the strategic report on pages 37 to 40.

Additional risk disclosures for the Group can be found in the Risk Management section.

Employees

For the year ended 31 December 2025, the Group had an average of 1,634 employees (2024: 1,614 employees).

The Group is committed to employment practices and policies which recognise the diversity of the Group's workforce and are based on equal opportunities for all employees. In recruitment and employment practices, the Group does not discriminate against individuals on the basis of any factor which is not relevant to performance including an individual's sex, race, colour, disability, sexual orientation, marital status or religious beliefs.

The Group has a number of programmes to support colleagues who become disabled or acquire a long-term health condition.

To support continued employment and training, career development and promotion of all employees, the Group provides a suite of learning and development activities which are facilitated in conjunction with the Parent. Through the Group's ongoing employee performance monitoring and appraisal process, incorporating frequent line manager and employee discussions, individual employees are encouraged and supported to pursue their own personal development.

The Group also endeavours to ensure that employees are provided with information on matters of concern to them and encourages active involvement of employees to ensure that their views are taken into account in reaching decisions. To facilitate this, there is regular consultation with employees or their representatives, through regular meetings, bulletins and the use of the Group's intranet, which provides a flexible communication channel for employees.

Political donations

No political donations were made during the year ended 31 December 2025 or in the year ended 31 December 2024.

Voting rights

Voting at any general meeting is by a show of hands or by poll. The Annual General Meeting of the Group is expected to take place in May 2026, and a copy of the notice of the meeting will be available on the Group's website when it is issued. The Group is a wholly owned subsidiary of the Governor and Company of the Bank of Ireland. Details of the Parent's shareholding can be found in the Notes to the Accounts in note 36.

Report of the Directors *(continued)*

Disclosure of information to the external auditor

In accordance with the provisions of the Companies Act 2006, the Directors serving at the date of approval of this report confirm that, so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Directors have considered the appropriateness of the going concern basis in preparing the financial statements, for the year ended 31 December 2025, on page 82 which forms part of the Report of the Directors.

Third party indemnity provision

A qualifying third party indemnity provision (as defined in Section 234 of the Companies Act 2006) was, and remains, in force for the benefit of all Directors of the Group and former Directors who held office during the year. The indemnity is granted under article 137 of the Bank's Articles of Association.

Financial Statements

Contents

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and Bank financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Bank financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards and applicable law and have elected to prepare Bank financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Bank and of their profit or loss for that period. In preparing each of the Group and Bank financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Group financial statements have been prepared in accordance with UK adopted international accounting standards;
- state whether, for Bank financial statements, applicable UK accounting standards have been followed;
- assess the Group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

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

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

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

As approved by the Board and signed on its behalf by:

Thomas Wright
Director
8 May 2026
Company number: 07022885

Independent auditor's report to the members of Bank of Ireland (UK) plc

Our opinion is unmodified

We have audited the financial statements of Bank of Ireland (UK) plc ("the Bank") and its subsidiaries ("the Group") for the year ended 31 December 2025 which comprise the consolidated and Bank income statements, the consolidated and Bank statement of other comprehensive income, consolidated and Bank balance sheets, consolidated and Bank statement of changes in equity, consolidated cash flow statement, and the related notes, including the accounting policies in note 1.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2025 and of the Group's and the Bank's loss or profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Bank's financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 27 May 2022. The period of total uninterrupted engagement is for the four financial years ended 31 December 2025. Prior to that we were first appointed on 1 May 2018. The period of uninterrupted engagement was for the three financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	**£10.2 million (2024: £11.7 million)** *4.8% (2024: 4.5%) of normalised profit before tax*	
Key audit matters		**vs 2024**
Recurring risks	Conduct risk (Northridge motor finance commissions provision)	◀▶
	IFRS 9 expected credit loss on loans and advances to customers	▲
	Impact of IT access controls on the effectiveness of the control environment	◀▶

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters (with one key audit matter removed compared to 2024), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

Key audit matter

Conduct risk (motor finance commissions)

Provision £367 million; 2024: £143 million. *Refer to page 55 (risk management), page 90 (accounting policy) and page 136 to 137 (financial disclosures).* *This is relevant to only the Group financial statements.*

The risk	Our response
Subjective estimate Conduct risks may arise as a result of historical or current business activities. Due to the uncertainties that can arise in measuring potential obligations resulting from operational, legal and regulatory matters, the Directors apply judgement in estimating the value of any associated provisions. Significant judgement is required by the Group in determining whether, under IAS 37 Provisions, Contingent Liabilities and Contingent Assets the amount recorded is representative of the Group's best estimate to settle the obligation, based on the information available to the Group. In respect of motor finance commission arrangements, the key assumption is the 'opt-in' rate on eligible agreements, with secondary elements of judgement in the determination of the eligible population. Given the limited historical information, there is a risk that the actual experience may differ from the Group's expectation. The estimated provision is materially sensitive to the key assumption of the opt-in rate, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. As such we conclude there is a significant level of uncertainty associated with the key assumption applied. The financial statements disclose the sensitivities estimated by the entity (Note 2). We have identified a significant risk due to error and fraud with respect to management judgement in determining the provision. In addition, the disclosures regarding the Group's motor finance commission provision are key to explaining the significant assumption and secondary judgements.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures include: • **Methodology implementation:** We assessed the methodology applied by the Group to calculate the provision against the requirements of IAS 37 and in the context of the FCA Policy Statement; • **Independent reperformance:** – we evaluated the Group's assessment of the potential outcomes; – we tested the data inputs and mathematical accuracy of the model and critically evaluated assumptions used in calculating the estimate; – we performed an independent rebuild of the Group's provision calculation and calculated an alternative estimate based on our challenge of the Group's methodology and related assumptions. • **Sensitivity analysis:** We performed sensitivity analysis on the key assumption of the opt-in rate. We also assessed the sensitivity of the provision to the sub-population of eligible agreements; and • **Assessing transparency:** We assessed whether the Group's disclosures appropriately reflect and address the uncertainty which exists in determining the provision for motor finance commissions, as well as assessing whether the sensitivity disclosures are adequate and clear. In addition, we challenged whether the disclosure of the key judgements and assumptions made were sufficiently clear. **Our results** • We found the provision for motor finance commissions and the related disclosures to be acceptable (2024: acceptable).

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

Key audit matter

IFRS 9 expected credit loss on loans and advances to customers

£94 million (2024: £88 million) and £63 million (2024: £63 million) for the Group and Bank respectively. *Refer to page 44 to 48 (risk management) page 85 to 87 (accounting policy) and page 95 to 101 and 110 to 127 (financial disclosures). This is relevant to both the Group and the Bank financial statements.*

The risk

Subjective estimate
The calculation of the IFRS 9 expected credit loss ("ECL") allowance involves significant judgement and estimates.

The key areas where we identified greater levels of judgement and therefore increased levels of audit focus in the Group's and Bank's estimation of ECL include but are not limited to:

Certain ECL model estimations including Significant Increase in Credit Risk (SICR)
- The estimation of ECL on financial instruments, involves complex and inherently judgemental modelling techniques and assumptions which involve determining Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). ECL may be inappropriate if certain models or underlying assumptions do not accurately predict defaults or recoveries over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets. As a result, certain IFRS 9 models and model assumptions are the key drivers of complexity and uncertainty in the entity's calculation of the ECL estimate.
- The selection of qualitative SICR criteria is a key area of judgement within the Group's ECL calculation as these criteria determine whether a 12 month or lifetime ECL is recorded.

We have therefore identified a significant risk of error in the expected credit loss as a result of certain inaccurate ECL model estimations including incorrect selection of qualitative SICR criteria.

Post model adjustments (PMA)
PMAs are raised by management to address known impairment model limitations or emerging trends as well as risks not captured by models. There is a high degree of estimation uncertainty and management judgement involved in the completeness of PMAs. We identified a significant risk of error and fraud associated with the completeness of PMAs.

Macroeconomic scenarios
IFRS 9 requires the entity to measure ECL on an unbiased forward-looking basis reflecting a range of future economic conditions. There is significant uncertainty in the determination of the economic scenarios and in the weightings applied to them.

We have identified a significant risk due to error and fraud with respect to judgement relating to the selection of scenarios, the material economic variables which drive the scenarios, and the weightings applied.

The effect of these matters is that, as part of our risk assessment, we determined that the impairment allowances on loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements disclose the sensitivities estimated by the entity (Note 2).

The overall risk is considered to have increased compared to prior year owing to the following factors:
- Increased uncertainty in the current global macro-economic environment, which may not be directly factored into the risk factors used in the modelled ECL estimate and therefore, could require management to raise judgemental qualitative adjustments.
- The uncertainty in the outlook for the global macroeconomic environment has increased the inherent risk in economic forecasting and the associated scenario weightings.

In addition, the disclosures regarding the Group's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 results.

Our response

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

Our procedures to address the risk included:

Our credit risk modelling expertise
Using our own CRA specialists, we performed the following:
- evaluated the appropriateness of the impairment methodologies, including SICR, for compliance with IFRS 9;
- for a selection of models, performed independent recoding of the year end IFRS 9 model and model re-calibrations;
- reperformed the output calculation and/or code reviews depending on the level of risk of the model; and
- for models introduced during the year, assessed whether the model is fit for purpose by assessing the model performance results at the stage of model development;
- independently recalculated a selection of model assumptions to develop a range for ECL which is compared to management's point estimate; and
- assessed the technical compliance and completeness of the Group's SICR criteria and its ongoing effectiveness. In addition, we independently applied the Group's staging methodology for a selection of loan portfolios to assess whether each loan has been assigned to the correct stage per the Group's approved staging criteria.

Based on our risk assessment procedures over the PMAs at year end, we have not identified a significant risk associated with any individual PMA.

We also challenged the overall completeness of post model adjustments by comparing the PMAs recognised by Group to the various market events, model limitations and/or data limitations that we consider exist in each loan portfolio.

Our economics expertise
Using our own economic specialists, we:
- assessed the reasonableness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them; and
- critically assessed whether forward-looking information embedded in baseline, upside and downside scenarios are reasonable by independently sourcing macroeconomic variables and generating independent baseline and alternative scenarios.

Assessing transparency
We evaluated whether the disclosures appropriately reflect and address the uncertainty which exists in determining the Group's ECL. In addition, we challenged whether the disclosure of the key judgements and assumptions made were sufficiently clear.

Our results
We found the resulting estimate of the ECL impairment provision recognised and the related disclosures to be acceptable (2024: acceptable).

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

Key audit matter

The impact of IT access controls on the effectiveness of the control environment

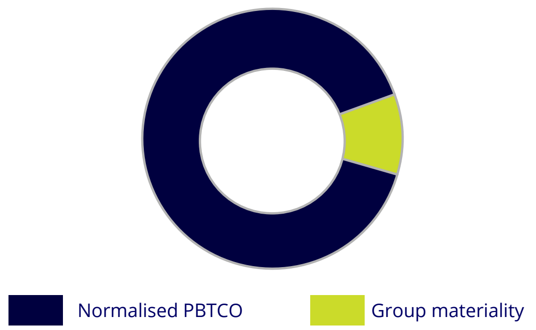
This is relevant to both the Group and the Bank financial statements.

The risk	Our response
The Group and Bank rely heavily on IT systems for the processing and recording of significant volumes of transactions. The Group has a complex IT environment and operates a large number of applications, many of which are legacy systems. Our audit approach relies extensively on automated controls and therefore on the effectiveness of general IT controls supporting these IT applications. We consider IT user access management controls to be crucial to ensure that only appropriate users have access to relevant IT applications, only approved changes are implemented to applications and underlying data, and the changes are authorised and made appropriately. Moreover, appropriate access controls contribute to mitigating the risk of potential fraud or error because of inappropriate and/or inadvertent changes to applications and data. Previous audits identified various weaknesses in controls over privileged access management (including leavers and user access reviews) and passwords across relevant application, database and operating system layers. Ineffective access controls increase the risk of unauthorised access.	Our procedures included: **Risk assessment and controls testing** We performed the following: • obtained an understanding of the Group's and Bank's IT environment and the IT governance controls framework; • tested general IT controls for IT applications relevant to the financial reporting process, including access management, computer operations, and change management; and • tested the design, implementation, and operating effectiveness of automated controls ("AC") and end user computing controls. **Additional substantive procedures** • control deficiencies were identified in access management controls. We performed additional procedures to assess the impact of these deficiencies on the effective and consistent operation of ACs and on our overall planned audit approach. **Our results** Our testing did not identify unauthorised user activities in the systems relevant to financial reporting that would have required us to significantly expand the extent of our planned detailed testing (2024: none identified).

We continue to perform procedures over Revenue recognition – impact of prepayment assumptions on acquired mortgages. However, following our risk assessment we consider there to be a reduced risk in relation to the impact of prepayment assumptions on acquired mortgages, as the remaining discount from acquisition yet to be unwound has now reduced to such an extent that it is not materially sensitive to the key assumption, the attrition rate. We have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Normalised group PBTCO
£213 million (2024: £257 million)



Group materiality *£10.2 million (2024: £11.7 million)*

£10.2 million
Group materiality (2024: £11.7 million)

£6.6 million
Group performance materiality (2024: £7.6 million)

Range of materiality at four components (£3 million to £8.5 million) (2024: £3.5 million to £9.3 million)

£0.5 million
Misstatements reported to the audit committee (2024: £0.6 million)

Our application of materiality

Materiality for the Group financial statements as a whole was set at £10.2 million (2024: £11.7 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude the effects of strategic portfolio divestments and the motor finance commissions provision, of which it represents 4.8% (2024: 4.5%). We adjusted for these items because they do not represent the normal, continuing operations of the Group.

Materiality for the Bank's financial statements as a whole was set at £6.5 million (2024: £8.9 million), determined with reference to a benchmark of the Bank's profit before tax, normalised to exclude the effects of strategic portfolio divestments, of which it represents 4.3% (2024: 4.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

Performance materiality was set at 65% (2024: 65%) of materiality for the financial statements as a whole, which equates to £6.6 million (2024: £7.6 million) for the Group and £4.2 million (2024: £5.8 million) for the Bank. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2024: £0.6m) for the Group and £0.3m (2024: £0.4m) for the Bank, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 6 (2024: 6) components, having considered our evaluation of the Group's operational structure and our ability to perform audit procedures centrally.

Of those, we identified 2 (2024: 2) quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Accordingly, we performed audit procedures on 4 components (2024: 4), of which we involved component auditors in performing the audit work on 2 components. We performed audit procedures on the items excluded from the normalised Group profit before tax used as the benchmark for our materiality. We also performed the audit of the Bank.

We set the component materialities, ranging from £3m to £8.5m (2024: £3.5 to £9.3m), having regard to the size and risk profile.

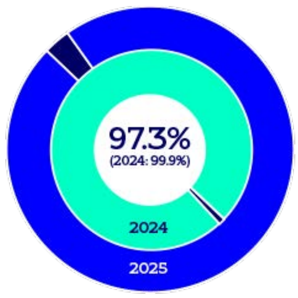
We performed audit procedures in relation to components that accounted for 97.3% (2024: 99.9%) of Group total revenue and 99.9% (2024: 99.9%) of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 1.5% (2024: 0.1%) of Group total revenue, or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

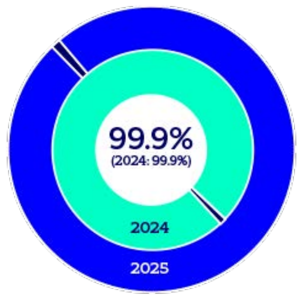
We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

Our audit procedures covered the following percentage of Group revenue and Group total assets:

Group revenue



Group total assets



Group auditor oversight

As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meetings with component auditors to discuss Group audit risks relevant to the components, including the key audit matters in respect of Conduct Risk.

The Group team inspected the audit work of the component auditors to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and others that were not physically visited. At these meetings, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditors.

We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Bank or to cease their operations, and as they have concluded that the Group's and the Bank's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

We used our knowledge of the Group and Bank, the financial services industry, and the general economic environment, including current interest rate, geopolitical events and inflationary pressures as well as contingent liabilities crystallising, to identify the inherent risks to the business model and analysed how those risks might affect the Group's and Bank's financial resources or ability to continue operations over the going concern period. The risks that the Directors considered most likely to adversely affect the Group's and Bank's available financial resources over this period and which we challenged were:
- the availability of funding and liquidity in the event of a market wide stress scenario
- the impact on regulatory capital requirements in the event of an economic slowdown.

We considered whether these risks could plausibly affect the liquidity and regulatory capital in the going concern period by assessing and comparing severe, but plausible downside scenarios prepared by the Group and the Bank, that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's and the Bank's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosures in note 1 to the financial statements gives a complete and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:
- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Bank's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Bank will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:
- enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- reading Board, Audit Committee, and Executive Risk Committee meeting minutes.
- considering remuneration incentive schemes and performance targets for management and Directors; and
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to the component audit teams of relevant fraud risks identified at the Group level, and requesting component auditors performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the motor finance commissions provision and IFRS 9 expected credit losses on loans and advances to customers. On this audit we do not believe there is a fraud risk related to revenue recognition due to:
- limited incentives, rationalisation, and/or opportunities in relation to fraudulent revenue recognition;
- reduced degree of estimation uncertainty in relation to the calculation of the remaining discount and interest income using the EIR method for acquired mortgages and originated mortgages.

We did not identify any additional fraud risks.

Further detail in respect of these areas is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:
- identifying journal entries and other adjustments to test at the Group level based on risk criteria and comparing the identified entries to supporting documentation. An example of our high-risk criteria is journal entries containing key words; and
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the component audit teams of relevant laws and regulations identified at the Group level, and a request for the component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct (including consumer duty), money laundering and financial crime and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the matter relating to historical motor commission arrangements, discussed in note 31, we have assessed the provision and disclosures against our own understanding of the matter based on our assessment of the provision in the context of the FCA Policy Statement.

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 67, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Bank of Ireland (UK) plc *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Simpson

Senior Statutory Auditor
for and on behalf of KPMG LLP,
Statutory Auditor, Chartered Accountants
15 Canada Square, London, E14 5GL

8 May 2026

Income statement

(for the year ended 31 December 2025)

	Note	Group 2025 £m	Group 2024 £m	Bank 2025 £m	Bank 2024 £m
Interest income calculated using the effective interest method	3	684	796	811	864
Other interest income	3	215	177	12	17
Total interest income		**899**	**973**	**823**	**881**
Interest expense	4	(442)	(481)	(463)	(467)
Net interest income		**457**	**492**	**360**	**414**
Net leasing income		24	19	–	–
Other leasing income	5	*104*	*92*	–	–
Other leasing expense	5	*(80)*	*(73)*	–	–
Fee and commission income	6	31	32	31	40
Fee and commission expense	6	(50)	(67)	(48)	(67)
Net trading income / (expense)	7	14	20	14	20
Other operating income	8	–	2	23	30
Total operating income		**476**	**498**	**380**	**437**
Operating expenses	9	(485)	(382)	(211)	(198)
Operating (loss) / profit before impairment charges on financial assets		**(9)**	**116**	**169**	**239**
Net impairment (losses) / gains on financial instruments	11	(25)	8	(10)	20
Operating (loss) / profit		**(34)**	**124**	**159**	**259**
Share of profit after tax of joint venture	12	22	24	–	–
Profit on sale of financial assets	13	–	33	–	33
(Loss) / profit before taxation		**(12)**	**181**	**159**	**292**
Taxation credit / (charge)	14	11	(48)	(31)	(67)
(Loss) / profit for the year		**(1)**	**133**	**128**	**225**

Statement of other comprehensive income

(for the year ended 31 December 2025)

		Group		Bank	
	Note	2025 £m	2024 £m	2025 £m	2024 £m
(Loss) / profit for the year		(1)	133	128	225
Items that may be reclassified to profit or loss in subsequent periods					
Net change in cash flow hedge reserve (net of tax)[1]		17	17	17	17
Total items that may be reclassified to profit or loss in subsequent periods		**17**	**17**	**17**	**17**
Items that will not be reclassified to profit or loss in subsequent periods					
Net actuarial gain on defined benefit schemes[2]	33	–	1	–	–
Net change in revaluation reserve, net of tax		–	(1)	–	(1)
Total items that will not be reclassified to profit or loss in subsequent periods		**–**	**–**	**–**	**(1)**
Other comprehensive (expense) / income for the year, net of tax		**17**	**17**	**17**	**16**
Total comprehensive income for the year, net of tax		**16**	**150**	**145**	**241**

[1] Net of tax charge £7 million (2024: charge of £6 million).
[2] Net of tax £nil (2024: £1 million).

Balance sheet

(as at 31 December 2025)

		Group		Bank	
	Note	2025 £m	2024 £m	2025 £m	2024 £m
Assets					
Cash and balances at central banks	15	2,306	2,069	2,306	2,069
Items in the course of collection from other banks		96	67	96	67
Derivative financial instruments	16	70	179	70	179
Loans and advances to banks	17	1,157	1,171	1,132	1,144
Debt securities at amortised cost	18	881	476	881	476
Fair value changes due to interest rate risk of the hedged items in portfolio hedges		41	(58)	41	(58)
Loans and advances to customers	19	14,704	14,191	14,846	14,330
Investment in subsidiaries		–	–	138	8
Interest in joint venture	21	60	61	2	2
Intangible assets and goodwill	22	24	25	–	–
Property, plant and equipment	23	272	244	30	32
Other assets	24	102	74	152	116
Current tax assets		67	23	–	–
Deferred tax assets	25	71	75	59	67
Retirement benefit asset	33	14	14	–	–
Total assets		**19,865**	**18,611**	**19,753**	**18,432**
Equity and liabilities					
Deposits from banks	26	2,687	2,422	2,670	2,415
Customer accounts	27	12,765	12,223	13,571	12,621
Fair value changes due to interest rate risk of the hedged items in portfolio hedges		(23)	(87)	(23)	(87)
Items in the course of transmission to other banks		127	63	127	63
Derivative financial instruments	16	223	293	223	293
Debt securities in issue	28	743	514	200	200
Current tax liabilities		–	16	7	27
Other liabilities	29	971	1,023	941	994
Lease liabilities	30	14	14	14	14
Provisions	31	377	159	10	16
Loss allowance provision on loan commitments and financial guarantees	32	6	4	6	4
Subordinated liabilities	34	190	190	190	190
Total liabilities		**18,080**	**16,834**	**17,936**	**16,750**
Equity					
Share capital	36	122	122	122	122
Retained earnings		1,162	1,171	1,194	1,076
Other reserves		351	334	351	334
Other equity instruments	37	150	150	150	150
Total equity attributable to owners of the Bank		**1,785**	**1,777**	**1,817**	**1,682**
Total equity and liabilities		**19,865**	**18,611**	**19,753**	**18,432**

The financial statements on pages 76 to 159 were approved by the Board on 8 May 2026 and were signed on its behalf by:

Thomas Wright
Director

8 May 2026
Company number: 07022885

Statement of changes in equity

(for the year ended 31 December 2025)

		Group		Bank	
	Note	2025 £m	2024 £m	2025 £m	2024 £m
Share capital					
Balance at 1 January		122	122	122	122
Balance at 31 December		**122**	**122**	**122**	**122**
Retained earnings					
Balance at 1 January		1,171	1,049	1,076	861
(Loss) / profit for the year attributable to equity holders of the Bank		(1)	133	128	225
Distribution on other equity instruments - Additional tier 1 coupon		(9)	(9)	(9)	(9)
Remeasurement of the net defined benefit pension asset		–	1	–	–
Other movements		1	(3)	(1)	(1)
Balance at 31 December		**1,162**	**1,171**	**1,194**	**1,076**
Other equity instruments					
Balance at 1 January		150	150	150	150
Balance at 31 December		**150**	**150**	**150**	**150**
Other reserves:					
Revaluation reserve - property					
Balance at 1 January		–	1	–	1
Revaluation of property		–	(1)	–	(1)
Balance at 31 December		**–**	**–**	**–**	**–**
Cash flow hedge reserve					
Balance at 1 January		(65)	(82)	(65)	(82)
Changes in fair value		17	2	17	2
Transfer to income statement (pre tax)		7	21	7	21
Deferred tax on reserve movements		(7)	(6)	(7)	(6)
Balance at 31 December		**(48)**	**(65)**	**(48)**	**(65)**
Capital contribution					
Balance at 1 January		266	266	266	266
Balance at 31 December		**266**	**266**	**266**	**266**
Capital redemption reserve fund					
Balance at 1 January		133	133	133	133
Balance at 31 December		**133**	**133**	**133**	**133**
Total other reserves		**351**	**334**	**351**	**334**
Total equity		**1,785**	**1,777**	**1,817**	**1,682**
Included in the above:					
Total comprehensive income attributable to owners of the Bank		16	150	145	241
Total comprehensive income for the year		**16**	**150**	**145**	**241**

Consolidated cash flow statement

(for the year ended 31 December 2025)

	Note	2025 £m	2024 £m
Cash flows from operating activities			
(Loss) / profit before taxation		(12)	181
Interest expense on subordinated liabilities and other capital instruments		28	31
Interest expense on lease liabilities		1	1
Depreciation and amortisation		48	46
Net impairment losses / (gains) on financial instruments		25	(8)
Profit on sale of financial assets		–	(33)
Share of results of joint venture		(22)	(24)
Net change in prepayments and interest receivable		(5)	9
Net change in accruals and interest payable		(9)	8
Charge for provisions		236	148
Other non-cash items		(18)	(98)
Cash flows from operating activities before changes in operating assets and liabilities		**272**	**261**
Net change in items in the course of collection to / from banks		35	(19)
Net change in derivative financial instruments		26	97
Net change in loans and advances to banks		32	(51)
Net change in loans and advances to customers		(536)	(671)
Net change in deposits from banks		265	(815)
Net change in customer accounts		542	408
Net change in debt securities in issue		229	(35)
Net change in provisions		(18)	(8)
Net change in retirement benefit obligation		(1)	(1)
Net change in other assets and other liabilities		(65)	(7)
Net cash flow from operating assets and liabilities		**509**	**(1,102)**
Net cash flow from operating activities before taxation		781	**(841)**
Taxation paid		(51)	(47)
Net cash flow from operating activities		**730**	**(888)**
Investing activities (section (a) - see below)		(437)	659
Financing activities (section (b) - see below)		(38)	(43)
Net change in cash and cash equivalents		**255**	**(272)**
Opening cash and cash equivalents		3,115	3,387
Closing cash and cash equivalents		**3,370**	**3,115**
(a) Investing activities			
Proceeds from sale of financial assets		–	680
Additions to debt securities at amortised cost		(461)	(77)
Disposal / redemption of debt securities at amortised cost		69	90
Dividends received from joint venture		23	30
Additions to property, plant and equipment		(105)	(97)
Disposal of property, plant and equipment		37	33
Cash flows from investing activities		**(437)**	**659**
(b) Financing activities			
Additional tier 1 coupon paid		(9)	(9)
Interest paid on subordinated liabilities		(28)	(31)
Payment of lease liability		(1)	(3)
Cash flows from financing activities		**(38)**	**(43)**

Notes to the consolidated financial statements

1 Group accounting policies

Basis of preparation

These financial statements are the consolidated financial statements of Bank of Ireland (UK) plc (the 'Bank') and its subsidiaries (collectively the 'Group'), and the separate financial statements of the Bank.

The financial statements comprise the Consolidated and Bank income statements, the Consolidated and Bank Statements of other comprehensive income, the Consolidated and Bank balance sheets, the Consolidated and Bank Statements of changes in equity, the Consolidated cash flow statement and the notes to the Consolidated and Bank financial statements. The financial statements include the information marked as audited that is described as being an integral part of the audited financial statements contained in sections 2 and 3 of the Risk Management Report.

The separate financial statements of the Bank reflect the financial position of the Bank only and do not consolidate the results of any subsidiaries.

The consolidated financial statements of the Group are prepared in accordance with UK adopted international accounting standards.

The financial statements of the Bank are prepared under FRS 101 'Reduced disclosure framework'. In preparing these financial statements the Bank applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- the requirements of IAS 7 Statement of Cash Flows;
- disclosure requirements of IAS 24 in respect of transactions with wholly-owned subsidiaries; and
- certain requirements of IAS 1 'Presentation of financial statements'.

The financial statements have been prepared on the going concern basis, in accordance with UK adopted international accounting standards.

The financial statements have been prepared under the historical cost convention, as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS or FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out in note 2.

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2025 is a minimum period of twelve months from the date of approval of these financial statements ('the period of assessment'). In making this assessment, the Directors considered the Group's business, profitability projections, liquidity, funding and capital plans, under both base and plausible stress scenarios. In doing so, it took into account the increasing uncertainty of forecasts in the planning period from developments in the economic environment, geopolitical uncertainty competition, and regulatory developments. The Directors also considered the position of the Bank's parent, the Governor and Company of the Bank of Ireland as, in addition to being the Bank's sole shareholder, it is a provider of significant services to the Bank under outsourcing arrangements.

The matters of primary consideration by the Directors are set out below:

Capital

The Group has developed detailed capital plans and forecasts under both base and stress scenarios which show that a surplus over total capital requirements is forecast to be maintained over the period of the assessment. As part of those forecasts, the Directors have modelled the impact of a severe but plausible downside stress scenario, the severity of which is aligned with the BOE's published hypothetical scenarios published in April 2025. Severe market turmoil from a geopolitical event is incorporated into the severity of the stress financial projections. Therefore the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity

The Directors have considered the Group's funding and liquidity position under the above base and stress scenarios and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment.

The Bank's Parent

The Bank's Parent is its sole shareholder and provider of capital and is also a major provider of services under outsourcing arrangements.

The Directors note that the Board of the Bank's Parent has concluded that there are no material uncertainties that may cast significant doubt about the Bank of Ireland Group's ability to continue as a going concern and that it is appropriate to prepare accounts on a going concern basis. The audit report on the financial statements of the Bank's Parent signed on 27 February 2026 is not qualified and does not contain an emphasis of matter paragraph in respect of going concern.

Conclusion

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

Adoption of new and amended accounting standards

There have been no new standards or amendments to standards, adopted by the Group during the year ended 31 December 2025, which have had a material impact on the Group.

Interest income and expense

Interest income and expense are recognised in the income statements using the effective interest method for financial instruments measured at amortised cost and financial assets which are debt instruments measured at fair value through other comprehensive income in accordance with IFRS 9.

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or liability and in the allocation and recognition of interest revenue or interest expense in profit or loss over the relevant period.

1 Group accounting policies *(continued)*

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses (except in accordance with IFRS 9, in the case of purchased or originated credit-impaired financial assets where expected credit losses are included in the calculation of a 'credit-adjusted effective interest rate'). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In the case of a financial asset that is neither credit-impaired nor a purchased or originated credit-impaired financial asset, interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but is credit-impaired at the reporting date, interest revenue is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount adjusted for any impairment loss allowance.

In the case of a purchased or originated credit-impaired financial asset, interest revenue is recognised by applying the credit-adjusted effective interest rate to the amortised cost.

Where the Group revises its estimates of payments or receipts on a financial instrument (excluding modifications of a financial asset and changes in expected credit losses), it recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit- impaired financial assets). The adjustment is recognised as interest income or expense.

Interest income or expense on derivatives designated as hedging instruments is presented in net interest income, in line with the underlying hedged asset or liability.

For macro fair value hedges of financial liabilities and macro fair value hedges and cash flow hedges of financial assets, the Group aggregates the interest income or expense on the hedged assets or liabilities with the interest income or expense on the related derivatives designated as hedging instruments. Where the resulting total is an expense, the amount is presented as interest expense on the assets or liabilities. Where the resulting total is income, it is presented as interest income on the assets or liabilities.

For micro fair value hedges of financial assets or liabilities, the Group aggregates, for each hedged asset or liability separately, the interest income or expense on the asset or liability with the interest income or expense on the related derivative or derivatives designated as hedging instruments. Where the resulting total for an asset or liability is an expense, the amount is presented as interest expense on the asset or liability. Where the resulting total is income, it is presented as interest income on the asset or liability.

Interest income or expense on derivatives that are held with hedging intent, but for which hedge accounting is not applied (economic hedges) is included in other interest income or expense. Interest income or expense on derivatives held with trading intent is included in trading income.

Interest income on debt financial assets measured at FVTPL, excluding assets held for trading, is recognised when earned and presented within other interest income.

Interest expense on debt financial liabilities measured at FVTPL, excluding liabilities held for trading, is recognised when incurred and presented in other interest expense.

Modifications

Where the contractual cash flows of a financial asset are modified and the modification does not result in derecognition of the financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognises a modification gain or loss in the income statement. Where a modification is a forbearance measure which does not result in derecognition, the modification gain or loss is included in the income statement within net impairment gains or losses. Otherwise, the modification gain or loss is included within interest income.

Interest income and expense excludes interest on financial instruments at fair value through profit or loss which is instead included within the fair value movements recognised within net trading income.

Fee and commission income

The Group accounts for fee and commission income which is not an integral part of the effective interest rate of a financial instrument, when the contract with the customer is agreed and each party's rights under the contract, together with the payment terms, are identified. In addition it must be probable that the Group will collect the consideration to which it is entitled. Fee and commission income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Fee income on the provision of current accounts to customers is recognised as the service is provided. Loan syndication and arrangement fees are recognised at a point in time when the performance obligation is completed. Other fees including interchange income, ATM fees and foreign exchange fees are recognised on completion of the transaction and once the Group has completed its performance obligations under the contract.

Financial assets

Recognition, classification and measurement

A financial asset is recognised in the balance sheet when, and only when, the Group becomes a party to its contractual provisions. At initial recognition, a financial asset is measured at fair value (plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs) and is assigned one of the following classifications for the purposes of subsequent measurement:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; or
- financial assets at fair value through profit or loss.

1 Group accounting policies *(continued)*

The Group determines the appropriate classification based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held.

In determining the business model for a group of financial assets, the Group considers factors such as how performance is evaluated and reported to key management personnel; the risks that affect performance and how they are managed; how managers are compensated; and the expected frequency, value and timing of sales of financial assets.

In considering the contractual cash flow characteristics of a financial asset, the Group determines whether the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In making the determination, the Group assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events, leverage features, prepayment and term extensions, terms which limit the Group's recourse to specific assets and features that modify consideration of the time value of money.

Financial assets at amortised cost
Debt instruments
A debt instrument is measured, subsequent to initial recognition, at amortised cost where it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:
- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by holding financial assets to collect contractual cash flows.

Purchases and sales of debt securities at amortised cost are recognised on trade date: the date on which the Group commits to purchase or sell the asset. Loans measured at amortised cost are recognised when cash is advanced to the borrowers.

Interest revenue using the effective interest method is recognised in the income statement. An impairment loss allowance is recognised for expected credit losses with corresponding impairment gains or losses recognised in the income statement.

Financial assets at fair value through profit or loss
All other financial assets are measured, subsequent to initial recognition, at fair value through profit or loss. Financial assets at fair value through profit or loss comprise:

Financial assets mandatorily measured at fair value through profit or loss
Financial assets meeting either of the conditions below are mandatorily measured at fair value through profit or loss:
- financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis. It further includes portfolios of financial assets which are 'held for trading', which includes financial assets acquired principally for the purpose of selling in the near term and financial assets that on initial recognition are part of an identified portfolio where there is evidence of a recent pattern of short-term profit-taking.

Financial assets designated as measured at fair value through profit or loss
A financial asset may be designated at fair value through profit or loss only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognising gains and losses on them on different bases.

Regular way purchases and sales of financial assets at fair value through profit or loss are recognised on trade date. They are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

Reclassification
When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. Reclassification is applied prospectively.

Derecognition
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the obligation to service the transferred financial asset, the transferred asset is derecognised if it meets the derecognition criteria and an asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (an asset) or is less than adequate (a liability) for performing the servicing. Where a modification results in a substantial change, on a quantitative or qualitative basis, to the contractual cash flows of a financial asset, it may be considered to represent expiry of the contractual cash flows, resulting in derecognition of the original financial asset and recognition of a new financial asset at fair value. The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Impairment of financial instruments
Scope
The Group recognises impairment loss allowances for expected credit losses (ECL) on the following categories of financial instruments unless measured at fair value through profit or loss:
- financial assets that are debt instruments;
- loan commitments;
- lease receivables recognised under IFRS 16 'Leases';
- financial guarantee contracts issued; and
- receivables and contract assets recognised under IFRS 15 'Revenue from contracts with customers'.

1 Group accounting policies *(continued)*

Basis for measuring impairment
The Group allocates financial instruments into the following categories at each reporting date to determine the appropriate accounting treatment.

Stage 1: 12-month ECL (not credit-impaired)
These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12-month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

Stage 2: Lifetime ECL (not credit-impaired)
These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime ECL (credit-impaired)
These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

Purchased or originated credit-impaired financial assets
These are financial assets that were credit-impaired at initial recognition. They are not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A purchased or originated credit-impaired financial asset remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

With the exception of purchased or originated credit-impaired financial assets, a financial instrument may migrate between stages from one reporting date to the next.

Significant increase in credit risk
In determining if a financial instrument has experienced a significant increase in credit risk since initial recognition, the Group assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, taking into account changes in prepayment expectations where relevant. The Group uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward-looking information. A combination of quantitative, qualitative and backstop indicators are generally applied in making the determination.

Credit-impaired
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Measurement of ECL and presentation of impairment loss allowances
ECLs are measured in a way that reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; 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.

ECLs are measured as follows:
- financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Group in accordance with the contract and all the cash flows the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover, discounted at an appropriate risk-free rate.

Expected cash flows arising from the sale on default of a loan are included in the measurement of expected credit losses under IFRS 9 where the following conditions are met:
- selling the loan is one of the recovery methods that the Group expects to pursue in a default scenario;
- the Group is neither legally nor practically prevented from realising the loan using that recovery method; and
- the Group has reasonable and supportable information upon which to base its expectations and assumptions.

For financial assets, the discount rate used in measuring ECL is the effective interest rate (or 'credit-adjusted effective interest rate' for a purchased or originated credit-impaired financial asset) or an approximation thereof. For undrawn loan commitments, it is the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment.

Impairment loss allowances for ECLs are presented in the financial statements as follows:
- **financial assets at amortised cost:** as a deduction from the gross carrying amount in the balance sheet;
- **loan commitments and financial guarantee contracts:** generally, as a provision in the balance sheet.

1 Group accounting policies *(continued)*

Utilisation of impairment loss allowances
The Group reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include the collection process having been exhausted or it becoming clear during the collection process that recovery will fall short of the amount due to the Group. The Group considers, on a case-by-case basis, whether enforcement action in respect of an amount that has been written off from an accounting perspective is or remains appropriate. Any subsequent recoveries are included in the income statement as an impairment gain.

Forbearance
Forbearance occurs when a borrower is granted a concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower.

Prior to any decision to grant forbearance, the Group performs an assessment of a customer's financial circumstances and ability to repay and assesses whether the loan is credit-impaired. Where the loan is credit-impaired, it is allocated to stage 3 (unless a purchased or originated credit-impaired financial asset). If a forborne loan has a variable interest rate, the discount rate for measuring ECL is the current effective interest rate determined under the contract before the modification of terms.

Financial assets to which forbearance has been applied continue to be reported as forborne until such time as they satisfy conditions to exit forbearance in line with PRA guidance on non-performing and forborne classifications. Forborne financial assets which are not credit-impaired are generally classified as Stage 2. A financial asset can only be reclassified from Stage 3 when certain conditions are met over a pre-defined period of time or probation period.

Where the cash flows from a forborne loan are considered to have expired due to the loan being restructured in such a way that results in a substantial modification, the original financial asset is derecognised and a new financial asset is recognised, initially measured at fair value. Any difference between the carrying value of the original financial asset and the fair value of the new financial asset on initial recognition are recognised in the income statement. The new financial asset may be initially allocated to Stage 1 or, if credit-impaired, be categorised as a purchased or originated credit-impaired financial asset.

Where a forbearance measure represents a modification of the contractual cash flows of a financial asset and does not result in its derecognition, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate (before any modification of terms) and a modification gain or loss is included in the income statement within net impairment gains or losses.

Financial liabilities
The Group classifies its financial liabilities as being measured at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities mandatorily at fair value through profit or loss, such as derivative liabilities. Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For financial liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement using the effective interest method.

When a financial liability that is measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified contractual cash flows discounted at the original effective interest rate.

A financial liability may be designated as at fair value through profit or loss only when:
- it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The movement in own credit risk related to financial liabilities designated at fair value through profit or loss is recorded in other comprehensive income unless this would create or enlarge an accounting mismatch in profit or loss for the Group (in which case all gains or losses are recognised in profit or loss).

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Financial guarantees
A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Where the Group is the holder of such a guarantee and it is considered integral to the contractual terms of the guaranteed debt instrument(s), the guarantee is not accounted for separately but is considered in the determination of the impairment loss allowance for expected credit losses of the guaranteed instrument(s).

The Group's liability under an issued financial guarantee contract is initially measured at fair value. The liability is subsequently measured at the higher of the amount of the impairment loss allowance for expected credit losses determined in accordance with the requirements of IFRS 9, and the initial measurement less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Any change in the liability is taken to the income statement and recognised on the balance sheet within provisions.

Where the Group issues a financial liability which contains a financial guarantee, the liability is measured at amortised cost using the effective interest method.

1 Group accounting policies *(continued)*

Offsetting
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No impairment loss allowance for expected credit losses is recognised on a financial asset, or portion thereof, which has been offset.

Valuation of financial instruments
The Group recognises assets and liabilities designated at fair value through profit or loss and derivatives at fair value in the balance sheet. Fair value 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 Group has access at that date.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques.

These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, in an arm's length transaction, 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 which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the income statement to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to that amount. Subsequent changes in fair value are recognised immediately in the income statement without the reversal of deferred day one profits or losses. Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

For liabilities designated at fair value through profit or loss, the fair values reflect changes in the Group's own credit spread.

Transfers between levels of the fair value hierarchy
The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. The Group provides these disclosures in note 40.

Group financial statements
Subsidiaries
Subsidiary undertakings are investees (including structured entities) controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control. The existence and effect of potential voting rights are considered when assessing whether the Group controls an investee only if the rights are substantive.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial year.

Business combinations
Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations other than business combinations involving entities or business under common control. Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Foreign exchange gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Joint Ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost.

1 Group accounting policies *(continued)*

Common control transactions
A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: 'Business Combinations'. The exemption is applicable where the combining entities or businesses are controlled by the same party, both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, management considers the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework. Management also considers the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or interpretation.

Where a transaction meets the definition of a group reconstruction or achieves a similar result, predecessor accounting is applied. The assets and liabilities of the business transferred are measured in the acquiring entity, upon initial recognition, at their existing book value in the consolidated financial statements of the Group, as measured under IFRS. The Group incorporates the results of the acquired businesses only from the date on which the business combination occurs.

Similarly, where the Group acquires an investment in an associate or joint venture from an entity under common control with the Group, the investment is recognised initially at its existing book value in the consolidated financial statements of the Group.

Securitisations
Certain Group undertakings enter into securitisation transactions in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:
- the rights to the cash flows have expired or been transferred;
- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group. In this case the asset is derecognised entirely if the transferee has the ability to sell the financial asset. Otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where the above conditions apply to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Foreign currency translation
The consolidated financial statements of the Group and the financial statements of the Bank are presented in Sterling, which is the functional currency. Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities, classified at fair value through other comprehensive income, are recognised in other comprehensive income.

Leases
Identifying a lease
Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee
The Group recognises a Right of Use (RoU) asset and lease liability at the lease commencement date. RoU assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of lease liabilities. The recognised RoU assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. RoU assets are subject to impairment under IAS 36 'Impairment of assets'.

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

RoU assets, comprised of leases of buildings which do not meet the definition of investment properties are presented in property, plant and equipment.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. Lease payments include fixed rental payments. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured a corresponding adjustment is made to the RoU asset and/or profit or loss, as appropriate.

The Group has applied judgement in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and RoU assets recognised.

Lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

1 Group accounting policies *(continued)*

When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between gross receivables and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

Assets leased to customers under an operating lease are included within property, plant and equipment on the balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Depreciation on assets acquired for the purpose of leasing under operating leases is recognised in other leasing expense. Lease income is recognised on a straight line basis over the period of the lease unless another systematic basis is more appropriate.

However, under IFRS 16, where the Group is an intermediate lessor the subleases are classified with reference to the RoU asset arising from the head lease, not with reference to the underlying asset. Where the Group continues to retain the risks and rewards of ownership as the intermediate lessor, it retains the lease liability and the RoU asset relating to the head lease in its balance sheet. If the Group does not retain the risks and rewards of ownership as the intermediate lessor, these subleases are deemed finance leases. During the term of the sublease, the Group recognises both finance lease income on the sublease and interest expense on the head lease.

Sale and repurchase agreements

Assets sold subject to repurchase agreements (repos) are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method.

Securities lent to counterparties are also retained on the balance sheet. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the securities is recorded at fair value as a trading liability.

Issued debt and equity securities

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other operating income, net of any costs or fees incurred.

Derivative financial instruments and hedge accounting

The Group has made the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39. Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each reporting date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either:

- hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge); or
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge relationships are concluded to be effective if the hedging instruments that are used in hedging transactions offset the changes in fair value or cashflow of the hedged items within a range of 80% to 125%.

Fair value hedge (micro)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The hedged item in a micro fair value hedge is a single specified item e.g. a fixed commercial loan.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method for micro hedges. When a hedged item held at amortised cost that is designated in a micro fair value hedge or included in a repricing time period of a portfolio hedge is derecognised, the unamortised fair value adjustment included in the carrying value of that hedged item is immediately reclassified to the income statement.

Fair value hedge (macro)

The hedged item in a macro fair value hedge is a pool of assets or liabilities with similar risk characteristics and profiles, such as a pool of fixed rate mortgages. Unlike micro fair value hedge accounting, macro fair value hedge accounting is not discontinued if an individual asset or liability within the pool of hedged items is sold, so long as the overall pool of hedged items retains its characteristics as documented at inception of the hedge. In addition, hedge effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

1 Group accounting policies *(continued)*

The Group also follows the requirements of the UK endorsed version of IAS 39 'Financial Instruments: recognition and measurement', specifically relating to hedging core deposits, and the relaxation of effectiveness testing, such that a layer approach can be used in a macro fair value hedge. The Group applies these relaxed provisions to portfolio fair value hedges of interest rate risk on its demand deposit and mortgage lending books. The Group resets its macro fair value hedges on a monthly basis.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the straight line method for macro hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in other comprehensive income are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

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 existing in other comprehensive income at that time remains in other comprehensive income and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to the income statement.

Property, plant and equipment

Freehold and long leasehold land and buildings are initially recognised at cost, and subsequently are revalued annually to fair value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the reporting date.

Right of Use assets recognised as property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurement of lease liabilities.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings are recognised in other comprehensive income. Decreases that offset previous increases on the same asset are recognised in other comprehensive income: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:

- adaptation works on freehold and leasehold property - fifteen years, or the remaining period of the lease;
- computer and other equipment - maximum of ten years;
- motor vehicles held for leasing - over the lease term; and
- the recognised RoU assets are depreciated on a straight-line basis over the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss before tax. If the asset being disposed of had previously been revalued then any amount in other comprehensive income relating to that asset is reclassified directly to retained earnings on disposal, rather than the income statement.

Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with research activities or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as asset's are amortised using the straight line method over their useful lives, which is normally between five and ten years.

Other intangible assets

Other intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight line basis over their useful lives which range from five years to twenty years and assessed for impairment indicators annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indicators exist, the assets recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets.

1 Group accounting policies *(continued)*

Goodwill is tested annually for impairment or more frequently if there is any indication that it may be impaired, and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the CGU.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those employees affected by the restructuring by starting to implement the plan or announcing its main features.

A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

Pension obligations

The Group operates one defined benefit scheme, the NIIB Group Limited (1975) Pension Scheme. In addition, certain of the Group's employees are members of other Bank of Ireland Group schemes, and these are accounted for as defined contribution schemes in the Group.

The schemes are funded and the assets of the schemes are held in separate trustee administered funds. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Plans in surplus are shown as assets and plans in deficit are shown as liabilities. A surplus is only recognised as an asset to the extent that it is recoverable through a refund from the plan or through reduced contributions in the future.

Where a plan amendment, curtailment or settlement occurs and the net defined benefit asset/liability is remeasured to determine past service cost or the gain or loss on settlement, the current service cost and net interest for the remainder of the period are remeasured using the same assumptions.

Service cost and net interest on the net defined benefit asset/ liability are recognised in profit or loss, within operating expenses.

Remeasurements of the net defined benefit asset / liability, that are recognised in other comprehensive income include:

- actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions; and
- the return on plan assets, excluding amounts included in net interest on the net defined benefit asset/liability.

A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short term employee benefits

Short term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered.

Termination payments

Termination payments are recognised as an expense at the earlier of:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For this purpose, in relation to termination benefits for voluntary redundancies, the Group is considered to be no longer able to withdraw the offer on the earlier of the following dates:

- when the employee accepts the offer; and
- when a restriction (e.g. a legal, regulatory or contractual requirement) on the Group's ability to withdraw the offer takes effect.

Income taxes

Current income tax

Income tax payable on profits, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date, is recognised as an expense in the period in which profits arise.

Tax provisions are provided on a transaction by transaction basis using either the 'most likely amount' method or the 'expected value' method as appropriate for the particular uncertainty and by management assessing the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of funds to a fiscal authority to settle the obligation. Interest on tax liabilities is recognised as interest expense.

The Group has determined that the global minimum top-up tax - which it is required to pay under Pillar 2 legislation - is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

1 Group accounting policies *(continued)*

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The rates enacted, or substantively enacted, at the reporting date, are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. Deferred tax assets and liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items recognised in other comprehensive income is also recognised in other comprehensive income and is subsequently reclassified to the income statement, together with the deferred gain or loss. Income tax on items recognised directly in equity is recognised directly in equity, except for the income tax consequences of dividends on a financial instrument classified as equity, which are recognised according to where the previous transactions or events that generated distributable profits were recognised.

Uncertain tax treatments
The Group considers uncertain tax treatments together or separately depending on which approach better predicts how the uncertainties will be resolved. Where the Group concludes it is not probable that a tax authority will accept its assessment of an uncertain tax treatment, it reflects the effect of the uncertainty using either the 'most likely amount' method or the 'expected value' method, as appropriate for the particular uncertainty.

Where the Group concludes it is probable that a tax authority will accept its assessment of an uncertain tax treatment, the taxable profit or loss, the tax bases, unused tax losses, unused tax credits and the tax rates are determined consistently with the tax treatment used or planned to be used in the income tax filing.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances with central banks and other banks, which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

Share capital and reserves
Equity transaction costs
Incremental external costs directly attributable to equity transactions, including the issue of new equity stock or options, are shown as a deduction from equity, net of tax.

Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Bank's shareholders. Interim dividends are recognised when paid by the Group.

Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative changes in fair value (net of tax) excluding any ineffectiveness of cash flow hedging derivatives. These are transferred to the income statement when the hedged transactions impact the Group's profit or loss.

Capital contribution
The capital contribution is measured as the initial amount of cash or other assets received.

Capital redemption reserve fund
On 1 May 2015, preference stock of £300 million was repurchased. On the same date £300 million was transferred from capital contribution to the capital redemption reserve fund in order to identify these reserves as non-distributable. On 4 June 2019, the UK High Court of Justice approved the Board's application to cancel the capital redemption reserve fund and the balance was transferred to retained earnings. In March 2020, the Group carried out a share buy back transaction whereby it repurchased 195 million shares with a nominal value of £0.30 each for £1 from the Parent. This resulted in a £58.5 million reduction in share capital with a corresponding increase in the capital redemption reserve. In November 2021, the Group carried out a share buy back transaction whereby it repurchased 250 million shares with a nominal value of £0.30 each for £1 from the Parent. This resulted in a £75 million reduction in share capital with a corresponding increase in the capital redemption reserve.

Other equity instruments
Other equity instruments represents additional tier 1 securities issued by the Group to the Parent. See note 37 for details.

Revaluation reserve
The revaluation reserve represents the cumulative gains and losses on the revaluation of property. The revaluation reserve is not distributable.

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

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised in deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged, in the form of securities or loans and advances, continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

1 Group accounting policies *(continued)*

Impact of new accounting standards not yet adopted

The following standards, interpretations and amendments to standards will be relevant to the Group but were not effective at 31 December 2025 and have not been applied in preparing these financial statements. There are no other standards that are not yet effective and that would have a material impact on the Group in future reporting periods. The Group's current view of the impact of these standards is outlined below.

Pronouncement: IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. Amendments to the Classification and Measurement of Financial Instruments

Nature of change

The amendments clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system. In addition, they clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion. New disclosures are added for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of ESG targets) and the amendment updates disclosures for equity instruments designated at fair value through other comprehensive income.

The amendments were endorsed on 27 May 2025.

Effective date

The effective date is for financial periods beginning on or after 1 January 2026, with early application permitted.

Impact

The amendments are not expected to have a significant impact on the Group.

Pronouncement: IFRS 18 'Presentation and Disclosure in Financial Statements

Nature of change

IFRS 18 aims to give users of financial statements more transparent and comparable information about an entity's financial performance. The new standard will replace IAS 1 'Presentation of Financial Statements' but will retain many of the requirements from that standard. The key new concepts introduced in IFRS 18 relate to:

- the structure of the income statement;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (management-defined performance measures); and
- enhance principles on aggregation and disaggregation which apply to the primary statements and notes.

The amendments are subject to endorsement by the UK Accounting Standards Endorsement Board.

Effective date

The effective date is for financial periods beginning on or after 1 January 2027.

Impact

While IFRS 18 will not change recognition criteria or measurement basis, it may have a significant impact on presenting information in the financial statements. The Group is currently assessing any impact.

Pronouncement: Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

Nature of change

The objective of IFRS 19 is to allow eligible entities to apply the reduced disclosure requirements set out in the standard, while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards to its financial records for group reporting.

The amendments are subject to endorsement by the UK Accounting Standards Endorsement Board.

Effective date

The effective date is for financial periods beginning on or after 1 January 2027.

Impact

The amendments are not expected to have a significant impact on the Group.

2 Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in estimating the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

(a) Impairment loss allowance on financial assets

The measurement of impairment loss allowance requires significant judgement and estimation and is dependent on complex impairment models. At 31 December 2025, the total impairment loss allowance for the Group was £94 million (2024: £88 million) comprising £90 million modelled impairment loss allowance (2024: £85 million) and £4 million post model management adjustments (2024: £3 million).

Composition of impairment loss allowances	2025 Modelled impairment loss allowances £m	2025 Post model adjustments £m	2025 Final impairment loss allowance £m	2024 Modelled impairment loss allowances £m	2024 Post model adjustments £m	2024 Final impairment loss allowance £m
Residential mortgages	29	4	33	31	1	32
UK SME and property and construction portfolios	33	–	33	31	2	33
Consumer	28	–	28	23	–	23
Total	**90**	**4**	**94**	**85**	**3**	**88**

In arriving at impairment loss allowances, accounting estimates which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include:

- generation of forward looking macroeconomic scenarios and their probability weightings which are used in both the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances;
- valuing property collateral (including residential property); and
- the selection of appropriate methodologies and model factors for internal risk rating and impairment models.

Accounting judgements which could change and have a material influence on the quantum of impairment loss allowance and net impairment charge within the next financial year include determining if Group post model management adjustments may be necessary to impairment model outputs to address impairment model / data limitations or late breaking events.

The risk outlook is impacted by geopolitical tensions from the Middle East and more broadly, which management continues to monitor.

Other accounting estimates

Other accounting estimates which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:

- determining the period over which to measure ECL for uncommitted revolving credit facilities; and
- determining timeframes to realisation and likely net sale proceeds.

Other accounting judgements

Other accounting judgements which are not expected to change and materially influence the quantum of impairment loss allowance and net impairment charge within the next financial year, include:

- the Group's criteria for assessing if there has been a significant increase in credit risk since initial recognition such that a loss allowance for lifetime rather than 12-month ECL is required;
- the approximation made at transition to IFRS 9 of the residual lifetime PD expectations for most exposures originated prior to adoption of IFRS 9.

The Group's approach to measurement of impairment loss allowances and associated methodologies is set out in the credit risk assessment section on pages 45 to 47.

Changes in estimates

Forward Looking Information

Forward Looking Information (FLI) refers to probability weighted future macroeconomic scenarios governed semi-annually by the ALCO and the Board Audit Committee and used in the assessment of 'significant increase in credit risk' and in the measurement of impairment loss allowances under IFRS 9.

The Group has used four UK FLI scenarios at 31 December 2025, comprising a central scenario, an upside scenario, and two downside scenarios, all extending over a five year forecast period, with reversion to long run averages for property for years beyond the forecast period. The Group keeps under review the number of FLI scenarios.

The central scenario forecasts are based on expert judgement and draw on economic analysis and research published by external organisations (e.g. central banks, research institutes etc). This was changed for the 2025 FLI scenarios as previously an average of external forecasts was used to develop the central scenario.

The alternative FLI scenarios for year ending 31 December 2025, comprising one upside and two downside scenarios, are narrative-driven and have been constructed incorporating available reasonable and supportable information. This is the approach that has been taken since 2020.

2 Critical accounting estimates and judgements *(continued)*

The FLI methodology framework was leveraged to assign an initial set of probability weightings to the narrative driven scenarios. The FLI methodology is a simulation tool that uses recent actual observed values and historical data to produce a number of possible paths for the relevant economic variables based on their historical relationships and volatilities.

The FLI model is used for generating scenarios for a defined probability weighting as well as assessing probability weights for a given scenario. The narrative-driven scenarios were assessed relative to the simulated distribution.

The probability weightings attached to the scenarios are a function of their relative position on the distribution, with a lower probability weighting attached to the scenarios that were assessed to be more distant from the centre of the distribution.

The final set of probability weightings used in ECL estimates are less weighted to the upside scenario than at 31 December 2024, and reflect the application of management judgement to the initial modelled probability weightings, with increased weight assigned to the central scenario, and an offsetting decrease in the modelled upside scenario weight.

External forward-looking information (e.g. external forecasts and equity market indicators) informed the application of this management judgement, and reflected ongoing economic uncertainty at 31 December 2025 associated with a combination of factors including the potential impact of escalating geopolitical risk and tariff policy uncertainty. The estimated ECL impact of this judgement was a c.£0.5 million (2024: c.£0.3 million) increase in reported impairment loss allowance.

The following table shows the mean average forecast values for the key macroeconomic variables under each scenario for the forecast period 2026 to 2030, together with the scenario weightings.

	2025				2024			
			Downside				Downside	
	Central scenario	Upside scenario	Scenario 1	Scenario 2	Central scenario	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	50%	20%	20%	10%	45%	25%	20%	10%
GDP Growth[1]	1.3%	2.0%	0.5%	(0.5%)	1.4%	2.1%	0.7%	(0.3%)
Unemployment rate[2]	4.9%	4.4%	7.0%	9.0%	4.1%	3.6%	6.1%	8.1%
Residential property price growth[3]	2.2%	4.3%	(1.9%)	(4.3%)	2.5%	4.5%	(1.4%)	(3.7%)
Commercial property price growth[3]	2.5%	3.8%	(1.8%)	(4.8%)	2.4%	3.6%	(1.2%)	(3.6%)

The table below sets out the forecast values for 2026 and 2027 and the average forecast values per annum for the period 2028 to 2030 for the key macroeconomic variables which underpin the above mean average values.

	2026	2027	2028-2030
Central scenario - 50% weighting			
GDP Growth[1]	0.9%	1.2%	1.4%
Unemployment rate[2]	5.1%	5.0%	4.8%
Residential property price growth[3]	1.5%	2.0%	2.5%
Commercial property price growth	2.0%	2.0%	2.8%
Upside - 20% weighting			
GDP Growth[1]	1.8%	2.0%	2.0%
Unemployment rate[2]	4.7%	4.5%	4.2%
Residential property price growth[3]	4.7%	4.6%	4.1%
Commercial property price growth	3.5%	3.5%	4.0%
Downside scenario 1 - 20% weighting			
GDP Growth[1]	(1.0%)	(0.6%)	1.4%
Unemployment rate[2]	6.3%	7.1%	7.2%
Residential property price growth[3]	(7.4%)	(4.8%)	0.9%
Commercial property price growth	(6.5%)	(3.0%)	0.2%
Downside scenario 2 - 10% weighting			
GDP Growth[1]	(2.8%)	(2.0%)	0.7%
Unemployment rate[2]	7.5%	9.2%	9.5%
Residential property price growth[3]	(11.6%)	(8.0%)	(0.7%)
Commercial property price growth	(13.5%)	(7.0%)	(1.2%)

[1] *Annual growth rate.*
[2] *Average yearly rate.*
[3] *Year-end figures.*

2 Critical accounting estimates and judgements *(continued)*

The central, upside and downside scenarios are described below.

Central scenario
Despite a robust GDP outturn for Q1 2025, expectations for UK growth in 2025 (and to a lesser extent 2026) have softened of late on foot of weak survey and sentiment data. This has become evident in the unemployment rate, which has increased towards 5%. The substantial fiscal adjustment in the 26 November 2025 Budget, primarily via tax rises, also weigh on demand in 2026. Hence, GDP is now expected to expand by 1.3% in 2025, slowing to 0.9% growth in 2026. This will be accompanied by a period of weak employment growth, so the unemployment rate rises to average 5.1% in 2026 and 5% in 2027. A decline in the current elevated household savings rate at 10% will help cushion the impact of the fiscal adjustment. Inflation at 3.8% in September 2025 is expected to fall back to 2.2% by end-2026, helped by the build-up of spare capacity in the labour market and a deceleration in pay growth. This will allow the BOE room to cut the base rate by 50 basis points over the next 12-months to 3.5%. However, with affordability stretched house price inflation is expected to remain subdued over the forecast horizon, 1.5% in both 2025 and 2026 then rising towards 2.5%. In relation to CRE, activity is anticipated to be slightly more subdued, leading to slower price recovery.

Key features - Slightly lower growth near term, declining inflation, unemployment rising marginally over next few years before easing back, moderate house and CRE price gains.

Upside scenario
The Upside Scenario is a plausible scenario, representing a more favourable outlook than the central scenario. Econometric modelling shows that such a scenario has been a relatively frequent event. A qualitative description of how such a scenario as the upside scenario might emerge is as follows: The impact of US tariffs on global growth proves to be less negative than feared, while geopolitical tensions ease globally. These developments provide a boost to consumer and business confidence. UK exports are stronger than in the central scenario, as is investment, particularly FDI and business investment. In addition, new technologies, including AI, boost productivity growth. Stronger growth pushes unemployment down and it remains low throughout the forecast horizon. Better labour market conditions lead to stronger house price inflation, while CRE price growth is also more robust. The BOE increases policy interest rates to a greater degree than is assumed in the central scenario.

Key features - Smaller tariff impact, AI productivity boost, low unemployment, higher house price inflation.

Downside scenario 1
Downside 1 is a plausible scenario. Econometric modelling shows that in the past the quantum of such a negative shock has been a relatively frequent event. A qualitative description of how such a scenario as downside 1 might emerge is as follows: Following several years of strong gains - particularly for technology stocks - equity markets experience a correction, with stock prices falling materially. This is accompanied by stress in the global financial system more widely, with rising risk premia. These shocks lead to lower investment, particularly business investment related to new technologies such as AI, and dent global consumer and business confidence. In addition, US tariffs have a somewhat more negative impact on global trade than assumed in the central scenario. As a result of these shocks global growth slows. The public finances in the UK also come under strain, requiring fiscal consolidation. The UK economy falls into recession while unemployment rises. Spare capacity in labour and product markets leads to lower inflation, allowing the BOE to reduce policy interest rates. With weak labour market conditions in the UK, housing markets come under pressure and house prices fall. CRE markets are also weaker, and prices decline over the course of the next few years. Later in the forecast period the global economy rebounds – this along with supportive monetary policy leads to a pickup in growth while unemployment stabilises before starting to decline, and house and CRE prices begin to recover.

Key features - Financial market stress, weak growth, rising unemployment, house price declines.

Downside scenario 2
Downside 2 is a severe but plausible scenario. Econometric modelling shows that in the past the quantum of such a negative shock has been an infrequent, low probability event. A qualitative description of how such a scenario as downside 2 might emerge is as follows: After several years of strong gains, particularly for technology stocks, equity markets experience a prolonged correction and stock prices fall significantly. The risks associated with a rapidly deflating AI 'bubble' crystallise and while the epicentre would likely be the US, the significant exposure of major pension funds to US technology stocks impacts retirement savings and the cost and availability of finance for households and businesses. Asset prices fall on forced selling with a rapid liquidation of related assets which cascades into a broader financial crisis across global markets, with sharply rising risk premia in multiple asset classes. Emerging losses and defaults in the non-bank or 'shadow banking sector' compound the stresses across financial markets with some contagion to larger global banks. These shocks lead to much lower investment, particularly business investment related to new technologies such as AI, while negative wealth effects weigh on consumer spending. US tariffs also prove to have a much more negative impact on global trade than assumed in the central scenario. In addition, geopolitical tensions escalate further, including between the US and China, with negative implications for trade and supply chains, while energy prices rise. There is also a climate stress related rise in the price of carbon in Europe. These shocks lead to sharp declines in global consumer and business confidence and global growth slows sharply. The public finances in the UK also come under significant strain, requiring a large fiscal adjustment, while UK business investment declines sharply. In the near-term disruption to global trade and supply chains, and higher prices for carbon permits, pushes up inflation, leading central banks including the BOE to increase policy interest rates. The economy enters deep recessions and unemployment increases significantly, remaining high over the entire forecast period. Household finances are put under significant pressure, and this pushes house price inflation well into negative territory.

CRE markets are also significantly weaker, and prices decline sharply. Eventually inflation falls back, and monetary policy is eased significantly globally – as a result confidence rebounds and growth recovers. Economic activity starts to expand again, picking up towards the end of the forecast horizon, and unemployment stabilises before beginning to decline. House and CRE prices also begin to recover, albeit gradually.

2 Critical accounting estimates and judgements *(continued)*

Key features - Financial market stress from sharply deflating technology financial bubble, geopolitical tensions, climate stress, GDP/MDD declines, elevated unemployment, sharper house price declines.

Property Price Growth, all scenarios
In the central scenario, the UK experiences growth in 2025. Moderate growth of 1.5% comes as the UK continues to recover from a period of high mortgage rates and cost of living pressures. Growth will remain consistent at 2.5% growth per annum from 2028. Commercial prices will show a return to growth in 2025, at 1.0% before rising up to 3% by 2029 and maintaining that growth in 2030. Commercial prices across all sectors are expected to see growth bar leisure and office in 2025.

In the upside scenario, price growth will cool off after reaching over 4.5% in 2026-28, down to 3.6% in 2030. Commercial prices will see 3.5% growth in 2026 and will rise to a stable 4% growth by 2028.

In the downside 1 scenario, property prices will see a sharp reversal in growth, reaching a trough of -7.4% in 2026, before a quick recovery within two years to return to moderate growth by 2029-2030. Commercial prices will see further negative growth, dropping to -6.5% in 2026 before gradually returning to zero growth in 2029 and 2% growth by 2030.

In the downside 2 scenario, property prices will see a deeper negative price growth than in downside 1, reaching a trough of -11.6% in 2026 before a slower recovery into moderate growth in 2030. Commercial prices will also decline by further levels than downside 1, as far as -13.5% in 2026 before recovering to level growth in 2030.

The quantum of impairment loss allowance is impacted by the application of four probability weighted future macroeconomic scenarios. The following table indicates the approximate extent to which the impairment loss allowance at 31 December 2025, excluding post-model Group management adjustments to impairment loss allowances, was increased by virtue of applying multiple scenarios rather than only a central scenario. This analysis excludes post-model Group management adjustments, as such adjustments to impairment loss allowance are applied using management judgement outside of the macro-economic conditioned ECL model framework (refer to the Management Judgement in Impairment Measurement section below). The scenarios outlined in the following tables are based on the FLI weightings outlined on page 95.

Comparative figures as at 31 December 2024 are also outlined below (and in subsequent tables in this section). Changes in the figures as at 31 December 2025 compared to the previous reporting date reflect a number of inter-related dynamics including changes in forward-looking scenarios and associated probability weights; impairment model methodology updates since 31 December 2024; and the composition of the underlying portfolios at the respective reporting dates.

2025 **Impact of applying multiple scenarios rather than only a central scenario**	**Additional impairment loss allowance**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Impact £m	**Impact %**	**Impact £m**	**Impact %**	**Impact £m**	**Impact %**	**Impact £m**	**Impact %**
Residential mortgages	2.0	32%	4.0	68%	0.6	6%	6.6	29%
Non-property SME and corporate	0.6	19%	2.4	37%	0.1	1%	3.1	12%
Property and construction	0.3	34%	0.6	59%	–	1%	0.9	33%
Consumer	0.2	4%	0.1	4%	–	–	0.3	1%
Total	**3.1**	**18%**	**7.1**	**42%**	**0.7**	**2%**	**10.9**	**14%**

2024 **Impact of applying multiple scenarios rather than only a central scenario**	**Additional impairment loss allowance**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Impact £m	**Impact %**	**Impact £m**	**Impact %**	**Impact £m**	**Impact %**	**Impact £m**	**Impact %**
Residential mortgages	1.3	34%	3.0	70%	0.7	4%	5.0	19%
Non-property SME and corporate	0.6	17%	0.7	12%	–	–	1.3	6%
Property and construction	0.2	22%	0.7	31%	–	1%	0.9	25%
Consumer	0.2	4%	0.1	4%	–	–	0.3	1%
Total	**2.3**	**18%**	**4.5**	**29%**	**0.7**	**1%**	**7.5**	**10%**

2 Critical accounting estimates and judgements *(continued)*

The following table indicates the approximate extent to which impairment loss allowance, excluding Group management adjustments, would be higher or lower than reported were a 100% weighting applied to the central, upside and downside future macroeconomic scenarios respectively:

2025 Impact of applying single scenario rather than multiple probability weighted scenarios	Impact of applying multiple scenarios	Impact of applying the central scenario		Impact of applying the upside only scenario		Impact of applying the downside 1 only scenario		Impact of applying the downside 2 only scenario	
	Impairment loss allowance £m	Impairment loss allowance £m	Impact %	Impairment loss allowance £m	Impact %	Impairment loss allowance £m	Impact %	Impairment loss allowance £m	Impact %
Residential mortgages	29	(7)	(22%)	(10)	(32%)	91	314%	181	622%
Non-property SME and corporate	30	(3)	(10%)	(5)	(17%)	5	18%	18	65%
Property and construction	3	(1)	(25%)	(1)	(33%)	2	49%	7	168%
Consumer	28	–	(1%)	(1)	(4%)	1	3%	2	8%
Total	**90**	**(11)**	**(12%)**	**(17)**	**(19%)**	**99**	**113%**	**208**	**236%**

2024 Impact of applying single scenario rather than multiple probability weighted scenarios	Impact of applying multiple scenarios	Impact of applying the central scenario		Impact of applying the upside only scenario		Impact of applying the downside 1 only scenario		Impact of applying downside 2 only scenario	
	Impairment loss allowance £m	Impairment loss allowance £m	Impact %	Impairment loss allowance £m	Impact %	Impairment loss allowance £m	Impact %	Impairment loss allowance £m	Impact %
Residential mortgages	31	(5)	(16%)	(7)	(23%)	93	301%	159	514%
Non-property SME and corporate	27	(1)	(5%)	(2)	(9%)	3	15%	12	51%
Property and construction	4	(1)	(21%)	(2)	(34%)	2	44%	7	168%
Consumer	23	(1)	(1%)	(1)	(4%)	1	4%	2	9%
Total	**85**	**(8)**	**(9%)**	**(12)**	**(14%)**	**99**	**120%**	**180**	**218%**

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post-model Group management adjustments, would be higher or lower than the application of a central scenario if there was an immediate change in residential property prices as at the reporting date. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Group's impairment loss allowance for residential mortgages to a once-off change in residential property values.

2025 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Central scenario	Residential property price reduction of 10%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
	Impairment loss allowance £m	Impact £m	Impact %	Impact £m	Impact %	Impact £m	Impact %	Impact £m	Impact %
Residential mortgages	22	6	28%	3	12%	(3)	(13%)	(5)	(22%)
Total	**22**	**6**	**28%**	**3**	**12%**	**(3)**	**(13%)**	**(5)**	**(22%)**

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 31 December 2025 to Stage 2 would increase the Group’s impairment loss allowance by approximately £2.6 million excluding post-model management adjustments.

2 Critical accounting estimates and judgements *(continued)*

2024 Impact of an immediate change in residential property prices compared to central scenario impairment loss allowances	Central scenario Impairment loss allowance £m	Residential property price reduction of 10%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
		Impact £m	Impact %	Impact £m	Impact %	Impact £m	Impact %	Impact £m	Impact %
Residential mortgages	26	6	22%	2	7%	(4)	(15%)	(6)	(24%)
Total	**26**	**6**	**22%**	**2**	**7%**	**(4)**	**(15%)**	**(6)**	**(24%)**

Management Judgement in impairment measurement
Management judgement has been incorporated into the Group's impairment measurement process for 2025. Management judgement can be described with reference to:

- credit risk assessment for significant increase in credit risk;
- management judgement in impairment model parameters; and
- post-model Group management adjustments to impairment loss allowance and staging classification.

Credit risk assessment for tariff risk
Targeted evaluations of tariff related risks have been conducted within SME lending portfolios. Where exposures were identified as high risk, appropriate credit downgrades were applied, resulting in reclassification to Stage 2 or, where required, Stage 3.

Credit risk assessment for significant increase in credit risk
As outlined on page 48 of the Risk Management report, the Group considers other reasonable and supportable information that would not otherwise be taken into account that would indicate that a significant increase in credit risk had occurred. In this regard, at 31 December 2025 the Group has assessed the impact of elevated affordability risk including impacts on residential mortgage interest only maturities and the possible lag effect of higher interest rate pass through on residential mortgage customers rolling off fixed rate contracts.

Accordingly, credit risk assessments have been implemented within the residential mortgage portfolio. Where appropriate, outputs have been utilised to identify significant increases in credit risk and the classification of assets in stage 2.

Post-model management adjustment (PMAs)
To ensure that the measurement of impairment reflects 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 need for a PMA to the outputs of the Group's staging and impairment measurement methodologies is considered at each reporting date in arriving at the final impairment loss allowance. Such a need may arise, for example, due to a model limitation or a late breaking event.

At 31 December 2025, the Group's stock of impairment loss allowance of £94 million includes £4 million total post-model Group management adjustments (31 December 2024: £3 million). The table on the following page provides an overview of Group PMAs.

Post-model management adjustment for Climate Risk
The Group has considered the impact of physical and transitional climate-related risks on asset valuations within the residential mortgages portfolio.

The PMA was quantified through scenario analysis generated using the Parent's internal climate risk scenario analysis framework combined with external climate risk analysis. Accordingly, a £1.7 million (2024: £1.2 million) PMA has been recognised to reflect the estimated ECL impact of climate-related risks within the residential mortgages portfolio.

All of this PMA is recognised in the residential mortgages portfolio.

Post-model management adjustment for Loss Given Default in the residential mortgages portfolio
A £2.2 million PMA has been applied at 31 December 2025 to reflect the estimated impact of enhancements to the residential mortgage impairment models planned in 2026.

Accordingly, the Group considered that it was appropriate to recognise the estimate impact of these planned enhancements at 31 December 2025. The requirement for this adjustment is expected to expire upon the implementation of the residential mortgage impairment model updates in 2026.

2025 Impact of applying post model adjustments to the Impairment loss allowances	Modelled impairment loss allowances £m	Climate risk post model adjustment £m	LGD post model adjustment £m	Final impairment loss allowance £m
Residential mortgages	29	2	2	33
UK SME and property and construction portfolios	33	–	–	33
Consumer	28	–	–	28
Total	**90**	**2**	**2**	**94**

2 Critical accounting estimates and judgements *(continued)*

2024 Impact of applying post model adjustments to the Impairment loss allowances	Modelled impairment loss allowances £m	Investment property post model adjustment £m	Climate risk post model adjustment £m	Final impairment loss allowance £m
Residential mortgages	31	–	1	32
UK SME and property and construction portfolios	31	2	–	33
Consumer	23	–	–	23
Total	**85**	**2**	**1**	**88**

(b) Remaining expected life unwinding adjustment on acquired mortgages

Between 2012 and 2014 the Group acquired a number of tranches of mortgages from the Parent at fair value. These assets were initially recognised on the balance sheet at fair value plus transaction costs. The differential between the initial carrying value of the assets on acquisition and the principal balances is an adjustment unwinding to the income statement, as part of the effective interest rate of these assets, over their remaining expected lives. At 31 December 2025, the impact of this adjustment was to reduce the principal balances by £24 million (2024: £35 million).

Accounting estimates

Assumptions are used in relation to customer repayment estimates. These estimates are used to determine the expected lives of the relevant loans, and therefore impacts on the amount of interest income unwound and recognised in each financial year. In arriving at the expected lives and hence the amount of the unwind, a sensitivity analysis is carried out which considers the impact of various scenarios, as follows:

- a reduction in the rate of repayments, resulting in the expected life of the buy to let mortgage portfolio increasing by 3 months, would give rise to a reduction in interest income of c.£1.9 million being recognised in 2025 (2024: c. £2.5 million);
- an increase in the rate of repayments, resulting in the expected life of the buy to let mortgage portfolio shortening by 3 months, would give rise to an increase in interest income of c.£1.9 million being recognised in 2025 (2024: c.£2.5 million); and
- a continuation of the behavioural repayment rate in future years to that as experienced in the 12 months to 31 December 2025 of 19.3% (2024: 21.5%) would give rise to an increase in interest income of c.£2.6 million being recognised in 2025 (2024: c.£5.6 million).

Accounting judgements

The most significant judgement relating to this adjustment is applied to the timing of the unwind. The Directors acknowledge this judgement is impacted by the economic environment in which the Bank operates. This has become more uncertain with increased volatility in interest rate projections, with changing customer product and service expectations and accelerated transformation of the banking business models.

(c) Motor finance commissions

At 31 December 2025, in line with the requirements of IAS 37, the Group's provision has increased to £367 million (2024: £143 million) with an income statement charge of £232 million recognised, less operational costs of £8 million. The increase is due to the move from a multi scenario probability weighted approach, due to the material uncertainties which existed at December 2024, to a single scenario aligned with the final Policy Statement. This considers a wider population of agreements in scope, a higher level of compensatory interest payable, and an extended period of time from 2021 to 2024.

The provision represents the Group's best estimate of the redress and compensation payable to impacted customers, along with programme costs that may be incurred by the Group in connection with the FCA consumer redress scheme. It includes estimates for opt-in rates and operational costs.

In establishing the provision estimate, the Group has modelled a single scenario reflecting all requirements of the scheme as presented in the FCA policy statement, including but not limited to, the population of customers impacted and the redress calculations.

The average redress payment per customer, including compensatory interest is materially aligned to the FCA estimate of £829 quoted in the Policy Statement.

The key areas of estimation uncertainty are the population of impacted agreements, the percentage of eligible customers who opt-in to the scheme, and the operational costs of delivery.

Given the estimates described above, the ultimate financial impact could materially differ from the amount the Group has provided. For more detail on this, including information on assumptions and sensitivities, see note 31 Provisions.

3 Interest income

Included in interest income for the year ended 31 December 2025, is £7 million in respect of income earned by the Group on loans and advances to banks, relating to amounts placed with the Parent (2024: £12 million) and interest expense on hedging derivatives of £37 million which are also held with the Parent (2024: income of £50 million).

Other interest income includes £12 million (2024: £17 million) in relation to non-trading derivatives held with hedging intent, but for which hedge accounting is not applied (economic hedges), held with the Parent.

In 2025, £6 million of interest income was recognised on credit-impaired loans and advances to customers (2024: £12 million). In 2025, £8 million of interest income was received on credit-impaired loans and advances to customers (2024: £10 million).

Interest income also includes £11 million relating to the unwind of, and revisions to, fair value adjustments associated with mortgages acquired from the Parent in prior years (2024: £10 million).

For the year ended 31 December 2025, interest recognised on total forborne loans and advances to customers was £6 million (2024: £10 million).

Finance lease and hire purchase receivables interest income arises from the Northridge business.

Group	2025 £m	2024 £m
Financial assets measured at amortised cost		
Loans and advances to customers	543	642
Loans and advances to banks	110	137
Debt securities at amortised cost	31	17
Interest income on financial assets measured at amortised cost	**684**	**796**
Interest income calculated using the effective interest rate method	**684**	**796**
Other interest income		
Interest income on finance leases and hire purchase receivables	203	160
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	12	17
Interest income	**899**	**973**

4 Interest expense

Included in interest expense for the year ended 31 December 2025 is £115 million in respect of interest paid to the Parent on deposits, subordinated liabilities and interest on hedging derivatives (2024: £88 million).

Other interest expense includes £9 million (2024: £13 million) in relation to non-trading derivatives held with hedging intent, but for which hedge accounting is not applied (economic hedges), held with the Parent.

Group	2025 £m	2024 £m
Customer accounts	274	268
Deposits from banks	109	148
Subordinated liabilities	28	31
Debt securities in issue	21	20
Lease liabilities	1	1
Interest expense on financial liabilities measured at amortised cost	**433**	**468**
Interest expense calculated using the effective interest rate method	**433**	**468**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	9	13
Interest expense	**442**	**481**

5 Other leasing income and expense

Other leasing income and expense relate to the business activities of Marshall Leasing, which is a car and commercial leasing and fleet management business based in the UK. This business operates under NIIB Group Limited. Other leasing expense includes depreciation of £45 million related to vehicles leased under operating leases (2024: £42 million). See note 23.

Group	2025 £m	2024 £m
Other leasing income	104	92
Other leasing expense	(80)	(73)
Net leasing income	**24**	**19**

6 Fee and commission income and expense

	2025			2024		
Fee and commission income	GB Consumer Banking[1] £m	NI[2] £m	Total £m	GB Consumer Banking[1] £m	NI[2] £m	Total £m
Retail banking customer fees	–	26	26	–	27	27
Other fees received	2	3	5	2	3	5
Total	**2**	**29**	**31**	**2**	**30**	**32**

[1] GB Consumer Banking: offers mortgages and deposits through our agreement with the PO and other intermediaries.
[2] NI: offers a full service retail bank operating through a distribution network of branches and business centres and via direct channels. The Bank is also authorised to issue bank notes in NI.

No impairment losses were recognised in relation to the Group's receivables arising from contracts with customers in 2025 and 2024.

Fee and commission expense	2025 £m	2024 £m
Fee and commission expense - external	38	54
Fees paid to the Parent	12	13
Fee and commission expense	**50**	**67**

7 Net trading income / (expense)

Net trading income / (expense) from the Parent primarily comprises fair value movements on derivatives with the Parent.

Group Net trading income / (expense)	2025 £m	2024 £m
Financial instruments held for trading	12	17
Net hedge ineffectiveness	2	3
Net trading income / (expense)	**14**	**20**
Amounts include:		
Net trading (expense) / income from the Parent	(3)	24

Net ineffectiveness reflects a net gain from fair value hedged items of £22 million (2024: net charge of £10 million) offsetting a net charge from hedging instruments of £18 million (2024: net gain of £13 million) and a net ineffectiveness charge from cash flow hedges of £2 million (2024: £nil).

8 Other operating income

Group	2025 £m	2024 £m
Other operating income	–	2
Total other operating income	**–**	**2**

9 Operating expenses

Group Operating expenses	2025 £m	2024 £m
Administrative expenses		
Staff costs[1] (a)		
Wages and salaries	95	83
Social security costs	8	7
Other pension costs[2]	7	9
Total staff costs	**110**	**99**
Other administrative expenses (b)	301	207
Other administrative expenses – related parties (c)	71	73
Amortisation and depreciation	3	3
Impairment of RoU assets	–	–
Impairment of goodwill	–	–
Total operating expenses	**485**	**382**

[1] *Staff costs include amounts of £84 million (2024: £74 million) for wages and salaries, £7 million (2024: £6 million) for social security costs and £7 million (2024: £8 million) for other pension costs recorded in the Bank financial statements.*
[2] *Other pension costs include £2 million (2024: £1 million) in relation to the NIIB scheme which is accounted for as a defined benefit scheme (see note 33) with the balance relating to other schemes which are accounted for on a defined contribution basis.*

(a) Staff costs

Staff costs of £110 million (2024: £99 million) include all gross salaries, related social security costs, and pension contributions attributable to those employees directly employed by the Group and specified staff seconded to the Group from the Parent under various contractual arrangements. The monthly average number of staff (direct and seconded staff) was 1,634 (2024: 1,614), of which 842 (2024: 812) are directly employed by the Group. Refer to note 41 for details of compensation paid to key management personnel (KMP).

(b) Other administrative expenses

During the year, the Group recognised £232 million (2024: £143 million) customer redress charges in connection with historical commission arrangements in the Group's motor finance business. The Group's total provision held at 31 December 2025 amounted to £367 million (2024: £143 million) with an income statement charge of £232 million, reflecting an increase in the provision. The cumulative charge incurred by 31 December 2025 is £375 million. The provision represents the Group's best estimate of the redress and compensation payable to impacted customers, along with programme costs that may be incurred by the Group in connection with the FCA consumer redress scheme. It includes estimates for opt-in rates and operational costs. For more details see note 31 provisions.

(c) Other administrative expenses – related parties

Other administrative expenses are the costs incurred by the Group in relation to services provided by the Parent under a number of service level and other contractual agreements. These are comprised of services across a number of different activities and areas including, but not restricted to, product design, manufacture, distribution and management, customer service, and IT.

10 Auditors' remuneration

The Group's Board Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors. Audit related assurance services consist of fees in connection with accounting matters and regulatory compliance based work. It is the Group's policy to subject all major assignments to a competitive tender process. The audit fee is borne by the Parent on behalf of the Group.

Group	2025 £000's	2024 £000's
Fees payable for the audit of the Bank and Group financial statements	2,700	3,120
Audit of the Bank's subsidiaries pursuant to legislation	395	280
Audit related assurance services	35	30
Other assurance services	346	85
Auditors' remuneration	**3,476**	**3,515**

The fees above are payable to the Group's statutory auditor. Amounts represent both current year costs and prior year overruns.

11 Net impairment losses / (gains) on financial instruments

Group	2025 £m	2024 £m
Loans and advances to customers (note 19)	23	(9)
Cash recoveries	*(2)*	*(22)*
Movement in impairment losses / (gains)	*25*	*13*
Loan commitments (note 32)	2	1
Net impairment losses / (gains) on financial instruments	**25**	**(8)**

Loans and advances to customers at amortised cost

Net impairment losses / (gains)

The Group's net impairment losses / (gains) on loans and advances to customers at amortised cost is set out in this table.

Group	2025 £m	2024 £m
Residential mortgages	9	(5)
Non-property SME and corporate	3	(1)
Property and construction	(2)	(2)
Consumer	13	(1)
Total	**23**	**(9)**

In November 2025, the Group completed the sale of a portfolio of non-performing mortgage loans with a net carrying value of £74 million. Expected cash flows arising from the sale are included in the measurement of expected credit losses under IFRS 9, where certain conditions are met. As the transactions satisfied these conditions, the cash flows have been included in the impairment calculation. In 2025, the Group recognised an impairment loss of £1 million relating to the sale of these loans.

In December 2024, the Group completed the sale of a portfolio of non-performing personal loans with a net carrying value of £6.7 million. Expected cash flows arising from the sale are included in the measurement of expected credit losses under IFRS 9, where certain conditions are met. As the transactions satisfied these conditions, the cash flows have been included in the impairment calculation. The Group has recognised an impairment gain of £13.3 million relating to the sale of these loans.

12 Share of profit after tax of joint venture

This represents the Group's 50% share of profit after tax of its joint venture in FRESH with Post Office Limited. It is accounted for using the equity method of accounting. See note 21 for further information.

Group	2025 £m	2024 £m
First Rate Exchange Services Holdings Limited	22	24
Share of profit after tax of joint venture	**22**	**24**

13 Profit on sale of financial assets

In October 2024, the Group completed the sale of the performing personal loans portfolio with a net carrying value of £636 million. The sale resulted in a gain on disposal of £33 million after adjusting for transaction costs and other costs associated with migration of the portfolio.

14 Taxation charge

The effective tax rate for the year is 85% (tax credit) (2024: 27% (tax charge)). On an underlying profit basis, the effective tax rate is 22% (tax charge) (2024: 26% (tax charge)). The table on page 32 sets out a reconciliation from underlying profit to statutory loss.

Group	2025 £m	2024 £m
Current tax		
Current year (credit) / charge	(7)	27
Adjustment in respect of prior year	(1)	7
Total current taxation (credit) / charge	**(8)**	**34**
Deferred tax		
Current year (credit) / charge	(6)	13
Adjustment in respect of prior year	3	1
Total deferred taxation (credit) / charge	**(3)**	**14**
Taxation (credit) / charge	**(11)**	**48**

The Group is within the scope of the Organisation for Economic Cooperation and Development (OECD) 15% minimum effective tax rate Model Rules (Pillar 2). However, the impact of Pillar 2 on the current tax charge in the current period is nil as the UK jurisdiction is reflecting a loss under the new Rules and thus there is no impact for the Group. See Note 25 for further details

14 Taxation charge

This table shows a reconciliation of tax on the (loss) / profit before taxation, at the standard UK corporation tax rate, to the Group's actual tax (credit) / charge for the years ended 31 December 2025 and 31 December 2024.

Group	2025 £m	2024 £m
(Loss) / Profit before taxation	**(12)**	**181**
Multiplied by the standard rate of Corporation tax in UK of 25% (2024: 25%)	(4)	45
Effects of:		
Adjustment in respect of prior year	2	8
Impact of UK banking surcharge	–	3
Share of results of joint venture after tax in the income statement	(6)	(6)
Non-taxable income on the unwind of fair value adjustments on acquired mortgages (see page 100)	(3)	(3)
Tax credit on AT1 coupon	(2)	(2)
Other	2	3
Taxation (credit) / charge	**(11)**	**48**

15 Cash and cash equivalents

	Group		Bank	
Cash and cash equivalents	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**
Cash	26	32	26	32
Balances at central banks	2,280	2,037	2,280	2,037
Less impairment loss allowance on cash and balances at central banks[1]	–	–	–	–
Total cash balances included in cash and cash equivalents	**2,306**	**2,069**	**2,306**	**2,069**
Loans and advances to banks	1,157	1,171	1,132	1,144
Less: amounts with a maturity of three months or more	(93)	(125)	(93)	(125)
Total loans and advances to banks included in cash and cash equivalents	**1,064**	**1,046**	**1,039**	**1,019**
Total cash and cash equivalents	**3,370**	**3,115**	**3,345**	**3,088**
Due from the Parent	267	251	266	251

[1] The impairment loss allowance for Group and Bank is £0.3 million (2024: £0.3 million). This relates to 12 month ECL not credit-impaired.

16 Derivative financial instruments

The Group's utilisation of objectives and policies in relation to managing the risks that arise in connection with derivatives, are included in the Risk Management section, on pages 41 to 55. The notional amounts of certain types of financial instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments become assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

The Group holds certain derivatives with the Parent principally for interest rate risk management. The Group has applied hedge accounting to the majority of these derivatives, which are classified as held for hedging in the following table.

The Group also holds certain derivatives entered into with economic hedging intent to which hedge accounting is not applied and these are considered to be held for trading in the table below. These primarily include foreign exchange forward contracts with customers, with a corresponding foreign exchange contract to hedge foreign exchange risk with the Parent.

16 Derivative financial instruments *(continued)*

As set out in the risk management policy on page 45, the Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of £70 million at 31 December 2025 (2024: £179 million):

- £68 million (2024: £175 million) are available for offset against derivative liabilities under CSA and ISDA standard documentation. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities. At 31 December 2025, cash collateral of £153 million was placed against these liabilities (2024: £99 million placed) and is reported in loans and advances to banks (note 17); and
- £2 million (2024: £4 million) are not covered under CSA and ISDA standard documentation.

Group & Bank Derivatives held for trading	2025 Contract notional amounts £m	2025 Fair values Assets £m	2025 Fair values Liabilities £m	2024 Contract notional amounts £m	2024 Fair values Assets £m	2024 Fair values Liabilities £m
Foreign exchange derivatives						
Currency forwards	194	1	1	344	2	5
Currency forwards – with the Parent	218	1	1	210	4	1
Currency swaps	317	1	1	235	2	5
Currency swaps - with the Parent	210	1	1	257	4	1
Total foreign exchange derivatives held for trading	**939**	**4**	**4**	**1,046**	**12**	**12**
Interest rate derivatives						
Interest rate swaps - with the Parent	2,848	5	10	2,951	16	15
Cross currency interest rate swaps - with the Parent	97	–	–	91	–	–
Total interest rate derivatives held for trading[1]	**2,945**	**5**	**10**	**3,042**	**16**	**15**
Total derivatives held for trading	**3,884**	**9**	**14**	**4,088**	**28**	**27**
Derivatives held as fair value hedges						
Interest rate swaps - with the Parent	11,008	49	146	9,240	125	169
Derivatives held as cash flow hedges						
Interest rate swaps - with the Parent	3,796	12	63	3,111	26	97
Total derivative assets / liabilities held for hedging	**14,804**	**61**	**209**	**12,351**	**151**	**266**
Total derivative assets / liabilities	**18,688**	**70**	**223**	**16,439**	**179**	**293**

[1] *Derivatives held for trading comprise derivatives with economic hedging intent to which the Group does not apply hedge accounting.*

Hedge accounting

In applying hedge accounting, the Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships.

The timing of the nominal amounts (excluding those subject to a dynamic macro-hedging process) and the applicable average rates were as follows:

Hedging Strategy	Risk Category	Hedging Instrument	2025 Up to 1 year £m	2025 1-2 years £m	2025 2-5 years £m	2025 >5 years £m	2024 Up to 1 year £m	2024 1-2 years £m	2024 2-5 years £m	2024 >5 years £m
Fair Value Hedge	Interest Rate Risk	Interest rate swap	–	–	312	240	20	–	140	30
		Average fixed interest rate	–	–	2.58%	4.10%	0.05%	–	0.78%	3.99%
Cash Flow Hedge	Interest Rate Risk	Interest rate swap	435	895	1,766	700	190	440	2,041	440
		Average fixed interest rate	4.22%	3.37%	2.97%	3.84%	4.45%	4.26%	2.98%	3.82%

16 Derivative financial instruments *(continued)*

Fair value hedges

Certain interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate exposure on the Group's fixed rate financial assets and liabilities.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year are shown in the table below:

Group & Bank Risk Category	Hedging Instrument[1]	Nominal amount of the hedging instrument £m	Carrying amount of the hedging instrument		Changes in value used to calculate hedge ineffectiveness[2] £m	Ineffectiveness recognised in profit or loss[2] £m
			Assets £m	Liabilities £m		
2025						
Interest rate risk	Interest rate swaps	11,008	49	(146)	(18)	4
2024						
Interest rate risk	Interest rate swaps	9,240	125	(169)	13	3

[1] All hedging instruments are included within derivative financial instruments on the balance sheet.
[2] Ineffectiveness is included within net trading income / (expense) on the income statement.

The main cause of ineffectiveness in the Group's fair value hedge relationships are differences in maturities and fixed interest rates between certain interest rate swaps and their related hedged items.

In the table above, 'changes in value used to calculate hedge ineffectiveness' include changes in the fair value of the hedging instruments in portfolio fair value hedges of interest rate risk, and in the table below, they include changes in value for loans and advances to customers and customer accounts that are hedged items in portfolio fair value hedges of interest rate risk.

Group & Bank Risk Category	Line item on the balance sheet in which the hedged item is included	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Changes in value used for calculating hedge ineffectiveness £m	Remaining adjustments for discontinued hedges £m
		Assets £m	Liabilities £m	Assets £m	Liabilities £m		
2025							
Interest rate risk	Debt securities at amortised cost	546	–	(7)	–	12	–
	Loans and advances to customers	7,778	–	–	–	70	–
	Customer accounts	–	3,009	–	–	(60)	(1)
Total		**8,324**	**3,009**	**(7)**	**–**	**22**	**(1)**
2024							
Interest rate risk	Debt securities at amortised cost	173	–	(19)	–	1	(1)
	Loans and advances to customers	6,605	–	–	–	31	(12)
	Customer accounts	–	2,764	–	–	(43)	1
Total		**6,778**	**2,764**	**(19)**	**–**	**(11)**	**(12)**

16 Derivative financial instruments *(continued)*

Cash flow hedges

The Group designates certain interest rate derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness for the year are as follows.

Risk Category	Hedging Instrument[1]	Nominal amount of the hedging instrument £m	Carrying amount of the hedging instrument Assets £m	Carrying amount of the hedging instrument Liabilities £m	Changes in value used for calculating hedge in-effectiveness £m	Changes in the value of the hedging instrument recognised in other comprehensive income £m	In-effectiveness recognised in profit or loss £m	Amount reclassified from the cash flow hedge reserve to profit or loss £m
2025 Interest rate risk	Interest rate swaps	3,796	12	(63)	(10)	8	(2)	(1)
2024 Interest rate risk	Interest rate swaps	3,111	26	(97)	(23)	23	–	21

Group & Bank	2025 Changes in the hedged risk used for calculating hedge ineffectiveness £m	2025 Cash flow hedge reserve £m	2025 Remaining adjustments for discontinued hedges £m	2024 Changes in the hedged risk used for calculating hedge ineffectiveness £m	2024 Cash flow hedge reserve £m	2024 Remaining adjustments for discontinued hedges £m
Interest rate risk	8	30	36	23	46	45
Foreign exchange risk	–	–	–	–	–	–
Total	**8**	**30**	**36**	**23**	**46**	**45**

This table below shows a reconciliation of the movements in the cash flow hedge reserve for 2025 and 2024.

Group	2025 £m	2024 £m
Changes in fair value		
Interest rate risk	25	2
Transfer to income statement		
Interest income		
Interest rate risk	17	18
Net trading income / (expense)		
Interest rate risk	(18)	3
Deferred tax on reserve movements	(7)	(6)
Net change in cash flow hedge reserve	**17**	**17**

In 2025 and 2024, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur. Movements in the cash flow hedge reserve are shown in the Consolidated statement of changes in equity (see page 79).

17 Loans and advances to banks

Loans and advances to banks are classified as financial assets at amortised cost. The associated impairment loss allowance on loans and advances to banks is measured on a 12 month and lifetime ECL approach.

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Placements with other banks	350	341	325	314
Mandatory deposits with central banks	807	830	807	830
	1,157	**1,171**	**1,132**	**1,144**
Less impairment loss allowance on loans and advances to banks	–	–	–	–
Loans and advances to banks at amortised cost	**1,157**	**1,171**	**1,132**	**1,144**
Loans and advances to banks at fair value through profit or loss	–	–	–	–
Total loans and advances to banks	**1,157**	**1,171**	**1,132**	**1,144**
Amounts include:				
Due from the Parent	267	251	266	251

Amounts due from the Parent, which are included within placements with other banks in the above table, arise from transactions with the Parent, which primarily relates to the management of the Group's interest rate risk position. Amounts due to the Parent are also disclosed in note 26. From a counterparty credit risk perspective, while these two amounts are disclosed on a gross basis, the Group has in place a contractual Master Netting Agreement with the Parent, whereby, in the event of default of either party, all amounts due or payable will be settled immediately on a net basis.

Represented in mandatory deposits with central banks is an amount of £807 million relating to collateral with the BOE in respect of notes in circulation (2024: £830 million). £468 million of this relates to non-interest bearing collateral (2024: £466 million).

All loans and advances to banks for Group and Bank are Stage 1.

18 Debt securities at amortised cost

The following table details the significant categories of debt securities at amortised cost.

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Government bonds	354	113	354	113
Other debt securities at amortised cost	527	363	527	363
Less impairment loss allowance	–	–	–	–
Debt securities at amortised cost	**881**	**476**	**881**	**476**

18 Debt securities at amortised cost *(continued)*

The following table shows the movement in debt securities at amortised cost for the year ended 31 December 2025. All debt securities at amortised cost were stage 1 (12 month ECL not credit-impaired) throughout the year ended 31 December 2025.

Group & Bank **2025** **Gross carrying amount** **(before impairment loss allowance)**	**Total** **£m**
Closing balance 31 December 2024	476
Additions	461
Redemptions, repayments and disposals	(69)
Measurement reclassification and other movements	13
Gross carrying amount at 31 December 2025	**881**

19 Loans and advances to customers

	Group		**Bank**	
	2025 **£m**	**2024** **£m**	**2025** **£m**	**2024** **£m**
Loans and advances to customers at amortised cost	11,710	11,670	14,909	14,393
Finance leases and hire purchase receivables (see below)	3,088	2,609	–	–
Less impairment loss allowance on loans and advances to customers	(94)	(88)	(63)	(63)
Total loans and advances to customers[1, 2]	**14,704**	**14,191**	**14,846**	**14,330**
Amounts include:				
Due from subsidiaries	–	–	3,257	2,761
Due from entities controlled by the Parent	12	10	7	7
Finance leases and hire purchase receivables				
Gross investment in finance leases:				
Not later than 1 year	908	760	–	–
Later than 1 year and not later than 5 years	2,599	2,195	–	–
Later than 5 years	9	12	–	–
	3,516	**2,967**	**–**	**–**
Unearned future finance income on finance leases	(428)	(358)	–	–
Net investment in finance leases	**3,088**	**2,609**	**–**	**–**
Not later than 1 year	797	668	–	–
Later than 1 year and not later than 5 years	2,282	1,930	–	–
Later than 5 years	9	11	–	–
	3,088	**2,609**	**–**	**–**

[1] At 31 December 2025, loans and advances to customers included £1,045 million (2024: £334 million) of residential mortgage balances that had been securitised but not derecognised. Refer to note 42.
[2] At 31 December 2025, loans and advances to customers included a mortgage EIR asset valued at £30 million (2024: £31 million).

During 2025 the Group completed the sale of a portfolio of non-performing loans whereby it derecognised £74 million of loans and advances to customers (after an ILA of £8 million). The portfolio had a gross carrying value of £82 million. All loans included in the transaction have been derecognised from the balance sheet. The Group has recognised an impairment loss of £1 million related to the disposal of these loans which has been reported through net impairment losses / gains on financial instruments.

During 2024, the Group completed transactions whereby it derecognised £643 million of loans and advances to customers, (including accrued interest of c.£3 million) as follows:

- In October 2024, the Group completed the sale of the performing personal loans portfolio with a net carrying value of £636 million (including accrued interest).
- In December 2024, the Group completed the sale of a portfolio of non-performing personal loans with a net carrying value of c.£7 million (including accrued interest).

19 Loans and advances to customers *(continued)*

Included within loans and advances to customers is £50 million (2024: £107 million) of lending in relation to the UK government-backed BBLS and CBILS schemes. An ECL of c.£3 million (2024: c.£7 million) is excluded from these loans as they are subject to a government guarantee however an ECL of c.£1 million (2024: c.£1 million) was recognised in the impairment loss allowance which reflects the risk that there may be some exposures where the bank might not be able to call on the government guarantee. The bank has sought to mitigate this risk through extending the scheme to existing customers only.

The following tables show the gross carrying amount, the movement in the gross carrying amount, impairment loss allowances and movement in impairment loss allowances subject to 12 months and lifetime ECL on loans and advances to customers at amortised cost.

Transfers between stages represent the migration of loans from Stage 1 to Stage 2 following a 'significant increase in credit risk' or to Stage 3 as loans enter defaulted status. Conversely, improvement in credit quality and loans exiting default result in loans migrating in the opposite direction. The approach taken to identify a 'significant increase in credit risk' and identifying defaulted and credit-impaired assets is outlined in the credit risk section of the Risk Management Report on page 45 and the Group accounting policies note on page 85 with updates for 2025 outlined in the Credit Risk section of the Risk Management Report on pages 44 to 48.

Group **2025** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages £m**	**Non -property SME and corporate £m**	**Commercial property and construction £m**	**Consumer £m**	**Total £m**
Stage 1 - 12 month ECL (not credit impaired)	9,844	890	146	2,529	13,409
Stage 2 - Lifetime ECL (not credit impaired)	829	219	53	109	1,210
Stage 3 - Lifetime ECL (credit impaired)	77	48	8	46	179
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2025	**10,750**	**1,157**	**207**	**2,684**	**14,798**

Group **2024** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages £m**	**Non -property SME and corporate £m**	**Commercial property and construction £m**	**Consumer £m**	**Total £m**
Stage 1 - 12 month ECL (not credit impaired)	9,913	1,040	126	2,034	13,113
Stage 2 - Lifetime ECL (not credit impaired)	571	174	72	84	901
Stage 3 - Lifetime ECL (credit impaired)	155	64	5	41	265
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2024	**10,639**	**1,278**	**203**	**2,159**	**14,279**

Group **2025** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) £m**	**Stage 2 - Lifetime ECL (not credit-impaired) £m**	**Stage 3 - Lifetime ECL (credit-impaired) £m**	**Purchased / originated credit-impaired £m**	**Total gross carrying amount £m**
Opening balance 1 January 2025	13,113	901	265	–	14,279
Total net transfers	(602)	504	98	–	–
To 12-month ECL not credit-impaired	*825*	*(825)*	–	–	–
To lifetime ECL not credit-impaired	*(1,386)*	*1,427*	*(41)*	–	–
To lifetime ECL credit-impaired	*(41)*	*(98)*	*139*	–	–
Net changes in exposure	887	(196)	(161)	–	530
Impairment loss allowances utilised[1]	–	–	(23)	–	(23)
Measurement reclassification and other movements	11	1	–	–	12
Gross carrying amount at 31 December 2025	**13,409**	**1,210**	**179**	**–**	**14,798**

[1] *Impairment loss allowance utilised on loans and advances to customers at amortised cost includes £nil (2024: £26 million) of contractual amounts outstanding that are still subject to enforcement activity.*

19 Loans and advances to customers *(continued)*

Group 2024 Gross carrying amount at amortised cost (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) £m	Stage 2 - Lifetime ECL (not credit-impaired) £m	Stage 3 - Lifetime ECL (credit-impaired) £m	Purchased / originated credit-impaired £m	Total gross carrying amount £m
Opening balance 1 January 2024	12,501	1,502	296	–	14,299
Total net transfers	40	(134)	94	–	–
To 12-month ECL not credit-impaired	*1,204*	*(1,204)*	–	–	–
To lifetime ECL not credit-impaired	*(1,120)*	*1,192*	*(72)*	–	–
To lifetime ECL credit-impaired	*(44)*	*(122)*	*166*	–	–
Net changes in exposure	574	(467)	(88)	–	19
Impairment loss allowances utilised[1,2]	–	–	(37)	–	(37)
Measurement reclassification and other movements	(2)	–	–	–	(2)
Gross carrying amount at 31 December 2024	**13,113**	**901**	**265**	**–**	**14,279**

[1] *Impairment loss allowance utilised on loans and advances to customers at amortised cost includes £nil (2024: £26 million) of contractual amounts outstanding that are still subject to enforcement activity.*
[2] *For certain Consumer portfolios of NPE's, where there is no reasonable expectation of recovery, impairment loss allowances of £40 million have been utilised, thus reducing the gross carrying amount of a population of Stage 3 loans.*

Group 2025 Impairment loss allowance	Residential mortgages £m	Non -property SME and corporate £m	Commercial property and construction £m	Consumer £m	Total £m
Stage 1 - 12 month ECL (not credit impaired)	10	4	1	7	22
Stage 2 - Lifetime ECL (not credit impaired)	12	13	1	4	30
Stage 3 - Lifetime ECL (credit impaired)	11	13	1	17	42
Purchased / originated credit-impaired	–	–	–	–	–
Impairment loss allowance at 31 December 2025	**33**	**30**	**3**	**28**	**94**

Group 2024 Impairment loss allowance	Residential mortgages £m	Non -property SME and corporate £m	Commercial property and construction £m	Consumer £m	Total £m
Stage 1 - 12 month ECL (not credit impaired)	6	5	1	5	17
Stage 2 - Lifetime ECL (not credit impaired)	7	8	4	4	23
Stage 3 - Lifetime ECL (credit impaired)	19	14	1	14	48
Purchased / originated credit-impaired	–	–	–	–	–
Impairment loss allowance at 31 December 2024	**32**	**27**	**6**	**23**	**88**

19 Loans and advances to customers *(continued)*

Group 2025 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) £m	Stage 2 - Lifetime ECL (not credit-impaired) £m	Stage 3 - Lifetime ECL (credit-impaired) £m	Purchased / originated credit-impaired £m	Total gross carrying amount £m
Opening balance 1 January 2025	17	23	48	–	88
Total net transfers	12	(13)	1	–	–
To 12-month ECL not credit-impaired	*16*	*(16)*	*–*	–	–
To lifetime ECL not credit-impaired	*(4)*	*9*	*(5)*	–	–
To lifetime ECL credit-impaired	*–*	*(6)*	*6*	–	–
Net impairment (gains) / losses in income statement	(7)	20	12	–	25
Re-measurement	*(24)*	*21*	*29*	–	*26*
Net changes in exposure	*14*	*(7)*	*(16)*	–	*(9)*
ECL model parameter and / or methodology changes	*3*	*6*	*(1)*	–	*8*
Impairment loss allowances utilised	–	–	(23)	–	(23)
Measurement reclassification and other movements	–	–	4	–	4
Impairment loss allowance at 31 December 2025	**22**	**30**	**42**	**–**	**94**

Group 2024 Impairment loss allowance	Stage 1 - 12 month ECL (not credit-impaired) £m	Stage 2 - Lifetime ECL (not credit-impaired) £m	Stage 3 - Lifetime ECL (credit-impaired) £m	Purchased / originated credit-impaired £m	Total gross carrying amount £m
Opening balance 1 January 2024	40	66	45	–	151
Total net transfers	14	(17)	3	–	–
To 12-month ECL not credit-impaired	*18*	*(18)*	*–*	–	–
To lifetime ECL not credit-impaired	*(3)*	*11*	*(8)*	–	–
To lifetime ECL credit-impaired	*(1)*	*(10)*	*11*	–	–
Net impairment (gains) / losses in income statement	(17)	(9)	29	–	3
Re-measurement	*(21)*	*8*	*51*	–	*38*
Net changes in exposure	*3*	*(16)*	*(20)*	–	*(33)*
ECL model parameter and / or methodology changes	*1*	*(1)*	*(2)*	–	*(2)*
Impairment loss allowances utilised[1]	–	–	(37)	–	(37)
Measurement reclassification and other movements	(20)	(17)	8	–	(29)
Impairment loss allowance at 31 December 2024	**17**	**23**	**48**	**–**	**88**

[1] *For certain Consumer portfolios of NPE's, where there is no reasonable expectation of recovery, impairment loss allowances of £40 million have been utilised, thus reducing the gross carrying amount of a population of Stage 3 loans.*

19 Loans and advances to customers *(continued)*

Bank **2025** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages £m**	**Non -property SME and corporate £m**	**Commercial property and construction £m**	**Consumer £m**	**Total £m**
Stage 1 - 12 month ECL (not credit impaired)	9,844	3,695	146	–	13,685
Stage 2 - Lifetime ECL (not credit impaired)	829	213	53	–	1,095
Stage 3 - Lifetime ECL (credit impaired)	77	44	8	–	129
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2025	**10,750**	**3,952**	**207**	**–**	**14,909**

Bank **2024** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Residential mortgages £m**	**Non -property SME and corporate £m**	**Commercial property and construction £m**	**Consumer £m**	**Total £m**
Stage 1 - 12 month ECL (not credit impaired)	9,913	3,323	126	–	13,362
Stage 2 - Lifetime ECL (not credit impaired)	571	167	72	–	810
Stage 3 - Lifetime ECL (credit impaired)	155	61	5	–	221
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2024	**10,639**	**3,551**	**203**	**–**	**14,393**

Bank **2025** **Gross carrying amount at amortised cost (before impairment loss allowance)**	**Stage 1 - 12 month ECL (not credit-impaired) £m**	**Stage 2 - Lifetime ECL (not credit-impaired) £m**	**Stage 3 - Lifetime ECL (credit-impaired) £m**	**Purchased / originated credit-impaired £m**	**Total gross carrying amount £m**
Opening balance 1 January 2025	13,362	810	221	–	14,393
Total net transfers	(531)	467	64	–	–
To 12-month ECL not credit-impaired	*825*	*(825)*	–	–	–
To lifetime ECL not credit-impaired	*(1,341)*	*1,378*	*(37)*	–	–
To lifetime ECL credit-impaired	*(15)*	*(86)*	*101*	–	–
Net changes in exposure	841	(182)	(145)	–	514
Impairment loss allowances utilised[1]	–	–	(11)	–	(11)
Measurement reclassification and other movements	13	–	–	–	13
Gross carrying amount at 31 December 2025	**13,685**	**1,095**	**129**	**–**	**14,909**

[1] *Impairment loss allowances utilised on loans and advances to customers at amortised cost includes £nil (2024: £26 million) of contractual amounts outstanding that are still subject to enforcement activity.*

19 Loans and advances to customers *(continued)*

Bank 2024 Gross carrying amount at amortised cost (before impairment loss allowance)	Stage 1 - 12 month ECL (not credit-impaired) £m	Stage 2 - Lifetime ECL (not credit-impaired) £m	Stage 3 - Lifetime ECL (credit-impaired) £m	Purchased / originated credit-impaired £m	Total gross carrying amount £m
Opening balance 1 January 2024	13,018	1,126	258	–	14,402
Total net transfers	(92)	32	60	–	–
To 12-month ECL not credit-impaired	*1,014*	*(1,014)*	*–*	–	–
To lifetime ECL not credit-impaired	*(1,084)*	*1,153*	*(69)*	–	–
To lifetime ECL credit-impaired	*(22)*	*(107)*	*129*	–	–
Net changes in exposure	434	(348)	(70)	–	16
Impairment loss allowances utilised[1,2]	–	–	(27)	–	(27)
Measurement reclassification and other movements	2	–	–	–	2
Gross carrying amount at 31 December 2024	**13,362**	**810**	**221**	**–**	**14,393**

[1] Impairment loss allowances utilised on loans and advances to customers at amortised cost includes £nil (2024: £26 million) of contractual amounts outstanding that are still subject to enforcement activity.
[2] For certain Consumer portfolios of NPE's, where there is no reasonable expectation of recovery, impairment loss allowances of £40 million have been utilised, thus reducing the gross carrying amount of a population of Stage 3 loans.

Bank 2025 Impairment loss allowance	Residential mortgages £m	Non -property SME and corporate £m	Commercial property and construction £m	Consumer £m	Total £m
Stage 1 - 12 month ECL (not credit impaired)	10	3	1	–	14
Stage 2 - Lifetime ECL (not credit impaired)	12	13	1	–	26
Stage 3 - Lifetime ECL (credit impaired)	11	11	1	–	23
Purchased / originated credit-impaired	–	–	–	–	–
Impairment loss allowance at 31 December 2025	**33**	**27**	**3**	**–**	**63**

Bank 2024 Impairment loss allowance	Residential mortgages £m	Non -property SME and corporate £m	Commercial property and construction £m	Consumer £m	Total £m
Stage 1 - 12 month ECL (not credit impaired)	6	4	1	–	11
Stage 2 - Lifetime ECL (not credit impaired)	7	8	4	–	19
Stage 3 - Lifetime ECL (credit impaired)	19	13	1	–	33
Purchased / originated credit-impaired	–	–	–	–	–
Impairment loss allowance at 31 December 2024	**32**	**25**	**6**	**–**	**63**

19 Loans and advances to customers *(continued)*

Bank **2025** **Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) £m**	**Stage 2 - Lifetime ECL (not credit-impaired) £m**	**Stage 3 - Lifetime ECL (credit-impaired) £m**	**Purchased / originated credit-impaired £m**	**Total gross carrying amount £m**
Opening balance 1 January 2025	11	19	33	–	63
Total net transfers	12	(12)	–	–	–
To 12-month ECL not credit-impaired	*16*	*(16)*	–	–	–
To lifetime ECL not credit-impaired	*(4)*	*8*	*(4)*	–	–
To lifetime ECL credit-impaired	–	*(4)*	*4*	–	–
Net impairment (gains) / losses in income statement	(9)	19	(2)	–	8
Re-measurement	*(24)*	*19*	*7*	–	*2*
Net changes in exposure	*13*	*(7)*	*(8)*	–	*(2)*
ECL model parameter and / or methodology changes	*2*	*7*	*(1)*	–	*8*
Impairment loss allowances utilised	–	–	(10)	–	(10)
Measurement reclassification and other movements	–	–	2	–	2
Impairment loss allowance at 31 December 2025	**14**	**26**	**23**	**–**	**63**

Bank **2024** **Impairment loss allowance**	**Stage 1 - 12 month ECL (not credit-impaired) £m**	**Stage 2 - Lifetime ECL (not credit-impaired) £m**	**Stage 3 - Lifetime ECL (credit-impaired) £m**	**Purchased / originated credit-impaired £m**	**Total gross carrying amount £m**
Opening balance 1 January 2024	37	60	32	–	129
Total net transfers	13	(16)	3	–	–
To 12-month ECL not credit-impaired	*17*	*(17)*	–	–	–
To lifetime ECL not credit-impaired	*(3)*	*10*	*(7)*	–	–
To lifetime ECL credit-impaired	*(1)*	*(9)*	*10*	–	–
Net impairment (gains) / losses in income statement	(19)	(8)	18	–	(9)
Re-measurement	*(21)*	*6*	*32*	–	*17*
Net changes in exposure	*2*	*(15)*	*(10)*	–	*(23)*
ECL model parameter and / or methodology changes	–	*1*	*(4)*	–	*(3)*
Impairment loss allowances utilised[1]	–	–	(27)	–	(27)
Measurement reclassification and other movements	(20)	(17)	7	–	(30)
Impairment loss allowance at 31 December 2024	**11**	**19**	**33**	**–**	**63**

[1] For certain Consumer portfolios of NPE's, where there is no reasonable expectation of recovery, impairment loss allowances of £40 million have been utilised, thus reducing the gross carrying amount of a population of Stage 3 loans.

19 Loans and advances to customers *(continued)*

Modified financial assets

The following table provides analysis of financial assets in stage 2 and stage 3, for which the contractual cash flows have been modified, and where the modification did not result in derecognition.

The Group recognised a modification loss of £nil during the year ended 31 December 2025 (2024: £nil).

	2025 £m	2024 £m
Financial assets modified during the period		
Amortised cost before modification	40	38
Financial assets modified since initial recognition		
Gross carrying amount of financial assets for which impairment loss allowance has changed from lifetime to 12 month ECL during the year as at 31 December	9	18

20 Credit risk exposures

The following disclosures provide quantitative information about credit risk within financial instruments held by the Group. Details of the credit risk methodologies are set out on pages 45 to 48.

In addition to credit risk, the primary risks affecting the Group through its use of financial instruments are: liquidity and funding risk and market risk. The Group's approach to the management of these risks, together with its approach to capital management, that form part of these financial statements are set out in the sections marked audited in the Risk Management Report included on pages 41 to 55.

The table below illustrates the relationship between the Group's internal credit risk rating grades as used for credit risk management purposes and Probability of Default (PD) percentages, and further illustrates the indicative relationship with credit risk ratings used by external rating agencies.

Internal credit risk ratings		
PD Grade	**PD %**	**Indicative S&P type external ratings**
1-4	0% ≤ PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB
5-7	0.26% ≤ PD < 1.45%	BBB-, BB+, BB, BB-
8-9	1.45% ≤ PD < 3.60%	B+
10-11	3.60% ≤ PD < 100%	B, Below B
12 (credit-impaired)	100%	n/a

Financial assets

Composition and risk profile

The table below summarises the composition and risk profile of the Group's financial assets subject to impairment.

Group 2025 Financial asset exposure by stage (before impairment loss allowance)	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	13,409	1,210	179	–	14,798
Loans and advances to banks	1,157	–	–	–	1,157
Debt securities	881	–	–	–	881
Other financial assets[1]	2,402	–	–	–	2,402
Total financial assets measured at amortised cost	**17,849**	**1,210**	**179**	**–**	**19,238**

[1] *Other financial assets includes cash and balances at central banks and items in the course of collection from other banks.*

20 Credit risk exposures *(continued)*

Group 2024 Financial asset exposure by stage (before impairment loss allowance)	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	13,113	901	265	–	14,279
Loans and advances to banks	1,171	–	–	–	1,171
Debt securities	476	–	–	–	476
Other financial assets[1]	2,136	–	–	–	2,136
Total financial assets measured at amortised cost	**16,896**	**901**	**265**	**–**	**18,062**

[1] *Other financial assets includes cash and balances at central banks and items in the course of collection from other banks.*

Bank 2025 Financial asset exposure by stage (before impairment loss allowance)	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	13,685	1,095	129	–	14,909
Loans and advances to banks	1,132	–	–	–	1,132
Debt securities	881	–	–	–	881
Other financial assets[1]	2,402	–	–	–	2,402
Total financial assets measured at amortised cost	**18,100**	**1,095**	**129**	**–**	**19,324**

[1] *Other financial assets includes cash and balances at central banks and items in the course of collection from other banks.*

Bank 2024 Financial asset exposure by stage (before impairment loss allowance)	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	13,362	810	221	–	14,393
Loans and advances to banks	1,144	–	–	–	1,144
Debt securities	476	–	–	–	476
Other financial assets[1]	2,136	–	–	–	2,136
Total financial assets measured at amortised cost	**17,118**	**810**	**221**	**–**	**18,149**

[1] *Other financial assets includes cash and balances at central banks and items in the course of collection from other banks.*

20 Credit risk exposures *(continued)*

Impairment loss allowance
The impairment loss allowance on financial assets is set out in the tables below.

Group 2025 Impairment loss allowance on financial assets	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	22	30	42	–	94
Loans and advances to banks	–	–	–	–	–
Debt securities	–	–	–	–	–
Other financial assets	–	–	–	–	–
Total financial assets measured at amortised cost	**22**	**30**	**42**	**–**	**94**

Group 2024 Impairment loss allowance on financial assets	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	17	23	48	–	88
Loans and advances to banks	–	–	–	–	–
Debt securities	–	–	–	–	–
Other financial assets	–	–	–	–	–
Total financial assets measured at amortised cost	**17**	**23**	**48**	**–**	**88**

Bank 2025 Impairment loss allowance on financial assets	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	14	26	23	–	63
Loans and advances to banks	–	–	–	–	–
Debt securities	–	–	–	–	–
Other financial assets	–	–	–	–	–
Total financial assets measured at amortised cost	**14**	**26**	**23**	**–**	**63**

Bank 2024 Impairment loss allowance on financial assets	Stage 1 (not credit-impaired) £m	Stage 2 (not credit-impaired) £m	Stage 3 (credit-impaired) £m	Purchased / originated credit-impaired £m	Total £m
Financial assets measured at amortised cost					
Loans and advances to customers	11	19	33	–	63
Loans and advances to banks	–	–	–	–	–
Debt securities	–	–	–	–	–
Other financial assets	–	–	–	–	–
Total financial assets measured at amortised cost	**11**	**19**	**33**	**–**	**63**

20 Credit risk exposures *(continued)*

Loans and advances to customers at amortised cost

Composition and risk profile

The table below summarises the composition and risk profile of the Group's loans and advances to customers at amortised cost. In the tables for the Bank, balances with its subsidiaries, primarily NIIB Group Limited, are included within the non- property SME and corporate portfolio.

Group Loans and advances to customers Composition and risk profile (before impairment loss allowance)	2025				2024			
	Not credit-impaired £m	Credit-impaired £m	Total £m	Total %	Not credit-impaired £m	Credit-impaired £m	Total £m	Total %
Residential mortgages	10,673	77	10,750	73%	10,484	155	10,639	75%
Non-property SME and corporate	1,109	48	1,157	8%	1,214	64	1,278	9%
Commercial property and construction	199	8	207	1%	198	5	203	1%
Consumer	2,638	46	2,684	18%	2,118	41	2,159	15%
Total	**14,619**	**179**	**14,798**	**100%**	**14,014**	**265**	**14,279**	**100%**
Impairment loss allowance on loans and advances to customers	**52**	**42**	**94**	**100%**	**40**	**48**	**88**	**100%**

Bank Loans and advances to customers Composition and risk profile (before impairment loss allowance)	2025				2024			
	Not credit-impaired £m	Credit-impaired £m	Total £m	Total %	Not credit-impaired £m	Credit-impaired £m	Total £m	Total %
Residential mortgages	10,673	77	10,750	72%	10,484	155	10,639	74%
Non-property SME and corporate	3,908	44	3,952	27%	3,490	61	3,551	25%
Commercial property and construction	199	8	207	1%	198	5	203	1%
Consumer	–	–	–	–	–	–	–	–
Total	**14,780**	**129**	**14,909**	**100%**	**14,172**	**221**	**14,393**	**100%**
Impairment loss allowance on loans and advances to customers	**40**	**23**	**63**	**100%**	**30**	**33**	**63**	**100%**

Asset quality - not credit-impaired

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers that are not credit-impaired.

Group 2025 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %
Residential mortgages	9,844	67%	10	0.10%	829	6%	12	1.45%
Non-property SME and corporate	890	6%	4	0.45%	219	1%	13	5.94%
Commercial property and construction	146	1%	1	0.68%	53	–%	1	1.89%
Consumer	2,529	17%	7	0.28%	109	1%	4	3.67%
Total	**13,409**	**91%**	**22**	**0.16%**	**1,210**	**8%**	**30**	**2.48%**

20 Credit risk exposures *(continued)*

Group 2024 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %
Residential mortgages	9,913	70%	6	0.06%	571	4%	7	1.23%
Non-property SME and corporate	1,040	7%	5	0.48%	174	1%	8	4.60%
Commercial property and construction	126	1%	1	0.79%	72	–%	4	5.56%
Consumer	2,034	14%	5	0.25%	84	1%	4	4.76%
Total	**13,113**	**92%**	**17**	**0.13%**	**901**	**6%**	**23**	**2.55%**

Bank 2025 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %
Residential mortgages	9,844	66%	10	0.10%	829	6%	12	1.45%
Non-property SME and corporate	3,695	25%	3	0.08%	213	1%	13	6.10%
Commercial property and construction	146	1%	1	0.68%	53	–%	1	1.89%
Consumer	–	–	–	–	–	–	–	–
Total	**13,685**	**92%**	**14**	**0.09%**	**1,095**	**7%**	**26**	**2.37%**

Bank 2024 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	Stage 1				Stage 2			
	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %	Loans £m	Loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of loans %
Residential mortgages	9,913	69%	6	0.06%	571	4%	7	1.23%
Non-property SME and corporate	3,323	23%	4	0.12%	167	1%	8	4.79%
Commercial property and construction	126	1%	1	0.79%	72	1%	4	5.56%
Consumer	–	–	–	–	–	–	–	–
Total	**13,362**	**93%**	**11**	**0.08%**	**810**	**6%**	**19**	**2.35%**

20 Credit risk exposures *(continued)*

The table below provides analysis of the asset quality of loans and advances to customers at amortised cost that are not credit-impaired based on mapping the IFRS 9 twelve month probability of default (PD) of each loan to a PD grade based on the table provided on page 118.

Group 2025 Not credit-impaired loans and advances to customers Asset quality - PD grade[1]	Residential mortgages £m	Residential mortgages %	Non-property SME and corporate £m	Non-property SME and corporate %	Property and construction £m	Property and construction %	Consumer £m	Consumer %	Total £m	Total %
Stage 1										
1-4	166	1%	73	6%	–	–	–	–	239	2%
5-7	8,780	82%	242	22%	116	58%	–	–	9,138	62%
8-9	817	8%	565	51%	20	10%	2,529	96%	3,931	27%
10-11	81	1%	10	1%	10	5%	–	–%	101	1%
Total Stage 1	**9,844**	**92%**	**890**	**80%**	**146**	**73%**	**2,529**	**96%**	**13,409**	**92%**
Stage 2										
1-4	6	–	–	–	–	–	–	–	6	–
5-7	381	4%	43	4%	16	8%	–	–	440	3%
8-9	216	2%	102	9%	17	9%	–	–	335	2%
10-11	226	2%	74	7%	20	10%	109	4%	429	3%
Total Stage 2	**829**	**8%**	**219**	**20%**	**53**	**27%**	**109**	**4%**	**1,210**	**8%**
Not credit-impaired										
1-4	172	1%	73	6%	–	–	–	–	245	2%
5-7	9,161	86%	285	26%	132	66%	–	–	9,578	65%
8-9	1,033	10%	667	60%	37	19%	2,529	96%	4,266	29%
10-11	307	3%	84	8%	30	15%	109	4%	530	4%
Total not credit-impaired	**10,673**	**100%**	**1,109**	**100%**	**199**	**100%**	**2,638**	**100%**	**14,619**	**100%**

[1] *The movement in PD buckets is driven by underlying movements between stages, changes in PD scores and model updates.*

Group 2024 Not credit-impaired loans and advances to customers Asset quality - PD grade	Residential mortgages £m	Residential mortgages %	Non-property SME and corporate £m	Non-property SME and corporate %	Property and construction £m	Property and construction %	Consumer £m	Consumer %	Total £m	Total %
Stage 1										
1-4	2,069	20%	99	8%	–	–	–	–	2,168	16%
5-7	7,289	69%	262	21%	60	30%	1,898	90%	9,509	68%
8-9	379	3%	677	56%	56	28%	136	6%	1,248	9%
10-11	176	2%	2	–	10	5%	–	–	188	1%
Total Stage 1	**9,913**	**94%**	**1,040**	**85%**	**126**	**63%**	**2,034**	**96%**	**13,113**	**94%**
Stage 2										
1-4	3	–	8	1%	–	–	–	–	11	–
5-7	287	3%	33	3%	–	–	–	–	320	2%
8-9	83	1%	100	8%	29	15%	–	–	212	1%
10-11	198	2%	33	3%	43	22%	84	4%	358	3%
Total Stage 2	**571**	**6%**	**174**	**15%**	**72**	**37%**	**84**	**4%**	**901**	**6%**
Not credit-impaired										
1-4	2,072	20%	107	9%	–	–	–	–	2,179	16%
5-7	7,576	72%	295	24%	60	30%	1,898	90%	9,829	70%
8-9	462	4%	777	64%	85	43%	136	6%	1,460	10%
10-11	374	4%	35	3%	53	27%	84	4%	546	4%
Total not credit-impaired	**10,484**	**100%**	**1,214**	**100%**	**198**	**100%**	**2,118**	**100%**	**14,014**	**100%**

20 Credit risk exposures *(continued)*

Bank 2025 Not credit-impaired loans and advances to customers Asset quality - PD grade[1]	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%
Stage 1										
1-4	166	1%	54	–	–	–	–	–	220	1%
5-7	8,780	82%	3,495	–	116	58%	–	–	12,391	84%
8-9	817	8%	137	–	20	10%	–	–	974	7%
10-11	81	1%	9	–	10	5%	–	–	100	1%
Total Stage 1	**9,844**	**92%**	**3,695**	**–**	**146**	**73%**	**–**	**–**	**13,685**	**93%**
Stage 2										
1-4	6	–	–	–	–	–	–	–	6	–
5-7	381	4%	43	–	16	8%	–	–	440	3%
8-9	216	2%	102	–	17	9%	–	–	335	2%
10-11	226	2%	68	–	20	10%	–	–	314	2%
Total Stage 2	**829**	**8%**	**213**	**–**	**53**	**27%**	**–**	**–**	**1,095**	**7%**
Not credit-impaired										
1-4	172	1%	54	–	–	–	–	–	226	1%
5-7	9,161	86%	3,538	–	132	66%	–	–	12,831	87%
8-9	1,033	10%	239	–	37	19%	–	–	1,309	9%
10-11	307	3%	77	–	30	15%	–	–	414	3%
Total not credit-impaired	**10,673**	**100%**	**3,908**	**–**	**199**	**100%**	**–**	**–**	**14,780**	**100%**

[1] *The movement in PD buckets is driven by underlying movements between stages, changes in PD scores and model updates.*

Bank 2024 Not credit-impaired loans and advances to customers Asset quality - PD grade	Residential mortgages		Non-property SME and corporate		Property and construction		Consumer		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%
Stage 1										
1-4	2,069	20%	85	2%	–	–	–	–	2,154	15%
5-7	7,289	69%	3,020	87%	60	30%	–	–	10,369	73%
8-9	379	3%	217	6%	56	28%	–	–	652	5%
10-11	176	2%	1	–	10	5%	–	–	187	1%
Total Stage 1	**9,913**	**94%**	**3,323**	**95%**	**126**	**63%**	**–**	**–**	**13,362**	**94%**
Stage 2										
1-4	3	–	8	–	–	–	–	–	11	–
5-7	287	3%	33	1%	–	–	–	–	320	3%
8-9	83	1%	100	3%	29	15%	–	–	212	1%
10-11	198	2%	26	1%	43	22%	–	–	267	2%
Total Stage 2	**571**	**6%**	**167**	**5%**	**72**	**37%**	**–**	**–**	**810**	**6%**
Not credit-impaired										
1-4	2,072	20%	93	2%	–	–	–	–	2,165	15%
5-7	7,576	72%	3,053	88%	60	30%	–	–	10,689	76%
8-9	462	4%	317	9%	85	43%	–	–	864	6%
10-11	374	4%	27	1%	53	27%	–	–	454	3%
Total not credit-impaired	**10,484**	**100%**	**3,490**	**100%**	**198**	**100%**	**–**	**–**	**14,172**	**100%**

20 Credit risk exposures *(continued)*

The table below summarises the composition and impairment loss allowance of the Group's loans and advances to customers at amortised cost that are credit-impaired (i.e. Stage 3).

All loans and advances to customers that are greater than 90 days past due are classified as being credit-impaired. All credit-impaired loans and advances to customers are risk rated PD grade 12.

Group Credit-impaired loans and advances to customers Composition and impairment loss allowance	2025 Credit-impaired loans £m	2025 Credit-impaired loans as % of total advances %	2025 Impairment loss allowance £m	2025 Impairment loss allowance as % of credit-impaired loans %	2024 Credit-impaired loans £m	2024 Credit-impaired loans as % of total advances %	2024 Impairment loss allowance £m	2024 Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	77	1%	11	14%	155	1%	19	12%
Non-property SME and corporate	48	–	13	27%	64	1%	14	22%
Commercial property and construction	8	–	1	13%	5	–	1	20%
Consumer	46	–	17	37%	41	–	14	34%
Total credit-impaired	**179**	**1%**	**42**	**23%**	**265**	**2%**	**48**	**18%**

Bank Credit-impaired loans and advances to customers Composition and impairment loss allowance	2025 Credit-impaired loans £m	2025 Credit-impaired loans as % of total advances %	2025 Impairment loss allowance £m	2025 Impairment loss allowance as % of credit-impaired loans %	2024 Credit-impaired loans £m	2024 Credit-impaired loans as % of total advances %	2024 Impairment loss allowance £m	2024 Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	77	1%	11	14%	155	1%	19	12%
Non-property SME and corporate	44	–	11	25%	61	1%	13	21%
Commercial property and construction	8	–	1	13%	5	–	1	20%
Consumer	–	–	–	–	–	–	–	–
Total credit-impaired	**129**	**1%**	**23**	**18%**	**221**	**2%**	**33**	**15%**

20 Credit risk exposures *(continued)*

Risk profile of forborne and non-forborne loans and advances to customers

Group **2025** **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) £m**	**Stage 2 (not credit-impaired) £m**	**Stage 3 (credit-impaired) £m**	**Purchased / originated credit-impaired £m**	**Total £m**
Non-forborne loans and advances to customers					
Residential mortgages	9,844	793	50	–	10,687
Non-property SME and corporate	890	205	31	–	1,126
Commercial property and construction	146	39	1	–	186
Investment	*134*	*33*	–	–	*167*
Land and development	*12*	*6*	*1*	–	*19*
Consumer	2,529	109	46	–	2,684
Total non-forborne loans and advances to customers	**13,409**	**1,146**	**128**	**–**	**14,683**
Forborne loans and advances to customers					
Residential mortgages	–	36	27	–	63
Non-property SME and corporate	–	14	17	–	31
Commercial property and construction	–	14	7	–	21
Investment	–	*14*	*7*	–	*21*
Land and development	–	–	–	–	–
Consumer	–	–	–	–	–
Total forborne loans and advances to customers	**–**	**64**	**51**	**–**	**115**
Total loans and advances to customers	**13,409**	**1,210**	**179**	**–**	**14,798**

Group **2024** **Loans and advances to customers at amortised cost - Composition**	**Stage 1 (not credit-impaired) £m**	**Stage 2 (not credit-impaired) £m**	**Stage 3 (credit-impaired) £m**	**Purchased / originated credit-impaired £m**	**Total £m**
Non-forborne loans and advances to customers					
Residential mortgages	9,913	531	109	–	10,553
Non-property SME and corporate	1,040	140	44	–	1,224
Commercial property and construction	126	64	2	–	192
Investment	*111*	*57*	*2*	–	*170*
Land and development	*15*	*7*	–	–	*22*
Consumer	2,034	84	41	–	2,159
Total non-forborne loans and advances to customers	**13,113**	**819**	**196**	**–**	**14,128**
Forborne loans and advances to customers					
Residential mortgages	–	40	46	–	86
Non-property SME and corporate	–	34	20	–	54
Commercial property and construction	–	8	3	–	11
Investment	–	*8*	*1*	–	*9*
Land and development	–	–	*2*	–	*2*
Consumer	–	–	–	–	–
Total forborne loans and advances to customers	**–**	**82**	**69**	**–**	**151**
Total loans and advances to customers	**13,113**	**901**	**265**	**–**	**14,279**

20 Credit risk exposures *(continued)*

The Group mitigates its credit risk by taking collateral, which may take a variety of forms as set out in section 2.1.5 of the risk management report. The most material type of secured lending is residential mortgages, for which collateral information is given in the table below.

Group	Standard		Buy to let		Self certified		Total		
2025 Loans and advances to customers at amortised cost - Composition	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	1,445	9	1,015	11	89	5	2,549	25	2,574
51% to 70%	2,099	13	756	15	32	2	2,887	30	2,917
71% to 80%	2,136	5	195	4	2	1	2,333	10	2,343
81% to 90%	2,559	7	1	1	–	1	2,560	9	2,569
91% to 100%	342	2	1	–	1	–	344	2	346
Subtotal	**8,581**	**36**	**1,968**	**31**	**124**	**9**	**10,673**	**76**	**10,749**
101% to 120%	–	1	–	–	–	–	–	1	1
121% to 150%	–	–	–	–	–	–	–	–	–
Adjusted Greater than 150%	–	–	–	–	–	–	–	–	–
Subtotal	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Total	**8,581**	**37**	**1,968**	**31**	**124**	**9**	**10,673**	**77**	**10,750**
Weighted average LTV[1]									
Stock of mortgages at period	69%	64%	50%	58%	37%	50%	65%	61%	65%
New mortgages during year	80%	70%	62%	15%	36%	–	79%	63%	80%

[1] *Weighted average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Group	Standard		Buy to let		Self certified		Total		
2024 Loans and advances to customers at amortised cost - Composition	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**
Less than 50%	1,702	24	1,223	32	106	9	3,031	65	3,096
51% to 70%	2,528	20	949	36	39	6	3,516	62	3,578
71% to 80%	1,630	10	193	7	2	1	1,825	18	1,843
81% to 90%	1,891	5	1	2	1	1	1,893	8	1,901
91% to 100%	217	1	–	1	1	–	218	2	220
Subtotal	**7,968**	**60**	**2,366**	**78**	**149**	**17**	**10,483**	**155**	**10,638**
101% to 120%	1	–	–	–	–	–	1	–	1
121% to 150%	–	–	–	–	–	–	–	–	–
Adjusted Greater than 150%	–	–	–	–	–	–	–	–	–
Subtotal	**1**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Total	**7,969**	**60**	**2,366**	**78**	**149**	**17**	**10,484**	**155**	**10,639**
Weighted average LTV[1]									
Stock of mortgages at period	65%	56%	49%	55%	38%	52%	61%	55%	61%
New mortgages during year	77%	70%	59%	41%	47%	–	76%	60%	76%

[1] *Weighted average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

20 Credit risk exposures *(continued)*

Repossessed collateral on residential mortgages
At 31 December 2025 and 31 December 2024 the Group held collateral as security on residential mortgages as detailed in the table. Repossessed properties are sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

Group Repossessed collateral	2025 Number of repossessions as at balance sheet date	2025 Balance outstanding £m	2024 Number of repossessions as at balance sheet date	2024 Balance outstanding £m
Residential properties				
Owner occupier	10	2	3	1
Buy to let	30	3	22	2
Self certified	3	1	1	–
Total	**43**	**6**	**26**	**3**

Industry analysis of loans and advances to customers
The following table provides an industry breakdown of total loans (before impairment loss allowances).

Group Total loans - by industry analysis	2025 £m	2024 £m
Residential mortgages	10,750	10,639
Finance leases and hire purchase	3,088	2,609
Commercial property and construction	207	203
Business and other services	572	597
Manufacturing and distribution	181	231
Total	**14,798**	**14,279**

Debt securities at amortised cost - asset quality
For Group and Bank all debt securities were PD grade 1-4 and stage 1 at 31 December 2025 and 31 December 2024. The impairment loss allowance at 31 December 2025 was £0.2 million (2024: £0.1 million).

Loans and advances to banks at amortised cost - asset quality
For Group, all loans and advances to banks were stage 1 at 31 December 2025 with £0.9 billion being PD grade 1-4 (2024: £0.9 billion) and £0.3 billion being PD grade 5-8 (2024: £0.3 billion). The impairment loss allowance at 31 December 2025 was £0.2 million (2024: £0.2 million).

For Bank, all loans and advances to banks were stage 1 at 31 December 2025 with £0.9 billion being PD grade 1-4 (2024: £0.9 billion) and £0.3 billion being PD grade 5-8 (2024: £0.1 billion). The impairment loss allowance at 31 December 2025 was £0.2 million (2024: £0.2 million).

Other financial instruments - asset quality
Other financial instruments as set out in the table below include instruments that are not within the scope of IFRS 9 or are not subject to impairment under IFRS 9. These include derivative financial instruments. The table summarises the asset quality of these financial instruments by equivalent external risk ratings.

Other financial instruments with ratings equivalent to:	Group 2025 £m	Group 2024 £m	Bank 2025 £m	Bank 2024 £m
Aaa to Aa3	–	–	–	–
A1 to A3	–	–	–	–
Baa1 to Baa3	67	167	67	167
Lower than Baa3	3	12	3	12
Total	**70**	**179**	**70**	**179**

21 Interest in joint venture

Joint arrangement	Holding	Classification	Country of operation	Nature of activities
First Rate Exchange Services Holdings Limited (FRESH)	50%	Joint venture	UK	Sale of foreign exchange products through the UK Post Office network

Joint venture

The Group owns 50% of the shares in FRESH, a company incorporated in the United Kingdom which provides foreign exchange services.

The following table shows the movement in the Group's interest in FRESH during the years ended 31 December 2025 and 31 December 2024.

The investment in FRESH is unquoted and is measured using the equity method of accounting. There are no significant restrictions on the ability of this entity to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group, nor is there any unrecognised share of losses either for the year ended 31 December 2025 or cumulatively in respect of this entity. The Group does not have any further commitments or contingent liabilities in respect of this entity other than its investment to date.

There are no significant risks associated with the joint venture that have been identified which require disclosure.

	2025 £m	2024 £m
At 1 January	61	67
Share of profit after taxation (note 12)	22	24
Dividends received	(23)	(30)
Other	–	–
At 31 December	**60**	**61**

The following amounts represent the Group's 50% share of the revenue, expenses, assets and liabilities of FRESH for the year ended 31 December 2025 and the year ended 31 December 2024.

	2025 £m	2024 £m
Revenue	59	61
Expenses	(30)	(29)
Profit before taxation	**29**	**32**
Taxation charge	(7)	(8)
Profit after taxation	**22**	**24**
Non-current assets	4	3
Current assets	189	183
Total assets	**193**	**186**
Current liabilities	(133)	(125)
Total liabilities	**(133)**	**(125)**
Net assets	**60**	**61**

22 Intangible assets and goodwill

Group	2025 Goodwill £m	2025 Computer software internally generated £m	2025 Other externally purchased intangible assets £m	2025 Total £m	2024 Goodwill £m	2024 Computer software internally generated £m	2024 Other externally purchased intangible assets £m	2024 Total £m
Cost								
At 1 January	30	2	87	119	30	36	87	153
Retirements	–	–	–	–	–	(34)	–	(34)
Additions	–	–	–	–	–	–	–	–
At 31 December	**30**	**2**	**87**	**119**	**30**	**2**	**87**	**119**
Accumulated amortisation								
At 1 January	(8)	(2)	(84)	(94)	(8)	(36)	(83)	(127)
Retirements	–	–	–	–	–	34	–	34
Amortisation charge for the year (note 9)	–	–	(1)	(1)	–	–	(1)	(1)
At 31 December	**(8)**	**(2)**	**(85)**	**(95)**	**(8)**	**(2)**	**(84)**	**(94)**
Net book value at 31 December	**22**	**–**	**2**	**24**	**22**	**–**	**3**	**25**

Bank	2025 Goodwill £m	2025 Computer software internally generated £m	2025 Other externally purchased intangible assets £m	2025 Total £m	2024 Goodwill £m	2024 Computer software internally generated £m	2024 Other externally purchased intangible assets £m	2024 Total £m
Cost								
At 1 January	–	1	76	77	–	35	76	111
Retirements	–	–	–	–	–	(34)	–	(34)
Additions	–	–	–	–	–	–	–	–
At 31 December	**–**	**1**	**76**	**77**	**–**	**1**	**76**	**77**
Accumulated amortisation								
At 1 January	–	(1)	(76)	(77)	–	(35)	(76)	(111)
Retirements	–	–	–	–	–	34	–	34
Amortisation charge for the year	–	–	–	–	–	–	–	–
At 31 December	**–**	**(1)**	**(76)**	**(77)**	**–**	**(1)**	**(76)**	**(77)**
Net book value at 31 December	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Goodwill of £22 million (2024: £22 million) relates to Marshall Leasing. On 1 April 2022, the business of Marshall Leasing and the related goodwill was transferred to NIIB Group Limited, a wholly-owned subsidiary of the Group. The Group also has intangible assets of £2 million (2024: £3 million) relating to Marshall Leasing.

Goodwill is not amortised as it is deemed to have an indefinite useful life. The Group's investment in the Marshall Leasing business has been reviewed for impairment at 31 December 2025 and 31 December 2024 by comparing the carrying value of the cash generating unit (CGU) to its recoverable amount under the value in use method. The recoverable amount of the CGU is based on a 3 year projection in line with the Group's accounting policy. The projected cash inflows are based on the continuing use of the assets and their ultimate disposal and have been calculated using projections from the Group's strategic plan over a 3 year period, which is linked to the average term of the leases. The cashflows are discounted using a pre-tax discount rate based on the Group weighted average cost of capital. No impairment was required in 2025 or 2024.

Other intangible assets have also been reviewed for any indication that impairment may have occurred. No impairment of other intangible assets was identified in the year ended 31 December 2025 or 31 December 2024.

23 Property, plant and equipment

Group 2025	Computer and other equipment[1] £m	Freehold land and buildings and long leaseholds (held at fair value)[2] £m	Vehicles leased under operating leases £m	Right of use asset - Buildings £m	Total £m
Cost or valuation					
At 1 January 2025	**2**	**19**	**259**	**18**	**298**
Acquisitions	–	–	–	–	–
Additions	–	–	105	–	105
Disposals / write offs	(1)	–	(63)	–	(64)
Revaluation adjustments	–	(1)	–	–	(1)
Other movements	–	–	–	–	–
As at 31 December 2025	**1**	**18**	**301**	**18**	**338**
Accumulated depreciation					
At 1 January 2025	**(1)**	**–**	**(48)**	**(5)**	**(54)**
Impairment	–	–	–	–	–
Disposals / write offs	1	–	33	1	35
Charge for the year[3]	–	–	(45)	(2)	(47)
As at 31 December 2025	**–**	**–**	**(60)**	**(6)**	**(66)**
Net book value at 31 December 2025	**1**	**18**	**241**	**12**	**272**

[1] All of which is related to own-use.
[2] Includes £5 million (2024: £7 million) of which is subject to operating leases.
[3] Depreciation on vehicles leased under operating leases is included in other leasing expense (note 5).

Group 2024	Computer and other equipment[1] £m	Freehold land and buildings and long leaseholds (held at fair value)[2] £m	Vehicles leased under operating leases £m	Right of use asset - Buildings £m	Total £m
Cost or valuation					
At 1 January 2024	**2**	**20**	**216**	**24**	**262**
Acquisitions	–	–	–	–	–
Additions	–	–	96	1	97
Disposals / write offs	–	–	(53)	(7)	(60)
Revaluation recognised in OCI	–	(1)	–	–	(1)
Other movements	–	–	–	–	–
As at 31 December 2024	**2**	**19**	**259**	**18**	**298**
Accumulated depreciation					
At 1 January 2024	**(1)**	**–**	**(36)**	**(10)**	**(47)**
Impairment	–	–	–	–	–
Disposals / write offs	–	–	30	7	37
Charge for the year[3]	–	–	(42)	(2)	(44)
As at 31 December 2024	**(1)**	**–**	**(48)**	**(5)**	**(54)**
Net book value at 31 December 2024	**1**	**19**	**211**	**13**	**244**

[1] All of which is related to own-use.
[2] Includes £5 million (2024: £7 million) of which is subject to operating leases.
[3] Depreciation on vehicles leased under operating leases is included in other leasing expense (note 5).

23 Property, plant and equipment *(continued)*

Bank	2025 Freehold land and buildings and long leaseholds (held at fair value)[1] £m	2025 Right of use asset - Buildings £m	2025 Total £m	2024 Freehold land and buildings and long leaseholds (held at fair value)[1] £m	2024 Right of use asset - Buildings £m	2024 Total £m
Opening balance at 1 January	**19**	**18**	**37**	**20**	**24**	**44**
Revaluation adjustments	(1)	–	(1)	(1)	–	(1)
Additions	–	–	–	–	1	1
Disposals / write offs	–	–	–	–	(7)	(7)
Other movements	–	–	–	–	–	–
As at 31 December	**18**	**18**	**36**	**19**	**18**	**37**
Accumulated depreciation at 1 January	**–**	**(5)**	**(5)**	**–**	**(10)**	**(10)**
Impairment	–	–	–	–	–	–
Disposals / write offs	–	1	1	–	7	7
Charge for the year	–	(2)	(2)	–	(2)	(2)
As at 31 December	**–**	**(6)**	**(6)**	**–**	**(5)**	**(5)**
Net book value at 31 December	**18**	**12**	**30**	**19**	**13**	**32**

[1] Includes £5 million (2024: £7 million) of which is subject to operating leases.

For vehicles leased under operating leases, the annual depreciation charge is calculated using residual values which represent the estimated net sales proceeds expected from the sale of the assets at the end of the operating lease period. Due to the inherent uncertainty associated with such valuation methodology and in particular the volatility of prices of second hand vehicles, the carrying value of the residual values may differ from their realisable value.

Management is careful to ensure that exposure to residual value risk is effectively managed to minimise the company's exposure to residual value risk. The residual values used mirror those utilised in the creation of the original client contract. Management benchmark internal residual values for the existing fleet of vehicles against industry standard valuation tools by third party providers. The residual values for the entire portfolio are reassessed using an independent valuation tool on a twice yearly basis, with accounting adjustments being made to future periods. The process of realising asset values is effectively managed to maximise net sale proceeds.

Depreciation on vehicles leased under operating leases is presented within net leasing income. See note 5.

The following residual values are included in the calculation of the net book value of fixed assets held for use in operating leases:

	2025 £m	2024 £m
Within 1 year	28	38
1–2 years	41	28
Greater than 2 years	49	52
Total	**118**	**118**

At 31 December 2025 and 31 December 2024 there was no future capital expenditure authorised by the Directors but not contracted for, or contracted for but not provided for.

The Group has the following amounts of minimum lease receivables under non-cancellable operating leases as follows:

Operating lease receivables	Group 2025 £m	Group 2024 £m	Bank 2025 £m	Bank 2024 £m
Not later than 1 year	62	45	1	–
Later than 1 year and not later than 5 years	91	63	2	2
Later than 5 years	1	2	1	2
Total	**154**	**110**	**4**	**4**

24 Other assets

Other assets	Group 2025 £m	Group 2024 £m	Bank 2025 £m	Bank 2024 £m
Sundry and other receivables	81	58	77	57
Accounts receivable and prepayments	9	7	6	5
Interest receivable	12	9	69	54
Other assets	**102**	**74**	**152**	**116**
Amounts include				
Due from the Parent	–	–	–	–
Maturity profile of other assets				
Amounts receivable within 1 year	102	74	152	116
Amounts receivable after 1 year	–	–	–	–
Total	**102**	**74**	**152**	**116**

25 Deferred tax

The deferred tax asset (DTA) includes an amount of £46 million (2024: £38 million) in respect of operating losses which are available to be offset against future taxable profits.

Based on the Group's financial projections, the Directors believe that the Group will continue to be profitable for the foreseeable future and the DTA in respect of losses is estimated to be recoverable in full by the end of 2029 (2024: 2029).

Sources of estimation uncertainty

The recognition of a DTA in respect of tax losses carried forward requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the losses can be utilised. In considering the available evidence to support recognition of the DTA, the Group takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and the impact of tax legislation.

To the extent that the recognition of a DTA is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required to support the conclusion that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. There is a risk that the final taxation outcome could be different to the amounts currently recorded.

The Group's assessment of deferred tax recoverability is based on its financial projections covering its five year initial planning period, which also reflect the external challenges facing the banking industry.

If the projections were decreased by two percentage points or increased by one percentage point, the Group estimates that this would have no impact on the deferred tax recovery recovery periods.

If future profits or subsequent forecasts differ from current forecasts, a further adjustment may be required to the DTA.

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) 15% minimum effective tax rate Model Rules (Pillar 2).

Under the legislation, the Group could be liable to pay a top-up tax for the difference between its UK effective tax rate, as computed under the new Rules, and the 15% minimum rate, subject to certain exemptions and conditions. As the UK rate of corporation tax is currently in excess of the minimum rate, the changes may have limited impact in the UK. For the current period, the UK jurisdiction is reflecting a loss under the new Rules and thus there is no impact for the Group.

The Group applies the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes, as provided in the amendments to IAS 12 issued in May 2023.

25 Deferred tax *(continued)*

Group 2025	Net balance at 1 January £m	Recognised in profit or loss £m	Recognised in OCI £m	Other movements £m	Net £m	Deferred tax assets £m	Deferred tax liabilities £m
Unutilised tax losses	38	8	–	–	46	46	–
Cash flow hedge reserve	25	–	(7)	–	18	18	–
Fixed / leased assets	11	(3)	–	–	8	8	–
Impact of adopting IFRS 9	4	(1)	–	–	3	3	–
Property revaluation surplus	–	–	–	–	–	–	–
Other temporary differences – liabilities	(3)	(1)	–	–	(4)	–	(4)
Tax assets / (liabilities) before set-off	**75**	**3**	**(7)**	**–**	**71**	**75**	**(4)**
Set-off tax						**(4)**	**4**
Net tax assets/(liabilities)						**71**	**–**

Group 2024	Net balance at 1 January £m	Recognised in profit or loss £m	Recognised in OCI £m	Other movements £m	Net £m	Deferred tax assets £m	Deferred tax liabilities £m
Unutilised tax losses	51	(13)	–	–	38	38	–
Cash flow hedge reserve	32	–	(6)	(1)	25	25	–
Fixed / leased assets	11	–	–	–	11	11	–
Impact of adopting IFRS 9	5	(1)	–	–	4	4	–
Property revaluation surplus	(1)	–	–	1	–	–	–
Other temporary differences – liabilities	(2)	–	–	(1)	(3)	–	(3)
Tax assets / (liabilities) before set-off	**96**	**(14)**	**(6)**	**(1)**	**75**	**78**	**(3)**
Set-off tax						**(3)**	**3**
Net tax assets / (liabilities)						**75**	**–**

Bank 2025	Net balance at 1 January £m	Recognised in profit or loss £m	Recognised in OCI £m	Other movements £m	Net £m	Deferred tax assets £m	Deferred tax liabilities £m
Unutilised tax losses	38	–	–	–	38	38	–
Cash flow hedge reserve	25	–	(7)	–	18	18	–
Impact of adopting IFRS 9	4	(1)	–	–	3	3	–
Property revaluation surplus	–	–	–	–	–	–	–
Tax assets / (liabilities) before set-off	**67**	**(1)**	**(7)**	**–**	**59**	**59**	**–**
Set-off tax						**–**	**–**
Net tax assets / (liabilities)						**59**	**–**

Bank 2024	Net balance at 1 January £m	Recognised in profit or loss £m	Recognised in OCI £m	Other movements £m	Net £m	Deferred tax assets £m	Deferred tax liabilities £m
Unutilised tax losses	51	(13)	–	–	38	38	–
Cash flow hedge reserve	32	–	(6)	(1)	25	25	–
Impact of adopting IFRS 9	5	(1)	–	–	4	4	–
Property revaluation surplus	(1)	–	–	1	–	–	–
Tax assets / (liabilities) before set-off	**87**	**(14)**	**(6)**	**–**	**67**	**67**	**–**
Set-off tax						**–**	**–**
Net tax assets / (liabilities)						**67**	**–**

26 Deposits from banks

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Deposits from banks	**2,687**	**2,422**	**2,670**	**2,415**
Amounts include:				
Due to the Parent	2,200	1,464	2,183	1,458

Deposits from banks include:

- £250 million (2024: £nil) of Monetary Authority borrowings; and
- £230 million (2024: £930 million) of borrowings under the BOE Term Funding Scheme for Small and Medium Sized Entities (TFSME).

Drawings under the TFSME from the BOE were largely repaid in 2025 with the final residual amount to be repaid in October 2030.

Amounts due to the Parent relates to borrowings in place to fund and manage interest rate risk on the Group's assets. Refer to note 17 for details of amounts due from the Parent, and note 41 in respect of changes in these balances during 2025.

27 Customer accounts

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Term deposits	2,600	2,848	2,600	2,848
Demand deposits	6,343	5,658	6,343	5,658
Non-interest bearing current accounts	3,600	3,536	4,406	3,934
Interest bearing current accounts[1]	222	181	222	181
Customer accounts at amortised cost	**12,765**	**12,223**	**13,571**	**12,621**
Amounts include:				
Due to entities controlled by the Parent	8	5	8	5
Due to subsidiaries	–	–	805	398

[1] Interest bearing current accounts include £45 million (2024: £38 million) of customer balances relating to Commercial Finance loans with credit balances.

28 Debt securities in issue

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Residential mortgage backed securities	543	314	–	–
Floating rate senior non preferred notes	200	200	200	200
Total debt securities in issue	**743**	**514**	**200**	**200**

The residential mortgage backed securities were issued in November 2023 by Bowbell No. 3 plc and in June 2025 by Bowbell Master Issuer plc, the Group's securitisation entities. For further information refer to note 42.

The Group redeemed its existing Minimum Requirement for Eligible Liabilities (MREL) senior non preferred notes of £300 million at its call date on 11 December 2023 and issued a new £200 million instrument to the Parent on the same date.

29 Other liabilities

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Notes in circulation	736	736	736	736
Accrued interest payable	177	169	172	165
Sundry payables	39	82	17	62
Accruals and deferred income	6	18	6	18
Operating expenses accrued	13	18	10	13
Other liabilities	**971**	**1,023**	**941**	**994**
Amounts include:				
Due to the Parent	55	34	55	34
Maturity profile of other liabilities				
Amounts payable within 1 year	962	1,007	932	978
Amounts payable after 1 year	9	16	9	16

The Bank is authorised to issue banknotes in NI under the Bank of Ireland (UK) plc Act 2012.

30 Leasing

Group as lessee
The principal contracts where the Group is a lessee under IFRS 16 are in relation to property leases. Further qualitative information on the nature of the leases is set out in the Group accounting policies (note 1) and the undiscounted contractual maturity of total lease liabilities is set out on page 147.

Group as lessor
Accounting for lessors is outlined in the Group accounting policies (note 1). The Group is engaged in finance lease and operating lease activities.

Finance leasing activity and a maturity analysis of the Group's net investment in finance leases are included within Loans and advances to customers (note 19) along with a gross to net reconciliation of the investment in finance leases. Associated income on finance leases is included in interest income (note 3).

Operating leases where the Group is a lessor primarily relate to the Marshall Leasing business, which has been conducted through the subsidiary NIIB Group Limited since 1 April 2022.

A maturity analysis of undiscounted operating lease receivables set out on an annual basis is included in note 23. Income and expense associated with the Group's operating lease activities is included in note 5.

Amounts recognised in the balance sheet and Income statement
The carrying amount of the Group's RoU assets and the movements during 2025 are set out in note 23.

The carrying amount of the lease liabilities and the movements during 2025 is set out below:

	Group		Bank	
Balance sheet liabilities	2025 £m	2024 £m	2025 £m	2024 £m
As at 1 January	**14**	**16**	**14**	**15**
Acquisitions	–	–	–	–
Payments	(1)	(3)	(1)	(2)
Interest expense (note 4)	1	1	1	1
Other movements	–	–	–	–
As at 31 December	**14**	**14**	**14**	**14**

30 Leasing *(continued)*

Group Summary of amounts recognised in the income statement under IFRS 16 leases	2025 £m	2024 £m
Amounts recognised in interest expense (note 4)		
Payments	1	1
Amounts recognised in interest income (note 3)		
Finance lease interest	203	160
Other leasing income and expense (note 5)		
Operating lease rentals	104	92
Other leasing expense	(80)	(73)
	24	**19**
Amounts recognised in other operating expense (note 9)		
Depreciation of RoU assets in property, plant and equipment	2	2

31 Provisions

	Group £m	Bank £m
Closing balance 31 December 2024	159	16
Net charge to the income statement	236	3
Utilised during the year	(18)	(9)
At 31 December 2025	**377**	**10**
Expected utilisation period		
Used within 1 year	230	9
Used after 1 year	147	1

At 31 December 2025, the Group had provisions for the following items:

- motor finance commission provision balance of £367 million is net of utilisation of £8 million in respect of administrative costs (2024: £143 million);
- customer provisions of £4.8 million (2024: £4.7 million), comprise the estimated cost of making repayments to customers and meeting regulatory requirements arising from the design and execution of processes within the Group's business activities; and
- provisions associated with restructuring and transformation costs: £5.4 million (2024: £11.4 million).

Motor finance commission provision

As disclosed by the Group in the prior period, the motor finance industry's historical use of commission arrangements has been subject to regulatory review and legal challenge. The FCA prohibited the use of Discretionary Commission Arrangements from January 2021, which the Group's motor finance business adhered to.

In January 2024, the FCA commenced a review of historical motor finance commission arrangements across several firms to assess whether there has been widespread misconduct leading to consumer harm. In October 2024, the UK Court of Appeal published its combined judgement in three cases relating to other lenders which found that motor dealers acting as credit brokers owed enhanced duties to customers, including higher standards of commission disclosure than required under existing FCA rules. These lenders appealed the decision, and the UK Supreme Court heard the case in April 2025.

On 1 August 2025, the Supreme Court held that motor dealers do not owe customers either a fiduciary or disinterested duty when acting as credit brokers and that receiving commission does not constitute a breach of either duty. The Supreme Court also held that the relationship between one of the borrowers and one of the lenders was unfair within the meaning of section 140A of the UK Consumer Credit Act.

Following this judgement, the FCA announced on 5 October 2025, a consultation on an industry-wide scheme to compensate motor finance customers who were treated unfairly between 2007 and 2024.

On 30 March 2026, the FCA published a Policy Statement, detailing an industry-wide redress scheme.

In line with the requirements of IAS 37, the Group's provision has increased to £367 million (2024: £143 million) at 31 December 2025, with an income statement charge of £232 million recognised, less operational costs of £8 million utilised. The cumulative charge incurred by 31 December 2025 is £375 million. The increase is due to the move from a multi scenario probability weighted approach, due to the material uncertainties which existed at December 2024, to a single scenario aligned with the final Policy Statement. This considers a wider population of agreements in scope, a higher level of compensatory interest payable, and an extended period of time from 2021 to 2024.

The provision represents the Group's best estimate of the redress and compensation payable to impacted customers, along with programme costs that may be incurred by the Group in connection with the FCA consumer redress scheme. It includes estimates for opt-in rates and operational costs.

31 Provisions *(continued)*

In establishing the provision estimate, the Group has modelled a single scenario reflecting the requirements of the scheme as presented in the FCA Policy Statement, including but not limited to, the population of customers impacted and the redress calculations.

The average redress payment per customer, including compensatory interest is materially aligned to the FCA estimate of £829 quoted in the Policy Statement.

The key areas of estimation uncertainty are the population of impacted agreements, the percentage of eligible customers who opt-in to the scheme, and the operational costs of delivery.

An average opt-in rate of 75%, incorporating opt-in rates of 72% for agreements before 2014 and 76% for agreements from 2014 onwards, based on the FCA's published estimate of eligible customers who will take part in the scheme, has been applied. This is a critical accounting estimate that could materially change the ultimate financial impact. The Group estimates that a +/- 1% movement in the opt-in rate, with all other assumptions remaining constant, would increase / decrease the provision by +/- c.£4.6 million.

The Group estimates that a +/- 1% movement in population of agreements holding all other assumptions constant, would increase / decrease the provision by +/- £3.5 million.

Estimates in relation to operational costs are included in the provision. These specifically relate to the cost of tracing, contacting, and validating customers according to the requirements of the policy statement, and the cost of delivery of the programme.

Given the estimates described above, it is possible that the opt-in rate could change by more than the FCA published estimate and the ultimate financial impact could materially differ from the amount the Group has provided.

On 27 April, the FCA stated that there have been legal challenges to the FCA Scheme and that in light of this challenge, the FCA will consider its approach and provide a further update shortly. The FCA recognises this challenge to the Scheme will prolong the period of uncertainty for all impacted parties. The legal and regulatory outcomes and the nature, extent and timing of any remediation action, therefore remain uncertain. The Group has not incorporated the potential impact of any legal challenge into the provision estimate.

32 Loss allowance provision on loan commitments and financial guarantees

Loan commitments and guarantees and irrevocable letters of credit have been classified and measured in accordance with IFRS 9. This involves measuring the loss allowance provision for loan commitments and financial guarantees and irrevocable letters of credit on a 12 month or lifetime ECL approach.

At 31 December 2025, the Group held an impairment loss allowance of £6 million (2024: £4 million) on loan commitments and financial guarantees, of which £4 million are classified as stage 1 (2024: £2 million), £2 million as stage 2 (2024: £1 million) and £nil as stage 3 (2024: £1 million).

	2025		2024	
Group	Amount £m	Loss allowance £m	Amount £m	Loss allowance £m
Loan commitments (note 35)	1,223	6	1,255	4
Guarantees and irrevocable letters of credit (note 35)	11	–	11	–
Total	**1,234**	**6**	**1,266**	**4**

	2025		2024	
Bank	Amount £m	Loss allowance £m	Amount £m	Loss allowance £m
Loan commitments (note 35)	1,179	6	1,200	4
Guarantees and irrevocable letters of credit (note 35)	11	–	11	–
Total	**1,190**	**6**	**1,211**	**4**

32 Loss allowance provision on loan commitments and financial guarantees *(continued)*

Group 2025 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
PD Grade												
1-4	209	18%	2	3%	211	17%	–	–	–	–	–	–
5-7	893	78%	27	40%	920	75%	11	100%	–	–	11	100%
8-9	35	3%	25	37%	60	5%	–	–	–	–	–	–
10-11	15	1%	14	20%	29	3%	–	–	–	–	–	–
Total	**1,152**	**100%**	**68**	**100%**	**1,220**	**100%**	**11**	**100%**	**–**	**–**	**11**	**100%**

Group 2024 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
PD Grade												
1-4	226	19%	9	15%	235	19%	–	–	–	–	–	–
5-7	913	77%	25	41%	938	75%	10	100%	–	–	10	91%
8-9	46	4%	17	29%	63	5%	–	–	1	100%	1	9%
10-11	3	–	9	15%	12	1%	–	–	–	–	–	–
Total	**1,188**	**100%**	**60**	**100%**	**1,248**	**100%**	**10**	**100%**	**1**	**100%**	**11**	**100%**

Bank 2025 Loan commitments and financial guarantees - Contract amount	Loan commitments						Guarantees and irrevocable letters of credit					
	Stage 1		Stage 2		Total		Stage 1		Stage 2		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
PD Grade												
1-4	165	15%	2	3%	167	14%	–	–	–	–	–	–
5-7	893	81%	27	40%	920	78%	11	100%	–	–	11	100%
8-9	35	3%	25	37%	60	5%	–	–	–	–	–	–
10-11	15	0.01	14	20%	29	3%	–	–	–	–	–	–
Total	**1,108**	**100%**	**68**	**100%**	**1,176**	**100%**	**11**	**100%**	**–**	**–**	**11**	**100%**

32 Loss allowance provision on loan commitments and financial guarantees *(continued)*

Bank

2024 Loan commitments and financial guarantees - Contract amount	**Loan commitments**						**Guarantees and irrevocable letters of credit**					
	Stage 1		**Stage 2**		**Total**		**Stage 1**		**Stage 2**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
PD Grade												
1-4	171	15%	9	15%	180	15%	–	–	–	–	–	–
5-7	913	81%	25	41%	938	79%	10	100%	–	–	10	91%
8-9	46	4%	17	29%	63	5%	–	–	1	100%	1	9%
10-11	3	–	9	15%	12	1%	–	–	–	–	–	–
Total	**1,133**	**100%**	**60**	**100%**	**1,193**	**100%**	**10**	**100%**	**1**	**100%**	**11**	**100%**

The tables above for Group and Bank show the loan commitments and guarantees and irrevocable letters of credit by PD grade for Stage 1 and Stage 2. The remaining balances for Group and Bank of £3 million (2024: £7 million) on loan commitments and £nil (2024: £nil) on guarantees and irrevocable letters of credit are stage 3.

33 Retirement benefit obligations

The Group's employees' membership of a particular pension scheme is dependent on their specific employment contract. Where an employee is seconded directly to the Group, the Group only incurs the cost of the future service contribution to those particular schemes. The Group does not have any liability for payment in respect of increases to pension contributions arising from any historic or future shortfall in the pension assets relative to the pension liabilities of the BOI Group operated schemes. Consequently, the schemes have been accounted for as defined contribution schemes in these financial statements and where applicable will be included as BOI Group defined benefit schemes in the financial statements of BOI Group in line with IAS 19.

NIIB Group Limited (1975) Pension Scheme (the 'NIIB scheme')

The NIIB defined benefit scheme is based on final pensionable salary and operates for eligible employees of NIIB Group Limited. Contributions by the company and the employees are invested in a trustee-administered fund. As the scheme's underlying assets and liabilities are identifiable as those of the Group, the scheme has been accounted for as a defined benefit scheme (as set out in the accounting policy for pension obligations) and the disclosures set out in the remainder of this note relate to this scheme.

In determining the level of contributions required to be made to the scheme and the relevant charge to the income statement the Group has been advised by Willis Towers Watson (WTW) who act as independent actuaries to the Group.

The scheme has been closed to new members since late 2006.

Regulatory framework

The NIIB scheme operates under the UK pension regulatory framework. Benefits are paid to members from a trustee-administered fund. The trustees are responsible for ensuring that the plan is sufficiently funded to meet current and future benefit payments. If the plan experience is worse than expected, the Group's obligations are increased.

Under UK pensions legislation, the trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (relative to those used to measure accounting liabilities) and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

The trustees' other duties include managing the investment of the plan assets, administration of the plan benefits, ensuring contributions are received, compliance with relevant legislation and exercising of discretionary powers. The Group works closely with the trustees, who manage the plan.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law. As a result therefore, no allowance has been made for any potential impact on the NIIB scheme from this judgement.

Actuarial valuation of the NIIB scheme

A formal valuation of the NIIB scheme was carried out as at 1 May 2022. The funding method used measures liabilities taking account of the projected future levels of pensionable earnings at the time of commencement of benefits i.e. at normal retirement date. Discussions in relation to the valuation were completed in 2023 and a schedule of contributions was agreed between the trustees and the Group and submitted to the Pensions Regulator.

33 Retirement benefit obligations *(continued)*

Under the schedule of contributions the Group agreed to make contributions of 45.8% of Basic Salary less member contributions in respect of the cost of future benefit accrual. The contribution rate is inclusive of expenses of running of the scheme (previously these were met directly by the company). The next formal valuation of the scheme will be carried out at 1 May 2025 and will be due to be completed by 31 July 2026.

Plan details

The below table sets out details of the membership of the NIIB scheme as at 1 May 2022.

Financial and demographic assumptions

The assumptions used in calculating the costs and obligations of the NIIB scheme, as detailed below, were set after consultation with WTW.

The discount rate used to determine the present value of the obligations is set by reference to market yields on corporate bonds. The methodology was updated at the end of 2017, primarily to remove a number of bonds that did not obviously meet the criteria of 'corporate bonds' from the universe considered.

The methodology used to determine the assumption for retail price inflation uses an inflation curve derived by WTW using market data, including nominal and index-linked bond prices, which reflects the characteristics of the Group's liabilities with an appropriate adjustment to reflect distortions due to supply and demand. A single assumed inflation rate is then derived which gives the same liabilities as those arising from the application of the inflation curve.

The assumption for consumer price inflation is set by reference to retail price inflation, with an adjustment applied, as no consumer price inflation linked bonds exist. As a significant majority of the Group's CPI exposure relates to the pre- retirement period for deferred members, it was agreed that for 31 December 2025, the Group would adopt a CPI assumption of 1.0% p.a. lower than RPI up to 2030 and equal to RPI thereafter.

The salary assumption takes into account inflation, seniority, promotion and current employment market relevant to the Group.

On 26 October 2018 a court ruling confirmed that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. An allowance of 0.3% is included in the liabilities to allow for the expected impact of this element of GMP equalisation. Following on from the original ruling in 2018, a further High Court ruling on 20 November 2020 provided clarification on the obligations of pension plan trustees to equalise past transfer values allowing for GMP equalisation. The original allowance only considered current members who had GMP liabilities within the scheme (not members who have died without a spouse or members who have transferred out for example). The approximate impact of equalising past transfers from the Scheme has been estimated as being very unlikely to be material and as such no allowance has been made for this in the valuation as at 31 December 2020. Provision made in the previous years will be carried forward to 31 December 2025.

Plan details at last valuation date (1 May 2022)	By number	By % of scheme liability
Scheme members		
Active	47	33%
Deferred	107	27%
Pensioners / dependants	94	40%

Valuation statement at 1 May 2022	£m
Technical provisions	48.48
Market value of assets	54.06
Past service (deficit) / surplus	5.58
Funding level	111.5%

Financial assumptions

The financial assumptions used in measuring the Group's defined benefit asset / liability under IAS 19 are set out in the table below.

Financial assumptions	2025 % p.a.	2024 % p.a.
Consumer price inflation - pre 2030	1.90	2.65
Consumer price inflation - post 2030	2.90	2.65
Retail price inflation	2.90	3.25
Discount rate	5.65	5.65
Rate of general increase in salaries	3.40	3.75
Rate of increase in pensions in payment	3.00	3.00
Rate of increase in deferred pensions - pre 2030	1.90	2.65
Rate of increase in deferred pensions - post 2030	2.90	2.65

Mortality assumptions

The mortality assumptions adopted are outlined in the table below. The mortality assumptions are not typically updated annually, and are reviewed after each triennial valuation. The assumptions below reflect those selected for the 1 May 2022 formal valuation results. There has been no change to these assumptions to reflect the impact of COVID-19 given the uncertainty regarding its long-term impacts. This is in line with the approach taken for the majority of UK pension schemes.

33 Retirement benefit obligations *(continued)*

Post retirement mortality assumptions	2025 % p.a.	2024 % p.a.
Longevity at age 70 for current pensioners		
Men	19.0	18.6
Women	20.3	20.2
Longevity at age 60 for active members currently aged 60 years		
Men	28.3	28.0
Women	30.1	29.9
Longevity at age 60 for active members currently aged 40 years		
Men	29.8	29.4
Women	31.5	31.3

Amounts recognised in financial statements

The following table outlines where the Group's defined benefit plans are recognised in the financial statements.

A surplus of £14 million has been recognised at year-end in line with the trust deed and rules, under which the Employer is able to run off the plan until there are no members and can trigger a wind-up of the scheme, when it would be entitled to recover any surplus via a cash refund.

	2025 £m	2024 £m
Total charge in operating expenses	**–**	**(1)**
Total gain in remeasurements[1]	**(1)**	**2**
Total asset in the balance sheet	**14**	**14**

[1] *Shown before deferred tax.*

33 Retirement benefit obligations *(continued)*

The movement in the net defined benefit asset / obligation is as follows:

Bank	2025 Present value of obligation £m	2025 Fair value of plan assets £m	2025 Surplus / (deficit) of plan £m	2024 Present value of obligation £m	2024 Fair value of plan assets £m	2024 Surplus / (deficit) of plan £m
At 1 January	**(28)**	**42**	**14**	**(32)**	**43**	**11**
Current service cost	–	–	**–**	–	–	**–**
Interest (expense) / income	(2)	2	**–**	(1)	2	**1**
Total amount in recognised income statement	**(2)**	**2**	**–**	**(1)**	**2**	**1**
Return on plan assets not included in income statement	–	(1)	**(1)**	–	(3)	**(3)**
Change in demographic assumptions	(1)	–	**(1)**	1	–	**1**
Change in financial assumptions	1	–	**1**	4	–	**4**
Experience losses	–	–	**–**	–	–	**–**
Total remeasurements in other comprehensive income	**–**	**(1)**	**(1)**	**5**	**(3)**	**2**
Benefit payments	1	(1)	**–**	2	(2)	**–**
Employer contributions	–	1	**1**	–	1	**1**
Other	–	–	**–**	(2)	1	**(1)**
Other movements	**1**	**–**	**1**	**–**	**–**	**–**
At 31 December	**(29)**	**43**	**14**	**(28)**	**42**	**14**

Asset breakdown	2025 £m	2024 £m
Equities (quoted)	–	–
Corporate bonds	9	8
Liability Driven Investment (LDI)	20	20
Alternative Credit & Multi-Asset Credit funds (unquoted)	14	14
Cash	–	–
Total fair value of assets	**43**	**42**

The previous assets, excluding cash, are all held in open ended pooled investment vehicles without redemption restrictions. Fair value has been taken as the net asset value determined by the fund manager for each fund, which is considered to be a binding exit price.

Sensitivity of defined benefit obligation to key assumptions

The table sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible at 31 December 2025.

Some of the changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the plan holds a proportion of its assets in Liability Driven Investments (LDI). A fall in the rate of inflation would be expected to lead to a reduction in the value of these assets, thus partly offsetting the reduction in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

33 Retirement benefit obligations *(continued)*

Impact on defined benefit obligation	Change in assumptions %	Change in obligations due to increase in assumption £m	Change in obligations due to decrease in assumption £m
Discount rate	0.25	(1)	1
Inflation[1]	0.10	–	–
Salary growth	0.10	–	–
Life expectancy	1 year	1	(1)

[1] *Including other inflation-linked assumptions (consumer price inflation, pension increases, salary growth).*

Future cash flows

The plan's liabilities represent a long-term obligation and most of the payments due under the plan will occur several decades into the future. The duration, or average term to payment for the benefits due, weighted by liability, is 15 years.

Expected employer contributions for the year ended 31 December 2026 are £0.4 million. Expected employee contributions for the year ended 31 December 2026 are £52,000.

Years	£m
2026 - 2035	(16)
2036 - 2045	(20)
2046 - 2055	(19)
2056 - 2065	(13)
2066 - 2075	(6)
2076 - 2085	(2)
2086 - 2095	–
2096 - 2105	–
Total	**(76)**

Risks and risk management

The NIIB scheme has a number of areas of risk. The key areas of risk, and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Risk	Delegated responsibility
Changes in bond yields	Interest rate and inflation risks, along with equity risk, are the scheme's largest risks. From an accounting liability perspective, the scheme is also exposed to movements in corporate bond spreads. The scheme uses investment Liability Driven Investments (LDI) to assist in managing its interest rate and inflation risk. This portfolio is used to broadly hedge against movements in long-term interest rates and inflation expectations. Insight, the LDI manager, currently targets a liability hedge ratio of 75% of the Scheme's assets. The portfolio does not completely eliminate risk and addresses only a portion of the scheme's interest rate and inflation risks. Furthermore, it does not hedge against changes in the credit spread available on corporate bonds used to derive the accounting liabilities. The investment in LDI offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	A significant proportion of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plan against inflation. As noted above, the scheme uses LDI to manage the majority of its exposure to movements in inflation expectations.
Life expectancy	The majority of the plan's obligations are to provide a pension for the life of the member, which means that increases in life expectancy will result in an increase in the plan's liabilities.

34 Subordinated liabilities

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
£100 million subordinated floating rate notes 2031[1]	100	100	100	100
£90 million subordinated floating rate notes 2032[2]	90	90	90	90
Subordinated liabilities	**190**	**190**	**190**	**190**

[1] *Callable on any interest payment date from 26 November 2026 until their final maturity date of 26 November 2031. They bear interest at a floating rate of 2.61% per annum above compounded daily SONIA.*
[2] *Callable on 19 December 2027 or on any date thereafter until their final maturity date of 19 December 2032. They bear interest at a floating rate of 4.18% per annum above compounded daily SONIA.*

	Group		Bank	
Movement on subordinated liabilities	2025 £m	2024 £m	2025 £m	2024 £m
At 1 January	190	190	190	190
Issued during the year	–	–	–	–
Repurchased	–	–	–	–
At 31 December	**190**	**190**	**190**	**190**

These liabilities constitute unsecured obligations of the Group to its Parent, subordinated in right of payments to the claim of depositors, and other unsubordinated creditors of the Group. The subordinated liabilities meet the definition of a financial liability as the Group does not have an unconditional right to avoid the repayment of the principal or interest. Therefore, the liabilities are recognised on the balance sheet at amortised cost, using the effective interest method.

In the event of a wind up of the Group, the loans will become immediately due and payable without demand, together with all interest accrued thereon.

35 Contingent liabilities and commitments

	Group		Bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Contingent liabilities				
Guarantees and irrevocable letters of credit	11	11	11	11
Other contingent liabilities	11	7	11	7
Total contingent liabilities	**22**	**18**	**22**	**18**
Loan commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend				
Revocable or irrevocable with original maturity of 1 year or less	1,201	1,193	1,157	1,138
Irrevocable with original maturity of over 1 year	22	62	22	62
Total commitments	**1,223**	**1,255**	**1,179**	**1,200**

The table sets out the contractual amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral, or security prove worthless. Loss allowance provisions of £6 million (2024: £4 million) recognised on loan commitments and guarantees and irrevocable letters of credit are shown in note 32. Provisions on all other contingent liabilities and commitments are shown in note 31 (where applicable).

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will be required to meet these obligations only in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities primarily include performance bonds and are generally short term commitments to third parties which are not directly dependent on the customer's credit worthiness.

35 Contingent liabilities and commitments *(continued)*

Other contingent liabilities also include documentary credits which commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions.

36 Share capital

	Group		Bank	
Ordinary shares	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**
At 1 January	122	122	122	122
Capital reduction during the year	–	–	–	–
At 31 December	**122**	**122**	**122**	**122**

At 31 December 2025 the Bank had 406 million (2024: 406 million) shares in issue at £0.30 each, all of which were held by the Parent and were fully paid. The Bank's authorised share capital at 31 December 2025 and 31 December 2024 was £2.5 billion.

37 Other equity instruments

Other equity instruments consist of Additional tier 1 securities held by the Parent.

	Group		Bank	
Ordinary shares	**2025 £m**	**2024 £m**	**2025 £m**	**2024 £m**
At 1 January	150	150	150	150
Repayments during the year	–	–	–	–
Issuance during the year	–	–	–	–
At 31 December	**150**	**150**	**150**	**150**

The balance at 31 December 2025 comprises £150 million issued on 26 November 2021.

The principal terms of the Additional tier 1 securities are as follows:
- the securities constitute direct, unsecured and subordinated obligations of the Group, rank behind tier 2 instruments and in priority to ordinary shareholders;
- the securities bear a fixed rate of interest until the first call date. After the initial call date, the Additional tier 1 securities bear interest at rates fixed periodically in advance for five year periods based on market rates at that time;
- the Group may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities have no fixed redemption date, and the security holders will have no right to require the Group to redeem or purchase the securities at any time;
- the Group may, in its sole and full discretion, but subject to the satisfaction of certain conditions, elect to redeem all (but not some only) of the securities on the initial call date or on any interest payment date thereafter. In addition, the Additional tier 1 securities are repayable, at the option of the Group, due to certain regulatory or tax reasons. Any repayments require the prior consent of the regulatory authorities; and
- the securities will convert into ordinary shares if the Group's CET 1 ratio (on a CRD IV full implementation basis) falls below 7%.

	£150 million issued 26 November 2021
First call date (5 years from date of issue)	26 November 2026
Fixed rate of interest applicable until first call date	6.15%
Interest rate as reset after initial call date	n/a

38 Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities, at 31 December 2025 and 31 December 2024, based on contractual undiscounted repayment obligations.

The Group does not manage liquidity risk on the basis of contractual maturity. Instead, the Group manages liquidity risk based on expected cash flows. The balances shown below will not agree directly to the consolidated balance sheet because the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in a financial penalty being paid by the customer. For such accounts the portion subject to the potential early access has been classified accordingly in the table below as 'demand'.

Group **2025** **Maturity profile of financial liabilities**	**Demand £m**	**Up to 3 months £m**	**3-12 months £m**	**1-5 years £m**	**Over 5 years £m**	**Total £m**
Deposits from banks	253	564	618	1,438	–	2,873
Lease liabilities	–	1	1	6	16	24
Customer accounts	10,769	840	1,024	286	–	12,919
Debt securities in issue	–	30	27	298	1,511	1,866
Subordinated liabilities	–	3	110	97	–	210
Contingent liabilities	22	–	–	–	–	22
Commitments	465	44	692	22	–	1,223
Total	**11,509**	**1,482**	**2,472**	**2,147**	**1,527**	**19,137**

Group **2024** **Maturity profile of financial liabilities**	**Demand £m**	**Up to 3 months £m**	**3-12 months £m**	**1-5 years £m**	**Over 5 years £m**	**Total £m**
Deposits from banks	141	448	600	1,415	–	2,604
Lease liabilities	–	–	1	7	17	25
Customer accounts	10,005	848	1,056	503	–	12,412
Debt securities in issue	–	23	21	279	806	1,129
Subordinated liabilities	–	4	11	210	–	225
Contingent liabilities	18	–	–	–	–	18
Commitments	421	55	717	62	–	1,255
Total	**10,585**	**1,378**	**2,406**	**2,476**	**823**	**17,668**

Bank **2025** **Maturity profile of financial liabilities**	**Demand £m**	**Up to 3 months £m**	**3-12 months £m**	**1-5 years £m**	**Over 5 years £m**	**Total £m**
Deposits from banks	236	564	618	1,438	–	2,856
Lease liabilities	–	1	1	6	16	24
Customer accounts	11,546	841	1,035	307	–	13,729
Debt securities in issue	–	1	11	211	–	223
Subordinated liabilities	–	3	110	97	–	210
Contingent liabilities	22	–	–	–	–	22
Commitments	465	–	692	22	–	1,179
Total	**12,269**	**1,410**	**2,467**	**2,081**	**16**	**18,243**

38 Liquidity risk *(continued)*

Bank 2024 Maturity profile of financial liabilities	Demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
Deposits from banks	135	448	600	1,415	–	2,598
Lease liabilities	–	–	1	6	17	24
Customer accounts	10,372	849	1,066	524	–	12,811
Debt securities in issue	–	3	10	225	–	238
Subordinated liabilities	–	4	11	210	–	225
Contingent liabilities	18	–	–	–	–	18
Commitments	421	–	717	62	–	1,200
Total	**10,946**	**1,304**	**2,405**	**2,442**	**17**	**17,114**

The table below summarises the maturity profile of the Group’s derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

Group & Bank 2025 Maturity profile of financial liabilities	Demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
Gross settled derivative liabilities - outflows	–	(247)	(190)	(24)	–	(461)
Gross settled derivative liabilities - inflows	–	245	188	23	–	456
Gross settled derivative liabilities - net flows	–	(2)	(2)	(1)	–	(5)
Net settled derivative liabilities	–	(18)	(66)	(144)	(2)	(230)
Total derivatives cash flows	**–**	**(20)**	**(68)**	**(145)**	**(2)**	**(235)**

Group & Bank 2024 Maturity profile of financial liabilities	Demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
Gross settled derivative liabilities - outflows	–	(78)	(54)	(5)	–	(137)
Gross settled derivative liabilities - inflows	–	16	4	2	–	22
Gross settled derivative liabilities - net flows	–	(62)	(50)	(3)	–	(115)
Net settled derivative liabilities	–	2	1	(128)	–	(125)
Total derivatives cash flows	**–**	**(60)**	**(49)**	**(131)**	**–**	**(240)**

39 Measurement basis of financial assets and financial liabilities

For Group and Bank all derivatives (see note 16) are measured at fair value. All other financial assets and liabilities were held at amortised cost at 31 December 2025 and 31 December 2024.

40 Fair value of assets and liabilities

Fair value of assets and liabilities

Fair value is defined as 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.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include DCF models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or recent arm's length market transactions.

These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Transfers between different levels are assessed at the end of all reporting periods.

Financial assets and liabilities recognised and subsequently measured at fair value

All financial instruments are initially recognised at fair value. The Group subsequently measures derivatives and certain other financial assets and liabilities designated or mandatorily at fair value through profit or loss at fair value in the balance sheet. These instruments are shown as at fair value through profit or loss in note 39 on the measurement basis of financial assets and liabilities. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Derivative financial instruments

The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of DCF and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit (level 2 inputs).

Financial assets and liabilities held at amortised cost

For financial assets and liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows, using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers

Loans and advances to customers are carried net of provisions for impairment. The fair value of both fixed and variable rate loans and advances to customers is estimated using valuation techniques, which include:

- recent arm's length transactions in similar assets (level 2 inputs); and
- the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs).

Debt securities at amortised cost

For these assets where an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

Deposits from banks and customer accounts

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows, using interest rates for new deposits with similar remaining maturity (level 2 inputs).

Debt securities in issue

For those instruments where an active market exists, fair value has been determined through an independent broker/ investment bank or estimated by benchmarking the yield against similar bonds issued by the Parent, which have similar maturity dates (level 2 inputs).

Subordinated liabilities

As quoted market prices are not available, the fair value is estimated by benchmarking the yield against similar bonds issued by the Parent, which have similar maturity dates (level 2 inputs).

Fair value of non-financial assets

Property

A revaluation of Group property was carried out as at 31 December 2025. All freehold and long leasehold commercial properties were valued by Lisney Ltd (or its partner, Sanderson Weatherall) as external valuers. The valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors Valuation - Global Standards. External valuations were made on the basis of observable inputs such as completed comparable market lettings and sales transactions (level 2 inputs). Unobservable inputs such as profile, lot size, layout and presentation of accommodation are also used (level 3 inputs). All properties are valued based on highest and best use.

40 Fair value of assets and liabilities *(continued)*

Group	2025 Level 1 £m	2025 Level 2 £m	2025 Level 3 £m	2025 Total £m	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m
Fair value of financial assets held at amortised cost								
Loans and advances to banks	–	1,157	–	1,157	–	1,171	–	1,171
Debt securities at amortised cost	881	–	–	881	476	–	–	476
Loans and advances to customers	–	–	14,136	14,136	–	–	13,938	13,938
Total	**881**	**1,157**	**14,136**	**16,174**	**476**	**1,171**	**13,938**	**15,585**
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	2,687	–	2,687	–	2,422	–	2,422
Customer accounts	–	12,771	–	12,771	–	12,236	–	12,236
Debt securities in issue	–	747	–	747	–	518	–	518
Subordinated liabilities	–	195	–	195	–	194	–	194
Total	**–**	**16,400**	**–**	**16,400**	**–**	**15,370**	**–**	**15,370**

Bank	2025 Level 1 £m	2025 Level 2 £m	2025 Level 3 £m	2025 Total £m	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m
Fair value of financial assets held at amortised cost								
Loans and advances to banks	–	1,132	–	1,132	–	1,144	–	1,144
Debt securities at amortised cost	881	–	–	881	476	–	–	476
Loans and advances to customers	–	–	14,289	14,289	–	–	14,114	14,114
Total	**881**	**1,132**	**14,289**	**16,302**	**476**	**1,144**	**14,114**	**15,734**
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	2,670	–	2,670	–	2,415	–	2,415
Customer accounts	–	13,577	–	13,577	–	12,634	–	12,634
Debt securities in issue	–	203	–	203	–	203	–	203
Subordinated liabilities	–	195	–	195	–	194	–	194
Total	**–**	**16,645**	**–**	**16,645**	**–**	**15,446**	**–**	**15,446**

40 Fair value of assets and liabilities *(continued)*

Group and Bank	2025 Level 1 £m	2025 Level 2 £m	2025 Level 3 £m	2025 Total £m	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m
Financial assets held at fair value								
Derivative financial instruments	–	70	–	70	–	179	–	179
Non-financial assets held at fair value								
Property held at fair value	–	–	18	18	–	–	19	19
Total assets held at fair value	**–**	**70**	**18**	**88**	**–**	**179**	**19**	**198**
As a % of fair value assets	**–**	**80%**	**20%**	**100%**	**–**	**90%**	**10%**	**100%**
Financial liabilities held at fair value								
Derivative financial instruments	–	223	–	223	–	293	–	293
Total financial liabilities held at fair value	**–**	**223**	**–**	**223**	**–**	**293**	**–**	**293**
As a % of fair value liabilities	**–**	**100%**	**–**	**100%**	**–**	**100%**	**–**	**100%**

There were no transfers between levels 1, 2 or 3 during the year ended 31 December 2025 or 31 December 2024.

Movements in level 3 assets

Property held at fair value	Group 2025 £m	Group 2024 £m	Bank 2025 £m	Bank 2024 £m
At 1 January	19	20	19	20
Additions	–	–	–	–
Revaluation of property	(1)	(1)	(1)	(1)
Other movements	–	–	–	–
At 31 December	**18**	**19**	**18**	**19**

Quantitative information about fair value measurements using significant unobservable inputs (level 3)

Group and Bank Level 3 assets	Valuation technique	Unobservable input	Fair value 2025 £m	Fair value 2024 £m	Range 2025 £m	Range 2024 £m
Property held at fair value	Market comparable property transactions	Yields	18	19	7.5% - 11.8%	7.0% - 12.4%

40 Fair value of assets and liabilities *(continued)*

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

	Group				Bank			
	2025		2024		2025		2024	
	Carrying amount £m	Fair values £m	Carrying amount £m	Fair values £m	Carrying amount £m	Fair values £m	Carrying amount £m	Fair values £m
Financial Assets								
Loans and advances to banks	1,157	1,157	1,171	1,171	1,132	1,132	1,144	1,144
Debt securities at amortised cost	881	881	476	476	881	881	476	476
Loans and advances to customers	14,704	14,136	14,191	13,938	14,846	14,289	14,330	14,114
Financial Liabilities								
Deposits from banks	2,687	2,687	2,422	2,422	2,670	2,670	2,415	2,415
Customer accounts	12,765	12,771	12,223	12,236	13,571	13,577	12,621	12,634
Debt securities in issue	743	747	514	518	200	203	200	203
Subordinated liabilities	190	195	190	194	190	195	190	194

41 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or one other party controls both. The definition includes subsidiaries, joint ventures and the Parent, as well as key management personnel.

Parent

The immediate parent and owner of the entire share capital of the Group is The Governor and Company of the Bank of Ireland, a corporation established in Ireland in 1783 under Royal Charter.

Bank of Ireland Group plc is listed as the holding company and ultimate parent of the Bank of Ireland Group and Bank of Ireland (UK) plc. The results of the Group are consolidated in the Bank of Ireland Group plc financial statements, which are available at Bank of Ireland, Head Office, 2 College Green, Dublin 2, Ireland being the registered office of the immediate and ultimate Parent (website: www.bankofireland.com).

The Governor and Company of the Bank of Ireland acts as guarantor for the Bank in its transactions with the BOE (including its subsidiary, the Bank of England Asset Purchase Facility Fund Limited). If in any circumstances the Bank fails to make payment of guaranteed amounts to the BOE or does not perform any of its other obligations under the relevant agreement, the Governor and Company of the Bank of Ireland may be required to pay the amounts or perform its obligations upon written demand from the BOE.

The Group receives a range of services from its Parent and related parties, including loans and deposits, forward exchange, interest rate cover including derivatives and various administrative services. In the course of operating its business, the Group utilises a number of key services from its Parent in line with a Master Services Agreement. These services from the Parent and related parties are subject to costs which are disclosed in note 9 of the financial statements.

Other transactions with the Parent in 2025 and 2024

- On 26 November 2025 a coupon payment of £9 million was paid to the Parent in relation to the £150 million Additional Tier 1 instrument (2024: £9 million).

41 Related party transactions *(continued)*

Group Summary - Parent[1]	Note	2025 £m	2024 £m
Income statement			
Interest income	3	(18)	79
Interest expense	4	(115)	(88)
Fees and commissions expense	6	(12)	(13)
Net trading (expense) / income	7	(3)	24
Operating expenses paid for services provided	9	(71)	(73)
Total		**(219)**	**(71)**
Assets			
Loans and advances to banks	17	267	251
Loans and advances to customers	19	12	10
Other assets	24	–	–
Derivatives	16	68	175
Total assets		**347**	**436**
Liabilities			
Deposits from banks	26	2,200	1,464
Customer accounts	27	8	5
Debt securities in issue	28	200	200
Other liabilities	29	55	34
Derivatives	16	221	283
Subordinated liabilities	34	190	190
Total liabilities		**2,874**	**2,176**
Net exposure		**(2,527)**	**(1,740)**

[1] *This relates to amounts in respect of the Parent and entities controlled by the Parent.*

At 31 December 2025, the Parent also held the AT1 securities of £150 million (2024: £150 million) issued by the Bank which are classified as other equity instruments (see note 37).

41 Related party transactions *(continued)*

Bank	2025 Parent[1] £m	2025 Joint venture £m	2025 Total £m	2024 Parent[1] £m	2024 Joint venture £m	2024 Total £m
Income statement						
Interest income	(18)	–	(18)	79	–	79
Interest expense	(115)	–	(115)	(88)	–	(88)
Fees and commission expense	(12)	–	(12)	(13)	–	(13)
Net trading (expense) / income	(3)	–	(3)	24	–	24
Other operating income	–	22	22	–	24	24
Operating expenses paid for services provided	(48)	–	(48)	(58)	–	(58)
Total income / (expense)	**(196)**	**22**	**(174)**	**(56)**	**24**	**(32)**
Assets						
Loans and advances to banks	266	–	266	251	–	251
Loans and advances to customers	7	–	7	7	–	7
Other assets	–	–	–	–	–	–
Derivatives	68	–	68	175	–	175
Total assets	**341**	**–**	**341**	**433**	**–**	**433**
Liabilities						
Deposits from banks	2,183	–	2,183	1,458	–	1,458
Customer accounts	8	–	8	5	–	5
Debt securities in issue	200	–	200	200	–	200
Other liabilities	55	–	55	34	–	34
Derivatives	221	–	221	283	–	283
Subordinated liabilities	190	–	190	190	–	190
Total liabilities	**2,857**	**–**	**2,857**	**2,170**	**–**	**2,170**
Net exposure	**(2,516)**	**–**	**(2,516)**	**(1,737)**	**–**	**(1,737)**

[1] *This relates to amounts in respect of the Parent and entities controlled by the Parent.*

Pension funds

The Group provides a range of normal banking and financial services, which are not material to the Group, to various pension funds operated by the Bank of Ireland Group for the benefit of employees, which are conducted on similar terms to third party transactions.

Transactions with key management personnel

Loans to Directors

The following information is presented in accordance with Section 413 of the Companies Act 2006. For the purposes of the Companies Act disclosures, 'Directors' means the Board of Directors and any past Directors who were Directors during the relevant year.

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

Group Companies Act disclosures Loans to Directors	2025 Balance as at 1 January £'000	2025 Balance as at 31 December £'000	2025 Aggregate maximum amount outstanding during the year ended 31 December £'000	2024 Balance as at 1 January £'000	2024 Balance as at 31 December £'000	2024 Aggregate maximum amount outstanding during the year ended 31 December £'000
Loans to Directors	–	–	–	–	–	–

41 Related party transactions *(continued)*

Key management personnel - loans and deposits
For the purposes of IAS 24 Related Party Disclosures, 'key management personnel' comprise the Directors of the Board, the Chief Executive Officer, Chief Financial Officer, Chief of staff, Managing Director - Everyday Banking, Chief People Officer, Chief Operating Officer, Head of Homebuying & Ownership, Chief Risk Officer, Managing Director - Northridge Finance, Chief Data & Digital Officer, and any past KMP, who were a KMP during the relevant year.

KMP, including Directors, hold products with the Group in the ordinary course of business. All loans to Non-executive Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and do not involve more than the normal risk of collectability or present other unfavourable features. Loans to KMP, other than Non-executive Directors, are made on terms similar to those available to staff generally, and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions, between the Group, its KMP (as defined above) and KMP of the Parent, including members of their close families and entities influenced by them are shown in the table.

Group 2025 Key management personnel	Balance as at 1 January[4] £'000	Balance as at 31 December[1] £'000	Aggregate maximum amounts outstanding during the year ended 31 December[2,3] £'000	Total number of KMP as at 1 January	Total number of KMP as at 31 December
Loans	18	–	18	2	–
Deposits	1,917	1,963	3,139	5	7

[1] *Balance includes principal and interest.*
[2] *Personal credit cards are no longer in scope in the UK business.*
[3] *The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability, during the year ended 31 December 2025 for any member of KMP and their close family did not exceed £18,142. The closing balance includes interest accrued and interest paid; the maximum balance includes interest paid.*
[4] *The opening balance includes balances and transactions with KMP who retired during the previous year and are not therefore related parties during the year. Therefore, these KMP's are not included in the maximum amounts outstanding.*

Group 2024 Key management personnel	Balance as at 1 January[4] £'000	Balance as at 31 December[1] £'000	Aggregate maximum amounts outstanding during the year ended 31 December[2,3] £'000	Total number of KMP as at 1 January	Total number of KMP as at 31 December
Loans	6	18	28	1	2
Deposits	615	1,917	1,977	6	5

[1] *Balance includes principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. In all cases, KMP have not exceeded their approved limits. The maximum approved credit limit on any credit card held by KMP during the year was £10,000.*
[3] *The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability, during the year ended 31 December 2024 for any member of KMP and their close family did not exceed £18,082. The closing balance includes interest accrued and interest paid; the maximum balance includes interest paid.*
[4] *The opening balance includes balances and transactions with KMP who retired during the previous year and are not therefore related parties during the year. Therefore, these KMP's are not included in the maximum amounts outstanding.*

41 Related party transactions *(continued)*

- Total compensation paid to KMP was £7.1 million for the year ended 31 December 2025 and of this amount £2.5 million was paid to Directors. This compared to £5.5 million and £2.0 million respectively for the year ended 31 December 2024;
- The highest total amount paid to any Director for the year ended 31 December 2025 was £1,383,191 comprising salary and other benefits (2024: £1,004,456). The total accrued pension and accrued lump sum of this Director at the year ended 31 December 2025 was £30,328 (2024: £80,413);
- One Executive Director accrued retirement benefits under a defined benefit and defined contribution Bank of Ireland Group Pension Scheme for year ended 31 December 2025;
- There were no additional benefits, paid by the Group or any other party, in respect of compensation to the Directors for their services for managing the Group or its subsidiaries, either for the year ended 31 December 2025 or the year ended 31 December 2024.
- One executive Director of the Parent (2024: Two) is also a director of the Group. The salary of this executive Director is borne entirely by the Parent. For their services to the Group, the cost borne by the Parent for the Group for the year ended 31 December 2025 was £62,528 (2024: £101,334).

Group **Compensation of key management personnel**	**2025** **£000's**	**2024** **£000's**
Remuneration		
Salaries and other benefits[1]	6,716	5,110
Pension benefits	366	359
Total	**7,082**	**5,469**

[1] Salaries and other benefits includes termination payments of £356,297 (2024: £225,000).

42 Interests in other entities

Group

Names	Principal activity	Country of incorporation	Statutory year end	Percentage of ordinary share capital held	Percentage of voting rights held %	Registered address
NIIB Group Limited	Personal finance and leasing	Northern Ireland	31 December	100	100	1 Donegall Square South, Belfast, BT1 5LR.
Midasgrange Limited[1]	Dissolved	England and Wales	n/a	n/a	n/a	C/O Hill Dickinson, No. 1 St. Paul's Square, Liverpool, L3 9SJ.
First Rate Exchange Services Holdings Limited[2]	Foreign exchange	England and Wales	31 March	50	50	Botanica, Ditton Park, Riding Court Road, Datchet, SL3 9LL.
First Rate Exchange Services Limited	Foreign exchange	England and Wales	31 March	50	50	Botanica, Ditton Park, Riding Court Road, Datchet, SL3 9LL.
Bowbell No.3 plc	Securitisation	England and Wales	31 December	n/a	n/a	10th Floor, 5 Churchill Place, London, E14 5HU.
Bowbell Master Issuer plc	Securitisation	England and Wales	31 December	n/a	n/a	10th Floor, 5 Churchill Place, London, E14 5HU.

[1] Midasgrange Limited went into voluntary liquidation on 31 July 2024 and was dissolved on 6 September 2025.
[2] This entity is a joint venture with the UK Post Office in which the Group holds 50% of the equity of the company. FRESH holds 100% of the equity in FRES.

Copies of the financial statements of these undertakings can be obtained from the relevant addresses listed above.

Management has assessed its involvement in all entities in accordance with the definitions and guidance in:
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IAS 28: Investments in Associates and Joint Ventures; and
- IFRS 12: Disclosure of interests in other entities.

The Bank controls an entity when it has power over the entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over an entity.

Generally, control or significant influence is identified by the level of ownership of ordinary shares and the level of management involvement in the relevant activities of the entity. However, in the case of 'structured entities', management's judgement is required in determining how the investee should be accounted for.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

42 Interests in other entities *(continued)*

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

In assessing whether it has control over such an entity, the Bank assesses whether it has power over the relevant activities by considering factors such as who manages the assets of these entities, if the Bank has lending to them or has a residual interest in them.

In the case of structured entities, the Bank considers it has control over the investee where it is a securitisation vehicle whose purpose is to finance specific loans and advances to customers. In such cases the Bank considers that it has power over the entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In November 2023 the Group transferred mortgage loans into a new structured securitisation entity, Bowbell No. 3 plc ('Bowbell 3') and issued £382 million of mortgage backed securities, of which £350 million were issued externally to the Group, with the balance held by the Bank. These mortgages do not meet the balance sheet derecognition criteria in line with the Group accounting policy.

Bowbell 3 is incorporated in England and Wales, with 100% of its ordinary share capital and voting rights being held by its ultimate holding company (which is not a subsidiary of the Group), Bowbell No. 3 Holdings Limited. The creditors of Bowbell 3 have no recourse to the Group.

In June 2025 the Group transferred mortgage loans into a new structured securitisation entity, Bowbell Master Issuer plc ('BBMI') and issued £1.1 billion of mortgage backed securities, of which £350 million were issued externally to the Group, with the balance held by the Bank. These mortgages do not meet the balance sheet derecognition criteria in line with the Group accounting policy.

BBMI is incorporated in England and Wales, with 100% of its ordinary share capital and voting rights being held by its ultimate holding company (which is not a subsidiary of the Group), Bowbell Master Holdings Limited. The creditors of BBMI have no recourse to the Group.

During 2025 there were no contractual arrangements that required the Group to provide financial support to either of its structured entities. The assets and liabilities of Bowbell 3 are shown in the table below.

It should be noted that at 31 December 2025, there was also cash of £18 million (2024: £23 million) in the Bowbell 3 bank account and £98 million (2024: £nil) in the BBMI bank account, hence the total assets of the securitisation entities were greater than the value of the notes.

Group Activity	Company	2025 Loans and advances to customers £m	2025 Notes in issue £m	2024 Loans and advances to customers £m	2024 Notes in issue £m
Acquiring mortgage loans and issuing mortgage backed securities	Bowbell No. 3 plc	234	246	334	347
Acquiring mortgage loans and issuing mortgage backed securities	Bowbell Master Issuer plc	811	897	–	–

Unconsolidated structured entities

In November 2022, the Group entered into a securitisation arrangement for a portfolio of UK residential mortgage NPEs, through an unconsolidated special purpose vehicle, Temple Quay No.1 Plc. The portfolio transferred had a gross carrying value of £220 million (before ECL allowance) and a net carrying value of £194 million (after ECL allowance). The Group transferred the beneficial interest in the loans to Temple Quay No.1 Plc which in turn issued notes backed by these loans. In October 2025, the securitisation was terminated.

Temple Quay No.1 Plc was not consolidated but the associated income in relation to the services provided to the company was recognised in the Group's financial statements. Commission income of £0.4 million was received during the year ended 31 December 2025 (2024: £0.5 million).

There were no contractual arrangements that required the Group to provide financial support to Temple Quay No.1 plc. In 2025 and 2024 the Group did not provide financial or other support, nor does it expect or intend to do so.

43 Transferred financial assets

At 31 December 2025 and 31 December 2024, the following assets were transferred but not derecognised from the balance sheet:

Group	2025				2024			
Securitisation	Carrying amount of assets £m	Carrying amount of associated liabilities £m	Fair value of transferred assets £m	Fair value of associated liabilities (Fair value of notes in issue) £m	Carrying amount of assets £m	Carrying amount of associated liabilities £m	Fair value of transferred assets £m	Fair value of associated liabilities (Fair value of notes in issue) £m
Residential mortgage book (Bowbell No. 3 plc)[1]	234	213	221	214	334	314	309	316
Residential mortgage book (Bowbell Master Issuer plc)[1]	811	330	766	332	–	–	–	–

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by Bowbell Master Issuer and Bowbell No. 3, held by the Bank.*

Bank	2025				2024			
Securitisation	Carrying amount of assets £m	Carrying amount of associated liabilities £m	Fair value of transferred assets £m	Fair value of associated liabilities (Fair value of notes in issue) £m	Carrying amount of assets £m	Carrying amount of associated liabilities £m	Fair value of transferred assets £m	Fair value of associated liabilities (Fair value of notes in issue) £m
Residential mortgage book (Bowbell No. 3 plc)[1]	234	246	221	214	334	347	309	316
Residential mortgage book (Bowbell Master Issuer plc)[1]	811	897	766	332	–	–	–	–

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by Bowbell Master Issuer and Bowbell No. 3, held by the Bank.*

The Group is exposed substantially to all the risks and rewards including credit and market risk associated with the transferred assets. Neither the Group nor the Bank is recognising any asset to the extent of its continuing involvement.

44 Post balance sheet events

On 30 March 2026, the FCA published a policy statement (PS26/3), detailing an industry-wide redress scheme. The Group has recognised the impact of this in the financial statements. For more detail, see note 31.

Subsequent to 31 December 2025, global financial markets have experienced increased volatility driven by geopolitical instability, including the escalation of conflict in the Middle East. These developments occurred after the reporting date and do not relate to conditions existing at 31 December 2025. Accordingly, no adjustments have been made to the amounts recognised in these financial statements.

While these developments may increase economic uncertainty, they have not had a material impact on the Group's financial position as at the reporting date.

45 Approval of financial statements

The Board of Directors approved the financial statements on 8 May 2026.

Other Information

Principal business units and addresses[1]

Bank of Ireland (UK) plc
45 Gresham Street,
City of London,
London, EC2V 7EH
Tel: +44 207 236 2000
Website: www.bankofirelanduk.com

Bank of Ireland Great Britain Consumer Banking
Mortgages, Personal Loans
PO Box 27,
One Temple Quay,
Bristol, BS1 9HY
Tel: + 44 117 979 2222 and
+ 44 117 909 0900

Bank of Ireland Northern Ireland Business Banking
1 Donegall Square South,
Belfast, BT1 5LR
Tel: +44 28 9043 3000

First Rate Exchange Services Limited
Botanica,
Ditton Park,
Riding Court Road,
Datchet, SL3 9LL
Tel: + 44 345 850 3050,
Website: www.firstrate.co.uk

NIIB Group Limited (trading as Northridge Finance)
1 Donegall Square South, Belfast, BT1 5LR
Tel: +44 800 917 0923
Website: www.northridgefinance.com

[1] *Registered addresses for subsidiary companies are included in note 42.*

Performance measures

Further information related to certain measures referred to in the strategic report

The Group considers that the alternative performance measures included in the strategic report provide meaningful information to enable a consistent basis for comparing the financial performance between reporting periods.

In arriving at an underlying basis, the effect of certain items that do not promote an understanding of future or historical performance are excluded. Management considers that this presents a more meaningful basis for year on year comparison. These non-core items are set out on page 32.

Alternative performance measures

Average interest earning assets is defined as the twelve month average of total loans and advances to customers (less ECL stage 3 balances), cash placements, securities balances and net balances owed by the Parent (the Governor and Company of the Bank of Ireland).

Cost income ratio is calculated on a statutory basis being operating expenses divided by operating income.

Gross new lending volumes represents loans and advances to customers drawn in the year.

Net interest margin is defined as net interest income for the year divided by average interest earning assets.

NPE ratio is calculated as NPEs on loans and advances to customers at amortised cost (excluding loans and advances to customers measured at FVTPL) as a percentage of the gross carrying value of loans and advances to customers at amortised cost.

Return on assets is calculated as statutory profit after tax divided by total assets, in line with the requirement in the European Union (Capital Requirements) Regulations (CRR) 2014.

Statutory return on tangible equity is calculated as being profit attributable to shareholders, net of, AT1 coupon and amortisation of intangible assets (net of tax) divided by average shareholders' equity less average intangible assets and goodwill.

Underlying return on tangible equity is calculated as being profit attributable to shareholders less non-core items (net of, AT1 coupon and amortisation of intangible assets - net of tax) divided by average shareholders' equity less average intangible assets and goodwill.

Regulatory performance measures

CET1 ratio is Common Equity Tier 1 capital as a percentage of risk-weighted assets.

Tier 1 capital is a measure of the Group's financial strength defined by CRD IV. It captures Common Equity Tier 1 capital plus other Tier 1 securities in issue, subject to deductions.

Total capital ratio is the total capital (own funds) held by the Group as a percentage of total risk weighted assets.

Leverage ratio is calculated as the tier 1 capital divided by total balance sheet assets and off balance sheet exposures.

Liquidity coverage ratio (LCR) is calculated as the high quality liquid assets, divided by net cash outflows over the next 30 days, expressed as a percentage.

Loan to deposit ratio is calculated as net loans and advances to customers including those classified as held for sale expressed as a percentage of customer deposits.

Net stable funding ratio (NSFR) is defined as the total amount of available stable funding divided by the total amount of required stable funding, expressed as a percentage.

Risk weighted assets (RWAs) on and off balance sheet assets are risk weighted based on the amount of capital required to support the assets. The Group adopts a standardised approach for calculating RWAs.

Abbreviations

AA	Automobile Association
ALCO	Asset and Liability Committee
AML	Anti Money Laundering
ATM	Automatic Teller Machine BBLS
BRC	Board Risk Committee
CBILS	Coronavirus Business Interruption Loan Scheme
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
COA	Court of Appeal
CRD	Capital Requirement Directive (EU)
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
DCA	Discretionary Commission Arrangement
DCF	Discounted Cash Flow
EAD	EAD Exposure At Default
EBA	EBA European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ERC	Executive Risk Committee
ExCo	Executive Committee
FCA	Financial Conduct Authority
FLI	Forward Looking Information
FRCC	Financial Risks from Climate Change
FRES	First Rate Exchange Services Limited
FRESH	First Rate Exchange Services Holdings Limited
GB	Great Britain
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Individual Liquidity Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
IT	Information Technology
KMP	Key Management Personnel
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LLP	Limited Liability Partnership
LTD	Limited
LTV	Loan to Value
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
NI	Northern Ireland
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
PD	Probability of Default
PO	Post Office
POCI	Purchased Or Originated Credit-Impaired financial assets
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RMF	Risk Management Framework
ROTE	Return on Tangible Equity
ROU	Right of use
RWA	Risk Weighted Assets
SECR	Streamlined Energy and Carbon Reporting
SME	Small / Medium Enterprises
SRB	Single Resolution Board
TFSME	Term Funding Scheme for Small and Medium Sized Entities
UK	United Kingdom
£m	Million
'000	Thousands

Bank of Ireland (UK) plc
45 Gresham Street
London
EC2V 7EH

Registered number 07022885