2024

Bank of Ireland (UK) plc
Annual Report

Bank of Ireland

'The Group delivered a continued profitable performance alongside successful achievement of our previous strategic objectives paving the way for our refreshed 2025-27 UK strategy, which aims to sustainably grow the business and become our customers' most trusted financial partner.'

Inside this report

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Strategic Report

2024 key performance highlights

Statutory Financial performance	**£181m** Statutory PBT (2023: £331m)	**77%** C/I ratio (2023: 39%)	**7.8%** Statutory ROTE (2023: 15.9%)
Underlying Financial performance	**£263m** Underlying PBT (2023: £331m)	**48%** Underlying C/I ratio (2023: 39%)	**11.6%** Underlying ROTE (2023: 15.9%)
Asset quality and capital	**£8m** Net impairment gain (2023: 43m charge)	**1.9%** Non Performing Exposure (NPE) ratio (2023: 2.1%)	**19.9%** CET1 ratio (2023: 17.8%)
Transformation	**£100m** investment in enhanced products and services approved for 2025-27.	Simplified operating model, introduced two main businesses: Every Day banking and intermediary lending.	Successfully sold the UK unsecured personal lending portfolio.
Customers & colleagues	New Bank of Ireland UK branded ISA savings product launched in 2024.	4,328 hours of financial literacy education has been delivered to schools, businesses and community groups across Northern Ireland (NI).	c.18,000 UK mortgages in 2024 approved with customers availing of the continued digitisation of UK Mortgage product offerings.

Bank of Ireland (UK) plc (the 'Bank'), 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

Please note that due to personal circumstances Peter Herbert has temporarily stepped back from his duties as Board Chair from 28 April 2025, with Stephen Pateman acting as Interim Chair in his absence.

Our overarching purpose in the Group is "helping you thrive". 2024 saw periods of economic volatility, and against this challenging background we continued to make progress against our purpose, by delivering for our customers, colleagues and society.

Peter Herbert *Chair*

Introduction

2024 was a year of political change and elevated global geopolitical uncertainty. However, reductions in inflation have supported a series of small interest rate reductions and in the UK, labour markets have remained tight with broad stability in the property market. Despite the easing of inflationary pressures, challenges remain for our customers and colleagues amidst a weaker short-term growth outlook with continued geopolitical risks, and as fiscal changes from the 2024 budget and 2025 spring statement begin to impact.

Strategy

Successful delivery against our strategy of 'value over volume' has significantly transformed the business and delivered consistent returns, including another strong financial outturn in 2024. We have also continued to improve the products and services we provide to our customers, whilst making Bank of Ireland UK plc (BoI UK) a great place to work.

2024 saw the launch of the BoI UK's refreshed strategy for 2025-2027, focused on sustainable growth and the ambition to become 'our customers most trusted financial partner'.

In implementing our refreshed strategy, the UK will build on the strong foundations achieved over recent years and will remain guided by the Group's overarching purpose of 'helping you thrive'.

Key achievements in 2024 included:
- sustained focus on value over volume, demonstrating pricing agility to retain competitive positioning whilst protecting margin;
- securing investment for the delivery of our refreshed strategy, demonstrating strong support from the Parent and wider Group;
- continued focus on delivering good outcomes for our customers, with further investment in customer experience through ongoing implementation of our mortgage transformation programme, and continued enhancement to customer journeys with a particular emphasis on supporting our vulnerable customers
- successful delivery against 2024 milestones relating to the Financial Conduct Authority (FCA) Consumer Duty regulations; and
- successful sale of our personal loans portfolio, and ensuring that our customers are protected.

2024 saw a period of significant and ongoing uncertainty for the motor finance sector. Northridge Finance has fully complied with the Financial Conduct Authority (FCA) s.166 review and has continued to ensure a sustained focus on our customers.

Purpose and Culture

Our corporate culture is fundamental to achieving our purpose and the Board exercises close oversight of progress in this regard. The Group is making significant and meaningful positive progress and continues to drive cultural transformation for the benefit of our customers and colleagues, with a focus on risk management.

As we look to the future, our commitment to building a more sustainable economy and society is more important than ever. Achieving net zero is a key part of our strategy and demonstrates our commitment to a more sustainable future. We will continue shaping the business to align with our sustainability ambitions and science-based targets. In 2024, the Group celebrated numerous achievements across our three core sustainability pillars: supporting the green transition, enhancing financial wellbeing, and enabling colleagues to thrive. Looking to 2025, we aim to develop products that help customers' in the transition while continuing to support their financial needs.

Board

During 2024, 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.

The Board's composition and diversity is reviewed regularly to ensure we have the right balance of skills and experience on the Board. In 2024, we had a number of changes to Board composition.

Gail Goldie was appointed as BoI UK Chief Executive Officer and Executive Board Director, effective from 22 January 2024 and following a short handover period, Dave Sutherland, who had held the role on an interim basis, took up a new position with our Parent. Polina Ievskaya resigned from her role as UK Chief Risk Officer and Executive Director to take on a position outside of the Group, effective from 7 February 2024. Amitav Borkakoty was appointed as UK Chief Risk Officer effective from 1 May 2025.

Non-Executive Director, Alison Burns resigned effective from 31 January 2024, and was replaced by Helen Page effective from 9 February 2024. Mark Spain and Ian Buchanan also retired from their positions as Non-Executive Directors, and were respectively replaced by Áine McCleary, effective 29 July, and Steve Pateman, effective 3 December.

Gail, Helen, Áine and Steve are welcome additions to the Board and we wish them every success in their roles. We also extend thanks to Dave, Polina, Alison, Mark and Ian, on behalf of the Board, for their contribution during their respective terms and wish them every success in the future.

Richard Sommers has announced his intention to step down from his role as Non-Executive Director and Chair of the Risk Committee with effective from 31 December 2025. The recruitment process to appoint a new Non-Executive Director to replace Richard will take place later this year.

Outlook

The key priority for 2025 will be implementation of year one of our refreshed strategy, enhancing our customers' experience, driving revenue growth and transforming our technology and operations. As we grow our business, we will maintain a relentless focus on our risk and control environment with greater automation of controls.

The UK is facing a challenging macro growth outlook and continued uncertainty as international markets respond to shifts in US trade, tax and energy policies alongside wider global developments.

However, given robust capital and liquidity positions, I remain confident that we can continue to support our customers, and successfully navigate the challenges and opportunities ahead.

I am delighted to have served the Group as Chair during the year, and, along with my fellow Board members, I look forward to supporting our Chief Executive Gail Goldie, the executive team and all our colleagues in the delivery of our refreshed strategy and assuring the continued success of the Group.

Chief Executive's review

The Group delivered a continued profitable performance alongside successful achievement of our previous strategic objectives paving the way for our refreshed 2025-27 UK strategy, which aims to sustainably grow the business and become our customers' most trusted financial partner.

Gail Goldie *Chief Executive Officer*

Introduction

In 2024, we concluded the Group's three-year strategic cycle, focusing on value over volume, targeting key market segments, and delivering customer experience improvements and capability enhancements. The Group delivered another year of profitable financial performance, posting robust profits and delivering balance sheet growth, following a period of contraction as we refocused the business.

The successful execution of our previous strategy has created a strong foundation from which we have defined a new three-year strategy, targeting delivery of sustainable profitable growth, underpinned by a clear ambition to become our customers' most trusted financial partner. We are pleased to have secured strong support and significant strategic investment from our Parent, enabling us to expand in our core markets, continue to enhance customer experience and to simplify our operating model.

Our refreshed strategy will build on our successful value over volume approach, through selective participation in customer segments where we have a clear right to win and opportunities to grow our market share. Our strategy will focus on delivering targeted growth through an expanded intermediated lending offering, supported by material investment to enhance our everyday banking proposition to protect and grow our funding base, and simplification of our technology and operations to reduce risk and improve efficiency.

Delivering on our strategic pillars

In 2024, we continued to deliver sustained progress across each of our strategic pillars.

Stronger relationships

Supporting our customers is at the heart of everything we do. Throughout 2024, we have worked to ensure our products align with customer needs and deliver fair value. This effort is supported by the successful delivery of our first Consumer Duty Annual Board Report, which provides a holistic view of the business and allows us to monitor and measure how we provide good customer outcomes.

How our customers feel about us is reflected in our Group Relationship and Northern Ireland Net Promoter Scores, which have both reached their highest levels since tracking began in 2018. We also remain committed to supporting vulnerable customers and have made good progress in providing reasonable adjustments in our branches and through our contact centres including installation of hearing loops and sign video.

Simpler business

Driving simplification in our customer journeys has remained a priority, and we have continued to deliver enhanced digital capabilities. We have successfully launched our new mortgage switching service, introduced web chat in our contact centres, and launched a new commercial finance platform providing faster drawdowns and enhanced customer functionality. We also migrated 15,000 mortgage customers to a new BoI UK customer hub, improving customer experience and addressing pain points.

Sustainable company

Our colleagues' wellbeing and development remains a top priority. In 2024, we implemented improved family friendly policies to further help colleagues in the workplace, aiding during life events including our domestic abuse policy and the introduction of additional supports for colleagues who suffer from serious illness while on maternity leave. We also launched our neuro-inclusion policy to ensure all colleagues are enabled to thrive in rewarding and lasting careers in BoI UK. Our colleague engagement and culture indices have increased every year since 2020 and our commitment to continuously enhance our culture remains a key priority, with a focus on ensuring that colleagues are engaged, empowered and enabled.

2024 saw continued delivery against our sustainability goals, including an increase in Electric Vehicle (EV) and Hybrid to 9% in Northridge Finance and 26% in Marshall Leasing, alongside installation of LED lighting across bank properties.

Supporting the local communities in which our customers live and work remains an important part of our sustainable business activity. In 2024, we supported a range of local initiatives, such as the Mae Murray Foundation, Cara Friend and the North West Migrants Forum, working to foster inclusion and build capability amongst under-served groups through our Begin Together initiatives.

2024 Business and financial performance

The Group benefited from a higher than expected interest rate environment throughout 2024, together with continued cost discipline and the realisation of a material profit (£33 million) on the disposal of the Personal Loan portfolio during Q4 2024.

Reporting a statutory profit before tax of £181 million for 2024 (2023: £331 million), the Group's loan book at the end of 2024 was £14.2 billion and the business achieved new lending volumes of £3.8 billion, £0.1 billion higher year on year. The decrease in annual profits year on year is driven primarily by the recognition of a £143 million provision for historic motor finance commissions for our Northridge business.

Net interest income of £492 million was 16% lower than 2023. This decrease was primarily driven by the exclusion of personal loans income of £32 million in 2024 and lower net interest income in mortgages due to older higher margin business maturing, offset by lower funding costs. The Group's NIM of 2.94%, was supported by a higher-than-expected interest rate environment throughout 2024.

Statutory operating expenses increased by £160 million in 2024, mainly due to the provision for Northridge motor finance commission.

An impairment gain of £8 million on financial instruments in 2024 compared to a charge of £43 million in 2023.

This is reflective of the impact of loan loss experience in the period, model updates for Forward Looking Information macroeconomic assumptions.

Our share of profits from the First Rate Exchange Services Limited (FRES) joint venture of £24 million, was £1 million lower than 2023, reflecting a year on year reduction in travel.

The external environment

2024 was a year of two halves for the UK economy. After a strong H1, GDP growth appeared to stall post-election with reports of a marked decline in business confidence and a slowdown in recruitment following the increase in employment costs announced in October's Budget. However, aggregate household and business finances have remained robust, growth in house prices accelerated in late 2024 and mortgage approvals are trending towards levels last seen in 2022. Together with the anticipated downward interest rates trajectory, these trends are expected to support our strategy to expand our mortgage offering through enhanced collateral values, credit quality and affordability into 2025.

Average forecasts for GDP in 2025, coupled with the solid pace of nominal wage growth, support a continued gradual recovery in real household incomes, with a significant increase in public spending projected to offset the drag on private sector activity from higher business and employment costs.

Outlook

2024 was a year of steady strategic progress and continued profitable financial performance, as the Group continued to deliver strong net organic capital generation. We look to the future with renewed focus and confidence as we begin to mobilise delivery of our refreshed strategy. We also remain well placed to support our customers through emerging economic and market developments, as well as uncertainty presented by the external environment.

Closing summary

I am extremely proud to be leading the Group through a period of such strong progress. Our sustained financial performance is underpinned by successful strategic execution, and we have a compelling opportunity ahead of us as we now move into a new strategic cycle.

Guided by our purpose of helping our customers, colleagues and communities to thrive, as we move into the first year of a new strategic cycle, we have a clear focus on plans for targeted growth enabled by continued strategic transformation. We remain committed to improving customer experience and enhancing underlying capabilities to support the continued delivery of good customer outcomes. Together, we will build on the strong platform we have created with a clear ambition to sustainably grow the business by becoming our customers' most trusted financial partner.

Our strategy

Related pages
Chief Executive's review (page 6)
Sustainability (page 13)
Risk Management Report (page 42)

Delivering stronger relationships with customers and colleagues, a simpler and more efficient business, and a Bank with sustainability at its core.

Our strategy is built on three strategic pillars: building stronger relationships with our customers and colleagues, continuing to simplify our business for customers and colleagues, and creating a culture of constant improvement in the sustainability of the Group for the future. Customers continue to remain central to everything we do.

In June 2024, the Group launched a refreshed three-year UK strategy, the key aim of which, is to achieve sustainable profitable growth by 2028. This strategy focuses on selective participation in intermediated lending and everyday banking businesses, enabled by a simplified and scalable operating model, which is supported by Group-wide capabilities.

The Group's go-forward business model has been refined and simplified into two main business streams, Everyday Banking and Intermediated Lending, supported by a scalable operating model.

UK macroeconomic conditions support momentum in delivering against our refreshed strategy. We continue to monitor developments in relation to macro-economic conditions, global trade relations and geopolitical uncertainties, which have the potential to create global economic headwinds impacting on the strategic and consumer sentiment environment.

Our refreshed strategy focuses on attractive core markets, which continue to support momentum in delivering against our strategic outcomes, in particular the diverse and sizeable mortgage, asset finance and car leasing markets. The Group has started making progress against the refreshed UK strategy, through meeting more of the financial needs of customers, by enhancing functionality, simplifying customer experiences and delivering greater service capabilities.

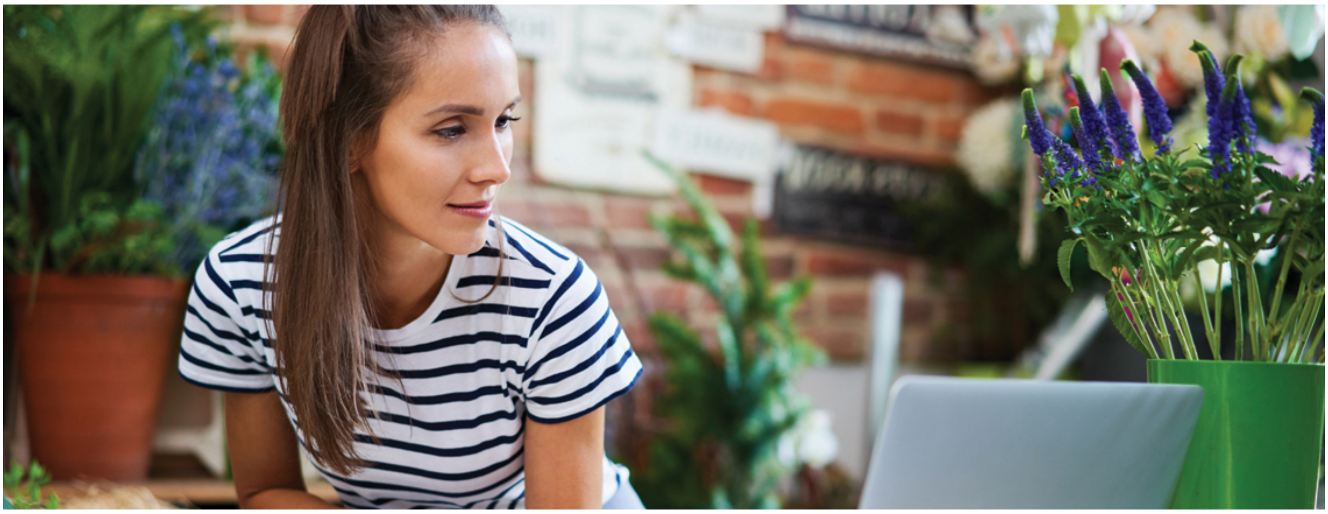
Everyday Banking
Meeting the everyday banking need of Retail and SME customers supported by our branch network and heritage in Northern Ireland

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

Bank of Ireland

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

Our strategy *(continued)*



Stronger relationships

Establish deeper, mutually value-adding customer relationships led by our colleagues through tailored engagement, and easier, joined-up services and products across customers' financial needs and life stages.

Key achievements in 2024

Customer experience
The Group is transforming customer journeys and enhancing digital propositions to support our Everyday Banking services. This includes launching new products like the BoI UK branded Individual Savings Account (ISA) and improving customer interactions through digital channels.

Revenue growth
The Group aims to deliver top-line growth and margin enhancement across our business lines—Everyday Banking, Mortgages, and Motor Finance. Key initiatives include expanding our mortgage market participation and introducing new vehicle finance products.

Customer improvements
Leading to benefits such as fee removal, improved customer communications, and enhanced customer understanding through website updates. Customer journeys have been simplified such as the bereavement process, and work was prioritised to open up new channels to increase customer support. Product governance improvements, such as target market mapping, fair value assessments, and communication reviews, are being embedded, aided by a suite of tools and minimum standard frameworks. Through these improvements the Group has supported regulatory commitments under Consumer Duty Requirements.

Personal and business current account customers
Increased by around 3,000 accounts in the year, demonstrating commitment to delivering exceptional everyday banking products and services for customers.

Our strategy *(continued)*

Simpler business

Simplify the day-to-day activities and interactions of our customers and colleagues, particularly leveraging digital and data, allowing them to do more, faster and more easily.

Key achievements in 2024

Service model simplification
Simplification of our service model and products for customers and colleagues. Digital capability investment and data insights is delivering tangible transformation, making it easier for our customers to do business with us, and supporting colleagues in meeting customer needs.

Development of operating model
Development of a fit-for-purpose operating model, leveraging Parent capabilities, enhancing operational excellence and efficiency. This includes reducing manual processes, embedding enhanced risk management processes and improving colleague experience. Enhanced technology estate to deliver flexible and resilient architecture, ensuring quality service in an efficient and scalable manner, in particular development of an enhanced Debt Management Platform and Know Your Customer (KYC) capability.

Expanding product offering
We launched the first ever BoI (UK) branded Individual Savings Account (ISA) account with a simple online account opening journey, and the ability for customers to split their savings across Easy Access and Fixed Rate products.

Digital improvements
Continuous improvements made to our mobile app, including real-time payment alerts on 'in-app' payments and debit card activity, and enhanced functionality on our digital money management service (Mi365) to help customers manage their finances better.

Our strategy *(continued)*

Sustainable 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.

There was further progress on our Sustainability strategy, as we continue to focus on practical, meaningful ESG (Environmental, Social and Governance) interventions. The Group is focusing on providing support to our customers, colleagues and society in addressing some of the biggest economic, social and environmental challenges facing us today.

Key achievements in 2024

Control environment
The Group is continuing to strengthen the control environment and embed a robust risk culture and governance framework, to provide high confidence to the Board and the regulators.

Colleague engagement
Ensuring purposeful communication and engagement with all colleagues, aligned to our strategy. This includes initiatives such as, the People Manager summit and the 'My Reward' flexible benefits platform.

Investment in sustainability
We continued our multi-year investment in our ATM and branch networks, supporting better access to cash whilst also enabling ESG ambitions through energy reductions. In NI, an investment of more than £3 million was made in branches to install a fleet of state-of-the-art energy efficient ATMs, reducing energy usage by 50%.

Neuroinclusion strategy
Neuroinclusion strategy launched with a suite of policies and process improvements designed to support neurodivergent colleagues.

Our strategy *(continued)*

Looking ahead

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

Our Strategic Pillars

Stronger relationships	Simpler business	Sustainable company

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

Our Strategic Priorities

Customer Experience	Revenue Growth	Technology & Operations	Control
Improving and digitising our products and journeys to be brilliant across all touch points	Selectively grow lending by enhancing our propositions to meet the needs of the customers we choose to serve	Providing flexible, resilient, simple technology and operational capabilities so we can grow safely and efficiently	Strengthen and optimise our control environment so we can be confidently in control as we grow

Achieving the strategic priorities 2025 – 2027

To support successful delivery of the strategic priorities the Group has approved an investment of £100 million over a three year period to enhance technology and operations, improved control oversight to grow sustainable revenue.

Enhanced everyday banking proposition

- Faster payments capability
- Expanded product range
- Digitised end to end customer journey
- Data enabled customer understanding and support

Expanded intermediated lending offering

- More sustainable lending solutions
- New mortgage propositions for target segments
- Continued journey digitisation
- Digitised vehicle finance offering

Simplified and scalable technology and operations

- Service transformation and automation
- Enhanced tooling and data capabilities
- More flexible and resilient architecture
- Proactive controls embedded across all processes

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 (page 6)
Our strategy (page 8)

Sustainability at Bank of Ireland UK

The Group has a key role to play in building a more sustainable economy and society. In alignment with the Parent's sustainable strategy, which leverages the UN Sustainable Development Goals (SDG), our focus is on the Group's Environmental, Social and Governance (ESG) impacts and opportunities.

The strategy provides clear commitments to working with customers, colleagues and society to support their transition to a resilient, net zero economy by 2050.

This year has been challenging both at home and globally. The world breached the 1.5°C global warming level for the first time, with 2024 being the hottest year on record. This intensifies the focus on climate change, making the need to transition to net zero more urgent than ever. Coupled with this, economic uncertainty, political instability, ongoing conflicts, and persistent inflation have exacerbated cost-of-living worries, impacting the financial wellbeing of colleagues and customers.

Governance - Incorporating ESG into decision making

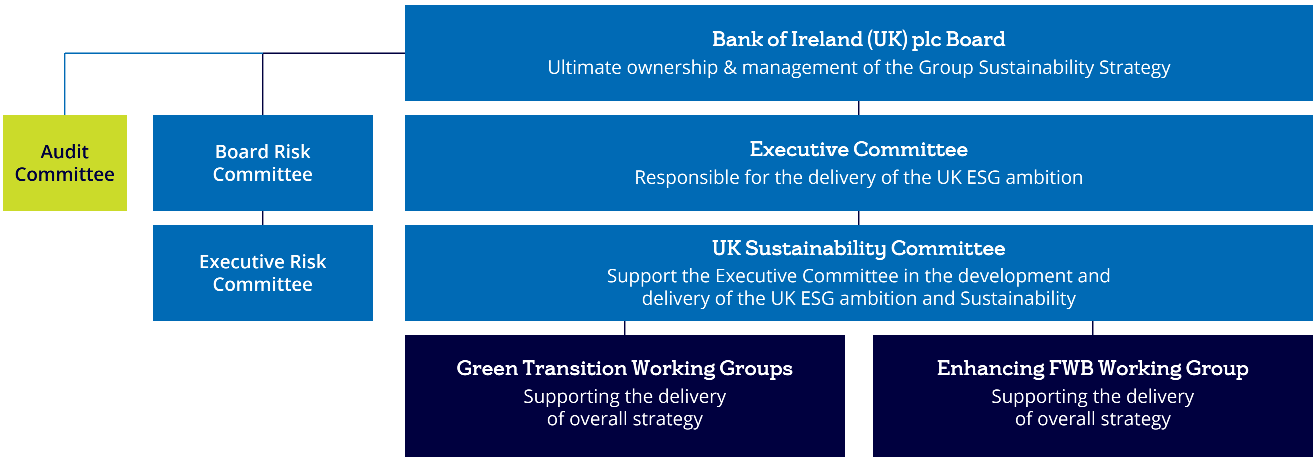
The Group's Board is responsible for the oversight, development, implementation and future management of Climate related matters, risks and opportunities. Existing committees and governance structures consider, manage and report on Financial Risks from Climate Change (FRCC). The Chief Financial Officer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

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



Sustainability strategy

Overview of the strategy

The Group has a rolling three year Sustainability Strategy setting out the actions it will take to achieve its objectives. The strategy is now in the 'Planning and Executing' phase. Over 2025, the Group will continue to focus on developing capability to support improved data insights and sustainable product development.

The Group's strategy is centred around three pillars of Supporting the Green Transition, Enhancing Financial Wellbeing and Enabling colleagues to thrive.

Foundation topics

Our pillars are underpinned by strong foundational topics which guide our commitment to being a sustainable business.

Social foundation topics

Community investment | Health & Safety | Sourcing Responsibly | Human Rights

Governance foundation topics

Culture | Business Ethics | Cyber Security | Data Protection | Financial Crime

Sustainability Strategy aligned to UN SDG's which interconnect broader ESG considerations beyond climate and Net Zero.

Sustainability Pillars

Supporting the Green Transition

Focus areas

We are committed to working with our customers, colleagues and communities to support their transition to a resilient, net zero economy by 2050 in line with government ambitions and actions.

- Science-based targets
- Providing sustainable finance
- Decarbonise our own operations
- Manage climate-related risks
- Transparently report our progress

Relevant UN SDGs

Enhancing Financial Wellbeing

Focus areas

We are committed to empowering people with the knowledge and skills needed to make the most of their finances.

- Fostering financial inclusion
- Improving financial literacy and capability
- Building a more financially resilient and confident society

Relevant UN SDGs

Enabling Colleagues to Thrive

Focus areas

We are committed to create an inclusive and supportive workplace for all our colleagues, enabling them to develop brilliant careers, supporting them during key life moments that matter and providing a safe and fair place to work that welcomes everybody.

- Build a future ready workforce
- Create a differentiated colleague experience and workplace
- Simplify our ways of working

Relevant UN SDGs

Sustainability at Bank of Ireland UK *(continued)*

Enhancing Financial Wellbeing

This pillar focuses on empowering people to thrive financially by enabling them to make better financial decisions for themselves, their families, their businesses and society.

This is achieved by focusing on three areas:
- improving financial capability and literacy;
- fostering financial inclusion; and
- increasing financial resilience.

Improving financial capability and literacy

The Group aims to empower people with the knowledge to help them improve their financial capability and confidence, through digital tools that help manage their day-to-day finances, plan for the future and improve their financial wellbeing.

The Group commissioned a comprehensive Financial Literacy survey that updated the Group's Financial Wellbeing (FWB) Index Score which is based on a 100 point scale with customers classified into one of four segments: Struggling (0-39); Stretched (40-59); Managing (60-79); and Thriving (80-100). NI recorded a score of 59 in 2024, which is consistent with 2023. This was not surprising, as consumers are still encountering high cost of living pressures which directly affect financial wellbeing in NI. The Financial Literacy Index Score, which tests people's knowledge on a wide range of common financial situations remains unchanged at 55%.

Youth Financial Literacy is a key pillar of the Group's ambition to support its customers and community. The Group's youth financial literacy programme is designed to help students build their knowledge and confidence around finances, and the free financial literacy programme for primary and secondary schools brings finances to life in practical ways. This will help students improve their financial confidence, enabling them to make informed decisions as they prepare to take charge of their financial future. This programme was delivered to 58 secondary schools in NI.

During 2024, over 4,328 hours of financial literacy education has been delivered by our Community Engagement Team (CET) to schools, businesses and community groups across NI. The Group plans to continue this level of engagement in 2025.

Fraud detection and prevention remains a priority for the Group. In 2024, the Fraud team hosted 38 events for 1,628 customers, educating them on the importance of fraud prevention and detection. This increased focus has led to tangible impacts, with a decrease in overall customer fraud losses, and an increase in the in the number of visits to the security and fraud webpages. Additionally, the Group participates in Take Five Week, a national initiative to raise awareness of fraud across the UK. The Group actively promoted the campaign's key messages, providing educational resources on recognising and avoiding scams, and encouraging customers to stop and think before sharing personal information or making financial transactions.

Fostering financial inclusion

The Group remains committed to ensuring both colleagues and services are equipped to support customers who may be impacted by a variety of different challenges and circumstances.

The Group's Help and Guidance website page is updated to reflect latest guidance and additional information to support customers who may be affected by long-term or critical Illness and modern slavery, including human trafficking.

To support access to banking services for those who are in danger of being excluded, the Group works with prospective customers with a refugee status to ensure banking facilities can be provided. To further aid customers, a number of key documents have been translated into other languages.

In 2024, the Group launched a new service to improve access to financial services for deaf and hearing-impaired customers. Partnering with specialist service provider SignVideo, the service enables sign language users to use the contact centres for the first time.

Branch practices were recently revised to allow all assistance dogs, rather than only guide dogs, to accompany customers visiting the Group's retail sites.

Increasing financial resilience

The Group, through its FWB initiatives, helps customers improve their financial literacy and resilience, enabling them to withstand the financial impact of an unexpected day-to-day expense or major life event.

It is recognised that some groups of customers are more susceptible to harm than others, and whilst the Group strives to attain good outcomes for all customers, there are occasions where it is necessary for extra care to be taken, and additional measures put in place.

The Group's mobile banking app provides customers with tailored insights and alerts to detect early fraud or malicious use of their card, successful and/or failed attempts to initiate payment transaction and to monitor spending, enabling them to become more aware of their spending habits.

The Group's policy for vulnerable customers outlines the standards and expectations of colleagues, along with roles and responsibilities. This is further supported by a dedicated web-based training module, which all colleagues are expected to undertake each year.

A Vulnerable Customer Programme was launched in 2023 and continued in 2024. The overarching objective is to ensure prevention of harm and deliver a consistent approach to identifying, working with, and supporting vulnerable customers to ensure they receive good outcomes across the business. Linked to the vulnerable customer programme the following enhancements have been delivered: Enhanced supports delivered in the branch network; implementation of hearing loops; in branch access for assistance dogs; and ability to accommodate assistance equipment.

The Group has undertaken several initiatives to enhance customer experience and uphold its high standards, while also meeting Consumer Duty obligations. These initiatives include fee removal, making services more affordable for customers, enhanced customer communications and websites to ensure clear understanding. Customer journeys have been simplified such as the bereavement process, and new channels opened to provide better customer support. New customer surveys have been introduced to better understand customer needs. For colleagues, the above changes have led to greater consistency and the sharing of best practices across the Group.

Sustainability at Bank of Ireland UK *(continued)*

Product governance improvements have been made including target market mapping, fair value assessments, and communication reviews, supported by tools and minimum standard frameworks to ensure effective governance throughout the product lifecycle. Additionally, 2,000 colleagues across the Group, along with those supporting the Group through the Parent, have received consumer duty specific training.

Enabling colleagues to thrive

The Group's guiding purpose, 'Helping you Thrive', shapes our culture and influences day-to-day operations. The Group recognises the importance of continuous learning, ongoing career development and workplace inclusivity. The Group will achieve this and make a positive difference across the organisation and in society through focusing on three areas to:

- build a future-ready workforce;
- create a differentiated colleague experience and workplace; and
- simplify ways of working.

Build a future-ready workforce

Helping colleagues to thrive by developing their digital skills and capabilities remains a crucial part of the Group's people strategy. The Group continues to enhance the core skills of its people to support future digital enhancements. Focus has been on upskilling and reskilling the workforce, while prioritising the attraction, retention, engagement and development of a talented and diverse team.

To better understand each colleague's unique skills and motivations, a digital platform 'Careers Lab' is in place. Careers Lab contains a full suite of tailored learning and development opportunities, including recommendations to learn on the job, from others, and through future skills-based training. These are all designed to support individuals to secure the role which is right for their development.

The Group introduced 'Careers Month in February 2024', ensuring colleagues across the business were engaged in learning about various career development tools and supports to enable them to take ownership of their career and further their development. In recognition of this initiative, the Group received two awards, including the CIPD UK award for 'Best Digital / Technology Initiative' and the Workplace Excellence Award for 'Best Use of Technology'.

Create a differentiated colleague experience and workplace

The Group is dedicated to fostering an environment where all colleagues can grow and develop to reach their potential, ensuring colleagues feel valued and supported in their roles, while promoting behaviours that align with the Group's core purpose and values. Two internal surveys are conducted each year (Open View and CultureScope) to monitor culture and behaviours amongst staff to drive positive change.

The Group strives to attract, promote and retain diverse talent at all levels, to create a more innovative and high performing business which reflects the diverse needs of customers and wider society. There are clear objectives and targets (e.g. gender and ethnicity) and a detailed implementation plan in place, which are tracked and measured, to support their progress and achievement.

In 2024, the Group continued to enhance 'Thrive,' its Performance Development hub. Colleague growth is achieved through frequent conversations with managers about wellbeing, development and performance and improvements to the Hub are ongoing.

The Group introduced a regulatory compliant bonus scheme for employees through the Group Performance Scheme (GPS). The GPS links remuneration, personal performance, delivery for customers and the achievement of the Group's long term strategic and commercial goals.

The Group has made significant strides in enhancing other benefits and support systems. In 2023, the 'My Reward' platform was launched, introducing flexible benefits for all colleagues, including, in 2024, private health benefits for all permanent employees living and working in the UK.

In 2024, the recognition programme nominations increased by 71% (from 366 in 2023 to 627) reflecting the importance of recognising and valuing colleagues' efforts.

The Inclusion and Diversity Policy spotlights the Group's commitment to promoting equal opportunities. The Group is committed to creating a safe environment that promotes inclusion and diversity at work.

The Respect at Work Policy outlines the Group's stance against bullying, harassment or any inappropriate behaviour that may infringe colleagues' right to dignity at work, supported by the Speak Up policy which allows any colleague to raise concerns confidentially about any wrong doing within the workplace.

The Group's Domestic Abuse Policy aims to protect and support colleagues during their most vulnerable times. A number of inclusive family friendly policies are in place including:

- parental leave;
- adoptive leave;
- surrogacy;
- fertility; and
- foster care support.

The Menopause policy was implemented during 2023 to recognise the life changing event colleagues experience and support them through natural life stages while creating an open and respectful culture. The Group achieved Investing in Ethnicity Accreditation in 2023 and was promoted to Level 4 status in 2024 which signifies the highest standard, designated as an Exemplary Employer.

A new network dedicated to neurodiversity was created in 2024, and the Group has partnered with Auticon (a global IT consultancy that exclusively employs autistic professionals as consultants) to develop comprehensive supports for both colleagues and managers.

In addition, the Group launched a Race Equality Taskforce in 2024, overseeing a Race Action Plan and as a result was named one of the top 10 outstanding employers for ethnicity.

Other successes this year include the Group achieving 'Age Aware Accreditation' for the second year running with 55 Redefined and signing up to 'Employers for Carers UK' in 2024.

Sustainability at Bank of Ireland UK *(continued)*

Simplify ways of working

The Group is committed to being one of the best places to work. This commitment is supported by a number of initiatives including hybrid and flexible working arrangements, which recognise the benefits of a hybrid model for work effectiveness, life balance, and mental health.

The Group undertook its annual CultureScope survey, achieving a 51% completion rate. This review informs the UK Culture Action Plan, focused on simplification and continuous improvement. Building on this, the outcomes from the annual Open View Survey (completion rate 84%) focuses on enhancing, understanding, and demonstrating the Group's values.

Supporting the Green Transition

The Group recognises the significant role it can play in facilitating the shift towards a resilient, low-carbon economy. Committed to collaboration with customers, colleagues, and society, the Group aims to support the transition to a resilient, net zero economy by 2050, aligning with the UK government's goals.

Whilst making progress on our sustainable finance trajectory, the Group must continue to focus on enhancing green product offerings, endeavour to continue to reduce own emissions and ensure lending portfolios and practices are on a pathway that is aligned with the Paris Agreement goals.

Climate related opportunities

The journey to achieving net zero emissions involves the implementation of government policy, customer incentives, and the creation of financial products that allow customers to invest in sustainable initiatives. The Group acknowledges several areas where sustainable finance can play an important role: Developing financial products that help customers improve the energy efficiency of their properties; Support business wishing to invest in new technology and equipment that supports the transition to sustainable practices; Continue financing electric vehicles as consumer demand increases; and educating customers on how they can contribute and benefit from the transition to net zero.

Climate Risk Management

Managing climate related risk

The Group's understanding of climate risk is continually evolving. Guided by the Group's Risk Management Framework (RMF) climate risk is being progressively embedded into key risk processes, with climate treated as a cross-cutting risk. Additionally, the ESG RMF sets out the approach to the management of ESG risk factors across the Group and supports effective reporting against climate risk.

Annual business-wide risk assessments are completed to mitigate against climate risk and are approved by ERC and BRC. Quarterly, a climate risk assessment is undertaken and reported to ERC and BRC through the Chief Risk Officer (CRO) report. Risk policies are now reviewed to ensure climate risk is captured appropriately.

Risk Appetite Statement (RAS) metrics are in place specific to climate risk, including monitoring mortgage EPC ratings for Buy to Let and owner-occupied properties, along with the number of Internal Combustion Engine (ICE) Vehicles. RAS metrics monitoring progress of the sustainability plan and Science-Based Targets are now in place.

Business Banking

Biopax Ltd is a green packaging business whose primary aim is to make a significant change to packaging by developing, using and supplying environmentally friendly materials and PFA-free barrier coating solutions. The Group has provided Biopax with approximately £8 million of funding to establish a new production line in Belfast, NI with state-of-the-art folding carton, paper wraps and label machinery. This is in order to meet the demand for its fully recyclable and biodegradable product range from the food, drink and pharmaceutical sectors across the UK and Ireland. This site achieved zero waste to landfill in 2023 and 2024.

Northridge Finance & Marshall Leasing

Marshall Leasing EV fleet has increased by 30% since 2023 (706 to 918 vehicles). This represents 7% of the overall fleet of vehicles. In 2024, Marshall Leasing introduced a new salary sacrifice offering to support its customers transition to electric. A number of customers have already availed of this product, and it is expected to increase the product capability and its popularity, therefore supporting both existing and new customers to decarbonise their operations.

Mortgages

In 2024, the Group partnered with a third-party provider to launch a pilot communication campaign aimed at offering customers guidance on enhancing home energy efficiency. Customers were contacted regarding the energy efficiency of their property and given the opportunity to identify how they could improve the energy efficiency, and the costs associated with it. The results were monitored over a six-week period, allowing the Group to gather insights that will inform the next steps in the mortgage strategy. Looking ahead to 2025, a key achievement will be equipping customers with the necessary tools and information to educate themselves, empowering them to make informed decisions about property energy upgrades.

Climate risk is incorporated into the credit decision processes and it is considered in the mortgage valuation. Buy-To-Let mortgage applications must meet minimum EPC legislative requirements or be included within the exemption list. The Parent's Responsible and Sustainable Sector Statement sets the risk appetite for lending to potentially sensitive sectors which the Group believe cause environmental and/or social harm to society and its communities.

Sustainability at Bank of Ireland UK *(continued)*

Applying to all new lending arrangements within Business Banking, the Group will not provide financing to customers who are deemed to engage in its defined list of excluded business activities. In addition, certain sectors are identified which require the Group to perform additional due diligence, in advance of onboarding the customer.

Greenwashing guidance for business units is in place ensuring any climate or sustainability claims are fully substantiated and meet the FCA anti-greenwashing guidance. ESG risk factors such as climate-related risks are managed within the frameworks the Group has in place for its established principal risk types (as detailed on page 36).

A Sustainable Finance Framework was introduced this year setting out the criteria for classifying sustainable products and reporting sustainable finance.

Climate Scenario Analysis

The Group annually assesses its own resilience to climate change, using forward looking scenario analysis and stress testing. Forward-looking climate scenarios help manage climate-related risks and explore the resilience of the Group to physical and transition risks. Climate scenario analysis is integrated into the Internal Capital Adequacy Assessment Process (ICAAP), with additional Pillar 2 add-ons.

Climate related risk ICAAP Pillar 2 modelling is based on three climate scenarios as summarised below: each of which reflects a different climate policy pathway and are drawn from a set of scenarios published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The scenarios used are: Orderly transition (+1.5°C), Disorderly transition (+2.0°C), and Hothouse world (>3.0°C).

The NGFS has developed the scenarios to provide a common starting point for the financial sector to analyse physical and transitional climate related risks. Internal scenarios and methodologies to quantify the potential impact of climate related risks across the Group's portfolios are in place. Each scenario has a separate risk driver profile (made up of both physical and transitional risks) that have implications for credit quality, including the probability of default. These scenarios and their associated risk profiles are then applied to understand the implications for credit quality for that sector and the capital adequacy requirements for the Group.

In addition to Pillar 2 add-ons, the Group has recognised a £1.2 million Post Model Adjustment (PMA) under IFRS 9, to reflect the estimated ECL impact of climate-related risks within the residential mortgages portfolio as at December 2024 (see IFRS 9 disclosures in note 2).

A summary of the key risks and drivers identified are detailed below.

Principal sustainability risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts[1] Short	Medium	Long	What are we doing to mitigate climate risk drivers
Credit risk	Transition risk: • Policy and legal • Technology • Market • Reputation 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 UK ICAAP. • Landmark analysis to understand potential impacts and concentration.
Business & Strategic risk	Transition risk: • Policy and legal • 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.	●	●	●	• UK 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. • Risk Appetite: Reporting expanded to include an ESG Risk Lens for 2025.

[1] *An estimation of: (i) The time horizon at which each risk is likely to materialise: short term, within three years; medium term, between three and five years; or long-term, more than five years. (ii) The relative materiality of each risk: Negligible (-); Low (●); Moderate (●●); Significant (●●●).*

Sustainability at Bank of Ireland UK *(continued)*

Principal sustainability risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts[1] Short	Medium	Long	What are we doing to mitigate climate risk drivers
Operational risk	Transition risk: • Policy and legal • Technology • Market • 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 our Business Continuity Plans with consequent impact to services we provide to clients (e.g. transaction processing). • Potential need to increase resilience of our 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 UK 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 Group's Customer Engagement Risk Policy requires mitigation of greenwashing risk. • FCA Finalised Guidance on Anti-Greenwashing Rule came into effect on 31 May 2024.
Regulatory risk	Transition risk: • Policy and legal • Technology • Market • Reputation 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-monthly1LOD/2LOD meeting to review any developments captured in climate regulation applicable to the Group.
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 Bank's internal liquidity adequacy assessment process (ILAAP).

[1] *An estimation of: (i) The time horizon at which each risk is likely to materialise: short term, within three years; medium term, between three and five years; or long-term, more than five years. (ii) The relative materiality of each risk: Negligible (-); Low (•); Moderate (••); Significant (•••).*

Sustainability at Bank of Ireland UK *(continued)*

Principal sustainability risk types	Impacting climate risk drivers	Climate risk impacts	Quantified Potential Impacts[1]			What are we doing to mitigate climate risk drivers
			Short	Medium	Long	
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 Group 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 ICAAP 2024 quantitative Climate Risk Assessment across principal risk types.

[1] An estimation of: (i) The time horizon at which each risk is likely to materialise: short term, within three years; medium term, between three and five years; or long-term, more than five years. (ii) The relative materiality of each risk: Negligible (-); Low (●); Moderate (●●); Significant (●●●).

Risk Assessments of residential mortgage portfolio

The Group has worked with a third party, Landmark Information Group, to further understand climate related risks (flood, subsidence, coastal and energy efficiency) to the mortgage portfolio.

Climate change will increase the frequency of flooding and subsidence, the rate of coastal erosion and potentially drive the government to require that energy inefficient properties be remediated. This will reduce the value of impacted properties and thus increase the losses the Group incurs when these properties are possessed.

Climate change impact will increase over time. The rate of increase will depend on the global rate of greenhouse gas emissions. The business as usual scenario (RCP8.5) will result in the greatest impact.

This analysis measured the impact of climate on the December 2024 mortgage portfolio in five-year increments over the period 2020 to 2080. The analysis shows that the incidence of cases with a corresponding physical climate risk has remained broadly stable, when compared to the previous assessment in 2023.

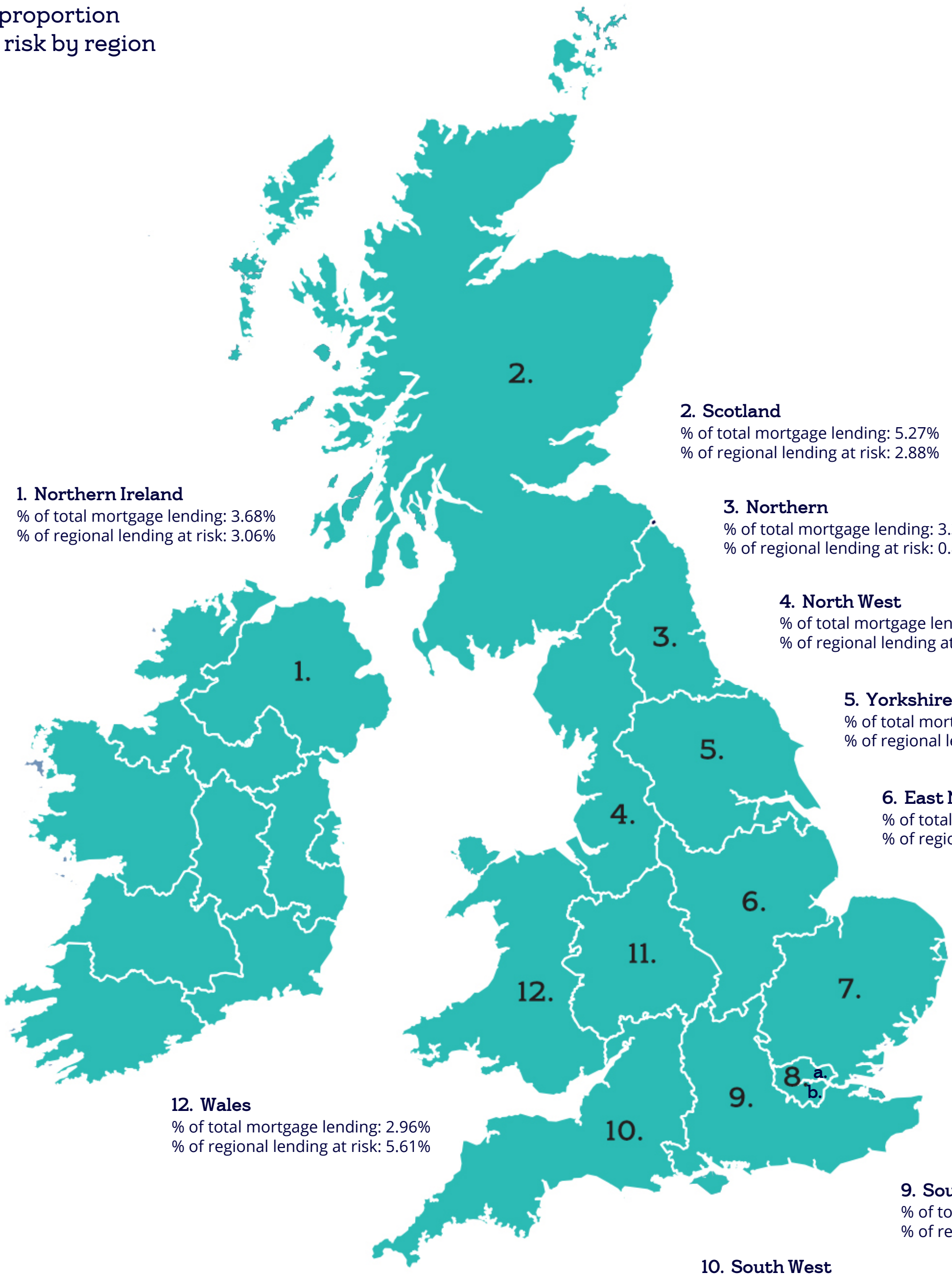
Representative Concentration Pathways (RCP)	Emissions scenario illustration	Increase in temp by 2100
RCP 2.6	Significant global reduction	0.9 - 2.3°C
RCP 4.5	All countries implement Paris Accord	1.7 - 3.2°C
RCP 6.0	All signatories implement Paris Accord	2.0 - 3.7°C
RCP 8.5	Business as usual	3.2 - 5.4°C

Sustainability at Bank of Ireland UK *(continued)*

Flood risk

Each loan in the mortgage portfolio is allocated a probability of a severe flood event occurring by 2050 under the business as usual scenario (RCP 8.5) which expects a temperature increase between 3.2-5.4 degrees Celsius by 2100. As of December 2024, 93.75% of the Group's mortgage lending is on properties with low to negligible risk of a flood event and 2.88% is on properties with high risk of flooding (>5% likelihood). Both figures remaining broadly aligned with exposure in June 2023.

Book proportion
Flood risk by region



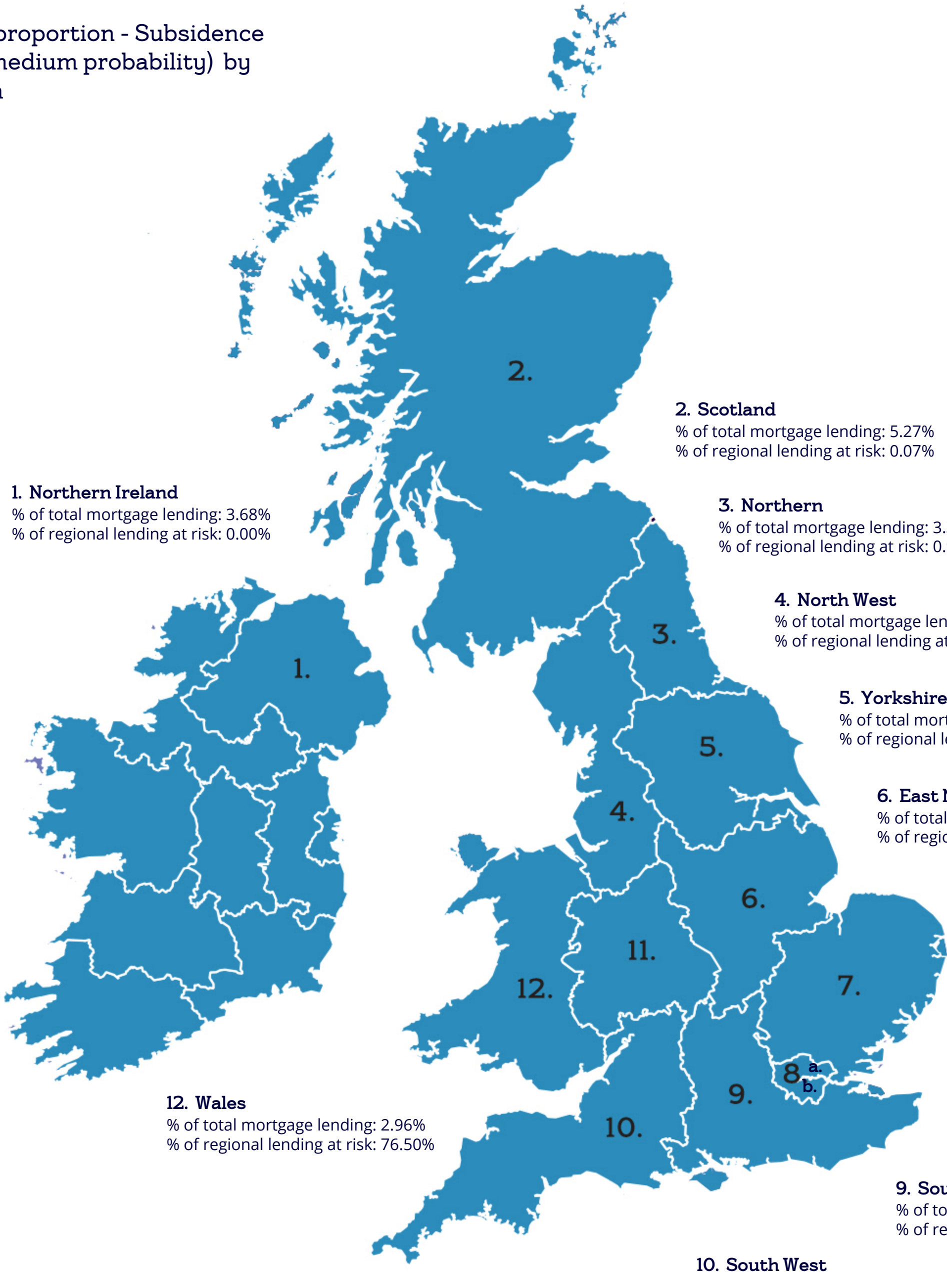
Sustainability at Bank of Ireland UK *(continued)*

Subsidence risk

Subsidence risk is assessed as the impact on market value of the property, and cost of repairs should a subsidence event occur. In December 2024, 87.47% of the mortgage book relates to properties with low to negligible probability of a subsidence event occurring by 2050. Of the 12.53% that sits within a medium probability of a subsidence event by 2050, the value at risk is minimal for these properties.

Overall, there was a slight reduction in the proportion of properties with negligible risk and a slight increase in the proportion of properties with a medium risk from 2023.

Book proportion - Subsidence risk (medium probability) by region



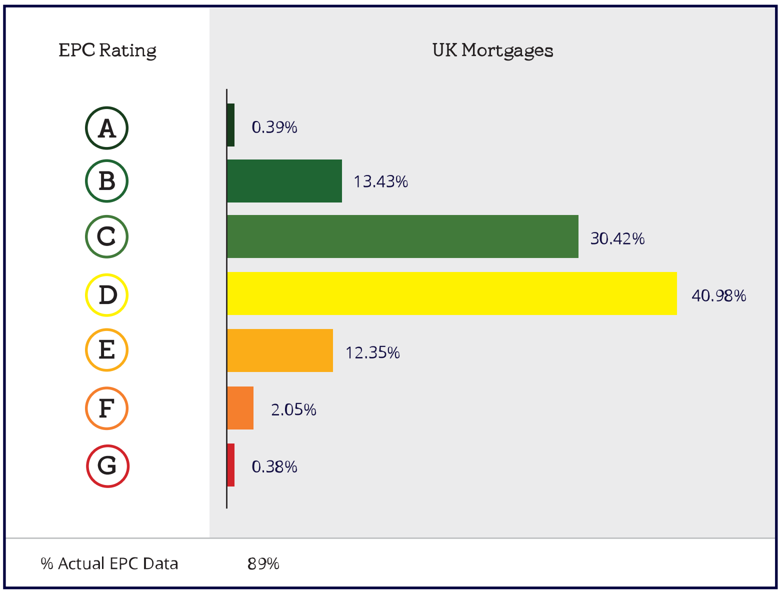
Sustainability at Bank of Ireland UK *(continued)*

Coastal erosion
Costal erosion impact is assessed as the reduction in property value due to proximity to the coastline. Property value is assumed to decline as properties move from 100 metres to 0 metres from the coast. 151 (0.2%) properties within the mortgage portfolio have been identified as being within 50 metres of the coast in areas where coastal erosion is a possibility.

Overall, the mortgage book exposure to physical risks is deemed as low to negligible.

Transitional Risk – Energy Efficiency of residential mortgage portfolio
Transitional risk mostly focuses on the energy efficiency of the properties finance is provided on.

Energy efficiency is measured by EPC ratings, with A indicating the best and G the worst in terms of energy efficiency. EPC ratings are available for 89% of properties in the Group's mortgage portfolio. The chart below summarises the energy efficiency of the mortgage portfolio, based on a combination of actual and estimated EPC ratings.



Currently, 44% of the Group's book which has available EPC data corresponds to properties already in EPC ratings A to C, which is broadly in line with the UK average. The Group also has lower exposure to low energy ratings (E-G 15%) compared with England and Wales average (20%). Climate-related metrics are in place including RAS metrics for Buy-to-Let properties with an energy performance rating of C or above and owner-occupied properties with EPC rating E or above.

Climate-related metrics and targets

The Group, in association with its Parent, has committed to reducing emissions from its own operations (scope 1 and 2) by 49% (2020 baseline) by 2030 and the mortgage portfolio by 48% (2020 baseline) by 2030, while supporting the UK and Irish Governments' journey to net zero by 2050. Initially set in 2022, these targets will be reviewed in 2025, with updated goals for 2030 to be established. Metrics are in place to ensure regular monitoring of the performance of the sustainability strategy and SBT progress. These metrics are reported within the CRO report.

Carbon emissions from own operations
The Group, in association with its Parent, has achieved a 47% reduction from a 2020 baseline to 2024 (from 6,238 tonnes of carbon dioxide equivalent (tCO2e) to 3,324 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).

Key initiatives contributing to the decrease in energy use and carbon emissions in 2024 included:
- continued operational implementation of the ISO 50001 Energy Management Standards;
- at 31 December 2024, 99% of UK properties are powered by renewable electricity contracts, resulting in zero emissions from energy generation;
- installation of LED lighting across all NI branches and UK administration buildings; and
- UK Head Office relocated to a new office building with 100% renewable electricity contract.

The Group's initiatives planned for 2025 include:
- continue updating offices' LED lighting;
- conversion to renewable Hydrotreated Vegetable Oil (HVO) or electric heating systems for retail branches using kerosene fuel; and
- continued operational implementation of the ISO 50001 and 14001 standards and recertification from 2025 compliance audit.

Carbon emissions from residential mortgages
In alignment with our Parents overall residential mortgage target, the Group has committed to reduce the mortgage book emissions by 29%. During 2024, the Parent and the Group achieved a combined 14% reduction. To date, the Group has reduced its mortgage emissions by 3% against 2020 baseline.

The Group acknowledges that achieving these targets will be reliant on multiple stakeholders working together, to deliver a net-zero economy. This includes the UK policy landscape, Government and industry collaboration to transition the economy successfully.

Alongside this the Group has continued implementation of the green mortgage strategy that prioritises sustainable product development, enhancing system capability and advancing data proficiency.

Sustainability at Bank of Ireland UK *(continued)*

To help customers wishing to improve the energy efficiency of their properties, the Group established a new partnership with Propflo, an online platform enabling customers to understand the changes required to improve the energy efficiency of their properties. System improvements for data capture were delivered with the rollout of EPC capture for new and existing mortgage customers.

Sustainability outcomes for car finance

Northridge Finance provides finance for new and used cars, commercial vehicles and other motorised vehicles such as motor homes and agricultural vehicles. As at December 2024 Northridge financed 3,776 EVs which represents c.3% of the total Northridge book of £2.6 billion - an increase of 20% in total lending on prior year.

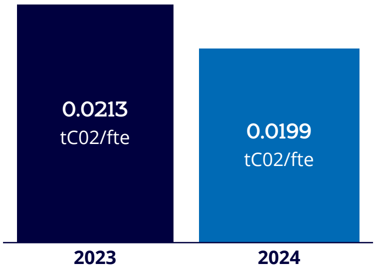
Marshall Leasing provides leasing for cars and commercial vehicles. Marshall Leasing's EV fleet has increased by 30% year on year (706 to 918) which represents 7% of the overall fleet of 12,979 vehicles.

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	**2024**	**2023**
Total Energy consumption used to calculate emissions kWh (million)	4.7	5.58
Energy consumption break down (kWh)		
Gas	1.66	1.97
Electricity	2.9	3.5
LPG	0.02	0.02
Kerosene fuel	0.1	0.1
Gas oil	–	–
Scope 1 Emissions in metric tonnes of carbon dioxide equivalent (tCO_2e)[1,2]		
Gas[3]	307	360
LPG[3]	5	4
Kerosene Fuel[3]	28	24
Gas Oil[3]	–	–
F-Gas[4]	47	45
Petrol Car[5]	50	64
Diesel Car[5]	9	27
Hybrid card[5]	9	9
Plug in hybrid car[5]	47	43
Electric vehicle[5]	42	38
Total Scope 1	**544**	**614**
Scope 2 Emissions (tCO_2e)		
Purchased Electricity Location - based[6]	602	724
Purchased Electricity Market - based[7]	3	10
Total Scope 2 purchased electricity	**3**	**10**
Scope 3 Emissions in metric tonnes of carbon dioxide equivalent (tCO_2e)		
Business travel	580	460
Waste	2	6
Purchased goods and services	7	8
Total Scope 3	**589**	**474**
Total Gross emissions in metric tonnes (tCO_2e)	**1,136**	**1,098**
Intensity ratio scope 1 & 2 Tonnes CO_2e per m2[8]	**0.0199**	**0.0213**
Intensity ratio scope 3 Tonnes CO_2e per FTE[9]	**0.3728**	**0.3244**

1 tCO2e - Carbon dioxide equivalent is the measure of greenhouse gas emissions.
2 2024 UK greenhouse gas reporting conversion factors used (www.gov.uk).
3 Consumption figures obtained from utility bills and landlord consumption reports.
4 Fluorinated Greenhouse gases (F-Gas) figures from maintenance reports.
5 Emissions from staff car fleet.
6 Purchased Electricity Location - based using UK 2024 national grid conversions.
7 Purchased Electricity Market - based using UK 2024 national grid conversions for GB and Northern Ireland is on 100% renewable energy except 1 small office in GB using 14,118 kWhs. In 2025 all sites on renewable contracts.
8 Calculated as the sum of (SECR) emissions 547 tC02e divided by the metres squared of buildings portfolio NI,GB 27,530 m2 for 2024.
9 Calculated as the sum of (SECR) emissions 589 tC02e divided by the full time employees BOI UK 1,580.

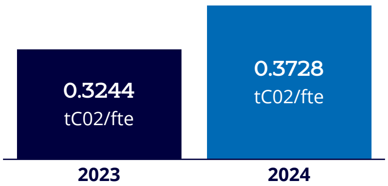
Sustainability at Bank of Ireland UK *(continued)*



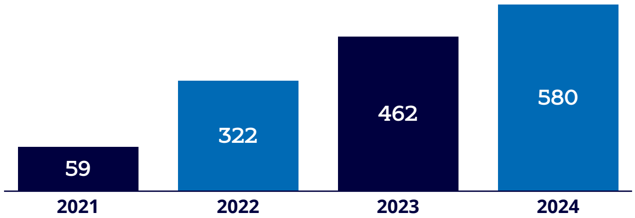
This graph represents, in metric tonnes of carbon dioxide equivalent by metres squared (m2) for Scope 1 and Scope 2.

Scope 1 & 2 emissions have reduced largely due to the UK electricity contracts being on 99% renewable energy.

The graph below represents, in metric tonnes of carbon dioxide equivalent per fte for Scope 3 2024 versus 2023. Scope 3 emissions have increased due to an increase in business travel.



Scope 3 emissions have increased by 519 tCO_2e (from 70 tCO_2e to 589 tCO_2e) due to business travel increasing from 59tCO_2e to 580tCO_2e (see below graph), offset slightly by waste which has reduced by 4 tCO_2e from 6 tCO_2e to 2 tCO_2e.



Sustainability at Bank of Ireland UK *(continued)*

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 13 to 26. 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.

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 13)*	Environment and Energy *(page 62)*
	Group Energy policy (ISO 50001)[1]	Financial risks from climate change *(page 40)*	
Climate disclosures	n/a	Sustainability at Bank of Ireland UK *(page 13)*	Sustainability *(page 13)*
Social and employee matters	Inclusion and Diversity policy	Sustainability at Bank of Ireland UK *(page 13)*	Vulnerable customers *(page 118)*
	Group Code of Conduct[1]	Sustainability at Bank of Ireland UK *(page 13)*	Inclusion and diversity *(page 88)*
	Equal Opportunities policy	Sustainability at Bank of Ireland UK *(page 13)*	Learning *(page 86)*
	Group Health and Safety policy	Conduct risk *(page 56)*	Wellbeing *(page 86)*
	Employee Data Privacy	Business and strategic risk *(page 56)*	Communities *(page 106)*
	Group Vulnerable Customers policy		People risk *(page 295)*
	Group Learning policy		
Respect for human rights	Modern slavery and human trafficking statement[1]	Operational Risk *(page 55)*	Information security *(page 295)*
	Group procurement policy		Operational risk *(page 295)*
	Group data protection and privacy policy		Human trafficking *(page 87)*
			Human rights *(page 87)*
Bribery and corruption	Group Code of Conduct[1]	Sustainability at Bank of Ireland UK *(page 13)*	Code of conduct *(page 92)*
	Speak Up policy	Conduct risk *(page 56)*	Anti-bribery and corruption *(page 131)*
	Group Anti-Money Laundering policy (AML)		Anti-Money Laundering *(page 109)*
	Group Anti-bribery and Corruption policy		Conduct risk *(page 267)*
	Conflict of Interest Policy		
Diversity report	Board Diversity policy[1]	Corporate Governance arrangements *(page 66)*	Corporate Governance Statement *(page 154)*
Business model		Business operations *(page 34)*	Divisional Review *(page 169)*
Policies followed, due diligence and outcome		Risk management framework *(page 43)*	Risk management framework *(page 256)*
Description of principal risks and impact of business activity		Principal risks and uncertainties *(page 36)*	Principal risks and uncertainties *(page 247)*

[1] *These polices are available on the Bank of Ireland Group plc website, www.bankofireland.com. All other policies listed are not published externally.*

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 Company 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 8)* • Sustainability at Bank of Ireland UK *(page 13)*
B	the interests of the company's employees;	• Our Strategy *(page 8)* • Sustainability at Bank of Ireland UK *(page 13)*
C	the need to foster the company's business relationships with suppliers, customers and others;	• Our Strategy *(page 8)* • Sustainability at Bank of Ireland UK *(page 13)*
D	the impact of the company's operations on the community and the environment;	• Sustainability at Bank of Ireland UK *(page 13)*
E	the desirability of the company maintaining a reputation for high standards of business conduct; and	• Sustainability at Bank of Ireland UK *(page 13)*
F	the need to act fairly as between members of the company.	• Our Strategy *(page 8)*

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 43 ;
- 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 2024, see the Wates Principles in Corporate Governance Arrangements (page 66); and
- following external review of the Board's effectiveness in 2023, actions implemented during 2024 to enhance Board effectiveness include:
  - the enhancement of the directors' skills matrix, supporting the assessment of the balance of skills, knowledge, experience and diversity on the Board;
  - 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 Kearney on the revised strategic plan and 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 2024, the Board reviewed and approved a number of strategic initiatives and played a key role in all material decisions, including the launch of the Company's refreshed strategy, Consumer Duty implementation and embedding, 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 Executive Risk Committee. 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: 2024 key performance highlights *(page 3)* • Chair's review *(page 4)* • Chief Executive's review (page 6) • Our strategy *(page 8)*

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 aligned with FCA guidance and supporting all customers. 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 Executive Committee (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. In July 2024, the Group launched its refreshed strategy, an objective of which is to become 'our customers' most trusted financial partner' (see page 4 of the Chair's Statement).	• Chair's review *(page 4)* • Chief Executive's review (page 6) • Our strategy *(page 8)* • Sustainability at Bank of Ireland UK *(page 13)* • 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 6) • Our strategy *(page 8)* • Sustainability at Bank of Ireland UK *(page 13)*
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 2024, 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. The Group's three year strategy (2025-2027), launched in July 2024 includes the objectives of enabling colleagues to thrive.	• Chair's review *(page 4)* • Chief Executive's review *(page 6)* • Our strategy *(page 8)* • Sustainability at Bank of Ireland UK *(page 13)* • 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. The PRA attended a Group Board meeting in September 2024. The FCA announced in January 2024 that they are using their powers under Section 166 of the Financial Services and Markets Act 2000 to review historical motor finance commission arrangements and sales across several firms. The Group's motor finance business is participating in the FCA's review of historical commission arrangements.	• Sustainability at Bank of Ireland UK *(page 13)* • Principal Risks and Uncertainties *(page 36)* • Credit Risk *(page 46)* • Conduct Risk *(page 56)* • Regulatory Risk *(page 56)*

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 8)*
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 6)* • Our strategy *(page 8)* • Sustainability at Bank of Ireland UK *(page 13)*
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 13)* • Principal Risks and Uncertainties *(page 36)*

Financial Review

Basis of presentation
The strategic report has been presented on a consolidated basis for the years ended 31 December 2024 and 31 December 2023.

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.

Bank of Ireland (UK) plc is a public limited company incorporated in England and Wales and domiciled in the UK.

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.

The Group is regulated by the PRA and FCA.

2024 Financial results

Statutory profit before tax
£181m
(2023: £331m)

Underlying profit before tax
£263m
(2023: £331m)

Statutory operating expenses excluding motor finance commission charges
£236m
(2023: £222m)

Impairment gain
£8m
(2023: £43m charge)

Group income statement

2024 **Summary consolidated income statement**	**Underlying basis[1]** **£m**	**Non-core items** **Motor finance commissions charges**	**Strategic portfolio divestments** **£m**	**Transformation investment costs** **£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)	(10)	(6)	(382)
Operating profit / (losses) before net impairment losses on financial instruments	**242**	**(146)**	**26**	**(6)**	**116**
Net impairment gains / (losses) on financial instruments	(3)	–	11	–	8
Profit on sale of property, plant and equipment	–	–	–	–	–
Profit on sale of business portfolio	–	–	33	–	33
Share of gain after tax of joint venture	24	–	–	–	24
Profit / (loss) before taxation	**263**	**(146)**	**70**	**(6)**	**181**
Taxation charge					(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 31 for further details.*

Group income statement *(continued)*

2023 Summary consolidated income statement	Underlying basis[1] £m	Non-core items Motor finance commission charges	 Strategic portfolio divestments £m	 Transformation investment costs £m	Statutory basis £m
Net interest income	561	–	22	–	583
Net other income	(15)	–	3	–	(12)
Total operating income	**546**	**–**	**25**	**–**	**571**
Operating expenses	(214)	–	(21)	13	(222)
Operating profit / (losses) before net impairment losses on financial instruments	**332**	**–**	**4**	**13**	**349**
Net impairment gains / (losses) on financial instruments	(26)	–	(17)	–	(43)
Profit on sale of property, plant and equipment	–	–	–	–	–
Profit on sale of business portfolio	–	–	–	–	–
Share of gain after tax of joint venture	25	–	–	–	25
Profit before taxation	**331**	**–**	**(13)**	**13**	**331**
Taxation charge					(72)
Profit for the period					**259**

[1] *Underlying profit before taxation includes non-core items which the Group believes obscures the underlying performance trends in the business. Refer to page 31 for further details.*

For further information on performance measures referred to, see page 168.

The Group income statement on page 30 provides a reconciliation between the statutory profit before tax of £181 million (2023: £331 million) and the underlying profit before tax of £263 million (2023: £331 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 2024:

Non-core items

Motor finance commission charges
During 2024, the Group recognised a charge of £146 million in relation to historic motor finance commissions charges comprising a provision of £143 million and costs incurred in the year of £3 million. Refer to note 31 for details of the provision.

Strategic portfolio divestments
During 2024, the Group realised a gain, for strategic portfolio divestments, of £70 million relating to the unsecured personal lending portfolio. (2023: £13 million charge). This portfolio has been classified as non-core, strategic portfolio divestments by the Group since Q4 2023. The gain of £70 million included interest income of £32 million (2023: £22 million), other income of £4 million (2023: £3 million) and an impairment gain of £11 million (2023: £17 million charge) related to this business, offset by operating expenses of £10 million (2023: £21 million).

In October 2024, the Group completed the sale of the performing UK personal loans portfolio which resulted in a gain on disposal of £33 million, after adjusting for transaction costs and other costs associated with migration of the portfolio. The non-performing portfolio was sold in December 2024. Following the completion of the non-performing portfolio sale, all unsecured personal loans balances have been fully derecognised from the balance sheet as at 31 December 2024. In total, £0.8 billion of personal loans balances were de-recognised at 31 December 2024, with associated ECL balance of £59 million.

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 2024, the Group recognised a charge of £6 million (2023: £13 million credit) in relation to amounts received in respect of transformation projects.

Statutory profit before tax of £181 million in 2024 was £150 million lower than 2023, driven by the factors listed below.

Statutory net interest income decreased by £91 million or 16% compared to the previous year. This decrease was primarily driven by the personal loans business discontinuing new business from December 2023 and lower net interest income in mortgages due to older higher margin business maturing, offset by lower funding costs.

Statutory net other income increased by £18 million. This is primarily due to lower commissions paid on deposit products during the year.

Statutory operating expenses of £382 million increased by £160 million, primarily reflecting the inclusion of the motor finance commission provision and associated costs of £146 million. In addition, 2024 saw increased staff numbers to facilitate the successful delivery of the Consumer Duty programme and other customer centric initiatives, in line with our strategy to ensure enhanced service for our customers. These cost increases were offset by maintaining cost discipline in other areas.

The Group recognised a net impairment gain of £8 million on financial instruments in 2024 (2023: £43 million charge), an overall decrease of £51 million on the previous year.

Group income statement *(continued)*

The gain in 2024 reflects: the impact on IFRS 9 models of Forward Looking Information from the Group's latest macro-economic outlook; management adjustment release related to cost of living pressures following normalisation of the market, normal portfolio activity and actual loan loss experience in the year.

Approximately 48% (2023: 70%) of the impairment loss was recognised for assets that are not credit-impaired consistent with the recognition of expected credit loss under IFRS 9.

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 2024 decreased by £1 million from 2023. For further information refer to note 21.

The **taxation charge** for the Group was £48 million compared to £72 million for 2023. The effective tax rate for the year ended 31 December 2024 was 27% (2023: 22%). 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.

Group balance sheet

Summary consolidated balance sheet	2024 £m	2023 £m	Change %
Cash and balance with central banks	2,069	2,213	(7%)
Loans and advances to banks	1,171	1,248	(7%)
Loans and advances to customers	14,191	14,148	-
Fair value changes of the hedged items in portfolio hedge of interest risk	(58)	(100)	(42%)
Debt securities at amortised cost	476	489	(3%)
Total other assets	762	834	(9%)
Total assets	**18,611**	**18,832**	**(1%)**
Deposits from banks	2,422	3,237	(25%)
Customer accounts	12,223	11,815	3%
Fair value changes of the hedged items in portfolio hedge of interest risk	(87)	(44)	98%
Subordinated liabilities	190	190	-
Debt securities in issue	514	549	(6%)
Total other liabilities	1,572	1,446	9%
Total liabilities	**16,834**	**17,193**	**(2%)**
Equity attributable to owners of the parent	1,777	1,639	8%
Total equity and liabilities	**18,611**	**18,832**	**(1%)**
Statutory return on tangible equity	7.8%	15.9%	
Return on assets[1]	0.7%	1.32%	
Loan to deposit ratio	116%	120%	
Liquidity coverage ratio (LCR)	154%	168%	
Net stable funding ratio	130%	135%	

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

	2024		2023	
	£m	% of book	£m	% of book
Residential mortgages	10,639	75%	9,811	69%
Non-property SME and corporate	1,278	9%	1,306	9%
Commercial property and construction	203	1%	216	1%
Consumer	2,159	15%	2,966	21%
Loans and advances to customers (before impairment provisions)	**14,279**	**100%**	**14,299**	**100%**
Impairment provisions	(88)		(151)	
Loans and advances to customers (after impairment provisions)	**14,191**		**14,148**	

Group balance sheet *(continued)*

The Group's **cash and balances with central banks**, which is cash placed with Bank of England, decreased year on year by £144 million at 31 December 2024, as a result of early repayment of the BOE term funding (TFSME) funding offset by increased customer deposits.

The Group's **loans and advances to banks** of £1.2 billion decreased by £0.1 billion since 31 December 2023, due to decreases in amounts due from the Parent.

Loans and advances to customers of £14.2 billion increased by £0.1 billion primarily reflecting gross new lending of £3.8 billion offset by redemptions of £2.7 billion and the de-recognition of the personal lending portfolio in the year.

Gross new lending of £3.8 billion is £0.1 billion higher when compared to 2023 due to the increase in volumes particularly within the mortgage portfolio, with a continued focus on margin.

New mortgages originated during 2024 were £2.4 billion, offset by, repayments and redemptions on the existing portfolio of £1.5 billion, resulting in the mortgage book increasing by £0.9 billion in the year.

Consumer lending comprises of Northridge Finance and during 2023, personal loans. Noting the personal lending portfolio was de-recognised in the year. Northridge Finance gross lending volumes increased by £0.2 billion in the year and new lending of £1.3 billion was in line with 2023.

Gross new commercial lending was £141 million in 2024, with a year end lending balance of £203 million.

During 2024, the impairment provision on loans and advances to customers of £88 million decreased by £63 million compared to 31 December 2023, primarily due to the sale of the personal loans portfolio during the year. Further details are included in note 19.

Debt securities at amortised cost of £0.5 billion comprises £0.1 billion of UK Government gilts, £0.2 billion of Multilateral Development Bank bonds and £0.2 billion of UK covered bonds at 31 December 2024.

Other assets decreased by £72 million mainly relating to decrease in derivative financial instruments, offset by amounts owing at year end from the sale of the non-performing unsecured personal loans portfolio.

Other liabilities increased by £126 million, this is driven by inclusion of provision for Northridge motor finance commission claims of £143 million, offset by a decrease in derivative liabilities with the parent.

Customer accounts increased by £0.4 billion to £12.2 billion at 31 December 2024, reflecting the Group's strategy to optimise its funding mix, replacing maturing TFSME with customer deposits.

Deposits from banks of £2.4 billion at 31 December 2024 decreased by £1 billion, due to repayment of TFSME funding during the year.

Debt securities in issue were £514 million at 31 December 2024 (2023: £549 million), decreasing by £35 million from 2024 due to a quarterly payments to Bowbell 3 note holders in the year of £34 million.

The Group's **LCR** decreased to 154% at 31 December 2024 (2023: 168%), reflecting the impact of decreases in cash and balances with central banks due to early TFSME repayment.

The Group's equity of £1.8 billion is £138 million higher than 2023.

Retained earnings increased in the year by £121 million primarily due to profit for the year of £133 million offset by AT1 coupon paid of £9.2 million. Further details are included in note 41.

Customer accounts	2024 £m	2023 £m
Bank of Ireland deposits and current accounts	5,660	5,624
Post Office branded deposits	6,563	6,111
AA branded deposits (discontinued)	–	80
Total customer accounts	**12,224**	**11,815**

	2024		2023	
	Statutory basis £m	Underlying basis £m	Statutory basis £m	Underlying basis £m
Profit for the period attributable to shareholders	133	133	259	259
Coupon on AT1 securities[1]	(9)	(9)	(7)	(7)
Amortisation of intangible assets, net of tax	1	1	1	1
Non-core items, net of tax (see page 30)	–	59	–	–
	125	**184**	**253**	**253**
Shareholders' equity, excluding AT1 capital	1,626	1,626	1,489	1,489
Intangible assets and goodwill	(25)	(25)	(27)	(27)
Shareholders' tangible equity	**1,601**	**1,601**	**1,462**	**1,462**
Average shareholders' tangible equity	**1,593**	**1,593**	**1,596**	**1,596**
Return on tangible equity	**7.8%**	**11.6%**	**15.9%**	**15.9%**

[1] *Tax credit on AT1 coupon is accounted for in the income statement and therefore included in profit attributable to shareholders.*

Capital

31 December 2023 Regulatory[1] %	31 December 2023 Fully loaded[2,3] %		31 December 2024 Fully loaded[2,3] %
		Capital ratios[1]	
17.9%	17.8%	Common equity tier 1	19.9%
19.8%	19.7%	Tier 1	21.9%
22.2%	22.1%	Total capital	24.3%
9.4%	9.3%	Leverage ratio	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.
[2] Reported fully loaded capital does not include the IFRS 9 transitional adjustment.
[3] Only the fully loaded capital is reported for 2024, as the IFRS9 transition period ended as at 31 December 2024.

The Group is strongly capitalised with a total capital ratio on a fully loaded[2] basis of 24.3% (2023: 22.1%). Total capital resources increased by £136 million to £1.89 billion. For further information on underlying figures used in calculation of capital ratios please refer to page 57. For information on basis of calculation please refer to page 168.

Capital ratios have been presented including the benefit of the retained profit in the period in accordance with Article 26 (2) of the Capital Requirements Regulation (CRR).

Income statement *(by business unit)*

During 2024 the Group managed the business operations under three units outlined below. The revised business operating model, which will be used for reporting purposes from 2025 onward is detailed in pages 8 to 12 of this report.

- **GB Consumer Banking** - offering mortgages and deposits through our agreement with the PO and other intermediaries, as well as motor financing and leasing services through Northridge Finance and Marshall Leasing.
- **NI** - 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.

	2024				2023			
Consolidated income statement	**GB consumer banking £m**	**NI £m**	**Group centre £m**	**Total £m**	**GB consumer banking £m**	**NI £m**	**Group centre £m**	**Total £m**
Operating income	311	125	26	462	382	146	18	546
Operating expenses	(130)	(90)	–	(220)	(134)	(80)	–	(214)
Operating profit / (loss) before net impairment losses on financial instruments	**181**	**35**	**26**	**242**	**248**	**66**	**18**	**332**
Net impairment (losses) / gain on financial instruments	(6)	3	–	(3)	(38)	12	–	(26)
Share of profit of joint venture	24	–	–	24	25	–	–	25
Profit / (loss) on disposal of business activities	–	–	–	–	–	–	–	–
Underlying profit / (loss) before taxation	**199**	**38**	**26**	**263**	**235**	**78**	**18**	**331**
Non-core items	(76)	–	(6)	(82)	(13)	–	13	–
Statutory profit before taxation	**123**	**38**	**20**	**181**	**222**	**78**	**31**	**331**

Income statement *(by business unit) (continued)*

GB Consumer Banking

The statutory profit of GB Consumer Banking decreased by £95 million compared with 2023. This is primarily due to decreased income of £71 million. Mortgage net interest income reduced in the year by £30 million as a result of older higher margin business maturing, offset by lower funding costs. All personal lending income was classified as non-core from Q4 2023 and therefore excluded during 2024. Reduction in income is offset by a decrease in operating expenses of £4 million and reduction in impairment charges of £32 million. Non-core net expense during 2024 of £76 million relates to strategic portfolio divestments, offset by the Northridge motor finance commission charges. See page 31 for further details.

NI

Statutory profit in NI decreased by £40 million, with a decrease in income of £21 million compared to 2023 primarily due to increased funding charges in the year, and a £10 million increase year on year in operating expenses. Impairments reduced credit of £9 million year on year, resulting in a net profit of £38 million.

Group Centre

The Group Centre underlying profit increased by £8 million over 2023. Statutory profit decreased by £11 million year on year due to non-core transformation investment gain incurred in 2023, offset by a cost during 2024 of £6 million, in relation to incurred expenditure for transformation investment.

Principal risks and uncertainties

Principal risks identified by the risk identification process, together with key controls and mitigating factors are set out below.

The Group continues to face a diverse set of challenges including global macroeconomic uncertainty and geopolitical instability, and uncertainty regarding the review of historical industry-wide motor finance commission practices and monitoring of on-going regulatory change.

In addition, the Group monitors and prepares for changes in regulation. These changes include:

- Operational Resilience requirements which come into full effect on 31 March 2025; and
- Basel 3.1 Capital regime, the implementation of which has been deferred to 1 January 2027 and around which uncertainty remains regarding final implementation details.

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 key risks.

Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

All key risk types have in place:

- 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)

Should commercial or consumer customers or banking / foreign counterparties be unable to meet their obligations in relation to borrowings, the Group may suffer increased losses and this would have an adverse impact on the financial position.

Key controls and mitigating factors

- Exposure limits for credit concentration risk and credit categories.
- Defined credit processes and controls, to support credit decisioning (auto accepts and referrals), 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 held for Credit Risk.

Funding and liquidity risk

(Section 2.2)

A loss of confidence in the Group's business, the financial services industry, the PO partnership, or the Parent, or a systemic shock, could result in unexpectedly high levels of customer deposit withdrawals or lead to a reduction in the Group's ability to access funding on appropriate terms. This in turn would have a materially adverse effect on the Group's results, financial condition and liquidity position.

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 Bank of England.

Principal risks and uncertainties *(continued)*

Market risk

(Section 2.3)

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. Ineffective management could have an adverse impact on the Group's net interest margin and profitability.

Key controls and mitigating factors

- Comprehensive market risk management framework, designed to ensure the Group manages and monitors market risk in a prudent manner within risk appetite. Market Risk Policies and risk-specific procedures form part of this framework.
- Annual ICAAP process includes IRRBB assessment, to ensure appropriate capital held for IRRBB. 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.

Regulatory risk

(Section 2.4)

Non-compliance with legislative and regulatory obligations may result in customer harm and financial loss, financial penalties placed upon the Group, directions from statutory authorities, other regulatory sanction including limitations on its business and reputational risk to the Group.

Key controls and mitigating factors

- The Group has no appetite for failure to comply with its regulatory or legislative obligations.
- For relevant principal risk types the Group maintains a documented compliance universe.
- 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, European Central Bank (ECB), Competition and Markets Authority and Open Banking Implementation Entity on all aspects of the Group's activities.

Principal risks and uncertainties *(continued)*

Operational risk

(Section 2.5)

Failing to adequately manage operational risks inherent in the organisation's processes could lead to adverse impacts across four categories:
- *Financial Loss;*
- *Customer Detriment or Inconvenience;*
- *Regulatory Breach; and*
- *Reputational Damage.*

Where such impacts are severe or critical, this could result in an adverse impact on the financial position and risk to the continuance of Important Business Services (and Mission Critical Services).

Key controls and mitigating factors
- Risk management framework, policies and standards covering all key operational risk types; Information Technology, Change Management, Information and Cyber Security, Sourcing, Transaction Processing, People, Physical Security, Legal, Data, Model, Financial and Regulatory Reporting and Tax.
- Controls identified, monitored and tested and ongoing cyclical and trigger based Risk and Control Assessment activity.
- 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 held for Operational Risk.
- Group-wide education and training in place.

Financial crime

Financial crime includes risk that:
- *The Group facilitates money laundering or terrorist financing in breach of law or regulation.*
- *The business activity is undertaken through the Group breach of sanctions regulations.*
- *Financial loss occurs when an internal or external party acts dishonestly with the intent to obtain an undue benefit, cause a loss to, or to expose the Group or its customers to a risk of loss.*
- *Employees or third parties engage in bribery or corruption that benefits the Group.*
- *The Group facilitates tax evasion by its customers.*

Key controls and mitigating factors
- A robust financial crime RMF, including specific policies, standards and risk mitigation measures for financial crime, anti-money laundering (AML), countering the financing of terrorism (CFT), sanctions, facilitation of tax evasion, fraud risk and anti-bribery and corruption.
- Risk based systems and controls for automated customer due diligence and risk assessment, customer payments screening (including sanctions), and transaction monitoring and fraud monitoring.
- Annual Group-wide financial crime risk assessments measuring the level of inherent and residual financial crime, and the robustness of the control environment.
- Ongoing monitoring of the threat environment ensures effective risk mitigation measures are in place to address threats within the national context and wider geopolitical events.
- Group-wide education and training in place.

Principal risks and uncertainties *(continued)*

Business and strategic risk

(Section 2.6)

Risks include:
- *Not achieving target income or costs resulting in reductions in ROTE.*
- *Enhanced competition in chosen markets adversely affecting financial performance.*
- *Not responding to changing customer preferences or economic conditions, including ESG factors.*
- *Key strategic or business goals are not delivered which may impact the firms medium to long term financial sustainability.*

Key controls and mitigating factors

- A detailed strategy refresh was undertaken in 2024 and subject to second line of defence (2LOD) oversight, resulting in a Board approved 2025 - 2027 strategy. The strategy sets out a clear ambition with mobilisation across the Group underway.
- Board approved risk appetite limits (RAS) are in place across all key risk types to ensure safe delivery of the strategy.
- Robust ICAAP and ILAAP processes subject to Executive and Board review which includes base and stress scenario analysis.
- Monitoring of the strategic plan and clearly defined KPI's at both Executive and Board level through comprehensive reporting.
- Economic and competitive environment considered with close monitoring of competitor product propositions and pricing.
- Product pricing mandates approved and monitored by the Assets and Liabilities Committee (ALCO). Pricing policy and framework, return on capital framework and transfer pricing documentation subject to annual review by ALCO.
- Intra-year re-forecasting of financial projections which are subject to Executive and Board review.
- An inaugural Business & Strategic Risk Policy was approved in 2024 and formalises a number of controls in place across the Group.

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.

Principal risks and uncertainties *(continued)*

Conduct risk

The failure by the Group to act to deliver good outcomes to its customers could lead to both financial and / or non-financial harm being caused to customers. This could lead to a consequential need to remediate impacted customers, a potential loss of business, adverse media coverage, financial penalties and / or other regulatory sanction.

Key controls and mitigating factors

- A Conduct Risk Framework which sets out the approach to conduct risk management.
- Consistent regular reporting on the conduct risk profile of the Group against defined drivers of conduct risk, complaints oversight and root cause analysis reviewed at R&ORC, Customer Board, ERC, BRC and Board.
- The Consumer Duty assessment is approved by the Board and provides to the Board details of the outcomes being received by retail customers allowing it to both assess whether the Group is complying with Principle 12 and the cross-cutting rules, and whether the Group's strategy is consistent with these regulatory expectations.
- Assurance processes in place and where issues are identified, swift action to address is taken with oversight from ERC, BRC and Board.
- A dedicated Customer Board to oversee the customer experience.
- Culture strategy developed based on the outcomes we wish to deliver guided by the Group's values.
- Group-wide education and training in place.

Key themes under focus

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

The Group recognises ESG and climate-related considerations continue to be a growing agenda item for financial institutions and stakeholders. ESG risks and opportunities will continue to impact how the Group implements its strategy, business model, customer offering and how it manages risk. Accelerating climate change could lead to sooner than anticipated physical risk impacts to the Group and the wider economy and there is uncertainty in the scale and timing of technology, commercial and regulatory changes associated with the transition to a low carbon economy. In addition the focus from stakeholders (investors, regulators, customers, colleagues, etc) and wider societal expectations is seeing expanding expectations from largely climate driven focus to the wider ESG agenda with increasing emphasis on a fairer and inclusive society.

Key controls and mitigating factors

- Conducting the Group's business in a responsible and sustainable way is fundamental to achieving its purpose of enabling its customers, colleagues and communities to thrive. Sustainability is embedded in the Group Strategy as one of the core strategic pillars (Sustainable Company).
- How the Group will achieve this aim is set out on page 13 which supports the Strategy through its three ESG pillars: Enabling Colleagues to Thrive, Enhancing Financial Wellbeing and Supporting the Green Transition.
- The Group recognises ESG factors (including climate related risks) represent a common risk driver across the Principal Risk types and the ESG Risk Management Framework sets out the approach to the management of ESG risk factors. The CRO Report is the primary source of reporting for the impact of ESG related risks on the Group's risk profile.
- ESG risk is considered as part of the annual ILAAP and ICAAP processes.

Principal risks and uncertainties *(continued)*

Key themes under focus *(continued)*

Macroeconomic conditions and geopolitical uncertainty

The Group's businesses may be affected by adverse economic conditions in countries where we have exposures, particularly in the UK, where following the Chancellors Spring statement the Office of Budget Responsibility (OBR) assessed that growth in 2025 would halve from prior estimated levels but would increase in future years. The UK has returned to a reduced inflation and interest rate regime following significant increases in both, with OBR forecasting inflation to be 3.2% at maximum over the next year. However, potential challenges remain for cohorts of the Group's customers and its internal risk management processes. The Group businesses may be affected by Geopolitical uncertainties from time to time in its key markets. Notable uncertainty exists following the imposition of tariffs by the USA which are likely to impact global trade and have had initial significant stock market impact. The fluidity of the tariff position is noted and further changes to the structure originally proposed by the USA are anticipated. Furthermore, the continued wars and conflicts have the potential to create further inflationary pressures, in particular oil prices, and create supply chain issues that could impact the global economy, with the potential for other countries also being drawn into the conflicts, exacerbating the situation. A potential horizon risk exists in respect of the development of Artificial Intelligence (AI) which may impact supply chains but is assessed as most likely to initially manifest in Conduct and Operational risks to the Group. The potential impacts of these macroeconomic and geopolitical dynamics represent a risk to the Group in its markets via both economic and customer sentiment and could manifest in regulatory uncertainty and adverse impacts to pricing, customer confidence, credit demand, collateral value, and customers' ability to meet their financial obligations.

Key controls and mitigating factors

- The Group monitors the risks and impact of changing current and forecast macroeconomic conditions on the likely achievement of the strategy and objectives.
- The Group manages its exposures in accordance with principal 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 8 to 41 is approved by the Board of Directors and signed on its behalf by:

Thomas Wright

Thomas Wright
Director

19 May 2025

Company number: 07022885

Risk Management Report

Contents

1 Risk governance

The Board has ultimate responsibility for the governance of risk at the Group. Oversight of risk activities is achieved through a risk governance structure designed to facilitate the risk identification, assessment, monitoring, mitigating and ultimate reporting on risk activities and material considerations to the Board.

Risk governance is exercised through the decision-making authority vested in Risk Committees and accountable officers.

Risk in the Group is controlled within the Risk Governance Framework and by the Board of Directors (Board), the BRC and other appointed committees, for example ERC and ALCO.

Further details outlining the key responsibilities of the Group's Board Level risk committees can be found on page 61 within the Corporate Governance Arrangements.

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 Firm's strategy. It is chaired by the CRO and its membership comprises members of the ExCo and control function executives. It met 16 times during 2024.

The ERC is responsible for the oversight of all material risk types across the Group, including monitoring and reviewing the Group's risk profile and compliance with risk appetite and other approved policy limits. The ERC reviews and makes recommendations on risk matters where the Board and the BRC has reserved authority. 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.
Regulatory & Operational Risk Committee	Oversight of Regulatory, Operational, Financial Crime and Conduct Risks.
Products & Services Approvals & Governance Committee	Oversight of product / service launches, changes and closures; including in relation to existing products.
Outsourced Services Executive Partnership Committee	Oversight of the intra-group outsourcing arrangement with the Parent.

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, policies and pre-defined triggers.

Second line of defence (2LOD) – Establishing the risk policies under which 1LOD line activities should be managed and taking reasonable steps to ensure that the Group does not suffer outcomes outside of Risk Appetite.

Third line of defence (3LOD) – Ensuring the 1LOD and 2LOD assess and identify all significant risks and they are appropriately managed and reported by management to the executive and board as well as assessing the adequacy of risk controls.

1 Risk governance *(continued)*

1.1 Risk management approach

The RMF establishes the common principles for the risk management process of identifying, assessing, monitoring and mitigating 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;
- process for setting Risk Appetite to define the level of risk the Group is willing to tolerate;
- role of risk policies and procedures within risk management in implementing this framework; and
- minimum requirements for reporting of risk as part of business-as-usual Risk Management Information (MI) in the Group assessing, monitoring and mitigating risks to the Group.

Ultimately, the RMF exists to protect the Group. Implementing the RMF across the Group helps colleagues achieve the strategic pillars of stronger relationships, simpler business, and sustainable company.

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 firm in the current economic and operational environment.

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

1 Risk governance *(continued)*

1.2 Risk culture, strategy and principles

Risk culture

The Group's risk culture encompasses the general awareness, attitude and behaviour of employees to the taking of appropriate risk and the management of risk within the Group.

The culture of the Group reflects the balance between:
- risk management and financial return; and
- risk taking and incentives / rewards.

Standards of behaviour are detailed in the Group Code of Conduct to which all management and staff must adhere and affirm annually. The Speak Up Policy sets out the steps staff can take to raise any concerns they might have of wrongdoing, risk or malpractice in the Group.

Risk strategy

The Group's overarching risk strategy is to:
- set and maintain the Risk Management Framework 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.

This is achieved through appropriate processes, controls, reporting, and governance in place which enable the Group to:
- address its target market with confidence;
- protect its balance sheet; and
- deliver sustainable profitability and good customer outcomes.

Risk Identification and Assessment

The Group ensures appropriate identification of risk through both top-down and bottom-up risk identification processes. A standard Risk Library is used to categorise all of the Group's risks in a consistent manner. Once a risk 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.

The identification of potential and crystallised adverse risks and issues is fundamental in managing the risks within any business or process.

Risk Policies

To ensure that the Group is managed within Risk Appetite there is one set of high-level instructions ('Risk Policy') covering Principal Risk and sub risks. These Risk Policies are owned by the 2LOD Risk function and set out the mandatory minimum standards for the management and mitigation of each such risk.

Risk Appetite

The Group's Risk Appetite and the setting of management triggers allows the Group to design its business processes to operate within board approved risk appetite limits.

Risk appetite defines the amount and type of risk the Group is prepared to accept in pursuit of its financial objectives. It informs Group strategy and, as part of the overall framework for risk governance, forms a boundary condition to strategy and guides the Group in its risk-taking and related business activities.

Where the Group has a risk profile that is in excess of its risk appetite, it will take action to realign the risk profile through increased risk mitigation activities and risk reduction. The key risk mitigating activities are set out on pages 36 to 41 within the Strategic report.

Stress Testing and Scenario Analysis

Risk arises when less predictable or unanticipated events materialise. Stress Testing and Scenario Analysis are used to assess potential impacts and ensure adequate controls are in place so that the Group can continue to operate within Risk Appetite.

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.
- During Q4, BOIUK agreed the sale of the unsecured personal loans portfolio. This portfolio was fully de-recognised from the balance sheet at 31 December 2024, resulting in a gain on sale of performing book of £33 million.

2.1.1 Definition of credit risk *(audited)*

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).

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.

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 *(audited)*

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 striving to treat customers fairly.

An analysis of the Group's impairment loss allowances at 31 December 2024 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.

2 Management of key risks *(continued)*

2.1.2 Credit risk identification *(audited) (continued)*

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.

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 *(audited)*

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:

- **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.

2 Management of key risks *(continued)*

2.1.3 Credit risk assessment *(audited) (continued)*

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, such as residential mortgages at low LTV ratios. 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 49, 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 86.

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.

Together, the current point-in-time IFRS 9 PD and future point-in-time IFRS 9 PDs 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 2024, 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.

2 Management of key risks *(continued)*

2.1.3 Credit risk assessment *(audited) (continued)*

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 *(audited)*

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 *(audited)*

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.

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 held indexed to the Nationwide UK house price 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 non-performing exposures.

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.

For further detail refer to Group Accounting Policies on page 86.

2 Management of key risks *(continued)*

2.1.5 Credit risk mitigation *(audited) (continued)*

Forborne loans
Loans where a forbearance measure has been granted and where the criteria to exit a forborne classification, in line with EBA 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 EBA regulatory requirements.

Quantitative information about credit risk can be found in the credit risk exposures note on page 124 in the financial statements.

2.1.6 Credit risk reporting *(audited)*

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, 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.

2.2 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 £2.6 billion at 31 December 2024 (2023: £2.7 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 120% at 31 December 2023 to 116% at 31 December 2024.
- The Group's LCR at 31 December 2024 was 154% (2023: 168%). The Group's NSFR at 31 December 2024 was 130% (2023: 135%).

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 funding and liquidity RMF ensures that the Group manages liquidity in accordance with the defined funding and liquidity RAS.

The operational oversight and adherence to risk appetite is delegated by the ERC to the ALCO.

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.

2 Management of key risks *(continued)*

2.2 Funding and liquidity risk *(continued)*

The Group is predominantly funded by retail deposits, but also utilises wholesale funding and drawdowns from the Bank of England (BOE) Term Funding Scheme with additional incentives for SME's (TFSME). The Group maintains an unencumbered liquid asset portfolio, comprising of 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 Bank of England'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)*	**2024**	**2023**
Moody's	A3 (positive outlook)	A3 (positive outlook)
Fitch	A- (positive outlook)	A- (stable 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 2024 and 2023, the Group had the following encumbered assets.

	2024			**2023**		
Encumbered and unencumbered assets	**Encumbered[1] £m**	**Unencumbered £m**	**Total £m**	**Encumbered[1] £m**	**Unencumbered £m**	**Total £m**
Cash and balances with central banks	–	2,069	2,069	–	2,213	2,213
Mandatory deposits with central banks	809	21	830	883	20	903
Loans and advances to other banks[2]	40	50	90	58	34	92
Loans and advances to banks - related party transactions	99	152	251	29	224	253
Loans and advances to customers	1,808	12,325	14,133	3,488	10,550	14,038
Debt securities at amortised cost	18	458	476	21	468	489
Other assets	–	762	762	–	834	834
Total assets	**2,774**	**15,837**	**18,611**	**4,479**	**14,343**	**18,822**
Encumbered cash and balances						
with central banks:						
Note cover[3]	809			838		
Cash ratio and other mandatory deposits[4]	–			45		
	809			**883**		

[1] *Included in the encumbered assets at 31 December 2024 is £99 million (2023: £29 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 Bank of England in respect of banknotes in circulation in NI.*
[4] *Nil balance as CRD scheme ceased in March 2024.*

2 Management of key risks *(continued)*

2.2 Funding and liquidity risk *(continued)*

Maturity analysis of financial assets and liabilities

The following tables summarise the contractual maturity profile of the Group's financial assets and liabilities, at 31 December 2024 and 31 December 2023, based on the contractual discounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity, instead the Group manages liquidity risk by adjusting the contractual cash inflows and outflows of the balance sheet to reflect them on a behavioural basis. This includes the incorporation of the inherent stability evident in the retail deposit book.

Customer accounts include a number of term ISA accounts that contain access features which allow customers to access a portion of, or all of, their deposit, notwithstanding that this withdrawal could result in a financial penalty being paid by the customer. For such accounts, the balances have been prudently classified as demand as shown on the following table.

2024 Maturity analysis of financial assets and liabilities *(discounted basis)*	**Demand £m**	**Up to 3 months £m**	**3-12 months £m**	**1-5 years £m**	**Over 5 years £m**	**Total £m**
Financial assets						
Cash and balances with central banks	2,069	–	–	–	–	2,069
Derivative financial instruments	4	14	44	107	10	179
Loans and advances to banks	70	850	–	–	–	920
Loans and advances to banks - related party transactions	126	–	125	–	–	251
Debt securities at amortised cost	–	43	26	377	30	476
Loans and advances to customers (before impairment loss allowance)	239	662	1,248	5,022	7,108	14,279
Total assets	**2,508**	**1,569**	**1,443**	**5,506**	**7,148**	**18,174**
Financial liabilities						
Deposits from banks	28	300	400	230	–	958
Deposits from banks - related party transactions	114	100	150	1,100	–	1,464
Lease Liabilities	–	–	1	4	9	14
Customer accounts	9,936	830	1,007	450	–	12,223
Derivative financial instruments	4	6	11	250	22	293
Debt securities in issue	–	–	–	514	–	514
Subordinated liabilities	–	–	–	190	–	190
Total liabilities	**10,082**	**1,236**	**1,569**	**2,738**	**31**	**15,656**
Net total assets and liabilities	(7,574)	333	(126)	2,768	7,117	2,518
Cumulative net assets and liabilities	**(7,574)**	**(7,241)**	**(7,367)**	**(4,599)**	**2,518**	**2,518**

2 Management of key risks *(continued)*

2.2 Funding and liquidity risk *(continued)*

2023 **Maturity analysis of financial assets and liabilities** *(discounted basis)*	**Demand £m**	**Up to 3 months £m**	**3-12 months £m**	**1-5 years £m**	**Over 5 years £m**	**Total £m**
Financial assets						
Cash and balances with central banks	2,213	–	–	–	–	2,213
Derivative financial instruments	32	14	51	158	28	283
Loans and advances to banks	46	875	74	–	–	995
Loans and advances to banks - related party transactions	253	–	–	–	–	253
Debt securities at amortised cost	–	24	65	285	115	489
Loans and advances to customers (before impairment loss allowance)	446	582	1,486	5,910	5,875	14,299
Total assets	**2,990**	**1,495**	**1,676**	**6,353**	**6,018**	**18,532**
Financial liabilities						
Deposits from banks	26	–	920	1,230	–	2,176
Deposits from banks - related party transactions	210	1	–	850	–	1,061
Lease liabilities	–	1	1	5	9	16
Customer accounts	9,800	641	941	433	–	11,815
Derivative financial instruments	2	5	5	260	54	326
Debt securities in issue	–	–	–	549	–	549
Subordinated liabilities	–	–	–	190	–	190
Total liabilities	**10,038**	**648**	**1,867**	**3,517**	**63**	**16,133**
Net total assets and liabilities	(7,048)	847	(191)	2,836	5,955	2,399
Cumulative net assets and liabilities	**(7,048)**	**(6,201)**	**(6,392)**	**(3,556)**	**2,399**	**2,399**

2.3 Market risk *(audited)*

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 2024, 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 2024.
- 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 rates 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 *(audited) (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 the 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 2024 and 2023, 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).

	2024 £m	2023 £m
Economic impact (profit and loss) +50 basis points	0.20	0.16
Economic impact (profit and loss) -50 basis points	(0.20)	(0.16)

2.4 Regulatory risk *(unaudited)*

Key points

- The Group has zero risk appetite for failures to comply with regulatory or legislative obligations and manages regulatory risk through its RMF.
- In previous years the Group has invested significantly in its horizon scanning and regulatory change capabilities which has strengthened its management of the risk that the Group fails to adequately identify legal or regulatory change in a timely manner. These capabilities improve the Group's ability to provide automated reporting on regulatory change to senior management as well as to action and issue management tracking.
- 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 manages regulatory risk under its RMF. The Framework identifies the Group's formal governance process around risk, including its framework for setting risk appetite and its approach to risk identification, assessment, measurement, management and reporting. This is implemented by accountable executives and monitored by R&ORC, ERC, BRC and Board in line with the overall risk governance structure outlined in section 1. 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.

Risk mitigation

Risk mitigants include the early identification, appropriate assessment and measurement and reporting of risks. 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.

Risk reporting

The current status of regulatory change programmes is reported to senior executives and Board monthly.

2 Management of key risks *(continued)*

2.4 Regulatory risk *(unaudited) (continued)*

Financial crime

Protecting the financial system from financial crime risks including money laundering, terrorist financing, fraud, facilitation of tax evasion and bribery and corruption is of intrinsic importance to the Group. 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 due diligence and risk assessment, customer and payments screening (including sanctions), and transaction monitoring to identify suspicious activity. All colleagues complete annual mandatory training and assessment in relation to key areas.

2.5 Operational risk *(unaudited)*

Key points

- Group programmes continue to reduce Technology risk. There is ongoing investment to upgrade legacy technology and enhance IT recovery capability. IT Service Delivery has improved and the number of regulatory reportable IT incidents significantly decreased in 2024 (2) compared with 2023 (16). Data Risk Management controls have materially enhanced to now detect and remediate Data Quality Issues. Cyber Security risk management has been enhanced with the introduction of tooling (eg Multi-Factor Authentication) to further protect the Group from a Cyber-attack.
- In line with Operational Resilience regulations, a multi-year plan continues to track the remediation of known vulnerabilities by regulatory deadlines (March 2025) and provides a framework for the continuous assessment of the critical resources that support the delivery of IBS's. This will ensure the Group can identify, protect, detect, respond to and recover from disruption events with minimal harm to the customer.
- The outcome of the Supreme Court Appeal case regarding motor finance commissions remains a key risk, with significant implications for the level of fair customer compensation, for any potential cause of customer harm in the motor finance industry.

Definition

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

This risk includes Information Technology, Change Management, Information Security & Cyber, Sourcing, Transaction Processing, People, Physical Security, Legal, Data, Model, 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.

The Group has introduced new tooling to support risk management of Technology and Cyber Risk. The resiliency of the Group's Mainframe has improved with the introduction of new tooling to enhance capability to diagnose and recover from a Mainframe issue. Additionally Cyber Security tooling such as Multifactor Authentication and Single Single-On for in scope systems further protects the Group from a cyber-attack.

Risk reporting

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 trigger reporting at business unit level.

2 Management of key risks *(continued)*

2.6 Business and strategic risk *(unaudited)*

Key points

- The Group completed its multi-year strategic review in 2024 resulting in a refreshed 2025-2027 strategic plan.
- Significant management attention has been given to high inflation, continued base rate increases and the impact these have on the economy and our customers.
- The competitive environment in the UK banking sector remains intense with increasing pressure on margins affecting the Group's ability to generate profitability. The cost base is reviewed regularly to ensure the Group remains competitive.

Definition

Business & Strategic Risk is the risk of not achieving agreed strategic and business goals, arising due to inadequate planning or implementation, and/or changes in the external environment or economic factors. This also includes adverse impacts on the franchise value, e.g., by implementing an unsuitable strategy or maintaining an obsolete business model.

There are two Sub Risks that constitute risk elements of Business & Strategic Risk.

Business Risk is the risk of earnings volatility (1 year horizon) arising from business decisions or external factors that adversely impact on earnings or business franchise.

Strategic Risk is the risk of not generating an acceptable level of returns over the medium to long term (>1 year) as a result of poor strategic planning or implementation, or external factors (and the response to these factors).

Risk management, measurement and reporting

Business and Strategic risk is a Principal Risk type in the RMF. This risk includes planning and delivery of the business plans and management of factors such as pricing, business volumes, operating expenses and other factors that can introduce earnings volatility.

2LOD oversee that the Group does not suffer outcomes outside of Business and Strategic risk appetite.

Monthly Board level reporting is in place for this risk, including an assessment of performance against key metrics.

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 budget process sets expectation at a business unit level for volumes, capital returns and margins. The regular tracking of actual performance against budgeted levels, is a key financial management process in the mitigation of business risk.

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

2.7 Conduct risk *(unaudited)*

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.
- The Group manages conduct risk profile through the application of robust, customer focused policies, processes, systems and controls.
- The FCA Principle 12 on Consumer Duty, demands a greater focus on the delivery of good customer outcomes which is achieved through ensuring that the Group's strategies, governance, leadership and people are focused on acting to deliver good outcomes for its customers. During 2024 the Group delivered the final elements of the Board approved Customer Duty implementation plan by the FCA deadline of 31 July 2024. The Group will continue to ensure that in all its dealings, it is acting in good faith, preventing forseeable harm and ensuring customers achieve their financial objectives through the use of the Group's products and services.

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.

Customer experience

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

Throughout 2024, there was continued focus on improving customer experience and outcomes, to ensure standards are in line with industry and regulatory expectations in particular the FCA’s Principle 12 on Consumer Duty, which requires the Group to act to deliver good outcomes to all retail customers.

Business Areas throughout the Group continue to make adjustments and improve the services provided to customers who exhibit characteristics of vulnerability, ensuring they are treated fairly.

Risk management

The Group has no appetite for customer detriment and seeks to be fair, accessible and transparent in the provision of products and services to customers at all times.

2 Management of key risks *(continued)*

2.7 Conduct risk *(unaudited) (continued)*

The Group operates against 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 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 19.9% at 31 December 2024 (2023: 17.8%) under the fully loaded basis.
- The Group at 31 December 2024 was required to hold CET1 capital requirements of 9.9% and Total Capital Requirements of 14.1%.
- Leverage ratio is 9.6% at 31 December 2024.
- MREL ratio of 26.9% as at 31 December 2024.
- Basel 3.1 preparations have progressed, noting that the PRA announced implementation deferral to 1 January 2027, to allow better understanding of the US planned implementation. This is not anticipated to disrupt the Group's ability to implement on schedule.
- Significant uncertainty remains around the ongoing Motor Finance commission investigation by the FCA, and the potential impacts remain under close observation by the Group. The Group is satisfied that it is adequately capitalised, with sufficient capital buffers, to absorb the potential impacts of customer redress without the requirement for capital injections from the Parent.

Capital adequacy risk *(unaudited)*
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.

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.

Regulatory capital and key capital and leverage ratios *(unaudited)*
The Group complied with all its regulatory capital requirements throughout 2024.

The Group is strongly capitalised with a total capital ratio on a fully loaded basis of 24.3% at 31 December 2024 (2023: 22.1%).

Total regulatory capital resources increased by £136 million during 2024 to £1.89 billion due to:
- £127 million increase in retained earnings including an additional tier 1 coupon of £9 million;
- decrease in cash flow hedge reserve of £17 million;
- £12 million increase in other reserves;
- £2 million increase for the deduction for retirement benefit asset;
- £1 million decrease in deduction for intangible assets; and
- £13 million decrease in deduction for Deferred Tax.

RWAs decreased by £0.2 billion to £7.8 billion reflecting the sale of the personal loans portfolio, offset by an increase in the mortgage and consumer lending portfolios.

The Group's leverage ratio on a fully loaded basis has increased from 9.3% to 9.6% at 31 December 2024 which is in excess of the minimum leverage requirement of 3.25% that the PRA expects firms to adhere to, regardless of whether or not a firm is subject to a minimum leverage requirement.

3 Capital management *(continued)*

31 December 2023 *(audited)*			31 December 2024 *(audited)*
Regulatory[1] £m	**Fully loaded[2] £m**		**Fully loaded[3] £m**
122	122	Ordinary share capital	122
399	399	Capital contribution and capital redemption reserve fund	399
976	976	Retained earnings	1,103
(80)	(80)	Other reserves	(68)
1,417	**1,417**	**Total equity**	**1,556**
9	**(5)**	**Regulatory adjustments**	(8)
(51)	(51)	Deferred tax assets relying on future profitability	(38)
(27)	(27)	Intangible assets	(25)
82	82	Cashflow hedge reserve	65
(9)	(9)	Retirement benefit asset	(10)
–	–	Prudent valuation adjustment	–
14	–	IFRS 9 transitional adjustment	–
1,426	**1,412**	**Common equity tier 1 capital**	**1,548**
		Additional tier 1	
		Subordinated perpetual contingent conversion	
150	150	Additional tier 1 securities	150
1,576	**1,562**	**Total tier 1 capital**	**1,698**
		Tier 2	
190	190	Dated loan capital	190
190	**190**	**Total tier 2 capital**	**190**
1,766	**1,752**	**Total capital**	**1,888**
7,953	**7,939**	**Total risk weighted assets** *(unaudited)*	**7,767**
16,692	**16,678**	**Total leverage ratio exposures** *(unaudited)*	**17,664**

[1] Regulatory capital is reported including the IFRS 9 transitional adjustment.
[2] Reported fully loaded capital does not include the IFRS 9 transitional adjustment.
[3] Only the fully loaded capital is reported for 2024 as the IFRS9 transition period has ended as at 31 December 2024.

Governance

Directors and other information

Chair of the Board
Peter Herbert (N) (RE)

Interim Chair of the Board (Appointed May 2025)
Stephen Pateman (RI) (Appointed December 2024)

Non-Executive Directors
Aine McCleary (Appointed July 2024)
Clare Goldie-Scot (RE) (A) (N)
Enda Johnson
Helen Page (N) (RE) (RI) (Appointed February 2024)
Ian Buchanan (RI) (Resigned December 2024)
Mark Spain (Resigned July 2024)
Philip Moore (RI) (A)
Richard Sommers (RI) (A)

Executive Directors
Gail Goldie (Appointed January 2024)
Polina Ievskaya (Resigned February 2024)
David Sutherland (Resigned 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

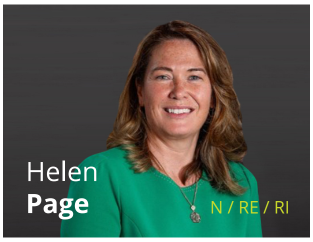
Company Secretary
Hill Wilson Secretarial Limited

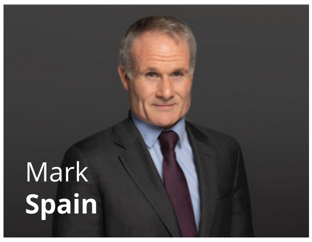
Registered Office
45 Gresham Street
London
EC2V 7 EH

Registered Number
07022885

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

Board of Directors





Abbreviations

A Audit Committee / **RI** Risk Committee /
RE Remuneration Committee / **N** Nomination Committee

Board of Directors

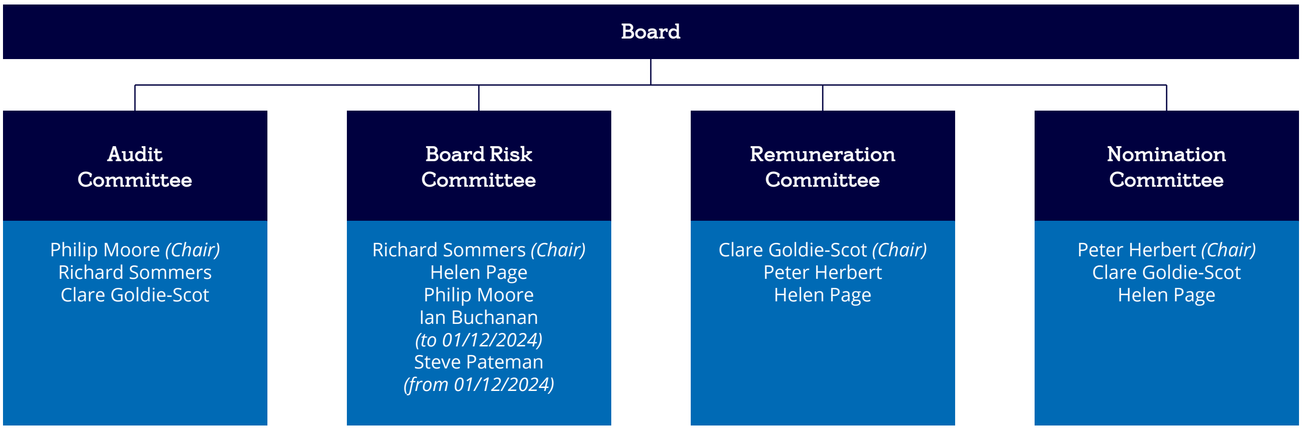
Governance structure

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 2024, the Board met 13 times. Further details are included in the Governance section on page 66.

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, Nomination Committee, Remuneration Committee and Risk Committee. 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



The Board is supported by a number of Committees:

Audit Committee
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)*
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)*
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

Peter **Herbert**

Chair and Non-Executive Director

Term of office
Appointed in May 2020

Independent
Yes

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

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.

Gail **Goldie**

Chief Executive Officer

Term of office
Appointed in January 2024

Independent
No

External appointments
None

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).

Thomas **Wright**

Chief Financial Officer

Term of office
Appointed in October 2022

Independent
No

External appointments
None

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 finance management roles. 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.

Board of Directors *(continued)*

Enda **Johnson**

Non-Executive Director

Term of office
Appointed in May 2022

Independent
No

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

Experience
Appointed to the Board of Bank of Ireland (UK) plc in May 2022, Enda was the Chief Strategy & Transformation Officer of the Bank of Ireland Group until 31 December 2024. 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. Prior to joining CYBG, Enda held senior roles in AIB, the NTMA and Merrill Lynch.

Áine **McCleary**

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

Term of office
Appointed in July 2024

Independent
No

External appointments
None

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.

Helen **Page**

Non-Executive Director

Term of office
Appointed in February 2024

Independent
Yes

External appointments
Scottish Society for the Prevention of Cruelty to Animals (SSPCA) - Board Trustee and Chair of the Fundraising, Brand Committee; Scotland's Charity Air Ambulance - Board Trustee; The Artisanal Spirits Company plc - NED, Chair of the Remuneration Committee, Member of the Audit Committee; Scottish Football Association - NED, Chair of the Audit and Risk Committee.

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 and CYBG/ Virgin Money for almost 10 years and becoming the Chief Brand Officer. Helen held senior executive responsibility for a number of functions, including Marketing, Brand strategy, Product Management, Innovation, Complaints and Corporate communications.

Board of Directors *(continued)*

Philip **Moore**

Non-Executive Director

Term of office
Appointed in April 2018

Independent
Yes

External appointments
Wesleyan Assurance Society - NED, Chair of the Risk Committee; Skipton Building Society - NED; Connells Ltd - NED, Chair of the Audit and Risk Committee.

Experience
Philip is Chair of the Audit Committee and, a 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 Chief Executive 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 and Towergate. Philip is also a Governor and Vice-Chair of Hart Learning Group and Trustee and Chair of the Client Services Committee of St Mungo's.

Richard **Sommers**

Non-Executive Director

Term of office
Appointed in August 2021

Independent
Yes

External appointments
Hampshire Trust Bank - NED, Risk Committee Chair.

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.

Ian **Buchanan**

Non-Executive Director

Term of office
Appointed in September 2018

Retired in December 2024

Independent
Yes

External appointments
Ponsonby Associates Ltd - NED; Cerberus Capital Management - Senior Advisor.

Experience
Ian is also a Non-Executive Director for the Board of Bank of Ireland Group plc and the Court of The Governor and Company of Bank of Ireland. Ian possesses diverse experience in the areas of technology, digital, business transformation and customer operations gained through his work in a number of international retail, commercial and investment banks. Ian holds a Bachelor of Science degree in Physics from the University of Durham. Prior to his role in Bank of Ireland, Ian held the roles of Group Chief Information Officer for Barclays plc and Chief Operating Officer for Barclaycard. Previously, he was Chief Information Officer for Société Générale Corporate & Investment Banking. He was a member of the Public Board and Group Manufacturing Director of Alliance & Leicester plc. He is a former member of the Executive Committee of Nomura International and was Chief Operations and Technology Officer of Nomura International. Ian's early career was spent at Credit Suisse, Guinness, and BP. Ian is a Senior Advisor to Cerberus Capital Management.

Board of Directors *(continued)*

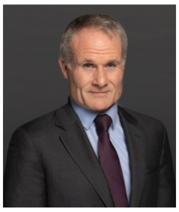
Clare
Goldie-Scot
Non-Executive Director

Term of office
Appointed in July 2021

Independent
Yes

External appointments
Scottish Widows - Independent Governance Committee Member; GS Yacht Charters LLP – Member; Apedroc Stud – Partner.

Experience
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 also sits on the Scottish Widows Independent Governance Committee.



Mark
Spain
Chief Financial Officer (Bank of Ireland Group plc)

Term of office
Appointed in December 2019

Retired in July 2024

Independent
No

External appointments
None

Experience
Mark is the Chief Finance Officer and Executive Director of the Board of Bank of Ireland Group plc and the Court of The Governor and Company of Bank of Ireland. He brings over 20 years' experience to this role since joining Bank of Ireland Group in 1998 as Director of IBI Corporate Finance. He has since held senior leadership roles as Chief Strategy Officer, Director of Group Investor Relations, Director of Group Finance and UK Commercial Director.

Stephen
Pateman
Interim Chair & Non-Executive Director

Term of office
Appointed in December 2024

Independent
Yes

External appointment
Recognise Bank Limited - NED, Chair of the Board; ThinCats Limited - NED

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.

Corporate Governance Arrangements 2024

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 refreshed strategy on page 12 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, the Board receives regular updates on OpenView survey results as well as a 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 Audit Committee 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 13 times in 2024.

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 2024 as outlined below:
  - Gail Goldie was appointed as the CEO in January 2024.
  - Alison Burns, Customer & Consumer Duty Champion resigned in January 2024.
  - Helen Page was appointed as an independent Non Executive Director and Customer & Consumer Duty Champion, in February 2024.
  - Polina Ievskaya, UK CRO and Executive Director resigned in February 2024.
  - Áine McCleary was appointed as Non-Executive Director in July 2024.
  - Mark Spain, Non-Executive Director resigned in July 2024.
  - Clare Goldie-Scot was re-appointed to the role of Colleague Engagement Director in December 2024.
  - Helen Page was re-appointed as Customer & Consumer Duty Champion, in December 2024.
  - Ian Buchanan, Non-Executive Director and Board Risk Committee Member, resigned in December 2024.
  - Steve Pateman was appointed as NED and Risk Committee member in December 2024.
- 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 2024, the Board and Board Committees received training in the following areas:
  - Consumer Duty;
  - Cyber Crime;
  - Operational Resilience;
  - Climate Change Reporting Developments;
  - Accounting and Policy standards; and
  - Recovery and Resolution.
- The Board and Committees review the agenda for the next meeting at the end of each scheduled meeting 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.

Corporate Governance Arrangements 2024 *(continued)*

- 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.

Principle 3: Director responsibilities

- The Board held 13 meetings during 2024. Principal decisions made by the Board during 2024, are set out in the Section 172 Companies Act 2006 Report on pages 27 to 29.
- 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 2024, concluding that the Board and its committees are effective in their operation and in discharging their responsibilities. Recommendations implemented to enhance the Board's performance during 2024, following the 2023 Board effectiveness review, were designed to further enhance Board focus and discussion on directors' skills assessment, induction and Board succession planning, Customer, Colleagues, ESG, Culture and risks, papers and MI.
- The Board has adopted a Conflicts of Interest Policy setting out how conflicts should be identified and managed at Board level.
- The Audit and Risk Committees hold meetings with control function heads without executive management present, at least annually.
- The Risk Committee holds private meetings with the CRO at the end of each scheduled Risk Committee 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 Risk Committee and the Board considered and agreed a refreshed strategy. Further information on the Group's Strategy can be found on page 8.
- The Board has established a dedicated Risk Committee 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 36), matters considered by the Risk Committee during 2024 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 Risk Appetite Statement. 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 Bank of Ireland UK section of the Strategic Report on page 13.
- 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 Audit Committee.
- 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 27) 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 2024. The financial statements are prepared in accordance with UK adopted international accounting standards. Directors are listed in the Governance section on pages 62 to 65. 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 profit for the year ended 31 December 2024 was £133 million (2023: £259 million). There was no profit or loss attributable to non-controlling interests for the year ended 31 December 2024 (2023: £nil). An analysis of performance is set out in the strategic report on pages 30 to 35.

Dividends

No dividend was paid to the Parent during 2024 (2023: £250 million).

Board membership

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

- Gail Goldie, Executive Director, January 2024.
- Helen Page, Non-Executive Director, February 2024.
- Áine McCleary, Non-Executive Director, July 2024.
- Steve Pateman, Non-Executive Director, December 2024.

Please note that due to personal circumstances Peter Herbert has temporarily stepped back from his duties as Board Chair from 28 April 2025, with Stephen Pateman acting as Interim Chair in his absence.

Polina Ievskaya (resigned February 2024), David Sutherland (resigned January 2024), Mark Spain, Non-Executive Director (resigned July 2024) and Ian Buchanan (resigned December 2024) were the only directors to resign during the year up to the date of signing.

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 36 to 41.

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

Employees

For the year ended 31 December 2024, the Group had an average of 1,614 employees (2023: 1,492 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.

Give together

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 2024 or in the year ended 31 December 2023.

Voting rights

Voting at any general meeting is by a show of hands or by poll. The Annual General Meeting of the Group is scheduled to take place on 21 May 2025, 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 2024, on page 87 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, subject to any material departures disclosed and explained in the financial statements;
- 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

Thomas Wright
Director

19 May 2025

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') for the year ended 31 December 2024 which comprise the consolidated and Bank income statements, 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 2024 and of the Group's and the Bank's 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 three financial years ended 31 December 2024.

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	**£11.7 million (2023: £13.7 million)** 4.4% (2023: 4.1%) of normalised profit before tax	
Key audit matters		**vs 2023**
Event Driven	**New:** Conduct risk (Motor finance commissions)	▲
Recurring risks	IFRS 9 expected credit loss on loans and advances to customers	▼
	Revenue recognition - (impact of prepayment assumptions on acquired mortgages)	▼
	Impact of IT access controls on the effectiveness of the control environment	◀▶

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

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 new key audit matter since 2023), 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.

Key audit matter	The risk	Our response

Conduct risk (Motor finance commissions)
Provision £143 million; 2023: £0 million
Refer to page 55 (Audit Committee Report), page 95 to 96 (accounting policy) and page 144 to 145 (financial disclosure).
This is relevant to the Group financial statements.
	Subjective valuation
	The Group may be exposed to conduct risks as a result of historical or current business activities. Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, significant judgement is required in determining whether a present obligation exists or whether an outflow is probable, and in estimating the amount required to settle the obligation. Significant uncertainties can arise in measuring potential obligations due to the range of possible outcomes relating to operational, legal and regulatory matters.
	The most significant matter in this regard is the Group's provision in respect of motor finance commissions, recognised in 2024.
	The Directors' estimate is based on the information available to the Group in respect of motor finance commission arrangements following developments during 2024, including recent Court of Appeal judgments. There is significant uncertainty around the final outcome as a result of ongoing appeals to the Supreme Court and the impact of the ongoing review by the Financial Conduct Authority ('FCA'). The key areas of estimation uncertainty relate to the probability weightings associated with the scenarios modelled by the Group and the claim rate used.
	The effect of these matters is that, as part of our risk assessment, we determined that the provision for motor finance commissions 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 (note 2) disclose the sensitivity estimated by the Group.
	Disclosure quality
	In addition, the disclosures regarding the Group's motor commission finance provision are key to explaining the significant judgements.
		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 include:
		• **Methodology implementation:** We assessed the methodology applied by the Group to calculate the provision against the requirements of IAS 37;
		• **Our expertise:** We involved our own legal specialists to challenge and assess certain judgements and assumptions applied by the Directors;
		• **Independent reperformance:**
		  • we evaluated the Group's assessment of the potential outcomes and associated probabilities; and
		  • we tested the data inputs and mathematical accuracy of the model and critically evaluated assumption used in calculating the estimate;
		  • we calculated an alternative estimate of the provision based on our challenges and assumptions.
		• **Sensitivity analysis:** We performed sensitivity analysis on judgemental assumptions, including claims rate and probability weightings, to determine those most significant to the estimated provision. We also critically assessed the impact on the provision of a range of alternative assumptions; 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 (2023: acceptable).

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

Key audit matter	The risk	Our response
IFRS 9 expected credit loss on loans and advances to customers £88 million (2023: £151 million) and £63 million (2023: £129 million) for the Group and Bank respectively *Refer to page 46 to 50 (risk management) page 88 to 91 (accounting policy) and page 99 to 105 and 119 to 135 (financial disclosures).* *This is relevant to both the Group and the Bank financial statements.*	**Subjective estimate** The calculation of the IFRS 9 expected credit loss (ECL) allowance involves a number of complex, judgemental and highly sensitive assumptions. 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 expected credit losses (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 SICR criteria is a key area of judgement within the Bank'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 result of certain inaccurate ECL model estimations including incorrect selection and application of SICR criteria. **Post model adjustments (PMA)** PMAs are raised 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 judgement involved in certain 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 2a). The overall risk is considered to have reduced as compared to prior year owing to the following factors: • there remains a heightened risk of material misstatement of ECL in the current year due to the judgement and estimation uncertainty because of the current macroeconomic environment. The risk has decreased in comparison to the prior year due to easing affordability pressures and improved property prices; and • Stage 3 individually assessed population and associated ECL have significantly decreased following the partial disposal of commercial lending non-performing exposures in the second half of 2023. Consequently, we assessed the likelihood and potential impact on the financial statements to be low due to the low net exposure on the remaining Stage 3 loans. 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.	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 credit risk modelling specialists we: • evaluated the appropriateness of the impairment methodologies, including SICR for compliance with IFRS9; • performed independent recoding for a selection of models; • re-performed the output calculation and implementation for a selection of models; • performed code review for a selection of models; • for a selection of models, performed independent recoding of the model monitoring and model recalibrations; and • assessed the appropriateness of the respective methodologies and the accuracy of the calculation for PMA assessed to have a risk of material misstatement, based on our risk assessment procedures performed at year-end. **Other test of details** Key aspects of our testing in addition to those set out above involved: • sample testing over key inputs into the ECL calculations; and • challenging 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: • challenged the appropriateness and completeness of macro economic variables used in ECL calculations; • critically assessed whether forward-looking information ("FLI") embedded in baseline, upside and downside scenarios are reasonable by independently sourcing macroeconomic variables and generating independent baseline and alternative scenarios; and • obtained and assessed the Group"s probability weighting analysis **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 (2023: acceptable).

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

Key audit matter	The risk	Our response
Revenue recognition – impact of prepayment assumptions on acquired mortgage portfolios Impact of prepayment rates on acquired mortgage portfolios (2023: Impact of prepayment rates on organic and acquired mortgage portfolios) Unwind of acquired mortgage portfolio £10 million (2023: £34 million) *Refer to page 87 to 88 (accounting policy) and page 107 (financial disclosures).* *This is relevant to both the Group and the Bank financial statements.*	**Subjective estimate** The discount on purchase of the acquired portfolio is being unwound using the effective interest rate ("EIR") method over the expected lives of the associated loans. Any change in the expected life requires the discount to be adjusted and spread over the remaining expected life. This requires the Directors to apply judgement in estimating the expected lives of the acquired mortgage portfolios. This judgement is informed by past customer behaviour of when loans are repaid, which informs the key assumption in the estimate, the attrition rate. The amount recognised in the financial statements is highly sensitive to minor changes in this key assumption. Consistent with prior periods, there is an elevated degree of subjectivity in the assessment of customer behaviour. As such, we identified a greater level of Director judgement and therefore a significant risk of the key assumption, the attrition rate, involved. The effect of these matters is that, as part of our risk assessment, we determined that the discount unwind calculated using the EIR method 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.	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 included: • **our industry experience:** We critically assessed the expected customer lives and methodology used to estimate these against our own knowledge of industry experience and trends. This specifically considers the impact of continued developments in the economic environment and interest rates on expected attrition rate. • **sensitivity analysis:** We challenged the key assumption of the mortgage attrition rate by performing sensitivity analysis to critically assess the sensitivity. • **test of detail:** – we tested the accuracy of the data inputs to the models by agreeing back to source systems or underlying documents; and – we reperformed the acquired mortgage portfolio adjustment calculations of the key assumption and model. **Our results:** We found the unwind of the discount on the acquired mortgage portfolio to be acceptable (2023: acceptable).

We continue to perform procedures over the impact of prepayment assumptions on the organic mortgage portfolio. However, following assessment of the quantum of the asset and its sensitivity to changes in key assumptions, 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.

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

Key audit matter	The risk	Our response
The impact of IT access controls on the effectiveness of the controls environment *This is relevant to both the Group and the Bank financial statements.*	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 (2023: None identified).

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

Normalised group PBTCO
£257 million (2023: £331 million)

Normalised PBTCO   Group materiality

Group materiality *£11.7 million (2023: £13.7 million)*

£11.7 million
Whole financial statements materiality (2023: £13.7 million)

£7.6 million
Whole financial statements performance materiality (2023: £8.9 million)

£9.3 million
Range of materiality at four components (£3.5 million - £9.3 million) (2023: £4.1 million to £10.6 million)

£0.6 million
Misstatements reported to the audit committee (2023: £0.7 million)

Our application of materiality

Materiality for the Group financial statements as a whole was set at £11.7 million (2023: £13.7 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 4.4% (2023: 4.1%).

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

Materiality for the Bank's financial statements as a whole was set at £8.9 million (2023: £10.6 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 3.9% (2023: 3.8%).

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.

Performance materiality was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £7.6 million (2023: £8.9 million) for the Group and £5.8 million (2023: £6.9 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 £0.6 million (2023: £0.7 million) for the Group and £0.4 million (2023: £0.5 million) for the Bank, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement (RMMs). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

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 six components, having considered our evaluation of the Group's operational structure and our ability to perform audit procedures centrally.

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

Additionally, having considered qualitative and quantitative factors, we selected two components with accounts contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on four components, of which we involved component auditors in performing the audit work on two 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 £3.5 million to £9.3 million, having regard to the mix of size and risk profile of the Group across the components.

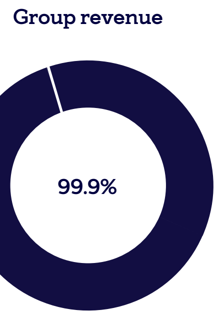
Our audit procedures covered 99.9% of Group revenue.

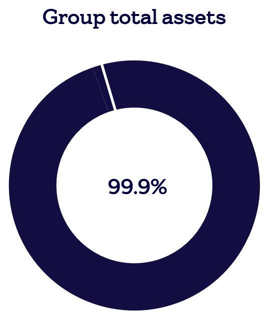
We performed audit procedures in relation to components that accounted for 99.9% of Group total revenue and 99.9% of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 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 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 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 visits and 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.

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

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').

We used our knowledge of the Group and Bank, the financial services industry, and the general economic environment, including current interest rate 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 of the current position of motor commissions rulings; and
- 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 request for the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

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 motor finance commissions, IFRS 9 expected credit losses on loans and advances to customers and the estimation of the impact of prepayment estimates on the determination of effective interest rate on acquired 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 using KPMG's data analytics specialists to test 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 complaints in respect of historical motor commission arrangements, discussed in note 31, we have assessed the disclosures against our own understanding of the matter based on our inspection of the regulatory and legal correspondence as well as our consideration of the Group's assessment of the commission arrangements.

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 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 71, 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

20 May 2025

Income statement

(for the year ended 31 December 2024)

		Group		Bank	
	Note	2024 £m	2023 £m	2024 £m	2023 £m
Interest income calculated using the effective interest method	3	796	792	864	841
Other interest income	3	177	131	17	9
Total interest income		**973**	**923**	**881**	**850**
Interest expense	4	(481)	(340)	(467)	(337)
Net interest income		**492**	**583**	**414**	**513**
Net leasing income		19	26	–	–
Other leasing income	5	*92*	*80*	–	–
Other leasing expense	5	*(73)*	*(54)*	–	–
Fee and commission income	6	32	35	40	35
Fee and commission expense	6	(67)	(91)	(67)	(91)
Net trading income / (expense)	7	20	15	20	15
Other operating income	8	2	3	30	30
Total operating income		**498**	**571**	**437**	**502**
Operating expenses	9	(382)	(222)	(198)	(189)
Operating profit before impairment charges on financial assets		**116**	**349**	**239**	**313**
Net impairment gains / (losses) on financial instruments	11	8	(43)	20	(36)
Operating profit		**124**	**306**	**259**	**277**
Share of profit after tax of joint venture	12	24	25	–	–
Profit on sale of financial assets	13	33	–	33	–
Profit before taxation		**181**	**331**	**292**	**277**
Taxation charge	14	(48)	(72)	(67)	(53)
Profit for the year		**133**	**259**	**225**	**224**

Statement of other comprehensive income

(for the year ended 31 December 2024)

	Note	Group		Bank	
		2024 £m	2023 £m	2024 £m	2023 £m
Profit for the year		133	259	225	224
Items that may be reclassified to profit or loss in subsequent periods					
Net change in cash flow hedge reserve (net of tax)[1]		17	(5)	17	(5)
Total items that may be reclassified to profit or loss in subsequent periods		**17**	**(5)**	**17**	**(5)**
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)	(1)	(1)
Total items that will not be reclassified to profit or loss in subsequent periods		**–**	**(1)**	**(1)**	**(1)**
Other comprehensive (expense) / income for the year, net of tax		**17**	**(6)**	**16**	**(6)**
Total comprehensive income for the year, net of tax		**150**	**253**	**241**	**218**

[1] *Net of tax charge £6 million (2023: credit of £2 million).*
[2] *Net of tax £1 million (2023: £nil).*

Balance sheet

(as at 31 December 2024)

	Note	Group 2024 £m	Group 2023 £m	Bank 2024 £m	Bank 2023 £m
Assets					
Cash and balances at central banks	15	2,069	2,213	2,069	2,213
Items in the course of collection from other banks		67	71	67	71
Derivative financial instruments	16	179	283	179	283
Loans and advances to banks	17	1,171	1,248	1,144	1,226
Debt securities at amortised cost	18	476	489	476	489
Fair value changes due to interest rate risk of the hedged items in portfolio hedges		(58)	(100)	(58)	(100)
Loans and advances to customers	19	14,191	14,148	14,330	14,273
Investment in subsidiaries		–	–	8	8
Interest in joint venture	21	61	67	2	2
Intangible assets and goodwill	22	25	26	–	–
Property, plant and equipment	23	244	215	32	34
Other assets	24	74	65	116	94
Current tax assets		23	–	–	–
Deferred tax assets	25	75	96	67	87
Retirement benefit asset	33	14	11	–	–
Total assets		**18,611**	**18,832**	**18,432**	**18,680**
Equity and liabilities					
Deposits from banks	26	2,422	3,237	2,415	3,230
Customer accounts	27	12,223	11,815	12,621	12,228
Fair value changes due to interest rate risk of the hedged items in portfolio hedges		(87)	(44)	(87)	(44)
Items in the course of transmission to other banks		63	86	63	86
Derivative financial instruments	16	293	326	293	326
Debt securities in issue	28	514	549	200	200
Current tax liabilities		16	6	27	2
Other liabilities	29	1,023	1,001	994	985
Lease liabilities	30	14	16	14	15
Provisions	31	159	8	16	8
Loss allowance provision on loan commitments and financial guarantees	32	4	3	4	3
Subordinated liabilities	34	190	190	190	190
Total liabilities		**16,834**	**17,193**	**16,750**	**17,229**
Equity					
Share capital	36	122	122	122	122
Retained earnings		1,171	1,049	1,076	861
Other reserves		334	318	334	318
Other equity instruments	37	150	150	150	150
Total equity attributable to owners of the Bank		**1,777**	**1,639**	**1,682**	**1,451**
Total equity and liabilities		**18,611**	**18,832**	**18,432**	**18,680**

The financial statements on pages 81 to 166 were approved by the Board on 19 May 2025 and were signed on its behalf by:

Thomas Wright

Thomas Wright
Director

19 May 2025
Company number: 07022885

Statement of changes in equity

(for the year ended 31 December 2024)

		Group		Bank	
	Note	2024 £m	2023 £m	2024 £m	2023 £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		1,049	1,049	861	896
Profit for the year attributable to equity holders of the Bank		133	259	225	224
Dividend on ordinary shares		–	(250)	–	(250)
Distribution on other equity instruments - Additional tier 1 coupon		(9)	(9)	(9)	(9)
Remeasurement of the net defined benefit pension asset		1	–	–	–
Other movements		(3)	–	(1)	–
Balance at 31 December		**1,171**	**1,049**	**1,076**	**861**
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	2	1	2
Revaluation of property		(1)	(1)	(1)	(1)
Balance at 31 December		**–**	**1**	**–**	**1**
Cash flow hedge reserve					
Balance at 1 January		(82)	(77)	(82)	(77)
Changes in fair value		2	112	2	112
Transfer to income statement (pre tax)		21	(119)	21	(119)
Deferred tax on reserve movements		(6)	2	(6)	2
Balance at 31 December		**(65)**	**(82)**	**(65)**	**(82)**
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		**334**	**318**	**334**	**318**
Total equity		**1,777**	**1,639**	**1,682**	**1,451**
Included in the above:					
Total comprehensive income attributable to owners of the Bank		150	253	241	218
Total comprehensive income for the year		**150**	**253**	**241**	**218**

Consolidated cash flow statement

(for the year ended 31 December 2024)

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit before taxation		181	331
Interest expense on subordinated liabilities and other capital instruments		31	34
Interest expense on lease liabilities		1	1
Depreciation and amortisation		46	34
Net impairment (gains) / losses on financial instruments		(8)	43
Profit on sale of financial assets		(33)	–
Share of results of joint venture		(24)	(25)
Net change in prepayments and interest receivable		9	–
Net change in accruals and interest payable		8	94
Charge for provisions		148	3
Other non-cash items		(98)	(127)
Cash flows from operating activities before changes in operating assets and liabilities		**261**	**388**
Net change in items in the course of collection to / from banks		(19)	31
Net change in derivative financial instruments		97	97
Net change in loans and advances to banks		(51)	(45)
Net change in fair value changes due to interest rate risk of the hedged items in portfolio hedges		–	(146)
Net change in loans and advances to customers		(671)	101
Net change in deposits from banks		(815)	130
Net change in customer accounts		408	(537)
Net change in debt securities in issue		(35)	170
Net change in provisions		(8)	(4)
Net change in retirement benefit obligation		(1)	–
Net change in other assets and other liabilities		(7)	(143)
Net cash flow from operating assets and liabilities		**(1,102)**	**(346)**
Net cash flow from operating activities before taxation		(841)	**42**
Taxation paid		(47)	(56)
Net cash flow from operating activities		**(888)**	**(14)**
Investing activities (section (a) - see below)		659	27
Financing activities (section (b) - see below)		(43)	(297)
Net change in cash and cash equivalents		**(272)**	**(284)**
Opening cash and cash equivalents		3,387	3,671
Closing cash and cash equivalents		**3,115**	**3,387**
(a) Investing activities			
Proceeds from sale of financial assets		680	–
Additions to debt securities at amortised cost		(77)	(145)
Disposal / redemption of debt securities at amortised cost		90	196
Dividends received from joint venture		30	29
Additions to property, plant and equipment		(97)	(82)
Disposal of property, plant and equipment		33	29
Cash flows from investing activities		**659**	**27**
(b) Financing activities			
Dividend paid on ordinary shares		–	(250)
Additional tier 1 coupon paid		(9)	(9)
Interest paid on subordinated liabilities		(31)	(34)
Payment of lease liability		(3)	(4)
Cash flows from financing activities		**(43)**	**(297)**

Notes to the consolidated financial statements

1 Group accounting polices

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 2.1, 2.2, 2.3 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 2024 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, competition and regulatory developments and the ongoing FCA motor finance review, and the potential range of outcomes from the Supreme Court hearing on historical motor finance commission arrangements. 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 Bank of England's published hypothetical scenarios published in June 2024. Included within the severe but plausible downside stress scenario, is a 100% weighting to the most severe probability weighted motor vehicle redress scenario described in note 31. 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 21 February 2025 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 2024, 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 polices *(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.

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.

1 Group accounting polices *(continued)*

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'.

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.

1 Group accounting polices *(continued)*

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. For certain portfolios, the Group assumes that no significant increase in credit risk has occurred if credit risk is 'low' at the reporting date.

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
ECL 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.

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.

1 Group accounting polices *(continued)*

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 EBA 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.

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.

1 Group accounting polices *(continued)*

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.

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 Bank of Ireland Group, as measured under IFRS. The Group incorporates the results of the acquired businesses only from the date on which the business combination occurs.

1 Group accounting polices *(continued)*

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 Bank of Ireland 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.

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.

1 Group accounting polices *(continued)*

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.

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.

1 Group accounting polices *(continued)*

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 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.

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.

1 Group accounting polices *(continued)*

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.

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.

1 Group accounting polices *(continued)*

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.

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 2024 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
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'

1 Group accounting polices *(continued)*

Nature of change
The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments were endorsed by the UK Accounting Standards Endorsement Board ('UKEB') on 15 July 2024.

Effective date
The effective date is for financial periods beginning on or after 1 January 2025, with early application permitted.

Impact
The amendments are not expected to have a significant impact on the Group.

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 environment, social and governance (ESG) targets) and the amendment updates disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

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 2026, with early application permitted.

Impact
The Group is currently assessing any impact.

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 2024, the total impairment loss allowance for the Group was £88 million (2023: £151 million) comprising £85 million modelled impairment loss allowance (2023: £149 million) and £3 million post model management adjustments (2023: £2 million).

2024 **Composition of impairment loss allowances**	**Modelled impairment loss allowances £m**	**Post model adjustments £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**	**3**	**88**

2023 **Composition of impairment loss allowances**	**Modelled impairment loss allowances £m**	**Post model adjustments £m**	**Final impairment loss allowance £m**
Residential mortgages	37	–	37
UK SME and property and construction portfolios	32	2	34
Consumer	80	–	80
Total	**149**	**2**	**151**

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; and
- valuing property collateral (including residential property).

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.

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 47 to 49.

2 Critical accounting estimates and judgements *(continued)*

Changes in estimates

Forward Looking Information

Forward Looking Information (FLI) refers to probability weighted future macroeconomic scenarios governed semi-annually by ALCO and by 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 2024, comprising of 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 FLI scenario for the year ending 31 December 2024 is based on internal and external information and management judgement and follows the same process as used in prior periods. The scenario is approved in November with a review in December and an appropriateness assessment carried out in early January for accuracy.

The alternative FLI scenarios for year ending 31 December 2024, 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.

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 downside scenarios than at 31 December 2023, reflecting reductions in the rate of inflation, lower interest rates and improved GDP forecasts. However, they continue to reflect the application of management judgement to the initial modelled probability weightings, with increased weight assigned to the upside scenario offset by a decrease in the downside 1 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 2024 associated with a combination of factors including the potential impact of geopolitical risk, trade tensions and prevailing interest rates in the Group’s key economies. The estimated ECL impact of this judgement was a c.£0.3 million (2023: c.£3.1 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 2025 to 2029, together with the scenario weightings.

	2024				2023			
			Downside				Downside	
	Central scenario	Upside scenario	Scenario 1	Scenario 2	Central scenario	Upside scenario	Scenario 1	Scenario 2
Scenario probability weighting	45%	25%	20%	10%	45%	20%	25%	10%
GDP Growth[1]	1.4%	2.1%	0.7%	(0.3%)	1.3%	1.8%	0.5%	(0.3%)
Unemployment rate[2]	4.1%	3.6%	6.1%	8.1%	4.6%	3.8%	6.2%	7.9%
Residential property price growth[3]	2.5%	4.5%	(1.4%)	(3.7%)	0.6%	1.8%	(2.6%)	(4.6%)
Commercial property price growth[3]	2.4%	3.6%	(1.2%)	(3.6%)	(0.8%)	1.4%	(4.1%)	(6.0%)

[1] Annual growth rate.
[2] Average yearly rate.
[3] Year-end figures.

2 Critical accounting estimates and judgements *(continued)*

The table below sets out the forecast values for 2025 and 2026 and the average forecast values per annum for the period 2027 to 2029 for the key macroeconomic variables which underpin the above mean average values.

	2025	2026	2027-2029
Central scenario - 45% weighting			
GDP Growth[1]	1.5%	1.5%	1.4%
Unemployment rate[2]	4.2%	4.1%	4.1%
Residential property price growth[3]	2.5%	2.5%	2.5%
Commercial property price growth	1.5%	2.5%	2.7%
Upside - 25% weighting			
GDP Growth[1]	2.4%	2.3%	1.9%
Unemployment rate[2]	3.8%	3.7%	3.6%
Residential property price growth[3]	5.5%	5.0%	4.0%
Commercial property price growth	3.5%	3.0%	3.8%
Downside scenario 1 - 20% weighting			
GDP Growth[1]	(0.3%)	(0.2%)	1.3%
Unemployment rate[2]	5.4%	6.1%	6.4%
Residential property price growth[3]	(6.0%)	(4.0%)	1.0%
Commercial property price growth	(5.0%)	(2.0%)	0.3%
Downside scenario 2 - 10% weighting			
GDP Growth[1]	(2.0%)	(1.5%)	0.7%
Unemployment rate[2]	6.5%	8.1%	8.6%
Residential property price growth[3]	(10.0%)	(7.0%)	(0.5%)
Commercial property price growth	(12.0%)	(5.5%)	(0.2%)

[1] *Annual growth rate.*
[2] *Average yearly rate.*
[3] *Year-end figures.*

The central, upside and downside scenarios are described below.

Central scenario
After a weak period in 2022/2023, when the UK economy was adjusting to higher energy prices and the tightening of monetary policy, growth has picked up somewhat this year as the negative impulse from these shocks fades. Expectations for GDP growth in 2024 have been steadily revised up over recent quarters and now stand at roughly 1%. Looking forward GDP growth is expected to pick up to about 1.5% in 2025, helped by easier monetary and fiscal policy. Growth is expected to remain at about that rate over the remainder of the forecast horizon. Employment growth is expected to rebound in 2025 after a soft patch, gradually decelerating over the forecast period in line with lower labour force growth (due to demographic factors). The unemployment rate is expected to remain low, at a little above 4%. Inflation is expected to continue to gradually ease, reaching 2% target in a couple of years. With price pressures easing the Bank of England (BoE) is expected to cut the base rate further, reaching 4.00% by the end of 2025 (from 4.75% at 31 December 2024) and declining further to 3.75% in 2028. House price inflation has picked up over recent quarters and is expected to reach about 3.25% by year end. Further fairly moderate growth of 2.5% per annum - slightly above inflation, though slightly below income growth - is anticipated over the remainder of the period to 2029. Solid wage growth is likely to be supportive of prices in the near term, while stretched affordability is likely to be a drag in the medium to longer run.

Key features - Solid growth, stable on-target inflation, low unemployment, moderate house price gains

Upside scenario
In the Upside Scenario, an easing of geopolitical tensions leads to a decline in global energy and other commodity prices and provides a boost to household and business confidence in the UK. This contributes to lower inflation in the near term, boosting consumer spending. The BoE initially ease monetary policy to a greater extent than in the Central Scenario, supporting stronger investment and leading to a pickup in global growth and demand for UK exports. In addition new technologies, including AI, boost productivity growth. Stronger growth in output pushes unemployment down and it remains low throughout the forecast horizon. Stronger employment and wage growth leads to higher house price inflation than in the Central Scenario. Strong activity and low levels of spare capacity eventually leads to higher inflation and as a result monetary policy is tightened by the BoE, with interest rates above the Central Scenario later in the forecast period - this leads to a gradual easing of house price inflation.

Key features - Easing geopolitical tensions, stronger growth, low unemployment, higher house price inflation

2 Critical accounting estimates and judgements *(continued)*

Downside scenario 1
In Downside Scenario 1, financial system stress, including asset price corrections, depresses consumer and business confidence globally. In addition, changes to US trade and tax policy prove to be disruptive to global trade. These factors combine to place downward pressure on economic activity worldwide - global GDP growth slows an inflation declines. This leads to a deterioration in the public finances of a range of economies, including the UK, requiring a period of fiscal consolidation. As a result of lower growth in key trading partners, and tighter fiscal policy, output and employment growth are weaker than in the Central Scenario, particularly in the first few years of the forecast period, leading to a rise in the unemployment rate. Spare capacity in labour and product markets leads to lower inflation, allowing central banks to ease monetary policy. With higher unemployment and weaker wage growth the housing market comes under pressure and house prices fall, though the extent of the decline is limited by lower interest rates. Later in the forecast period fiscal consolidation ends as deficits are brought under control and this, combined with supportive monetary policy from the BoE, leads to a pickup in growth while unemployment stabilises before starting to decline, and house price growth returns to positive territory.

Key features - Financial stress, trade disruption, fiscal tightening, weak growth, rising unemployment, house price declines

Downside scenario 2
In downside scenario 2, geopolitical tensions, including the Russia-Ukraine war, conflict in the Middle-East and stress in the relationship between the US and China, escalate. This leads to a rise in energy and other commodity prices on world markets and disrupts global supply chains. In addition, significant changes to US trade and tax policy prove to be highly disruptive to global trade. These shocks push up inflation globally, as does a climate stress related rise in the price of carbon in the EU, leading to a significant decline in global trade and economic activity. Central banks initially keep monetary policy tight in response to rising inflation, while global financial market stresses emerge. Amid a sharp decline in consumer and business confidence, tighter monetary, financial and credit conditions, and weaker export demand, the UK economy goes into recession. In the UK business investment falls sharply. Unemployment increases significantly and remains high over the entire forecast period. This puts household finances under pressure and pushes house price inflation well into negative territory. Eventually, geopolitical tensions decline, the global trading system adjusts, and inflation falls back, allowing central banks to ease monetary policy. GDP starts to expand again, picking up towards the end of the forecast horizon, and unemployment stabilises before beginning to decline. House prices also begin to recover, albeit gradually.

Key features - Escalating geopolitical tensions, significant trade disruption, climate stress, higher inflation, recession in the UK, elevated unemployment, sharper house price declines

Property Price Growth, all scenarios
In the central scenario, residential price growth is a moderate 3.3% in 2024 as it recovers from a period of high mortgage rates and cost of living pressures. Growth will remain consistent at 2.5% throughout the forecast period.

Commercial prices have improved from the first six months of the year buoyed by strong retail, industrial and PRS performance.

In the upside scenario, residential price growth will climb in 2025 to 5.5%, before climbing back down to 3.5% growth in 2029. Commercial prices will see growth of 3.5% in 2025, coming from a 2% decline in 2024. Further growth will be seen in the range of 3% to 4% per annum for the rest of the forecast period.

In the downside scenario 2, property prices will see a deeper negative price growth than in downside 1, reaching a trough of -10% in 2025 before a slower recovery into moderate growth in 2028 and 2029.

Commercial prices will also decline by further levels than downside 1, as far as 12% in 2025 before recovering to zero growth in 2028 and moderate growth in 2029 of 1.5%.

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 2024, 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 100.

Comparative figures as at 31 December 2023 are also outlined below (and in subsequent tables in this section). Changes in the figures as at 31 December 2024 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 2023; and the composition of the underlying portfolios at the respective reporting dates.

2024	Additional impairment loss allowance							
	Stage 1		Stage 2		Stage 3		Total	
Impact of applying multiple scenarios rather than only a central scenario	**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)*

2023 Impact of applying multiple scenarios rather than only a central scenario	Stage 1		Additional impairment loss allowance Stage 2		Stage 3		Total	
	Impact £m	Impact %	Impact £m	Impact %	Impact £m	Impact %	Impact £m	Impact %
Residential mortgages	1.1	20%	3.2	58%	2.1	11%	6.4	21%
Non-property SME and corporate	0.2	7%	1.3	12%	0.1	1%	1.6	5%
Property and construction	0.1	9%	1.3	48%	–	–%	1.4	33%
Consumer	1.4	5%	2.1	5%	–	–%	3.5	5%
Total	**2.8**	**8%**	**7.9**	**14%**	**2.2**	**4%**	**12.9**	**9%**

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:

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 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	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%**

2023 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	37	(6)	(17%)	(10)	(26%)	50	135%	83	226%
Non-property SME and corporate	27	(2)	(5%)	(3)	(12%)	2	9%	10	36%
Property and construction	5	(1)	(25%)	(3)	(45%)	2	37%	9	156%
Consumer	80	(4)	(4%)	(13)	(16%)	7	8%	24	30%
Total	**149**	**(13)**	**(8%)**	**(29)**	**(19%)**	**61**	**39%**	**126**	**81%**

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 Groups impairment loss allowance for residential mortgages to a once-off change in residential property values.

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% Impact £m	Impact %	Residential property price reduction of 5% Impact £m	Impact %	Residential property price increase of 5% Impact £m	Impact %	Residential property price increase of 10% Impact £m	Impact %
Residential mortgages	26	6	22%	2	7%	(4)	(15%)	(6)	(24%)
Total	**26**	**6**	**22%**	**2**	**7%**	**(4)**	**(15%)**	**(6)**	**(24%)**

The sensitivity of impairment loss allowances to stage allocation is such that a transfer of 1% of Stage 1 balances at 31 December 2024 to Stage 2 would increase the Group's impairment loss allowance by approximately £3 million excluding post-model management adjustments.

2023 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% Impact £m	Impact %	Residential property price reduction of 5% Impact £m	Impact %	Residential property price increase of 5% Impact £m	Impact %	Residential property price increase of 10% Impact £m	Impact %
Residential mortgages	30	9	29%	4	14%	(3)	(9%)	(5)	(18%)
Total	**30**	**9**	**29%**	**4**	**14%**	**(3)**	**(9%)**	**(5)**	**(18%)**

Management Judgement in impairment measurement
Management judgement has been incorporated into the Group's impairment measurement process for 2024. 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 significant increase in credit risk
As outlined on page 46 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 2024 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. The credit risk assessments, which leveraged qualitative information not already captured in impairment models, resulted in a credit management decision to reclassify c.£0.3 billion of assets as stage 2 at the reporting date, with an associated £1.9 million increase in impairment loss allowance.

Management judgement in impairment model parameters
As outlined on page 48 of the Risk Management Report, the calibration of the PD, LGD and EAD components within the model utilised for the Commercial Finance segment of the SME portfolio were enhanced to address model weaknesses, primarily related to LGD estimation and back-testing, identified as part of the Group's internal model validation process. The updates resulted in a c.£0.4 million increase in impairment loss allowance.

Assessment of the relationship between macroeconomic model factors and default rates during 2020 and 2021 considered default experience to be unrepresentative in certain retail portfolios due to Covid related supports and payment breaks available to borrowers during this period. As a result data points from the 2020 and 2021 period were excluded from the residential mortgage and Commercial Finance PD grade macro regression models.

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 2024, the Group's stock of impairment loss allowance of £88 million includes a £3 million total post-model Group management adjustment (31 December 2023: £2 million). The table on the following page provides an overview of Group PMAs.

2 Critical accounting estimates and judgements *(continued)*

Post-model management adjustment for Investment Property
A PMA of £1.6 million has been retained at 31 December 2024 (2023: £1.6 million) to reflect the estimated impact of enhancements to Investment Property impairment models planned in 2025.

As outlined on page 49 of the Risk Management Report, the impact of prevailing interest rates on property loans has been separately considered within individual credit assessments in relationship-managed commercial portfolios.

All of this post-model adjustment is recognised in the property and construction portfolio at 31 December 2024 and is allocated to stage 1 (£0.2 million) and stage 2 (£1.4 million) assets. The requirement for this adjustment is expected to expire upon implementation of impairment model updates in 2025.

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. Accordingly, a £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 potential affordability risk assessment on residential mortgages
Credit risk assessments in relation to the impact of prevailing interest rates continue to be implemented across the residential mortgages portfolio with outputs utilised to identify significant increases in credit risk and classify stage 1 assets to stage 2.

For operational reasons exposure level identification for cases to transfer to stage 2 has not been possible for a small subset of residential mortgage exposures included in the credit risk assessment. This limitation necessitates that the impact of affordability risk on this cohort of the residential mortgages portfolio is quantified at a portfolio level and applied via a post-model adjustment. Accordingly, the Group considers that it is appropriate to recognise a £0.5 million (2023: £nil) post-model adjustment which has been applied to stage 1 assets in the residential mortgages portfolio. The requirement for this adjustment will be assessed with reference to prevailing economic conditions and assessment of affordability risk in H1 2025.

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**	**Potential affordability risk assessment on residential mortgages 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**

2023 **Impact of applying post model adjustments to the Impairment loss allowances**	**Modelled impairment loss allowances £m**	**Investment property post model adjustment £m**	**PCP exposures post model adjustment £m**	**Final impairment loss allowance £m**
Residential mortgages	37	–	–	37
UK SME and property and construction portfolios	32	2	–	34
Consumer	80	–	–	80
Total	**149**	**2**	**–**	**151**

2 Critical accounting estimates and judgements *(continued)*

(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 2024, the impact of this adjustment was to reduce the principal balances by £35 million (2023: £45 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.£2.5 million being recognised in 2024 (2023: c. £3.3 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.£2.5 million being recognised in 2024 (2023: c.£3.3 million); and
- a continuation of the behavioural repayment rate in future years to that as experienced in the 12 months to 31 December 2024 of 21.5% (2023: 25%) would give rise to an increase in interest income of c.£5.6 million being recognised in 2024 (2023: c.£8 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 2024, in line with the requirements of IAS 37, the Group has recognised a provision of £143 million. The provision reflects the outcome of probability weighted scenarios based on a number of key judgemental items. Significant uncertainty remains around the final financial impact.

The provision represents the Group's best estimate of the redress and compensation that may be potentially payable to impacted customers, along with costs that may be incurred by the Group in connection with any FCA consumer redress scheme.

It includes, inter alia, estimates for operational costs, the potentially impacted customer population, claim rates and redress amounts. In establishing the provision estimate, the Group has created a number of scenarios to address significant uncertainties around a number of key assumptions, as well as the perimeters of the impacted population, and the nature, extent and timing of any remediation action if required. The key judgemental items include the outcome of the Supreme Court ruling, the assumption that the FCA will implement a redress scheme in all scenarios, the claims rate applied to each scenario, the basis of redress and population of customers eligible for redress, and the probability weighting associated with each of the scenarios modelled. The scenarios considered by the Group include consideration of the Court of Appeal (CoA) judgement being upheld or overturned, the use of different bases for the calculation of redress, the application of varying time periods, customer behaviours, and of the form of the FCA redress scheme for eligible customers including compensatory interest applied.

The probability weighting allocated to each scenario reflects the Group's consideration of the CoA judgement being upheld or overturned, and the nature and form of any redress scheme that the FCA may introduce in response to that judgement. Significant uncertainties exist around the nature, extent and timing of any remediation action if required. If the Group assumed that the CoA ruling would be upheld, the provision would increase by c.£85 million on a probability-weighted basis, keeping all other assumptions unchanged, while a reduction of c.£85 million would arise if it was assumed that the ruling would be overturned.

An average claim rate of 37%, based on industry experience of successful PPI claim rates, which represents the portion of customers who make a successful request for reimbursement, has been applied in each of the scenarios and is a critical accounting estimate that could materially change the ultimate financial impact. A claim rate sensitivity has been modelled, holding all other assumptions constant, which represents the impact of a +/- 10% movement in the claim rate assumed in the scenarios which would increase/decrease the provision by +/- £29 million.

Given the developments identified above and the highlighted significant uncertainties, it is possible that the key areas of estimation uncertainty could change by more than the sensitivities illustrated and therefore significantly change the provision. The ultimate financial impact could be significantly higher or lower than the amount the Group has provided, which includes the possibility of a future provision increase in excess of the sensitivities disclosed above.

3 Interest income

Included in interest income for the year ended 31 December 2024, is £12 million in respect of income earned by the Group on loans and advances to banks, relating to amounts placed with the Parent (2023: £7 million) and interest on hedging derivatives of £50 million which are also held with the Parent (2023: £92 million).

Other interest income includes £17 million (2023: £9 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 2024, £12 million of interest income was recognised on credit-impaired loans and advances to customers (2023: £13 million). In 2024, £10 million of interest income was received on credit-impaired loans and advances to customers (2023: £13 million).

Interest income also includes £10 million relating to the unwind of, and revisions to, fair value adjustments associated with mortgages acquired from the Parent in prior years (2023: £34 million).

For the year ended 31 December 2024, interest recognised on total forborne loans and advances to customers was £10 million (2023: £9 million).

Finance lease and hire purchase receivables interest income arises from the Northridge Finance business.

Group	2024 £m	2023 £m
Financial assets measured at amortised cost		
Loans and advances to customers	642	655
Loans and advances to banks	137	123
Debt securities at amortised cost	17	14
Interest income on financial assets measured at amortised cost	**796**	**792**
Interest income calculated using the effective interest rate method	**796**	**792**
Other interest income		
Interest income on finance leases and hire purchase receivables	160	122
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	17	9
Interest income	**973**	**923**

4 Interest expense

Included in interest expense for the year ended 31 December 2024 is £88 million in respect of interest paid to the Parent on deposits and subordinated liabilities (2023: £72 million).

Other interest expense includes £13 million (2023: £12 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	2024 £m	2023 £m
Customer accounts	268	147
Deposits from banks	148	141
Subordinated liabilities	31	34
Debt securities in issue	20	5
Lease liabilities	1	1
Interest expense on financial liabilities measured at amortised cost	**468**	**328**
Interest expense calculated using the effective interest rate method	**468**	**328**
Other interest expense		
Non-trading derivatives (not in hedge accounting relationships - economic hedges)	13	12
Interest expense	**481**	**340**

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 was conducted through the subsidiary entity Marshall Leasing Limited until 1 April 2022, at which point the business transferred to NIIB Group Limited. Other leasing expense includes depreciation of £42 million related to vehicles leased under operating leases (2023: £30 million). See note 23.

Group	2024 £m	2023 £m
Other leasing income	92	80
Other leasing expense	(73)	(54)
Net leasing income	**19**	**26**

6 Fee and commission income and expense

Fee and commission income	2024 GB Consumer Banking[1] £m	2024 NI[2] £m	2024 Total £m	2023 GB Consumer Banking[1] £m	2023 NI[2] £m	2023 Total £m
Retail banking customer fees	–	27	27	–	28	28
Other fees received	2	3	5	3	4	7
Total	**2**	**30**	**32**	**3**	**32**	**35**

[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 2024 and 2023.

Fee and commission expense	2024 £m	2023 £m
Fee and commission expense - external	54	77
Fees paid to the Parent	13	14
Fee and commission expense	**67**	**91**

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)	2024 £m	2023 £m
Financial instruments held for trading	20	15
Net trading income / (expense)	**20**	**15**
Amounts include:		
Net trading income / (expense) from the Parent	24	(63)

8 Other operating income

Group	2024 £m	2023 £m
Other operating income	2	3
Total other operating income	**2**	**3**

9 Operating expenses

Group Operating expenses	2024 £m	2023 £m
Administrative expenses		
Staff costs[1] (a)		
Wages and salaries	83	82
Social security costs	7	6
Other pension costs[2]	9	9
Total staff costs	**99**	**97**
Other administrative expenses (b)	207	48
Other administrative expenses – related parties (c)	73	74
Amortisation and depreciation	3	3
Impairment of RoU assets	–	–
Impairment of goodwill	–	–
Total operating expenses	**382**	**222**

[1] *Staff costs include amounts of £74 million (2023: £73 million) for wages and salaries, £6 million (2023: £5 million) for social security costs and £8 million (2023: £9 million) for other pension costs recorded in the Bank financial statements.*
[2] *Other pension costs include £1 million (2023: £nil) 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 £99 million (2023: £97 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 1,614 (2023: 1,492), of which 812 (2023: 702) are directly employed by the Group. Refer to note 41 for details of compensation paid to key management personnel (KMP).

(b) Other administrative expenses
At 31 December 2024, the Group has recognised a provision of £143 million in connection with the Group's motor finance business historical commission arrangements. This is included within other administrative expenses in the table above. For further details see note 31.

(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 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	2024 £000's	2023 £000's
Fees payable for the audit of the Bank and Group financial statements	3,120	1,442
Audit of the Bank’s subsidiaries pursuant to legislation	280	160
Audit related assurance services	30	30
Other assurance services	85	70
Auditors’ remuneration	**3,515**	**1,702**

The fees above are payable to the Group’s statutory auditor. Amounts represent both current year costs and prior year overruns. In 2024, all processes are being tested by the Group's statutory auditor and are included in the above fee. In the prior year, the Parent operated centralised processes in Dublin that were centrally tested by the Parent's auditor. The external fees payable by the Parent to the Parent auditor for the centralised testing in 2023 were £1.5 million.

11 Net impairment (gains) / losses on financial instruments

Group	2024 £m	2023 £m
Loans and advances to customers (note 19)	(9)	45
Cash recoveries	*(22)*	*(8)*
Movement in impairment (gains) / losses	*13*	*53*
Loans and advances to banks	–	–
Loan commitments (note 32)	1	(2)
Guarantees and irrevocable letters of credit (note 32)	–	–
Net impairment (gains) / losses on financial instruments	**(8)**	**43**

Loans and advances to customers at amortised cost

Net impairment (gains) / losses

The Group’s net impairment (gains) / losses on loans and advances to customers at amortised cost is set out in this table.

Group	2024 £m	2023 £m
Residential mortgages	(5)	14
Non-property SME and corporate	(1)	(15)
Property and construction	(2)	(5)
Consumer	(1)	51
Total	**(9)**	**45**

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	2024 £m	2023 £m
First Rate Exchange Services Holdings Limited	24	25
Share of profit after tax of joint venture	**24**	**25**

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 27% (2023: 22%). The increase in the effective tax rate is the result of an increase in the corporate tax rate to 25% (2023: 23.5%) and the cumulative effect of prior year adjustments.

Group	2024 £m	2023 £m
Current tax		
Current year charge	27	52
Adjustment in respect of prior year	7	6
Total current taxation charge	**34**	**58**
Deferred tax		
Current year charge	13	13
Adjustment in respect of prior year	1	1
Total deferred taxation charge	**14**	**14**
Taxation charge	**48**	**72**

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 due primarily to the jurisdictional effective tax rate in the UK being in excess of 15%. See Note 25 for further details.

This table shows a reconciliation of tax on the profit before taxation, at the standard UK corporation tax rate, to the Group's actual tax charge for the years ended 31 December 2024 and 31 December 2023.

14 Taxation charge

Group	2024 £m	2023 £m
Profit before taxation	**181**	**331**
Multiplied by the standard rate of Corporation tax in UK of 25% (2023: 23.5%)	45	78
Effects of:		
Adjustment in respect of prior year	8	7
Impact of UK banking surcharge	3	5
Share of results of joint venture after tax in the income statement	(6)	(5)
Non-taxable income on the unwind of fair value adjustments on acquired mortgages (see page 106)	(3)	(8)
Tax credit on AT1 coupon	(2)	(2)
Other	3	(3)
Taxation charge	**48**	**72**

15 Cash and cash equivalents

	Group		Bank	
Cash and cash equivalents	**2024 £m**	**2023 £m**	**2024 £m**	**2023 £m**
Cash	32	33	32	33
Balances at central banks	2,037	2,180	2,037	2,180
Less impairment loss allowance on cash and balances at central banks[1]	–	–	–	–
Total cash balances included in cash and cash equivalents	**2,069**	**2,213**	**2,069**	**2,213**
Loans and advances to banks	1,171	1,248	1,144	1,226
Less: amounts with a maturity of three months or more	(125)	(74)	(125)	(74)
Total loans and advances to banks included in cash and cash equivalents	**1,046**	**1,174**	**1,019**	**1,152**
Total cash and cash equivalents	**3,115**	**3,387**	**3,088**	**3,365**
Due from the Parent	251	253	251	247

[1] *The impairment loss allowance for Group and Bank is £0.3 million (2023: £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 42 to 58. 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 46, the Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of £179 million at 31 December 2024 (2023: £283 million):

- £175 million (2023: £278 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 2024, cash collateral of £99 million was placed against these liabilities (2023: £29 million placed) and is reported in loans and advances to banks (note 17); and
- £4 million (2023: £5 million) are not covered under CSA and ISDA standard documentation.

Group & Bank Derivatives held for trading	2024 Contract notional amounts £m	2024 Fair values Assets £m	2024 Fair values Liabilities £m	2023 Contract notional amounts £m	2023 Fair values Assets £m	2023 Fair values Liabilities £m
Foreign exchange derivatives						
Currency forwards	344	2	5	518	3	3
Currency forwards – with the Parent	210	4	1	222	1	2
Currency swaps	235	2	5	459	2	3
Currency swaps - with the Parent	257	4	1	196	1	1
Total foreign exchange derivatives held for trading	**1,046**	**12**	**12**	**1,395**	**7**	**9**
Interest rate derivatives						
Interest rate swaps - with the Parent	2,951	16	15	1,727	9	41
Cross currency interest rate swaps - with the Parent	91	–	–	101	–	–
Total interest rate derivatives held for trading	**3,042**	**16**	**15**	**1,828**	**9**	**41**
Total derivatives held for trading	**4,088**	**28**	**27**	**3,223**	**16**	**50**
Derivatives held as fair value hedges						
Interest rate swaps - with the Parent	9,240	125	169	8,404	251	173
Derivatives held as cash flow hedges						
Interest rate swaps - with the Parent	3,111	26	97	2,187	16	103
Total derivative assets / liabilities held for hedging	**12,351**	**151**	**266**	**10,591**	**267**	**276**
Total derivative assets / liabilities	**16,439**	**179**	**293**	**13,814**	**283**	**326**

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	2024 Up to 1 year £m	2024 1-2 years £m	2024 2-5 years £m	2024 >5 years £m	2023 Up to 1 year £m	2023 1-2 years £m	2023 2-5 years £m	2023 >5 years £m
Fair Value Hedge	Interest Rate Risk	Interest rate swap	20	–	140	30	37	20	10	130
		Average fixed interest rate	0.05%	–	0.78%	3.99%	1.05%	0.05%	2.00%	0.68%
Cash Flow Hedge	Interest Rate Risk	Interest rate swap	190	440	2,041	440	–	135	1,493	559
		Average fixed interest rate	4.45%	4.26%	2.98%	3.82%	–	4.96%	3.06%	3.02%

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 Assets £m	Carrying amount of the hedging instrument Liabilities £m	Changes in value used to calculate hedge ineffectiveness[2] £m	Ineffectiveness recognised in profit or loss[2] £m
2024						
Interest rate risk	Interest rate swaps	9,240	125	(169)	13	3
2023						
Interest rate risk	Interest rate swaps	8,404	251	(173)	(85)	(6)

[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 Assets £m	Carrying amount of the hedged item Liabilities £m	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets £m	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities £m	Changes in value used for calculating hedge ineffectiveness £m	Remaining adjustments for discontinued hedges £m
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)**
2023							
Interest rate risk	Debt securities at amortised cost	179	–	(20)	–	12	(1)
	Loans and advances to customers	6,310	–	–	–	153	(11)
	Customer accounts	–	2,142	–	–	(86)	1
Total		**6,489**	**2,142**	**(20)**	**–**	**79**	**(11)**

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
2024								
Interest rate risk	Interest rate swaps	3,111	26	(97)	(23)	23	–	21
2023								
Interest rate risk	Interest rate swaps	2,187	16	(103)	(47)	47	–	(120)

Group & Bank	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	2023 Changes in the hedged risk used for calculating hedge ineffectiveness £m	2023 Cash flow hedge reserve £m	2023 Remaining adjustments for discontinued hedges £m
Interest rate risk	23	46	45	47	69	45
Foreign exchange risk	–	–	–	–	–	–
Total	**23**	**46**	**45**	**47**	**69**	**45**

This table below shows a reconciliation of the movements in the cash flow hedge reserve for 2024 and 2023.

Group	2024 £m	2023 £m
Changes in fair value		
Interest rate risk	2	112
Transfer to income statement		
Interest income		
Interest rate risk	18	(114)
Net trading income / (expense)		
Interest rate risk	3	(5)
Deferred tax on reserve movements	(6)	2
Net change in cash flow hedge reserve	**17**	**(5)**

In 2024 and 2023, 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 84).

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	
	2024 £m	2023 £m	2024 £m	2023 £m
Placements with other banks	341	345	314	323
Mandatory deposits with central banks	830	903	830	903
	1,171	**1,248**	**1,144**	**1,226**
Less impairment loss allowance on loans and advances to banks	–	–	–	–
Loans and advances to banks at amortised cost	**1,171**	**1,248**	**1,144**	**1,226**
Loans and advances to banks at fair value through profit or loss	–	–	–	–
Total loans and advances to banks	**1,171**	**1,248**	**1,144**	**1,226**
Amounts include:				
Due from the Parent	251	253	251	247

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 £830 million relating to collateral with the Bank of England in respect of notes in circulation (2023: £858 million). £466 million of this relates to non-interest bearing collateral (2023: £489 million); and
- an amount of £nil in relation to mandatory cash ratio deposits, which are non-interest bearing deposits placed with the Bank of England under the provisions of the Bank of England Act 1998 (2023: £45 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	
	2024 £m	2023 £m	2024 £m	2023 £m
Government bonds	113	115	113	115
Other debt securities at amortised cost	363	374	363	374
Less impairment loss allowance	–	–	–	–
Debt securities at amortised cost	**476**	**489**	**476**	**489**

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 2024. All debt securities at amortised cost were stage 1 (12 month ECL not credit-impaired) throughout the year ended 31 December 2024.

Group & Bank **2024** **Gross carrying amount (before impairment loss allowance)**	**Total £m**
Closing balance 31 December 2023	489
Additions	77
Redemptions, repayments and disposals	(90)
Measurement reclassification and other movements	–
Gross carrying amount at 31 December 2024	**476**

19 Loans and advances to customers

	Group		**Bank**	
	2024 £m	**2023 £m**	**2024 £m**	**2023 £m**
Loans and advances to customers at amortised cost	11,670	11,936	14,393	14,402
Finance leases and hire purchase receivables (see below)	2,609	2,363	–	–
Less impairment loss allowance on loans and advances to customers	(88)	(151)	(63)	(129)
Total loans and advances to customers[1, 2]	**14,191**	**14,148**	**14,330**	**14,273**
Amounts include:				
Due from subsidiaries	–	–	2,761	2,498
Due from entities controlled by the Parent	10	6	7	6
Finance leases and hire purchase receivables				
Gross investment in finance leases:				
Not later than 1 year	760	676	–	–
Later than 1 year and not later than 5 years	2,195	1,990	–	–
Later than 5 years	12	11	–	–
	2,967	**2,677**	**–**	**–**
Unearned future finance income on finance leases	(358)	(314)	–	–
Net investment in finance leases	**2,609**	**2,363**	**–**	**–**
Not later than 1 year	668	597	–	–
Later than 1 year and not later than 5 years	1,930	1,757	–	–
Later than 5 years	11	9	–	–
	2,609	**2,363**	**–**	**–**

[1] *At 31 December 2024, loans and advances to customers included £334 million (2023: £380 million) of residential mortgage balances that had been securitised but not derecognised. Refer to note 42.*
[2] *At 31 December 2024, loans and advances to customers included a mortgage EIR asset valued at £31.3 million (2023: £30.3 million).*

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).

Included within loans and advances to customers is £107 million (2023: £166 million) of lending in relation to the UK government-backed BBLS and CBILS schemes. An ECL of c.£1 million (2023: c.£1 million) was recognised in the impairment loss allowance in relation to these loans 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.

19 Loans and advances to customers *(continued)*

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 pages 46 to 47 and the Group accounting policies note on page 90 with updates for 2024 outlined in the Credit Risk section of the Risk Management Report on pages 46 to 50.

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 **2023** **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)	9,045	1,009	88	2,359	12,501
Stage 2 - Lifetime ECL (not credit impaired)	591	228	123	560	1,502
Stage 3 - Lifetime ECL (credit impaired)	175	69	5	47	296
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2023	**9,811**	**1,306**	**216**	**2,966**	**14,299**

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]	–	–	(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 £26 million (2023: £73 million) of contractual amounts outstanding that are still subject to enforcement activity.*

19 Loans and advances to customers *(continued)*

Group 2023 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 2023	12,615	1,288	299	–	14,202
Total net transfers	(714)	519	195	–	–
To 12-month ECL not credit-impaired	*758*	*(758)*	–	–	–
To lifetime ECL not credit-impaired	*(1,363)*	*1,443*	*(80)*	–	–
To lifetime ECL credit-impaired	*(109)*	*(166)*	*275*	–	–
Net changes in exposure	577	(306)	(105)	–	166
Impairment loss allowances utilised[1,2]	–	–	(94)	–	(94)
Measurement reclassification and other movements	23	1	1	–	25
Gross carrying amount at 31 December 2023	**12,501**	**1,502**	**296**	**–**	**14,299**

[1] *Impairment loss allowance utilised on loans and advances to customers at amortised cost includes £26 million (2023: £73 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 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	–	–	–	–	–
Gross carrying amount at 31 December 2024	**32**	**27**	**6**	**23**	**88**

Group 2023 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)	7	4	1	28	40
Stage 2 - Lifetime ECL (not credit impaired)	9	11	5	41	66
Stage 3 - Lifetime ECL (credit impaired)	21	12	1	11	45
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2023	**37**	**27**	**7**	**80**	**151**

19 Loans and advances to customers *(continued)*

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	–	–	(37)	–	(37)
Measurement reclassification and other movements	(20)	(17)	8	–	(29)
Impairment loss allowance at 31 December 2024	**17**	**23**	**48**	**–**	**88**

Group 2023 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 2023	40	44	100	–	184
Total net transfers	2	3	(5)	–	–
To 12-month ECL not credit-impaired	*11*	*(11)*	*–*	–	–
To lifetime ECL not credit-impaired	*(8)*	*27*	*(19)*	–	–
To lifetime ECL credit-impaired	*(1)*	*(13)*	*14*	–	–
Net impairment (gains) / losses in income statement	(2)	19	36	–	53
Re-measurement	*(49)*	*28*	*55*	–	*34*
Net changes in exposure	*43*	*(25)*	*(16)*	–	*2*
ECL model parameter and / or methodology changes	*4*	*16*	*(3)*	–	*17*
Impairment loss allowances utilised[1]	–	–	(94)	–	(94)
Measurement reclassification and other movements	–	–	8	–	8
Impairment loss allowance at 31 December 2023	**40**	**66**	**45**	**–**	**151**

[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 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 2023 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)	9,045	3,045	88	840	13,018
Stage 2 - Lifetime ECL (not credit impaired)	591	208	123	204	1,126
Stage 3 - Lifetime ECL (credit impaired)	175	65	5	13	258
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2023	**9,811**	**3,318**	**216**	**1,057**	**14,402**

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]	–	–	(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 £26 million (2023: £73 million) of contractual amounts outstanding that are still subject to enforcement activity.*

19 Loans and advances to customers *(continued)*

Bank 2023 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 2023	12,967	1,055	272	–	14,294
Total net transfers	(563)	389	174	–	–
To 12-month ECL not credit-impaired	*741*	*(741)*	*–*	*–*	*–*
To lifetime ECL not credit-impaired	*(1,210)*	*1,288*	*(78)*	*–*	*–*
To lifetime ECL credit-impaired	*(94)*	*(158)*	*252*	*–*	*–*
Net changes in exposure	591	(319)	(96)	–	176
Impairment loss allowances utilised[1,2]	–	–	(93)	–	(93)
Measurement reclassification and other movements	23	1	1	–	25
Gross carrying amount at 31 December 2023	**13,018**	**1,126**	**258**	**–**	**14,402**

[1] *Impairment loss allowances utilised on loans and advances to customers at amortised cost includes £26 million (2023: £73 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 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	–	–	–	–	–
Gross carrying amount at 31 December 2024	**32**	**25**	**6**	**–**	**63**

Bank 2023 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)	7	4	1	25	37
Stage 2 - Lifetime ECL (not credit impaired)	9	11	5	35	60
Stage 3 - Lifetime ECL (credit impaired)	21	10	1	–	32
Purchased / originated credit-impaired	–	–	–	–	–
Gross carrying amount at 31 December 2023	**37**	**25**	**7**	**60**	**129**

19 Loans and advances to customers *(continued)*

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	–	–	(27)	–	(27)
Measurement reclassification and other movements	(20)	(17)	7	–	(30)
Impairment loss allowance at 31 December 2024	**11**	**19**	**33**	**–**	**63**

Bank 2023 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 2023	38	40	91	–	169
Total net transfers	2	3	(5)	–	–
To 12-month ECL not credit-impaired	*11*	*(11)*	*–*	–	–
To lifetime ECL not credit-impaired	*(8)*	*27*	*(19)*	–	–
To lifetime ECL credit-impaired	*(1)*	*(13)*	*14*	–	–
Net impairment (gains) / losses in income statement	(3)	17	32	–	46
Re-measurement	*(49)*	*26*	*48*	–	*25*
Net changes in exposure	*43*	*(24)*	*(13)*	–	*6*
ECL model parameter and / or methodology changes	*3*	*15*	*(3)*	–	*15*
Impairment loss allowances utilised[1]	–	–	(93)	–	(93)
Measurement reclassification and other movements	–	–	7	–	7
Impairment loss allowance at 31 December 2023	**37**	**60**	**32**	**–**	**129**

[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 2024 (2023: £nil).

	2024 £m	2023 £m
Financial assets modified during the period		
Amortised cost before modification	38	48
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	18	15

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 47 to 50.

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 42 to 58.

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 **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.*

20 Credit risk exposures *(continued)*

Group 2023 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	12,501	1,502	296	–	14,299
Loans and advances to banks	1,248	–	–	–	1,248
Debt securities	489	–	–	–	489
Other financial assets[1]	2,284	–	–	–	2,284
Total financial assets measured at amortised cost	**16,522**	**1,502**	**296**	**–**	**18,320**

[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.*

Bank 2023 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	13,018	1,126	258	–	14,402
Loans and advances to banks	1,226	–	–	–	1,226
Debt securities	489	–	–	–	489
Other financial assets[1]	2,284	–	–	–	2,284
Total financial assets measured at amortised cost	**17,017**	**1,126**	**258**	**–**	**18,401**

[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 **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**

Group **2023** **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	40	66	45	–	151
Loans and advances to banks	–	–	–	–	–
Debt securities	–	–	–	–	–
Other financial assets	–	–	–	–	–
Total financial assets measured at amortised cost	**40**	**66**	**45**	**–**	**151**

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**

Bank **2023** **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	37	60	32	–	129
Loans and advances to banks	–	–	–	–	–
Debt securities	–	–	–	–	–
Other financial assets	–	–	–	–	–
Total financial assets measured at amortised cost	**37**	**60**	**32**	**–**	**129**

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 Northridge Finance and Marshall Leasing, are included within the non-property SME and corporate portfolio.

Group	2024				2023			
Loans and advances to customers Composition and risk profile (before impairment loss allowance)	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**	**Total %**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**	**Total %**
Residential mortgages	10,484	155	10,639	75%	9,636	175	9,811	69%
Non-property SME and corporate	1,214	64	1,278	9%	1,237	69	1,306	9%
Commercial property and construction	198	5	203	1%	211	5	216	1%
Consumer	2,118	41	2,159	15%	2,919	47	2,966	21%
Total	**14,014**	**265**	**14,279**	**100%**	**14,003**	**296**	**14,299**	**100%**
Impairment loss allowance on loans and advances to customers	**40**	**48**	**88**	**100%**	**106**	**45**	**151**	**100%**

Bank	2024				2023			
Loans and advances to customers Composition and risk profile (before impairment loss allowance)	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**	**Total %**	**Not credit-impaired £m**	**Credit-impaired £m**	**Total £m**	**Total %**
Residential mortgages	10,484	155	10,639	74%	9,636	175	9,811	68%
Non-property SME and corporate	3,490	61	3,551	25%	3,253	65	3,318	23%
Commercial property and construction	198	5	203	1%	211	5	216	1%
Consumer	–	–	–	–	1,044	13	1,057	8%
Total	**14,172**	**221**	**14,393**	**100%**	**14,144**	**258**	**14,402**	**100%**
Impairment loss allowance on loans and advances to customers	**30**	**33**	**63**	**100%**	**97**	**32**	**129**	**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	Stage 1				Stage 2			
2024 Not credit-impaired loans and advances to customers Composition and impairment loss allowance	**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%**

20 Credit risk exposures *(continued)*

Group 2023 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	9,045	63%	7	0.08%	591	4%	9	1.52%
Non-property SME and corporate	1,009	7%	4	0.40%	228	2%	11	4.82%
Commercial property and construction	88	1%	1	1.14%	123	1%	5	4.07%
Consumer	2,359	16%	28	1.19%	560	4%	41	7.32%
Total	**12,501**	**87%**	**40**	**0.32%**	**1,502**	**11%**	**66**	**4.39%**

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%**

Bank 2023 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	9,045	63%	7	0.08%	591	4%	9	1.52%
Non-property SME and corporate	3,045	21%	4	0.13%	208	2%	11	5.29%
Commercial property and construction	88	1%	1	1.14%	123	1%	5	4.07%
Consumer	840	6%	25	2.98%	204	1%	35	17.16%
Total	**13,018**	**91%**	**37**	**0.28%**	**1,126**	**8%**	**60**	**5.33%**

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 125.

Group 2024 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	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%**

[1] *The movement in PD buckets is driven by underlying movements between stages and changes in PD scores.*

Group 2023 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	2,603	27%	80	7%	–	–	–	–	2,683	19%
5-7	5,379	56%	371	30%	3	1%	1,458	50%	7,211	52%
8-9	980	10%	546	44%	67	32%	61	2%	1,654	12%
10-11	83	1%	12	1%	18	9%	840	29%	953	6%
Total Stage 1	**9,045**	**94%**	**1,009**	**82%**	**88**	**42%**	**2,359**	**81%**	**12,501**	**89%**
Stage 2										
1-4	12	–	7	–	–	–	–	–	19	–
5-7	273	3%	46	4%	–	–	288	10%	607	4%
8-9	125	1%	80	7%	47	22%	3	–%	255	2%
10-11	181	2%	95	7%	76	36%	269	9%	621	5%
Total Stage 2	**591**	**6%**	**228**	**18%**	**123**	**58%**	**560**	**19%**	**1,502**	**11%**
Not credit-impaired										
1-4	2,615	27%	87	7%	–	–	–	–	2,702	19%
5-7	5,652	59%	417	34%	3	1%	1,746	60%	7,818	56%
8-9	1,105	11%	626	51%	114	54%	64	2%	1,909	14%
10-11	264	3%	107	8%	94	45%	1,109	38%	1,574	11%
Total not credit-impaired	**9,636**	**100%**	**1,237**	**100%**	**211**	**100%**	**2,919**	**100%**	**14,003**	**100%**

20 Credit risk exposures *(continued)*

Bank 2024 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	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%**

[1] *The movement in PD buckets is driven by underlying movements between stages and changes in PD scores.*

Bank 2023 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	2,603	27%	60	2%	–	–	–	–	2,663	19%
5-7	5,379	56%	2,870	88%	3	1%	–	–	8,252	58%
8-9	980	10%	103	3%	67	32%	–	–	1,150	8%
10-11	83	1%	12	–	18	9%	840	80%	953	7%
Total Stage 1	**9,045**	**94%**	**3,045**	**93%**	**88**	**42%**	**840**	**80%**	**13,018**	**92%**
Stage 2										
1-4	12	–	7	–	–	–	–	–	19	–
5-7	273	3%	46	2%	–	–	–	–	319	2%
8-9	125	1%	67	2%	47	22%	–	–	239	2%
10-11	181	2%	88	3%	76	36%	204	20%	549	4%
Total Stage 2	**591**	**6%**	**208**	**7%**	**123**	**58%**	**204**	**20%**	**1,126**	**8%**
Not credit-impaired										
1-4	2,615	27%	67	2%	–	–	–	–	2,682	19%
5-7	5,652	59%	2,916	90%	3	1%	–	–	8,571	60%
8-9	1,105	11%	170	5%	114	54%	–	–	1,389	10%
10-11	264	3%	100	3%	94	45%	1,044	100%	1,502	11%
Total not credit-impaired	**9,636**	**100%**	**3,253**	**100%**	**211**	**100%**	**1,044**	**100%**	**14,144**	**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	2024				2023			
Credit-impaired loans and advances to customers Composition and impairment loss allowance	Credit-impaired loans £m	Credit-impaired loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of credit-impaired loans %	Credit-impaired loans £m	Credit-impaired loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	155	1%	19	12%	175	1%	21	12%
Non-property SME and corporate	64	1%	14	22%	69	1%	12	17%
Commercial property and construction	5	–	1	20%	5	–	1	20%
Consumer	41	–	14	34%	47	–	11	23%
Total credit-impaired	**265**	**2%**	**48**	**18%**	**296**	**2%**	**45**	**15%**

Bank	2024				2023			
Credit-impaired loans and advances to customers Composition and impairment loss allowance	Credit-impaired loans £m	Credit-impaired loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of credit-impaired loans %	Credit-impaired loans £m	Credit-impaired loans as % of total advances %	Impairment loss allowance £m	Impairment loss allowance as % of credit-impaired loans %
Residential mortgages	155	1%	19	12%	175	1%	21	12%
Non-property SME and corporate	61	1%	13	21%	65	1%	10	15%
Commercial property and construction	5	–	1	20%	5	–	1	20%
Consumer	–	–	–	–	13	–	–	–
Total credit-impaired	**221**	**2%**	**33**	**15%**	**258**	**2%**	**32**	**12%**

20 Credit risk exposures *(continued)*

Risk profile of forborne and non-forborne loans and advances to customers

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**

Group **2023** **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	9,045	557	137	–	9,739
Non-property SME and corporate	1,009	188	44	–	1,241
Commercial property and construction	88	112	3	–	203
Investment	*75*	*105*	*3*	–	*183*
Land and development	*13*	*7*	–	–	*20*
Consumer	2,359	560	47	–	2,966
Total non-forborne loans and advances to customers	**12,501**	**1,417**	**231**	**–**	**14,149**
Forborne loans and advances to customers					
Residential mortgages	–	34	38	–	72
Non-property SME and corporate	–	40	25	–	65
Commercial property and construction	–	11	2	–	13
Investment	–	*10*	*1*	–	*11*
Land and development	–	*1*	*1*	–	*2*
Consumer	–	–	–	–	–
Total forborne loans and advances to customers	**–**	**85**	**65**	**–**	**150**
Total loans and advances to customers	**12,501**	**1,502**	**296**	**–**	**14,299**

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 2024 Loans and advances to customers at amortised cost - Composition	Standard Not credit-impaired £m	Standard Credit-impaired £m	Buy to let Not credit-impaired £m	Buy to let Credit-impaired £m	Self certified Not credit-impaired £m	Self certified Credit-impaired £m	Total Not credit-impaired £m	Total Credit-impaired £m	Total 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 end	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.*

Group 2023 Loans and advances to customers at amortised cost - Composition	Standard Not credit-impaired £m	Standard Credit-impaired £m	Buy to let Not credit-impaired £m	Buy to let Credit-impaired £m	Self certified Not credit-impaired £m	Self certified Credit-impaired £m	Total Not credit-impaired £m	Total Credit-impaired £m	Total Total £m
Less than 50%	1,684	25	1,292	38	121	9	3,097	72	3,169
51% to 70%	2,393	30	1,083	42	43	6	3,519	78	3,597
71% to 80%	1,315	10	236	5	5	1	1,556	16	1,572
81% to 90%	1,047	5	6	1	–	1	1,053	7	1,060
91% to 100%	401	1	1	1	1	–	403	2	405
Subtotal	**6,840**	**71**	**2,618**	**87**	**170**	**17**	**9,628**	**175**	**9,803**
101% to 120%	7	–	–	–	1	–	8	–	8
121% to 150%	–	–	–	–	–	–	–	–	–
Adjusted Greater than 150%	–	–	–	–	–	–	–	–	–
Subtotal	**7**	**–**	**–**	**–**	**1**	**–**	**8**	**–**	**8**
Total	**6,847**	**71**	**2,618**	**87**	**171**	**17**	**9,636**	**175**	**9,811**
Weighted average LTV[1]									
Stock of mortgages at period end	63%	56%	50%	54%	39%	53%	59%	54%	59%
New mortgages during year	75%	68%	60%	57%	52%	–	73%	64%	73%

[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 2024 and 31 December 2023 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	2024		2023	
Repossessed collateral	Number of repossessions as at balance sheet date	Balance outstanding £m	Number of repossessions as at balance sheet date	Balance outstanding £m
Residential properties				
Owner occupier	3	1	2	–
Buy to let	22	2	3	1
Self certified	1	–	–	–
Total	**26**	**3**	**5**	**1**

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	2024 £m	2023 £m
Residential mortgages	10,639	9,811
Finance leases and hire purchase	2,609	2,363
Personal loans	–	1,056
Commercial property and construction	203	216
Business and other services	597	629
Manufacturing and distribution	231	224
Other	–	–
Total	**14,279**	**14,299**

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 2024 and 31 December 2023. The impairment loss allowance at 31 December 2024 was £0.1 million (2023: £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 2024 with £0.9 billion being PD grade 1-4 (2023: £1 billion) and £0.3 billion being PD grade 5-8 (2023: £0.3 billion). The impairment loss allowance at 31 December 2024 was £0.2 million (2023: £0.4 million).

For Bank, all loans and advances to banks were stage 1 at 31 December 2024 with £0.9 billion being PD grade 1-4 (2023: £1 billion) and £0.1 billion being PD grade 5-8 (2023: £0.2 billion). The impairment loss allowance at 31 December 2024 was £0.2 million (2023: £0.3 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.

	Group		Bank	
Other financial instruments with ratings equivalent to:	2024 £m	2023 £m	2024 £m	2023 £m
Aaa to Aa3	–	–	–	–
A1 to A3	–	–	–	–
Baa1 to Baa3	167	278	167	278
Lower than Baa3	12	5	12	5
Total	**179**	**283**	**179**	**283**

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 2024 and 31 December 2023.

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 2024 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.

	2024 £m	2023 £m
At 1 January	67	71
Share of profit after taxation (note 12)	24	25
Dividends received	(30)	(29)
Other	–	–
At 31 December	**61**	**67**

The following amounts represent the Group's 50% share of the revenue, expenses, assets and liabilities of FRESH for the year ended 31 December 2024 and the year ended 31 December 2023.

	2024 £m	2023 £m
Revenue	61	64
Expenses	(29)	(31)
Profit before taxation	**32**	**33**
Taxation charge	(8)	(8)
Profit after taxation	**24**	**25**
Non-current assets	3	3
Current assets	183	190
Total assets	**186**	**193**
Current liabilities	(125)	(126)
Total liabilities	**(125)**	**(126)**
Net assets	**61**	**67**

22 Intangible assets and goodwill

Group	2024				2023			
	Goodwill £m	Computer software internally generated £m	Other externally purchased intangible assets £m	Total £m	Goodwill £m	Computer software internally generated £m	Other externally purchased intangible assets £m	Total £m
Cost								
At 1 January	30	36	87	153	30	36	87	153
Retirements	–	(34)	–	(34)	–	–	–	–
Additions	–	–	–	–	–	–	–	–
At 31 December	**30**	**2**	**87**	**119**	**30**	**36**	**87**	**153**
Accumulated amortisation								
At 1 January	(8)	(36)	(83)	(127)	(8)	(35)	(82)	(125)
Retirements	–	34	–	34	–	–	–	–
Amortisation charge for the year (note 9)	–	–	(1)	(1)	–	(1)	(1)	(2)
At 31 December	**(8)**	**(2)**	**(84)**	**(94)**	**(8)**	**(36)**	**(83)**	**(127)**
Net book value at 31 December	**22**	**–**	**3**	**25**	**22**	**–**	**4**	**26**

Bank	2024				2023			
	Goodwill £m	Computer software internally generated £m	Other externally purchased intangible assets £m	Total £m	Goodwill £m	Computer software internally generated £m	Other externally purchased intangible assets £m	Total £m
Cost								
At 1 January	–	35	76	111	–	35	76	111
Retirements	–	(34)	–	(34)	–	–	–	–
Additions	–	–	–	–	–	–	–	–
At 31 December	**–**	**1**	**76**	**77**	**–**	**35**	**76**	**111**
Accumulated amortisation								
At 1 January	–	(35)	(76)	(111)	–	(34)	(76)	(110)
Retirements	–	34	–	34	–	–	–	–
Amortisation charge for the year	–	–	–	–	–	(1)	–	(1)
At 31 December	**–**	**(1)**	**(76)**	**(77)**	**–**	**(35)**	**(76)**	**(111)**
Net book value at 31 December	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Goodwill of £22 million (2023: £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 £3 million (2023: £4 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 2024 and 31 December 2023 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 30 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, with a 0% growth rate thereafter. The cashflows are discounted using a pre-tax discount rate based on the Group weighted average cost of capital. No impairment was required in 2024 or 2023.

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 2024 or 31 December 2023.

23 Property, plant and equipment

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 £7 million (2023: £5 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 2023	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 2023	**2**	**21**	**178**	**19**	**220**
Acquisitions	–	–	–	–	–
Additions	–	–	83	6	89
Disposals / write offs	–	–	(45)	(1)	(46)
Revaluation recognised in OCI	–	(1)	–	–	(1)
Other movements	–	–	–	–	–
As at 31 December 2023	**2**	**20**	**216**	**24**	**262**
Accumulated depreciation					
At 1 January 2023	**(1)**	**–**	**(35)**	**(10)**	**(46)**
Impairment	–	–	–	–	–
Disposals / write offs	–	–	29	1	30
Charge for the year[3]	–	–	(30)	(1)	(31)
As at 31 December 2023	**(1)**	**–**	**(36)**	**(10)**	**(47)**
Net book value at 31 December 2023	**1**	**20**	**180**	**14**	**215**

[1] *All of which is related to own-use.*
[2] *Includes £7 million (2023: £5 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	2024 Freehold land and buildings and long leaseholds (held at fair value)[1] £m	2024 Right of use asset - Buildings £m	2024 Total £m	2023 Freehold land and buildings and long leaseholds (held at fair value)[1] £m	2023 Right of use asset - Buildings £m	2023 Total £m
Opening balance at 1 January	**20**	**24**	**44**	**21**	**19**	**40**
Revaluation recognised in OCI	(1)	–	(1)	(1)	–	(1)
Additions	–	1	1	–	6	6
Disposals / write offs	–	(7)	(7)	–	(1)	(1)
Other movements	–	–	–	–	–	–
As at 31 December	**19**	**18**	**37**	**20**	**24**	**44**
Accumulated depreciation at 1 January	**–**	**(10)**	**(10)**	**–**	**(10)**	**(10)**
Impairment	–	–	–	–	–	–
Disposals / write offs	–	7	7	–	1	1
Charge for the year	–	(2)	(2)	–	(1)	(1)
As at 31 December	**–**	**(5)**	**(5)**	**–**	**(10)**	**(10)**
Net book value at 31 December	**19**	**13**	**32**	**20**	**14**	**34**

[1] *Includes £7 million (2023: £5 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:

	2024 £m	2023 £m
Within 1 year	38	29
1–2 years	28	31
Greater than 2 years	52	40
Total	**118**	**100**

At 31 December 2024 and 31 December 2023 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 2024 £m	Group 2023 £m	Bank 2024 £m	Bank 2023 £m
Not later than 1 year	45	37	–	–
Later than 1 year and not later than 5 years	63	45	2	1
Later than 5 years	2	–	2	–
Total	**110**	**82**	**4**	**1**

24 Other assets

	Group		Bank	
Other assets	**2024 £m**	**2023 £m**	**2024 £m**	**2023 £m**
Sundry and other receivables	58	40	57	38
Accounts receivable and prepayments	7	7	5	5
Interest receivable	9	18	54	51
Other assets	**74**	**65**	**116**	**94**
Amounts include				
Due from the Parent	–	–	–	–
Maturity profile of other assets				
Amounts receivable within 1 year	74	65	116	94
Amounts receivable after 1 year	–	–	–	–
Total	**74**	**65**	**116**	**94**

25 Deferred tax

The deferred tax asset includes an amount of £38 million (2023: £51 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 deferred tax asset in respect of losses is estimated to be recoverable in full by the end of 2029 (2023: 2030).

Sources of estimation uncertainty

The recognition of a deferred tax asset 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 deferred tax asset, 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 DTA 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) which have been enacted into UK legislation as part of Finance (No.2) Act 2023 in July 2023. The Pillar 2 rules are effective for financial periods beginning on or after 31 December 2023, in the Group's case the financial period ending 31 December 2024.

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 proposed changes may have limited impact in the UK. The UK jurisdictional effective tax rate is in excess of 15% for the current period and thus there is no impact for the Group for the current period.

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 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**	**–**

Group 2023	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	62	(11)	–	–	51	51	–
Cash flow hedge reserve	30	–	2	–	32	32	–
Fixed / leased assets	11	–	–	–	11	11	–
Impact of adopting IFRS 9	7	(2)	–	–	5	5	–
Property revaluation surplus	(1)	–	–	–	(1)	–	(1)
Other temporary differences – liabilities	(1)	(1)	–	–	(2)	–	(2)
Tax assets / (liabilities) before set-off	**108**	**(14)**	**2**	**–**	**96**	**99**	**(3)**
Set-off tax						**(3)**	**3**
Net tax assets / (liabilities)						**96**	**–**

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**	**–**

Bank 2023	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	62	(11)	–	–	51	51	–
Cash flow hedge reserve	30	–	2	–	32	32	–
Impact of adopting IFRS 9	7	(2)	–	–	5	5	–
Property revaluation surplus	(1)	–	–	–	(1)	–	(1)
Tax assets / (liabilities) before set-off	**98**	**(13)**	**2**	**–**	**87**	**88**	**(1)**
Set-off tax						**(1)**	**1**
Net tax assets / (liabilities)						**87**	**–**

26 Deposits from banks

	Group		Bank	
	2024 £m	**2023 £m**	**2024 £m**	**2023 £m**
Deposits from banks	**2,422**	**3,237**	**2,415**	**3,230**
Amounts include:				
Due to the Parent	1,464	1,061	1,458	1,055

Deposits from banks includes:

- £930 million (2023: £2,150 million) of borrowings under the Bank of England Term Funding Scheme for Small and Medium Sized Entities (TFSME).

Drawings under the TFSME from the Bank of England will be largely repaid in 2025 with the final residual amount to be repaid in October 2026.

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 2024.

27 Customer accounts

	Group		Bank	
	2024 £m	**2023 £m**	**2024 £m**	**2023 £m**
Term deposits	2,848	2,404	2,848	2,404
Demand deposits	5,658	5,533	5,658	5,533
Non-interest bearing current accounts	3,536	3,690	3,934	4,103
Interest bearing current accounts	181	188	181	188
Customer accounts at amortised cost	**12,223**	**11,815**	**12,621**	**12,228**
Amounts include:				
Due to entities controlled by the Parent	5	1	5	1
Due to subsidiaries	–	–	398	413

28 Debt securities in issue

	Group		Bank	
	2024 £m	**2023 £m**	**2024 £m**	**2023 £m**
Residential mortgage backed securities	314	349	–	–
Floating rate senior non preferred notes	200	200	200	200
Total debt securities in issue	**514**	**549**	**200**	**200**

The residential mortgage backed securities were issued in November 2023 by the Group's securitisation entity, Bowbell No. 3 plc. 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	
	2024 £m	2023 £m	2024 £m	2023 £m
Notes in circulation	736	775	736	775
Accrued interest payable	169	145	165	143
Sundry payables	82	29	62	17
Accruals and deferred income	18	28	18	28
Operating expenses accrued	18	24	13	22
Other liabilities	**1,023**	**1,001**	**994**	**985**
Amounts include:				
Due to the Parent	34	21	34	21
Maturity profile of other liabilities				
Amounts payable within 1 year	1,007	993	978	977
Amounts payable after 1 year	16	8	16	8

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 154.

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 2024 are set out in note 23.

The carrying amount of the lease liabilities and the movements during 2024 is set out below:

	Group		Bank	
Balance sheet liabilities	2024 £m	2023 £m	2024 £m	2023 £m
As at 1 January	**16**	**12**	**15**	**12**
Acquisitions	–	7	–	6
Payments	(3)	(4)	(2)	(4)
Interest expense (note 4)	1	1	1	1
Other movements	–	–	–	–
As at 31 December	**14**	**16**	**14**	**15**

30 Leasing *(continued)*

Group Summary of amounts recognised in the income statement under IFRS 16 leases	2024 £m	2023 £m
Amounts recognised in interest expense (note 4)		
Payments	1	1
Amounts recognised in interest income (note 3)		
Finance lease interest	160	122
Other leasing income and expense (note 5)		
Operating lease rentals	92	80
Other leasing expense	(73)	(54)
	19	**26**
Amounts recognised in other operating expense (note 9)		
Depreciation of RoU assets in property, plant and equipment	2	1

31 Provisions

	Group £m	Bank £m
Closing balance 31 December 2023	8	8
Net charge to the income statement	159	16
Utilised during the year	(8)	(8)
At 31 December 2024	**159**	**16**
Expected utilisation period		
Used within 1 year	16	16
Used after 1 year	143	–

At 31 December 2024, the Group had provisions for the following items:

- Motor finance commission provision £143 million (2023: £nil);
- customer provisions, £4.7 million (2023: £5.5 million), comprise the estimated cost of making repayments to customers associated with the design and execution of processes as part of the Group's business activities; and
- provisions associated with the personal loans sale, restructuring and transformation costs: £11.4 million (2023: £2.8 million).

Motor finance commission provision

As disclosed by the Group in previous periods, the Group's motor finance business, similar to industry peers, has continued to receive a number of complaints and county court claims in respect of its historical use of commission arrangements. In January 2024, the UK FCA commenced a review of historical motor finance commission arrangements and sales across several firms including NIIB Group Limited (the 'FCA review'). The FCA stated that if they find there has been widespread misconduct and that consumers have lost out, they will identify how best to ensure people who are owed compensation receive an appropriate settlement in an orderly, consistent and efficient way. At the same time, the FCA paused the handling of these complaints, originally until September 2024, subsequently extended to 4 December 2025.

On 25 October 2024, the UK CoA published its combined judgement on three cases, relating to other lenders, on disclosure of dealer commissions on historical motor finance transactions. The CoA decided that, based upon the facts of those cases, motor dealers acting as credit brokers owe certain duties to their customers and set a higher bar for the disclosure of and consent to the existence, nature, and amount of commission paid to dealers than that required by current FCA rules, or regulatory requirements in force at the time of the cases in question. In February 2025, both the FCA and the National Franchised Dealers Association were granted permission by the Supreme Court and subsequently intervened in the appeal by way of written and oral submissions. The lenders involved in the cases have appealed this decision to the UK Supreme Court, and an expedited hearing was held in April 2025. The FCA has announced that it will confirm within 6 weeks of the Supreme Court appeal decision if they will be proposing a redress scheme, and if so, how they will take it forward.

The FCA prohibited the use of Discretionary Commission Arrangements ('DCA's) from January 2021, which the Group's motor finance business adhered to. The Group believes that its historical practices were compliant with previous legal authorities and regulations in place at the time and continues to engage with the current FCA review. The outcome of both the FCA's review of historical motor finance DCAs and the appeal before the Supreme Court remain uncertain, particularly in the context of the basis for any redress, and decisions on appropriate commission models along with clarity on the nature, extent and timing of any remediation. In addition, as the FCA review will conclude after the outcome of the Supreme Court hearing, this adds to the current significant uncertainty.

31 Provisions *(continued)*

In light of these developments and, in line with the requirements of IAS 37, the Group has recognised a provision of £143 million as at 31 December 2024. The provision reflects the outcome of probability weighted scenarios based on a number of key judgemental items. Significant uncertainty remains around the final financial impact.

The provision represents the Group's best estimate of the redress and compensation that may be potentially payable to impacted customers, along with costs that may be incurred by the Group in connection with any FCA consumer redress scheme. It includes, inter alia, estimates for operational costs, the potentially impacted customer population, claim rates and redress amounts.

In establishing the provision estimate, the Group has created a number of scenarios to address significant uncertainties around a number of key assumptions, as well as the perimeters of the impacted population, and the nature, extent and timing of any remediation action if required. The key judgemental items include the outcome of the Supreme Court ruling, the assumption that the FCA will implement a redress scheme in all scenarios, the claims rate applied to each scenario, the basis of redress and population of customers eligible for redress, and the probability weighting associated with each of the scenarios modelled. The scenarios considered by the Group include consideration of the CoA judgement being upheld or overturned, the use of different bases for the calculation of redress, the application of varying time periods, customer behaviours, and of the form of the FCA redress scheme for eligible customers including compensatory interest applied.

Given the developments identified above and the highlighted significant uncertainties, it is possible that the ultimate financial impact could be significantly higher or lower than the amount the Group has provided, which includes the possibility of a future provision increase in excess of the sensitivities disclosed in note 2.

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 2024, the Group held an impairment loss allowance of £4 million (2023: £3 million) on loan commitments and financial guarantees, of which £2 million are classified as stage 1 (2023: £2 million), £1 million as stage 2 (2023: £1 million) and £1 million as stage 3 (2023: £nil).

	2024		2023	
Group	**Amount £m**	**Loss allowance £m**	**Amount £m**	**Loss allowance £m**
Loan commitments (note 35)	1,255	4	1,292	3
Guarantees and irrevocable letters of credit (note 35)	11	–	12	–
Total	**1,266**	**4**	**1,304**	**3**

	2024		2023	
Bank	**Amount £m**	**Loss allowance £m**	**Amount £m**	**Loss allowance £m**
Loan commitments (note 35)	1,200	4	1,255	3
Guarantees and irrevocable letters of credit (note 35)	11	–	12	–
Total	**1,211**	**4**	**1,267**	**3**

32 Loss allowance provision on loan commitments and financial guarantees *(continued)*

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%**

Group 2023 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	222	18%	10	14%	232	18%	1	17%	–	–	1	8%
5-7	928	76%	44	63%	972	75%	5	83%	–	–	5	42%
8-9	66	6%	7	10%	73	6%	–	–	3	50%	3	25%
10-11	1	–	9	13%	10	1%	–	–	3	50%	3	25%
Total	**1,217**	**100%**	**70**	**100%**	**1,287**	**100%**	**6**	**100%**	**6**	**100%**	**12**	**100%**

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%**

32 Loss allowance provision on loan commitments and financial guarantees *(continued)*

Bank

2023 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	185	16%	10	14%	195	15%	1	17%	–	–	1	8%
5-7	928	79%	44	63%	972	78%	5	83%	–	–	5	42%
8-9	66	5%	7	10%	73	6%	–	–	3	50%	3	25%
10-11	1	–	9	13%	10	1%	–	–	3	50%	3	25%
Total	**1,180**	**100%**	**70**	**100%**	**1,250**	**100%**	**6**	**100%**	**6**	**100%**	**12**	**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 £7 million (2023: £5 million) on loan commitments and £nil (2023: £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.

Recent UK case law has questioned the validity of pension scheme deed changes made during the period 1997 to 2016 affecting contracted out UK benefits, which potentially impacts the Group's UK defined benefit plan.

The Trustees have sought legal advice and investigations are ongoing. The Group is also awaiting the outcome of further developments on this matter with respect to an additional external legal case, and potential retrospective regulations that may be applied. Pending legal clarification, the Group's defined benefit obligation does not include any adjustment related to this UK case law.

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.

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

33 Retirement benefit obligations *(continued)*

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 Bank'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 2024, the Group would adopt a CPI assumption of 0.60% p.a. lower than RPI.

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 2024.

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	2024 % p.a.	2023 % p.a.
Consumer price inflation	2.65	2.55
Retail price inflation	3.25	3.15
Discount rate	5.65	4.75
Rate of general increase in salaries	3.75	3.65
Rate of increase in pensions in payment	3.00	3.00
Rate of increase in deferred pensions	2.65	2.55

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	2024 % p.a.	2023 % p.a.
Longevity at age 70 for current pensioners		
Men	18.6	19.2
Women	20.2	20.6
Longevity at age 60 for active members currently aged 60 years		
Men	28.0	28.6
Women	29.9	30.4
Longevity at age 60 for active members currently aged 40 years		
Men	29.4	30.1
Women	31.3	31.8

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.

	2024 £m	2023 £m
Total charge in operating expenses	**(1)**	**–**
Total gain in remeasurements[1]	**2**	**–**
Total asset in the balance sheet	**14**	**11**

[1] *Shown before deferred tax.*

33 Retirement benefit obligations *(continued)*

The movement in the net defined benefit asset / obligation is as follows:

Bank	2024 Present value of obligation £m	2024 Fair value of plan assets £m	2024 Surplus / (deficit) of plan £m	2023 Present value of obligation £m	2023 Fair value of plan assets £m	2023 Surplus / (deficit) of plan £m
At 1 January	**(32)**	**43**	**11**	**(30)**	**40**	**10**
Current service cost	–	–	**–**	–	–	**–**
Interest (expense) / income	(1)	2	**1**	(1)	2	**1**
Total amount in recognised income statement	**(1)**	**2**	**1**	**(1)**	**2**	**1**
Return on plan assets not included in income statement	–	(3)	**(3)**	–	2	**2**
Change in demographic assumptions	1	–	**1**	–	–	**–**
Change in financial assumptions	4	–	**4**	(1)	–	**(1)**
Experience losses	–	–	**–**	–	–	**–**
Total remeasurements in other comprehensive income	**5**	**(3)**	**2**	**(1)**	**2**	**1**
Benefit payments	2	(2)	**–**	1	(1)	**–**
Employer contributions	–	1	**1**	–	1	**1**
Other	(2)	1	**(1)**	(1)	(1)	**(2)**
Other movements	**–**	**–**	**–**	**–**	**(1)**	**(1)**
At 31 December	**(28)**	**42**	**14**	**(32)**	**43**	**11**

Asset breakdown	2024 £m	2023 £m
Equities[1] (quoted)	–	7
Corporate bonds	8	10
Liability Driven Investment (LDI)	20	14
Other quoted securities[1]	14	12
Cash	–	–
Total fair value of assets	**42**	**43**

[1] *These are held indirectly in unquoted managed funds.*

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 2024.

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]	0.25	1	(1)
Salary growth	0.25	–	–
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 16 years.

Expected employer contributions for the year ended 31 December 2025 are £0.9 million. Expected employee contributions for the year ended 31 December 2025 are £49,000.

Years	£m
2025 - 2034	(16)
2035 - 2044	(19)
2045 - 2054	(19)
2055 - 2064	(13)
2065 - 2074	(6)
2075 - 2084	(2)
2085 - 2094	–
2095 - 2104	–
Total	**(75)**

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	
	2024 £m	2023 £m	2024 £m	2023 £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	2024 £m	2023 £m	2024 £m	2023 £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	
	2024 £m	2023 £m	2024 £m	2023 £m
Contingent liabilities				
Guarantees and irrevocable letters of credit	11	12	11	12
Other contingent liabilities	7	7	7	7
Total contingent liabilities	**18**	**19**	**18**	**19**
Loan commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend				
Revocable or irrevocable with original maturity of 1 year or less	1,193	1,246	1,138	1,209
Irrevocable with original maturity of over 1 year	62	46	62	46
Total commitments	**1,255**	**1,292**	**1,200**	**1,255**

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 £4 million (2023: £3 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	**2024 £m**	**2023 £m**	**2024 £m**	**2023 £m**
At 1 January	122	122	122	122
Capital reduction during the year	–	–	–	–
At 31 December	**122**	**122**	**122**	**122**

At 31 December 2024 the Bank had 406 million (2023: 406 million) shares in issue, all of which were held by the Parent and were fully paid. The Bank's authorised share capital at 31 December 2024 and 31 December 2023 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	**2024 £m**	**2023 £m**	**2024 £m**	**2023 £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 2024 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 2024 and 31 December 2023, based on contractual undiscounted repayment obligations. See also Risk Management section 2.2 for details of the maturity of assets and liabilities on a discounted basis.

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 **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**

Group **2023** **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	75	1,021	2,168	–	3,500
Lease liabilities	–	1	2	8	16	27
Customer accounts	9,864	654	978	476	–	11,972
Debt securities in issue	–	12	32	288	812	1,144
Subordinated liabilities	–	4	12	223	–	239
Contingent liabilities	19	–	–	–	–	19
Commitments	444	37	765	46	–	1,292
Total	**10,563**	**783**	**2,810**	**3,209**	**828**	**18,193**

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**

38 Liquidity risk *(continued)*

Bank 2023 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	230	75	1,021	2,168	–	3,494
Lease liabilities	–	1	2	7	16	26
Customer accounts	10,258	667	979	482	–	12,386
Debt securities in issue	–	–	14	235	–	249
Subordinated liabilities	–	4	12	223	–	239
Contingent liabilities	19	–	–	–	–	19
Commitments	444	–	765	46	–	1,255
Total	**10,951**	**747**	**2,793**	**3,161**	**16**	**17,668**

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 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)**

Group & Bank 2023 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	–	(56)	(42)	–	–	(98)
Gross settled derivative liabilities - inflows	–	76	78	6	–	160
Gross settled derivative liabilities - net flows	–	20	36	6	–	62
Net settled derivative liabilities	1	(19)	(59)	(259)	(8)	(344)
Total derivatives cash flows	**1**	**1**	**(23)**	**(253)**	**(8)**	**(282)**

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 2024 and 31 December 2023.

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 2024. All freehold and long leasehold commercial properties were valued by Lisney Ltd (or its partner, Sanderson Weatherall) as external valuers, with the exception of some select properties which were valued internally by the Group's qualified surveyors. 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)*

	2024				2023			
Group	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	–	1,171	–	1,171	–	1,248	–	1,248
Debt securities at amortised cost	476	–	–	476	489	–	–	489
Loans and advances to customers	–	–	13,938	13,938	–	–	13,745	13,745
Total	**476**	**1,171**	**13,938**	**15,585**	**489**	**1,248**	**13,745**	**15,482**
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	2,422	–	2,422	–	3,237	–	3,237
Customer accounts	–	12,236	–	12,236	–	11,803	–	11,803
Debt securities in issue	–	518	–	518	–	549	–	549
Subordinated liabilities	–	194	–	194	–	192	–	192
Total	**–**	**15,370**	**–**	**15,370**	**–**	**15,781**	**–**	**15,781**

	2024				2023			
Bank	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Fair value of financial assets held at amortised cost								
Loans and advances to banks	–	1,144	–	1,144	–	1,226	–	1,226
Debt securities at amortised cost	476	–	–	476	489	–	–	489
Loans and advances to customers	–	–	14,114	14,114	–	–	13,907	13,907
Total	**476**	**1,144**	**14,114**	**15,734**	**489**	**1,226**	**13,907**	**15,622**
Fair value of financial liabilities held at amortised cost								
Deposits from banks	–	2,415	–	2,415	–	3,230	–	3,230
Customer accounts	–	12,634	–	12,634	–	12,217	–	12,217
Debt securities in issue	–	203	–	203	–	200	–	200
Subordinated liabilities	–	194	–	194	–	192	–	192
Total	**–**	**15,446**	**–**	**15,446**	**–**	**15,839**	**–**	**15,839**

40 Fair value of assets and liabilities *(continued)*

Group and Bank	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m	2023 Level 1 £m	2023 Level 2 £m	2023 Level 3 £m	2023 Total £m
Financial assets held at fair value								
Derivative financial instruments	–	179	–	179	–	283	–	283
Non-financial assets held at fair value								
Property held at fair value	–	–	19	19	–	–	20	20
Total assets held at fair value	**–**	**179**	**19**	**198**	**–**	**283**	**20**	**303**
As a % of fair value assets	**–**	**90%**	**10%**	**100%**	**–**	**93%**	**7%**	**100%**
Financial liabilities held at fair value								
Derivative financial instruments	–	293	–	293	–	326	–	326
Total financial liabilities held at fair value	**–**	**293**	**–**	**293**	**–**	**326**	**–**	**326**
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 2024 or 31 December 2023.

Movements in level 3 assets

Property held at fair value	Group 2024 £m	Group 2023 £m	Bank 2024 £m	Bank 2023 £m
At 1 January	20	21	20	21
Additions	–	–	–	–
Revaluation of property	(1)	(1)	(1)	(1)
Other movements	–	–	–	–
At 31 December	**19**	**20**	**19**	**20**

Quantitative information about fair value measurements using significant unobservable inputs (level 3)

Group and Bank Level 3 assets	Valuation technique	Unobservable input	Fair value 2024 £m	Fair value 2023 £m	Range 2024 £m	Range 2023 £m
Property held at fair value	Market comparable property transactions	Yields	19	20	7.0% - 12.4%	7.8% - 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			
	2024		2023		2024		2023	
	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	1,171	1,171	1,248	1,248	1,144	1,144	1,226	1,226
Debt securities at amortised cost	476	476	489	489	476	476	489	489
Loans and advances to customers	14,191	13,938	14,148	13,745	14,330	14,114	14,273	13,907
Financial Liabilities								
Deposits from banks	2,422	2,422	3,237	3,237	2,415	2,415	3,230	3,230
Customer accounts	12,223	12,236	11,815	11,803	12,621	12,634	12,228	12,217
Debt securities in issue	514	518	549	549	200	203	200	200
Subordinated liabilities	190	194	190	192	190	194	190	192

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 Bank of England (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 Bank of England 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 Bank of England.

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 2024 and 2023

- On 26 November 2024 a coupon payment of £9 million was paid to the Parent in relation to the £150 million Additional Tier 1 instrument (2023: £9 million).
- 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.
- On 5 December 2023 a dividend payment of £250 million was paid to the Parent.

41 Related party transactions *(continued)*

Group Summary - Parent[1]	Note	2024 £m	2023 £m
Income statement			
Interest income	3	79	108
Interest expense	4	(88)	(72)
Fees and commissions expense	6	(13)	(14)
Net trading income / (expense)	7	24	(63)
Operating expenses paid for services provided	9	(73)	(74)
Total		**(71)**	**(115)**
Assets			
Loans and advances to banks	17	251	253
Loans and advances to customers	19	10	6
Other assets	24	–	–
Derivatives	16	175	278
Total assets		**436**	**537**
Liabilities			
Deposits from banks	26	1,464	1,061
Customer accounts	27	5	1
Debt securities in issue	28	200	200
Other liabilities	29	34	21
Derivatives	16	283	320
Subordinated liabilities	34	190	190
Total liabilities		**2,176**	**1,793**
Net exposure		**(1,740)**	**(1,256)**

[1] *This relates to amounts in respect of the Parent and entities controlled by the Parent.*

At 31 December 2024, the Parent also held the AT1 securities of £150 million (2023: £150 million) issued by the Bank which are classified as other equity instruments (see note 37).

41 Related party transactions *(continued)*

Bank	2024 Parent[1] £m	2024 Joint venture £m	2024 Total £m	2023 Parent[1] £m	2023 Joint venture £m	2023 Total £m
Income statement						
Interest income	79	–	79	108	–	108
Interest expense	(88)	–	(88)	(72)	–	(72)
Fees and commission expense	(13)	–	(13)	(14)	–	(14)
Net trading income / (expense)	24	–	24	(63)	–	(63)
Other operating income	–	24	24	–	25	25
Operating expenses paid for services provided	(58)	–	(58)	(60)	–	(60)
Total income / (expense)	**(56)**	**24**	**(32)**	**(101)**	**25**	**(76)**
Assets						
Loans and advances to banks	251	–	251	247	–	247
Loans and advances to customers	7	–	7	6	–	6
Other assets	–	–	–	–	–	–
Derivatives	175	–	175	278	–	278
Total assets	**433**	**–**	**433**	**531**	**–**	**531**
Liabilities						
Deposits from banks	1,458	–	1,458	1,055	–	1,055
Customer accounts	5	–	5	1	–	1
Debt securities in issue	200	–	200	200	–	200
Other liabilities	34	–	34	21	–	21
Derivatives	283	–	283	320	–	320
Subordinated liabilities	190	–	190	190	–	190
Total liabilities	**2,170**	**–**	**2,170**	**1,787**	**–**	**1,787**
Net exposure	**(1,737)**	**–**	**(1,737)**	**(1,256)**	**–**	**(1,256)**

[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	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	2023 Balance as at 1 January £'000	2023 Balance as at 31 December £'000	2023 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 Risk Officer, Chief Financial Officer, Chief Data & Digital Officer, Director of Savings & Lending, Chief People Officer, Chief Operating Officer, UK General Counsel, UK Company Secretary, Chief Transformation Officer, Director of NI, Partnerships & Mortgages 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 **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.*

Group **2023** **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	12	6	12	1	1
Deposits	647	615	720	6	6

[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 2023 for any member of KMP and their close family did not exceed £11,000. 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 £5.5 million for the year ended 31 December 2024 and of this amount £2.0 million was paid to Directors. This compared to £5.6 million and £2.7 million respectively for the year ended 31 December 2023;
- The highest total amount paid to any Director for the year ended 31 December 2024 was £1,004,456 comprising salary and other benefits (2023: £663,662). The total accrued pension and accrued lump sum of this Director at the year ended 31 December 2024 was £80,413 (2023: £nil);
- One Executive Director accrued retirement benefits under a defined benefit and defined contribution Bank of Ireland Group Pension Scheme for year ended 31 December 2024;
- 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 2024 or the year ended 31 December 2023.
- Two executive Directors of the Parent are also directors of the Group. The salaries of both these executive Directors are borne entirely by the Parent and are not included in the table below for the year ended 31 December 2023. For their services to the Group, the cost borne by the Parent for the Group for the year ended 31 December 2024 was £101,334 (2023: £99,209).

Group **Compensation of key management personnel**	**2024** **£000's**	**2023** **£000's**
Remuneration		
Salaries and other benefits[1]	5,110	5,434
Pension benefits	359	176
Total	**5,469**	**5,610**

[1] Salaries and other benefits includes termination payments of £225,000 (2023: £nil).

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]	Dormant	England and Wales	30 September	100	100	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	Great West House, Great West Road, Brentford, London, TW8 9DF.
First Rate Exchange Services Limited	Foreign exchange	England and Wales	31 December	50	50	Great West House, Great West Road, Brentford, London, TW8 9DF
Marshall Leasing Limited[3]	Vehicle leasing	England and Wales	31 December	100	100	Forvis Mazars LLP, 1st Floor, Two Chamberlain Square, Birmingham, B3 3AX.
Bowbell No.2 plc[4]	Securitisation	England and Wales	31 December	n/a	n/a	40a Station Road, Upminster, Essex, RM14 2TR.
Bowbell No.3 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.*
[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.*
[3] *On 1 April 2022, the business of Marshall Leasing was transferred to NIIB Group Limited, a wholly-owned subsidiary of the Group. Marshall Leasing Limited was dissolved on 7 November 2024.*
[4] *Bowbell No. 2 plc was redeemed in October 2023 and dissolved on 4 December 2024.*

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.

During 2024 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 2024, there was also cash of £23 million (2023: £11 million) in the securitisation bank account, hence the total assets of the securitisation entity was greater than the value of the notes.

Group		2024		2023	
Activity	Company	Loans and advances to customers £m	Notes in issue £m	Loans and advances to customers £m	Notes in issue £m
Acquiring mortgage loans and issuing mortgage backed securities	Bowbell No. 3 plc	334	347	380	382

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. The Group considers that it sponsors this company as it continues to be involved with it as Servicer of the transferred assets and as it is in receipt of income from the provision of these services. At 31 December 2024, the current volume of the loans under management is £144 million (2023: £178 million).

Temple Quay No 1 Plc is not consolidated but the associated income in relation to the services provided to the company is recognised in the Group's financial statements. Commission income of £0.5 million was received during the year ended 31 December 2024 (2023: £0.7 million).

43 Transferred financial assets

At 31 December 2024 and 31 December 2023, the following assets were transferred but not derecognised from the balance sheet:

Group	2024				2023			
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]	334	314	309	316	380	349	356	350

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by Bowbell No. 3, held by the Bank.*

Bank	2024				2023			
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]	334	347	309	316	380	382	356	350

[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by 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

There are no post balance sheet events that require disclosure in the financial statements.

45 Approval of financial statements

The Board of Directors approved the financial statements on 19 May 2025.

Other Information

Principal business units and addresses[1]

Bank of Ireland (UK) plc
45 Gresham Street,
City of London,
London, EC2V 7PG
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
Great West House,
Great West Road,
Brentford,
London, TW8 9DF
Tel: + 44 208 577 9393,
Fax: + 44 208 814 6685
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 30.

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

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