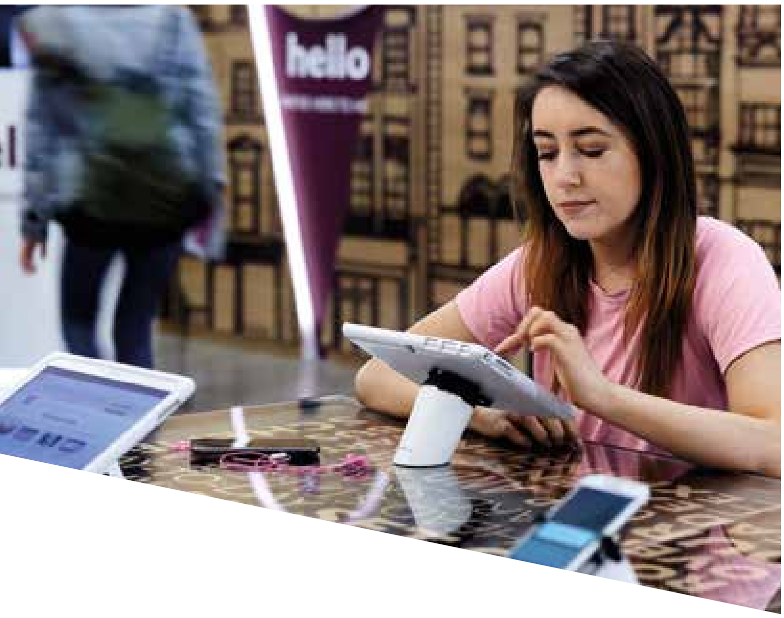

31 March 2018
Pillar 3 Supplement

AIB Group

Contents

Basis of Presentation

This report presents the interim Pillar 3 disclosures of AIB Group (AIB Group plc and its subsidiaries) as at 31 March 2018.

The disclosures have been prepared in accordance with the European Banking Authority's revised guidelines on Pillar 3 disclosure formats and frequency that were published in December 2016. In addition to summary capital and leverage disclosures, the guidelines require specific templates to be disclosed on a quarterly basis and these are included within this report with the following exceptions which are not applicable:

- Template CCR7 (RWA flow statements of CCR exposures under the IMM).
- Template MR2-B (RWA flow statements of market risk exposures under the IMA).

The information presented in the Pillar 3 Supplement is not required to be, and has not been, subject to external audit.

On 1 January 2018, IFRS 9 transitional capital arrangements were implemented by Regulation (EU) 2017/2395. AIB elected to apply the transitional arrangements at both consolidated and individual entity levels and will disclose both transitional and fully loaded CET1 ratios until the end of the transitional period. The transitional benefit is phased out over a 5 year period with 95% applicable for 2018; 85% for 2019; 70% for 2020; 50% for 2021; 25% for 2022 and with no transitional benefit from 2023 onwards.

The transitional arrangements, implemented under a modified static approach, allow for transitional relief on the 'day 1' impact on adoption of IFRS 9 (static element) and for the increase between 'day 1' and the reporting date (modified element), subject to eligibility. For the static element, all provisions are eligible for transition, whereas for the modified element, credit impaired are excluded.

Separate calculations are performed for standardised and IRB (both Foundation and Advanced) portfolios, reflecting the different ways these frameworks take account of provisions. Under the Standardised Approach, increases in provisions for both the static and the modified elements are eligible for transition. Under the IRB Approach, for both the static and modified elements, provisions are only eligible for transitional relief to the extent that they exceed regulatory expected losses.

Forward-Looking Statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'may', 'could', 'will', 'seek', 'continue', 'should', 'assume', or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, capital structure, Government shareholding in the Group, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking information. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These are set out in the Principal risks and uncertainties on pages 58 to 68 in the Annual Financial Report 2017. In addition to matters relating to the Group's business, future performance will be impacted by Irish, UK and wider European and global economic and financial market considerations. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages 58 to 68 of the Annual Financial Report 2017 is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement.

Capital and leverage

Table 1: Capital and leverage summary

The key metrics in the table below reflect the Group's risk profile. During the period to 31 March 2018, the Group's performance was in compliance with the Group Risk Appetite Framework which underpins the risk profile. These key metrics for AIB Group form part of the Risk Appetite Statement and have been calculated as prescribed in CRD IV, on a transitional and fully loaded basis.

	31 March 2018[(1)]		31 December 2017	
Capital ratios	**Transitional %**	**Fully loaded %**	Transitional %	Fully loaded %
Common equity tier 1 ratio	**20.3**	**16.8**	20.8	17.5
Total capital ratio	**21.6**	**18.5**	22.6	19.0
Capital	**€ m**	**€ m**	€ m	€ m
Common equity tier 1 capital	**10,638**	**8,747**	10,768	9,045
Total capital	**11,274**	**9,638**	11,672	9,856
Risk weighted assets ("RWA")	**€ m**	**€ m**	€ m	€ m
Credit risk	**46,337**	**46,207**	46,319	46,414
Market risk	**364**	**364**	360	360
Operational risk	**4,624**	**4,624**	4,248	4,248
Credit valuation adjustment	**960**	**960**	796	796
Other	**–**	**–**	5	5
Total RWA	**52,285**	**52,155**	51,728	51,823

Leverage	**€ m**	**€ m**	€ m	€ m
Tier 1 capital	**10,860**	**9,053**	11,028	9,336
Total leverage ratio exposure	**93,698**	**92,064**	92,328	90,593
Ratios	**%**	**%**	%	%
Leverage ratio	**11.6**	**9.8**	11.9	10.3

[(1)]As reported to the local regulator for 31 March 2018 (excluding quarter one 2018 profits less foreseeable charges.)

Transitional CET1 capital decreased by € 130 million to € 10,638 million at 31 March 2018. This was mainly due to:

– An increase in the deduction for the deferred tax assets relating to unutilised tax losses of € 276 million due to the transitional phasing arrangements increasing from 30% to 40% in 2018.

Fully loaded CET1 capital decreased by € 298 million to € 8,747 million at 31 March 2018. This was mainly due to:

– The implementation of IFRS 9 which led to a reduction of € 267 million was the main driver in the reduction of fully loaded CET 1 of € 298 million.

Capital and leverage

Table 2: IFRS 9-FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

		31 March 2018
Available capital (amounts)		**€ m**
1	Common Equity Tier 1 (CET1) capital	10,638
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,381
3	Tier 1 capital	10,860
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,603
5	Total capital	11,274
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,072
Risk-weighted assets (amounts)		**€ m**
7	Total risk-weighted assets	52,285
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	52,155
Capital ratios		**%**
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.3
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.9
11	Tier 1 (as a percentage of risk exposure amount)	20.8
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.3
13	Total capital (as a percentage of risk exposure amount)	21.6
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.2
Leverage ratio		**€ m**
15	Leverage ratio total exposure measure	93,698
		%
16	Leverage ratio	11.6
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.3

Table 3: EU OV1 – Overview of RWAs

The following table summarises RWAs and minimum capital requirements[1] ("MCRs") by risk type:

		31 March 2018		31 December 2017	
		RWA € m	MCR € m	RWA € m	MCR € m
1	**Credit risk (excluding counterparty credit risk)**	**44,854**	**3,589**	44,839	3,587
2	Of which: Standardised Approach	**26,683**	**2,135**	26,705	2,136
3	Foundation IRB ("FIRB") Approach	**11,924**	**954**	11,602	928
4	Advanced IRB ("AIRB") Approach	**6,247**	**500**	6,532	523
6	**Counterparty credit risk ("CCR")**	**2,025**	**162**	1,845	147
7	Of which: Mark to market	**813**	**65**	897	72
	Financial collateral comprehensive method for (SFTs)	**252**	**20**	152	12
12	Credit valuation adjustment ("CVA")	**960**	**77**	796	63
14	**Securitisation exposures in the banking book (after the cap)**	**39**	**3**	49	4
15	Of which: IRB Approach	**39**	**3**	49	4
19	**Market risk**	**364**	**29**	360	29
20	Of which: Standardised Approach	**364**	**29**	360	29
23	**Operational risk**	**4,624**	**370**	4,248	340
25	Of which: Standardised Approach	**4,624**	**370**	4,248	340
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**379**	**30**	382	31
	Other risk exposure amounts	**–**	**–**	5	–
29	**Total**	**52,285**	**4,183**	51,728	4,138

[1]Minimum capital requirements are calculated as 8% of risk weighted assets.

There were no significant movements in RWAs and MCRs from 31 December 2017 to 31 March 2018.

The following table provides a bridge detailing how RWAs for credit risk in the OV1 table reconciles to the capital and leverage summary table (table 1) for AIB Group.

31 March 2018	Per OV1 € m	Securitisations € m	Total credit risk € m	Amounts below the threshold for deduction € m	Total credit risk € m	Counterparty credit risk[1] € m	As reported in table 1 € m
Total credit risk	**44,854**	**39**	**44,893**	**379**	**45,272**	**1,065**	**46,337**

[1]Of which IRB: € 736 m

31 December 2017	Per OV1 € m	Securitisations € m	Total credit risk € m	Amounts below the threshold for deduction € m	Total credit risk € m	Counterparty credit risk[1] € m	As reported in table 1 € m
Total credit risk	44,839	49	44,888	382	45,270	1,049	46,319

[1]Of which IRB: € 693 m

Credit risk – IRB Approach

Table 4: EU CR8 – RWA flow statements of credit risk exposures under the IRB Approach

The table below analyses the movements in risk weighted assets under the IRB Approach. This table excludes securitisation positions € 39 million (31 December 2017: € 49 million) and counterparty credit risk € 736 million (31 December 2017: € 693 million).

		31 March 2018	
		RWA amounts € m	Capital requirements € m
1	**RWAs as at 1 January 2018**	**18,134**	**1,451**
2	Asset size	**185**	**15**
3	Asset quality	**(103)**	**(8)**
5	Methodology and policy	**–**	**–**
7	Foreign exchange movements	**(45)**	**(4)**
9	**RWAs as at 31 March 2018**	**18,171**	**1,454**

		31 December 2017	
		RWA amounts € m	Capital requirements € m
1	**RWAs as at 1 January 2017**	20,026	1,602
2	Asset size	975	78
3	Asset quality	(836)	(67)
5	Methodology and policy	(1,650)	(132)
7	Foreign exchange movements	(381)	(30)
9	**RWAs as at 31 December 2017**	18,134	1,451

There were no significant movements in RWAs under the IRB Approach from 31 December 2017 to 31 March 2018.